

Secondary International Competitiveness and Growth Objective report 2023/24

In fulfilment of Financial Services and
Markets Act 2023 s.26

Financial Conduct Authority

Secondary International Competitiveness and Growth Objective report 2023/24

Presented to Parliament pursuant to Section 26 of the Financial Services
and Markets Act 2023.



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The first year of the secondary objective



Our regulation is the foundation for sustainable economic growth

- ✓ Clean, trusted and stable markets mean consumers and businesses have the confidence to spend, save, invest and innovate.
- 🏦 The financial and professional services industry contributed a record £110.2bn to the public purse in 2023. This is 12.3% of total UK tax receipts.
- 📍 We are on track to locate around 10% of our workforce outside London and the South East compared to 2.5% 3 years ago.
- 🌐 The UK remains the world's preferred regulatory regime for financial services, and London the world's second leading financial centre, closing the gap with New York, with Edinburgh and Glasgow also rising up the rankings.
- 🗨️ With partners, we are stepping up to reduce the damage to growth and competitiveness from fraud, scams and financial crime.
- 🛡️ Prevented significant harm with a now falling level of compensation and FSCS levy, limiting the overall cost of regulation.
- 📊 Over 70% of firms agree we enhance the UK's reputation as a financial centre.



We have proposed ambitious reforms to unlock growth and make sure the UK remains an attractive place to do business. Reforms that seek to:

- 🏢 Encourage companies to **list and scale** on UK markets, while promoting more opportunities for investors and rebalancing risk appetite with greater investor responsibility.
- 📄 Unlock financing opportunities by changing our rules on **securitisations**.
- 📈 Enhance private firms' access to scale-up capital through the Private Intermittent Securities and Capital Exchange System (**PISCES**).
- 🕒 Give **asset managers** greater freedom in how they **pay for research**, cementing the UK's position as the world's second largest asset management hub.



Over **70%** of firms agree we enhance the UK's reputation as a financial centre.

The first year of the secondary objective



We've always championed innovation and are accelerating our support for new technologies



London is **the 2nd largest fintech hub** – the UK continues to attract more fintech investment than anywhere else in Europe.



We are supporting the next wave of innovation. The digital sandbox is now permanently open and our new **digital securities sandbox** will drive the adoption of new technologies for trading and settling assets like bonds and equities.



Sandbox cohort firms were 50% more likely to raise funding, and on average raised 15% more than a matched set of control firms.



We are working with industry to explore potential uses of fund tokenisation which could make collective investment schemes more efficient.



We have improved our own performance, including to get firms and individuals authorised and approved more quickly.



We've significantly reduced the length of time it takes to become authorised or approved. Today, over 98% of authorisation cases are assessed within statutory deadlines.



We're digitising our operations including transforming our Authorisations forms.



We've enhanced our support for young and fast-growing firms both at the gateway and after authorisation.



We launched PASS, our dedicated Pre-application Support Service for overseas wholesale markets firms wishing to expand into the UK.



We have fully embraced our secondary international competitiveness and growth objective, embedding it into our processes, policy-making and culture.



All consultations and policy and guidance documents clearly articulate how we have applied the SICGO for public scrutiny and we have built it into our Cost Benefit Analyses.



For every £1 spent running the FCA in the last 3 years, we estimate £14 of benefits.



We will continue to build on the foundations laid this year to make sure our regulation is effective, proportionate, and drives higher productivity.



We are publishing a set of metrics for our objective benchmarked as world leading in terms of transparency.



The UK is a leading global financial centre, attracting more foreign investment in financial services than anywhere else in Europe in 2023, and first in the net value of financial services we export.

CEO's Foreword



The financial services sector is the engine of a country's economy. When successful, it delivers for businesses and people, providing finance to tackle challenges big and small. A strong financial services sector can facilitate economic growth, while a failing system can undermine a nation's economy.

As regulator of such a vital sector for our country's prosperity, we are firmly committed to advancing the new objective set for us by Parliament in 2023 to facilitate the international competitiveness of the UK economy and its growth in the medium to long term. We want to ensure that consumers of financial services are appropriately protected, that markets work well and effective competition exists, while allowing firms to compete, innovate, invest and grow.

We start from a strong place. The UK is a leading global financial centre, attracting more foreign investment in financial services than anywhere else in Europe in 2023, and first in the net value of financial services we export. We offer the world's preferred regulatory regime for financial services. We are the largest centre for international bond issuance, foreign exchange trading and cross-border banking. The UK's asset management, hedge fund and private equity sectors continue to be the largest in Europe, alongside our insurance and long-term savings market. We have continued to play a leadership role on sustainability disclosures to underpin the UK's position as a centre for green and transition finance.

London ranks as the world's second financial centre, closing in on first place New York in 2023 and stretching the gap on its nearest rival Singapore. Edinburgh and Glasgow rose in the rankings, a signal of the breadth and depth of the UK's financial services sector.

So we can be confident. But we must not be complacent. That's why at the FCA we are transforming the service we offer to firms – over 98% of applications for authorisation are now handled within the statutory deadline. We're implementing technological solutions to collect the data we need in a way that is easier for businesses and we're spurring innovation by launching new services.

We're making our markets more internationally competitive to underpin growth in the whole economy: introducing bold



Over **98%**
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statutory deadline

new rules to encourage more firms to list here, simplifying rules on securitisations to increase sources of financing and setting out a framework to drive better value for money in pensions.

And we are currently using our existing framework to avoid creating new barriers to growth, for example, using the outcomes-based Consumer Duty to deliver the right customer outcomes when firms deploy artificial intelligence, rather than rushing to write new rules that aren't fit for future growth in the use of AI.

To go further, alongside this report, we are announcing a Call for Input to hear from stakeholders where changes to our Handbook could make the most difference.

Underpinning all this is the need for trust and confidence in the financial services sector. We are striving to increase that by ensuring that those who cause harm pay, by slowing the growth of financial crime and by improving the quality of financial promotions and the financial advice on offer. We are pleased that the FSCS levy, considered by some firms as a 'barrier to growth', has fallen to a 10-year low.

We will do all we can, but sustainable long-term growth relies on an ecosystem. We need a collaborative mindset between government, Parliament, industry and regulators, focused on a long-term vision, not short-term tactics.

And we need a mature debate about the risk appetite in our society: let us not be so afraid of failure that we stifle innovation. And we can only do so alongside those who hold the many other levers underpinning international competitiveness and growth such as tax, skills and physical and digital infrastructure.

It's less than a year since Parliament mandated us to facilitate growth and international competitiveness in the medium to long term in a manner that does not undermine our primary objectives. It is therefore too early to establish if we are succeeding. But I am confident that we have identified the right priorities and are making the right investments to support the UK's competitiveness and economic growth.

Nikhil Rathi, Chief Executive

Introduction

Since August 2023, we have been tasked by Parliament with facilitating the international competitiveness of the UK economy and its growth in the medium to long term.

This goal is secondary to our primary operational objectives, also mandated by Parliament, to protect consumers appropriately from bad conduct, protect the integrity of the UK financial system, and promote effective competition in the interest of consumers.

Growth should be in the interests of consumers as well as businesses and we should not act in a way which benefits short-term growth and competitiveness at the cost of long-term prosperity.

Parliament has also been clear that the growth and competitiveness objective is subject to alignment with international standards and that we must only pursue the objective so far as reasonably possible when we exercise our general functions, like making rules and guidance. The objective doesn't apply to individual authorisation, supervision or enforcement decisions.

In reality, we have been facilitating the competitiveness and growth of the UK economy long before Parliament mandated it. As the regulator of a sector which, together with related professional services, contributed £110.2bn to the public purse and employed over 2.4 million people in 2023, we recognise the pivotal role we can play in helping that sector to succeed, and in turn the wider economy.



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That's why, over the last 2 years of our 2022-25 strategy, we have focused on improving our performance and achieving our strategic goals of reducing harm, setting higher standards and promoting positive change. This report sets out how, in the last year, we have:

- put the UK's international competitiveness and economic growth at the heart of the FCA
- helped financial services firms to succeed, including by improving the way we operate and setting international standards
- prioritised work which helps the financial services sector to facilitate UK economic growth and competitiveness
- supported and driven innovation
- fostered trust in the financial services sector and reduced the costs of harm and firm failure
- acted proportionately to achieve our primary objectives while not impeding growth

Putting competitiveness and growth at the heart of the FCA

We recognise that to achieve our secondary objective, it is vital to get our own capability, capacity and culture right.

Capability

We have improved the capability across the FCA. It is widely acknowledged that the FCA has built significant capability in recent years, bringing in a wide range of colleagues with industry experience as well as other specialist skills.

Over 1,300 colleagues in the most relevant areas have completed an e-learning course on the secondary objective, and across the FCA our people have participated in over 15 in-house workshops and 3 external speaker events to deepen their knowledge.

This has ensured that colleagues across the FCA understand the scope and importance of the new objective, including colleagues in policy where the objective has the most impact.

The training has centred on the 7 drivers of productivity framework, developed through economic research, which recognises the levers we can pull to both improve the productivity of financial services firms and create the right conditions for those firms and others in the wider economy to innovate and invest in pursuit of a more productive, open and competitive economy. This framework is the basis of a practical guide, available to all colleagues, which sets out a consistent approach to implementing the new objective.

Driver	Contribution to growth and competitiveness
FCA operational efficiency	Increasing the speed and efficiency of the FCA's decision-making and administrative procedures, while maintaining high standards, makes doing business in the UK easier.
Proportionate regulation	Any regulatory costs or restrictions on firms are proportionate to the expected wider economic benefits.
Trust and reputation	A strong reputation encourages investment and confidence to do business in the UK. Greater trust from consumers encourages take-up of appropriate financial services products and services, underpinning growth.
Innovation	The commercial application and flow of ideas through innovation is key to long-term productivity, growth and international competitiveness.
Effective competition	Effective competition lowers prices, increases quality, leads to greater product variety, and drives innovation and efficiency.

Driver	Contribution to growth and competitiveness
Market stability	Market stability protects investors and consumers and builds confidence in UK financial markets and institutions.
International markets	Playing a leading role in setting international standards and enhancing the attractiveness of UK markets supports our position as a world-leading place to invest and for businesses to raise capital.

Capacity

We have invested in our capacity: establishing a dedicated unit tasked with partnering with different teams across the FCA to identify and consider the potential impact of different policy options on economic growth and international competitiveness.

In 2023-2024 we also prioritised investment into areas which would support growth, namely the UK's new regulatory framework post-Brexit, strengthening the UK's position in global wholesale markets, and reducing and preventing financial crime which undermines growth and the reputation of the UK financial services industry. This sat alongside prioritised effort to improve consumer protection and support those most struggling with the increased cost of living.

Culture

Increased capacity and capability will only succeed if we have the right mindset across the FCA, from our Board down.

That's why any policy papers that go to our Board or Executive Committee must now set out the impact of any proposals on the secondary objective. When we go out for consultation on policy, we clearly explain how we have applied the SICGO for public scrutiny and feedback.

It's also why we are committed to strengthening the work we do to analyse the costs and benefits of any new rule. We updated our approach to CBA in February 2024. The CBA Panel was established in June 2024 to advise us on our CBAs and provide further external independent scrutiny to our CBA processes.

Relevant data on policy and regulatory impact can be found [here](#).

We will continue to embed the secondary objective through ongoing training, research and engagement with our stakeholders, including through the Call for Input on reforming our Handbook.

Helping financial services firms to succeed

We have improved the service we offer the firms we regulate.

A world-leading sector needs a world-leading regulator delivering operational excellence every day, supporting firms' productivity and boosting the ease and attractiveness of doing business in the UK.



In 2023-2024 we also prioritised investment into areas which would support growth, namely the UK's new regulatory framework post-Brexit, strengthening the UK's position in global wholesale markets, and reducing and preventing financial crime which undermines growth and the reputation of the UK financial services industry.



Improving the FCA's operational efficiency

Increasing the speed and efficiency of the FCA's decision-making and administrative procedures, while maintaining high standards, is essential to make it more attractive to set up and run a business in the UK.

We determined around 28,000 applications to our authorisations service last year. This may be a new firm requiring authorisation for the first time, an existing firm seeking permission to take on new business or a request to approve a new senior manager. In the final quarter of 2023/2024 over 98% of applications across all our metric areas were determined within the statutory deadline and the majority significantly ahead of the deadline.

The majority of applicants for Senior Manager approvals (91.9%) and around half of applicants for New Firm Authorisations (49.3%) are successful, with most applications that are not approved being withdrawn rather than refused. By reducing backlogs in assessing senior manager applications, performance has improved from 92.5% of cases determined within our statutory service standard to 98.7%.

We have achieved these improvements while maintaining high standards for those firms we authorise, helping to protect consumers, the integrity of markets and reduce long-term harm to the economy from rogue firms. The deterrent effect of our authorisation activities through preventing material harm (eg monetary losses) and wellbeing harm to consumers is valued between £866m and £1.4bn a year. We proactively issue guidance in areas where we see poor applications or low success rates so that the industry is well informed about our expectations and best practices.

More firms cancelled their authorisation than the number of new firms that applied for authorisation in 2023/4. Some of these decisions can be attributed to firms choosing not to maintain their FCA authorisation following Brexit, as 31 December 2023 was the deadline for such firms being able to use temporary permissions. In line with our strategy, we have also increased our proactive work to remove problem firms, prompting a significant number of voluntary cancellations. Challenges posed by the wider economic environment have also had an impact.

Relevant data on authorisations and operational efficiency can be found [here](#).

Labour mobility

Together with the Prudential Regulation Authority (PRA), we removed a potential barrier to labour mobility by removing the bonus cap in our requirements for remuneration in banks, building societies, and PRA-designated investment firms. This provides firms with greater flexibility to offer reward packages that can attract talent into the UK financial services sector and supports the ongoing attractiveness of the UK as a place to do business. We have retained those parts of the remuneration framework which support the sound management of these firms.



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Data

We are committed to being a data-led regulator, taking decisions based on evidence. We are also improving how we collect this data to make it cheaper for firms to provide.

Most firms in our latest FCA Practitioner Panel Survey tell us that they have the resources to respond to our data requests and think that we give them enough time. But we recognise that larger firms with dedicated supervisors where we require more data tend to disagree. We are changing to address this.

We are working with the Bank of England to adopt common standards, modernise reporting instructions and integrate reporting, enabling us to get the data we need at a lower overall cost to industry. This will help to address feedback that sometimes we ask for data that could be acquired from other sources.

We will pilot a framework for decommissioning regulatory data collections that are no longer required. This will be followed by a progressive review and retirement of redundant returns.

We are also implementing technological solutions. For example, we are updating authorisation application forms to make it quicker and easier for firms to complete applications while helping us capture information we need. We are also mobilising a proof of concept for a machine-readable version of a subset of our Handbook rules.

Relevant data on data collection can be found [here](#).

New entrants and high growth firms

We want to support new firms to meet our standards, so they can enter or grow in the UK, whether they are home grown start-ups or from overseas.

Since launch, our dedicated service for newly authorised firms has now helped over 450 businesses to meet regulatory obligations more efficiently and effectively as they grow. The positive productivity outcomes we have seen from firms in the scheme include a reduction in queries and 99% of firms submitting regulatory returns on time.

We have also launched a dedicated support service for wholesale markets, whether that be overseas firms seeking to expand into the UK or firms already operating here but wanting to expand out of London into other parts of the UK. This helps to support the economic growth of different cities and regions. The service includes pre-application meetings with our case officers and events that can be run within firms to explain the wholesale authorisation process.

Where possible, we join forces with our regulatory partners. For example, we have worked with the PRA to make it easier for new entrants to access the insurance market - reducing overlaps in our respective assessments and making our processes more efficient. We have also published details of a mobilisation stage that lowers barriers for new entrants to the insurance market, which will come into effect by 31 December 2024.



Since launch, our dedicated service for newly authorised firms has now **helped over 450 businesses to meet regulatory obligations** more efficiently and effectively as they grow.



Setting international standards

Consistent global standards lower compliance costs for internationally active firms through interoperability, market access, and a level playing field.

We are a leading actor in setting international standards. We led the development of the [IOSCO Crypto and Digital Assets Recommendations](#), providing a baseline of regulation for cryptoassets around the world. There has also been significant work to develop international standards for stablecoins through the Financial Stability Board, Committee on Payments and Market Infrastructures and Board of IOSCO. We continue to work closely with the Treasury in designing the future regulatory regime for [cryptoassets and stablecoins in the UK](#).

We want the UK to continue to be the leading centre for sustainable finance and harness the economic opportunities of the transition to net zero. Our [Sustainability Disclosure Requirements and labelling regime](#) help consumers to choose sustainable investment products with reliable information. We helped facilitate the development of an industry-led voluntary [Code of Conduct for ESG data and ratings providers](#), published at the end of 2023. It is intended to be internationally interoperable and we have seen Hong Kong closely aligning their Code, which has been consulted on. Improving the integrity of the UK sustainable finance market should encourage more firms to develop and market sustainable investment products which, in turn, may increase the size and liquidity of the UK market.

Enabling financial services to facilitate the competitiveness and growth of the UK economy

The financial services sector can help to facilitate economic growth not simply by becoming more productive itself, but also by supporting the provision of capital, credit, insurance and other services to the wider economy. Consequently, the way we regulate wholesale and retail investment markets in particular has a direct impact on economic growth and affects the UK's competitiveness as a global financial centre. While making policy well and measuring its impact takes time, we expect the policy foundations we have laid this year in partnership with others to contribute to meaningful results in the near future.

Tailoring rules to UK markets

Over the last year, we worked with Government to repeal assimilated EU law and replace it with rules tailored for UK markets through the [Smarter Regulatory Framework \(SRF\)](#). We are sequencing this major programme with the Treasury and others, mindful of the impact on firms. We are communicating the timing of this through the [Regulatory Initiatives Grid](#).

The programme is underpinned by a set of [principles](#): to consolidate requirements as far as possible; to use our current Handbook structure; to rely on existing requirements in our Handbook and consider if assimilated law could be repealed without replacement; to rely on outcomes rather than prescriptive requirements where appropriate; and to reduce complexity. We have implemented a number of key cross-cutting reforms (such as [removing the bonus cap](#)), and also made some rule simplifications (such as changes in securitisation rules).

FSMA 2023 also introduced new means to ensure our rules are effective and proportionate. We have developed, consulted on and published our final [Rule Review Framework](#), which is a new approach to monitoring the effectiveness of our rules. It enables us to use data and feedback to identify and act when rules are not working as they should.



We want the UK to continue to be the leading centre for sustainable finance and harness the economic opportunities of the transition to net zero.



We have introduced a simplified listing regime with a single listing category and a greater focus on disclosure over prescriptive rules to improve the attractiveness of UK equity markets.



We are helping to develop an innovative new secondary market (PISCES) using a financial market infrastructure sandbox that will allow private companies to scale and grow.

Strengthening wholesale markets

Wholesale financial markets enable companies, public sector organisations, governments and financial institutions to raise short-term finance and long-term capital to invest, undertake domestic and international trade, and manage financial and other risks. UK financial services have a unique position as a 'full-service' global wholesale market, with an integrated deep and broad ecosystem of expertise across banking, insurance, investment, accounting, legal services and related services. We have a burgeoning fintech sector with our financial services ecosystem benefitting from being located alongside a leading tech ecosystem and world-leading universities.

In the last year alone, we have progressed significant reforms to enable wholesale markets to better drive growth and maintain their international competitiveness:

- **Listings regime:** We introduced a simplified listing regime with a single listing category and a greater focus on disclosure over prescriptive rules to improve the attractiveness of UK equity markets. This significantly rebalances the burden of regulation to the benefit of listed companies and investors who are willing to set their own risk appetite and terms of engagement.
- **Public offers and admission to trading:** In parallel, we have engaged extensively, and are consulting, on how to address disproportionate requirements on issuers raising capital under inherited EU rules on prospectuses and public offers.
- **Investment research:** We have proposed plans to introduce more options on how to pay for investment research. Greater choice could help boost competition and make it easier to buy research across borders.
- **Intermittent trading of private company shares:** We have progressed work to develop an innovative new secondary market (PISCES) using a financial market infrastructure sandbox that will allow private companies to scale and grow.
- **Digital securities sandbox:** We are working with the Bank of England to open applications during 2024 to a new sandbox which will allow firms to test new technologies such as distributed ledger technology to undertake the activities traditionally associated with Central Securities Depositories and Trading Venues. By making existing processes faster and cheaper, the adoption of these technologies could, if successfully implemented, lead to material savings across markets and their users.
- **Consolidated tape for bonds:** We aim to promote cheaper, higher quality and more accessible market data by facilitating the creation of a consolidated tape for bonds. We have set out our final policy and expect a provider to commence operation in 2025.
- **Securitisation:** In November 2024 we will implement changes to remove unnecessary barriers to issuing and investing in securitisations which enable additional access to capital, as well as a more diversified portfolio of assets for investors. We have introduced more proportionate information requirements for institutional investors' due diligence requirements and we have made our rules clearer which should reduce compliance costs.

- **Derivatives:** We have consulted on proposals to make our commodity derivatives regime more proportionate and effective, such as by applying robust requirements to a narrower set of critical commodity derivatives.
- **Transparency:** We have consulted on the bond and derivative transparency regime, aiming to increase transparency at a lower compliance cost to trading venues and investment firms.

Asset management

We are considering how to modernise the regime for asset management to improve outcomes for UK markets and consumers and to support the UK's position as a world-leading centre for asset management.

We have authorised 4 long-term asset funds as of the end of March 2024 which facilitate investment in long-term, illiquid assets which are important for supporting economic growth, including venture capital, private equity, private debt, real estate and infrastructure.

We are operationalising the overseas funds regime which will allow certain retail investment funds established outside the UK to be promoted in the UK, including to retail clients. This will support greater competition in the sector and more choice for investors.

We are working to identify how asset management firms could take advantage of distributed ledger technology and related innovations to drive efficiency and competitiveness. We have been working with industry on a blueprint for fund tokenisation that firms can adopt under our existing framework, and on a vision for how blockchain technology will transform the asset management industry.

Pensions

We plan to consult on rules for a new value for money framework for DC workplace pensions. Schemes will be required to test their propositions against others in the market to ensure they deliver long-term value for savers, including those with the scale to invest in diversified investment strategies. Pension schemes are significant investors in capital markets and their pursuit of long-term value matters to the overall financial ecosystem.

Retail investors

We set out forbearance measures to make it easier for investment companies to explain their costs and charges accurately to help consumers make better informed investment decisions. We look forward to the Government and Parliament providing us with the powers to enact wider reforms to the retail disclosure regime.

We have also issued a discussion paper on the Advice Guidance Boundary Review to design a regulatory system where commercially-viable models of advice and support can emerge so consumers can make more effective financial decisions to invest and save with the right level of risk for them.



We have been working with industry on a blueprint for fund tokenisation that firms can adopt under our existing framework, and on a vision for how blockchain technology will transform the asset management industry.

Small Business lending

We are investigating the practice of regulated lending for lenders requiring personal guarantees for business loans following a super-complaint by the Federation of Small Businesses, which suggests these practices may be constraining small business investment and growth as well as causing distress to small business owners.

Market studies and anti-competitive behaviour investigations

We announced a package of remedies to improve competition in the Credit Information Market, that should help enable economic transactions to take place more efficiently and promote innovation. Our enforcement work on cartels and other anti-competitive behaviour promotes effective competition and strengthens our competitiveness.

Supporting and driving innovation

Innovation is a major contributor to economic growth and we are committed to maintaining our strong track record of helping firms to launch innovative financial products and services.

Our innovation services support firms at any stage of maturity, from initial idea and proof of concept up to obtaining authorisation and scaling up in the market. We also want to understand how and when our regulation can impede responsible innovation, so that it evolves with financial services, rather than holding them back.

We offer 4 different services to support innovation, with a new 'front door' launched in 2023 to help innovators understand which service will best meet their needs and to provide answers to common questions.

In the last year we received over 100 applications to our Innovation Pathways service, helping innovative firms to navigate regulation with case officers who can provide clarity on whether firms require authorisation and offer a tailored, supported authorisation process if firms do require permissions. We also had 43 applications to our regulatory sandbox programme which allows firms to test innovative products and services in a live but controlled environment. Firms testing under the regulatory sandbox included: regtech firms helping firms comply with a new crypto-related requirement; and an incumbent firm testing an algorithm-based digital advice journey to make investment advice more widely available and increase take-up of suitable investments.

Our standards are high to maximise the benefits from these programmes. We only accept the applications that meet our eligibility criteria of being genuinely innovative, benefiting consumers, being ready for support and needing support.

Firms which participate in our sandbox are 50% more likely to raise funding, and on average raised 15% more than a set of control firms. 73% of recent applicants surveyed cited their engagement with us as a significant positive step in developing their business models. More than 110 global regulatory peers have now adopted the sandbox model, helping establish the UK as the leading pro-innovation jurisdiction.

Building on this, we established a permanent digital sandbox in August 2023 to facilitate the development and launch of cutting-edge solutions within the financial services industry. This service offers participants access to GDPR-compliant data in a secure environment, mentorship from industry experts and access to the fintech community to help enable experimentation and scaling for proofs of concept.



Firms which participate in our sandbox are 50% more likely to raise funding, and on average raised 15% more than a set of control firms.

We ran 3 TechSprints in 2023/4 covering greenwashing, the Consumer Duty and how we could use the financial services register to help consumers make more informed financial decisions. The Global Financial Innovation Network (GFIN) Global Greenwashing TechSprint was a world first, bringing together 13 firms and 15 regulators to explore solutions to verify sustainability claims and monitor greenwashing.

More than half of the previous Small and Medium Enterprise participants in the digital sandbox pilots and TechSprints made positive developments including launching new products, securing funding and partnerships, or receiving industry awards or recognition.

We're also horizon scanning for future opportunities. Our Synthetic Data Expert Group is helping develop a comprehensive understanding of the opportunities synthetic data has for accelerating innovation in financial services, and we have pioneered research on quantum security for the financial sector. We continue to build an in-depth understanding of how AI is being deployed in UK financial markets while monitoring it within our existing regulatory framework. This approach ensures that any potential future regulatory interventions are not only effective but also proportionate and pro-innovation.

We are part of the Digital Regulation Cooperation Forum (DRCF), which brings together 4 UK regulators to ensure a greater level of cooperation in digital regulation. We are jointly piloting a multi-agency advice service, the AI and digital Hub, aimed at enabling innovators to engage with at least 2 DRCF regulators simultaneously.

Relevant data on digital and innovation can be found [here](#).

Enhancing trust and reducing the costs of harm and market instability

Financial crime, fraud and disorderly firm failure are a drain on growth and competitiveness. Tackling these are priorities and fundamental to the delivery of our primary objectives as well. Without appropriate protection, some financial products could detract from overall economic growth either by undermining trust in financial services and deterring customers, or by worsening the economic position of some of the most vulnerable people in our country, for example through unaffordable credit. Our Consumer Duty is the bedrock for promoting greater trust in retail markets, making sure authorised firms strive to focus on good outcomes for consumers.

Preventing financial crime

Cutting crime and protecting our national security supports the UK's legitimate economic growth and competitiveness. One of the biggest levers available in the fight against fraud, and wider financial crime, is prevention. You can find out more about our progress on delivering on our commitment to reduce and prevent financial crime [here](#).

Financial promotions

We want to stop consumers being misled by financial promotions and then suffering unexpected financial losses and losing trust in financial services.

After implementing the new approver gateway, we are making sure financial promotions by unauthorised persons can only be approved by authorised firms that we have assessed to hold the necessary



The Global Financial Innovation Network (GFIN) Global Greenwashing TechSprint was a world first, bringing together 13 firms and 15 regulators to explore solutions to verify sustainability claims and monitor greenwashing.

knowledge and expertise to do so. As social media becomes an increasingly central part of firms' marketing strategies, we have updated our guidance for financial promotions on social media, including guidance for influencers to make sure they communicate to their followers in the right way.

Redress

Our strategy aims to stabilise and reduce the Financial Services Compensation Scheme (FSCS) Compensation levy, reducing the costs for firms to fund payments to the FSCS. The FSCS compensation costs levy has reduced from £625m in 2022/23 to £270m in 2023/24 and £265m in 2024/25, the lowest for 10 years. We have also seen a decrease in compensation costs and the number of new claims coming to the FSCS alongside increased recoveries by the FSCS from failed firms, representing lower levels of harm crystallising and more of the redress being paid by polluting firms where harm is occurring.

We want to ensure that the firms that generate redress costs are better able to meet them without recourse to the FSCS and that should a firm fail there is more capital for FSCS recoveries. In short, we want polluters to pay, reducing the costs of compensation for the majority of well-run and compliant firms. We have consulted on proposals to require Personal Investment Firms to set aside capital for potential redress liabilities at an early stage and we aim to set out the final policy before the end of the year.

Stability and resilience

Stable markets and a resilient financial system are critical to medium to long term economic growth and support the confidence to invest. Breakdowns in financial stability at times of financial crisis are disruptive and inflict high costs on society, the wider economy and trust in financial markets.

We have consulted on proposals to enhance the resilience of UK Money Market Funds (MMFs) by increasing the minimum proportion of highly liquid assets they have to hold. MMFs holding higher levels of liquid assets can withstand more redemptions in severe stresses before they are forced to sell assets at fire sale prices or be suspended – either occurrence can threaten good investor outcomes and wider market stability. Our proposals are consistent with internationally agreed standards.

We have consulted on new rules designed to reduce systemic risk to the UK financial system from critical third parties (CTPs) designated as providing material services to firms or financial market infrastructure. Disruption to or failure of a CTP's material services could threaten the stability of, or confidence in, the UK financial system. We are working to help ensure firms invest in and build their operational resilience to meet the standards required under the rules that will be fully implemented in March 2025. This mitigates risk of instability in the financial system at times of operational disruption.



The FSCS compensation costs **levy has reduced from £625m** in 2022/23 to **£270m** in 2023/24 and **£265m** in 2024/25, the lowest for 10 years.



Stable markets and a resilient financial system are critical to medium to long term economic growth and support the confidence to invest.

Pursuing a proportionate approach to minimise impact on growth

Sometimes the decisions we take not to do something or to do it differently can help to advance our secondary objective as much as headline-grabbing reforms, but the former rarely garner attention.

For example, in the last year we:

- Set out forbearance measures to give investment companies greater ability to explain their costs and charges to help consumers make better-informed investment decisions.
- Have been clear that, at this stage, we consider that our existing regulatory frameworks allow firms to use artificial intelligence in a safe and responsible way, rather than needing new rules. And we set this out in our AI update. We do so, while closely monitoring the adoption of AI in UK financial markets in collaboration with partner regulators.
- Focused on using the Consumer Duty to drive more effective competition in the savings market and boost the value of consumers' assets rather than additional specific rules for a Single Easy Access Rate.
- Communicated clearly to firms that we would take a proportionate approach to supervision and enforcement of the Consumer Duty. This recognised that this was substantial reform for the industry and we would give them time to adjust rather than enforcing immediately against technical breaches.
- 'Lifted and shifted' the Insurance Distribution Directive into our Handbook to reduce change costs and minimise disruption.
- Agreed to removing burdensome customer information requirements related to personal bank accounts that were previously part of the Payment Accounts Regulations.
- Issued a call for input alongside this report seeking views on where changes to our Handbook would have the most impact.



Issued a call for input alongside this report seeking views on where changes to our handbook would have the most impact.

Annex 1

How any rules and guidance made have advanced our operational and secondary objectives from the inception of the objective to the end of FY 2023/24

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Remuneration: Ratio between fixed and variable components of total remuneration (PS23/15 – PRA PS9/23)	Joint rule changes with the PRA to remove the existing limits on the ratio between fixed and variable components of total remuneration ('the bonus cap').	<p>The changes advance competition as firms could, for example, compete for and attract new talent sooner. UK firms could also be able to compete more effectively when doing business in other jurisdictions where there is no bonus cap.</p> <p>The changes advance the FCA's integrity and consumer protection objectives, as firms having the flexibility to restructure pay should allow for a greater proportion of total pay to be subject to incentive setting tools within the remuneration framework. This could contribute to a better alignment of incentives and financial rewards with principles of effective risk management, good conduct, and the long-term interests of the firms. This is also likely to foster better market conduct and prudent risk management, thereby discouraging behaviours that can lead to misconduct and poor customer outcomes and improving the safety and soundness of dual-regulated firms and the wider financial system.</p>	<p>A bonus cap is not routinely imposed in other leading international financial centres outside the EU. The bonus cap has been identified as a factor in limiting labour mobility and the flexibility for firms to achieve a better alignment of incentives and financial rewards with principles of effective risk management and the long-term interest of the firms. The policy facilitates the secondary objective by removing this barrier in the UK.</p>	<p>Proportionate regulation</p> <p>Effective competition</p> <p>International markets</p>

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
<p>Remuneration: enhancing proportionality for small firms (PS23/17)</p> <p>Consequential amendments to existing non-Handbook guidance to reflect the rule changes in PS23/17:</p> <p>Dual-regulated firms Remuneration Code (SYSC 19D) (FG23/4)</p> <p>General Guidance on Proportionality (FG23/5)</p> <p>General guidance on the application of ex-post risk adjustment to variable remuneration (FG23/6)</p>	<p>Changes to proportionality thresholds and exempting firms meeting the updated thresholds from the requirements relating to malus and clawback.</p>	<p>Changes should increase competition in the interests of consumers by introducing a more proportionate regime for smaller, less complex, dual-regulated firms, and allowing a greater number of firms to benefit from this approach. This could encourage firms to grow or enter new business lines, and improve the ability for firms to attract and retain highly qualified individuals.</p> <p>The changes support our objective of enhancing the integrity of the UK financial system, by ensuring dual-regulated firms continue to establish, implement and maintain remuneration policies and practices that are consistent with, and promote, effective risk management and healthy cultures.</p>	<p>Changes provide increased flexibility for dual-regulated firms meeting the amended thresholds to apply the remuneration framework in a way that is more proportionate to the risks they pose to consumers and the market. In time, for firms who meet the amended thresholds, this could increase their ability to attract new staff, compete and grow in the market, and ultimately enhance competition in UK markets and increase the UK's attractiveness as a place to do business.</p>	<p>Proportionate regulation</p> <p>Effective competition</p> <p>International markets</p>

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Sustainability Disclosure Requirements (SDR) and investment labels (PS23/16)	A package of measures, including an anti-greenwashing rule for all authorised firms, 4 investment labels, new rules and guidance for firms naming and marketing investment funds based on their sustainability characteristics, and disclosure requirements.	<p>The changes should help to protect consumers by equipping them with information to navigate the market for sustainable investments and identify products that meet their needs and preferences, as well as reducing the risk of greenwashing.</p> <p>The changes should promote market integrity by helping the flow of consistent information along the investment chain, increasing transparency in the market.</p> <p>The changes should promote competition in the interests of consumers, as the labels and consumer-facing disclosures should help consumers to compare products more effectively and efficiently.</p>	The measures should enable investors to have greater confidence in identifying sustainable investment products and making informed decisions. This should boost trust and confidence in the UK sustainable finance market. Improving the integrity of the UK sustainable finance market should also encourage more firms to develop and market sustainable investment products which, in turn, may increase the size and liquidity of the UK market – thereby promoting innovation, lowering costs and increasing productivity. The regime is designed to be internationally interoperable.	Trust and reputation Innovation Effective competition International markets
Smarter Regulatory Framework: The Insurance Distribution Directive Feedback to CP23/19 and Final Rules (PS23/18)	Replacing the Insurance Distribution Directive (IDD) delegated regulations with Handbook rules and guidance.	<p>The rules ensure an appropriate degree of consumer protection by maintaining consistency of the regulatory regime and ensuring consumers continue to be protected in the current way.</p> <p>The rules support the integrity of the insurance market and the UK financial system, by maintaining consistency of the regulatory regime.</p>	The rules do not introduce new requirements on firms, nor remove existing requirements. This provides continuity of the proportionate regulatory regime applying to insurance activities in the UK. The consequential amendments and drafting style edits ensured clarity and consistency with the wider Handbook.	Proportionate regulation Market stability

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
<p>Rules and guidance made under 'Consultation on payments to data providers and DRSP forms including Policy Statement for the framework for UK consolidated tape (CP23/15)' (CP23/33)</p>	<p>Our policy statement sets out our policy on the UK consolidated tape framework for bonds, including rules and guidance in the FCA Handbook on the bond consolidated tape.</p>	<p>The framework enhances consumers' interests by promoting greater participation in financial markets through a clearer understanding of liquidity, putting downward pressure on the price of market data and offering clearer licensing terms.</p> <p>The framework might help with the resiliency of markets by allowing the market to adapt more easily in circumstances in which a significant trading venue suffers an outage, by aiding price formation through a clear, consistent picture of liquidity in markets.</p> <p>The framework should encourage competition for the provision of market data: (i) between the chosen consolidated tape provider and existing data vendors for provision of aggregated trade data; and (ii) for the market during the consolidated tape provider tender process.</p>	<p>Setting up the consolidated tape could lead to sister companies of the consolidated tape provider, data providers, and market data vendors competing to differentiate their data aggregation products and services. Enhanced competition should benefit consumers by increasing the variety of data products they have access to and reducing their prices. In turn, this should increase the relative competitiveness of the UK's trade data products and services.</p>	<p>Effective competition</p> <p>Innovation</p> <p>Proportionate regulation</p>
<p>Introducing a gateway for firms who approve financial promotions (PS23/13)</p>	<p>The policy creates a regulatory gateway for all authorised persons who wish to approve financial promotions for unauthorised persons (s21 approvers).</p>	<p>Our rules advance our consumer protection objective by reducing and preventing harm to consumers from non-compliant financial promotions and buying products that are unsuitable for their circumstances.</p> <p>Poor quality financial promotions can also undermine confidence in UK financial markets and affect the soundness, stability and resilience of the UK financial system.</p> <p>Raising the standard of financial promotions and enabling consumers to make better informed decisions also creates an environment within which competition can best function.</p>	<p>Our rules are designed to set and test higher standards to meet the intention of the amendment to s21 of FSMA 2000 to create a s21 gateway legislated for in 2023. Our rules seek to secure better outcomes for consumers by ensuring financial promotions clearly set out the risks of financial products within a proportionate regime for approvers. Misleading financial promotions could ultimately hinder medium to long-term economic growth if consumers lose money they didn't expect to or lose trust in the UK's financial services sector.</p>	<p>Trust and Reputation</p>

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Finalised guidance on financial promotions on social media (FG24/1)	Our guidance clarifies our expectations of firms and others, such as influencers, communicating financial promotions on social media.	<p>This guidance advances our objectives of securing an appropriate degree of protection for consumers.</p> <p>By updating our expectations, we aim to promote better compliance by market participants who promote financial products and services, meaning consumers should be better informed and aware of the risks involved with these products and services.</p>	Our updated Guidance will promote compliance by market participants with the relevant rules when communicating with consumers via social media platforms. When consumers are equipped with appropriate information about the benefits and risks involved in investing, they can make effective decisions aligned with their needs and risk profile, which helps to reduce unexpected losses and/or loss of trust in financial services.	Trust and Reputation
Finalised non-handbook guidance on Cryptoasset Financial Promotions (FG23/3)	Our finalised guidance supports the rules on financial promotions for cryptoassets and focuses on consumer protection measures. It clarifies our expectations of firms, helping to support better compliance with our rules.	The guidance aims to reduce consumer harm by clarifying our expectations of firms; helping to support better compliance with our rules and deliver better overall consumer outcomes.	Clearer and fairer financial promotions will enable consumers to be better informed to make appropriate decisions aligned with their needs and risk profile. In turn, this should reduce the instances of loss of trust in financial services caused by consumers not fully understanding the risks when purchasing cryptoassets.	Trust and Reputation

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
<p>Multiple occupancy building insurance feedback to CP23/8 and final rules (PS23/14)</p>	<p>New disclosure rules for multiple occupancy building insurance to improve transparency for leaseholders and make it easier for them to challenge poor practices. Changes to extend protections under existing FCA rules – for example ICOBS customer’s best interests rule and insurance product governance rules (PROD 4) – for policy stakeholders including residential leaseholders.</p>	<p>Our rules advance our consumer protection objective including by aiming to ensure firms act honestly, fairly, and professionally in the best interests of this wider group of consumers.</p> <p>They will need to ensure their relevant communications are clear, remuneration practices do not conflict with stakeholder interests and expressly demonstrate how their products provide fair value.</p> <p>We expect our disclosure rules will enhance competition in the interests of consumers by making it easier for leaseholders to understand and challenge insurance costs passed onto them, resulting in greater competitive pressure leading to better value products.</p>	<p>By requiring firms to ensure their products are consistent with the needs of policy stakeholders and provide fair value to them, we expect to provide appropriate consumer protection and promote fairer and more effective competition in the interest of consumers.</p> <p>Improving transparency and empowering leaseholders and other stakeholders to identify and challenge poor practices may also increase trust.</p> <p>By advancing fairer competition and trust, and potentially influencing pricing, innovation and product variety, we promote sustainable economic growth.</p>	<p>Trust and Reputation</p> <p>Effective Competition</p>

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
<p>Temporary changes to handling rules for motor finance complaints (PS24/1)</p>	<p>Our rules:</p> <ul style="list-style-type: none"> Pause, for 37 weeks the requirement on firms to provide a final response to a complaint about motor finance agreements with a discretionary commission arrangement (DCA) within 8 weeks of receiving the complaint. Extend the time consumers have to refer DCA complaints to the Financial Ombudsman from 6 to 15 months, if the firm sent its final response to the complaint within the period specified in the rules. 	<p>We made different rules for DCA complaints because of the potential large scale of individual complaints in this area. On the evidence we have seen, we are concerned about the risk of increased complaints leading to disorderly, inconsistent and inefficient outcomes for consumers, firms and the market. Such outcomes would undermine our objectives under FSMA to provide an appropriate degree of protection to consumers, promote competition in consumers' interests, and to protect and enhance market integrity. This was due to the combination of the current complaint handling time limits in our rules and the trend of firms rejecting almost all DCA complaints they have received because they dispute that they have caused harm to consumers.</p>	<p>Our rules are aimed at giving the FCA time to undertake diagnostic work to give us a clear view on whether large numbers of consumers are owed redress and whether an alternative approach is needed to resolve complaints in an orderly, consistent and efficient manner following decisions by the Financial Ombudsman Service about the historical use of discretionary commission models in the motor finance market. The 37 week pause to our requirement on firms to close DCA complaints within 8 weeks will allow us to consider the best approach to resolving the issues raised by the complaints (including potential redress) while mitigating against any short-term effects on firms that an increased number of consumer complaints may bring.</p>	<p>Proportionate Regulation</p> <p>Trust and Reputation</p>
<p>Regulations made pursuant to Quarterly Consultation Paper No. 41 (CP23/18)</p>				

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Changes to the employers' liability insurance rules to simplify the employee reference numbers (ERNs) matching requirements	Amends ICOBS 8 Annex 1 so that employers' liability insurers which meet a set of conditions will no longer be required to exercise their best endeavours to obtain and provide ERNs to a tracing office.	<p>The changes advance our market integrity objective by providing a proportionate regime in relation to employers' liability products to ensure ERN data that must be published on the employee liability register is easier to obtain and more reliable.</p> <p>They also advance our consumer protection objective as the data now obtained by the Employers' Liability Tracing Office (ELTO) will likely be more accurate, making it easier for claimants to search and trace historic policies.</p> <p>Finally, they provide a level playing field between employers' liability insurance manufacturers, advancing our competition objective.</p>	The changes remove requirements that often duplicated processes and costs, leading to a more proportionate and less prescriptive regime for insurers.	Proportionate Regulation
Changes to SUP 12.4.10AR to clarify its interaction with MIPRU 3.2	The changes amend SUP 12.4.10AR to bring it in line with the Professional Indemnity Insurance requirements in MIPRU 3.2	Our proposals advance our consumer protection objective by clarifying who should obtain PII for the activities of ARs that carry out an MCD credit intermediation activity and ensure principal firms are clear on their obligation to obtain and maintain PII cover in line with our expectations.	The clarification removes ambiguity in the requirement without bringing material costs to firms or consumers.	Trust and Reputation Proportionate Regulation
Regulations made pursuant to Quarterly Consultation No. 42 (CP23/25)				

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Making references to enactments in Handbook rules ambulatory	We have used our new power under s137T(aa) FSMA 2000, inserted by section 66 of FSMA 2023, to amend Chapter 2.2 of the General Provisions manual to make all references to enactments in the Handbook rules (including Glossary terms where they are used by rules) ambulatory in nature except where there is a contrary indication. The change means that amendments to enactments will flow automatically through to Handbook rules.	Our proposed amendments advance our market integrity objective by making it easier to interpret the FCA Handbook, therefore ensuring that firms can more easily comply with their obligations.	Our changes will help simplify the regulatory regime for firms, making it easier to interpret the Handbook and comply with our obligations.	Trust and Reputation FCA Operational Efficiency
Fees instruments FCA 2024/8 and FCA 2024/9 from Autumn fees policy consultation CP23/22 and CP24/3 Chapter 2	Our fee-raising proposals set out how we proposed to recover our costs in carrying out our responsibilities under FSMA and associated legislation.	Our fees rules are not intended in themselves to advance our objectives, but the fees we collect fund the work we do to further them. These proposals therefore indirectly advance all of our objectives (strategic, operational and secondary).	Our fees rules are not intended in themselves to advance our objectives, but the fees we collect fund the work we do to further them. These proposals therefore indirectly advance all of our objectives (strategic, operational and secondary).	Not applicable

Technical Standards made	Description	Impact on our primary operational objectives	Impact on secondary objective	Related drivers of productivity
FCA Standards Instrument: The Technical Standards (Bilateral Margining) Instruments 2023 (FCA 2023/44)	Amendments to the Binding Technical Standards (BTS) 2016/2251 extending the temporary exemptions for single-stock equity options and index options from the UK bilateral margining requirements until 4 January 2026	These amendments will meet the objective of protecting and enhancing the integrity of UK financial markets by striking a proportionate balance between ensuring the safety and soundness of firms and maintaining alignment with other jurisdictions while the PRA and FCA undertake deeper analysis to develop the optimal end-state framework for the treatment of these products in the UK	The temporary extension to the exemption maintains a level playing field with other major jurisdictions, and promotes market stability while the PRA and the FCA collect more information to determine the optimal end-state framework	Proportionate regulation Market stability International markets



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