

FCA targets four priorities for ‘challenging’ year ahead

AT A GLANCE

April 2023

What's new?

- The FCA issued its [2023/24 Business Plan](#) on 5 April 2023, detailing its programme of work for the year ahead. This complements the [Regulatory Grid](#) workplan published by the UK regulators in February 2023.
- The Business Plan sets out how the FCA will deliver on its [three-year Strategy](#) (published a year ago). The Strategy is based on three themes: (1) reducing and preventing serious harm, (2) setting and testing higher standards, and (3) promoting competition and positive change, and is underpinned by 13 commitments.
- For 2023/24, the FCA plans to focus resources on four priority commitments. These are (1) putting consumers’ needs first, (2) preparing financial services for the future, (3) reducing and preventing financial crime, and (4) strengthening the UK’s position in global wholesale markets.

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What does this mean?

- The Business Plan comes in the context of the FCA’s aim to be a more assertive, adaptive and data-led regulator. The FCA also highlights the challenging economic and geopolitical environment as a driver of how it will prioritise its work, particularly in response to heightened market volatility and the rising cost of living.
- In last year’s Business Plan, the FCA set out 13 commitments to guide its ongoing work. To meet the challenges of the year ahead, the FCA has identified four of these which it will prioritise as ‘critical’.
- **Putting consumers’ needs first** - The FCA is investing £5.3m in ensuring the Consumer Duty is embedded effectively. It plans to undertake sector-specific supervisory work and create an additional Interventions team within Enforcement, to take rapid action on consumer harm. Supporting consumers with the rising cost of living is another area of focus. This includes ensuring those in financial difficulty receive appropriate forbearance - the FCA plans to ‘proactively assess’ the forbearance practices of higher-risk firms. The regulator will also look at the longer term consequences of cost of living pressures, such as the impact on pensions saving.
- **Reducing and preventing financial crime** - The FCA intends to raise standards to improve firms’ abilities to detect and prevent financial crime, for instance by increasing proactive assessments of firms’ anti-money laundering systems and controls, and using data to better identify firms that are susceptible to receiving the proceeds of fraud. The regulator adds that it will ensure effective oversight of firms communicating and approving financial promotions, including cryptoassets when they are brought within the financial promotion perimeter.
- **Preparing financial services for the future** - The FCA plans to dedicate significant resources to implementing and embedding the Future Regulatory Framework. This includes replacing EU retained law in the FCA Handbook, operationalising its new secondary international competitiveness and growth objective, and new cost-benefit analysis and rule-review frameworks.
- **Strengthening the UK’s position in global wholesale markets** - As set out in the Government’s [Edinburgh Reforms](#) package, the FCA will continue its reform of wholesale markets, including through its review of listing rules and secondary



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markets regulation. This will also involve bringing forward proposals for changes to MiFID, Prospectus Regulation, [asset management regulation](#), and the development of a consolidated tape. The FCA will also support initiatives such as the FMI Sandbox, and improvements to settlement.

- In addition to these four priorities, we would also draw firms' attention to work planned under the following two commitments.
- **Reducing harm from firm failure** - The FCA will heighten its focus on financial resilience and authorisations this year. It will introduce a new regulatory return requiring 20,000 solo-regulated firms to provide information about their financial resilience. The regulator will also look to reduce harm more quickly through: using its powers more assertively to start relevant insolvency processes; assessment and assurance of financial forecasts and prudential requirements at the point of authorisation; and assessing wind down plans ahead of authorisation for higher risk business models.
- **ESG** - The FCA emphasises that trust, transparency and the transition to net zero remain at the heart of its work on ESG. It wants to see consumers protected from misleading marketing and disclosure around ESG products; high-quality disclosures; and active investor stewardship that supports a market-led transition. The FCA commits to publishing a feedback statement in the next 12 months to its discussion paper (DP23/1) on ESG governance, incentives and competence.

What do firms need to do?

- The FCA details a significant number of initiatives where it plans to better use data to intervene

more quickly, and in a more targeted way, to prevent harm. Firms should ensure they have adequate data and systems to respond to more detailed and frequent information requests.

- The FCA's prioritisation of work for the year ahead underlines the increased scrutiny it is placing on firms' financial and operational resilience, and on ensuring firms deliver good outcomes in line with the Consumer Duty and to support consumers impacted by the rising cost of living.
- The FCA makes clear its intention to 'assertively supervise' the Consumer Duty from day one, focused on the priorities in its [Sector and Portfolio letters](#). Firms should use these letters to guide prioritisation decisions for implementation programmes and to benchmark against FCA expectations.
- Firms should consider the FCA's stated ESG outcomes and signalled direction of travel when designing workplans to comply with upcoming regulations, such as Sustainability Disclosure Requirements, and their broader sustainability strategies.
- The FCA highlights a number of measures to strengthen the regulatory gateway. Firms going through the authorisation process should expect greater scrutiny on financial forecasting, prudential requirements and wind down plans. Newly-authorised firms should also expect greater supervisory oversight during the first year after authorisation.
- The Business Plan underscores the scale and pace of regulatory reform expected over the next few years. Firms should ensure they are sufficiently prepared to manage this evolution and are appropriately factoring it into their business-wide strategic and operational planning, including how they can best optimise technology and automation.

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Next steps

The FCA will publish its annual report in July 2023, which will report on progress against the outcomes and metrics it set out in its three-year strategy and 2022/23 Business Plan.

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