

# CORONAVIRUS INFORMATION & UPDATES

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## FCA Business Plan for 2020/2021 includes continued focus on culture and financial crime

As stated in the beginning of the 2020/2021 Business Plan, the FCA has always faced difficult choices about areas of focus to prevent harm to markets and consumers. This is brought into sharper relief by the COVID-19 crisis, and the FCA says they may amend the Business Plan if significant changes are required due to the pandemic. Two areas of focus that remain on the FCA's agenda from prior years include firm culture and controls to prevent and detect financial crime. This echoes other UK and global bodies which have noted the rise in novel financial crime risks arising from business disruption including fraud, cyberattacks and money laundering. The FCA underscores that it will not compromise its expectations of firms despite the current crisis but will, however, delay activity that is not critical to protect consumers and market integrity.

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### Culture and Governance

The FCA has increasingly focused on transforming culture in financial services as a key root cause to many conduct failings. In the introduction to the Business Plan, the FCA notes the current regulatory framework is “too focused on rules and process, and not enough on principles and outcomes.” It continues, stating that “culture shapes the outcomes for consumers and markets” – this is why, therefore the FCA aims “to assess and address the drivers of culture.” Some of the ways the FCA says they will do this is to look at firms' leadership, purpose, governance and approach to managing and rewarding their employees, and finally to test the effectiveness of these culture drivers in reducing the potential harm from firms' business models and strategies. Critically, the FCA expects firms to fully implement the SMCR to help deliver effective governance. All solo-regulated firms must comply with the requirements of the SMCR as they fall due.

The FCA will focus on “smaller firms” and firms which consistently have failed to meet FCA standards. The FCA states that it will “move swiftly to enforcement action” against firms that do not meet FCA rules and principles.

### Financial Crime

As per commitments made in the UK's 2019 [National Economic Crime Plan](#), the FCA plans to implement changes to reduce financial crime, including greater use of data to identify firms or areas that are potentially vulnerable. The FCA states that it will continue to take enforcement action where it uncovers serious misconduct, “particularly where there is a high risk of money laundering.”

Some of the areas the FCA will focus on include testing professional body supervision through the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), and ensuring firms have systems and controls to detect, disrupt and reduce the risk of financial crime, especially fraud. Additionally, the FCA will strengthen rules related to money laundering and cryptoassets, and seek to adapt supervisory and enforcement strategies to reduce market abuse and financial crime in wholesale financial markets.

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According to the Plan, innovation and technology will be key to meeting these goals, including investing in new technologies that enable the FCA to use data to regulate more efficiently and reduce the burden of regulatory reporting on firms.

## Takeaways

Firms should be aware that, despite the current crisis, the FCA's expectations that firms maintain systems and controls to mitigate financial crime risks including through strong governance and culture, remain high. Decisions taken now may well be examined by the regulator at a future point and with the benefit of hindsight. Keeping careful records documenting the rationale for such decisions is therefore all the more important at times like this, particularly given the emphasis on individual accountability and senior manager responsibilities under the SMCR. We will continue to monitor and provide updates on any further guidance.