FCA is pleased to collaborate with the Government to promote growth

Last week, FCA Chief Executive Nikhil Rathi wrote a letter addressed to the Prime Minister, Chancellor, and Secretary of State, in response to a letter from the Chancellor Rachel Reeves in December where she emphasised to the FCA that growth "is the defining mission" of the government and that there must be "proportionate, effective regulation"

The FCA expressed their approval with this message and the Chancellor's ideas for growth. They plan to collaborate in a fresh approach to support this initiative. For major reforms to occur, it is crucial for them to recognise that the FCA will need to embrace more risks and allocate resources efficiently.

Growth will be a key part of FCA's strategy until 2030. They have already begun significant work this year and have new proposals that go even further. They have identified ideas to explore and will consult widely, including with their statutory panels, as soon as possible. They will also use academic research they commissioned to better understand how financial regulation relates to growth. Additionally, the FCA has pointed out areas where more Government action could strengthen their joint efforts.

The FCA has set out bold plans to reform wholesale markets this year to enhance capital investment and liquidity. These include:

- Implement a new prospectus regime, with shifts in thresholds and liability, easing retail access to corporate bonds and enable a new market for private companies.
- Enable savers to invest more effectively, improving access to help and simplifying product information.
- Reduce conduct requirements for wholesale insurers.
- Streamline regulatory requirements on the asset management sector.
- Launch a consolidated tape so fixed income data is accessible.

The FCA plans to speed up the review of capital needs for specialised trading firms to boost liquidity. They will also focus on advancing digital innovation to increase productivity.

The UK needs a digital infrastructure plan for financial services that matches its bold AI strategy. The FCA is ready to lead this effort with a digital-first approach.

A new Executive Director for Payments and Digital Finance will guide this initiative and will also manage the Payment Systems Regulator. Speeding up securities settlement to one day (T+1 = trading day plus one business day) and transitioning to electronic securities will enhance market efficiency.

FCA plan for this year:

- Progress a digital securities sandbox and a roadmap for digital assets starting in asset management.
- Improve credit information with changes to industry governance.
- Reform online tools explaining pensions, improving pension transfer times, and finalise next steps on pension dashboards.
- Avoid additional regulations for AI by relying on existing frameworks.

In 2025, the FCA will take additional steps beyond the National Payments Vision delivery by:

- With the PSR, introduce a new open banking payment method – variable recurring payments – increasing competition and choice.
- Use powers anticipated under the Data (Use and Access) Bill to develop open finance, potentially prioritising SME lending.

The FCA have suggested they could also:

- Remove the £100 contactless limit, allowing firms and customers greater flexibility, drawing on US experience, and levelling the playing field with digital wallets.
- Set new digital service standards, for example requiring firms to accept electronic verification of death to speed up bereavement claims in insurance.

The FCA suggests that government efforts in three key areas could be beneficial

- improving digital identity checks could lead to significant benefits
- upgrading the Companies House database would lower business costs
- digitizing court systems could help speed up processes.

The FCA is already taking steps to lessen unnecessary regulations and cut down on the amount of data some companies need to submit. They have plans for 2025 to:

- Streamline the handbook following industry input on rules which could be removed or simplified; and improve accessibility and efficiency with a machine-readable version.
- With the Bank of England/PRA, continue reducing reporting burdens for firms.
- Make the Senior Managers and Certification Regime more flexible.

The FCA will also:

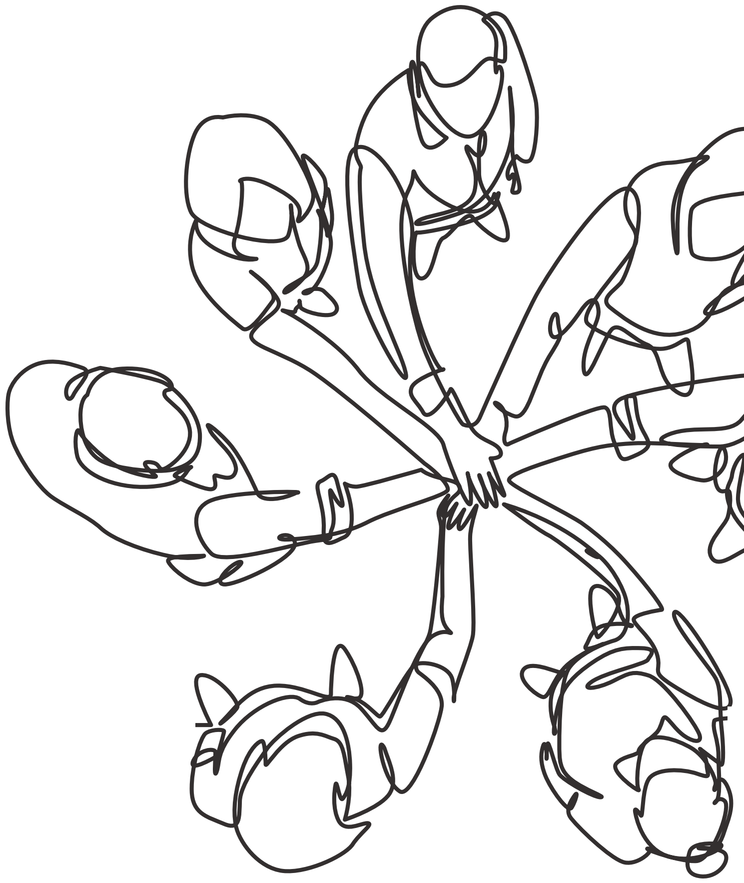
- Remove the need for a Consumer Duty Board Champion now the Duty is in effect.
- Ensure future consultations on consumer protection ask if the Consumer Duty is sufficient rather than new rules.
- Begin simplifying responsible lending and advice rules for mortgages, supporting home ownership and opening a discussion on the balance between access to lending and levels of defaults.
- Consult on removing maturing interest-only mortgage and other outdated guidance.
- Work with Government to remove overlapping standards, e.g. the Mortgage Charter.
- Review the proportionality of reporting requirements and remove redundant returns, initially expected to benefit 16,000 firms.

The FCA suggested taking additional steps, with help from the Government, to lower the costs of anti-money laundering efforts by easing “know your customer” rules for small transactions. In 2022, the Treasury started updating the Consumer Credit Act. If this process speeds up, the FCA could lessen the burdens even more quickly.

The FCA highlighted helping businesses start and expand more easily.

The time it takes to approve a business can impact how fast it can launch and grow. The FCA meets legal deadlines in 98.5% of cases and aims to enhance their services. They plan to further digitise the approval process to cut down on time and costs. As a result, the FCA will:

- Provide a dedicated case officer to every firm in their regulatory sandbox.
- Support more early and high growth firms, with 50% more dedicated supervisors.
- Extend pre-application support to all wholesale, payments and crypto firms.
- Indicate more frequently that they are ‘minded to approve’ promising start-ups to help them secure funding.



Some new start-ups struggle to meet all the requirements right away, so they don't get FCA approval to operate. The FCA aims to collaborate with the Treasury to develop a legal framework that allows certain firms to carry out limited regulated activities with simpler conditions.

Enhancing exports and attracting investment

The FCA will maintain its leadership in global discussions and collaborate with the Government, City of London Corporation, and others to promote the UK for companies looking for authorisation and those exporting. The FCA understands that large international investors want easier access, so they are setting up a presence in the United States. The FCA plans to expand this effort to Asia as well.

Business and investor confidence rely on certainty and predictability. This year, the FCA will clarify potential motor finance compensation, depending on the Supreme Court and other legal schedules. While the FCA cannot completely eliminate the possibility of firms needing to pay for serious misconduct, they aim to manage issues proactively and work better with the Financial Ombudsman Service to avoid large-scale consumer compensation efforts. They are also considering changes to the compensation framework that may require new laws.

To enable informed risk-taking, the Chancellor has acknowledged the need to prioritise resources and accept that failures will occur. This understanding should be shared across all accountability systems, including Parliament. The FCA will not eliminate all harm when making risk-based decisions about which cases to pursue, and they are increasingly using technology to make these decisions quickly and effectively.

Establishing metrics for acceptable failures in the system could be beneficial.

The FCA's main goals are:

- consumer protection
- market integrity
- competition for the benefit of consumers.

The FCA are eager to collaborate with the Government and other partners to advance this work swiftly.

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