

**To: Business & Operational Continuity Committee (BOCC)**

Dear Member

Please find below the meeting note from Tuesday 18 August. Thank you to everyone that joined to hear our guest, Robin Jones, Interim Director (ORRCO), FCA. Robin answered questions UK Finance submitted to the FCA ahead of the meeting which looked at the longer-term impacts of working from home and how the FCA views this. In addition, Robin gave an overview of his role at the FCA and what the FCA's priorities look like now and what they are expected to look like in the next phases of recovery from COVID-19. Representatives from 68 UK Finance member firms were on the call.

In answer to the specific questions posed to the FCA, it was noted:

1. The FCA remains concerned with cyber security risks and understands that the new way of working in the long-term will change the ways in which firms monitor behaviour and their ability to spot suspicious activity. The FCA encourages firms to think carefully about any upcoming, or in progress, change projects and to approach these with caution and adequate testing. The FCA mentioned that good advice in this area has been put out by both the NCSC and the ICO on staff working from home and in place controls.
2. In respect of Global Markets continuing to operate remotely, the FCA encourages a firm specific approach to decide what are the most effective control functions. The FCA have published some advice on their expectation of markets to remain orderly, even in the WFH environment.
3. On behavioural drivers, the FCA have no plans to update their Occasional Paper but reflect that these challenges are persisting. The FCA refer to the 2016 SMCR which clarified accountability of conduct.
4. For the FCA, the business models they regulate are broad and vast and so there is difficulty to speak on controls and how to monitor them. The view is that industry is now approaching the end of the immediate response phase. Firms will need to remain agile and the FCA will be thinking carefully about responses, longer term communications and expectations for firms regarding the other political and industry challenges that will be occurring concurrently.

### **Further Open Discussion**

#### **The arrangements for longer-term working from home**

- Members discussed their long-term plans for staff returning to work and whether the initial broadly positive feedback of working from home for many staff is now diminishing. The FCA responded that there is not yet any evidence to suggest that long term working-from-home is resulting in diminished productivity or poor conduct outcomes. The FCA did note that where they have seen industry re-open their doors, the uptake for staff to return has been low. For members who have already or shortly will ramp up their return to work plans, most are implementing a blended working arrangement after considering what works best for their individual firm and staff.
- One member discussed the implications of working from home when the staff members' main home may be outside the UK. The FCA noted that physical location is not so much the concern, but rather the ability to understand what the individual is doing. That the firm would

need to monitor whether it was able to meet the expectations from the regulator in terms of supervision and effective reporting.

- Members discussed how if some firms decided to escalate bringing staff back into the office, whether the FCA would encourage other firms to do the same. The FCA commented that this remains a firms decision and if there were plans put in place to do this and that firm has a supervisor then it would be useful to show them those plans, but it is not required.

### **Firms experiences with the level of engagement from Supervisors**

- Members discussed with the FCA around the challenges to supervision in this new working environment. The FCA noted that they are reflecting on how this is working but due to their strong relationships with the firms they regulate, this has not deemed itself a challenge yet.
- Some members shared their experience of feeling more engaged with the regulators, with an increase in communications, which they have found very helpful. On this same point, one member noted that their bi/weekly calls with the regulators have been helpful and has offered them a touch point.

### **Local lockdowns and the increased powers of local authorities**

- Members discussed the impact of local lockdowns and the relationship their branches in local areas have with the local authorities. Generally, members noted that local lockdowns had not interrupted their operating procedures. Where members have branches in areas affected by a local lockdown it did not have a significant impact as they were able to put in place the same plans and procedures used in the national lockdown.
- Members had raised a concern that the increased powers of local authorities may disrupt their branch operating hours in the event of a local lockdown. The FCA responded that general lines from local authorities' state that they would keep key worker capabilities going during a local lockdown. The FCA agreed to take this point away and gather clarification on the specific powers of local authorities in these circumstances.

### **The FCA's position on business continuity and corporate responsibility**

- One member discussed whether, in terms of business continuity, there would be a change in stance from the FCA on mandating recovery sites. The FCA note they are not looking to change their position and there would remain an expectation for firms to have continual service provisions in place. They added that in light of COVID the FCA may take a view that some existing rules from the regulator may no longer be relevant.
- One member asked the FCA whether corporate responsibility would become a mandated element for financial services firms. The FCA do not have a sense that this will happen, but there is encouragement for firms to be aware of their ongoing responsibilities.

### **Branch opening hours and the effect of the return to work effort**

- Members discussed with the FCA how the banking sector is being viewed as it works to get branches and call centres back to full operating capacity. In addition, the concern of increased reports of abuse against branch staff and how this interacts with the narrative around key workers. The FCA are aware of the pressure on branches and make it clear that banking staff are key workers and have been delivering critical services the whole way through the pandemic.