
Accountability regime for the banking sector

Financial Conduct Authority (FCA)

RPC rating: **validated**

Description of the measure

The Parliamentary Commission on Banking Standards (PCBS) considers and reports on the professional standards and culture of the UK banking sector. Its remit covers reporting on corporate governance, transparency and conflicts of interest within the sector. The PCBS concluded that public trust in banking was at an all time low and recommended a series of measures to restore trust and improve culture in the sector. As part of these measures, the Financial Conduct Authority (FCA) has made changes to the Accountability Regime to reflect both the PCBS recommendations and implement changes from the Financial Services (Banking Reform) Act 2013. The assessment states that the changes are considered significant and include a new Senior Managers regime; a certification regime and a new set of conduct rules. The FCA believes that taken together, these measures create a framework for greater individual responsibility and make it easier for individuals to be held to account.

Impacts of the measure

The FCA states that the new rules on accountability will impact UK banks, building societies and dual-regulated investment firms. The assessment states that 728 firms (160 banks, 45 building societies and 523 credit unions) will be affected by compliance costs, which have been presented as one off and ongoing costs of £260.62 million and £26.75 million respectively. The assessment also provides a breakdown of the costs for each type of firms. The FCA has provided detail of the costs and benefits expected by providing a link to its full cost benefit analysis (CBA). The assessment describes the cost of each element of the regime covering familiarisation and setting up data recording systems as one off costs with training, certification, maintaining records, monitoring and reporting as ongoing costs.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) £55.1 million. This will be a qualifying regulatory provision that will score under the business impact target.

Quality of submission

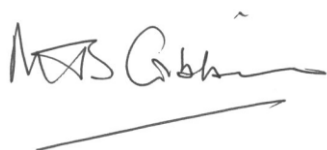
The FCA has consulted industry and the assessment provides a clear breakdown of the one off and ongoing costs of compliance from each of the three groups of firms affected. The FCA has supported the estimates by a clear discussion of the types of compliance costs expected per element of the regime. To further support this narrative the FCA has provided a link to its full CBA for the measure. While this is welcome and provides sufficient detail to validate the costs, the assessment would have benefited from containing a more detailed summary of the CBA to ensure that readers have a more complete picture of the costs and estimates without the need to cross refer to other documents. In particular, a brief description of the key benefits of the measure would have been particularly helpful. Nevertheless, we welcome this proportionate approach to the use of the FCA's existing analysis to support the IA.

Departmental assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net direct cost to business (EANDCB)	£55.1 million
Business net present value	-£490.9 million

RPC assessment

Classification	Qualifying regulatory provision (IN)
EANDCB – RPC validated ¹	£55.1 million
Business Impact Target (BIT) Score ¹	-£275.5 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.