

KANTAR PUBLIC



FCA Practitioner Panel Survey

2018 Report

June 2018

Foreword

This year the FCA and FCA Practitioner Panel have, for the second time, carried out a joint survey of regulated firms to monitor the industry's perception of the FCA and to what extent it is meeting its objectives.

The FCA set out its decision-making framework in its Mission document, published in 2017, and in the subsequent approach documents which detail how the Mission will be taken forward. The evaluation process is an important element of that framework. Testing the effectiveness of the FCA's work helps it to make better decisions and increase public value, and by listening to feedback it can learn for the future. The joint survey helps to provide feedback on the FCA's work from across the industry, especially from the many smaller firms which do not have direct contact with the regulator.

We were pleased that this year the response rate to the survey has increased from 21% to 26%. The more feedback we get, the more we can work together to make financial services work better for everyone.

We were also pleased to see that the scores which we track for overall satisfaction and effectiveness have continued to increase, as they have done throughout the life of the FCA. Satisfaction has increased from 7.5 to 7.6 out of 10, and effectiveness from 7.0 to 7.1. The scores of the larger firms, which are traditionally lower than those of the smaller firms without direct supervision, have increased from 6.9 last year to 7.3 this year.

Each year, the FCA particularly looks at feedback on how well it is achieving its three operational objectives:

- securing an appropriate degree of protection for consumers
- protecting and enhancing the integrity of the UK financial system
- promoting effective competition in the interests of consumers

Over the last year, there has been an improvement in the perception of the FCA's performance against all three of its operational objectives. The FCA is unusual as a financial services regulator in having an explicit competition objective, and this has traditionally received lower scores than the other objectives. The FCA has worked hard this year to explain its competition objective through the publication of the Approach to Competition and a number of market studies, and confidence in this objective has risen significantly.

The FCA has also made additional efforts to explain the breadth of its work and how it operates through the publication of other approach documents covering authorisations, supervision and enforcement. The FCA has continued to enhance its engagement with smaller firms through the 'Live & Local' national outreach programme, as well as continued improvements to direct digital communications such as the monthly Regulation Round Up and more use of webinars.

The analysis of the findings has identified a number of areas for improvement which the FCA will address over the coming year:

- facilitating innovation within UK financial services
- transparency of regulation
- more forward-looking regulation

Andrew Bailey
Chief Executive, FCA

The FCA and the Panel will continue to work together to identify where the regulator is working well and where there is room for improvement. Addressing the issues identified in this report will help the FCA to continue adapting to the rapidly changing external environment, to ensure the UK maintains its strong international reputation for regulation.

Anne Richards
Chair, FCA Practitioner Panel

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1. Executive Summary

The FCA and Practitioner Panel Survey offers firms regulated by the FCA the opportunity to feedback their views on the performance of the regulator.

The latest wave of the survey was conducted by Kantar Public on behalf of the FCA and the Panel. Fieldwork took place between January and March 2018. In total, 2,613 firms completed the survey, constituting a response rate of 26%. Results for Consumer Credit firms are presented separately and are based on responses from 190 firms.

Objectives

Firms were asked how confident they felt that the FCA's oversight of the industry will deliver on its strategic and operational objectives.

Firms are more likely this year to be confident that the FCA can meet its strategic objective of ensuring that financial markets function well (86% of firms, compared with 79% in 2017).

Between 2017 and 2018 there has also been an improvement in firms' perceptions of the FCA's performance across all its operational objectives;

- Securing an appropriate degree of protection for consumers
- Protecting and enhancing the integrity of the UK financial system
- Promoting effective competition in the interests of consumers in the financial markets.

The industry as a whole continues to express lower levels of confidence in the FCA's ability to deliver on its third objective of promoting competition and confidence is lower here among fixed portfolio firms compared with flexible portfolio firms. Overall though, firms are more

positive about the FCA's prospects in terms of promoting effective competition than they were this time last year, continuing a longer-term trend. The proportion of firms expressing confidence that the FCA can meet this objective has risen to 72% (up from 60% in 2017 and 56% in 2016).

Satisfaction and Effectiveness

Firms were asked to rate their satisfaction with the relationship they have with the FCA, and how effective the FCA has been in regulating the financial services industry in the last year. Overall the survey shows that the majority of firms are generally satisfied with the regulatory relationship and believe that the FCA is an effective regulator. Satisfaction has increased slightly year on year, from 7.5 to 7.6 out of 10, as has the effectiveness score, rising from 7.0 to 7.1 out of 10.

As in previous years, fixed portfolio firms tend to be less positive about the effectiveness of the FCA. However, in 2018 fixed firms reported an improved average rating for satisfaction with their relationship with the FCA: 7.3, compared with 6.9 in 2017.

Drivers of satisfaction and effectiveness

A further exploration of the data shows the factors that are important in driving levels of satisfaction with the FCA and perceptions of effectiveness.

This analysis identified three main priorities for improvement, where performance is lower in the areas identified as important by firms. The three priority areas for improvement were:

- Facilitating innovation within UK financial services
- Transparent regulation
- Forward-looking regulation

Two of these factors (being transparent and being forward looking) were also identified as areas for improvement in 2016. This suggests that the more work still needs to be done in these areas.

The 2018 results indicate changing priorities for the FCA over the next 12 months. The priorities identified for improvement in 2017 were:

- The FCA's remit being clearly communicated and understood
- The FCA supporting firms adequately during significant regulatory changes

International issues

As in previous waves of the survey, firms were asked for their views on several aspects of international regulation. For 2018, more specific feedback was also sought around the FCA's role in helping firms to prepare for the process of the UK withdrawing from the EU.

In relation to international regulation, firms' views are largely unchanged compared with previous waves of the survey. The results suggest that the FCA has made little or no progress in the area of international regulation over the last 12 months. Compared with 2017, both fixed and flexible firms were slightly less likely to agree that the FCA is sufficiently leading developments in international regulation. In fact, disagreement among fixed firms has increased, from 13% in 2017 to 15% in 2018. Only a minority of all firms (28%) agreed that the FCA has been alert to emerging EU issues.

Just over a quarter of all firms (28%) agreed that the FCA is communicating with firms, to the extent that it can, on the process of preparing to exit the EU, with less than two in ten (16%) saying that they disagreed. By far the largest contingent (50%) said that they neither agree nor disagree with this statement.

When firms were asked what the FCA should be doing ahead of the UK's withdrawal from the EU, the most common responses were:

- Ensure clear and regular communication with firms
- Communicate the effect leaving the EU will have.

Trust

Continuing the trend seen over the last two years, most firms (78%) reported that their level of trust in the FCA had stayed the same over the previous 12 months. Overall, 15% of firms said that their trust had increased, a slight fall from the 18% reported in 2017. Seven per cent of firms reported a decrease in trust, similar to the six per cent figure reported in 2017.

Fixed firms were also very positive about the knowledge of their supervisors, the consistency of their approach and whether they had the necessary skills to undertake the role.

Contact and communication

Overall firms were broadly satisfied with communication from the FCA, with an average satisfaction score of 7.4 out of 10. This represents a significant improvement from 2017, when the average score was 7.0.

Firms were also asked to rate their level of interaction with the FCA. The vast majority (93%) felt the level of contact to be 'about right'. These results are broadly comparable to those seen in 2016 and 2017. Results are also similar for fixed and flexible firms.

The improvements to communications most commonly requested by firms were to improve the usability of the handbook (54%), simplify communications (53%), and target communications for different types of firms (50%). These three improvements were also the most commonly cited in 2016 and 2017.

The FCA Mission

In 2017, following a consultation with key stakeholders and firms from across the industry, the FCA published a Mission setting out a framework for the way in which it will make decisions about regulation and thus serve the public interest. The opportunity was taken to ask

responding firms whether or not they had engaged with the Mission to any extent, and if so, gather their views on the document.

The majority of firms said that they had read the Mission document. Only eight per cent of firms said that they were not aware of the Mission. Awareness of and engagement with the Mission was higher among fixed firms than flexible firms.

Understanding of regulation and regulatory burden

Firms were asked to consider financial regulation as it relates to the industry as a whole and their own firm. There is a high level of support across the industry for strong regulation; 83% of firms agreed that strong regulation benefits the industry as a whole. A majority of firms (79%) also agreed that the work of the FCA enhances the reputation of the UK as a financial centre.

While there was a relatively low level of agreement with the statement 'The FCA is effective in facilitating innovation within UK financial services' (37% of firms agreed), the 2018 results do represent an improvement in this regard. In 2017, only a quarter of firms (24%) agreed that the FCA was effective in facilitating innovation.

Six in ten firms responding to the survey had experience of the FCA's authorisation process, including variations of permission, in the last two years. Half of these firms (50%) felt to a great extent that it was clear what was required of their firm, while a similar proportion (49%) felt to a great extent that the FCA was helpful. Firms were slightly less likely to consider the overall process to be straightforward, with four in ten (43%) feeling to a great extent that this was the case.

Enforcement

More than eight in ten firms (84%) agreed that the FCA's enforcement procedure is understood by

the industry to have real and meaningful consequences for firms and individuals who don't follow the rules, while seven in ten (72%) agreed that FCA enforcement action in their sector(s) is effective at reinforcing the FCA's expectations.

When asked if they could recall any enforcement action in the past two years that was relevant to their business, just over half of firms (56%) were able to do so, a substantial rise from the equivalent figure in 2017 (31%). This continues a gradual increase from 2016, when the equivalent figure was 15%.

While most firms took some action when they were aware of relevant enforcement action, the proportion of firms saying that they did nothing has risen since last year. In 2017, only seven per cent of firms said that they took no action as a result. The equivalent figure in 2018 is 14%.

Consumer Credit Firms

The consumer credit sector represents more than 30,000 firms. As in the previous reports, the results of this credit sector are presented separately and not incorporated into the headline figures. This has allowed consumer credit firms to have a voice whilst also maintaining key trend data. Overall, seven in ten consumer credit firms (70%) rated their satisfaction with their relationship with the FCA as high (a score of 7 to 10), with a mean satisfaction score of 7.5. This is largely unchanged since 2017. Seven in ten firms (70%) rated the FCA as being highly effective.

Almost nine in ten consumer credit firms are confident in the FCA's ability to secure an appropriate degree of protection for consumers (89%) and in their ability to protect and enhance the integrity of the UK financial system (88%). Just over eight in ten (84%) are confident in the FCA's ability to promote effective competition.



2. Performance of the FCA as a regulator

This chapter explores perceptions of the FCA's performance as a regulator against its objectives as well as firms' perceptions of the effectiveness of the regulator and satisfaction with their relationship with the FCA.

2.1 FCA Performance against objectives

Firms were asked how confident they felt that the FCA's oversight of the industry will deliver on its objectives, including the single strategic objective of ensuring financial markets function well and the three operational objectives:

- Securing an appropriate degree of protection for consumers
- Protecting and enhancing the integrity of the UK financial system
- Promoting effective competition in the interests of consumers in the financial markets

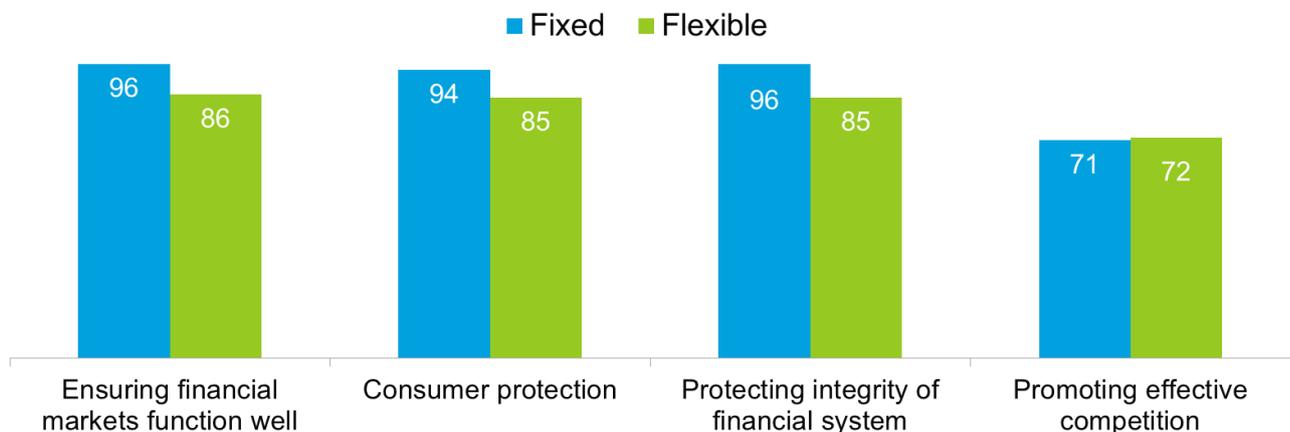
Overall, the vast majority of firms (86%) were confident that the FCA was delivering on its

strategic objective of ensuring financial markets function well. This represents an increase from 79% in 2017. Almost all fixed firms (96%) felt this to be the case compared with 86% of flexible firms. Levels of confidence were slightly lower in the Retail Investments sector (81%).

Between 2017 and 2018 there has been an improvement in firms' perceptions of the FCA's performance across all its objectives. This improvement in confidence is seen across both fixed and flexible firms. Overall, 85% of firms were confident that the FCA was securing an appropriate degree of protection for consumers, 85% were confident that it was protecting and enhancing the integrity of the UK financial system and 72% were confident the it was promoting effective competition in the interests of consumers.

Confidence tended to be slightly higher among fixed firms compared with flexible firms (Fig. 3.1).

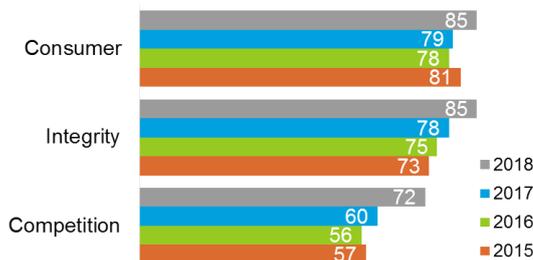
Figure 3.1 – Level of confidence in the FCA's performance against objectives (% very/fairly confident)



Base: All firms: Fixed (65); Flexible (2,548)

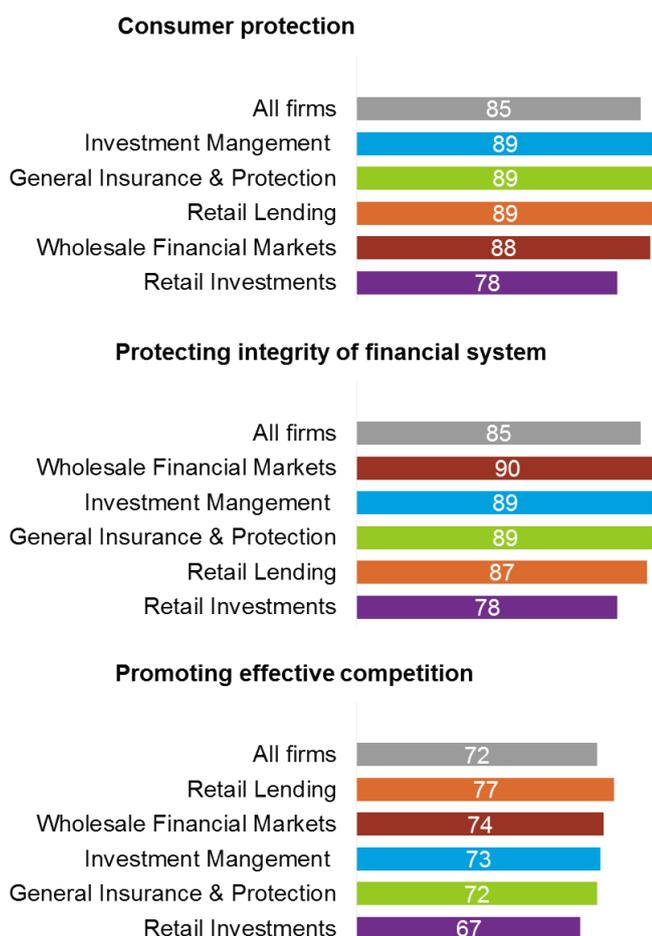
The previous two sweeps of the survey have highlighted the need to improve performance against the third operational objective ‘promoting effective competition in the interest of consumers’ as confidence was much lower compared with the other objectives (Fig. 3.2). There has been a significant increase this year in confidence in the FCA’s ability to deliver on this objective from 60% in 2017 to 72% in 2018. Although confidence remains lower compared with performance against the other objectives, this shows good progress in improving confidence in this area.

Figure 3.2 – Level of confidence in the FCA’s performance against objectives: year on year (% very/fairly confident)



Base: All firms: 2018 (2,613); 2017 (2,080); 2016 (3,357); 2015 (4,055)

Figure 3.3 – Level of confidence in the FCA’s performance against objectives: by Sector (% very/fairly confident)



Base: All firms (2,613); Investment Management (294); Wholesale Financial Markets (246); General Insurance & Protection (530); Retail Lending (385); Retail Investments (1,110)

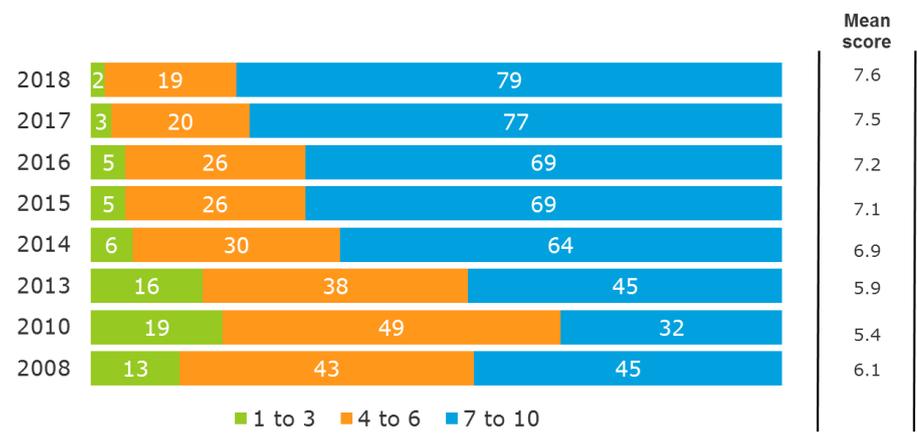
Across all objectives, the proportion of firms reporting higher levels of confidence was lower among the Retail Investments and Retail Banking¹ sectors (Figure 3.3).

- **Consumer protection** - 78% of firms in the Retail Investments sector were confident compared with 85% of firms overall
- **Protecting integrity of the financial system** - 78% of firms in the Retail Investments sector were confident compared with 85% of firms overall
- **Promoting effective competition** - 67% of firms in the Retail Investments sector were confident compared with 72% of firms overall

Firms who reported lower levels of confidence in the FCA’s ability to meet its objectives were asked to describe their reasons for a lack of confidence. Looking specifically at the competition objective, where levels of confidence are lower, the most common reasons given by firms were: large firms have an unfair advantage over small firms (cited by 31% of firms who reported low levels of confidence), excessive regulation (31%) increased costs (15%) and the FCA focussing on the wrong things (13%).

¹ Base sizes are too low in this sector to report the differences separately.

Figure 3.4 – Satisfaction with relationship with the FCA (2008-2018)



Base: All firms: 2018 (2,613); 2017 (2,230); 2016 (3,357); 2015 (4,055); 2014 (3,146); 2013 (1,470); 2010 (4,187); 2008 (4,407)

2.2 Satisfaction with relationship with the FCA

Firms were asked to rate their satisfaction with the relationship they have with the FCA on a scale of 1 to 10, with 1 being extremely dissatisfied and 10 being extremely satisfied.

Overall, over three quarters of firms (79%) gave a high satisfaction score (7 to 10). The mean score was 7.6, a slight increase from 7.5 in 2017.

Satisfaction levels were slightly lower among fixed firms compared with flexible firms (7.3 compared with 7.6). However, there has been an increase in satisfaction levels among fixed firms from 6.9 in 2017 to 7.3. Across the sectors there was little difference in levels of satisfaction with the relationship with the FCA, although satisfaction levels were slightly higher among Retail Lending firms (7.9).

2.3 Effectiveness of the FCA in regulating the financial services industry in last year

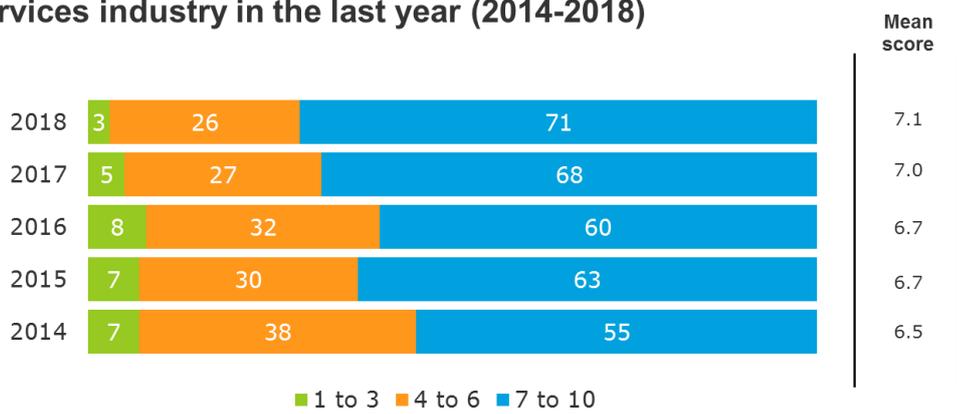
Firms were asked how effective the FCA has been in regulating the financial services industry in the last year (again using a 10 point scale with 1 being not at all effective and 10 being extremely effective).

Between 2017 and 2018 firms' rating of the effectiveness of the FCA in regulating the industry has increased from 7.0 to 7.1, continuing the trend showing improvement in this area since 2016 (Figure 3.5).

As with satisfaction scores, the fixed firms gave a lower score on average than flexible firms (6.9 compared with 7.1).

Perceptions of the effectiveness of the FCA were lower in the Retail Investments sector (6.7) and highest among Retail Lending sector firms (7.6).

Figure 3.5 – Effectiveness of the FCA in regulating the financial services industry in the last year (2014-2018)



Base: All firms: 2018 (2,613); 2017 (2,230); 2016 (3,357); 2015 (4,055); 2014 (3,146)

2.4 Drivers of satisfaction and effectiveness

A further exploration of the data shows the factors that are important in driving levels of satisfaction with the FCA and perceptions of effectiveness. Figure 3.6 plots the FCA's performance for each factor with the level of importance in driving satisfaction and effectiveness.

Factors included in the 'Continue doing well' quadrant are those areas which were highly important in driving satisfaction and effectiveness and where FCA performance received a high rating.

Overall performance levels across these areas were relatively high so while some are identified for improvement, this improvement would build on a relatively good position. The priorities for improvement are shown under 'Main areas to improve'. These factors were shown to be important but were given lower performance ratings.

The three priority areas for improvement were:

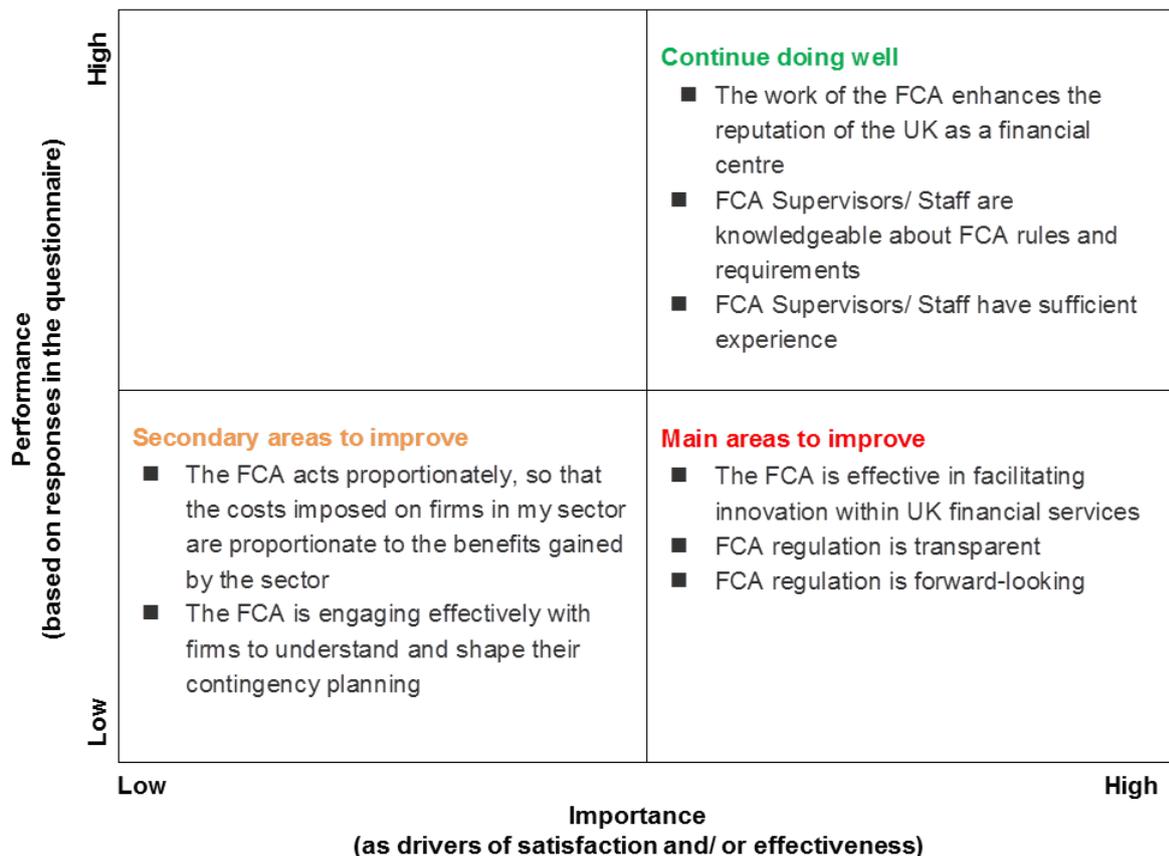
- The FCA is effective in facilitating innovation within UK financial services
- FCA regulation is transparent
- FCA regulation is forward-looking

Secondary areas to improve are those areas where performance was lower but these areas were less important to firms.

The secondary areas to improve were:

- The FCA acts proportionately, so that the costs imposed on firms in my sector are proportionate to the benefits gained by the sector
- The FCA is engaging effectively with firms to understand and shape their contingency planning

Figure 3.6 – Key driver analysis: key areas to improve



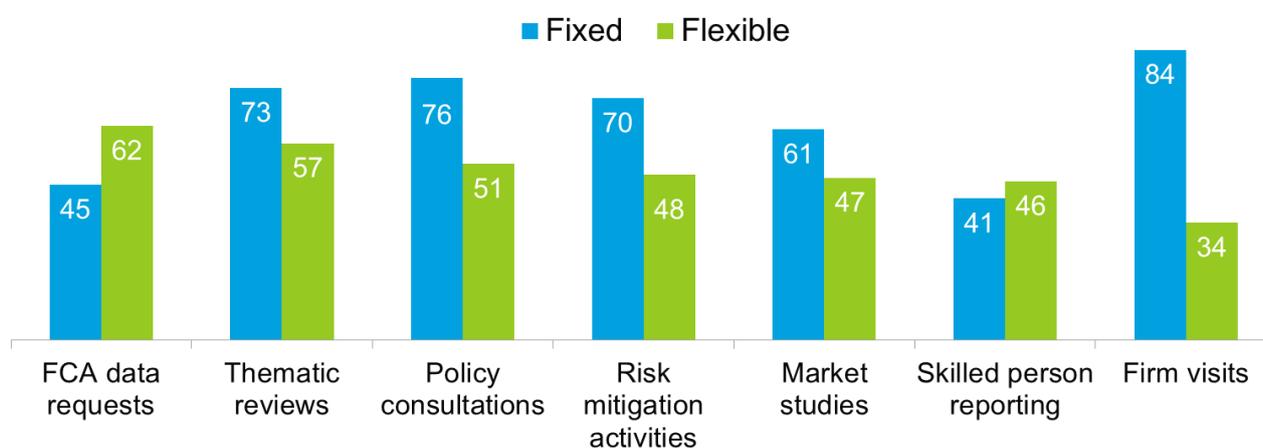
2.5 FCA processes

Firms were asked to what extent they agreed or disagreed that a number of different FCA processes were working effectively (Fig 3.7)².

Fixed firms were most likely to agree that firm visits were effective (84%), followed by policy consultations (76%) and Thematic reviews (73%).

However, flexible firms were most likely to agree that FCA data requests were effective (62%), followed by Thematic reviews (57%) and Policy consultations (51%).

Figure 3.7 – Proportion of firms agreeing that FCA processes are effective



Base: All firms: Fixed (65); Flexible (2,548)

² Firms who did not feel the process applied to them could record a 'not applicable' code and these answers have been removed from the analysis.



3. International issues

In light of the UK’s impending withdrawal from the European Union, international regulatory issues are understandably a key consideration for the FCA and the Panel. As in previous waves of the survey, firms were asked for their views on several aspects of international regulation. For 2018, more specific feedback was also sought around the FCA’s role in helping firms to prepare for the process of the UK withdrawing from the EU.

3.1 International regulation

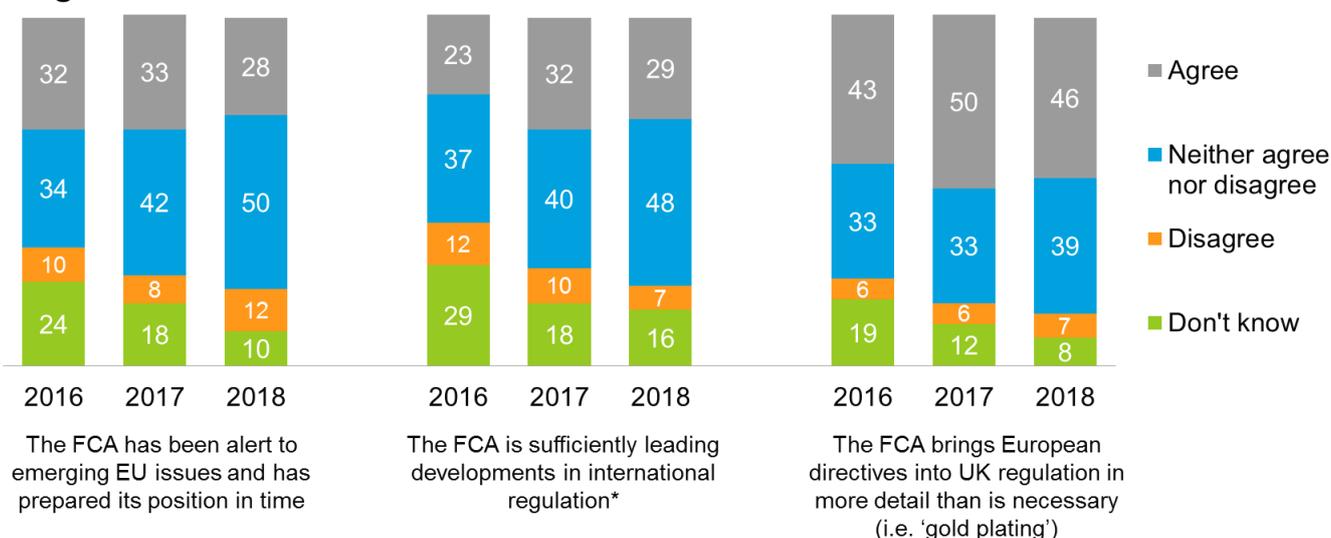
All firms were asked whether they agree or disagree with a number of statements regarding the FCA’s approach to EU regulation (Fig. 4.1). Over the last three years, the proportion of firms giving an answer of ‘Don’t know’ has decreased in relation to all statements. This suggests that firms are taking a more active interest in international regulation. However, there has been a corresponding increase in the proportion of firms saying that they neither agree nor disagree with

the statements. As such, firms were no more likely than in previous years to offer a definitive opinion on the FCA’s role in relation to international regulation.

Fixed firms were more likely than flexible firms to take a view on the FCA’s performance in this area. More than four in ten fixed firms (45%) agreed that the FCA has been alert to emerging EU issues (compared with 28% of flexible firms) while a quarter (25%) disagreed (compared with 11% of flexible firms). Similarly, almost half of fixed firms (48%) agreed that the FCA is sufficiently leading developments in international regulation (compared with 29% of flexible firms) with 15% saying that they disagreed (compared with 7% of flexible firms).

The results suggest that the FCA have made little or no progress in the area of international regulation over the last 12 months. Compared with 2017, both fixed and flexible firms were slightly less likely to agree that the FCA is sufficiently leading developments in international

Figure 4.1 – Agreement with statements about the FCA’s approach to international regulation



Base: All firms: 2016 (3,357); 2017 (2,080); 2018 (2,613)

*In 2016 and 2017, the equivalent statement was 'The FCA leads developments in international regulations as opposed to responding to them'



regulation. In fact, disagreement among fixed firms has increased, from 13% in 2017 to 15% in 2018.

Flexible firms were less likely to agree that the FCA has been alert to emerging EU issues (28% compare with 33% in 2017). While agreement among fixed firms has not change (45% in both 2017 and 2018), fixed firms were more likely than 12 months ago to disagree that the FCA has been alert to emerging EU issues (25% compared with 13% in 2017).

3.2 Impact and implications of the UK leaving the EU

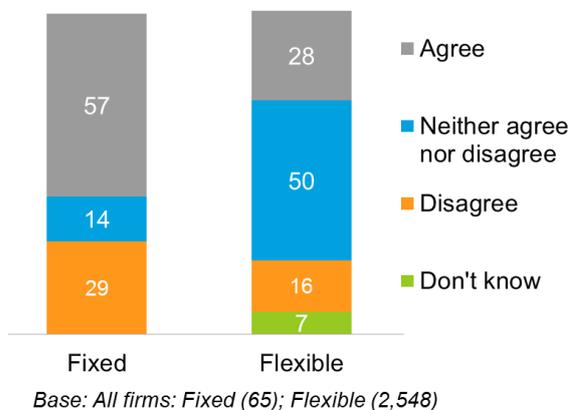
The 2017 survey was the first opportunity to ask firms for their views on the UK leaving the EU ('Brexit') and the role that the FCA might be play in supporting firms through that process. With the leave date approaching next year, the 2018 survey expanded this area of enquiry and sought some more specific feedback from firms.

The 2017 survey asked firms their level of agreement with the statement 'The FCA is communicating effectively with firms on the process of preparing to exit the EU'. Open text responses provided by firms acknowledge that, at that stage, they did not necessarily expect the FCA to have much information to impart. To reflect this observation, for the 2018 survey the statement was changed to 'The FCA is communicating with firms, to the extent that it can, on the process of preparing to exit the EU'. It was felt that this minor reframing of the statement would enable firms to provide responses in a more accurate context.

In 2018, just over a quarter of all firms (28%) agreed that the FCA is communicating with firms, to the extent that it can, on the process of preparing to exit the EU, with less than two in ten (16%) saying that they disagreed (Fig. 4.2). By far the largest contingent (50%) said that they neither agree nor disagree with this statement.

The picture is very different among fixed firms. Almost six in ten fixed firms (57%) agreed that the FCA is communicating with firms, to the extent

Figure 4.2 – Agreement with statement: 'The FCA is communicating with firms, to the extent that it can, on the process of preparing to exit the EU'



that it can, on the process of preparing to exit the EU, reflecting a much more positive impression of the FCA's role, in comparison to flexible firms. However, fixed firms were also more likely than flexible firms to disagree with this statement (29%, compared with 16% of flexible firms). These results suggest a higher level of engagement with the process among fixed firms.

Although the statements used in 2017 and 2018 are not directly comparable, comparing the results for fixed firms is somewhat illustrative (Fig. 4.3). While agreement levels have increased

Figure 4.3 – Agreement with statements on FCA communication around Brexit process (Fixed firms)

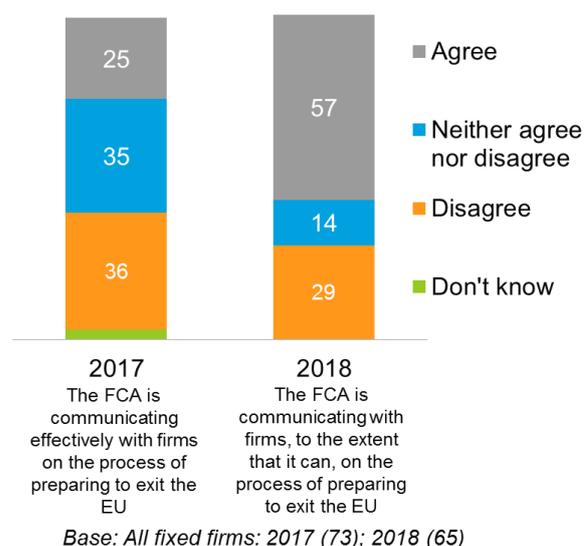
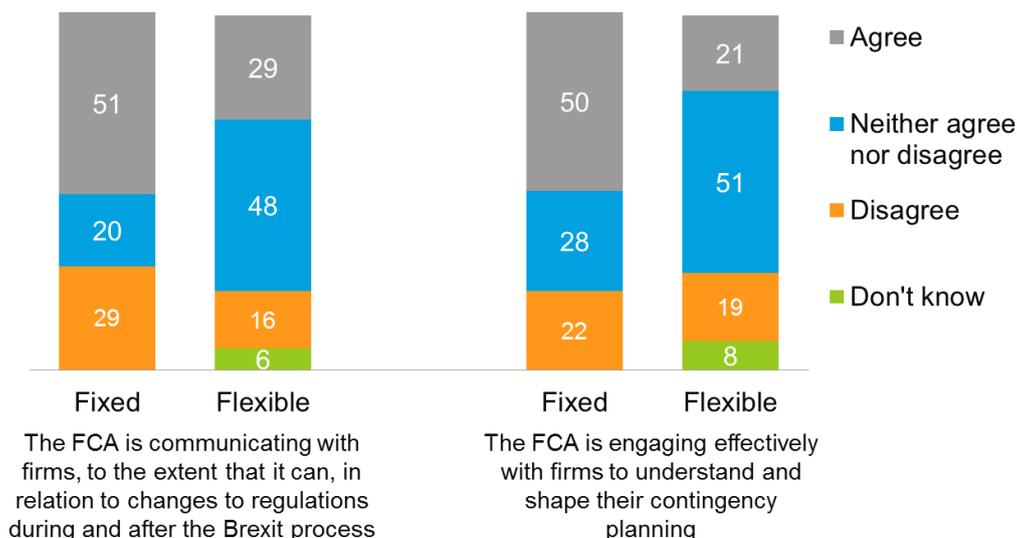




Figure 4.4 – Agreement with statements about the FCA’s role in supporting firms through the Brexit process



Base: All firms: Fixed (65); Flexible (2,548)

substantially year-on-year (from 25% in 2017 to 57% in 2018), the proportion of fixed firms who disagreed that that the FCA is communicating on the process of preparing to exit the EU has only fallen slightly, from 36% in 2017 to 29% in 2018. The message here seems to be that there is still a sizable minority of fixed firms that feel there is more the FCA could be doing to communicate with firms about this process.

Firms were asked about two new statements for the 2018 survey. As shown in Figure 4.4, agreement levels are similar for both statements. Half of fixed firms agreed that the FCA is communicating with firms, to the extent that it can, in relation to changes to regulations during and after the Brexit process (51%) and a similar proportion (50%) agreed that the FCA is engaging effectively with firms to understand and shape their contingency planning. Again agreement levels are lower among flexible firms, with three in ten (29%) agreeing that the FCA is communicating on changes to regulation, and two in ten (21%) agreeing that the FCA is engaging effectively with firms.

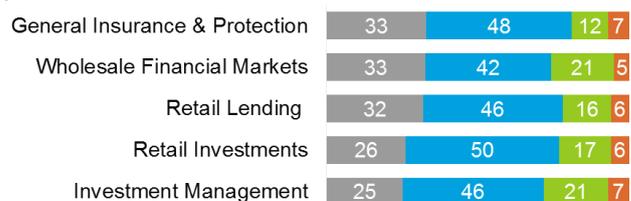
At sector level, there is a degree of variation in how firms view the FCA’s role in preparing for Brexit (Fig. 4.5). Firms in the Investment Management and Retail Investments sectors are invariably the least likely to agree that the FCA is

Figure 4.5 – Agreement with statements about the FCA’s role in supporting firms through the Brexit process (by Sector)

The FCA is communicating with firms, to the extent that it can, on the process of preparing to exit the EU



The FCA is communicating with firms, to the extent that it can, in relation to changes to regulations during and after the Brexit process



The FCA is engaging effectively with firms to understand and shape their contingency planning



■ Agree ■ Neither agree nor disagree ■ Disagree ■ Don't know

Base: All firms: Investment Management (294); Wholesale Financial Markets (246); General Insurance & Protection (530); Retail Lending (385); Retail Investments (1,110)

performing well in terms of communicating with and supporting firms through the Brexit process.

All firms were provided with an opportunity to express what they felt the FCA should be doing ahead of the UK’s withdrawal from the EU. This was an open question, allowing respondents to type in a verbatim response. The responses were then grouped together into common themes.

The main messages expressed by firms related to provided clear information (Fig. 4.6). Ensuring clear and regular communication with firms was cited as a priority by 14% of firms, while 13% of firms would like the FCA to communicate the effect that leaving the EU will have. Just under one in ten firms (9%) commented that it was too early to say what the FCA should be doing in this area.

Suggestions coming from fixed firms were broadly the same, although this group had slightly more focus on obtaining information from the FCA. The most common response among fixed firms was that the FCA should be providing more guidance and clarity on regulation as it relates to Brexit, mentioned by 18% of fixed firms.

Figure 4.6 - Top three messages: Is there anything else that the FCA should be doing, within its powers and in line with its remit, ahead of the UK’s withdrawal from the EU?





4. Trust

4.1 Overall trust in the FCA

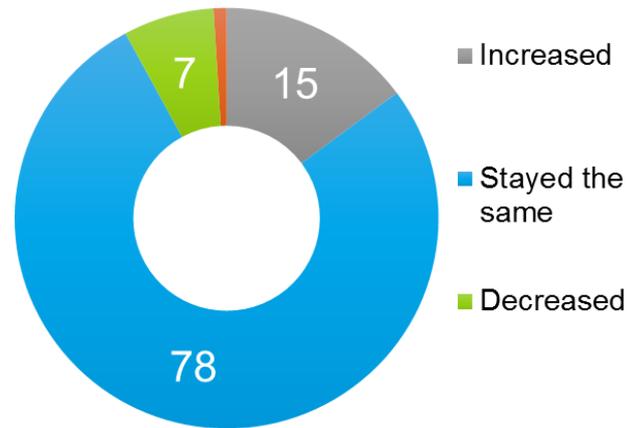
The previous two sweeps of the survey, in 2016 and 2017, have explored in some detail the issue of firms' trust in the regulator. In both surveys it was found that for the majority of firms' levels of trust had not changed in the previous 12 months.

The 2018 survey also asked firms whether their trust in the FCA had increased, decreased, or stayed in the same in the last 12 months (Fig. 5.1).

Continuing the trend seen over the last two years, most firms (78%) reported that their level of trust in the FCA had stayed the same over the previous 12 months.

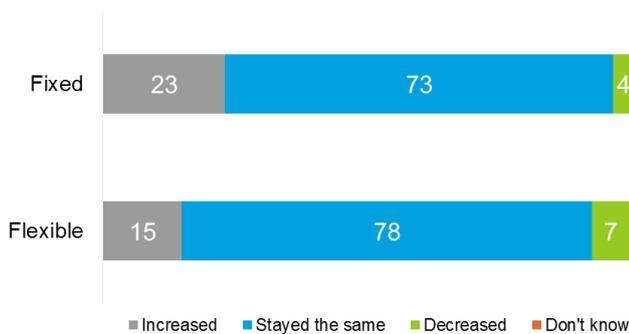
Overall, 15% of firms said that their trust had increased, a slight fall from the 18% reported in 2017. Seven per cent of firms reported a decrease in trust, similar to the six per cent figure reported in 2017.

Figure 5.1- Over the last 12 months, would you say your firm's trust in the FCA has: Increased, Decreased or Stayed the same?



Base: All Firms (2,613)

Figure 5.2 – Change in the level of trust in the FCA over the last 12 months, by firm type



Base: All firms: Fixed (65); Flexible (2,548)

As shown in figure 5.2, fixed firms were more likely to report an increased level of trust in the FCA (23%) compared with flexible firms (15%).

Trust levels across the different sectors are broadly the same. Firms within the Wholesale Financial Markets sector were the most likely to report an increase in trust in the FCA (23%). Retail Investment firms were the least likely to report an increase in trust (13%).

All firms were asked what would be their one message they would like to deliver to the FCA. Firms whose trust had decreased were more likely to have the following messages compared with firm's whose trust had increased:

- Take more decisive action against firms that are involved in wrong doing (20% vs 10%)
- Regulation is excessive/ should be reduced (11% vs 2%);
- Make sure rules are simple/clear/easy to understand (11% vs 5%);

4.2 Perceived transparency of the FCA

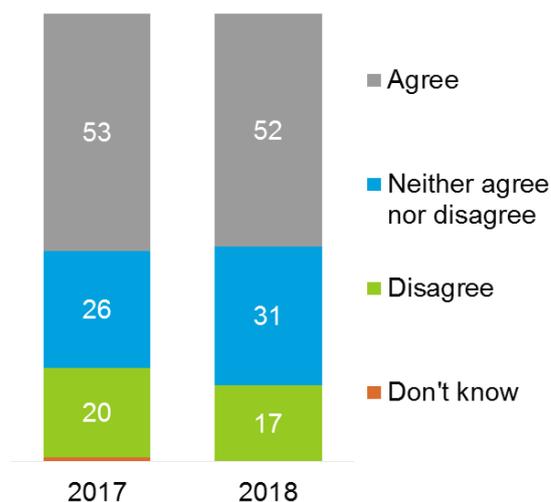
A key element of trust is the extent to which firms see the FCA regulation as being transparent. Improving the perception of FCA regulation as being transparent has been identified as a priority area to improve (see Chapter 3) due to it being one of the key drivers of firms' perceptions of the effectiveness of the FCA.

Overall, half of firms (52%) agreed that FCA regulation is transparent (Fig. 5.3). This is similar to 2017. Fixed firms were more likely to agree that the FCA was transparent (73%) than flexible firms (52%).

4.3 Trust in FCA supervisors/staff

Firms were asked to what extent they agreed with a number of statements about FCA staff and supervisors.

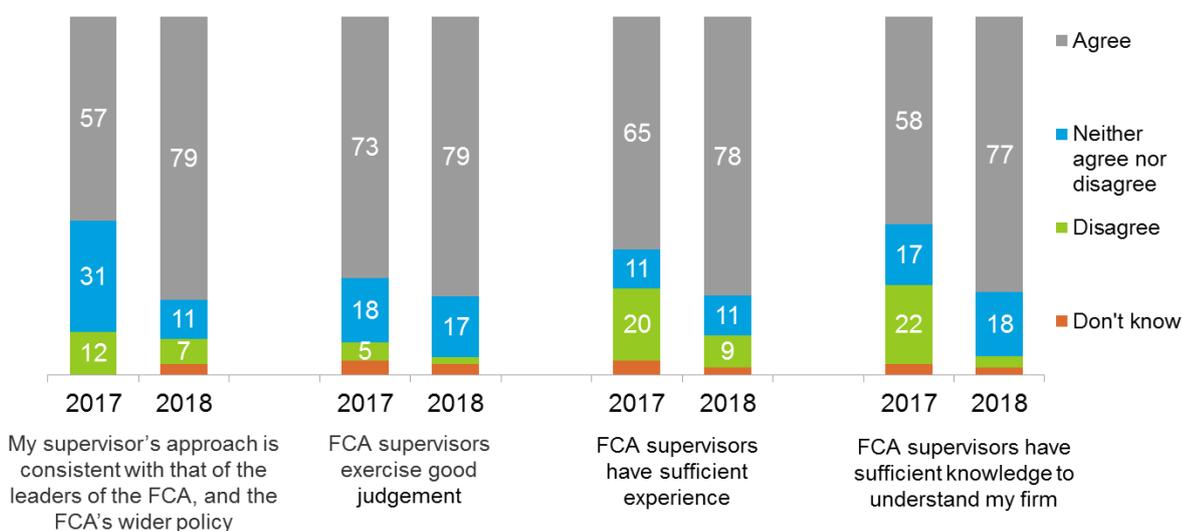
Figure 5.3 – Agreement with statement ‘FCA regulation is transparent’



Base: All firms: 2017 (2,080); 2018 (2,613)

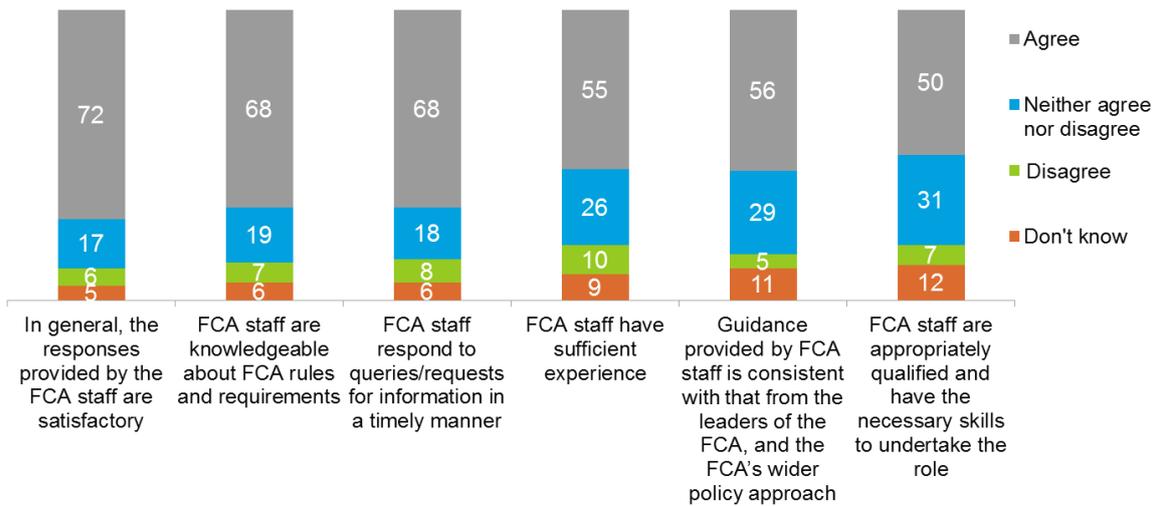
Results are presented separately for fixed and flexible firms reflecting the differences in the way in which they interact with the FCA. Figure 5.4 shows the extent to which fixed firms agree that FCA supervisors: take an approach that is consistent with that of the leaders of the FCA, have sufficient experience, exercise good judgement and have sufficient knowledge to understand my firm. Agreement with all four of these statements has increased in 2018 compared with 2017.

Figure 5.4 – Agreement with statements about FCA supervisors (Fixed firms)



Base: Fixed firms: 2017 (73); 2018 (65)

Figure 5.5 – Agreement with statements about FCA staff (Flexible firms)



Base: Flexible firms (2,548)

Fixed firms were also very positive about the knowledge of their supervisors, the consistency of their approach and whether they had the necessary skills to undertake the role.

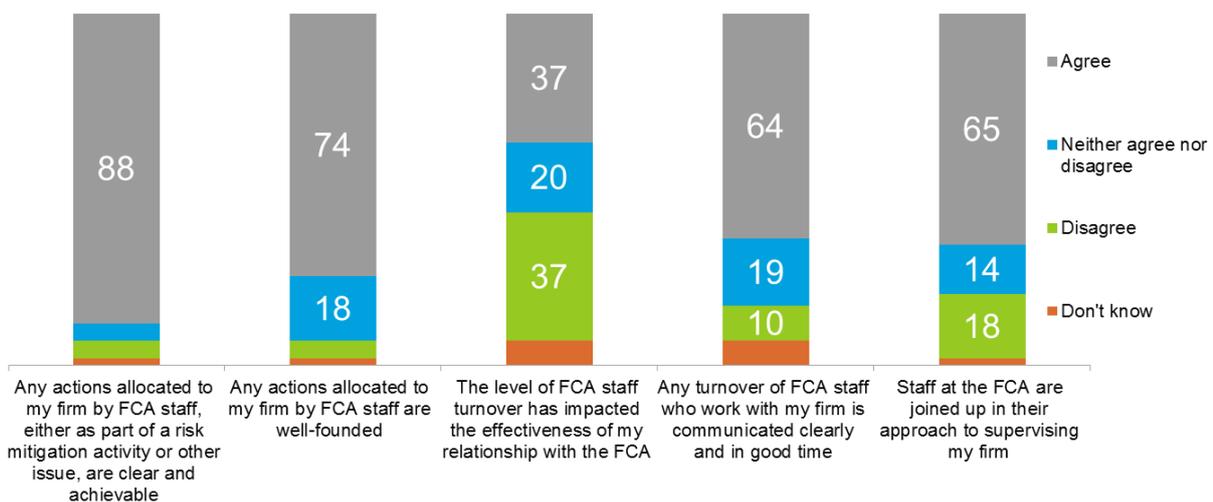
- Nine in ten fixed firms (94%) agreed that their FCA supervisors are knowledgeable about FCA rules and requirements.
- Eight in ten fixed firms (79%) agreed that their FCA supervisors' approach was consistent with that of the FCA, and the FCA's wider policy approach.
- Three quarters of fixed firms (76%) agreed that their FCA supervisors are

appropriately qualified and have the necessary skills to undertake the role.

Flexible firms were asked whether they agreed or not with a similar set of statements (Fig. 5.5). Overall, flexible firms were slightly less positive about the FCA staff that they had encountered when compared with fixed firms.

Fixed firms were also asked to what extent they agreed with statements about other FCA staff. (Fig. 5.6). Fixed firms were again quite positive about their dealings with FCA staff.

Figure 5.6 – Agreement with statements about FCA staff (Fixed firms)



Base: Fixed firms (65)



5. Contact and communication

The extent to which the regulator is communicating effectively with firms is a key consideration for the FCA. The level of contact will inevitably differ depending on the type of firm, and the survey provides an important source of information about whether the scope and content of FCA communication is sufficient to support firms through the regulatory process.

5.1 Regulatory of contact with the FCA

Firms were asked how regularly they had contact with the FCA, through any method. As might be expected given their contrasting supervisory approaches, fixed and flexible firms reported very different levels of contact for each of the methods mentioned (Fig. 6.1). Nine in ten fixed firms had email contact with the FCA at least once a month (91%) and a similar proportion (87%) reported contact by telephone at least once a month (compared with 18% and two per cent of flexible firms respectively).

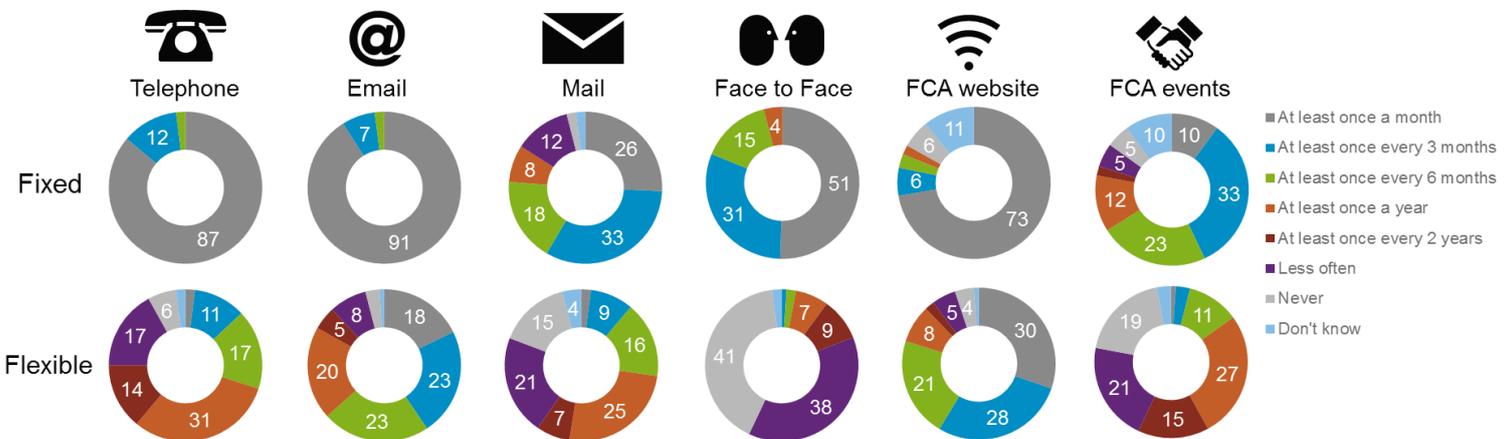
Levels of contact overall were lower among flexible firms. Four in ten flexible firms (39%) had

some form of contact with the FCA at least once a month, 31% at least once every three months, and 20% at least once every six months. By contrast, almost all fixed firms (98%) reported some form of contact with the FCA at least once a month.

As has been shown in previous years of the survey, flexible firms are significantly less likely than fixed firms to have had contact with the FCA in-person. Four in ten flexible firms (41%) have never had face to face contact with the FCA, while two in ten flexible firms (19%) have never attended an FCA event. These results are essentially unchanged since 2017, when the equivalent figures were 42% and 17% respectively. There is no evidence to suggest that these firms are dissatisfied with their level of contact, but if the FCA is interested in engaging more directly with smaller firms, these results suggest that more work in this area is required.

Among flexible firms, the most regular form of contact with the FCA was via the FCA website, with 30% using the site at least once a month and

Figure 6.1 – How regularly would you say your firm has had contact with the FCA through each of the following methods?



Base: All firms: Fixed (65); Flexible (2,548)



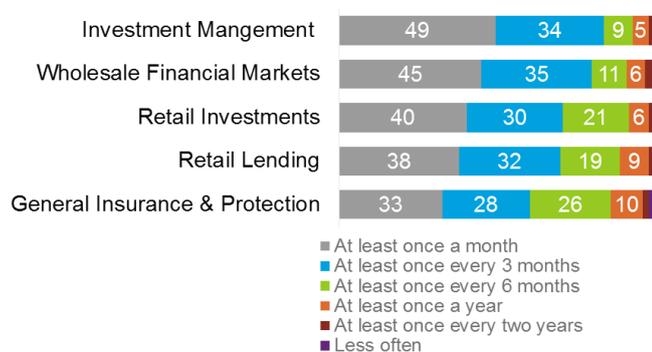
28% at least once every three months.

The most notable development among fixed firms is the fall in the proportion of firms being contact by mail at least once a month. In 2018, a quarter of fixed firms (26%) said that they received contact from the FCA by mail at least once a month, compared with 35 per cent in 2017 and 42 per cent in 2016. There has been a slight increase in the proportion of fixed firms that have had face to face contact with the FCA at least once a month (51%, compared with 44% in 2017), and through the FCA website at least once a month (73%, compared with 68% in 2017).

Firms were also asked to rate their level of interaction with the FCA. The vast majority (93%) felt the level of contact to be 'about right', three per cent felt it was 'too much' and four per cent felt it was 'too little'. These results are broadly comparable to those seen in 2016 and 2017. Results are also similar for fixed and flexible firms.

There was some variation across sectors in terms of overall levels of contact (Fig. 6.2). Investment Management firms experienced the most regular contact with the FCA, with half (49%) reporting contact at least once a month. Contact levels are notably lower among firms in the General Insurance & Protection sector, with just a third (33%) reporting contact with the FCA at least once a month (40% and 36% respectively). The method of communication most commonly used is

Figure 6.2 – Regularity of contact with the FCA (via any method) by Sector



Base: All firms: Investment Management (294); Wholesale Financial Markets (246); General Insurance & Protection (530); Retail Lending (385); Retail Investments (1,110)

broadly the same across all sectors. There is, however, some variation in relation to use of the FCA website (Fig. 6.3). Four in ten firms in the Investment Management and Wholesale Financial Markets (43% and 40% respectively) use the FCA website at least once a month, making them significantly more likely to do so when compared with firms in other sectors.

Figure 6.3 – Proportion of firms using the FCA website at least once a month (by Sector)



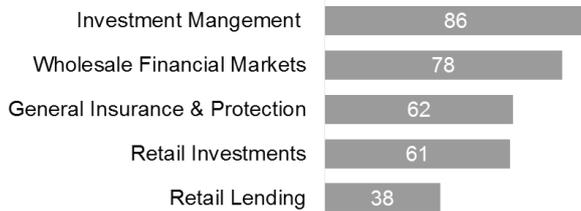
Base: All firms: Investment Management (294); Wholesale Financial Markets (246); General Insurance & Protection (530); Retail Lending (385); Retail Investments (1,110)

5.2 Sources of information

Firms were also asked to state which sources of information they used to learn about the FCA. The most common sources were unchanged between 2017 and 2018. More than eight in ten firms (84%) used the FCA 'Regulation Round-up' email and seven in ten (81%) used the FCA website. Small increases are evident in the proportion of firms using each source. Of note is a reversal in the trend regarding use of external advisors. In 2017, a fall was observed in the proportion of firms using external advisors, from 67% in 2016 to 59% in 2017. This year the proportion of firms reporting use of external advisors has risen again, to 63%. There is a large degree of variation across sector in the use of external advisors (Fig. 6.4). Use is highest among Investment Management firms (86%) and lowest among Retail Lending firms (38%).



Figure 6.4 – Proportion of firms using external advisors (lawyers, compliance consultants etc.) to learn about regulation and the FCA (by Sector)



Base: All firms: Investment Management (294); Wholesale Financial Markets (246); General Insurance & Protection (530); Retail Lending (385); Retail Investments (1,110)

There were also some clear differences in the types of information sources used by fixed and flexible firms (Fig. 6.5).

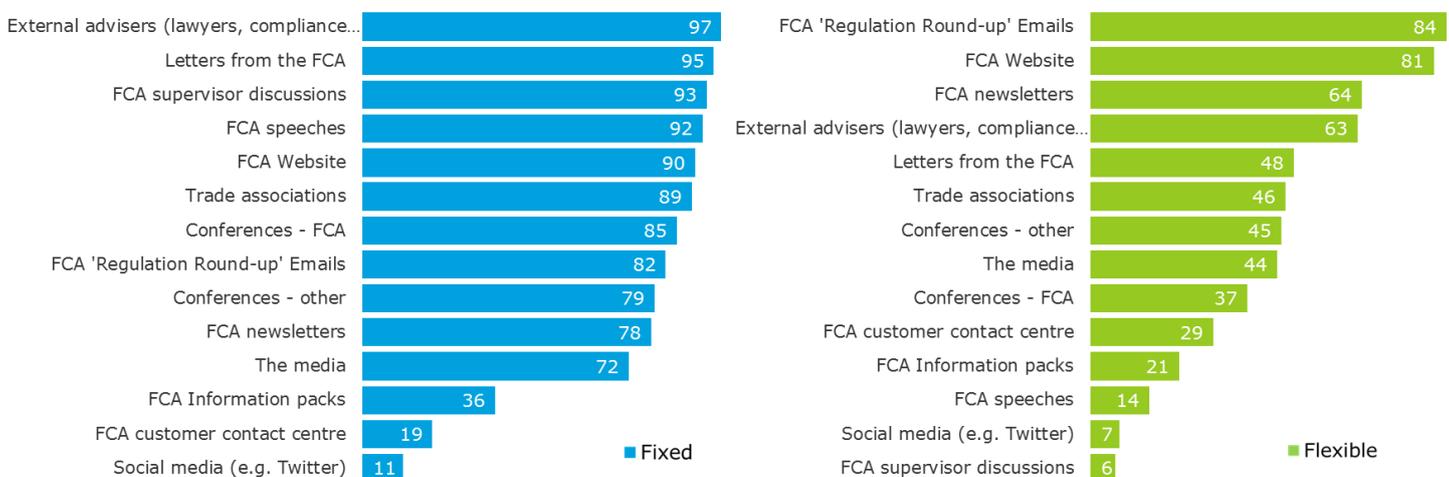
The most common source cited by fixed firms was external advisors (97%), which represents a significant change since 2017, when nine in ten fixed firms (88%) reported using external advisors. The other most commonly used sources are largely unchanged from 2017: Letters from the FCA (used by 95% of fixed firms), FCA supervisor discussions (used by 93% of fixed firms), and FCA speeches (used by 92% of fixed firms). Among fixed firms, there have been some increases in the use of other information produced by the FCA. Nine in ten fixed firms (90%) reported using the FCA website (up from 81% in 2017),

eight in ten (82%) reported using the FCA 'Regulation Round-up' emails (up from 75% in 2017), and eight in ten (78%) reported using FCA newsletters (up from 71% in 2017).

The most common sources used by flexible firms were largely unchanged year on year. FCA Regulation Round-up emails were the most commonly used source (used by 84% of flexible firms), followed closely by the FCA website (used by 81% of firms).

Interestingly, the use of social media as a source of information about regulation and the FCA remains quite low across all firms (used by 11% of fixed firms and 7% of flexible firms). At a time when social media (in particular, Twitter) is being increasingly embraced as a communication tool in a number of industries, this finding is somewhat surprisingly. It should be noted that these results do not indicate a wholesale aversion to social media among financial services firms, who may well be using it in other ways, but does at least demonstrate that firms do not generally consider it a means of finding out about regulation and the FCA. The FCA may wish to consider whether this avenue could be utilised more effectively as part of their communication strategy.

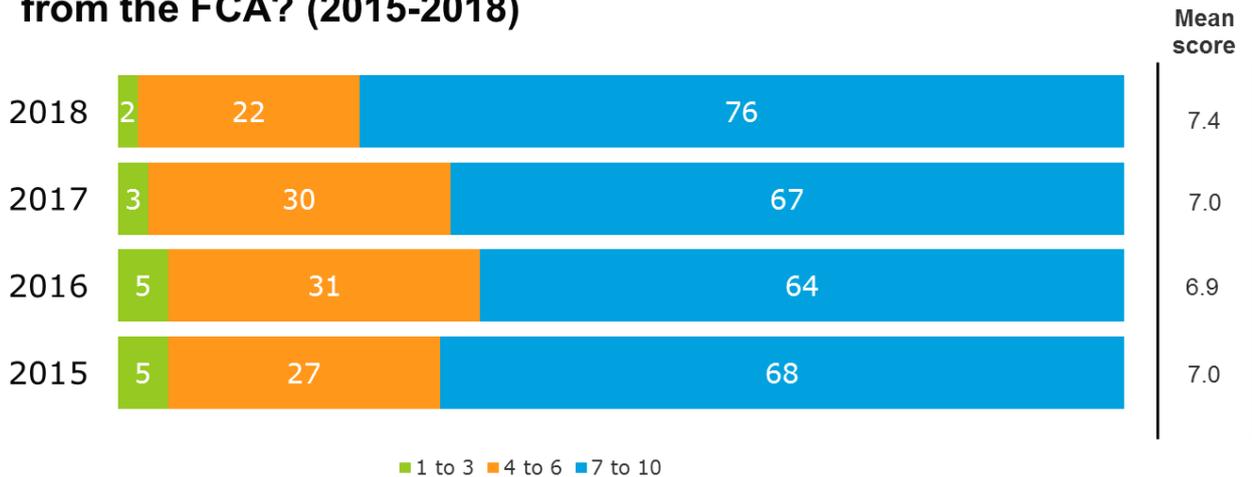
Figure 6.5 – Information sources used to learn about regulation and the FCA



Base: All firms: Fixed (65); Flexible (2,548)



Figure 6.6 – After all the information that you have seen, heard or read from the FCA, how satisfied are you with the communication from the FCA? (2015-2018)



Base: All firms: 2018 (2,613); 2017 (2,230); 2016 (3,357); 2015 (4,055)

5.3 Satisfaction with FCA communication

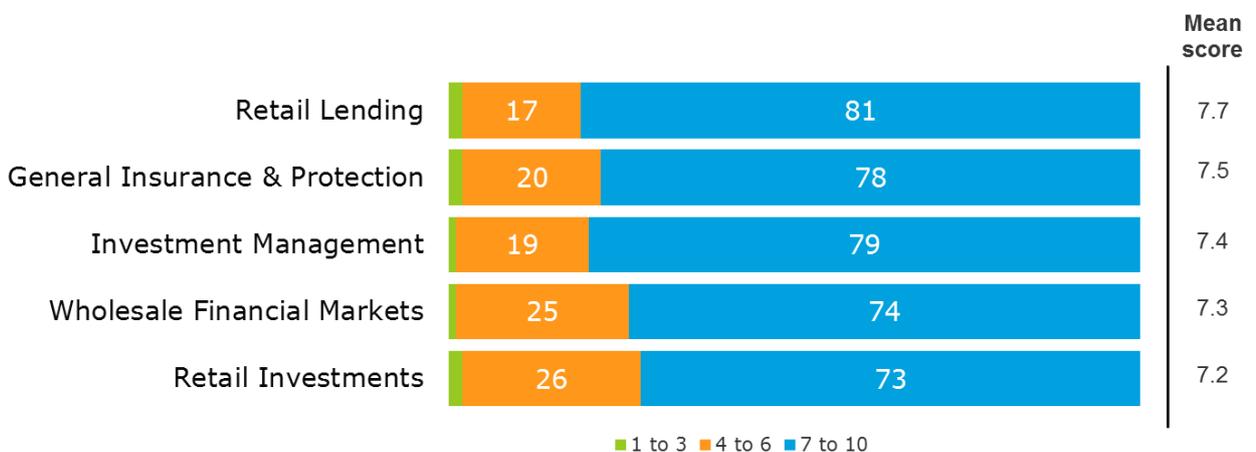
When asked to consider their level of satisfaction with communications from the FCA, firms were generally satisfied (Fig. 6.6). Around three quarters of firms (76%) gave a high satisfaction score for communication (7 to 10). Only two per cent of firms gave a low rating (between 1 and 3). These figures represent a significant improvement since 2017, when 67% gave a high score and three per cent gave a low score. The mean satisfaction score has increased from 7.0 in 2017, to 7.4 in 2018.

Satisfaction levels were slightly higher among

flexible firms, with a mean score of 7.4 compared with 7.3 among fixed firms. While satisfaction has increased among all firms, the improvement among fixed firms is particularly pronounced. The mean satisfaction score among fixed firms in 2017 was 6.8, suggesting that fixed firms are much more satisfied with FCA communication that they were 12 months ago.

Across sectors, satisfaction with communication was generally fairly high, with all sectors giving a mean satisfaction score of at least 7.2 (Fig. 6.7). Firms in the Retail Lending sector reported the highest level of satisfaction with a mean score of 7.7.

Figure 6.7 – Satisfaction with FCA Communication (by Sector)



Base: All firms: Investment Management (294); Wholesale Financial Markets (246); General Insurance & Protection (530); Retail Lending (385); Retail Investments (1,110)



5.4 Improving communications

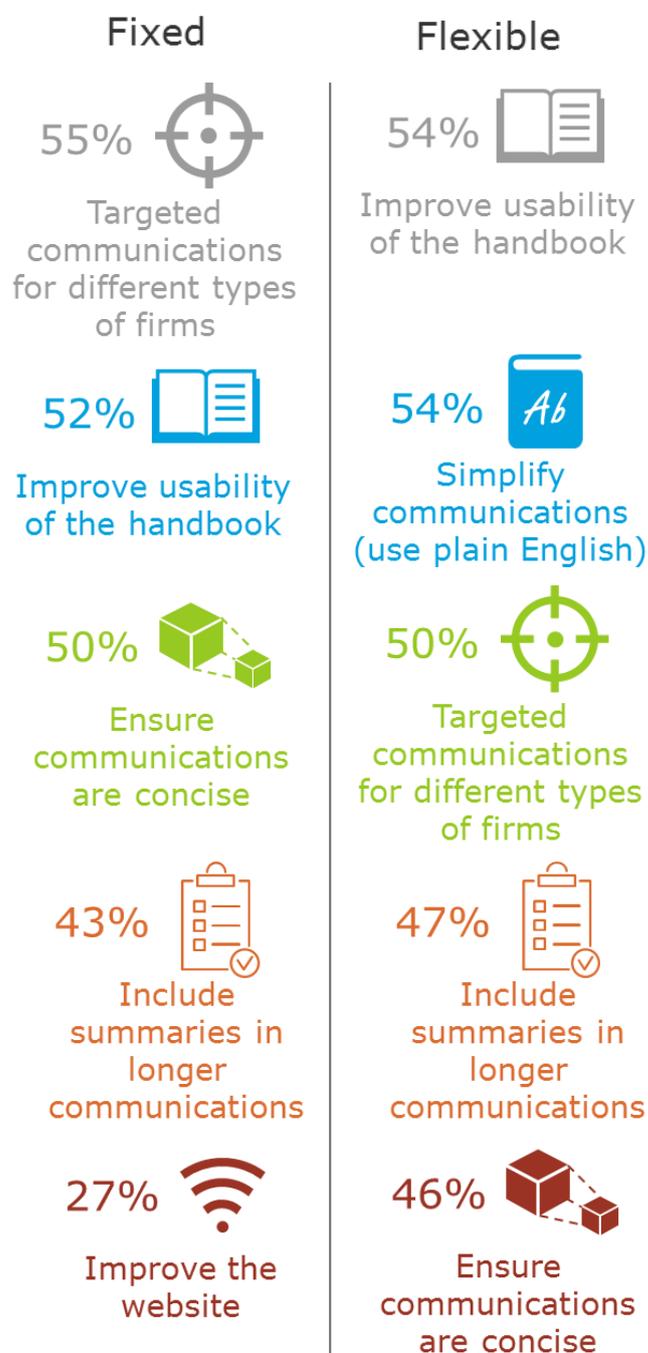
Firms were asked to consider how the FCA could best improve future communications (Fig. 6.8). Overall the most commonly cited improvements were to improve the usability of the handbook (54%), simplify communications (53%), and target communications for different types of firms (50%). These three improvements were also the most commonly cited in 2016 and 2017. The proportion of firms that would like to see the FCA simplify communications has fallen slightly over the last 12 months, from 59% in 2016 to 53% this year. There have been slight increases in the proportion of firms that would like the FCA to improve the usability of the handbook (from 51% in 2017 to 54% in 2018) and include summaries in longer communications (from 43% in 2017 to 47% in 2018).

As with flexible firms, the priorities for fixed firms are largely unchanged since 2017, although some of these measures enjoy more support than was the case last year. The most commonly cited improvement among fixed firms was to target communications for different types of firm. More than half of fixed firms (55%) would like to see the FCA doing this, a significant increase from 2017 when it was cited by fewer than half (45%). Including summaries in longer communications is also of interest to a higher proportion of firms this year, cited by more than four in ten fixed firms (43%) compared with just over a third (36%) in 2017.

5.5 The FCA Mission

In 2017, following a consultation with key stakeholders and firms from across the industry, the FCA published a Mission setting out a framework for the way in which it will make decisions about regulation and thus serve the public interest. The opportunity was taken to ask responding firms whether or not they had engaged with the Mission to any extent, and if so, gather their views on the document.

Figure 6.8 – In which, if any, of the following ways would you most like to see the FCA improve communications? (Top 5 responses)



Base: All firms: Fixed (65); Flexible (2,548)



The majority of firms said that they had engaged with the Mission to some extent. Just over a third of all firms (37%) said that they had read the Mission, either the respondent themselves (27%) or someone else in the firm (11%). A similar proportion (37%) said that they had read a summary, while less than two in ten (17%) said that they were aware of the Mission but had not read it. Only eight per cent of firms said that they were not aware of the Mission.

As might be expected, awareness of and engagement with the Mission was higher among fixed firms than flexible firms (Fig. 6.9). All fixed firms were aware of the Mission, and all but two per cent had at least read a summary. Fixed firms were much more likely than flexible firms to have read the Mission, with more than eight in ten respondents from fixed firms (86%) reporting that they had either read the Mission themselves (59%) or that someone else in the firm had read it (27%).

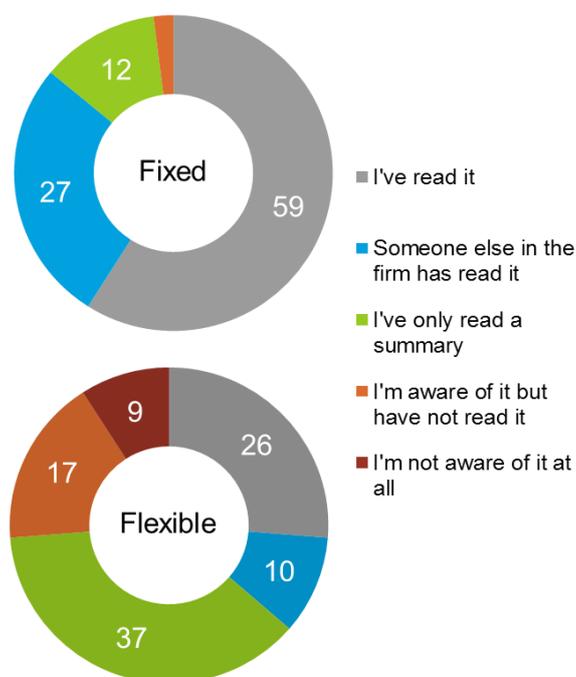
There was a degree of variation across sectors in this regard. Firms in the Investment Management and Wholesale Financial Markets sectors were most likely to say that someone at the firm (either the respondent or someone else) had read the Mission (46% and 44% respectively). Conversely, Retail Lending firms (35%) and Retail Investments firms (28%) were the least likely to have done so.

Firms that had read the Mission were shown three different statements about the Mission and asked to indicate the extent to which they felt that each statement is true (Fig. 6.10).

In general, firms' responses to the Mission have been positive. More than nine in ten firms (94%) felt, at least to some extent, that the framework set out in the Mission will enable the FCA to achieve its objectives, while more than eight in ten (87%) felt, at least to some extent, that the Mission had helped their firm have a better understanding of how the FCA delivers on its

objectives. A similar proportion (85%) felt, at least to some extent, that the framework set out in the Mission is relevant to their firm.

Figure 6.9 – Extent to which firms have engaged with the Mission



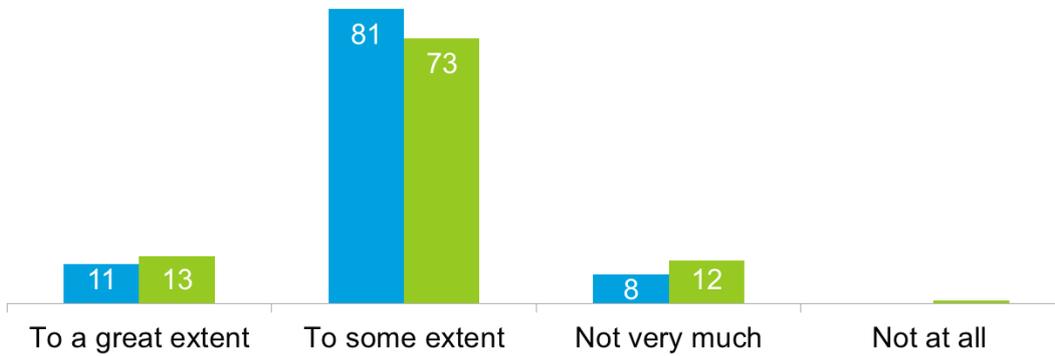
Base: All firms: Fixed (65); Flexible (2,548)

The most notable differences between fixed and flexible firms can be observed in relation to the statement 'The framework set out in the Mission is relevant to my firm'. Fixed firms clearly feel more strongly that this is the case, when compared to flexible firms. Just under half of fixed firms (45%) felt to a great extent that the framework set out in the Mission is relevant to their firm, whereas less than two in ten flexible firms (17%) felt the same way.

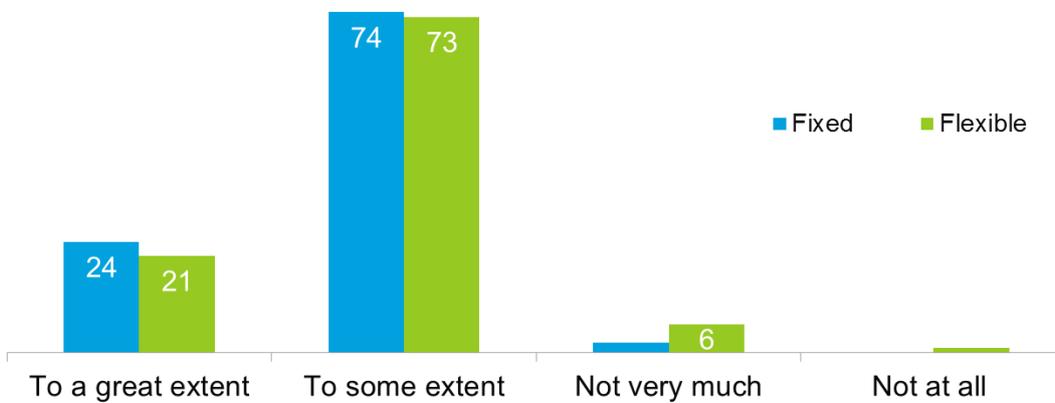


Figure 6.10 – Extent to which firms feel that statements about the Mission are true

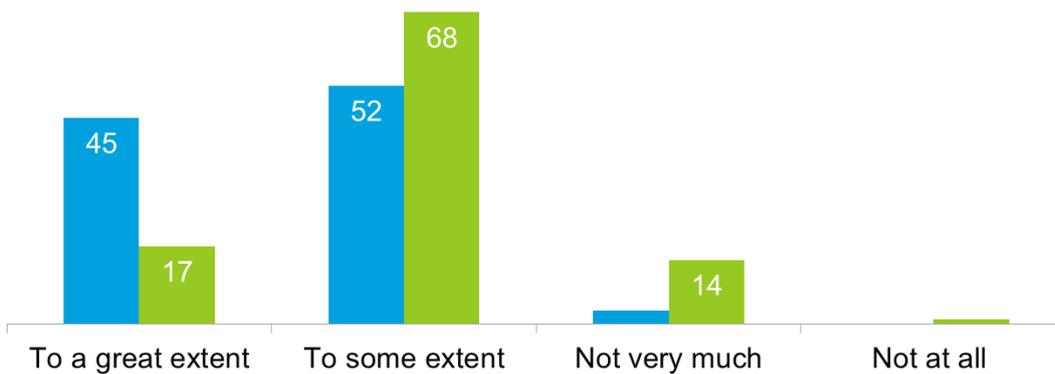
The Mission has helped my firm have a better understanding of how the FCA delivers on its objectives



The framework set out in the Mission will enable the FCA to achieve its objectives



The framework set out in the Mission is relevant to my firm



Base: All firms that have read the Mission: Fixed (64); Flexible (1,864)



6. Understanding of regulation and regulatory burden

As in previous years of the survey, the FCA and the Panel were interesting in finding out how well firms understand regulation and the ways in which firms engage with/ are affected by regulatory requirements. This section was expanded in 2018 to gather views firms on the authorisation process.

6.1 Information requests

Firms were asked how they felt about the number of data requests from the FCA. The majority of firms felt the level of requests to be about right (64%), 21% felt there were a lot but for understandable reasons and 13% felt there were more than seemed necessary. Fixed firms were more likely to report that there were a lot of requests but for understandable reasons (47%) compared with flexible firms (20%). However, the proportion of fixed firms providing this response has fallen significantly over the last 12 months: in 2017, almost six in ten fixed firms (58%) said that there were a lot of requests, but they understood why they were needed. There has been a corresponding increase in the proportion of fixed firms who believe that the FCA make more data requests than seems necessary, from 14% in 2017 to 27% in 2018. This suggests that, while the majority of fixed firms are content with the level of requests, there is a growing sense of dissatisfaction among this group.

Firms were also asked how they felt about the amount of information they are required to provide to their customers as a result of regulation.

Overall, a quarter of firms (27%) felt that the amount of information they were required to provide to their customers was about right, four in ten (41%) felt it was a lot, but understandably so

and three in ten (31%) felt it was unnecessarily high.

Fixed firms were more likely to feel that the amount of information required was a lot but for understandable reasons (51% compared with 41% of flexible firms).

6.2 Dual regulation

Firms that are regulated by both the FCA and the Prudential Regulation Authority (i.e. dual regulated firms) were asked their level of agreement with two statements about dual regulation (Fig. 7.1).

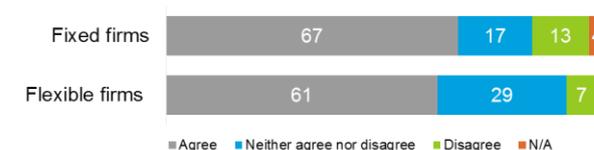
Overall, firms had a good understanding of the dual regulation process, and a positive view of how this is being administered by the regulators. More than eight in ten firms (87%) agreed that their firm has a clear understanding of the distinction between the FCA's regulatory objectives and those of the PRA, while six in ten (62%) agreed that the FCA and PRA are

Figure 7.1 – Agreement with statements about dual regulation

My firm has a clear understanding of the distinction between the FCA's regulatory objectives and those of the Prudential Regulation Authority (PRA)



The FCA and PRA are appropriately co-ordinated in their supervision of our firm taking into account their respective regulatory objectives



Base: All dual regulated firms: Fixed (31); Flexible (110)



appropriately co-ordinated in their supervision, taking into account their respective regulatory objectives.

Fixed firms are even more likely to agree with these statements. More than nine in ten (93%) agreed that their firm has a clear understanding of the distinction between the FCA and PRA, while two thirds (67%) agreed that the FCA and PRA are appropriately co-ordinated.

6.3 Understanding the impact of regulation

Firms were asked to consider financial regulation as it relates to the industry as a whole and their own firm.

There is a high level of support across the industry for strong regulation; 83% of firms agreed that strong regulation benefits the industry as a whole. A majority of firms (79%) also agreed that the work of the FCA enhances the reputation of the UK as a financial centre.

Agreement is especially high among fixed firms (Fig. 7.2), 95% of which agreed that strong regulation benefits the industry as a whole (compared with 83% of flexible firms), with 90% agreeing that the work of the FCA enhances the reputation of the UK as a financial centre.

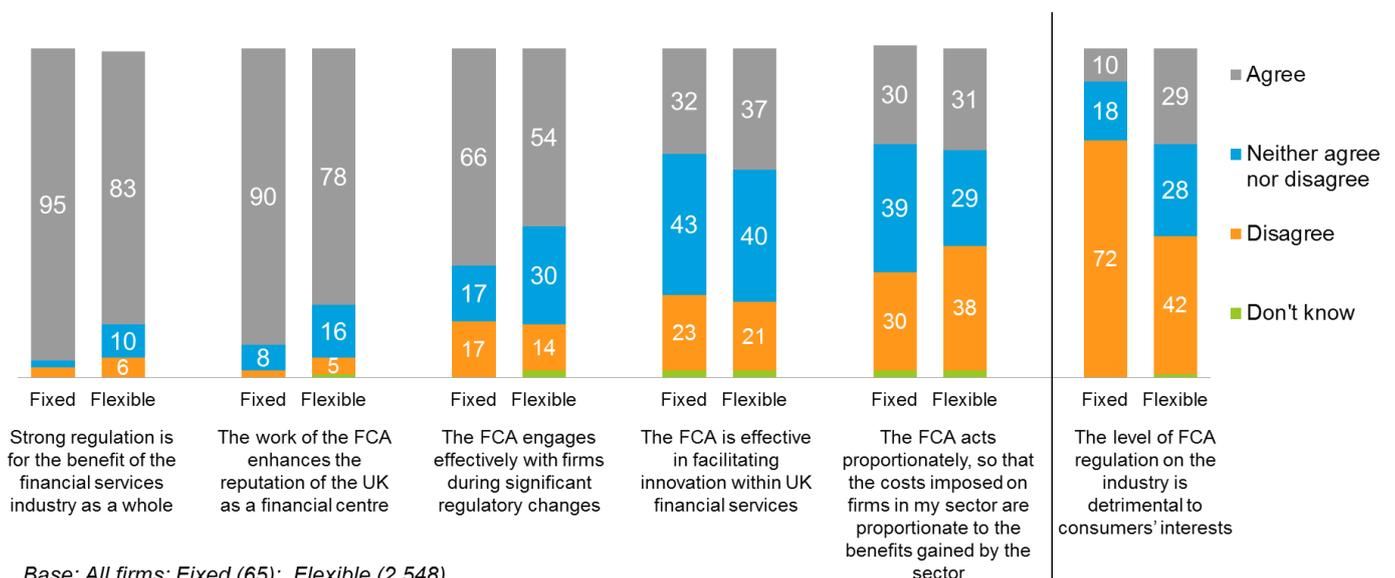
Agreement was substantially lower in relation to other aspects of regulation. Just three in ten firms (31%) agreed that the FCA acts proportionately,

so that the costs imposed on firms in my sector are proportionate to the benefits gained by the sector, with 38% of firms saying that they disagreed with this statement. This appears to be a particular concern in the Retail Investment sector. Half of firms in this sector (51%) disagreed with this statement, a significantly higher level of disagreement than firms in other sectors.

While there was a relatively low level of agreement with the statement 'The FCA is effective in facilitating innovation within UK financial services' (37% of firms agreed), the 2018 results do represent an improvement in this regard. In 2017, only a quarter of firms (24%) agreed that the FCA was effective in facilitating innovation.

Firms were shown one negative statement about FCA regulation and asked for the level of agreement. Three in ten firms (28%) agreed that the level of FCA regulation on the industry is detrimental to consumers' interests, with four in ten (42%) saying that they disagreed. This represents a slight improvement from 2017, when 34% of firms agreed. Fixed firms are even more positive than flexible firms in relation to this statement. Seven in ten fixed firms (72%) disagreed that regulation is detrimental to consumers' interests, compared with four in ten flexible firms (42%).

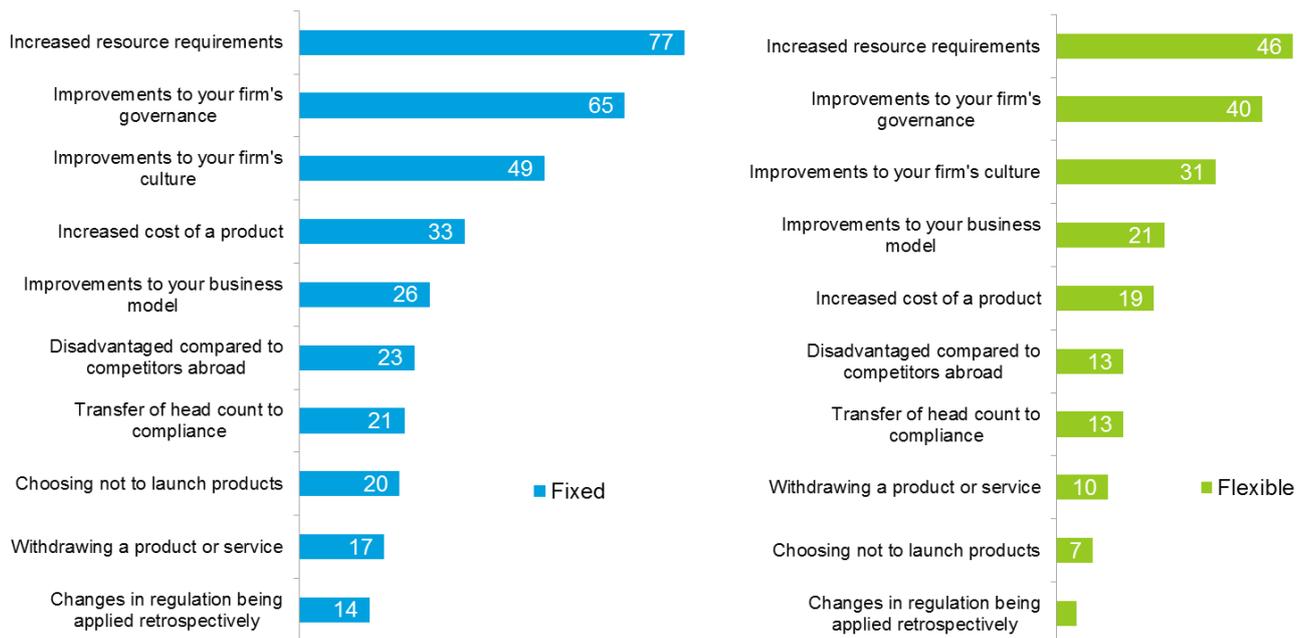
Figure 7.2 – Agreement with statements about FCA regulation



Base: All firms: Fixed (65); Flexible (2,548)



Figure 7.3 – Direct effects of regulation experienced by firms over the last year



Base: All firms: Fixed (65); Flexible (2,548)

6.4 Impact of regulation

Firms were asked to state the ways in which regulation had had a direct impact on their business. Overall, the most frequently cited impact was increased resource requirements (47% of firms had experienced this) followed by improvements to the firm's governance (40%) and improvements to the firms' culture (31%).

Fixed firms reported a higher level of impact on their firm compared with flexible firms (Fig. 7.3). Three quarters (77%) reported that regulation had resulted in increased resource requirements, two thirds (65%) said that it had resulted in improvements to the firm's governance, and half (49%) in improvements to the firm's culture.

6.5 Authorisation

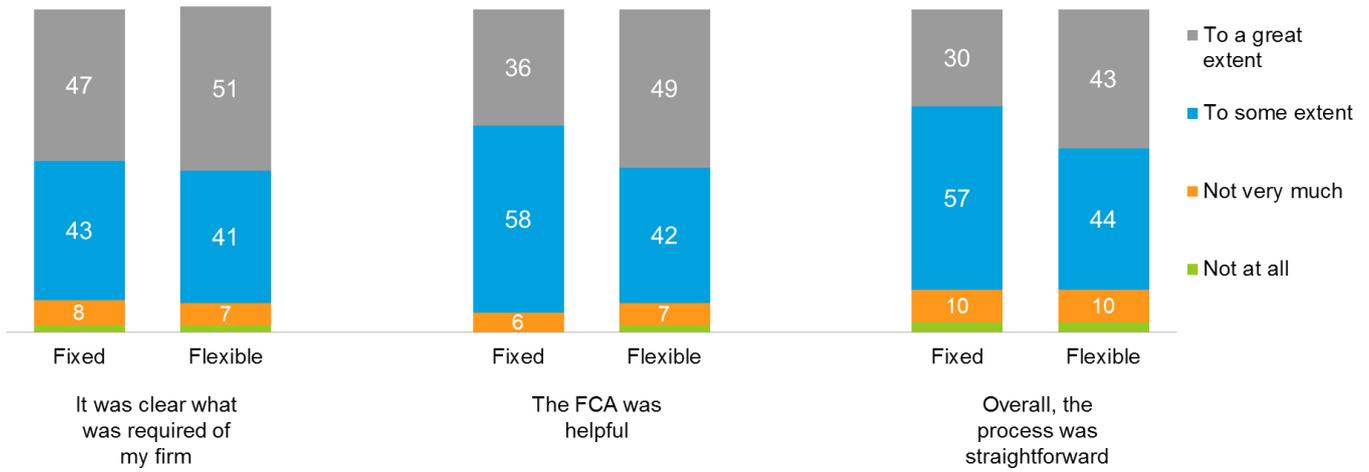
Six in ten firms responding to the survey had experience of the FCA's authorisation process, including variations of permission, in the last two years (73% of fixed firms; 61% of flexible firms). These firms were asked for their opinion of the authorisation process.

Half of firms (50%) felt to a great extent that it was clear what was required of their firm, while a similar proportion (49%) felt to a great extent that the FCA was helpful. Firms were slightly less likely to consider the overall process to be straightforward, with four in ten (43%) feeling to a great extent that this was the case.

Compared with flexible firms, fixed firms appear to have a more moderate view of the authorisation process (Fig. 7.4). Just over a third of fixed firms (36%) felt to a great extent that the FCA was helpful (compared with 49% of flexible firms), while three in ten (30%) felt to a great extent that it was clear what was required of their firm (compared with 43% of flexible firms). In the case of both statements, fixed firms were more likely than flexible firms to agree to some extent.



Figure 7.4 – Extent to which firms feel that statements about the authorisation process are true



Base: All firms that have experience of the authorisation process in the last two years: Fixed (49); Flexible (1,622)



7. Enforcement

7.1 Attitudes to enforcement

Firms were shown two statements relating to enforcement and asked to indicate their level of agreement with each one. These statements were included for the first time in 2018.

More than eight in ten firms (84%) agreed that the FCA's enforcement procedure is understood by the industry to have real and meaningful consequences for firms and individuals who don't follow the rules, while seven in ten (72%) agreed that FCA enforcement action in their sector(s) is effective at reinforcing the FCA's expectations.

Fixed firms were more likely than flexible firms (Fig. 8.1) to agree that the FCA's enforcement procedure is understood by the industry to have real and meaningful consequences for firms and individuals who don't follow the rules (97% vs. 84%), and that FCA enforcement action in their sector(s) is effective at reinforcing the FCA's expectations (88% vs. 72%).

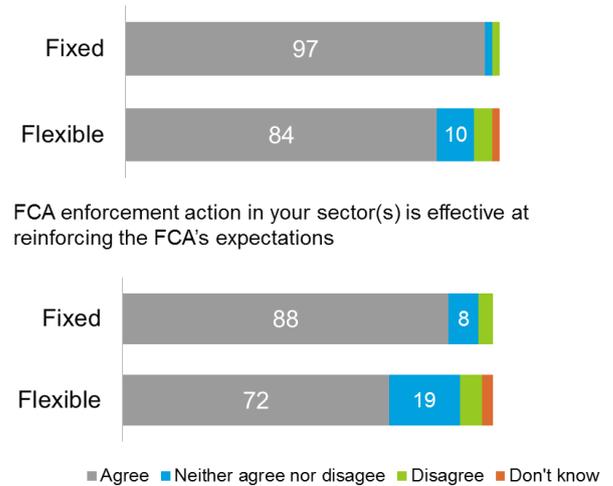
Agreement levels were broadly similar across different sectors (Fig. 8.2). In all sectors apart from Retail Investments, three quarters of firms agreed that FCA enforcement action in their sector(s) is effective at reinforcing the FCA's expectations. Firms in the Retail Investment sector were slightly less likely to agree, with two thirds (67%) agreeing.

7.2 Enforcement action

When asked if they could recall any enforcement action in the past two years that was relevant to their business, just over half of firms (56%) were able to do so, a substantial rise from the equivalent figure in 2017 (31%). This continues a

Figure 8.1 – Agreement with statements about enforcement

The FCA's enforcement procedure is understood by the industry to have real and meaningful consequences for firms and individuals who don't follow the rules



Base: All firms: Fixed (65); Flexible (2,548)

Figure 8.2 – Proportion of firms agreeing that FCA enforcement action in their sector(s) is effective at reinforcing the FCA's expectations (by Sector)



Base: All firms: Investment Management (294); Wholesale Financial Markets (246); General Insurance & Protection (530); Retail Lending (385); Retail Investments (1,110)



gradual increase from 2016, when the equivalent figure was 15%.

There was a stark distinction here between fixed and flexible firms. Almost all fixed firms (97%) were aware of enforcement action compared with half of flexible firms (55%).

There is also some variation across sectors (Fig. 8.3). Firms in the Investment Management sector are most likely to have experienced some form of enforcement action in the last two years, with two thirds of firms (64%) reporting as such. At the other end of the scale, enforcement action appears to have been least likely among Retail Lending firms (42%). The most striking observation however, is that enforcement action appears to be more prevalent across the industry as a whole.

While most firms took some action when they were aware of relevant enforcement action, the proportion of firms saying that they did nothing has risen since last year. In 2017, only seven per cent of firms said that they took no action as a result. The equivalent figure in 2018 is 14%. The most common actions taken by firms included

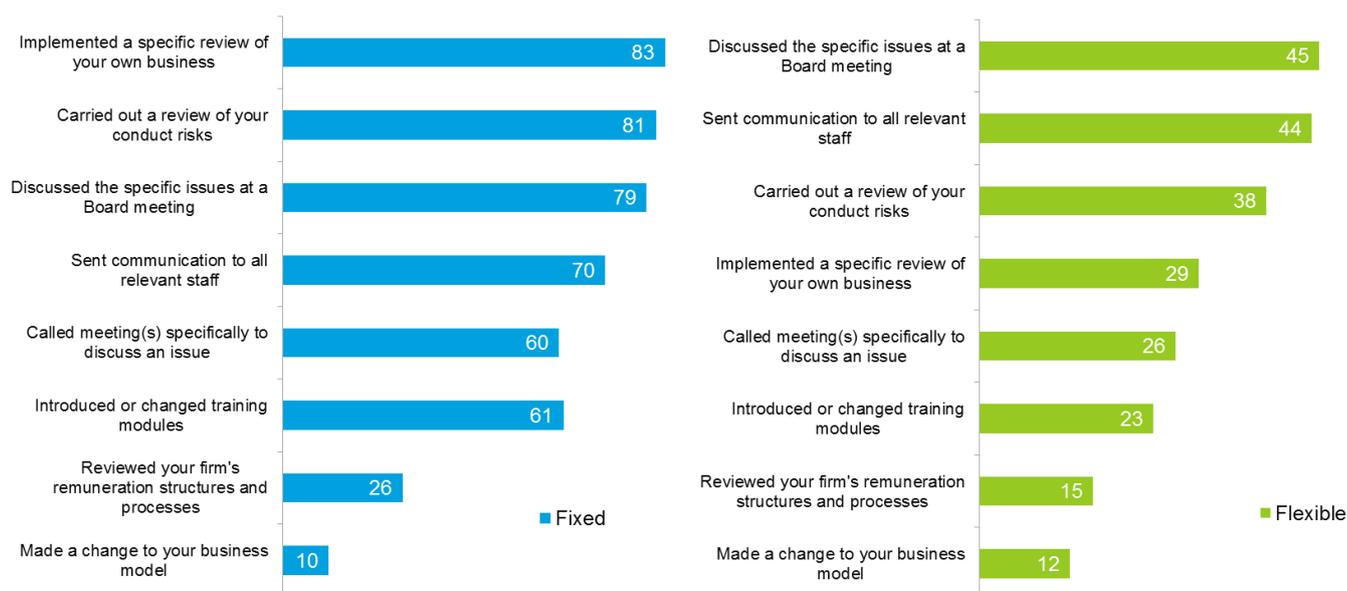
Figure 8.3 – Proportion of firms aware of any enforcement actions in the last two years which have been relevant to their sector (by Sector)



Base: All firms: Investment Management (294); Wholesale Financial Markets (246); General Insurance & Protection (530); Retail Lending (385); Retail Investments (1,110)

discussing the action at a board meeting (46%), sending out relevant communication to staff (45%) and carrying out a review of conduct risks (39%). Echoing the finding that fixed firms were more likely to have experienced enforcement action, they were also more likely to take actions. On all suggested possible actions they were considerably higher than flexible firms – for example, 83% of fixed firms had discussed specific issues at board meetings, compared with 45% of flexible firms.

Figure 8.4 – Actions taken as a result of enforcement activity



Base: All firms aware of any enforcement actions in the last two years which have been relevant to their sector: Fixed (63); Flexible (1,410)



8. Consumer Credit Firms

In April 2014 the FCA was tasked with the regulation of the UK's approximately 40,000 consumer credit firms – marking a significant increase in firms regulated by the FCA. As in the previous reports, the results of the consumer credit firms are presented separately and not incorporated into the headline figures. This has allowed the consumer credit firms to have a voice whilst also maintaining key trend data. Like the previous surveys, the response rate amongst consumer credit firms was lower than for the overall survey. In 2018, eight per cent of consumer credit firms who were invited to take part in the panel survey did so, compared with a response rate of 26% amongst non-consumer credit firms.

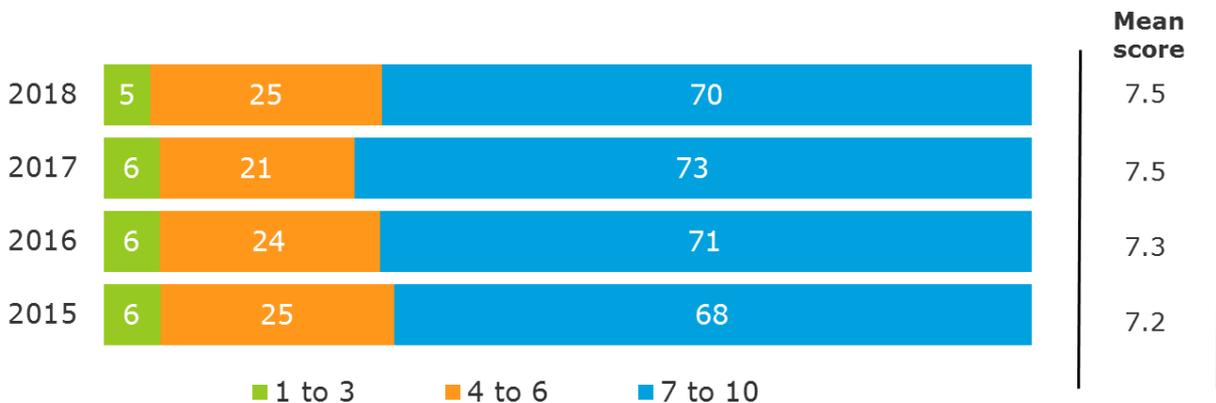
8.1 Satisfaction and effectiveness

Firms were asked to consider their satisfaction with the relationship they currently have with the FCA (Fig. 9.1). Overall, seven in ten firms (70%) rated their satisfaction with their relationship with the FCA as high (a score of 7 to 10), with a mean satisfaction score of 7.5. This is largely unchanged since 2017.

Satisfaction is slightly lower than among non-consumer credit firms, who gave a mean score of 7.6, with eight in ten (79%) giving a high satisfaction score.

When asked to consider the effectiveness of the FCA as a regulator, the response from consumer credit firms was almost identical to their satisfaction ratings (Fig. 9.2). Seven in ten firms (70%) rated the FCA as being highly effective. This was very similar to non-consumer credit firms, 71% of which rated the effectiveness of the FCA as high. However, the mean effectiveness score was substantially higher among consumer credit firms (7.4, compared with 7.1 among non-consumer credit firms).

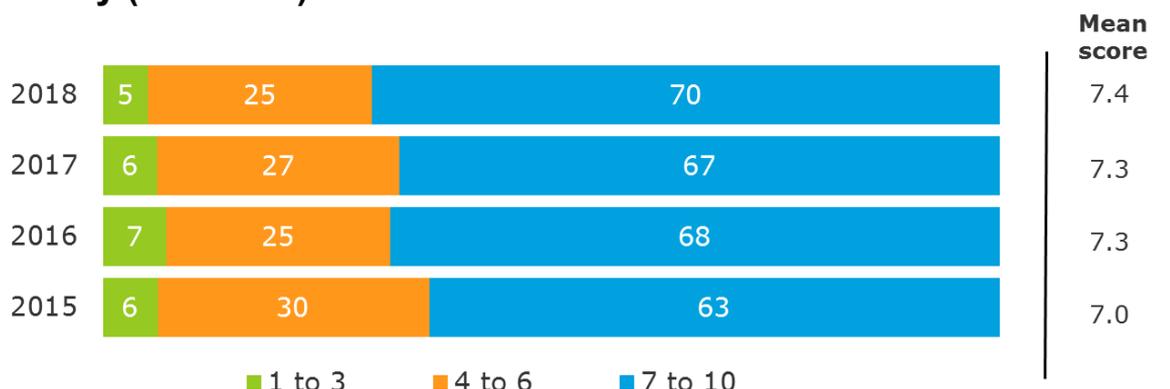
Figure 9.1 – Satisfaction with firm's relationship with the FCA (CC firms)



Base: All consumer credit firms: 2018 (190); 2017 (150); 2016 (371); 2015 (289)



Figure 9.2 – Effectiveness of the FCA in regulating the financial services industry (CC firms)



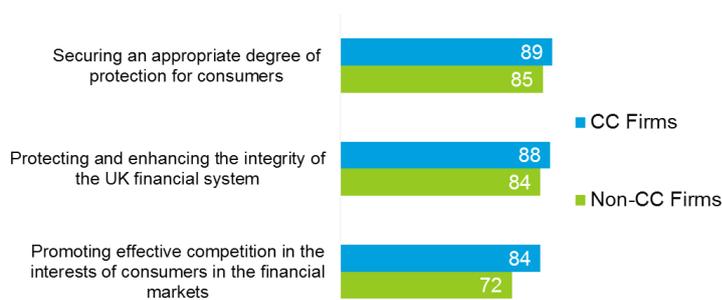
Base: All consumer credit firms: 2018 (190); 2017 (150); 2016 (371); 2015 (289)

8.2 Performance of the FCA against objectives

Firms were asked to rate their confidence in the FCA’s operational objectives (Fig. 9.3). Across all three objectives, confidence is higher among consumer credit firms when compared to non-consumer credit firms.

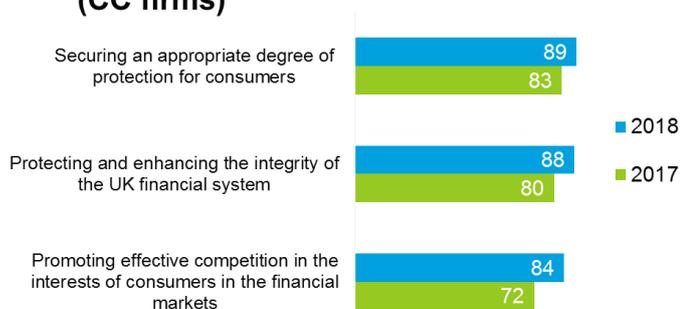
Almost nine in ten consumer credit firms are

Figure 9.3 – Level of confidence in the FCA’s performance against objectives: % very/fairly confident



Base: All firms: CC (190); Non-CC (2,613)

Figure 9.4 – Level of confidence in the FCA’s performance against objectives, year on year: % very/fairly confident (CC firms)



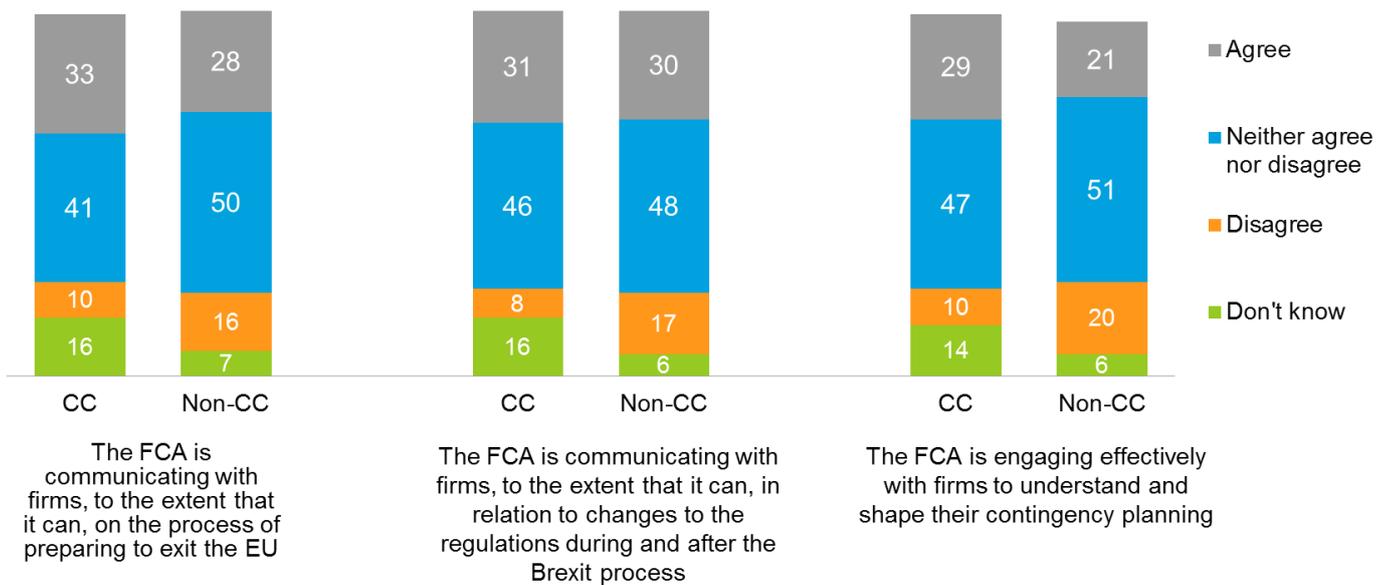
Base: All consumer credit firms: 2018 (190); 2017 (150)

confident in the FCA’s ability to secure an appropriate degree of protection for consumers (89%) and in their ability to protect and enhance the integrity of the UK financial system (88%).

The largest difference between consumer firms and the non-consumer credit firms was in relation to promoting effective competition in the interests of consumers. More than eight in ten consumer credit firms (84%) were confident that the FCA could meet this objective, compared with seven in ten non-consumer credit firms (72%).

Among consumer credit firms, confidence in the FCA has increased in relation to all objectives over the last 12 months (Fig. 9.4).

Figure 9.5 – Agreement with statements on FCA communication around Brexit process (CC firms)



Base: All firms: CC (190); Non-CC (2,613)

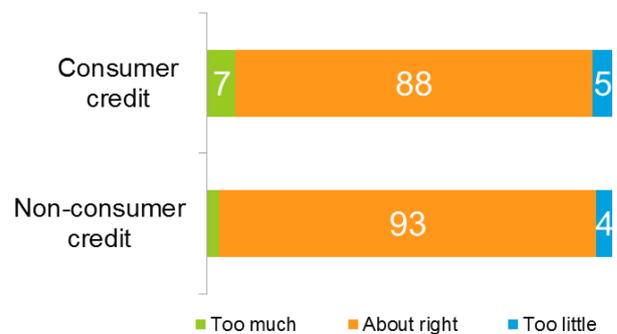
8.3 Impact and implications of the UK leaving the EU

The 2017 survey was the first opportunity to ask firms for their views on the UK leaving the EU ('Brexit') and the role that the FCA might play in supporting firms through that process. With the leave date approaching next year, the 2018 survey expanded this area of enquiry and sought some more specific feedback from firms.

Firms were shown three statements relating to the Brexit process and asked to what extent they agreed or disagreed with them (Fig. 9.5). On the whole, consumer credit firms expressed a similar view to non-consumer credit firms.

It should be noted that, when compared to non-consumer credit firms, consumer credit firms were more likely to answer 'Don't know' in relation to all three statements. This suggests that engagement with the Brexit process, at least as it pertains to regulation, is somewhat lower among consumer credit firms.

Figure 9.6 – Perceived level of interaction with the FCA (CC firms)



Base: All firms: CC (190); Non-CC (2,613)



Figure 9.7 – Extent to which firms have engaged with the Mission

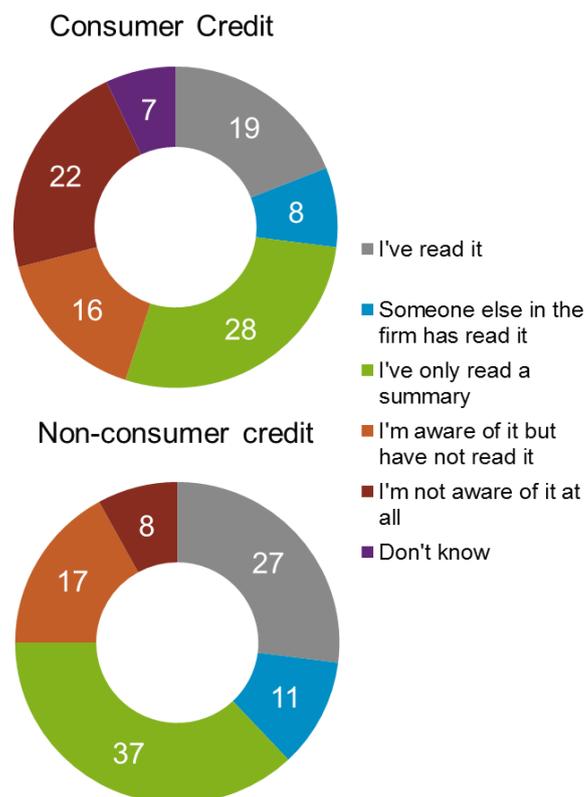
8.4 Level of interaction with the FCA

Firms were asked to rate their level of interaction with the FCA (Fig. 9.6). Consumer credit firms were slightly less likely than non-consumer credit firms to say that the amount of communication with the FCA was 'about right'. Just under nine in ten consumer credit firms (88%) considered the level of interaction to be 'about right', compared with just over nine in ten non-consumer credit firms (93%).

8.5 The FCA Mission

In 2017, following a consultation with key stakeholders and firms from across the industry, the FCA published a Mission setting out a framework for the way in which it will make decisions about regulation and thus serve the public interest. The opportunity was taken to ask responding firms whether or not they had engaged with the Mission to any extent, and if so, gather their views on the document.

On the 2018 survey, firms were asked whether they had read the Mission or not. Consumer credit firms were less likely than non-consumer credit firms to have engaged with the Mission (Fig. 9.7). Just over a quarter of consumer credit firms (27%) reported that someone at the firm at read the Mission, either the respondent themselves (19%) or someone else at the firm (8%). By comparison, 38% of non-consumer credit firms had read the Mission (either the respondent or someone else). In addition, consumer credit firms were more likely than non-consumer credit firms to say that they were not aware of the Mission (22% and 8% respectively).



Base: All firms: CC (190); Non-CC (2,613)

Appendix A: Methodology

The FCA and the FCA Practitioner Panel (the “Panel”) commissioned Kantar Public to conduct the annual industry survey to measure perceptions of FCA performance as a regulator. This report details the results from the 2018 survey, incorporating trend data from 2017 and previous waves of the Panel survey.

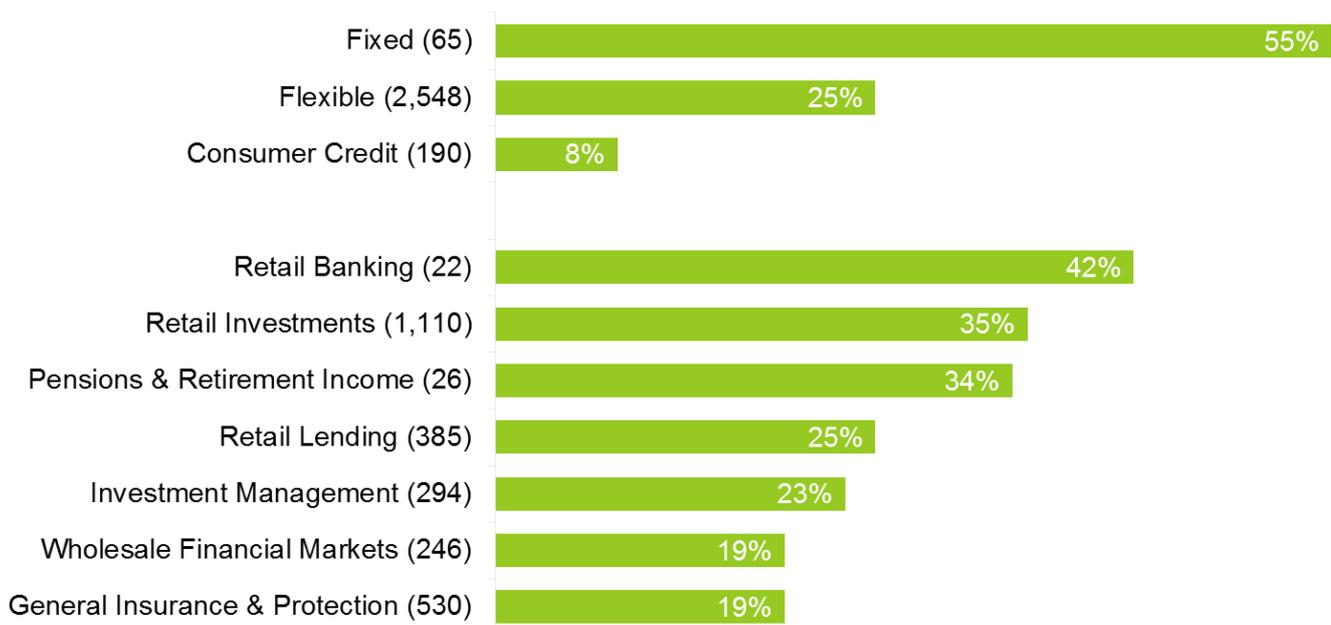
Fieldwork took place between January and March 2018. A total of 10,159 firms were invited to take part, this included all fixed portfolio firms and a sample of flexible portfolio firms. Contact details were obtained from the FCA’s TARDIS database of regulated firms. The most senior person in each firm was the intended respondent of the survey.

From 2014, the FCA became responsible for the regulation of consumer credit firms. Therefore, since the 2015 Panel survey consumer credit firms have been invited to complete it. Results for these firms are presented separately in chapter 9 and are not included within the headline figures in the rest of this report.

Selected firms were first sent a warm up email as well as a letter (these can be found in the Appendix). This informed the firm that we would soon be contacting them with login details for the online survey. A week later the respondents were sent another email containing these login details. During the fieldwork period 3 reminder emails were sent to firms that were yet to complete the survey. Firms were sent the information by post in cases where the email address was invalid.

In total, 2,613 firms completed the survey, a response rate of 26%. An additional 190 consumer credit firms

Figure 2.1 - Response rate by firm type/sector



took part. The response rate among consumer credit firms was lower at 8%. Both these response rates are higher than last year's figures. The breakdown of response rate by firm type is shown in Figure 2.1.

The sectors which categorise all firms within the industry changed for the 2018 survey. Therefore, it is not possible to show trend data by sector within this report. It is also worth noting that results for the Pensions & Retirement and Retail Banking sectors are not reported separately due to their low base sizes (26 and 22).

FCA Supervision categorisation

Fixed portfolio firms are a small population of firms (out of the total number regulated by the FCA) that, based on factors such as size, market presence and customer footprint, require the highest level of supervisory attention. These firms are allocated a named individual supervisor and are proactively supervised using a continuous assessment approach.

Flexible portfolio firms are proactively supervised through a combination of market-based thematic work and programmes of communication, engagement and education actively aligned with the key risks identified for the sector in which the firms operate. These firms use the FCA Customer Contact Centre as their first point of contact as they are not allocated a named individual supervisor.

The makeup of the final achieved sample is such that flexible firms constitute the majority of respondents (99%). This reflects the fact that flexible firms represent the majority of all FCA regulated firms. In light of this, results for the whole sample will be almost identical to results for the flexible firms in isolation. Within this report, results will often be considered at a fixed and flexible firm level.

Appendix B: Questionnaire

FCA and FCA Practitioner Panel Survey 2018

Please write your firm's unique survey ID in the box below. This can be found in your survey invitation email.

| | |
|------------|--|
| Survey ID: | |
|------------|--|

Thank you for agreeing to take part. The Financial Conduct Authority (FCA) will use your feedback to improve how it works. Your individual response to the survey will be completely confidential. In reporting the survey answers, Kantar will always group responses together to ensure that no individual's or firm's answers can be identified. This is in accordance with the Market Research Society Code of Conduct.

The questionnaire should be completed by the most senior person (Chief Executive or equivalent) in your firm or group.

Completing the questionnaire

We estimate the questionnaire should take about 20 minutes to complete. The questionnaire consists of specific questions to quantify opinions as well as questions where you have the opportunity to give your views in your own words.

There is an opportunity at the end to provide comments on any topics that you feel have not been addressed elsewhere in the questionnaire, and there is also the opportunity to request a follow-up interview with the FCA.

For each question, please put a cross in the box next to the answer which is closest to your view about that issue. For some questions you are able to cross more than one box and this will be indicated in the instructions for that question.

If you have made a mistake in your answer, please completely fill the box to show the mistake and then cross the correct answer.

How the information will be used

The FCA will use the results received to help improve how they work, with the intention to publish results in Q3 2018.

We look forward to receiving your feedback and thank you for taking the time to complete our questionnaire.

Role of the FCA

In this section we will focus on the role of the FCA as a regulator.

The FCA has a single strategic objective of ensuring relevant financial markets function well and three operational objectives:

- Securing an appropriate degree of protection for consumers
- Protecting and enhancing the integrity of the UK financial system
- Promoting effective competition in the interests of consumers in the financial markets

Q1. How confident are you that the FCA's oversight of the industry will deliver on the following statutory objectives?

Please cross one box in each row

| Objective number | Objective | Very confident | Fairly confident | Not very confident | Not at all confident | Don't know |
|------------------|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1 | Ensuring relevant financial markets function well | <input type="checkbox"/> |
| 2 | Securing an appropriate degree of protection for consumers | <input type="checkbox"/> |
| 3 | Protecting and enhancing the integrity of the UK financial system | <input type="checkbox"/> |
| 4 | Promoting effective competition in the interests of consumers in the financial markets | <input type="checkbox"/> |

If you answered 'Not very confident' or 'Not at all confident' in relation to Objective 2, please answer Q2.

If you answered 'Not very confident' or 'Not at all confident' in relation to Objective 3, please answer Q3.

If you answered 'Not very confident' or 'Not at all confident' in relation to Objective 4, please answer Q4.

Otherwise, please go to Q5.

Q2. What would you say are the main reasons that you lack confidence in the FCA's ability to secure an appropriate degree of protection for consumers?

Q3. What would you say are the main reasons that you lack confidence in the FCA's ability to protect and enhance the integrity of the UK financial system?

Q4. What would you say are the main reasons that you lack confidence in the FCA's ability to promote effective competition?

Q5. Taking into account all of your firm's dealings with the Financial Conduct Authority (FCA), how satisfied are you with the relationship?

Extremely
dissatisfied

Extremely
satisfied

| | | | | | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| <input type="checkbox"/> |

Q6. Overall, from your firm's perspective, how effective has the FCA been in regulating the financial services industry in the last year?

Not at all effective

Extremely effective

| | | | | | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| <input type="checkbox"/> |

Q7. Over the last 12 months, would you say your firm's trust in the FCA has:

Please cross one box only

| | | | |
|---------------------------------------|---------------------------------------|---|--|
| Increased <input type="checkbox"/> | Decreased <input type="checkbox"/> | Stayed the same <input type="checkbox"/> | Don't know <input type="checkbox"/> |
|---------------------------------------|---------------------------------------|---|--|

If your firm is dual regulated (that is, regulated by both the Financial Conduct Authority and the Prudential Regulation Authority) please answer Q8.

Otherwise, please go to the 'FCA Mission' section.

Q8. And to what extent would you agree or disagree with the following statements?

Please cross one box in each row

| | Strongly agree | Slightly agree | Neither agree nor disagree | Slightly disagree | Strongly disagree | Don't know |
|---|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| My firm has a clear understanding of the distinction between the FCA's regulatory objectives and those of the Prudential Regulation Authority (PRA) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The FCA and the PRA are appropriately co-ordinated in their supervision of our firm, taking into account their respective regulatory objectives | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

FCA Mission

In 2017, following a consultation with key stakeholders and firms from across the industry, the FCA published a Mission setting out a framework for the way in which it will make decisions about regulation and thus serve the public interest.

Q9. Have you, or someone else in your firm, read the FCA Mission document?

Please cross one box only

| | |
|--|--------------------------|
| Yes – I've read it | <input type="checkbox"/> |
| Yes – Someone else in the firm has read it | <input type="checkbox"/> |
| I've only read a summary | <input type="checkbox"/> |
| No – I'm aware of it but have not read it | <input type="checkbox"/> |
| No – I'm not aware of it at all | <input type="checkbox"/> |
| Don't know | <input type="checkbox"/> |

If you or someone else in your firm has read the FCA Mission document (either in full version or the summary), please answer Q10.

Otherwise, please go to the 'Communication and Engagement section.

Q10. To what extent do you feel that...

Please cross one box in each row

| | To a great extent | To some extent | Not very much | Not at all |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| The Mission has helped your firm have a better understanding of how the FCA delivers on its objectives? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The framework set out in the Mission will enable the FCA to achieve its objectives? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The framework set out in the Mission is relevant to your firm? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Communication and Engagement

Q11. How would you rate your firm's level of interaction with the FCA?

| | | |
|--------------------------------------|--|---|
| Too much <input type="checkbox"/> | Too little <input type="checkbox"/> | About right <input type="checkbox"/> |
|--------------------------------------|--|---|

Q12. How regularly would you say your firm has contact with the FCA through each of the following methods?

Please cross one box in each row

| | At least once a month | At least once every three months | At least once every six months | At least once a year | Two years | Less often | Never | Don't know |
|--|--------------------------|----------------------------------|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Telephone | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Email | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Mail | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Face to Face | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Through the FCA website | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Through FCA events (e.g. 'Live & Local') | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q13. What information sources do you use to learn about regulation and the FCA?

Please cross as many boxes as apply.

| | |
|---|--------------------------|
| Conferences – FCA | <input type="checkbox"/> |
| Conferences – other | <input type="checkbox"/> |
| External advisers (lawyers, consultants etc.) | <input type="checkbox"/> |
| FCA Regulatory round up email | <input type="checkbox"/> |
| FCA customer contact centre | <input type="checkbox"/> |
| FCA speeches | <input type="checkbox"/> |
| FCA newsletters | <input type="checkbox"/> |
| FCA supervisors discussions | <input type="checkbox"/> |
| FCA website | <input type="checkbox"/> |
| FCA Information packs | <input type="checkbox"/> |
| Letters from the FCA | <input type="checkbox"/> |
| The media | <input type="checkbox"/> |
| Social media (e.g. Twitter) | <input type="checkbox"/> |
| Trade associations | <input type="checkbox"/> |
| Nothing | <input type="checkbox"/> |

Q14. After all the information that you have seen, heard or read from the FCA, how satisfied are you with communications from the FCA?

| Extremely dissatisfied | | | | | | | | | | Extremely satisfied |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| <input type="checkbox"/> | |

Q15. In which, if any, of the following ways would you most like to see the FCA improve communications?

Please tick all that apply

| | |
|--|--------------------------|
| Simplify communications (use plain English) | <input type="checkbox"/> |
| Ensure communications are concise | <input type="checkbox"/> |
| Include summaries in longer communications | <input type="checkbox"/> |
| Improve the usability of the handbook | <input type="checkbox"/> |
| Access to more conferences and roadshows | <input type="checkbox"/> |
| Targeted communications for different types of firms | <input type="checkbox"/> |
| Improve the website | <input type="checkbox"/> |
| Be more responsive when dealing with firms | <input type="checkbox"/> |
| Adjust/ change the tone of communications | <input type="checkbox"/> |
| Nothing to improve – the communications are fine | <input type="checkbox"/> |
| Something else (please specify) | <input type="checkbox"/> |
| <input type="text"/> | |
| Don't know | <input type="checkbox"/> |

The UK's withdrawal from the EU ("Brexit")

Although not directly involved in the negotiations on the terms of the UK's withdrawal from the EU, the FCA is providing the Government, and in particular HM Treasury and the Department for Exiting the EU, with technical advice and other input on the impact to the financial services industry. The FCA is also engaging with firms to understand and shape their contingency planning as well as considering the changes it may have to make to its own processes and systems as a result of the UK's withdrawal.

Q16. To what extent do you agree or disagree with the following statements regarding the FCA's approach to EU withdrawal?

| | Strongly agree | Slightly agree | Neither agree nor disagree | Slightly disagree | Strongly disagree | Don't know |
|---|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| The FCA is communicating with firms, to the extent that it can, on the process of preparing to exit the EU | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The FCA is communicating with firms, to the extent that it can, in relation to changes to regulations during and after the Brexit process | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The FCA is engaging effectively with firms to understand and shape their contingency planning | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q17. Is there anything else the FCA should be doing, within its powers and in line with its remit, ahead of the UK's withdrawal from the EU?

Regulation

Q18. To what extent do you agree, or disagree, with the following statements about FCA regulation?

Please cross one box in each row

| | Strongly agree | Slightly agree | Neither agree nor disagree | Slightly disagree | Strongly disagree | Don't know |
|--|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| FCA regulation is predictable | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| FCA regulation is forward-looking | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| FCA regulation is outcome-focussed | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| FCA regulation is transparent | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The FCA acts proportionately, so that the costs imposed on firms in my sector are proportionate to the benefits gained by the sector | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Strong regulation is for the benefit of the financial services industry as a whole | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The work of the FCA enhances the reputation of the UK as a financial centre | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The FCA is effective in facilitating innovation within UK financial services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The level of FCA regulation on the industry is detrimental to consumers' interests | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The FCA engages effectively with firms during significant regulatory changes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q19. To what extent do you agree, or disagree, with the following statements regarding the FCA's approach to EU / international regulation?

Please cross one box in each row

| | Strongly agree | Slightly agree | Neither agree nor disagree | Slightly disagree | Strongly disagree | Don't know |
|--|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| The FCA has been alert to emerging EU issues and has prepared its position in time | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The FCA is sufficiently leading developments in international regulation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The FCA brings European directives into UK regulation in more detail than is necessary (i.e. 'gold plating') | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q20. Over the last year, which of the following, if any, has your firm experienced as a direct result of regulation?

Please cross as many boxes as apply

| | |
|---|--------------------------|
| Increased resource requirements | <input type="checkbox"/> |
| Withdrawing a product or service or from serving specific consumer groups | <input type="checkbox"/> |
| Choosing not to launch products | <input type="checkbox"/> |
| Increased cost of a product (e.g. increase APR, premium etc.) | <input type="checkbox"/> |
| Transfer of head count from customer facing roles to compliance | <input type="checkbox"/> |
| Being placed at a disadvantage compared to competitors | <input type="checkbox"/> |
| Needed to move activities overseas | <input type="checkbox"/> |
| Changes in regulation being applied retrospectively | <input type="checkbox"/> |
| Greater consumer confidence | <input type="checkbox"/> |
| Increased sales | <input type="checkbox"/> |
| More competitive marketplace | <input type="checkbox"/> |
| Enforcement action against your firm | <input type="checkbox"/> |
| Improvements to your business model | <input type="checkbox"/> |
| Improvements to you firm's governance | <input type="checkbox"/> |
| Improvements to you firm's culture | <input type="checkbox"/> |
| None of these | <input type="checkbox"/> |

Q21. Which of the following best describes how you feel about the amount of information you are required to provide to your customers as a result of regulation?

| | | | |
|--|---|---|---|
| Less than I would expect <input type="checkbox"/> | About right <input type="checkbox"/> | A lot but I understand why it is needed <input type="checkbox"/> | More than seems necessary <input type="checkbox"/> |
|--|---|---|---|

Regulatory processes

Q22. Has your firm had experience of the FCA's authorisation process, including variations of permission, in the last 2 years?

| | |
|-----|--------------------------|
| Yes | <input type="checkbox"/> |
| No | <input type="checkbox"/> |

If you answered 'Yes' at Q22, please answer Q23.

If you answered 'No' at Q22, please go to Q24.

Q23. Regarding your firm's experience of the FCA's authorisation process, including variations of permission, to what extent do you feel that...

Please cross one box in each row

| | To a great extent | To some extent | Not very much | Not at all |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| It was clear what was required of your firm? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The FCA was helpful? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Overall, the process was straightforward? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q24. And to what extent do you agree or disagree with the following statements regarding the FCA's enforcement procedure?

Please cross one box in each row

| | Strongly agree | Slightly agree | Neither agree nor disagree | Slightly disagree | Strongly disagree | Don't know |
|---|--------------------------|--------------------------|----------------------------|--------------------------|-------------------------------------|--------------------------|
| The FCA's enforcement procedure is understood by the industry to have a real and meaningful consequences for firms and individuals who don't follow the rules | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| FCA enforcement action in your sector(s) is effective at reinforcing the FCA's expectations | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q25. Are you aware of any enforcement actions in the last two years which have been relevant to your sector?

| | |
|-----|--------------------------|
| Yes | <input type="checkbox"/> |
| No | <input type="checkbox"/> |

If you answered 'Yes' at Q25, please answer Q26.
If you answered 'No' at Q25, please go to Q27.

Q26. What actions, if any, have you taken as a consequence of this enforcement activity?

Please cross as many boxes as apply

| | |
|--|--------------------------|
| Discussed the specific issues at a Board meeting | <input type="checkbox"/> |
| Implemented a specific review of your own business | <input type="checkbox"/> |
| Carried out a review of your conduct risks | <input type="checkbox"/> |
| Made a change to your business model | <input type="checkbox"/> |
| Reviewed your firm's remuneration structures and processes | <input type="checkbox"/> |
| Called meeting(s) specifically to discuss an issue | <input type="checkbox"/> |
| Introduced or changed training modules | <input type="checkbox"/> |
| Sent communication to all relevant staff | <input type="checkbox"/> |
| Other (please specify) | <input type="checkbox"/> |
| <input type="text"/> | |
| None | <input type="checkbox"/> |

Q27. Based on your firm's experience, to what extent do you agree or disagree that each of the following FCA processes is working effectively?

| | Strongly agree | Slightly agree | Neither agree nor disagree | Slightly disagree | Strongly disagree | N/A |
|----------------------------|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| FCA data requests | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Firm visits | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Market studies | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Policy consultations | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Risk mitigation activities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Skilled person reporting | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Thematic reviews | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q28. Which of the following best describes how you feel about the number of data requests your firm receives from the FCA?

| Fewer than I would expect | About right | A lot but I understand why it is needed | More than seems necessary |
|---------------------------|--------------------------|---|---------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

People

If your firm has specific, named FCA supervisors, please answer Q29 then go to Q31.
Otherwise, please go to Q30.

Q29. In relation to your FCA supervisors to what extent do you agree or disagree with the following statements?:

Please cross one box in each row

| | Strongly agree | Slightly agree | Neither agree nor disagree | Slightly disagree | Strongly disagree | Don't know |
|---|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| My FCA supervisors are knowledgeable about FCA rules and requirements | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| My FCA supervisors have sufficient experience | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| My FCA supervisors exercise good judgement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| My FCA supervisors are appropriately qualified and have the necessary skills to undertake the role | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| My FCA supervisors' approach is consistent with that from the leaders of the FCA, and the FCA's wider policy approach | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| My FCA supervisors have sufficient knowledge to understand my firm | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q30. In relation to FCA staff (e.g. the FCA customer contact centre) to what extent to do you agree or disagree with the following statements?:

Please cross one box in each row

| | Strongly agree | Slightly agree | Neither agree nor disagree | Slightly disagree | Strongly disagree | Don't know |
|---|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| FCA staff are knowledgeable about FCA rules and requirements | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| FCA staff have sufficient experience | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| FCA staff are appropriately qualified and have the necessary skills to undertake the role | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Guidance provided by FCA staff is consistent with that from the leaders of the FCA, and the FCA's wider policy approach | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| FCA staff respond to queries/ requests for information in a timely manner | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| In general, the responses provided by FCA staff are satisfactory | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q31. To what extent to do you agree or disagree with the following statements?:

Please cross one box in each row

| | Strongly agree | Slightly agree | Neither agree nor disagree | Slightly disagree | Strongly disagree | Don't know |
|--|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| Any actions allocated to my firm by FCA staff, either as part of a risk mitigation activity or other issue, are clear and achievable | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Any actions allocated to my firm by FCA staff are well-founded | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| The level of FCA staff turnover has impacted the effectiveness of my relationship with the FCA | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Any turnover of FCA staff who work with my firm is communicated clearly and in good time | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Staff at the FCA are joined up in their approach to supervising my firm | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

And finally...

Q32. If you had the opportunity to deliver one message to the FCA, what would it be? Please think about whether there are things you would like to see the FCA doing more of or less of, as well as anything they could be doing differently/ better.

Your firm

To help us better understand the feedback we receive, we would be grateful if you would now answer a few final questions about your firm.

Q33. Where are your customers located?

| | | | |
|--------------------------|-----------------------------------|--------------------------|--------------------------|
| Only in the UK | Partly in the UK, partly overseas | Only overseas | Don't know |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q34. How many full time staff (or equivalent) are employed by your firm in the UK?

| | |
|---------------|--------------------------|
| 0-9 | <input type="checkbox"/> |
| 10-19 | <input type="checkbox"/> |
| 20-49 | <input type="checkbox"/> |
| 50-99 | <input type="checkbox"/> |
| 100-499 | <input type="checkbox"/> |
| 500-999 | <input type="checkbox"/> |
| 1,000 or more | <input type="checkbox"/> |
| Don't know | <input type="checkbox"/> |

Q35. How many customer facing staff does your firm have?

| | |
|---------------|--------------------------|
| 0-9 | <input type="checkbox"/> |
| 10-19 | <input type="checkbox"/> |
| 20-49 | <input type="checkbox"/> |
| 50-99 | <input type="checkbox"/> |
| 100-499 | <input type="checkbox"/> |
| 500-999 | <input type="checkbox"/> |
| 1,000 or more | <input type="checkbox"/> |
| Don't know | <input type="checkbox"/> |

Q36. Which people within your firm were involved in the completion of this survey?

You can choose more than one answer.

| | |
|---|--------------------------|
| Chief Executive/Managing Director or equivalent | <input type="checkbox"/> |
| Board Member(s) | <input type="checkbox"/> |
| Group Head of Compliance | <input type="checkbox"/> |
| Firm Head of Compliance | <input type="checkbox"/> |
| Other (please specify) | <input type="checkbox"/> |
| <input type="text"/> | |

Q37. Would you be willing to be re-contacted by any of the following regarding this research? Select all that apply.

You can be assured that your name will never be passed to anyone outside of these organisations without your permission.

| | |
|---------------------------------|--------------------------|
| The Financial Conduct Authority | <input type="checkbox"/> |
| The FCA Practitioner Panel | <input type="checkbox"/> |
| Kantar Public | <input type="checkbox"/> |
| Another research organisation | <input type="checkbox"/> |
| None of these | <input type="checkbox"/> |

Thank you for taking the time to complete the questionnaire. If you do not intend to enter your responses into the online survey, please return this paper questionnaire to Kantar Public at the following address:

Jack Cole
Kantar Public
3rd Floor
222 Gray's Inn Road
London, WC1X 8HB

Appendix C: Warm up communication

Title Forename Surname
Firm name
Address Line 1
Address Line 2
Town
City Postcode

Date

Dear xxx,

Your opportunity to tell the FCA what you think

We are writing to invite you to take part in the 2018 FCA and Practitioner Panel Survey, an annual survey conducted among businesses within the financial services industry which provides clear messages to the FCA Board and Executive about how the FCA operates and how it can improve.

As someone who runs a regulated firm, this is an opportunity for you to provide your views on how the FCA regulates the industry. Your views will be invaluable in helping to shape the FCA's future approach.

In response to feedback we have streamlined this year's survey to make it easier for you to complete and it should only take around twenty minutes of your time.

The survey is being conducted by the independent research firm Kantar Public, who will be contacting you in the next few days with the survey details. If you have any questions, you can contact Jack Cole at Kantar Public on 0800 015 0302 or at fcappsurvey@kantarpublic.com. Alternatively, you can contact the FCA Contact Centre on 0300 500 0597.

A summary of the key conclusions from the 2017 survey is overleaf. For more information about previous surveys and the FCA's Practitioner Panels, please visit <https://www.fca-practitioner-panels.org.uk/>. For more information about this year's survey, visit <http://www.fcapractitionerpanelsurvey.co.uk>.

We will share the headline results of this year's survey with you in the summer.

Thank you for helping us.

Yours sincerely

Andrew Bailey
Chief Executive
Financial Conduct Authority

Anne Richards
Chair
FCA Practitioner Panel

Findings from the FCA and Practitioner Panel Survey of firms for the year up to March 2017 (published in July 2017)

Overall findings

The Survey results show that the industry's satisfaction with its relationship with the FCA and its rating of the FCA's effectiveness have continued to increase. Firms' overall rating for the FCA's effectiveness, which was 6.7 out of 10 last year, has risen to 7.0. Satisfaction with the regulator has increased steadily, from a low of 5.4 out of 10 in 2010 to 7.5 this year.

This year firms have reported increased confidence in the FCA's ability to deliver against all three objectives. An increase in the score for the competition objective, which has always scored lower than the other objectives, is welcome but there is still further work to be done on this objective.

Long-term savings and pensions

Last year there was concern that in almost every area lower levels of satisfaction were apparent for the long-term savings and pensions sector. The Panel encouraged the FCA to focus on this area in particular, and this year there have been significantly more positive results for this sector.

Key areas for attention

Analysis of the drivers of firms' responses on satisfaction and effectiveness show that there are particular areas for improvement where performance is lower in the areas identified as important by firms.

Communications Approach

One of these areas is making sure that the FCA's remit is clearly communicated and understood. The FCA has undertaken extensive consultation in this area, and shortly after the fieldwork for the survey took place, published the Mission document expressly to address this issue. The survey also highlighted the communication channels most used by firms, which showed clearly that the majority of firms, which do not have their own supervisors but rely on other communication channels, use the Regulation Roundup emails and the website to learn about regulation. This information is helping the FCA to focus its communications efforts more effectively.

Managing Regulatory Change

A further key driver of industry views is the need to support firms adequately during regulatory change. The vast majority of firms replied that the main impact of regulation on firms is increased resource requirements. In this area transparency of regulation and the FCA's ability to be forward-looking is important to firms. The most popular response to the question of what the FCA's objective should be during the process of exiting the EU was that the FCA should work to minimise upheaval, disruption and change for UK firms.

Brexit communications

We asked firms to give us their views on the FCA's role during the Brexit process. It was clear from the results that few respondents agreed that the FCA is currently communicating effectively on Brexit. Clearly there is more work to be done in this area, and the Panel is encouraging the FCA to communicate directly with firms on an ongoing basis, even though specific details of post-Brexit regulation may not yet be clear and the message is that firms should continue, as far as they can, with business as usual.

Conclusions

In this first year of carrying out the survey as a joint project we have found it valuable to work together to ensure we have asked the right questions of the industry which will enable the FCA to focus on the right areas for change. Both the Panel and the FCA will continue to address the important issues raised by the survey in the challenging regulatory environment to come.

Appendix D: Survey invitation

FAO {name}
{firmname}

Ref: {Ref}
Date: xxxxxxxx

Dear {forename},

Have your say: the FCA and Practitioner Panel Survey 2018

We are writing to ask you to take part in the Financial Conduct Authority (FCA) and Practitioner Panel joint survey. We want to know what you think of the FCA and where it can improve. In response to feedback we have streamlined this year's survey to make it easier for you to give us your views.

Please go to the survey and when prompted to do so, please enter your unique ID and password:

Web address: <http://sv.ktmr.com/synch/Projects/UKL413234A01/LoginPage.asp>
ID: {PID}
Password: {Password}

Last year's Survey highlighted key areas for improvement on transparency and predictability of regulation, better communications on EU withdrawal and improved perception of the quality of policy and technical staff. The FCA has committed to addressing all these areas and further details can be found in its Mission and Business Plan. We will use the findings of this year's survey to inform our future work.

Confidentiality

The independent research company, Kantar Public, is conducting the survey. In line with the Market Research Society Code of Conduct, Kantar Public will treat all survey responses in the strictest confidence and no personally identifiable information will be published or shared with the FCA or Practitioner Panel.

Survey results

Kantar Public will present the results from the survey to the FCA Board and the Practitioner Panel. We will publish the results in the third quarter of 2018. For information about the Practitioner Panels and previous Surveys, please visit <https://www.fca-practitioner-panels.org.uk/>.

If you have any questions, please contact Jack Cole at Kantar Public on 0800 015 0302 or at fcappsurvey@kantarpublish.com. Alternatively, you can contact the FCA Contact Centre on 0300 500 0597.

Thank you for your contribution.

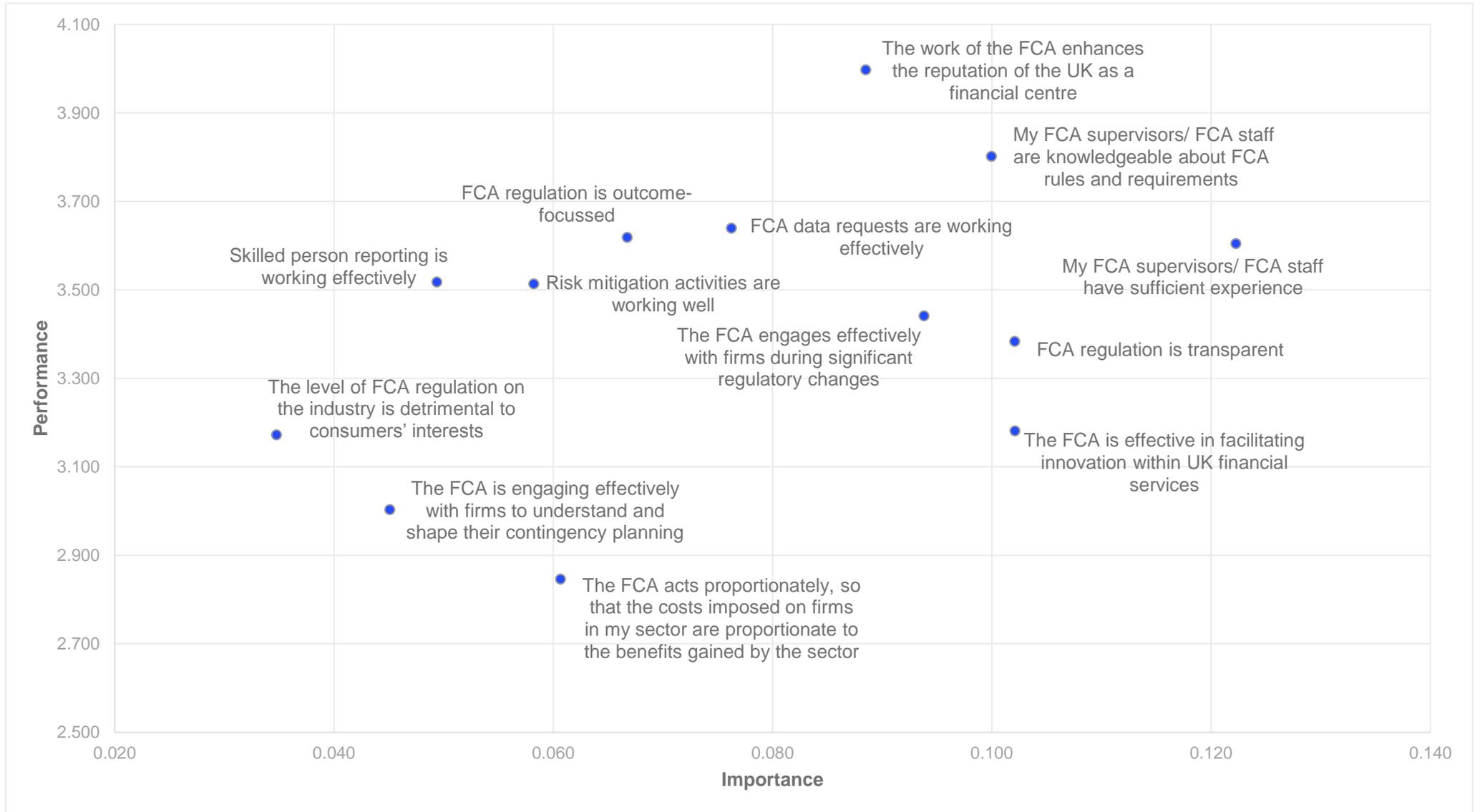
Yours sincerely,

Andrew Bailey
Chief Executive
Financial Conduct Authority

Anne Richards
Chair
FCA Practitioner Panel

Appendix E: Key Driver Analysis

Drivers of satisfaction



Drivers of effectiveness

