

April 2009

09/6 *newsletter*



This newsletter provides a summary of PS09/6. Please see the section 'Who should read this paper?' below to see if PS09/6 is relevant to you.

Financial Services Authority

Regulating retail banking conduct of business

Feedback on CP08/19 and final rules

Why are we issuing the Policy Statement?

The Policy Statement (PS) reports on the responses we received to our consultation on a proposed new framework for regulating retail banking conduct of business and sets out the decisions we have reached.

Who should read the paper?

The PS will be of interest to firms that carry on the regulated activities of accepting deposits and issuing e-money. These include UK-authorised banks and building societies, UK-authorised e-money issuers, credit unions and incoming EEA branches of credit institutions and e-money issuers.

It will also be of interest to consumers and consumer groups, and personal and small business consumers of banking services, because of the implications for how they are treated in their core relationship with the financial services industry.

What is the background to this?

In Consultation Paper 08/19 (CP08/19) we sought views on a proposed new framework for regulating retail banking conduct of business. This would replace the current arrangements, where the industry has voluntarily set out standards for the conduct of retail banking business in two Banking Codes (the Banking Code and the Business Banking Code), established and maintained by the Code Sponsors – the British Bankers' Association, the Building Societies Association and APACS, the UK Payments Association. The Codes are monitored and enforced by the Banking Code Standards Board (BCSB).

We proposed that the new regime be implemented on 1 November 2009, in line with the implementation of the Payment Services Directive (PSD), which is European legislation that will apply to most payment transactions carried out by banks and building societies as well as certain aspects of the operation of 'payment accounts'. We are the competent authority for most aspects.

During the consultation period, we held four briefing events in London, Edinburgh and Leeds to highlight our proposals and elicit feedback. Over 200 industry representatives from over 100 firms attended these events.

We received 41 responses to CP 08/19 from a range of interested parties including other public bodies, firms, consumer bodies and trade associations.

What will the new regime look like?

The new regime will involve the full application of our Principles for Businesses, and a new Banking Conduct of Business sourcebook (BCOBS). It will be monitored and enforced by us.

BCOBS will comprise some new high-level rules (applying to retail banking services outside the scope of the PSD), and the transfer of existing conduct of business rules and guidance applying to deposit taking.

The final text of the Handbook rules and guidance we have now made is in Appendix 1 to this PS, and will apply from 1 November 2009.

How is the paper set out?

This PS is set out as follows:

- Chapter 2 discusses the proposed new framework for regulating retail banking conduct of business.
- Chapter 3 details the application and scope of BCOBS.
- Chapter 4 discusses the content of BCOBS.
- Chapter 5 outlines how we will implement BCOBS.

- Chapter 6 provides feedback on our cost benefit analysis and compatibility statement.
- Chapter 7 describes the next steps that we will be taking.

Annex 1 lists the respondents to CP08/19. Annex 2 provides a detailed overview of the new Banking and Payment Services regime, outlining how BCOBS and the PSRs fit together and Appendix 1 contains the Banking Conduct of Business sourcebook and other Handbook changes.

What happens next?

The next key steps for implementing the new regulatory framework will be to:

- develop our supervisory strategy and work with the BCSB to ensure a smooth hand-over of monitoring activities;
- consider the application we expect to receive from the industry to confirm industry guidance for the areas within our remit;
- develop training material and further supporting information for firms;
- consult on amendments to BCOBS, our proposed transitional provisions and consequential Handbook amendments in our July Quarterly CP;
- develop information for consumers; and
- agree a concordat with the OFT, outlining our key areas of responsibility and how we will work together on areas of mutual interest.

This Policy Statement reports on the main issues arising from Consultation Paper 09/19 (*Regulating retail banking conduct of business*) and publishes final rules.

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How can I get the full paper?

You can download the full Policy Statement from:

www.fsa.gov.uk/pages/Library/Policy/Policy/2009/09_0x.shtml

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