



WHITE PAPER

Guide to the FCA's Strategy (2022-2025)



Ruleguard

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Background

This year the FCA issued a Strategy Document for the next three years to accompany its Business plan for 2022-23. This was followed by the publication of its Data Strategy.

Last year the FCA focused on becoming “more innovative, more assertive, more adaptive”. This year we see the FCA keen to act “efficiently, effectively and consistently”.

Last year’s message has not been forgotten. FCA’s commitment to innovation is evident in its approach to technology and harnessing data to enable proactive regulatory approach. Similarly, FCA’s Strategy and Business Plan both indicate that the FCA will be more assertive in acting against harmful firms whilst also adapting to a changing landscape such as cryptoassets.

We will see a shift away from the traditional focus on processes, with the FCA becoming more results driven.



Regulatory Approach 2022/23

The FCA's Business Plan sets out its work schedule for the next 12 months to support its longer-term Strategy.

The Business Plan details how the FCA will measure progress with examples of its anticipated outcomes. In addition, it clearly explains its expectations for itself... and for regulated firms! The FCA's plan emphasises its concerns posed by the current climate. Namely, the following issues:

- Low levels of financial resilience and rising costs that put many people at risk of serious financial problems
- Rising inflation and interest rates
- Major geopolitical uncertainty

The above issues will impact both consumers and firms for some time.

What can we expect from the FCA?

FCA's efforts will focus on six core regulatory activities that represent the end-to-end regulatory journey. Beginning with how the FCA approves firms for authorisation, to its supervisory approach and its activities to remove harmful entities from the industry.

AUTHORISING FIRMS

SETTING RULES & STANDARDS

SUPPORTING COMPETITION

EMPOWERING CONSUMERS

RECOGNISING & REDUCING HARM

TAKING QUICK & EFFECTIVE ACTION

FCA's Core Activities

FCA is reframing its activities for better alignment with its newly announced 13 outcomes instead of its processes. Each of the core activities will be measured against how well that activity enables the FCA to meet the 13 outcomes.

Authorising firms and individuals

Continuing with its earlier work, automating processes is planned to improve efficiencies and enable effective decision making

Setting rules and standards

FCA plans to conduct complex test cases. The aim here is to assess whether FCA's strategy can be supported by current legislation and if not, to seek amendments to support objectives

Supporting competition and innovation

Work to focus on having a level playing field for firms that follow the rules and removing those that refuse to play ball

Empowering consumers and firms

Gathering insights on consumers' needs and experiences through research and partnerships work and using those insights to inform FCA's priorities and actions

Recognising and reducing harm

Introducing automated processes to easily identify breaches of simple Threshold Conditions

Taking quick and effective action

FCA aims to remove harmful firms by intervening quickly. It is increasing its headcount and improving its use of data to identify harmful firms

FCA's key Priorities

The FCA's key priorities for 2022/23 are aligned to its Strategy.

1

**Reducing and
preventing
serious harm**

2

**Setting and
testing higher
standards**

3

**Promoting
competition and
positive change**



Commitment

Under each of these priorities, the FCA has indicated 13 commitments. Their purpose is to create conditions that enable firms to meet the 13 corresponding outcomes. FCA's success will be measured by its ability to deliver on the 13 outcomes that support these priorities.

1 - Reducing and preventing serious harm

- Dealing with problem firms
- Improving the redress framework
- Reducing harm from firm failure
- Improving oversight of Appointed Representatives
- Reducing and preventing financial crime
- Delivering assertive action on market abuse

2 - Setting and testing higher standards

- Putting consumers' needs first
- Enabling consumers to help themselves
- A strategy for positive change
- Minimising the impact of operational disruption

3 - Promoting competition and positive change

- Preparing financial services for the future
- Strengthening the UK's position in global wholesale markets
- Shaping digital markets to achieve good outcomes

Business Plan 2022/23: FCA's 3 focus areas and 13 commitments

Regulatory Expectations

It's important to read both the Business Plan and the Strategy document to understand the alignment between FCA's plan for the next 12 months and its longer-term objectives. The Strategy document highlights two sets of outcomes:

Consistent topline outcomes:

- Fair value, suitability & treatment, confidence, and access.
- These are basic standards for firms and represent regulatory expectations and allow the FCA to measure success against their statutory objectives.
- These outcomes and corresponding metrics relate to both consumer and wholesale firms.

FCA's 13 commitment outcomes:

- These commitment outcomes are set over a 3-year period
- FCA's 13 commitments describe how it aims to create conditions enabling industry to deliver the expected outcomes

FCA intends to measure both its own and the industry's performance against these 13 outcomes. Information will be gathered from various sources including:

- Research data that records the attitudes, perceptions or behaviours of consumers/ firms (in particular, our Financial Lives survey (FLS) and the FCA and Practitioner Panel Survey)
- Market data that measure or are indicative of the outcomes from the Financial Ombudsman Service (FOS) and the Financial Services Compensation Scheme (FSCS)
- Internal data that records FCA activities helping it achieve the outcomes



Consistent Topline Outcomes	For Consumers	For Wholesale Markets
Fair Value	Consumers receive fair prices and quality	Market participants are able to make well informed assessments of value and risks due to appropriate transparency
Suitability & Treatment	Consumers are sold suitable products and services and receive good treatment	Markets are (a) resilient to firm failures and (b) clean with low levels of market abuse, financial crime and regulatory misconduct
Confidence	Consumers have strong confidence and participation in markets by (a) minimising harm when firms fail and (b) minimised financial crime	Markets are orderly in a variety of conditions so that market participants are able to access a diverse range of services with minimised operational disruption
Access	Diverse consumer needs are met by (a) high operational resilience and (b) low exclusion.	

Source: FCA's Positive Impact 2022

Measuring progress

The FCA has also set out proposed metrics. This continues last year's aim to increase transparency. Whilst the FCA has identified specific actions and some corresponding key metrics, it also recognises that these will need refinement over time.

1 - Reducing and preventing serious harm

- Volume of cancellations and removal of permissions
- Reducing the number of redress liabilities
- Consistently low volume of firms failing to meet financial standards
- Volume of complaints raised against Principal firms vs non Principal firms
- Market cleanliness data

2 - Setting and testing higher standards

- Reducing the number of upheld complaints about fees or charges or being sold inappropriate products and/or services
- Amount of money consumers lose
- Number of warnings issued
- Number of interventions

3 - Promoting competition and positive change

- Effective response to change in remit, accountability arrangements or wider obligations
- Ability to embed firm facing requirements from legislation into our rules
- Consider consumer and firm confidence in the FCA and UK financial system
- Market participants' views on FCA effectiveness
- Maintaining UK's top 5 position New Financial global financial centres index.

Business Plan 2022/23: FCA's Focus areas & measures of success

Key takeaways from the FCA Business Plan

- FCA has set out the outcomes it expects all firms to deliver across the FS sector
- FCA will be tougher on its own performance starting by publishing measures that cover a multi-year period. The measures aim to hold the FCA accountable and support delivery of its 13 outcomes
- FCA decisions will be more data-based as it improves its methods of collating data
- Its strategy is to move towards an outcomes-based approach to guard against inconsistent regulation
- To support its strategy, the FCA has three key priorities. FCA's success will be measured by its ability to delivery on 13 outcomes that support these priorities

What should firms do?

FCA has clearly indicated its expectations for all firms. Firms need to review and assess how well they are meeting these commitments. Both the topline commitments and the expected outcomes from the FCA's 13 commitments.

This means reviewing monitoring methodology to ensure that the 13 outcomes are being monitored regularly. Firms should document their reviews and continue reporting to their boards with their findings. Where action is required, this should be highlighted. Where firms are meeting expectations, they should explain how they've come to this conclusion.

As always, an audit trail to demonstrate compliance is required. This should be part of the ongoing monitoring and risk management framework for firms.



How Ruleguard can help you

Ruleguard is an industry-leading GRC platform designed to help regulated firms manage the burden of evidencing and monitoring compliance.

It has a range of tools to help firms fulfil their obligations across the UK, Europe and APAC regions. Ruleguard is designed to help regulated firms manage the burden of evidencing and monitoring compliance. The solution is made up of several core modules which can be deployed to provide:

- **Automation and reduction of compliance risk** at different points in the compliance journey
- A **holistic platform** which delivers end-to-end benefits at every level of a regulated financial services firm.

With Ruleguard, key areas of compliance can be automated and put under direct review by appropriate individuals across the business. This means that **monitoring can be embedded** directly into business-as-usual processes, vastly simplifying the process and significantly reducing the overhead required to carry it out.

Evidence and approvals are gathered in real time, with responsible individuals signing off attestations within a framework designed for your firm. Documentation reviews and updates are managed automatically. Key compliance workflows can be designed directly within the solution, ensuring that MI outputs are available which directly provide stakeholders with an up-to-the minute overview of compliance results.


About Ruleguard

Ruleguard started out in 2013 as a software ‘design and build’ agency that specialised in financial services projects, particularly those with a unique requirement for data and functionality that was far from being available ‘off the shelf’.

Fast-forward to 2024 and we have established Ruleguard as one of the foremost offerings in the RegTech space, providing genuine compliance oversight to some of the largest and most complex financial institutions globally.

Most importantly, we continue to work closely with our clients to identify the most painful aspects of compliance oversight and strive to build-out our platform to improve that governance with increased efficiency and reduced cost.

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