

## **Changes to supervision model**

### **Financial Conduct Authority (FCA)**

**RPC rating: validated**

#### **Description of the measure**

The IA sets out a number of changes that the FCA has made to its supervision model, along with the subsequent cost savings to firms operating in this sector. Specifically, the changes to the model have created a certain amount of flexibility in how the FCA supervises firms, including a reduction in the number of meetings required and the number of 'deep dive' reviews into their portfolios.

#### **Impacts of the measure**

The IA explains that these changes affect around 55,000 firms across all sectors. The number of meetings required per year has fallen from 7 to 4 as a result of these changes. The FCA estimates that this will result in resource savings of between £53,000 and £124,000 per year. In addition, the FCA estimates that the reduction in the number of 'deep dive' reviews has created resource savings of between £628,000 and £2.22 million per year, and that the reduction in the number of inspection visits to firms has created resource savings of between £1 million and £2.37 million per year. The estimated total benefit to business is therefore between £1.7 million and £4.7 million.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of -£3.4 million. This is a qualifying regulatory provision that will score under the Business Impact Target.

#### **Quality of submission**

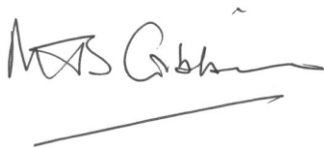
As initially submitted, the IA did not provide sufficient evidence to support the time savings to business. Following the RPC's initial review, the FCA submitted a revised IA, which provided additional support for these assumptions, based on informal discussions with affected firms. The FCA also argues that – as the changes were put in place in 2015 - it would be disproportionate to collect more detailed information retrospectively. Given the scale of the measure, the IA could have been improved by providing a brief summary of these discussions.

#### **Departmental assessment**

| Classification                                         | Qualifying regulatory provision (OUT) |
|--------------------------------------------------------|---------------------------------------|
| Equivalent annual net direct cost to business (EANDCB) | -£3.4 million                         |
| Business net present value                             | £29.5 million                         |

### RPC assessment

| Classification                                  | Qualifying regulatory provision (OUT) |
|-------------------------------------------------|---------------------------------------|
| EANDCB – RPC validated <sup>1</sup>             | -£3.4million                          |
| Business Impact Target (BIT) Score <sup>1</sup> | -£17.0 million                        |



**Michael Gibbons CBE**, Chairman

<sup>1</sup> For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.