

FCA Second Annual Public Meeting

Wednesday 22 July 2015

The QEII Conference Centre, London

John Griffith-Jones, Chairman, Financial Conduct Authority

Opening remarks

Overview

Good morning, everybody. A very warm welcome to the QEII Hall and to this, the Second Annual Public Meeting of the FCA. I consider this a very important opportunity for us to present to you and for you to comment back to us on the year that was, to look back on the things that went well, at where we are as an organisation, at how we have responded to and learned from some of the challenges that have presented themselves over the past 12 months, and how we have emerged, in my opinion at least, as a better and stronger regulator because of them.

Progress made in the first year of FCA

Good governance, good processes and good people

At this time last year, I reflected on the solid progress that we had made in our first year as the FCA, progress that was built on the tenets of having good governance, good processes and good people. Frankly, those foundations remain undisturbed, as does our unrelenting commitment to ensuring that we meet our overriding objective of ensuring that financial markets work well. Our emphasis during the year has remained firmly on good conduct and ensuring that this becomes firmly entrenched within firms from the boardroom to the shop front. I do personally believe that this is happening.

A majority of firms now have cultural change programmes of their own in place. Reward incentives have been redesigned and reformed where appropriate. New accountability rules are all but finalised. The number of complaints to the Financial Ombudsman Service, whilst only a proxy measure, is reassuringly down rather than up. Most importantly, every CEO and chairman that I meet sees good conduct as a central pillar of how that business must operate in order to succeed in the long run.

Another year of solid progress. However, this time, much of the credit for that lies with the firms that have embraced the conduct agenda as well as with ourselves for pursuing it. For me, I still see this as a beginning, albeit a good beginning, of what, for the FCA should be a continuous quest for further improvement. Improvement not only in the way the firms we

regulate operate, but also improvement in the way that we as a regulator operate, how we respond to changing environments and challenges.

The biggest challenge of this year

The biggest immediate challenge that we faced in the year was the very real one of an increase in the number of firms we regulate from approximately 26,000 to 73,000, courtesy of the transfer of responsibility of consumer credit from the then Office of Fair Trading to the FCA. A very large proportion of these firms are new to us, new to our rules and new to our expectations. It has therefore been a pretty much full-time and important occupation to engage and communicate as effectively as we possibly can with those firms in the early days, ensuring that we provide clarity in what their obligations are and what they can expect of us, as a regulator, on a predictable basis.

Restructuring

Our stakeholder research shows positive signs with our rating of effectiveness – again, only a proxy measure – increasing again this year, whilst satisfaction of the firms with their regulator – always, I have to admit, a bit of a two-edged sword as a metric – nevertheless has shown a further improvement. Whilst this is all good and I believe encouraging, we as an organisation as ever need to remain agile. We need to remain in step with the developments in the world around us whilst maintaining the independence, consistency and predictability that create the bedrock of successful regulation.

In December, we announced that we would restructure some parts of our organisation, effectively an evolution, certainly no revolution, in our regulatory strategy based on our now two years' operating experience. This evolution will see us take a more markets-based approach, conducting fewer but more focused pieces of work. Underpinning this structure is a coherent strategy based on even stronger commercial awareness than we have historically had. I see us combining proportionate rule-setting, clarity here far better than length, and effective deterrence, prevention far better than punishment. So while we can look back on a year where the overall direction of travel has been positive, we continue to explore how we can improve further still.

Like any organisation, in order to improve, we have to learn from our mistakes. As a regulator, I can assure you we will hold ourselves to the same standards that we expect of the firms that we regulate. We will acknowledge and learn if and when we fall short. Last year, in the publication of the 2014-2015 Business Plan, we did indeed fall short. In that spirit, we commissioned and have subsequently fully accepted all the Davis Review's recommendations and have now already made the necessary changes to our internal procedures and operating model that he [Simon Davis] recommended. Beyond that, my Board and I believe that we have learned some important wider lessons that will go towards improving how we carry out our day-to-day business over the coming year.

Our people

The final area that I want to touch on in these remarks in terms of continuous improvement is perhaps the most important of them all – our people. For all the strategies and structure, policies and procedures, we, just like the firms we regulate, can only ever be as good as the people who work on a daily basis in our organisation to achieve what we are setting out to do. Recognising this, we have taken further steps during the year, in line indeed with our first

National Audit Office Report to develop long-term strategies to attract and retain the very best people we possibly can.

For example, we have established an FCA Academy, providing education and training to our people in order to help them deliver on their job. We have launched a Masters degree in Financial Regulation. If I may appeal here to the audience, anyone who wants to go on that, you do not have to work for the FCA to take advantage of what I think is a really excellent module. We have made further strides towards our aim of being a fully inclusive employer. I am proud that we have, for the first time, joined the top 100 employers on the Stonewall Workplace Index, which as you may know is a benchmarking tool used to identify the UK's most LGBT-friendly employers.

However, talking about people, I would at the close of my remarks specifically like to pay a tribute to our Chief Executive, Martin Wheatley, who, as I am sure you all know, will be standing down in September. I can tell you this: establishing a culture at any new organisation is a pretty lonely, top-down process. Under Martin's leadership, the FCA has quickly established itself and its reputation as a truly effective regulator characterised, if I may say so, by his own immense professionalism, high standards and unquestionable integrity.

We are already seen as leaders worldwide on issues ranging from consumer vulnerability at one end of the spectrum to innovation in financial services at the other. Much of this is due to his personal commitment. He has, at the same time, had to navigate the at times uncertain waters of the post-financial crisis world. On a personal note, I would like to thank Martin for his wise counsel and strong leadership throughout the first two years of the FCA. I would like, on behalf of everyone in the room, to wish him the very, very best for the future.

I am now going to ask Martin to run you through in a bit more detail some of the outstanding achievements of the year. Then, this being the APM, of course, we will open the floor to a serious Q&A session, more of which in a few moments, but first of all, Martin Wheatley.