



The FCA Business Plan 2023/4

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Kenneth Underhill has over 25 years in the London Insurance market and is the former General Counsel of Chubb European Group, then ACE. He was responsible for Legal, Compliance and Corporate Governance across the EMEA region. Prior to that Kenneth was a founding partner of the Commercial & Regulatory team at Reynolds Porter Chamberlain. He is the founding director of ICSR and alongside his own advisory work, manages our Talent Pool of consultants.

Agenda

1

Welcome

2

Background

3

2023/24 FCA Plan

4

Comparing 2022/3 v 2023/4

5

ICSR Conclusions

6

Questions

- Welcome – MGAA and guests
 - Learning objectives - Attendees of the briefing will be able to:
 - summarise the changes in approach to regulatory compliance being adopted by the FCA and the strategic objectives driving this change;
 - document the three specific areas of focus the FCA will be concentrating on in 2023-4 and explain how their firms should approach these;
 - summarise the likely impact for firms of the changes in approach to non-compliance being signalled by the FCA;
 - summarise the likely impact of this strategic change on existing FCA work such as that on the new Consumer Duty and Product Governance and Fair Value;
 - explain the intention of the new secondary international competitiveness and growth objective being introduced and how it will impact MGA's, together with any opportunities it presents.



Based on your current understanding of the FCA Strategy and Business Plan, to what extent do you feel these plans will result in changes to planning within your firm's compliance team?

- I don't expect any real change
- I expect change, but I don't know what that will look like yet
- We've already discussed what changes we will be making
- I don't know



“More innovative, more assertive, more adaptive.”

The strategy paper set out 3 key areas of focus:

- Reducing and preventing serious harm;
- Setting and testing higher standards; and
- Promoting competition and positive change.

Four Desired Outcomes

Fair value

Suitability and
treatment

Confidence

Access



“This Business Plan sets out how we’ll deliver the second year of our Strategy. Our Annual Report later in the year will report on progress against the activities we set out in our Business Plan 2022/23 and will provide the latest data against our outcomes and metrics.”



PRIMARY

secure an appropriate degree of protection for consumers

protect and enhance the integrity of the UK financial system

promote effective competition in the interests of consumers

SECONDARY

Coming soon: a new secondary objective to facilitate the international competitiveness of the UK economy and its growth in the medium to long term

Our 3 strategic themes



Reducing and preventing serious harm



Setting and testing higher standards



Promoting competition and positive change

Prioritising our work

While we will continue to deliver across all our commitments at a similar pace as Year 1, we have decided to invest even further in our 4 most critical commitments over the coming year.

 <p>Preparing financial services for the future</p>	 <p>Putting consumers' needs first</p>
 <p>Reducing and preventing financial crime</p>	 <p>Strengthening the UK's position in global wholesale markets</p>

<p>Dealing with problem firms</p> <hr/> <p>Improving the redress framework</p> <hr/> <p>Reducing harm from firm failure</p> <hr/> <p>Improving oversight of Appointed Representatives</p> <hr/> <p>Delivering assertive action on market abuse</p>	<p>Enabling consumers to help themselves</p> <hr/> <p>Minimising the impact of operational disruptions</p> <hr/> <p>A strategy for positive change: our environmental, social and governance (ESG) priorities</p> <hr/> <p>Shaping digital markets to achieve good outcomes</p>
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Our objectives

 <p>Protecting consumers</p>	 <p>Promoting competition</p>	 <p>Enhancing market integrity</p>
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Key commitments from strategy for 2023/4:

- Preparing financial services for the future
- Putting consumers' needs first
- Reducing and preventing financial crime
- Strengthening the UK's position in global wholesale markets

[\(Download document\)](#)

Focus 1: Reducing and preventing serious harm	Focus 2: Setting and testing higher standards	Focus 3: Promoting competition and positive change
<ul style="list-style-type: none"> • Dealing with problem firms • Improving the redress framework • Reducing harm from firm failure • Improving oversight of Appointed Representatives • Reducing and preventing financial crime 	<ul style="list-style-type: none"> • Putting consumer needs first • Enabling consumers to help themselves • A strategy for positive change: our environmental, social and governance (ESG) priorities • Minimising the impact of operational disruptions 	<ul style="list-style-type: none"> • Preparing financial services for the future • Shaping digital markets to achieve good outcomes

Focus 1: Reducing and preventing serious harm



Impact for firms

Planned work	Actions
Dealing with problem firms	<ul style="list-style-type: none"> • NEW: Prioritise action against the riskiest firms and those causing harm; • NEW: Enhanced data-led detection; • NEW: Increase the number of firms the FCA take action against; • CONTINUED: test effectiveness of Threshold Conditions; • CONTINUED: take action 'quickly and at scale' against firms that do not meet Threshold Conditions.
Improving the redress framework	<ul style="list-style-type: none"> • NEW: consult on new guidance on redress calculations; • NEW: review rules on FOS access for SMEs; • NEW: improved complaints reporting; • CONTINUED: work on the Compensation Framework – who covers costs
Reducing harm from firm failure	<ul style="list-style-type: none"> • NEW: solo regulated financial services firms to provide a baseline level of information about their financial resilience. • CONTINUED: use of data dashboards and tools to identify emerging issues

Focus 1: Reducing and preventing serious harm (contd.)



Impact for firms

Planned work	Actions
Improving oversight of Appointed Representatives	<ul style="list-style-type: none"> • NEW: Test firms are properly embedding the new AR rules • NEW: increased engagement with firms • CONTINUED: more use of data • CONTINUED: Strengthen scrutiny at the regulatory gateway – Principal firms • CONTINUED: Undertake more assertive supervision of high-risk principals • CONTINUED: work on need for potential legislative changes.
Reducing and preventing financial crime	<ul style="list-style-type: none"> • NEW: better use of data to identify firms at risk of receiving proceeds of fraud • NEW: more work on assessment of firm's AML systems and controls • CONTINUED: review the way firms are protecting consumers from fraud

Focus 2: Setting and testing higher standards



Impact for firms

Planned work	Actions
Putting consumers' needs first	<ul style="list-style-type: none"> • NEW: a sector-specific approach to supervision on Consumer Duty. (See Dear CEO letter) • NEW: investment in new Interventions team within Enforcement • CONTINUED: work on making Consumer Duty integral to every aspect of regulatory approach, mindset and regulatory lifecycle. • CONTINUED: support Consumer Duty implementation including good/poor practice examples. • CONTINUED: Improved data monitoring, with a specific focus on Consumer Duty. • CONTINUED: enforcing consumer protection legislation • CONTINUED: publish finalised guidance for insurance firms on support for customers in financial difficulty
Enabling consumers to help themselves	<ul style="list-style-type: none"> • NEW: identify illegal financial promotions faster – particularly 'fin-fluencers' on social media • CONTINUED: focus on non-compliant financial promotions

Focus 2: Setting and testing higher standards (contd.)



Impact for firms

Planned work	Actions
A strategy for positive change: our environmental, social and governance (ESG) priorities	<ul style="list-style-type: none"> • NEW: consult on changes to the Listing Rules • NEW: expect a Feedback Statement to the DP23/1 on ESG governance, incentives and competence • CONTINUED: monitor how effectively firms and listed companies are implementing climate-related financial disclosures. • CONTINUED: improvements in Diversity and Inclusion (D&I) transparency
Minimising the impact of operational disruptions	<ul style="list-style-type: none"> • NEW: Assess how operationally resilient firms are to remaining within their impact tolerances ahead of 31/3/2025 deadline • NEW: work with firms on reporting of 'operational incidents' • CONTINUE: work on Critical Third-Parties. DP23/2 was published in July 2022 and a Consultation Paper is promised.

Focus 3: Promoting competition and positive change



Impact for firms

Planned work	Actions
Preparing financial services for the future	<ul style="list-style-type: none"> • NEW: prepare for the orderly replacement of further sets of firm-facing provisions in retained EU law with requirements in our Handbook • NEW: address the changes to FCA objectives, regulatory principles and accountability arrangements agreed by Parliament. • CONTINUED: work on the 'Edinburgh Reforms'
Shaping digital markets to achieve good outcomes	<ul style="list-style-type: none"> • CONTINUE: work on the new pro-competition regime for digital markets. • CONTINUE: publish a feedback statement on "DP22/5 - The potential competition impacts of Big Tech entry and expansion in retail financial services" • CONTINUE: publish a Feedback Statement on "DP22/04 on artificial intelligence (AI) in financial services". • CONTINUE: investigative work on digital consumer journeys.

Known Timeline – ‘New’ Items

Time	Actions
Q2 2023	<ul style="list-style-type: none"> • Feedback Statement on DP22/5 - The potential competition impacts of Big Tech entry and expansion in retail financial services • Feedback Statement on DP22/04 on artificial intelligence (AI) in financial services (tbc) • Finalised Guidance following CP23/1: “Insurance guidance for the support of customers in financial difficulty”. (Will be effective 31st July to match Consumer Duty)
tbc	<ul style="list-style-type: none"> • Financial Services and Markets Bill • Solo regulated financial services firms to provide a baseline level of information about their financial resilience • Operational Resilience – Impact Tolerance Assessments • Consultation Paper on Critical Third Parties • Feedback Statement to the DP23/1 on ESG governance, incentives and competence • Testing of new rules on Appointed Representatives • Work on reporting of ‘operational incidents’ • Improved complaints reporting. New data requirements & processes?

Reducing and preventing serious harm

	2022/23	2023/24
Dealing with problem firms	<ul style="list-style-type: none"> • Test Threshold Conditions • Increase resources 	Ongoing. More focus on taking action against riskiest firms. Focus on Threshold Conditions increased.
Improving the redress framework	<ul style="list-style-type: none"> • Focus mainly on CMC and Pensions 	<ul style="list-style-type: none"> • Increased focus with FOS (SMEs), redress calculations and the complaints management in focus.
Reducing harm from firm failure	<ul style="list-style-type: none"> • More use of data • Use of insolvency process 	<ul style="list-style-type: none"> • Data use continues • Focus on solo-regulated firms
Improved oversight of ARs	<ul style="list-style-type: none"> • Implementation of new rules delivered. 	<ul style="list-style-type: none"> • Testing and focus on high risk firms. • New legislation likely
Reducing & preventing financial crime	<ul style="list-style-type: none"> • New rules on Financial Promotions delivered 	<ul style="list-style-type: none"> • Better use of data • Focus on firm's AML processes

Setting and testing higher standards

	2022/23	2023/24
Putting consumer needs first	<ul style="list-style-type: none"> • Implement Consumer Duty • Customers in financial difficulty work 	<ul style="list-style-type: none"> • More support for firms with Consumer Duty implementation • Sector-specific focus on Consumer Duty
Enabling consumers to help themselves	<ul style="list-style-type: none"> • Mostly investment focused 	<ul style="list-style-type: none"> • New work on Financial promotions – including ‘fin-fluencers’ – still likely to be investment focused.
A strategy for positive change: ESG priorities	<ul style="list-style-type: none"> • ESG considerations embedded in authorisation process, including D&I issues. • Monitoring climate-related financial disclosures 	<ul style="list-style-type: none"> • Changes to listing rules. • New policy on ESG governance, incentives and competence expected. • Continued focus on climate-related financial disclosures
Minimising the impact of operational disruptions	<ul style="list-style-type: none"> • Op Res a focus in authorisation process • Discussion on CTPs launched • Focus on incident reporting • Assess Impact Tolerances 	<ul style="list-style-type: none"> • Formal assessments of Impact Tolerances now coming. • Formalisation of incident reporting • Consultation Paper on CTPs due.

Promoting competition and positive change

	2022/23	2023/24
Preparing financial services for the future	<ul style="list-style-type: none"> • Consultation and preparation 	<ul style="list-style-type: none"> • Implementation! • New secondary objective • Edinburgh reforms • Impact of removal of further EU laws
Shaping digital markets to achieve good outcomes	<ul style="list-style-type: none"> • Investigate, engage & collaborate 	<ul style="list-style-type: none"> • Discussion paper due on potential competition impacts of Big Tech entry to market • Feedback Statement due on AI in financial services



Do you feel more or less positive about the regulatory governance regime following publication of the FCA Business Plan for 2023/4?

- More positive
- About the same
- Less positive



- This might be termed “more of the same” after last year was “a change in regulatory style”
- There will be a lot of testing of firm’s response to existing work – Appointed Reps, Operational Resilience, Compliance with Threshold Conditions and more
- Consumer Duty will be a major theme – expect it to permeate everything the FCA does
- The FCA is very aware of the uncertainties consumers face – expect action to address those.

Useful links:

- [FCA Business Plan 2023/4](#)
- [FCA Strategy 2022-2025](#)
- [Financial Lives Survey Resources Library](#)
- [The Digital Regulation Cooperation Forum](#)
- [FCA and Practitioner Panel Survey](#)

Learning Objectives



Learning objectives - Attendees of the briefing will be able to:

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QUESTIONS ?



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