



Our Strategy

2022 to 2025

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We are now focusing on results rather than being driven by processes

Chief Executive's message

Nikhil Rathi, Chief Executive

Last year, I said you would begin to see a different type of FCA. More innovative, more assertive, more adaptive.

We are being tougher on firms who want authorisation to operate in the UK, using data more systematically to ask the firms we supervise more rigorous questions and using our enforcement and intervention powers more actively, pushing the boundaries where we need to.

I also said that, to truly transform, we must develop an operationally excellent platform that can adapt and collaborate, internally and externally, to face the threats and opportunities of a constantly changing world.

Many of the issues cross over. So we are changing our operating model to focus more on the problem in front of us rather than simply addressing types of firms or sectors. This has, for example, been vital in our ongoing work with international partners in response to the war in Ukraine.

We are setting out a three-year Strategy.

We are now focusing on results rather than being driven by processes. Our Strategy sets out, for the first time, the outcomes we expect all firms to deliver across our markets.

We will also be tougher on our own performance, collectively and individually. For the first time, we are publishing measures that cover a multi-year period and against which we can be held accountable to support delivery of these outcomes.

Prioritisation is inevitable, not least due to our broad and growing remit, but our decisions will be data-based. And an outcomes-based approach guards against inconsistent regulation.

The increased cost of living – with consumers more exposed to risk and more reliant on financial services – makes addressing these issues more urgent.

And, as we invest in our technology platform, we are recruiting more staff in more parts of the UK, focusing on diversity and new capabilities.



We have increased efforts to stop firms with inadequate harm-prevention controls from entering our markets

Our commitments focus on three key areas.



Reducing and preventing serious harm will see us harness data to assess problems more quickly and so act sooner, aiming to prevent harm from happening in the first place.

We have increased efforts to stop firms with inadequate harm-prevention controls from entering our markets. We have recruited 95 colleagues to make our process for authorising firms more robust and efficient. Now we are targeting those already-authorized firms with the most potential to create harm, by bringing on board dozens more staff dedicated to removing problem firms.

Where we lack regulatory powers to intervene, we will call out our concerns to try to stop serious harm. Currently, the biggest cause of consumer harm is online and, together with our partners, we successfully engaged Government to combat this through proposed new legislation. Following our public intervention, we also welcomed Google changing their policy so that only FCA-registered firms can advertise financial promotions with them. We will continue to engage other tech platforms who now urgently need to follow through on their commitment to implement similar measures.



Setting and testing higher standards is fundamental to an outcomes-based approach. Only selling suitable products that provide good standards of customer service is not controversial, but data shows too many well-established firms are still not delivering as they should.

Our new Consumer Duty will ensure every firm considers the actual impact of their products and services on consumers. It will give firms greater certainty about how they should treat consumers and greater flexibility on how they deliver good outcomes. It supports future innovation by being clear about the standards required, whatever the product – and we envisage fewer future rule changes as a result, which should lower costs to firms. Firms showing leadership and doing the right thing should welcome action to tackle businesses who lower standards.



The final area is **promoting competition and positive change** with greater regulatory open-mindedness. We recently introduced wide-ranging listing reforms and are building on our pioneering and globally copied 'sandbox', by introducing a 'scalebox'.



Retaining the ability to move at speed will be crucial, as will remembering that high standards are a prerequisite, not an alternative, to global success

The world is looking to financial markets to enable the transition to a greener and sustainable economy. We are supporting international partners who are beginning to mandate climate-related disclosures – and continue to build on the changes we introduced a year ago.

Having carefully managed transition around the UK's departure from the EU, the Treasury's regulatory review now gives us a vital opportunity to adapt the regulatory system to further strengthen the attractiveness of UK capital markets. And we stand ready to meet expectations on the FCA of greater transparency and accountability.

Retaining the ability to move at speed will be crucial, as will remembering that high standards are a prerequisite, not an alternative, to global success.

Whether it's tackling unreasonable terms and conditions, increasing customer satisfaction levels, combatting scams, cleaning up our markets or improving diversity, this strategy supports positive metrics that we are accountable for.

Over time we also want to reduce claims and payments from the Financial Services Compensation Scheme – benefitting consumers and firms.

This is an exciting time for the FCA. Two hundred new colleagues have joined us since the start of the year, with dozens more joining every month, as we change the way we operate, on behalf of the consumers we serve. We are committed to holding ourselves to the highest standards in doing so.

Nikhil Rathi, Chief Executive

Section 1

Our regulation

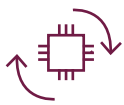
Our regulation affects consumers, businesses and the UK economy. We have a strategic objective to ensure financial services markets function well. We have operational objectives to protect consumers, maintain market integrity and promote competition in the interests of consumers. We continue to see significant, rapid change in financial services. We will continue to respond to the ongoing impact of the pandemic, the Russian invasion of Ukraine, changes to the UK's regulatory framework and developments in technology.



In developing our strategy, we have also considered:



The rising costs of living. Combined with greater vulnerability among consumers due to the pandemic, this may drive greater demand for a range of credit products. Consumers will also increasingly look for new ways to manage and make more of their money.



How digital transformation is redefining markets. There are more financial services products that we don't regulate, because they sit outside the perimeter of our regulation. This will continue, so we need to adapt how we prepare and respond.



The importance of financial services in global economic activity. Financial services firms must always manage the risk of financial crime and operational disruptions. But they need to be extra vigilant during times of geopolitical uncertainty.

Over recent years, we have made significant interventions to prevent and tackle harm across markets. For example, we introduced remedies to improve competition and protect home and motor insurance customers from loyalty penalties. We have also focused on firms' culture and governance, which can be the root cause of both harm and of positive outcomes. These actions help drive out bad practice and encourage better outcomes. Through these interventions, we have saved customers money by changing industry practice. We need to be equally robust at protecting consumers from losing life-changing amounts of money to firms with poor conduct. Even if these firms have small numbers of customers, the individual impact can be devastating.



We need to be equally robust at protecting consumers from losing life-changing amounts of money to firms with poor conduct

Our Strategy

Over the next three years, we are strengthening our focus on:

- 
1 reducing and preventing serious harm
- 
2 setting and testing higher standards
- 
3 promoting competition and positive change

The commitments we set out in this Strategy support these areas of focus, joining up our resources and tools across sectors to deliver measurable outcomes over the next three years. These commitments build on changes we have made and will continue to make to become more innovative, assertive and adaptive. This includes how we are using our improved data and digital capabilities to be a more forward-looking, proactive regulator.

Even with greater operational efficiency and a data-led approach, we need to prioritise. Our remit is large and growing, so we need to make trade-offs to focus our efforts. Markets will never work perfectly and, even with consistently good conduct, we will never stop all harm. Our commitments reflect how we prioritise so we can have the greatest impact.

We will keep our Strategy under review so we're adapting to important changes. The markets we regulate aren't static so our response to challenges and opportunities in 2022 will not be the

same as in 2025. For example, we expect the rising cost of living and the Russian invasion of Ukraine to have a lasting impact.

As we review and decide the actions we will take in coming years, we will apply the prioritisation principles we have used to develop our Strategy – the scale of potential or actual harm and our ability to mitigate it, and the urgency of the concern or opportunity.

Our [Business Plan 2022/23](#) sets out in more detail the actions we are taking in the coming year to help deliver our commitments. Our webpage provides the full list of outcomes and proposed [metrics](#) for each one.

The following sections set out:

- 
 our expectations for financial services
- 
 how our commitments will help us reduce and prevent serious harm, set and test higher standards and promote competition and positive change
- 
 how we will measure our own performance, so we can continually improve, adapt and deliver in the interests of consumers, markets and the economy

Our expectations for financial services

There are four overarching outcomes we expect from financial services, which cut across all the markets and sectors we regulate. We are focusing on these cross-sector outcomes, joining up all of our tools so we address concerns and opportunities efficiently,

effectively and consistently to create the regulatory conditions firms need to deliver these outcomes. This is how we will measure progress against our strategic objective: making markets work well.

Consistent topline outcomes

For consumers



Fair value

Consumers receive fair prices and quality



Suitability and treatment

Consumers are sold suitable products and services and receive good treatment



Confidence

Consumers have strong confidence and levels of participation in markets, in particular through (1) minimised harm when firms fail and (2) minimised financial crime



Access

Diverse consumer needs are met through (1) high operational resilience and (2) low exclusion

Consistent topline outcomes



Fair value



Confidence



Access

For wholesale markets

Market participants are able to make well informed assessments of value and risks due to appropriate transparency

Markets are (1) resilient to firm failures and (2) clean with low levels of market abuse, financial crime and regulatory misconduct

Markets are orderly in a variety of conditions so that participants are able to access a diverse range of services with minimised operational disruptions

We will review these outcomes over time to ensure they remain suitable. Through the Treasury's regulatory review of financial services, the Government has proposed a new secondary long-term growth objective for us. We expect to incorporate an outcome

that aligns with this objective, if confirmed. We set out how some of our commitments would be closely aligned with the proposed secondary objective. For example, our work to strengthen the UK's position in global wholesale markets.

Our expectations for regulated firms and individuals

We set the regulatory conditions to encourage, and if needed, enforce good conduct. But firms are responsible for conducting their business in a proper and responsible way. It is first and foremost a firm's responsibility to treat customers and handle complaints fairly and, when necessary, provide redress. This includes the need to communicate clearly and transparently and help customers understand risks.

Firms are responsible for following our requirements. We supervise to test that firms and individuals comply with our rules. But we expect firms and individuals to follow the spirit, not just the letter, of our rules and guidance. To support this, we are shifting our approach so we focus more on outcomes. We will give firms greater flexibility on how they deliver good outcomes and focus more on testing, and requiring firms to test, what their decisions mean for customers. If firms can consistently focus on delivering good outcomes, then we won't need to make as many rules or rule changes, reducing the long-term cost of regulation.

We want to help firms demonstrate that they are achieving good outcomes in a cost-effective way. We are committed to improving our reporting requirements, for example, through automated data collection. Through aiming for operational excellence, we will continue to find new ways to reduce the regulatory burden on firms at all stages of regulation, balancing the need for efficiency with effective oversight.

Our expectations for consumers

A core principle in the legislation underpinning the FCA is that consumers should take responsibility for their choices and decisions. But consumers' ability to take responsibility for their decisions may be limited, especially if they are in vulnerable circumstances. We aim to use our regulation to address the imbalance in knowledge about financial services between firms and consumers. We're in a stronger position to improve conduct when consumers are informed and empowered, which can drive up standards when combined with our action.

We will increasingly work with consumers to enable them to protect themselves. We will do more to engage directly with consumers, focusing our efforts on improving their understanding of rights, responsibilities and risks. Many consumers are settling for sub-standard products and services because they don't know what good is or how to find something better. Section 2 explains some of the actions we are taking to help inform consumers and drive up standards of customer service. For example, we are consulting on a new [Consumer Duty](#), which will set higher and clearer expectations for the standard of care and customer service firms give consumers.



We aim to use our regulation to address the imbalance in knowledge about financial services between firms and consumers

Our expectations for diversity & inclusion

A diverse and inclusive industry is central to achieving the outcomes we expect from financial services. Diversity of thought and inclusive behaviours in financial services will help to deliver better consumer and market outcomes including fair value, fair treatment, suitability, confidence and access. Firms need to be sufficiently diverse and inclusive to be able to understand the needs of their customer bases. A lack of diversity could lead to groupthink at decision-making levels, which could lead to consumer and market harm. Inclusion is equally important as individuals should be able to express their views, speak up and raise concerns in a psychologically safe environment, supporting greater innovation and competition for customers and markets. Openness around diversity and inclusion is also important, to help consumers consider this when making decisions and to enhance market transparency. A diverse and inclusive industry will also attract and develop the best talent, supporting competitiveness. This makes diversity and inclusion directly relevant to our objectives. Together with firm culture more broadly, both are part of how we regulate and increasingly part of how financial services firms do business.

We have significant work to do to make our organisation and financial services more diverse and inclusive. We have set out our thinking for how we work with industry to make meaningful progress. We will continue to drive change across industry, tracking progress through firm data.



A diverse and inclusive industry is central to achieving the outcomes we expect from financial services

Section 2

Our focus through to 2025

This section explains the three themes we are strengthening our focus on for the next three years.

These themes are supported by cross-cutting commitments, which explain how we are joining up our actions to help create the conditions for financial services to deliver the outcomes we expect. Collectively, they will raise conduct and expectations so firms consistently deliver, and consumers consistently get, high-quality products and services.

Focus 1

Reducing and preventing serious harm



Focus 2

Setting and testing higher standards



Focus 3

Promoting competition and positive change





Focus 1:

Reducing and preventing serious harm

We are making six commitments for reducing and preventing conduct that can cause serious harm.

While only a small minority of firms cause life-changing harm, it can and does happen very quickly. To reduce and prevent it, we are joining up our efforts across sectors and focusing them on six causes of harm.

We're focused on protecting consumers from the harm that authorised firms can cause. We'll use our full range of tools from competition to policy and from supervision to enforcement so we address these causes of harm efficiently and consistently. We're building on the changes we've made to how we operate so we act faster, protect more consumers and, where we can, prevent harm before it happens.

Our commitments explain, at a high level, what we aim to deliver by 2025. [Our Business Plan](#) explains in more detail the actions we will take in 2022/23 to reduce and prevent serious harm.



We're building on the changes we've made to how we operate so we act faster, protect more consumers and, where we can, prevent harm before it happens

Dealing with problem firms

Outcome: Confidence Confidence

Firms which don't meet our minimum standards put consumers at risk. They also undermine trust in financial services and markets. We will act faster, challenging ourselves and testing the limits of our powers, to remove these firms from the market. Doing this will support us in reducing and preventing harm, and ultimately, creating a better functioning market.

We are improving our capacity to intervene when firms can't meet threshold conditions and remove or sanction firms who can't or won't meet our standards. In year 1, we will focus our efforts on dealing with a greater number of problem firms than in previous years. From year 2, we will combine our greater capacity with greater ambition, so we deal with more complex firms. We will use breaches of threshold conditions to stop or restrict the activities of a broader range of problematic firms, even if they don't pose a risk to consumers or markets.

Our aim is to limit the impact these firms can have on consumers and markets. Our stronger authorisation gateway prevents these firms from entering the market in the first place. Firms who meet our threshold conditions and are new to financial services will receive

enhanced supervision from our new early oversight team. By acting earlier and more assertively, we will prevent harm and intervene before problems become systemic. Over time, this will support us in stabilising and then reducing the Financial Services Compensation Scheme (FSCS).

We are also scaling up our ability to intervene in real time so we can act faster to address ongoing risks. We will more readily make use of our formal powers to reduce and prevent harm, accepting a higher risk of legal challenge. We will adapt our response to the circumstances we face, targeting the requirements we impose on firms so they match the risks they pose. For example, requiring firms to stop specific activities or taking on new business.

In the short term, we will measure our impact through the results of our firm interventions. This includes the number of cancellations and withdrawals of permissions, to reflect an increase in our effort to intervene when firms fail to meet the threshold conditions.



By acting earlier and more assertively,
we will prevent harm and intervene
before problems become systemic

Improving the redress framework

Outcome: Fair value Confidence

We have a duty to protect consumers from harm. That includes making sure consumers have appropriate access to redress when things have already gone wrong.

We have seen too many firms fail owing redress to consumers. In some cases, consumers may have access to the FSCS, an important safety net that increases confidence in the market, benefitting consumer and firms. The FSCS levy has increased over the last decade, from £277m in 2011/12 to an expected £717m for 2021/22. This increase reflects too large a bill of unpaid redress liabilities from failed firms pushed onto those that remain in the market. This isn't right.

Our aim is to make the redress framework fairer. We want to see more consumers get redress from the firm that owes them money. We will achieve this by improving firm conduct through the measures set out in our [Consumer Investment strategy](#), considering capital requirement rules and intervening early to prevent systemic harm.

We will identify potential problems earlier and carry out redress exercises with firms, where appropriate, so they quickly remedy harm. For example, intervening where consumers are complaining and it is more efficient and effective for the firm to resolve these without them needing to be referred to the Financial Ombudsman Service. We want more consumers who have suffered harm to have access to fair redress before firms fail. We are therefore focused on improving firms' financial resilience so they can cover a larger proportion of their redress liabilities. However, we do not run a zero-failure regime so firms may fail owing consumers redress, and in some cases the FSCS may be called upon. This should only be as a

fund of last resort, a compensation scheme that is appropriate and proportionate in its scope and funding.

We will measure our success by, over time, reducing the proportion of redress liabilities that insolvent firms leave in the system and stabilising the FSCS levy over a multi-year period. In the short term, we may see FSCS redress payments increase as our interventions take effect. However, in the long-term, as firms' conduct improves, we expect to see fewer redress claims, including to the FSCS, as we would expect there to be less harm.



We want more consumers who have suffered harm to have access to fair redress before firms fail

Reducing harm from firm failure

Outcome: Confidence Confidence

Failed firms can cause widespread harm. Consumers can lose money or assets and access to essential services. The financial difficulties at failing and failed firms can spill over to other financial services firms.

Firms always carry a risk of failing, so they need to plan for this from the outset. We'll review this at the authorisation gateway and where appropriate through early oversight. When firms don't plan properly or start to fail, we'll act faster to identify problems and resolve them in an appropriate way. For example, by instigating insolvency proceedings.

We aim to prevent failing firms from causing significant harm to consumers and market participants. Firms should be financially resilient, have strong arrangements to protect clients' money and assets and be able to recover quickly from disruptions. We test firms' resilience against our prudential standards. If firms meet our standards but still cause harm when they fail, we'll consider raising our standards. We'll also collaborate with our partners to set the right standards globally for internationally active firms.

We will measure success by a low and stable proportion of firms that do not meet financial resource requirements and whose client assets and funds are not appropriately held.



The potential for consumer harm from ARs is too high. Consumers are at risk of being misled, mis-sold and under-protected when things go wrong

Improving oversight of Appointed Representatives

Outcome: **Suitability & treatment** **Confidence**

An Appointed Representative (AR) carries on regulated activity under the responsibility of an authorised firm. The authorised firm – the principal – is responsible for making sure that the AR is fit and proper and complies with our rules.

While the AR regime has benefits, including encouraging effective competition and providing market access, our evidence shows that principals' oversight of ARs is not always effective. Principals generate 50 to 400% more complaints and supervisory cases than other directly authorised firms. The potential for consumer harm from ARs is too high. Consumers are at risk of being misled, mis-sold and under-protected when things go wrong.

We're already taking action to address the harms arising from ARs. We are increasing our supervision work and activity at the gateway to reduce the most significant risks. We're also consulting on changes to our regime to:

- clarify and strengthen the responsibilities and expectations of principals
- increase the amount and timeliness of information we receive on principals and their ARs

We have proposed these changes to improve the intelligence we have on ARs and principals so we can better identify which business models pose the greatest risk. We are increasing our scrutiny at the authorisation gateway so, over time, firms with unmanageable risks can't enter financial services anymore.

We will measure our success through metrics that indicate that principals are overseeing ARs effectively: complaints about principal firms compared to non principal firms. We expect these to decrease when consumers get suitable information, advice and products from ARs.

While there are changes we can make to improve the regime and limit harm, the AR regime is established by legislation. We continue to work with the Treasury to assess whether legislative change is needed. To inform this, we have collaborated with the Treasury on its [Call for Evidence](#) and will work closely with them to consider the feedback received and the case for further action.

Reducing and preventing financial crime

Outcome: Confidence Confidence

Financial crime – including fraud, money laundering, sanction evasion and terrorist financing – does enormous damage to society. It undermines market integrity and consumers’ and market participants’ confidence. Criminals often attempt to use or impersonate financial services firms to make and launder money, causing loss to consumers, facilitating other crime and reducing confidence in financial services.

Stopping financial crime requires a collective effort – from us, regulated firms, Government, law enforcement and our regulatory partners. Our aim is to measurably reduce financial crime, and the risk of financial crime.

We will continue to closely scrutinise firms at the authorisation gateway so they meet our standards for financial crime systems and controls before they’re authorised. We will be more proactive in our supervision. Where we detect harm or UK-wide financial crime vulnerabilities, we will continue to share intelligence with our partners to enable a system-wide response. We will continue to monitor social media for suspicious advertising which may indicate fraud. We will also continue our work to take down illegal advertising quickly and warn consumers through our [Warning List](#) and [ScamSmart](#) campaigns. We will supervise cryptoasset firm compliance with the [Money Laundering Regulations \(MLRs\)](#). We will intervene where [cryptoasset firms are at risk of being used as conduits for illegal activity](#) and where firms pose harm to consumers or market integrity. We are increasingly data-led, focusing on the effectiveness of systems and controls so we can:

- detect financial crime faster
- disrupt and pursue firms and individuals
- remove FCA regulated fraudsters from the financial system.

We will publish findings from our data reviews and provide feedback to industry on common issues, so firms can improve their controls.

Finally, we prosecute money laundering and fraud within our remit, pursuing both firms we regulate and firms who are not properly authorised.

We will continue to work closely with our partners – in the UK and internationally – to drive a whole-system response to stopping and preventing financial crime. As the financial conduct regulator, and supervisor of the professional body supervisors through [OPBAS](#), we have an important role in the implementation of UK-wide economic crime plans. Over the next two years, we will focus additional efforts on two types of fraud where we can have the greatest impact and see the greatest potential for life-changing harm. Through our [Consumer Investments Strategy](#), we have committed to enhancing our focus on investment fraud. We will also enhance our focus on authorised push payment. These efforts go over and above our existing work to stop and prevent fraud.

Ultimately, we want consumers and market participants to have confidence that the financial services industry is safe. One of the ways we measure success is through reported investment and authorised push payment fraud.

Delivering assertive action on market abuse

Outcome: Confidence Access

Market abuse undermines the integrity of the UK financial system, eroding confidence and lowering participation, to the detriment of all market participants.

Everyone plays a role in delivering clean, transparent and fair markets. Firms are a vital first line of defence. They must have the right culture and safeguards in place to spot, report and reduce the risk of market abuse. Issuers of securities must be able to identify, control and ensure the accurate and timely release of inside information to reduce the risk of market abuse.

We aim to prevent market abuse by ensuring:

- firms and issuers of securities protect insider information appropriately
- issuers of securities make timely and accurate disclosures, to support transparency in our markets

Where it does occur, we use a range of different data, intelligence and analytics tools to detect and, where possible, disrupt abusive behaviour in our markets.

We focus on firms and issuers of securities, ensuring they have robust controls around inside information. Accurate and timely disclosures help protect the market by reducing the window of opportunity to exploit inside information. We will continue to supervise firms' systems and controls around market abuse – particularly their ability to spot and report market abuse to us – with an enhanced focus on firms where the risk is highest. We will

continue to develop our monitoring functionality in primary markets, following up with issuers of securities where we have concerns about the timeliness and accuracy of inside information or where we see signs that there may have been inappropriate disclosure of inside information.

Over the next two years, we will improve our ability to detect market abuse, through a significant upgrade in our market surveillance systems. This will enable us to keep pace with evolving market abuse techniques and take advantage of advancements in big data analytics. This will include moving our market monitoring capability closer to real time and improving our data capabilities so that, in the future, we can better monitor a broader range of asset classes.

When we find market abuse, we will take decisive action. We will use the full range of our supervisory and enforcement tools, including criminal and civil sanctions where appropriate, to pursue offenders and deter future wrongdoers.

We will measure our impact through a range of measures including market cleanliness data.



We will use the full range of our supervisory and enforcement tools, including criminal and civil sanctions where appropriate, to pursue offenders and deter future wrongdoers



Focus 2:

Setting and testing higher standards

We are making four commitments to setting and testing higher standards, so firms deliver the outcomes we expect.

We've committed to focusing on the impact firms' actions have on consumers and markets. We expect firms to adopt the same mindset and be able to show us how their decisions contribute to good outcomes.

Focusing on outcomes will help to identify problems earlier, so we – the FCA and regulated firms – can prevent problems escalating or becoming widespread. By focusing on outcomes, we'll give firms greater flexibility. We will promote effective competition to help drive these higher standards and push firms to be responsive to consumer and market needs. Firms need to understand their consumers' needs and to have the flexibility to support consumers so they get good outcomes. This is particularly important as consumers face increasing financial pressures.

Our commitments explain, at a high level, what we aim to deliver by 2025. Our [Business Plan](#) explains in more detail the actions we will take in 2022/23 to set and test higher standards.

Putting consumers' needs first

Outcome: Fair value Suitability & treatment
Confidence Access

Firms need to do more to make financial services work well for consumers. Consumers need to be able to make informed decisions, so they are able to act in their interests and pursue their financial objectives. Some firms present information in a way that is misleading or difficult to understand, which makes it harder for consumers to make a timely and informed decision. Some firms sell products or services to consumers that are not right for them or which don't offer fair value, or provide poor customer service and support.

To address these issues, we've proposed introducing a new Consumer Duty. We want firms to focus on delivering good outcomes for their customers. The proposed Duty sets clearer and higher expectations for the standard of care firms give customers. Our proposals would require firms to act in good faith, avoid foreseeable harm to their customers and support and empower them to make good financial decisions. Firms will have to ensure that:

- they provide products and services that meet the needs of their customers and offer fair value
- consumers are equipped with information to make effective, timely and informed decisions about products and services
- consumers receive good customer service.

These proposals aim to ensure firms consider the needs of their customers – including those with characteristics of vulnerability – and how they behave, at every stage of the customer journey.

As well as acting to deliver good customer outcomes, firms will need to understand and evidence whether those outcomes are being met. We will embed the new Consumer Duty in our supervision and enforcement, so we increasingly focus on the outcomes consumers experience. Combined with our more data-led approach, this should enable us to more quickly identify practices that negatively affect those outcomes and to intervene assertively before practices become entrenched. For example, we will focus not only on checking whether firms comply with disclosure rules but also on whether consumers understand the products they buy. We will expect to see evidence of this.

We will be clear with firms what we expect to see and the actions they should take. We expect outcomes-based regulation to adapt to technological change and market developments, meaning consumers are protected from new and emerging harms and firms can innovate to find new ways of serving their customers with certainty of our regulatory expectations.

We will measure the success of our proposals by monitoring key outcomes for consumers. For example, whether consumers are getting products and services which meet their needs and provide fair value and whether this is leading to a reduction in upheld complaints about fees or charges or being sold inappropriate

products. We will also measure what consumers are seeing and feeling, including through our [Financial Lives Survey](#).

We will continue to use our wider consumer protection powers to address harm where we see poor practice, including in cases where the product or service may not be regulated. We will also continue working with Government and partners to support financial inclusion in financial services.



We will focus not only on checking whether firms comply with disclosure rules but also on whether consumers understand the products they buy. We will expect to see evidence of this



Enabling consumers to help themselves

Outcome: Suitability & treatment Confidence

Digital services make it faster and easier than ever to engage with financial services. People are spending less time between seeing and buying, often without advice. Consumers need good information to make good investment decisions. But this doesn't always happen. Instead, they're often targeted with adverts that are illegal, unclear, unfair or misleading.

We are focused on making sure consumers are accessing investments that reflect their risk appetite and appropriate information that supports them in making decisions. We will continue to use our InvestSmart campaign to improve consumer understanding. We aim to reduce the gap between investors' – particularly young investors' – risk appetite and the actual risks associated with the investments they choose.

We're faster at finding potential breaches and shutting down misleading promotions. Our focus with authorised firms is making sure they sell products and services that are suitable for the consumers that buy them. But we can't limit our action to these firms. There are many firms and individuals who carry on unauthorised activity, some of which are likely to be scam firms involved in investment fraud. Our focus is therefore on stopping unauthorised business and warning consumers about these firms. In 2021, we issued 1,410 warnings to consumers; this is up from previous years and we expect it to keep rising.

Firms must get better at explaining investment risks to consumers. We've seen a rapid increase in new investors choosing high-risk investments and cryptoassets. But many new investors don't realise they can lose everything they've invested. We've set out the actions



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

we're taking to prevent harm in our Consumer Investments Strategy. These include setting higher standards:

- that firms must meet before they can approve financial promotions
- for risk warnings and banning incentives to invest
- for specific cryptoasset promotions, which will need to be clear, fair and not misleading

We will continue to warn consumers that they should only invest what they can afford to lose in high-risk investments and cryptoassets. But we do not believe warning consumers will go far enough to protect them. We will continue to call for changes to set higher thresholds for who can be classified as restricted, high net worth or sophisticated investors. We are consulting on changes to limit which consumers can respond to cryptoasset promotions to these categories.

We will measure our success through the impact on consumers, for example, the amount of money they lose and the number of warnings we issue. We will also track the number of interventions using a wide range of tools and powers.

A strategy for positive change: our environmental, social and governance (ESG) priorities

Outcome: Suitability & treatment Confidence
Confidence

The financial sector has an important role to play in helping the transition to a net zero economy and a fairer, more sustainable long-term future. Companies and consumers are increasingly considering environmental, social and governance issues when choosing products, services and investments. And we are pushing how to further diversity and inclusion across financial services and listed companies.

Firms that take ESG issues seriously, including having diverse and inclusive cultures, can better meet the needs of consumers and markets, and support greater innovation and competition. Responding to rising consumer awareness of ESG issues and demand for related products and services requires a supportive regulatory framework and adequate guardrails. In November 2021, we set out our [ESG Strategy](#).

To execute our ESG strategy, we will embed ESG considerations, seamlessly and comprehensively, across our functions. We have also committed to a range of actions, including:

- building trust in the market for sustainable investment products and tackling greenwashing through our work on sustainability disclosures and product labelling
- supporting integrity in the ESG ecosystem, by encouraging improvements in ESG data, ratings, assurance and verification services

- promoting well-designed, well-governed, credible and effective net-zero transition plans as a member of the Government's Transition Plan Taskforce
- consulting on a new regulatory framework and data requirements to accelerate the pace of change on diversity and inclusion
- publishing final rules on diversity and inclusion on company boards and executive committees

Our aim is for UK financial services and the UK regulatory regime to be at the forefront of ESG thinking internationally. We are collaborating with Government, UK regulators, industry and other stakeholders to achieve this. We co-chair the Climate Finance Risk Forum with the Prudential Regulation Authority (PRA). We are also working with our international partners to develop robust and commonly agreed international standards on ESG that can serve global markets effectively.

We plan to develop measures to assess our impact through monitoring the quality of sustainability disclosures, as well as the level of misleading marketing of ESG products.



Firms that take ESG issues seriously, including having diverse and inclusive cultures, can better meet the needs of consumers and markets, and support greater innovation and competition

Minimising the impact of operational disruptions

Outcome: Access Access

Operational disruptions are inevitable. Firms must be able to respond to, recover and learn from and prevent future operational disruptions. When firms can't, customers can lose access to essential services and confidence in financial services generally.

The disruption caused by Covid-19 and the increasing threat and impacts of cyber-attacks, show why it is especially important for firms to understand the important business services they provide, and to invest in their resilience to protect themselves, consumers and markets.

We've introduced new rules and guidance to strengthen operational resilience. We'll assess the impact of this by testing firms' operational resilience, business continuity and incident response plans, cyber security and third-party management. We will look at how resilient firms are to disruptions as well as the severity and scale of actual disruptions. We will also assess the resilience of third parties that provide critical services to the financial sector. We are focusing our efforts on those firms who can't meet our new standards.

We will measure success through developing measures on the impact of disruptions.



Firms must be able to respond to, recover and learn from and prevent future operational disruptions



Focus 3:

Promoting competition and positive change

We are making three commitments to promote competition and positive change.

Financial services are a global industry and the UK is a world leader, with widely recognised and respected high standards. The UK's wholesale markets are clean and competitive. Maintaining those standards and our reputation means constantly striving to improve. Our aim is to have open markets, supported by accessible rules. Our high standards support firms to grow and innovate, and our competition enforcement powers enable us to step in where firms restrict competition.

Competition should be a force for good. Firms should compete for customers on the basis of service, quality, price and innovation. Competition should encourage better outcomes for consumers. We will make sure our standards reflect current and emerging risks, while enabling innovation and competition in consumers' interests.

Our commitments explain, at a high level, what we aim to deliver by 2025. Our [Business Plan](#) explains in more detail the actions we will take in 2022/23 to promote competition and positive change.

Preparing financial services for the future

Outcome: Fair value Suitability & treatment Confidence
Access Fair value Confidence Access

Following Brexit, the UK has greater freedom to tailor our rules to better suit UK markets. The Government is using this opportunity to adapt our regulatory framework so that it's fit for the future.

We have an important role in implementing any legislative changes resulting from the Treasury's [regulatory review](#). This includes the transfer of onshored legislation into our rules. These changes will enable us to make necessary rule changes more quickly and respond more efficiently to innovation and new challenges and emerging harms on the horizon.

The Treasury's regulatory review will potentially change the legislative framework we operate within. This includes a proposed new statutory secondary objective on growth and competitiveness. We are committed to adapting how we operate to fulfil these new obligations, once adopted by Parliament.

We will measure our success by how effectively we respond to any change in our remit, accountability arrangements or wider obligations and how we embed firm-facing requirements from legislation into our rules. In the longer-term, when any legislative changes have been fully implemented, we will also consider consumers and firm confidence in the FCA and UK financial system.

Strengthening the UK's position in wholesale markets

Outcome: Confidence Access

We seek a UK wholesale market which supports both the domestic economy and growth and is open to innovation, underpinned by high standards of market integrity and consumer protection. This will be achieved if the UK continues to be regarded as one of the leading global markets of choice for issuers, intermediaries and investors, when compared to other high-quality markets.

Many factors contribute to the success of UK markets. We have an important role to play as the securities regulator and listing authority, as well as the supervisor of firms operating within the market. Our reputation as an effective and proportionate regulator and our high standards of investor protection help encourage growth in the UK economy.

Wholesale capital markets are global in nature, so it's important that we are consistent with leading overseas markets and cooperate with other authorities. We remain committed to engaging and influencing at international level so that UK markets remain at the forefront of evolving global standards.

We have already made changes to deliver a more agile and flexible regime through changes to our primary and secondary markets regimes. However, there is more to do to tailor our rules to better suit UK markets and deliver fair, efficient and innovative markets in the future. We have developed proposals for further reform in primary, secondary and post-trade markets, which we will consult on in the coming years and feed that thinking into the relevant international fora. This programme includes:

- reforming rules around when a prospectus is required and its contents
- transparency in equity markets
- the creation of a new sandbox for new market models of infrastructure models.

Some of these initiatives will be deliverable through current rule making powers, while others depend on the outcome of the [Treasury's regulatory review](#).

We will also look at the gateways to the market – such as the listing gateway – with the aim of improving their effectiveness. For primary markets, this should allow new and further issuance, a smoother and quicker route to the capital markets.

We will make better use of data to monitor our markets and their participants closely and will act swiftly and proportionately to tackle misconduct. Our approach to tackling market abuse is crucial to strengthening the UK's position in global markets. Market abuse undermines the integrity of the UK financial system, eroding confidence and lowering participation, to the detriment of all market participants. We have set out our approach to tackling market abuse on page 19. More broadly, our work on financial crime, dealing with problem firms and operational resilience will be the foundations upon which we build market excellence in the UK.

We will measure our success by monitoring perceptions of our actions to enhance UK markets. We are developing questions to market participants about the strength and proportionality of our regulatory regime, as well as the effectiveness of our role and impact on wholesale markets. We will also make use of existing measures to understand how UK wholesale markets are perceived compared to our global peers. Finally, we will measure our operational efficiency by considering our times to approve wholesale regulated businesses, including funds and transactions.

Shaping digital markets to achieve good outcomes

Outcome: Fair value Suitability & treatment

The digitalisation of financial services is changing the way consumers make decisions and markets operate. To be an effective regulator, we must respond to today's challenges and prepare for those of tomorrow. We need to better understand the emerging risks and opportunities so that the huge benefits to consumers are captured and the important harms mitigated. We will proactively shape the digitalisation of financial services through developing our regulatory approaches to digital markets.

We will continue to actively participate in the [Digital Regulation Cooperation Forum \(DRCF\)](#) alongside the [Competition and Markets Authority](#), [Ofcom](#), and the [Information Commissioner's Office](#), to collaborate on:

- developing joined-up regulatory approaches, where appropriate
- responding strategically and holistically to technological developments and leveraging shared expertise
- cooperating on the shared challenge of building the skills and capabilities within our organisations
- providing thought-leadership in the complex space of digital regulatory policy

We will work with Government and stakeholders on the new pro-competitive regime for digital markets (the '[Strategic Market Status](#)' regime). Our aim is to unlock the benefits of competition in digital



We will proactively shape the digitalisation of financial services through developing our regulatory approaches to digital markets

markets and address competition concerns arising from the strategic position of a small number of key digital firms. We will also identify the competition risk and benefits from Big Tech entry in financial services to inform our future work.

Algorithmic systems have become widespread, including in financial services due in part to big data and digital transformation. We will therefore examine the role of artificial intelligence in financial services, working closely with the DRCF and Bank of England.

To ensure consumers are empowered to take decisions in their best interest, we will undertake robust investigations informed by behavioural economics to test digital consumer journeys – understanding how consumers access information and make decisions about digital financial products and services.

We will measure our success by developing measures to monitor the effectiveness of our interventions in reducing harmful consumer journeys and exploring how digital developments in financial services provide fair value for consumers.

Section 3

Our operations

We've transformed how we work significantly over the last few years. We will continue to change and improve so we can deliver our commitments, constantly learning and adjusting so that we are more efficient and effective. We will publish progress against outcomes to demonstrate our impact. This will include some operational metrics where they are relevant to assessing our impact.

We will only improve if we assess our performance regularly and hold ourselves to account publicly. Publishing performance metrics will also help make it clear what everyone can expect from us.

We have committed to becoming more innovative, assertive and adaptive. We will become a stronger regulator by learning quickly what works and what doesn't. This section explains some of the changes we have made, and will continue to make over the next three years, to become a more proactive and more effective regulator.





Improving how we use data and technology to act decisively in consumers' interests

The growth in digital services means consumers can make and deliver decisions faster. While speed brings opportunities, it also brings risks. Harm can occur more quickly. We're continuing to improve our technology, capabilities and information so we can find and stop harm faster.



To make better use of data and act faster and more decisively, we:

- introduced [RegData](#) and new tools so we have better data to make decisions with
- are making better use of digital listening tools to identify problems faster, like small businesses struggling to make business interruption insurance claims
- have made better use of automated web scraping to identify scams and fraud



We will continue to make better use of data and act faster and more decisively by:

- piloting how we adapt our intelligence and analysis, to help us spot new problems
- automating parts of the systems we use to resolve some problems, but with human judgment at the heart
- understanding 'paths to harm' – behaviours and events likely to end in consumer harm or markets failing – so we can intervene when these conditions are met, rather than responding once harm has already happened
- using data to test whether firms' products and services deliver good outcomes for consumers
- using data to simulate policy outcomes before publishing rules
- sharing our data so firms can use it to test new products and business models

Ultimately, we'll have the data and capability to be more proactive. We will find and assess problems and opportunities faster and make evidence-based decisions quickly. Over time, we expect that taking faster, better decisions will support us in bringing down the costs of the regulatory system.



Testing the limits of our own powers and working with partners to maximise our impact

We've focused on raising standards across industry, but there are some firms who will never meet our standards. We're continuing to find new ways to stop or prevent these firms from operating.

Overall standards of conduct are still too low. Firms are not consistently putting consumers first. The Financial Ombudsman Service complaints uphold rates of 34% suggest firms are getting things wrong, then getting them wrong again.



We are acting more assertively and have tested the limits of our powers by:

- strengthening our authorisation gateway so firms need to meet a higher standard before we authorise them; as a result, we've increased the proportion of applications that we refuse, reject or which applicants withdraw to one in seven (up from one in thirteen)
- removing permissions from firms that aren't using them 161 times in 2021, to protect consumers from being misled



We will continue to act more assertively and test the limits of our powers by:

- relying more on tools that have an instant effect when there's immediate harm, rather than launching fuller, longer investigations
- increasing the number of staff that enforce our threshold conditions – the standards firms must meet
- taking action against risky firms to send a clear signal to others putting consumers at risk; improve now or you're next
- testing how far we can go to warn consumers directly when we think an authorised firm is misleading them about the 'safety' of its products or services

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Removing permissions from firms who aren't using them 161 times in 2021, to protect consumers from being misled



Always learning and adjusting our approach as consumer choices, markets, services and products evolve

Many consumers don't know what good looks like and make decisions based on what seems safe. That often means they settle for what they already have or unknowingly take on more risk than they realise.

More consumers are vulnerable, or at risk of becoming vulnerable, because of the effects of the pandemic and rising costs of living. Firms must understand the needs of vulnerable consumers. When they don't, consumers are sold products that aren't right for them and don't offer fair value.



We are adapting our approaches to meet new challenges by:

- launching our InvestSmart campaign to increase consumers' understanding of investment risks
- repeatedly warning consumers to limit their crypto investments to those they can afford to lose
- clarifying how we expect firms to treat vulnerable consumers, including our expectations that these consumers consistently get outcomes as good as everyone else
- using behavioural research to shape our proposals to strengthen financial promotions rules
- establishing a specialist team to oversee firms whose business is primarily online products
- restructuring our policy and supervision functions, so we have a more integrated approach to setting standards and measuring performance against them



We will continue to adapt our approach to meet new challenges by:

- explaining to consumers what they can and should expect when using financial services and working with our partners and firms to raise consumers' expectations
- testing whether vulnerable consumers are getting the standards of care we expect
- delivering a more efficient and effective way for consumers to engage with us and with our regulatory partners
- working more with our partners so we can reach consumers more effectively
- working with our international partners to set the right global standards for cross-border products and services
- working with Government and other partners to develop our regulatory approach for cryptoassets – for example stablecoins – so we balance innovation and competition with the need for orderly markets and consumer protection



12 Endeavour Square London E20 1JN

Telephone: +44 (0)20 7066 1000

Website: www.fca.org.uk

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