

## The FCA's Strategy and Business Plan: outcomes-based, cross-sector regulation

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The FCA's latest three-year [Strategy](#) commits the FCA to three high-level focus areas: reducing and preventing serious harm; setting and testing higher standards; and promoting competition and positive change. Its latest [Business Plan](#) describes the activities it plans for the coming year within each of these areas. Here we highlight key points from both documents. Please [contact us](#) if you wish to discuss.

### [The headlines](#)

Outcomes-based, cross-sectoral regulation; regulatory volatility; and overarching themes

### [Focus 1: reducing and preventing serious harm](#)

Problem firms; firm failure; financial crime; and other commitments

### [Focus 2: setting and testing higher standards](#)

Putting consumers first; ESG; and operational resilience

### [Focus 3: competition and positive change](#)

The Future Regulatory Framework; UK wholesale markets' global competitiveness; and digital markets



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### A new approach: outcomes-based, cross-sectoral regulation

Previous Business Plans were structured by sector. Going forward, the FCA is taking a cross-sector approach.

This year's Plan makes cross-sector commitments that address the Strategy's three focus areas from its Strategy. In this way the FCA attempts to set expectations for all firms regardless of type or size – but this means that this Business Plan is less granular as to the FCA's upcoming policies. That granularity now is provided by the regulatory initiatives grid.

The FCA is also pivoting to outcomes-based regulation, supported by the gathering of data and use of metrics to measure progress. Its outcomes for consumers, and for wholesale markets, are listed below.

According to the FCA, cross-sectoral and outcomes-based regulation allows the FCA better to respond to new issues and macroeconomic challenges, and to take a more agile and adaptive approach to allocating its resources to meet market needs. Outcomes-based regulation also delivers key benefits to firms and consumers:

- It guards against inconsistent regulation.
- It will adapt to technological change and market developments, so that consumers are protected from new and emerging harms.
- It allows firms to innovate with certainty as to the FCA's regulatory expectations.

Flowing from this, firms themselves should expect greater emphasis on outcomes-based regulation and measuring compliance (for example within the proposed Consumer Duty).

Topline outcomes	For consumers	For wholesale markets
<b>Fair value</b>	Consumers receive fair prices and quality	Market participants are able to make well informed assessments of value and risks due to appropriate transparency
<b>Confidence</b>	Consumers have strong confidence and levels of participation in markets, in particular through (1) minimised harm when firms fail and (2) minimised financial crime	Markets are (1) resilient to firm failures and (2) clean with low levels of market abuse, financial crime and regulatory misconduct
<b>Access</b>	Diverse consumer needs are met through (1) high operational resilience and (2) low exclusion	Markets are orderly in a variety of conditions so that participants are able to access a diverse range of services with minimised operational disruptions
<b>Suitability and treatment</b>	Consumers are sold suitable products and services and receive good treatment	-

### Regulatory volatility ahead?

The FCA is applying an outcomes-based approach to its own work: its Plan and Strategy set out outcomes and metrics to measure its own progress. This dovetails with the FCA's ambition to become a data-led regulator: to strengthen its capability to gather data, analyse it and convert it into actionable intelligence, and thereby to improve its real-time understanding of emerging risks. Its Data Strategy will be published in the coming months.

The FCA's metrics will harness market data for example on firms' financial resources, firms' and FOS complaints resolution, and market cleanliness.

But more strikingly, the FCA is beginning more often to measure "success" in terms of a medium-term rise in the number of formal FCA interventions – for example, cancellations or withdrawals of permissions, including "test cases" on complex Threshold Conditions issues; refusal or withdrawal of applications for registration under the MLRs; financial promotions interventions; interventions in market disclosures by issuers and proactive commencement of insolvency processes.

The Strategy clearly articulates the FCA's vision here: to rely more on tools that have "an instant effect" when there's immediate harm, rather than "launching fuller, longer investigations". And to make an example of firms, sending a clear signal to others: "improve now or you're next".

### Themes

- Unsurprisingly, several of the FCA's planned activities relate to ESG and the Consumer Duty.
- Diversity and inclusion (D&I) is called out as an example of the FCA's work to set and test higher standards for firms.
- The FCA highlights its intention to support innovation in the UK wholesale market, following reviews of the wholesale regulatory regime in 2021.
- The FCA will engage with HM Treasury to shape and deliver the Future Regulatory Framework (FRF).
- And on crypto, the FCA will work closely with Government on a UK approach balancing innovation and competition against the need for orderly markets and consumer protection. In the meantime, the FCA will rapidly intervene where AML, consumer protection and market integrity issues arise.

In the following pages we highlight key FCA commitments from the Business Plan.

"We will [rely] more on tools that have an instant effect when there's immediate harm, rather than launching fuller, longer investigations"

FCA Strategy 2022-25

### Dealing with problem firms

This is a major area of FCA activity. In 2023-24 the FCA will focus more frequently on more complex firms, but first (in 2022-23) the FCA will focus on dealing with a greater number of problem firms. To that end the FCA:

- Is increasing its resources with new hires.
- Is forming a new “early oversight” team giving enhanced supervision to new market entrants.
- Aims to automate parts of its processes for cancelling or withdrawing firms’ permissions.
- Aspires to expand the types of Threshold Conditions breaches it takes action against. It will “challenge” itself to find the limits of its powers to remove firms from the market, including by conducting a small number of complex Threshold Conditions test cases and seeking legislation/policy change where its aims are not supported.
- Aims to intervene quickly including to preserve consumer assets and prevent ongoing harm.

### Reducing harm from firm failure

The FCA aims to minimise the fallout from failing firms by ensuring that firms meet their financial resource requirements, and that client assets and funds are held appropriately. Work in this area includes embedding the new [Investment Firms Prudential Regime](#) (IFPR) and inputting into [developing crypto policies](#).

### Reducing and preventing financial crime

In this area the FCA is focusing on money laundering and financial promotions. In summer 2022 the FCA will finalise proposals on [new standards for approving financial promotions](#), particularly for high-risk investments. It aims to enhance its detection and take-down procedures for financial promotions (including via social media).

### Other commitments

- The FCA commits to carry out redress exercises with firms at an earlier stage, and to improve the redress framework specifically via complaints to firms and via CMCs.
- The FCA will finalise rules to strengthen principal firms’ responsibilities for overseeing their Appointed Representatives and increase the scope of information provided to the FCA.
- On market abuse, FCA will improve its market surveillance and cleanliness metrics, as well as increase the number of interventions relating to disclosure failings by publicly-traded issuers.

“We will act faster against firms causing harm to consumers and/or markets. We will challenge ourselves to find the limits of our powers to remove firms from the market.”

FCA Business Plan 2022-23

### Putting consumers first

The FCA emphasises its work on the [Consumer Duty](#) and will embed the Consumer Duty at each stage of regulation, from authorisation to supervision and enforcement.

- Finalised rules and guidance will be published in July 2022, and the FCA will amend its supervisory strategies and priorities to match.
- The FCA will assist during the implementation period by working with firms to identify good and poor practice.

The FCA is increasing its resources devoted to non-compliant promotions by authorised firms and unauthorised activity connected with mis-selling.

- It will prepare for HM Treasury potentially giving the FCA a role in giving firms permission to approve financial promotions, and will publish rules on disclosures prior to entry into high-risk investments.
- It aspires to take rapid action more frequently against non-compliant financial promotions and unauthorised entities for mis-selling.

### Environmental, social and governance priorities

In line with its [ESG strategy](#), the FCA plans to:

- Embed ESG and D&I considerations into the authorisation process for firms and individuals.
- Develop metrics to identify misleading marketing for ESG products
- Monitor the implementation of climate-related and sustainability disclosures for firms and listed companies
- Continue developing a labelling regime and protect the integrity of ESG-labelled securities
- Consult on [D&I transparency](#) in summer 2022
- Publish its recommended disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) in 2022

### Minimising the impact of operational disruptions

The FCA plans to measure and supervise [operational resilience](#) through its FCA Technology, Resilience & Cyber Department. Firms in the scope of the FCA's operational resilience regime until 31 March 2025 to demonstrate that they are able to remain within impact tolerances for their business services. The FCA will also launch a Discussion Paper with the Bank of England and PRA to propose an oversight regime alongside resilience standards and enforcement powers for [critical third parties](#), with a 2023 consultation to follow.

“We aim to reduce the gap between investors’ – particularly young investors’ – risk appetite and the actual risks associated with the investments they choose.”

FCA Strategy 2022-25

### Preparing financial services for the future

The FCA will continue to engage with HM Treasury to design and deliver a new regulatory framework following the consultation on the [Future Regulatory Framework \(FRF\)](#) Review.

### Strengthening the UK's position in global wholesale markets

Following reviews of the wholesale regulatory regime in 2021, the FCA has promised to deliver a proportionate regime which supports innovation in the UK wholesale market. To do so, it plans to:

- Enhance its capacity to approve listed issuers onto UK capital markets.
- Begin transferring the regulatory framework from law into FCA rules through the Future Regulatory Framework.
- Launch the [Financial Market Infrastructure sandbox](#) initiative to enable FMIs to test innovation propositions with real consumers.

### Shaping digital markets to achieve good outcomes

- The FCA reiterates its commitment to investigating “[sludge practices](#)”, which make it harder for consumers to make informed decisions, and other harmful digital design features.
- The FCA plans to work with other regulators via the [Digital Regulatory Cooperation Forum](#) to deliver the DRCF's work plan for 2022-23, publish a joint discussion paper with the Bank of England on AI in financial services, and proactively identify competition risks and benefits from Big Tech's entry into financial services.

“We now have the freedom to tailor our rules to better suit UK markets.”

FCA Business Plan 2022-23



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