

FCA Update on Its Response to COVID-19 and Expectations for 2020

June 12, 2020

On 4 June 2020, Megan Butler (Executive Director of Supervision – Investment, Wholesale and Specialist at Financial Conduct Authority (“FCA”)) gave a speech concerning the FCA’s response to the COVID-19 pandemic (“COVID-19”) and expectations for the rest of the year.

Ms Butler’s [speech](#) was shortly followed by a [podcast](#), delivered by Interim Chief Executive, Chris Woolard, which provides further insight into the FCA’s regulatory response to COVID-19 and outlines areas of focus from the 2020/21 Business Plan, including retail investments, payments and protections for the consumer credit market. Mr Woolard discusses plans for the transformation of the FCA, and talks through the challenges and opportunities that technological advancements could bring for regulation and the financial services sector.

The below summarises key aspects of the speech of relevance for FCA authorised firms.

1. The financial services industry has generally responded positively to the current pandemic

The FCA observed that the financial services industry has responded well to the circumstances surrounding COVID-19.

In particular, the speech revealed that advisers and wealth managers have responded well to the onset of the crisis and that business continuity arrangements appear to be working. Firms have been coping and adapting to this “new normal”.

As firms adjust to the long term impact of the pandemic, they should be focussed on longer-term effects and strategies. The key drivers set out by the FCA of their response to the pandemic include:

- ensuring a good level of operational resilience;
- understanding a firms’ financial resilience

- fair treatment of customers; and
- ensuring that customers are aware of the risk of, and are protected from scams.

2. **The FCA's expectations for firms during this time**

Ms Butler emphasised that the FCA's focus is on financial resilience and operational resilience, where the expectation is that firms must continue to act with integrity.

Operational resilience

Firms should have contingency and business continuity plans and ensure plans are properly tested. The speech reemphasises key messages from its [operational resilience consultation paper](#) from last year, which includes:

- firms to identify their important business services, by considering how disruption to the business services they provide can have impacts beyond their own commercial interests;
- setting a tolerance for disruption for each important business service with firms ensuring they can continue to deliver their important business services; and
- mapping and testing important business services to identify vulnerabilities in their operational resilience and drive change where it is needed.

The FCA will continue to actively review the contingency plans of a range of firms, to ensure that firms are taking operational resilience seriously and continuing to operate effectively and support customers. Firms should take initiatives going beyond usual business practices to support their customers, in response to the current pandemic.

Financial resilience

Comments in the speech observe that COVID-19 has a significant downward pressure on many firms' revenues. Firms which already have financial viability concerns will therefore see issues further amplified and certain financially sound firms may become vulnerable.

If firms do not invest sufficiently in governance or systems and controls, there are increased risks of issues arising such as financial crime, market abuse and unsuitable investment advice. Finally, where firms hold client money and assets which exit from the market, it is crucial for those firms to minimise delay in the return of client money and assets and ensure that appropriate action is taken to avoid shortfalls and mistakes.

3. **The future of regulation**

In light of the evolving and technology driven nature of the financial services industry, coupled with industry challenges such as Brexit, the FCA is considering the future of regulation in the UK and will continue to assess the industry on an outcomes-based basis, starting as ever, from the perspective of financial services customers.

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