

Dear CEO Letter To Wealth Management And Stockbroking Firms

Clare Curtis, December 2023

Background

The Financial Conduct Authority (FCA) have published a 'Dear CEO' letter in November 2023 to all Wealth Management and Stockbroking firms highlighting the potential harms that those firms could possibly inflict upon markets and consumers alike, and also to define its upgraded supervisory agenda. The regulator's main area of focus is preventing and mitigating financial crime and prioritising Consumer Duty (CD), which has been the subject of great attention of recent.

Financial Crime

Regarding Financial Crime, the FCA expect firms to be confident about their understanding of any vulnerabilities they may have concerning scams, money laundering etc and to possess controls and operations readied to defend itself and its clients against these threats. Ongoing and dynamic monitoring of all controls is a must, and it is crucial any amendments, additions or changes are instigated immediately.

All staff must be, **at a minimum, adequately trained**, and confidently display a thorough understanding of their roles to play in the safeguarding against potential harms. Compliance must be confident in all matters involved and **possess the necessary skill levels, experience, and knowledge to execute their duties as and when called upon**.

The regulator also anticipates that the firm's management are wholly up to date with their responsibilities and are aware of each staff members' roles within the mitigation process.

Firms are also expected to be fully aware of their reporting obligations regarding any prospective harmful issues to the relevant authorities.

Consumer Duty

Much of this year's focus, including an FCA roadshow of seminars across the United Kingdom, has been on Consumer Duty.

The regulator has stressed the expectation of firms to **'put themselves in the shoes of the consumer'** when engaging in any dealings with them, and ensure they offer their customers the absolute best service and not consider their own profits when doing so.

Firms must also ensure that any service or product they offer to a customer must be bespoke, tailored entirely for the needs and expectations of the client, and, if there is more than one viable option that could be offered to the client, **only the single, most appropriate, and best customer value one should be presented**.

All communications to clients of a firm are expected to be clear, fair, and presented in a manner appropriate to the client.

Firms should assess any current or potential vulnerabilities a customer may have and as mentioned above, ensure bespoke offerings incorporating the client's requirements and risk profiles. The client should possess a lucid and equitable understanding of the product and/or service being offered and any and all fees/charges should be divulged.



The FCA expects all firms to maintain customer support throughout the whole journey, from start to finish, regarding any dealings they may have with a client. The regulator also anticipates that firms will guarantee customers are fully aware of, and understand, their rights and limitations to the Financial Ombudsman/Financial Services Compensation Scheme (FSCS) consumer protection status regarding the associated risks of investments.

Other Expectations

As well as the aforementioned, the FCA require that firms will sustain a complete and extensive understanding of their responsibilities regarding Operational Resilience, Client Assets Sourcebook (CASS) rules for client funds, market abuse prevention, ESG considerations, diversity and inclusion measures and eradicating misconduct on every level. The FCA have been and will continue to be steadfast in their want and expectation that all of the above is adhered to and executed in a correct manner. This CEO letter, as well as other communications prior to it, spotlight the importance the regulator casts upon these issues and the severity of any aspect not being adhered to.

Quick Reference Tables

Financial Crime

Safeguarding against scams, money laundering etc

Ongoing, dynamic controls and monitoring

Staff Training

Management Knowledge

Reporting Obligations

Consumer Duty

Putting yourself in the customers shoes

Best and bespoke products and services

Only offering one option

Communications to be fair and clear

Support throughout the Customer Journey

Financial Ombudsman/FSCS rights and limitations

[To contact Effecta, click here](#)