Consumer Duty webinar – consumer investment, pensions, asset management

<u>Speakers list:</u>

Emma Stranack, Head of Content and Channels, FCA
Richard Wilson, Manager of the Consumer Duty Policy
Ed Smith, Head of Competition, FCA
Michael Collins, Technical Specialist, Asset Management and Funds Policy Team, FCA
Michael Lawrence, Technical Specialist, Consumer Investment Supervision, FCA
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EMMA STRANACK	Good afternoon and welcome to the second in our series of webinars on the new Consumer Duty. I'm Emma Stranack, Head of Content and Channels at the FCA and I'll be your host for this webinar. I just want to welcome all of you. I think we had over 4,000 registrants. We recognise that the Consumer Duty is a significant shift, not only for financial services firms, but also for us as the regulator, and it comes at a challenging time, both for consumers and in terms of the wider economy. So we wanted to make sure that we were committed to working with you to help you understand the Consumer Duty and to get it right. In July, we published our policy statement and finalised guidance and that contained key information for implementation of the Duty, and we're also running webinars like this, some events and other communications to support you on our expectations for the Duty and to help you prepare for implementation. So the running order for this webinar, we have in the studio with us, Richard Wilson, who is Manager of the Consumer Duty Policy, and he will take you through an overview of the policy and our expectations. We also have Ed Smith, who's Head of Competition Policy, who will talk a bit about outcomes-based regulation, and then joining us online we have Michael Collins, a Technical Specialist, for focusing really on what the Consumer Duty means in asset management and pension sector; and also, Michael Lawrence, a Technical Specialist, who will be focusing on consumer investments. After the speakers, we will try and answer as many questions as we possibly can. We've had over 300 submitted in advance of this webinar, so we will do our best. A lot of them are on similar themes, so we've bundled those and we'll ask the most popular ones. And the issues that come up the most frequently in the sidebar—by all means, please use the sidebar—we will be addressing some of those live questions as well.

	There is a quick poll. If you haven't already done it, it was live earlier, which is on Slido. If you go to slido.com and use reference 8007013, or you use the QR code, and you'll get straight through to the question there. So without further ado, I'm going to hand over to Richard to kick us off. Richard?
RICHARD WILSON	Thank you, Emma. So I just want to introduce myself. Richard Wilson. I'm the Consumer Duty Policy Manager here at the FCA and, added to Emma's welcome, it's great that we've got so many firms listening in today. I hope you find this session really useful. We want to reach as many people as possible, including those who perhaps we haven't engaged with directly, or through trade associations, and so we'll be recapping a little bit of the basics quickly to start off with to make sure we're all at the same point. So I'll be recapping on, what do we want to achieve with the Consumer Duty? How the Duty does this and where we are in the process of introducing and implementing the Duty? The key milestones and the support we'll be providing at each stage of the implementation and embedding process. So why does the… why is the Consumer Duty needed? Well, the Consumer Duty is at the heart of our strategy to help consumers up and down the country. And the cost of living pressures underline how important it is for firms to understand the needs of consumers and to support those consumers to make good decisions in the current environment. And, obviously, even before cost of living pressures, these cost of living pressures emerged, and we all know that consumers were being asked to make increasingly complex and important decisions in what is a faster and ever-changing complex, digital environment for financial services. So that makes it more important that they can make decisions effectively and that competition is working well in financial services. So firms are competing vigorously and in consumers' interests, and to a high standard of consumer protection. And that changing environment also underlines the need for flexibility, for a flexible regulatory framework, so that we can respond to the risks as they emerge, new emerging harms in the market, new business models, and so that firms can also innovate and compete in… with the flexibility of those regulations and to clear high standards of regulation as well. So the Duty does this with focus on consumer outcomes. It's a significant shift, as Emma just said, both for firms and for us at the FCA, but we think it's a real opportunity. Firstly, it's an opportunity to improve trust in financial services, which has got to be a benefit to all firms, and it's also an opportunity to deliver good outcomes for consumers to help deliver that trust. But also, it's an opportunity for that more flexible and less prescriptive regulatory framework to get to that over the longer term, which will benefit firms as well.

	So, how will the Duty really make a difference? How will it deliver on that? So in the past, we've looked at problems as they appeared, kind of one by one in different sectors. So, examples, in things like GI pricing practices, or interventions in the pension market. But drivers of harm are the same across all the sectors. That's what we really found from our work on these different pieces of work, is that the drivers of the harm were often very similar. They can be things like consumers going and buying products that actually weren't designed for them and don't meet their needs. Or it can be firms exploiting consumers' lack of knowledge or behavioural biases. So, looking at these in detail and the bullets on the slide, how does the Duty do that? It extends our rules on product governance and fair value. So rules that already exist in some sectors, levels them up, if you like, across all sectors to deliver those important improvements. It tackles complex areas of market practice, built on what we've learned about how consumers really behave in real life, those behavioural biases. Things like sludge practice, where frictions in the customer service, or in processes, interfere with consumer decision-making. It also puts the onus on the firms to be proactive and to anticipate where harm, or problems, may be occurring and respond to those emerging harms, take action to protect consumers. So it's dynamic as well and it requires firms to focus on the diverse needs of their consumers. It builds on our guidance on the fair treatment of vulnerable consumers that we published not so long ago. It makes us think about vulnerability at every stage of the product lifecycle, but above all, as I said earlier, it's about firms being able to fine-monitor evidence and stand behind the outcomes that their consumers are experiencing. This has real focus on outcomes and acting where we see poor outcomes and to make sure consumers are getting good outcomes. So taking a step back, we want boards to be as focused on consumer outcomes as they are on their profit and loss and for this outcomes focus to really permeate the culture of each firm. And, of course, we could back that up with assertive supervision and enforcement as needed. So what is the Consumer Duty? How is it structured? As I'm sure many of you know, it's quite a big package of different things as set out in this diagram. So at the top, we've got the Consumer Principle. A firm must act to deliver good outcomes for retail customers. That really sets out what the aim of what we're trying to achieve with the Consumer Duty. Underneath that, is the cross-cutting rules. We've set out the overall standard of conduct we expect and how firms should be delivering good outcomes. They apply both upstream at the target market level. So that's where firms perhaps are designing products, or pricing products, and they need to think about the

	Consumer Duty at a target market, for the target market of that product, or service. But it also applies downstream, when a firm is interacting directly with individual consumers, perhaps on the phone, or on digital channels. The cross-cutting rules also inform how firms should be approaching those four outcomes and thinking about them. So I'm going to talk through those four outcomes in turn, starting firstly with the products and services outcome. So we want products and services to meet the needs of the people they are designed for, and this means firms making sure that these people in the target market are the ones that are being sold the product, that are receiving the products, and that means, obviously, proper oversight of the distribution of products and services. Consumers are less likely be able to pursue their objectives, are more likely to experience harm, if they've got the wrong product that wasn't designed for them. Product governance rules are a key innovation in recent years that we've introduced in some sectors and are now rolling out across other sectors, as I said earlier. And so, if you're already meeting PROD rules, then you'll be meeting the standards of the Duty in this area. Turning now to the second of the four outcomes. That's price and value. We want all consumers to receive fair value. Our rules do not set prices. That's not their aim. What the rules do, is set out how we expect prices to be reasonable, relative to the benefits of the products and services. Firms must consider this in the round. They've got to think about costs and charges, but it's also about value in the round. If you're meeting… again, we already have fair value rules in some sectors and areas, and if you're meeting existing fair value rules, then you'll be meeting the Consumer Duty. On the third outcome, consumer understanding, we expect timely and clear information to be provided, that customers can really understand and act upon. This is central to consumers being able to take responsibility and make those effective decisions that we want them to make and to get good outcomes. This goes beyond where we… some of our previous requirements and is more… includes also testing, to make sure that those comms are understandable, given what the firm knows about the target market of their products and services. And it also includes the monitoring of those comms and the impact. How is it encouraging firms to take… encouraging consumers to take the right actions? And it requires firms to take action themselves, if they see that the communications aren't working. On the final of the outcomes, consumer support, we want consumers to receive support that meets their diverse needs, so that they can access the product or service they've bought and make proper use of it. We want to ensure consumers are supported throughout their relationship with the firm. So

	throughout the product lifecycle. Not just at the start, when they buy it, but throughout. We want firms to consider this outcome when they're… whether it's a digital channel, or a non-digital channel, to really consider how best to engage with consumers and to provide that support, so they deliver good outcomes. We want to see competitive markets, particularly now with the cost of living pressures, where every penny counts. So we want to see… so that's why it's so important that, for consumers, it's as easy to switch, cancel or complain about a product as it is to buy it in the first place, and that's one of the ways in which this outcome really raises the standard of what we expect of firms in this area. So taking a step back and looking at the whole of this structure for a second, it's important to remember that we do realise that all firms and business models are different, and the Duty is flexible enough to reflect that. So it does that in a couple of ways that I'm going to highlight. So, what is required really depends on what is reasonable, given the factors of the situation, and we set out more on that in our guidance that is published. Also, it reflects the fact that we… obviously, we realise that firms have different capabilities and they have different testing capabilities for their products and their communications, different monitoring capabilities with the data that they're seeing, but we expect the firms to apply the capabilities they have to improving outcomes for consumers. I'll talk a little bit now about where we are in the process of introducing the Consumer Duty and the timeline going forward. So, the final rules and guidance were published in July, and at that point, we gave firms 12 months to implement the Consumer Duty for new products and existing products, that are opened for sale or renewal, and then a further 12 months—so until the 31st of July 2024—to implement Consumer Duty for the remainder of products; those closed products that are no longer on sale. We think this is a fair timetable that reflects the scale of the work required, but we do recognise that, for many firms, this will be quite challenging. So firms will need to use all of the time available to them to implement the Duty and demonstrate they're making the progress required. And that's also why we set out two key milestones within the first year of the implementation period. The first milestone is that by the 31st of October—so in a couple of weeks' time—we expect firms to have agreed their implementation plans with their boards, or governing bodies. To be clear, we don't expect plans include all that firms have scoped all the work required for this plan, but we do expect the plan to show how they're going to be able to implement the Duty in time, and to show that they've thought about the Duty properly; their thinking and assumptions behind the plan. How has the firm approached the Duty? How is it thinking about good outcomes? What gaps has it identified between its current practice and the

	practice it needs to get to by the time the rules come into effect? And the aim of that is primarily so that their own board and their own governing… or their own governing body, can be confident that they're on track to implement the Duty properly and to the standards required, but also, if we ask to see the plans, that we can confident as well. There's also a second milestone that we've included—the 30th of April 2023—which is that manufacturers of products or services should've completed their reviews of those products and services, and the communications and all the work… the reviews they need to do to meet the outcome rules by that stage. This is so that they've got enough time to implement changes they need to make to meet the July deadline, but also, even more crucially, so that they can communicate crucial information to distributors, so that they can be ready and be able to implement the Duty by the deadline as well. That sharing of information between manufacturers, distributors and up and down the distribution chain is essential to implementing the Consumer Duty. So that's some of the expectations we're putting on firms and we've made clear to firms on the Consumer Duty, but we recognise we've really got to support the industry through all of this, as Emma said earlier in her intro, so that's why we're having a wide range of events to engage with firms, to listen to questions and to give firms steers as and when they need it. So we've been holding lots of events already. Next year, we'll be holding further ones. Some of those may be in person, some of those online like this one, and we'll also be providing digital content on our website and on social media, picking up and addressing some of the common themes and common issues. We've already put some information up in recent weeks responding to some questions. All this engagement will be underpinned by our supervisory strategy. There's four elements to the supervisory strategy key elements that I just want to quickly highlight to everyone, so they can understand our approach to this. So, firstly, we're developing… or, firstly, all firms that we authorise and supervise are in a portfolio, are allocated a portfolio of similar firms with similar business models, and we're developing a strategy of how we want the Duty to be embedded in each of those portfolios, and to tackle the key harms, as we see it, in those portfolios. So the second element of our strategy is us communicating to those firms in each portfolio, underlining the key areas. We'll often… we'll do this through letters, but also engagement, like today, or engagement directly or through trade associations. The third element of our supervisory approach is, of course, our engagement with those larger firms, where we have fixed supervisory teams. So we'll be doing two things there. Obviously,

	we'll be making use of all the usual engagement that we have with those large firms to focus on how they're implementing and embedding the Duty, and we'll be particularly—over the next few months—be reviewing implementation plans and to see, as we said… as I said earlier, how they're tackling this issue and how confident the firm can be that it's going to meet the implementation deadline. The fourth and final key aspect of the supervisory area, supervisory approach that I want to highlight, is our multi-firm work that we do with smaller firms. It's targeted on specific issues, so that ensures that we're reaching all firms with our supervisory work. So those are the key areas of our supervisory approach. I'm now going to hand over to Ed, who’s going to talk a bit about outcomes-based regulation.
ED SMITH	Thanks, Richard. Thanks, Richard, and good afternoon, everyone. My name is Ed Smith. I am the Head Of Competition at the FCA, but also working a lot on embedding the Consumer Duty in the FCA and with firms. So I wanted to today make a presentation on what is outcomes-based regulation? And I want to consider that question at a high level about what outcomes-based regulation means in principle, but then drill down into the practice of what it looks like in a number of the outcome areas that Richard just highlighted. So at a high level, I think the outcomes-based regulation is a fundamental shift in our approach. It's a key focus, as Richard says, on the outcomes that firms are delivering for consumers, rather than just the process. So, traditionally, we've focused on what I call inputs in regulation. So the things like committees, things like compliance, manuals, things like lines of defence, and those are all important, but they're important as a means to an end, and that end is good consumer outcomes. And as technology’s evolved, as data has evolved, we can understand consumer outcomes in real time much more than we used to, and we can monitor those outcomes in real time much more than we used to. And that gives us a different perspective, and it gives firms a different perspective, because they are actually able to see data that corresponds to good consumer outcomes in the same way that they might see data on their profitability, or their revenues, they can actually see data on what the… how the consumer is using their product and how they're buying it, and through what channels. So we can use that data much more directly to get to good… to focus on good consumer outcomes. And I think that really has three advantages. Firstly, as Richard says, it allows us to be more preventative. We can see problems emerging, we can use our foresight, we can see… use data to see where customers are

	buying the wrong products, and that will, you know, that will mean that we won't have to be quite so reactive to problems as they evolve, but it also means we can be more flexible. We don't need to, all the time, put prescriptive rules into place in different sectors. We have used outcomes-based regulation in the past, particularly recently in insurance and pricing practices and value measures, but we want to extend that principle of outcomes-based regulation across financial services markets. And that gives firms more flexibility as well, because it means that they can focus on the things that actually achieve good consumer outcomes, rather than the intermediate steps that may not necessarily focus, or achieve those outcomes. So what does that mean in practice? Well, let's take an example. Let's look at the product and services outcome. And as Richard says, this is about ensuring that products and services meet the needs of the people they are designed for. And, clearly, a clear part of the Duty is that firms do an assessment upfront of their products, so that they identify a target market for the product, that they design that product with that target market in mind. So that might be particular consumer characteristics, sophistication, age, income, like, sort of vulnerabilities in that, and design the product with those particular characteristics of that target market in mind. It also means assessing upfront the distribution strategy for that product to make sure that the distribution strategy is aimed precisely at that target market, and the risk of actually going outside that target market is quite low. It also means gearing your marketing and your literature to ensure that that target market is the focus of the product. And also, thinking, again, as we continuously go through the process, about vulnerable consumers and designing the product with those consumers in mind with particular vulnerabilities. But outcomes regulation is more than just a one-off assessment. It's an ongoing exercise. So it's about responding to changes in the marketplace and changes in how consumers are using the product, understanding how they're using the product and adapting, if necessary, the product to meet those changing needs. So firms need to look at whether different types of consumers are getting different outcomes. They need to look at whether their complaints are reflecting things about the product and service itself and the design of that, that suggests that customers are not having their needs met. And boards and management really need to be on top of that. And this is where data comes into play. Data is crucial to understand how consumers are actually using the product, whether it's meeting their needs, whether they're getting value from it, and what sort of prices they're paying, or continually paying in fees and charges through the product lifecycle. So data is crucial.

	And let's have a look at a hypothetical example. So this is a hypothetical example of an investment platform and the investment platform is designed with a particular target market in mind, and that is confident, sophisticated investors that are trading large sums, or investing large sums, but also trading quite frequently on the platform. And it's reflected in a high, annual, fixed fee. The platform has a lot of research on it and that costs money. And that's a high, fixed fee, but also low trading costs, because that's what's attracting the investors that like to trade frequently. So it has a particular cohort of customers in mind. But then, if we look at the scatterplot of the customers, and on the vertical axis, we have the amount that they're investing on the platform, and on the horizontal axis, we have the frequency with which they trade. We can see, well, the target market is there. It's certainly there in the top right corner of the scatterplot, but we also notice that there's a cohort of customers that aren't in the target market down in the bottom left. And these are customers that are investing quite low sums of money, but they're also not trading that frequently. And so, there may be a number of reasons for this. They may be getting value from the product, they may be using the research, and firms can drill down into that and look a bit more in depth at what these customers are doing. But it may be that they aren't in the right product for them, that they aren't particularly the target market, they don't understand the product particularly well and they've come in and are on the platform, but not using it. So what can the firm do about that? Well, it may be that the firm wants to review its onboarding processes. It may want to review its literature. Make sure it's much more targeted at the target market for this platform. It may want to look at, you know, why some of these customers in particular channels may be coming onto this platform and are those channels doing the right job in terms of directing it to the target market? So this really kind of gets to the heart of the products and services outcome. Are there consumers that are using the product that are… it isn't designed for and are not getting particularly good outcomes from that product? It also highlights a second key question under the Duty, which Richard touched upon, which is, is it delivering differential outcomes for potentially vulnerable customers? So you might want to look at this cohort of customers at the bottom left with a vulnerability lens on. Are these customers that have maybe characteristics of vulnerability? Are they in an older age group? Maybe they have difficulty understanding the product? So those are questions you might want to ask through that vulnerability lens. And where firms find problems with that design of the product, or with the distribution of it, we expect them to

	demonstrate action. We want them to mitigate the risk of harm, particularly to any vulnerable customers in that cohort. So let's move on to the price and value outcome. As Richard says, this is about consumers realising fair value for the product and that there is a reasonable relationship between the price paid and the benefits that a consumer receives. So, again, there's a job of work that firms need to do upfront, as they would do marketing any product, to check that the prices that are charged are reasonable, that they're not, you know, they're not extortionate in any way compared to market, other market products on the market. But crucially, they need to keep that under review. Again, it's not just a one-off exercise. So they need to check a number of questions. Is the revenue that's been generated, or continued to be generated from this product, reliant on behavioural biases like inertia? Or like consumers thinking big value comes from big prices? Are certain groups paying different prices for the product and why is that? Is it certain groups coming in through different distribution channels? Is it long-standing customers? Again, vulnerable customers, are they paying higher fees and charges for the product over the product lifecycle? And do the actual benefits that consumers receive differ wildly from what the firm assumed those benefits to be? Are consumers actually using the product in the way it was designed for and are those flowing through into benefits for the customer as they assumed they would? So firms don't need to update price and value in real time in response to this, but they do need to have an understanding of how consumers are using the product and how that affects the amount that they're paying over time, and the benefits that they are realising over time, and whether or not that's fair value. So let's take another example. This time it's an insurance policy, gadget insurance policy. A fairly standard policy, but it does have a number of exceptions. So exceptions for water damage, let's say, exceptions for cosmetic damage. And again, we plot out the customers on a scatterplot. Annual premium on the vertical axis and length of time in the policy on the horizontal axis. And here we've got an example quite clearly of what you might call the loyalty penalty, or the price walking. So loyal customers who’ve been in the policy for a long time end up paying, on average, higher premiums than those who’ve just started in the policy. So, again, differential pricing for different cohorts of customers and, you know, the firm needs to ask itself, is it exploiting that behavioural bias? Is it exploiting that inertia bias to gain revenue from those customers? But it's not just the price that the customers pay. We need to look in the round also at the benefits that customers are getting

	from the policy. So, again, we see a scatterplot for the total claims paid on the vertical axis over the lifetime of the product. And we see, again, as you might expect, that the longer you have a policy, the more claims you might expect to make and realise, but there are some customers down in the bottom right there, who are not claiming anything on their policy despite being in the policy for a long time. Now it may be that that's perfectly justified. They haven't lost their phone, or broken it, and it may be that they're getting value from the peace of mind of having the insurance. But equally, it may be because they don't understand the policy and particularly don't understand the exclusions that apply to the policy. So the firm might want to drill down into this a bit more to understand, you know, are there complaints coming from these customers that underline that they don't understand the policy? Is there feedback coming from customers about this policy that means that they don't get it and they don't think it's fair? And, again, going back to the literature, the onboarding journey, the marketing, is that all appropriately targeted at the target market for this policy, such that these people aren't onboarding to the policy when they don't realise the particular exclusions that apply? So that's a brief canter through price and value. Let's come to consumer understanding, which is the third of the outcome areas that Richard highlighted. And as Richard says, this is more than just principle seven. I.e., it's more than just fair, clear and not-misleading communications. What we want firms to do under this outcome is really test that consumers understand the literature, the communications that firms are making, and are acting on the basis of those communications as far as possible. So, again, this might involve upfront work by the firm to analyse the text of letters that they're putting out, to make sure their terms and conditions aren't completely impenetrable. To pull out the key terms of a policy, or a product, and test those with customers before sending it out. They might want to use focus groups, they might want to use online labs to check that their consumer… their online consumer journeys are delivering the right outcomes, that consumers are not dropping out of those online journeys, or making the wrong decisions. So again, there's upfront work, but again, there's also ongoing monitoring. So looking at whether communications is actually prompting consumers to do the right thing, to change their behaviours, to switch potentially to another product, or to realise the benefits in a better way than they have been doing. So we want to… we want firms to monitor the impact that communications have in the market on consumer behaviours. So I will end that there. What I wanted to do—and Richard's already gone through some of this—is just to highlight what the Consumer Duty means for a number of our core functions in the FCA and how we, ourselves,

	will be taking this forward. Richard has talked about the supervision strategy in detail, but it's also important to note that we will be embedding the Consumer Duty in our authorisations approach at the gateway. So firms coming through the gateway will be expected to demonstrate that they have a plan to implement the Consumer Duty, that they understand the Consumer Duty, that they have data requirements and a data strategy to be able to monitor the outcomes that consumers are getting from their products. So that will become a key part of our gateway going forward. And as we supervise firms as the Consumer Duty comes into effect, we will also, and have been, engaging with our enforcement colleagues to make sure that any serious breaches of the Consumer Duty are taken forward with all of our tools, including our enforcement tools going forward. So that's a brief canter through what we mean by outcomes-based regulation, but now I can pass to Michael Collins, who can talk a little bit more about asset management approach. Michael?
MICHAEL COLLINS	Thanks, Ed. Thank you. And thanks to everyone for attending this webinar today. My name is Michael Collins. I'm a Technical Specialist in our Asset Management and Funds Policy Team. I’m going to talk to you a bit more about how the Consumer Duty affects asset managers and pension providers. So starting with the side of asset managers, how do the rules work in regard to the types of customer that an asset manager has? Something that's important to note is that the Consumer Duty goes wider than the existing rules in placing obligations on firms, if they have a material influence on retail consumer outcomes. The Consumer Duty rules aim to cover retail consumers, whether those consumers have a direct, or an indirect, relationship with an asset manager. For example, if the firm has professional clients, such as the trustees of a pension fund, but where the underlying customer is retail, the firm must consider the end outcomes for those retail customers. Although, I would emphasise that in the context of the Consumer Duty, the outcomes are those that are defined within the rules. So where some firms have asked questions around investment performance, we would clarify that the legitimate investment performance from taking investment risk in line with a mandate is not something that constitutes an outcome as defined by the Consumer Duty. So how do the Consumer Duty rules interact with the current rules in the sector? Richard’s covered a little bit of this earlier, but just to clarify, the products and services outcome and the price and value outcome are similar to the existing rules that we have in the sector, and what these are doing are bringing a level playing field with other sectors, that are not subject to existing

	rules in these areas. Where a firm is currently subject to existing product governance rules, or rules around assessment of value, then you must consider complying… you must continue complying with those rules and these elements of the Duty will not apply. But we also recognise that there are some cases that fall just outside the scope of the current rules. For example, a product may have been designed before the product governance rules came into force, and some firms are subject to PROD 3 as if it were guidance rather than rules. In these cases, firms may choose to apply either the processes set out in PROD, or those set out under the Duty. It's also worth saying that the Duty, as a whole, is broader than the existing rules, so satisfying those rules is unlikely to meet… mean that a firm meets all aspects of the Duty. For example, firms would still need to consider the other outcomes, and as noted by Richard and Ed, the cross-cutting rules call on firms to pay appropriate regard to customers in a target market who have characteristics of vulnerability, which is an important additional factor brought in by the Consumer Duty. Another area that we are asked a lot about is how the obligations on distributors impact asset managers. The Consumer Duty imposes obligations on distributors as well as fund managers, and you'll hear more from my colleague, Michael Lawrence, later in this session what that means for firms distributing investment products. But this will also have implications for manufacturers and I'll talk about that now. Existing product governance rules continue to apply to manufacturers and distributors of investment products, but the Consumer Duty will have a greater impact on this, because distributors will need to consider whether a product represents fair value for consumers after all costs and charges, including those in the distribution chain. This applies to all products that are distributed to retail customers, including products manufactured by a firm not subject itself to the Consumer Duty. So this would be relevant, for example, to Irish and Luxembourg funds being distributed to retail consumers in the UK. There is no obligation on the manufacturers of these funds to carry out a value assessment, for example, but distributors would need to seek information from fund managers of these funds to enable them to meet their own obligations. We know that the industry has mechanisms for sharing information in standard formats to enable manufacturers and distributors to meet their obligations in an efficient way. We're not imposing any specific standards in this area, but we do anticipate that relevant information will be shared, so that UK firms can meet their obligations around the distribution. How do these… the outcomes around consumer understanding and support impact asset managers? This is where the Consumer Duty introduces elements for asset managers that go beyond existing rules. As you've heard earlier, you will need to think about how this impacts your business model. Where you're

	involved with producing materials for retail consumers, you'll have to think about whether consumers in the target market will understand them and whether those materials will support consumers in taking appropriate action. We recognise that there are examples of consumer testing that have previously been done. For example, we know that the Investment Association has undertaken work looking at consumer understanding of fund objectives and these are the kinds of things that we anticipate firms will increasingly need to do to meet the consumer understanding objective. I'll now take you through some examples of good and poor practice to help you understand this a little bit more. These are hypothetical examples, but hopefully they'll give you some colour. So the first example is a good practice example around a complicated investment product. The product manufacturer designs a complicated investment product. The target market is sophisticated investors, who seek capital growth and who are willing and able to take significant investment risk. The manufacturer identifies that the product could cause significant harm, if bought by consumers outside the target market, who may not understand the risks, or be able to afford the potential losses. Because of this, the manufacturer identifies a clear negative target market of retail consumers for whom the product would not be appropriate. The manufacturer develops a distribution strategy, in which the products can only be sold with advice. The manufacturer identifies the distributor with the appropriate skills and experience to advise on and sell the product. It provides all relevant information about the product and both its target market and its negative target market to the distributor. This enables the distributor to assess whether the product is suitable for particular customers and ensure it is only sold to customers in the target market. The manufacturer also monitors, on an ongoing basis, whether the product is being distributed to customers in its target market. This is also likely to be consistent with the cross-cutting rules, showing the firm is taking steps to act in good faith and avoid foreseeable harm. I'll now move on to an example of poor practice. This is an example of something that we call a sludge practice. A firm has a legacy book of business with direct retail clients. It requires its customers to contact it by phone or post only, if they want to switch out of their legacy funds. Their telephone service is thinly resourced and customers are often unable to get through. If they wish to redeem units in the legacy fund, customers are subject to a lengthy process, during which they're encouraged not to exit. This type of practice would represent an unreasonable barrier under the consumer support outcome, if it prevents customers from pursuing their financial objectives.

	Before I move on, I'll highlight that the Consumer Duty encourages you to think about the information that you have, or can get, to determine whether you are delivering good consumer outcomes, and Ed's given some examples of the kinds of things that you might be able to look at in this area. So, for example, you may be able to obtain information from how consumers are using your website to identify if key materials are being accessed. Where you don't have good information about how consumers use your products, or you may have concerns that consumers don't understand your products, you may want to consider running focus groups, either of consumers directly, or potentially of distributors, to understand how materials are being used and what barriers exist to consumer understanding. I'll now move on to talk about pensions providers on the next slide. Many of the same points that I've spoken about in relation to asset managers are also relevant in the context of pension providers. Pension providers typically have more direct interaction with retail consumers and my colleague, Michael Lawrence, will pick up in the next few slides the importance of supporting consumer decision-making in these kinds of direct interactions. Just to talk briefly about workplace personal pensions. For workplace personal pensions, the assessments of value for money by independent governance committees and governance advisory arrangements are embedded into the Consumer Duty rules. Firms operating workplace personal pension schemes, such as group personal pensions, or group SIPPs, must use the assessments carried out by their IGCs or GAAs to see if those products provide fair value. When thinking about occupational pension schemes, we've been clear that we expect firms providing services to trustees of occupational pension schemes to be in scope. The members of these schemes should be regarded as retail customers. If an FCA-authorised firm can have a material influence on outcomes for those customers, then we think the Duty applies. This does not mean that we're extending our regulation into TPR's remit. We're working closely with TPR and our focus is on good customer outcomes, which is aligned with their work. In practice, if an FCA-authorised firm could have a material influence over outcomes for members of an occupational scheme, it should comply with the Duty within the scope of its activities. Relevant parts of the Duty could apply, for example, where a firm drafts a communication that will be provided to members of the scheme, or provides support directly to scheme members. I'll now take you through some examples of good and poor practice in the pension sector. First, an example of poor practice relating to behavioural biases. We have seen examples of some products that were designed, either intentionally, or through insufficient consideration of

	consumer outcomes, with aspects that exploit behavioural biases. For example, we have seen complex investment products, where the complexity disguises high risks, high costs, or poor prospects of the product delivering a return commensurate with the risks and costs. Product design that disguises risks is unlikely to meet our rules for firms to design products and services to meet the needs, characteristics and objectives of the target market. It is also likely to be inconsistent with the firm acting in good faith, and enabling and supporting customers to pursue their financial objectives. Finally, an example of good practice. In this case, I will look at a parallel example from pensions policy to illustrate how better outcomes might be supported. This example relates to wake-up packs. In January 2019, we published the first tranche of our rules and guidance following our retirement outcomes review. This introduced additional trigger points for firms to send pension wake-up packs. At age 50, customers are sent a summary document that includes key information such as pot size and generic warnings. This is followed by a full wake-up pack at age 55 and every subsequent five years, which sets out the different options available when accessing pension savings. These changes are intended to give customers timely, relevant and adequate information about their retirement options to enable them to make an informed decision. This type of approach is consistent with the aims of the Consumer Duty. By providing relevant information at appropriate points during the product lifecycle, it gives customers the opportunity to assess their options in good time, enabling them to make effective decisions and to pursue their financial objectives. I'd like to thank you for listening to me and hope that I've answered some of your questions. I'll now hand on to my colleague, Michael Lawrence, who will talk about consumer investments and how the Consumer Duty interacts with that.
MICHAEL LAWRENCE	Good afternoon, everyone. My name’s Michael Lawrence and I am a Technical Specialist working in Consumer Investment Supervision, and I'm going to be talking to you about how the Duty applies in this space. As you've heard already, the Duty marks a significant cultural shift in what we expect from firms providing financial services to retail clients, and that's just as true for firms operating in the pension and investment sectors, as it is for everywhere else. And so, while much of the retail investment market is meeting the goals of retail investors, we know that there are a number of areas where it's not working as well as it should, and where change is needed. So firms need to take the Duty seriously. We want you to understand how the Duty impacts upon the key activities that your businesses are undertaking, whether that's as a product provider, as a distributor, or as a vertically-integrated firm that does both, and we expect you to plan and prepare

	carefully for its introduction. As part of that, we want the industry to expand its focus beyond narrow, technical compliance with specific rules—although, obviously, that's still very important—but to also consider the quality of the outcomes that are being delivered. And this focus needs to permeate all stages of the customer journey, so throughout the entire lifecycle of a product or service. As you'll know, the Consumer Duty doesn't exist in a vacuum, so before I go on to talk about it in a bit more detail, I thought it'd be helpful to explain how it dovetails with our wider work. So, a year ago, hopefully you'll have seen we launched a three-year strategy for consumer investments, and this is our view of the kind of most important harms in the market and how we'll deal with them. And it also sets some quite ambitious targets to measure progress. The Duty underpins this strategy, so we want a consumer investment market where firms design products and services, which help consumers invest with confidence, understanding the risks they're taking, and the regulatory protections provided. That firms ensure consumers receive products and services, which are right for their needs and at a price that represents value for money. That firms protect consumers from pension and investment scams and that they only allow access to higher risk investments where this is appropriate, given the needs of their target market. And finally, that firms deliver on their ongoing commitments and that they monitor whether their products and services are performing as expected, particularly given the medium to long-term nature of this market. So I talked earlier about how the Consumer Duty applies throughout the customer journey and the lifecycle of products and services. I'm now going to talk about how our expectations under the four Consumer Duty outcomes are there, as these represent the key elements of the firm-consumer relationship. So the first one, as per the slide, is the products and services outcome. So, put very simply, the objective of this is that the products and services are designed to meet genuine consumer needs. And, as Michael mentioned previously, this builds upon our existing product governance requirements, which have been in place with many firms since 2018. Please note one thing, there's a deliberate focus on the design of both products and services. So firms providing guidance, advice and discretionary investment management will need to consider the Duty in how their services are designed and delivered. So what do firms need to do? Well, first, they need to have identified a clear target market for their products and services, and they then need to ensure that the design of them meets those consumers… their needs, their characteristics and their objectives.

	Let me use a couple of examples to explain how this should work in practice. So financial adviser firms need to focus on whether the design of their initial and any ongoing services meet the needs of the different groups of consumers they serve. Otherwise, consumers risk paying for services that they may not need. And all firms need to ensure they understand whether the investment solutions they use are compatible with the needs and objectives of their target market. As part of this, we'll be paying close attention to how firms protect their clients from unsuitable high risk investments and scams, and Michael Collins gave a good example of that earlier. And a particular focus will be on whether firms choose to work with unregulated entities like introducers, given the well-documented issues in this space. Firms developing guidance solutions, like pension providers, and direct to consumer platforms, need to ensure that their services are designed, so that they can help those consumers achieve good outcomes. So it's crucial that firms understand their information needs and then ensure that the structure and the content of the support provided helps those consumers make effective, informed investment decisions. And I'd reiterate one point. This isn't just at the point of sale, but throughout the key stages of pension and investment journeys, given they're medium to long-term. The second outcome—so next slide, please—relates to price and value. We've covered this previously, that in a nutshell, firms need to ensure the costs and charges that consumers pay are reasonable, compared to the overall benefits they receive. As you'll know, our rules allow firms flexibility in how they set their charges, so it's important that firms think quite carefully about whether their charging models deliver fair value for all of the groups of consumers they serve. And this should also take account of how customers are likely to use their products and services in practice. Now this is an area where we've already signalled some concerns. For example, in our 2020 evaluation of the Retail Distribution Review, we highlighted features of adviser charging models that suggested competition was not working as effectively as it could. So this included adviser charges being clustered at a small number of round price points, as well as concerns about the relationship between the prices consumers were paying and the content of the services they were receiving. So we expect firms to review whether their charging models are delivering value for all of their customers. I'll give you some examples to highlight a few things that firms should consider. Services with fixed monetary charges, as Ed mentioned previously, may prove to be disproportionately expensive for people who have lower investment amounts, and that could prevent them from meeting their financial objectives. And charging models based on a percentage of the assets under advice could result in some consumers paying substantially larger

fees than others, even though the cost of providing the service and the benefit customers perceive may be similar. And we also know that the vast majority of advised consumers receive very similar ongoing services, often based around an annual suitability assessment, even though their needs and objectives can be very different. So in such circumstances, we expect firms to consider whether the price different groups of consumers are paying is reasonable, relative to the benefits. And this could mean they identify that specific groups of consumers for whom their advisory charging model may not offer fair value, and where they identify problems, we expect them to act to fix them. Finally, distributors, like advisors and discretionary investment managers, will also need to consider the cumulative impact of the charges and the different products and services they recommend, and then use this data to determine whether the overall fees, which are often referred to as the total cost of solution, represent fair value for different groups of consumers. And in this respect, a key consideration is likely to be what proportion of expected customer investment returns are taken up by charges.

I'll move on to the third outcome, which relates to customer understanding. Next slide, please. So we've talked about it going beyond our existing principle seven. Firms need to ensure their communications support customer understanding of their products and services, and the key here is that firms give their consumers the right information at the right time to make informed investment decisions. Hopefully, this will mean consumers can act with confidence, understand the risks they're taking and the regulatory protections provided, and they can also access and identify investments that suit their circumstances. So this is a crucial area for firms delivering guidance solutions, like pension providers and direct to consumer platforms.

In our feedback statement earlier this year on the pensions consumer journey, we highlighted some areas where we think firms can do more to support consumers within the current regulatory framework.

Feedback showed there was consensus about identifying specific points in the consumer journey, for example, life events, where consumers are most receptive to engagement and may be primed to make decisions. And we think the industry has a key role to play in developing innovative ways to support consumers. We want firms to meet the needs and the types of consumers at the different stages of their pension journey and tailor their offering to them with a focus, obviously, on ensuring consumers achieve good outcomes.

And I would say we're happy to continue to support firms in navigating the regulatory framework to achieve this. So, in particular, we're conscious that firms frequently tell us that the advice-guidance boundary prevents them from providing the forms of greater support that they're keen to offer. We continue to believe that there is more that firms could be doing within the existing framework and we want to work with firms to address their concerns where possible. And we also plan to feed any issues that can't be addressed within the current framework into the holistic review of the advice-guidance boundary, that we announced previously.

For financial advisors, key areas of focus are likely to be in how they explain the nature and the extent of their advisory services, their costs and charges and in the clarity of their suitability reports. We know poor disclosure has been a theme in the results from our previous supervision reviews in the advice sector. For example, we've highlighted concerns with how the length, the complex structure, and occasionally, the jargon-filled content of some suitability reports, is likely to inhibit client engagement and understanding. So we are expecting the highest standards under the Duty to drive an improvement in this space.

The fourth and final outcome—next slide, please—is customer support. I said before it's about supporting consumer needs throughout the lifecycle of products and services. So for consumer investments, this is likely to mean that firms deliver on their ongoing service commitments, respond appropriately to customer requests for support, introduce appropriate frictions into the buying process for high risk investments, act to reduce the risk of customers being scammed, for example, taking steps to reduce the risk of customers transferring assets to a fraudulent investment, undertake prompt and effective complaint handling when things have gone wrong, and also, to complete requests to transfer investments to another provider without delay.

I'll finish by recapping some of the key takeaways from today's session.

The Duty is first and foremost about the duty that you owe to your customers. All firms subject to it need to carry out their business in a way that shows they're acting to deliver good outcomes for their customers. And so, we're very keen and expect you to see that you're delivering these outcomes across the areas we've identified, and also importantly, being able to evidence that you're doing so. As we've mentioned before, this is a pivotal moment also for us in how we regulate and supervise the consumer investment sector. It should make it easier for us to intervene more quickly and effectively where we identify poor outcomes for consumers. So you should expect to see us acting much faster and assertively where we find firms not meeting the Duty.

I hope that was helpful and I think now we're done with our formal speaking bits and can move on to questions and answers. Thank you.

EMMA STRANACK	Thank you very much to Michael and Michael, and Ed and Richard, and I am now going to go straight into the Q&A session, because I'm conscious we only have half an hour left and there are lots of questions. Some of them will go to people in the studio and some to our subject matter experts online. The first question I've got is about the material influence concept and I am going to go to Jason Pope, who is a Technical Specialist in the Consumer Duty Policy Team. It's one of the major themes actually in the pre-submitted questions, that relates to the Duty applying to all firms that can determine, or materially influence, retail customer outcomes. For example, we were asked about this in relation to fund managers acting under a defined mandate for a pension provider. Jason, can you say a bit more about this concept?
JASON POPE	Yes, and good afternoon to everybody. So, yes, one of the more interesting aspects of the Consumer Duty is that it applies to all firms broadly, to all firms that have a key role in delivering retail customer outcomes. It doesn't only apply to firms that have a direct relationship with retail customers. For example, it applies to any firm in the distribution chain that can influence material aspects of the design, or operation, of retail products or services, including their price and value. It also applies to any firm that prepares, or approves, information to be sent to retail customers, and it applies to firms engaging in customer support for retail customers. If a firm has this sort of influence, it should comply with the Duty. Now, just one quick example to show how that might work in practice. If a firm is unlikely to have a material influence, for the purposes of the Duty, if it's providing factual information that would be taken into account by another firm, when that firm is drafting consumer disclosure documents. But the firm is likely to have a material influence, and be subject to the Duty, if it drafts, or signs off, consumer disclosures.
EMMA STRANACK	Thank you, Jason. Actually, following on from this, I've got a question for Michael Collins, because we've also had questions about when a firm is acting under a mandate from another firm, would they be seen to have a material influence and be subject to the Duty? Michael Collins, can you pick that one up for us?
MICHAEL COLLINS	Thanks, Emma. Yeah, this is definitely an area that we've seen quite a few questions on. I mean, I think the first thing to say is, obviously, we'd have to look at exactly what is happening in practice, but if a firm's role is limited only to acting within a mandate determined by another firm, then it's unlikely that the Duty would apply directly. So

	instead, the firm determining the mandate would probably be subject to the Duty. So, for instance, a portfolio manager is unlikely to be subject to the Duty, if its role is limited to managing assets under a mandate determined by a defined benefit pension scheme, particularly where the two parties are entirely independent, but this is not a blanket exemption for all firms acting under a mandate. We would need to look at the context. If the portfolio manager is determining the design, branding and communications around the product, it would still be seen to be within scope of the Duty. So to be clear, a portfolio manager's role in regard to investment performance would not, on its own, be regarded as a material influence for the purposes of assessing if the Duty applies. Material influence needs to be considered in relation to the four Consumer Duty outcomes, including product design and consumer support, for example, and whether the firm has a significant role in relation to them.
EMMA STRANACK	Thank you, Michael. I've got another question now for Richard in the studio with me. This is about implementation plans. And you talked a bit about them earlier. We've got two weeks. What do you expect from implementation plans?
RICHARD WILSON	Yeah. Thanks, Emma. I'm not surprised we're getting questions. As you say, it's quite timely with the deadline in a few weeks. So as I said earlier, we set that milestone just wanting to indicate to firms the kind of speed at which we expect them to be implementing the Consumer Duty, given the implementation deadlines and the level of oversight that we expect in terms of boards and governing bodies checking that. And also, so that they are aware of when we might be expecting to engage with them about their implementation plans. So, as I said earlier, we're not expecting that plan to have, you know, every single aspect of the implementation to be scoped necessarily by the end of October, but the plan should include, you know, how they're going to finish scoping implementation work. And really what we're looking for, is that the plans are developed enough to give both us and the board, or the governance body, the assurance over two things really. Firstly, that the plans are deliverable and they're going to be delivered on time, and they're realistic and they've thought about all the aspects of implementation they need to do by the July deadline. And secondly, that they've really engaged with the substance of the Consumer Duty. Are they thinking about things like, you know, consumer outcomes? Are they stepping back and thinking about customer outcomes? Thinking about how they're going to monitor and get the data to think about those outcomes? And

	whether they've really thought about the shift in behaviour that's expected, and how that would apply to their business model and their products and services? A couple of other helpful things we might be looking… a flag we might be looking at, if we were looking at a supervision plan, would be key dependencies with other firms. So commercial partners, outsources, other firms in the distribution chain, because often, firms will need to be sharing information, or data, with those other firms, or collaborating to make sure that they're aware of the reviews are on them and any mitigation they need to bring in to get up to the level required by the Consumer Duty. That obviously introduces risks and dependencies that we want to check that firms are cognisant of. So that's the sort of external… one of the external factors. There's also internal as well. So we'd be wanting to be able to see that firms are… have thought about the cultural change internally that they need to deliver and how they're going to do that. How are they going to deliver training, for instance, for all their staff, so that they all understand what their responsibilities are under the Duty to deliver good outcomes? So a whole range of different things that we'll be looking for, but obviously, those plans… we had a question, I think, about whether there's a set template that firms could use, that we could provide on implementation plans, and obviously, you know, there are so many different types of firms of different size, different business models, different structures will be implementing the Duty, that wouldn't be possible. What we're looking for is a plan that… that is primarily the firm's own plan which has enough detail and enough thinking in there about how they would implement the Consumer Duty in their own circumstances, given their size and structure.
EMMA STRANACK	Thank you. That's helpful. I'm sticking with you, I'm afraid, Richard. There is one… a number of questions we've had about champions, and the role of a champion on the board, or management body. So can you tell us a little bit more about what your expectations are for what the role of the champion is, and how it might differ, say, from a senior management function holder?
RICHARD WILSON	Yeah. So we've had lots of engagement, positive engagement with firms over this in the last couple of months, because clearly firms are thinking about how to implement this board champion role in the best way, and we would flag that we've put some more information on our website to help guide firms about what our expectations are in this area. So the primary role of the board champion is, I'd say, twofold. It's firstly to just make sure that the Duty is being raised in all relevant discussions at board, or whatever the governance arrangements are for that particular firm. So to make sure that the Duty is being discussed and raised at relevant times. And secondly, to make sure that the board, or the governance body,

	is really challenging on how the management in terms of the embedding plans and offering… and scrutinising what's going on and making sure that their firm is really focused on end consumer outcomes, and not just on sort of tick-box compliance. But as you said, you also need to be clear about what this role isn't. This isn't a prescribed responsibility under the Senior Manager Certification Regime. It doesn't affect either the board's collective responsibility, or the individual responsibilities of board members, to properly implement and comply with the various aspects of the Duty, that will be on various members of the executive of a board, or management body. It's something over and above the usual governance arrangements that we require, and it's designed, as I say, to provide that extra, additional focus and challenge, and just make sure that those, particularly the non-executive directors, are really engaged and challenging on Consumer Duty. We have not been prescriptive deliberately about… deliberately, we've not been descriptive about how firms implement this champion role. We want them to set it up in a way that works for their own management structure, their own setup of their firm and given the personalities and existing roles on their boards. So we expect firms to apply judgement about what is the most effective way to set up the champion within their organisation. And, for instance, we've said in our guidance that, obviously, with smaller firms, we expect this role will be much less formal than clearly for bigger roles in much more formal governance arrangements.
EMMA STRANACK	Thank you. I'm going to go online now to Sean Cafferky in the Consumer Duty Policy Team. We've had a number of call… questions about call waiting times and what should be considered acceptable in terms of hold times. Sean, can you enlighten us on that one?
SEAN CAFFERKY	Thanks, Emma. Yeah. So, first of all, it's worth saying that, given the outcomes-focused nature of the Consumer Duty, we haven't set prescriptive times for how long you should wait on hold, or how long an issue should take to get dealt with when you're actually talking to an agent, because sometimes it will depend on the circumstances. But, of course, an aim of the Duty is that consumers get the support they need, when they need it, to pursue their financial objectives. So, for example, something that won't meet our expectations that we sometimes see is it being really quick to sign-up and take out a product, but then it takes ages at the back end for consumers to make changes or switch. Also worth flagging is that we've got a new rule specifically, which will require firms to deal with reasonable requests from

	other firms in an effective way and in good time to enable them to support retail customers.
EMMA STRANACK	Thanks very much for that, Sean. We've also been asked—and this now is going to Jason Pope—regarding co-manufacturing. If a partnered IFA requests a low risk portfolio from an asset manager for their client, and a firm designed one, would that be classed as co-manufacturing? Jason?
JASON POPE	The answer to that is that it depends on the case and how the firms choose to set the parameters. So, it will depend on which firm is really making the decisions, which firm has the material influence and can decide what shape the product has. And that could be either the IFA, or the other firm involved, or it could be a combination of both. Where firms have a role that allows them to shape the product, they are likely to be co-manufacturers. And then, also where firms are working together to manufacture a product, they will need a written agreement setting out their mutual responsibilities under the rules. So that's likely to be a key document in helping firms to understand which rules apply to which firms and which firms are responsible as a manufacturer.
EMMA STRANACK	Thank you. That's very helpful. We're now going to go to John Reynolds, who is in Pensions Policy. John, we've been asked about products where the outcome is not produced in real time. So, for example, many problems in pensions have been very hard to spot on a day to day basis and are only really revealed by the cumulative effect of many years of small impacts. How can you answer that?
JOHN REYNOLDS	Well, I think it comes back to the importance of monitoring, as Ed Smith emphasised earlier, monitoring the outcomes that pension products are delivering and taking action where adverse outcomes come to light. So that means keeping products under review, checking what happens in practice relative to what was expected, addressing harms that emerge, and that includes where harms are foreseeable. So it's not just after they've impacted on outcomes. I'd say, also, just on investment performance, investment performance from legitimate risk taking is not a Consumer Duty outcome.
EMMA STRANACK	Thank you very much for that. Going back to you, Jason, now. We've had a question from someone who manages a UCITS fund on a third party platform, that can take in retail clients, but doesn't distribute to retail clients. They want to know if they can avoid being in scope of the Consumer Duty, if they get confirmation between them and the Fund Platform Manager that they will not be distributing to retail clients.

JASON POPE	So, yes. The Duty is very much focused on retail business and there's, you know, a specific exemption where a product is manufactured and set up to only be marketed and approved for distribution to non-retail customers. But also, the product should be sold in such a way that it's not included within a package that could be held by a retail customer. So, in short, I think it is possible to make sure that the product falls out of retail scope and outside of the scope of the Duty, but it may need some additional work just to be absolutely clear that it's not for retail customers and not available to them.
EMMA STRANACK	I see. Thank you, Jason. I've got another question now, but this is for Sean. Sean, we've been asked whether the FCA will be changing sector-specific disclosure requirements. Can you pick up on that, please?
SEAN CAFFERKY	Sure. So I think, in the short term, the answer is no. So what we want firms to do is to continue to follow those sector-specific disclosure requirements, but then take that step back and think about if there's anything more they can do to support good customer outcomes. So some of the things that Michael was talking about earlier about. Is there opportunity there to explain some jargon in a simpler way, or generally to help customers navigate the information that's provided? And we recognise that there's going to be more scope for firms to do that in some areas than others. But I think longer term—and Richard mentioned this and Ed did at the beginning as well—there may be opportunity under the Duty to move away from a more prescriptive disclosure approach to a more outcomes-based one, but that will be on a longer term.
EMMA STRANACK	Thank you, Sean. I now have a question for Michael Lawrence, please. Can you answer a question we've had about the FCA's expectations for distributors, especially advisers and platforms when they're assessing fair value?
MICHAEL LAWRENCE	Yeah. Sure. Of course. So we've covered some of this previously, but happy to kind of go over some of the key points. So I think there's a few lenses here. So let's start with the basic one. It's about determining that relationship between the price consumers are paying and the benefit they receive, and that it's reasonable. So, obviously, that applies to a distributor determining its own prices. You know, what it charges to consumers, whether they're upfront and ongoing and how they're likely to be used over the kind of lifecycle of the product. It also applies to distributors and how they understand the value assessments of the products that they're using. So it would be key, for example, for a platform provider to understand the outcome of a manufacturer's assessment of value. And obviously, if firms are doing this at scale, such as an investment platform, I

	think we signalled that a proportionate approach could be followed. So you could group similar products together, where the customer base, the complexity and the risk of harm are similar. And then, finally, you know, given that distributors will often have the end relationship with the customer, and also be in receipt of the information of all of the various costs and charges that are likely to be levied, they need to consider their cumulative impact and determine whether the overall fees represent fair value for consumers. Thank you.
EMMA STRANACK	Thank you. And now a question for Michael Collins. We've been asked to… I mean, we've had a similar question to this, but I think it's worth clarifying. We've been asked how the Duty applies to firms that don't have a direct relationship with retail customers and another party has ultimate discretion. So, for example, where a firm manages the fund for an investment trust. Can you answer that question, please, Michael?
MICHAEL COLLINS	Thanks, Emma. I mean, I think the first thing to say is that if you, as a firm, cannot determine, or materially influence, the retail consumer outcomes, then you won't have obligations under the Consumer Duty. But where you do have a material influence, but it is remote from customers, we do recognise that, as a firm, you might have different roles in the distribution chain. And in the investment trust example, we recognise that a fund manager might be working with the board of an investment trust, and it may, in some circumstances, have a material influence over product design and other matters, but that, ultimately, decisions are taken by the board. In that sort of case, the firm needs to comply with the Duty within the context of its role. So, for example, if it has any concerns, it could discuss them with the board, but we wouldn't expect firms to go further than their role allows them to go in complying with the Duty.
EMMA STRANACK	Thank you very much. Sean, I'm going to come to you now. A question that, again, has been pre-submitted and comes up quite a lot. It's about proportionality and what difference, if any, we are applying the Consumer Duty in relation to small firms versus larger firms. Sean, can you explain a little bit about our approach there?
SEAN CAFFERKY	Thanks, Emma. Yeah, of course. So, on proportionality, the focus should be on good consumer outcomes. That should be all firms and should permeate their operations and their culture. But we've been clear that the Duty is intended to apply in a reasonable way and what this means in practice for a firm will depend on a number of key factors. So just to call a few of those out. So, first one, the firm should consider the nature of the product or service. More complicated

	products, or those with greater risk of leading to harm, are likely to need more attention than simpler or less risky products. And firms should also consider the characteristics of their customers. So where a firm's customers are more likely to have characteristics of vulnerability, for example, we'd expect them to take additional care compared to a firm dealing with a more sophisticated customer base. And firms should consider their relationship with their customers. For example, the Duty doesn't require an execution-only firm to start providing advice to customers. Obligations under the Duty will reflect the firm's role and ability to influence retail customer outcomes. So it's also worth noting that, in our guidance that we've published alongside our rules, there's lots of examples in there illustrative of how the Duty applies proportionally in different contexts. And just on the second point around expectations for smaller versus larger firms, we recognise that firms will have different capabilities depending on their size, their resources and activities. So while all firms should aim to deliver good outcomes for their customers, their approach to the Duty may well vary, and a good example of this is in relation to testing and monitoring. So, clearly, firms will be in different positions as to what they can do and smaller firms would generally have simpler business models, so wouldn't need to apply the sort of same processes as larger and more complex firms. In general, we'd expect firms with more sophisticated data strategies to have a more detailed approach. But one question firms can ask themselves, is whether they're using the same MI capabilities they use to inform other elements of their business, such as product development, or sales, to also monitor customers are getting the right outcomes. But just finally, to say more generally, we do recognise the need that all firms, and particularly smaller firms, have the support from us on how to implement the Duty. So we've got lots planned, including sort of accessible communications with an eye to smaller firms in our audience, a combination of events, which will include regional in-person events in the new year. There'll be more information going up and added over time to our web pages and we'll be sending out tailored letters for each portfolio flagging key issues to consider. And, as ever, smaller firm support will continue to be available from our Supervision Hub.
EMMA STRANACK	Thank you, Sean. Back to you, Jason. A question about the distribution chain. We know that all firms in the distribution chain need to act to deliver good consumer outcomes and that implies greater sharing of information between firms. Can you tell us what sort of information should be shared and what happens if requested information isn't provided?

JASON POPE	Sure. Yes, and I think the information flow actually goes in two ways. First, distributors are going to need information about the products they sell, including in relation to the assessment of value, for example. The relevant information should flow down the distribution chain to the distributor and firms shouldn't distribute a product or service if they don't understand it. But information also needs to flow up the chain. We expect manufacturers to check if their products are working as expected and are being sold to the target markets. In order to do this, they will need some information from distributors, so there's a rule requiring distributors to provide relevant information to manufacturers. Now, there's something similar in the PROD rules already for product governance and that hasn't always worked so well in practice. In response, we've included quite a bit of additional guidance on this, and I recommend that firms take a look at that, if they've got an interest in this. We've set out some examples of the type of information we would expect to be shared and we have given guidance on our expectations to manufacturers, if they cannot get hold of that information. As ever, the Duty applies reasonably and firms should act reasonably and proportionately using any information they do have. But, they wouldn't be expected to get hold of information that's simply unavailable to them.
EMMA STRANACK	Thank you, Jason. I'm going to go to you, Richard, because something has been asked in the sidebar from one of our attendees today, and this is about what assurances can we give that the Financial Ombudsman's Service will interpret the Consumer Duty rules as intended by the FCA?
RICHARD WILSON	Yeah, this is something that comes up regularly and we've been engaging with the Financial Ombudsman's Service throughout the time we've been developing the Consumer Duty over the last few years, and we continue to work very closely with them. So you'll often see them, for instance, at events that we have together and we're also working with them closely on a sort of working level as well, to discuss case studies and examples and to think about how the Duty will impact their decision-making. And we're doing this to obviously respond to those concerns and make sure that we're really closely aligned in our understanding of how the Duty works and how it should be applied across different sectors and different scenarios. So just to assure firms that we are working as closely as possible with the Financial Ombudsman's Service to assure that alignment, but obviously, we are two separate organisations with two separate objectives, and they have their own function to deliver and their own requirements on them. So, obviously, no-

	one can bind the… you know, the Ombudsman, but we are doing all we can to ensure that we're aligned and that there aren't those concerns that they'll interpret things unexpectedly, or retrospectively, and that's definitely something both organisations are very alive to at all levels of the organisations.
EMMA STRANACK	Thank you for that. I'm actually now going to try desperately to squeeze two final questions in. One to Ed and one to Richard. So, Ed, in terms of measuring success of the customer Duty… the Consumer Duty, forgive me. We will be asking… will we be asking for more data from firms to assess that? And can you say a little bit more about outcomes monitoring and how we'll do it?
ED SMITH	Sure. So just as we're asking firms to use data to monitor the outcomes that consumers get, so data is at the heart of our strategy as well to monitor the implementation of the Duty and the impact that the Duty is having in the marketplace. So we’ve published a range of measures as part of our three-year strategy, which we'll be using at a high level to measure the impact of the Consumer Duty going forward. And that's survey data, that's complaints data and other forms of data at that sort of level. We're also developing a suite of data at the sectoral level and portfolio levels to understand how the Duty is impacting customers, particularly customers in those particular portfolios for those particular products, and whether we're seeing that moving in the right direction. So data is really at the heart of that. We'll also be doing surveys to understand compliance in firms, doing dip testing and, as Richard says, multi-firm work to understand that compliance going forward. We don't, as yet, have any plans to do a further reg return on the Consumer Duty. We may ask for particular one-off data requests, but at the moment, we don't have any plans for that. So that hopefully answers the question.
EMMA STRANACK	Thank you. Thank you, Ed. And then just one more I'm sneaking in, which is for you, Richard. We've had several questions about what is the key difference between the Consumer Duty and Treating Customers Fairly?
RICHARD WILSON	Well, this touches back to some of the things I said in the start and I… you know, I could talk for ages on this, and I can't, because there's only half a minute left, I think, but I'd call out three key differences. So, first, is the structure of the Duty is different. You know, Treating Customers Fairly was a really useful initiative, but the Duty is more than just a principle with some guidance

	underneath it. As I set out earlier, there's a whole wide set of rules that cover all aspects of a firm's business that can influence consumer outcomes. So it's much more. And those rules are enforceable and outcomes-focused, so it's… that's a key difference. Secondly, is that that it’s focused on outcomes—and that's not just a soundbite—there's the monitoring requirements and the requirements on boards behind that, which really make this bite and ensure that firms have got to consider consumer outcomes throughout the lifecycle of products and really have to keep monitoring those and delivering on those. And then, thirdly, I'd say that some of the key scope of some of those outcomes that we've been discussing and which people have highlighted earlier. So for instance, the fact that the consumer understanding the outcome really sets a higher bar in terms of testing and monitoring of the effects of consumer communications. So I think there's lots of different ways in which the Duty is sort of a higher standard than we were expecting under Treating Customers Fairly.
EMMA STRANACK	Thank you. And thanks to all of you for your amazing questions. I'm so sorry, we're slightly over time. I hope you found it helpful and that you understand better some of our expectations, and that we're helping you prepare for implementation. Please answer the Slido poll. We need a before and after measure, if possible. So if you could please go online, or scan the QR code, and answer that one question, that'd be extremely helpful. Lots more content for you on our website. We will be sending you an email, we will be recording this webinar and making that available to you online. And I think that's it. We will be following up with the survey on email as well for a more formal evaluation, but thank you to everybody and for your time today, and I hope you have a good afternoon. Goodbye.