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EMBRACING CHANGE: THE TIME IS NOW

The UK financial services market is currently witnessing a huge regulatory shake-up, so what can your company do to prepare itself for such a major shift?

By Willem Wellinghoff

The UK is currently experiencing one of the biggest regulatory shake ups in the financial services market since the creation of the Financial Services Authority (FSA) at the tail end of the 1990s.

In June 2010 the government announced new regulatory arrangements for the future, which included the creation of the Financial Conduct Authority (FCA) which, in essence, merges the consumer protection arms of the FSA and the Office of Fair Trading (OFT) to focus on regulating the conduct in the financial services, retail and wholesale markets.

While eagerly awaiting the answer to the question as to whether the legislative and regulatory framework of consumer credit will transfer to the

FCA, together with an outline of the high-level provision for regulation which is expected to emerge in early 2013, the credit industry is bracing itself for a major shift in the regulatory and consumer-protection framework, moving from what was a well-defined legislative framework to a principle-based rule-book approach.

Whilst the banks and financial institutions, in the main, have experience of the principle-based regulation, it is the traditional finance houses, debt collection, debt purchase, and other consumer credit financial institutions that will need to embark on the bigger journey of change.

The Credit Services Association (CSA) and Debt Buyers & Sellers Group (DBSG) first established a code of

practice in 1985 to promote members to adhere to standards of best practice.

On 2 November 2012, the CSA and DBSG released its new combined code to set a minimum best practice standard in the wake of the new regulatory regime. The launch of the new code – which followed an extensive period of consultation with members, together with input from the OFT, and support from HM Treasury and the Department for Business, Innovation, and Skills – has resulted in a comprehensive code that details common and sector-specific principles, the content of which is relevant for current and future regulatory requirements.

All members are required to implement the provisions of the code by January 2013 and it is vital that members start embracing and implementing the provisions early on, especially since companies will be required to evidence their compliance with the code, which is a precursor to the supervisory regime that the

