

Conduct Rules Update

On 31 July 2023, the FCA's new Consumer Duty comes into force. The Duty applies to firms that determine or have a material influence over retail customer outcomes. It therefore applies to all firms operating in the retail market, irrespective of whether the firm has a direct relationship with the customer.

The Duty introduces specific rules for retail financial services firms and their employees. Breaches could result in regulatory penalties, including fines. It is therefore important that everyone understands their personal responsibilities under the Duty.

#1

Individual conduct rules

Conduct Rule 6 requires staff to **'act to deliver good outcomes for retail customers.'** The rule applies to all staff whether or not they have direct dealings with customers.

To comply with Rule 6, you must:

- 1) Act in **good faith** towards retail customers
- 2) **Avoid causing foreseeable harm** to retail customers
- 3) **Enable and support** retail customers to pursue their financial objectives

#2

Senior Manager conduct rules

Individuals who perform a **senior management function (SMF)** are subject to additional Conduct Rules, which set out specific management obligations.

The Consumer Duty places further expectations on SMFs under the existing SM&CR Duty of Responsibility and the Senior Manager Conduct Rules.

Therefore, every senior manager must clearly understand the role they play in ensuring that the firm acts to deliver good outcomes for retail customers.

#3

Consumer outcomes

The outcomes set more detailed expectations in relation to four key areas:

- 1) **Products and services** must be designed to meet the needs of consumers and distributed appropriately
- 2) Consumers should receive **fair value** from products and services
- 3) Communications should support **consumer understanding** and enable customers to make properly informed and effective decisions
- 4) Firms must provide a level of **consumer support** that meets customers' needs throughout the customer journey