Business Plan 2022/23

Business plans
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Our Business Plan details the work we'll do over the next 12 months to help deliver the commitments in our Strategy and how we will measure progress.

In Our Strategy 2022 to 2025 [1], we set out our vision and ambitions for the next three years. We also set out the consistent topline outcomes we expect from financial services and the key strategic areas we'll be focusing on.

Our Business Plan explains our programme of work for this year to achieve this three-year strategy. It outlines the key work we will do over the next 12 months to deliver these outcomes, how we will measure progress and also provides examples of our work.

We are publishing this Business Plan when the external environment is changing rapidly. The longer-term impact of Covid continues to be uncertain. Low levels of financial resilience and rising costs mean many people are at risk of serious financial problems. And this is happening against a backdrop of rising inflation and interest rates and major geopolitical uncertainty. The impact of these factors will be felt by consumers and firms over the coming year and beyond.

We will continue to monitor emerging issues and adapt our plans where necessary. During the pandemic, we proved we could think and do things differently and at speed, and two years on, we're much better prepared to do it again. By focusing more on end outcomes, and working across sectors and markets, we are better able to respond to new issues and macroeconomic challenges. Our new, more adaptive approach to allocating resources and monitoring our performance will make us more agile and help us respond more quickly to market needs.

We are not tackling these issues alone. We work with a range of partners [2] to deliver our objectives. This wide-ranging cooperation includes global regulators and bodies, and domestic partners.

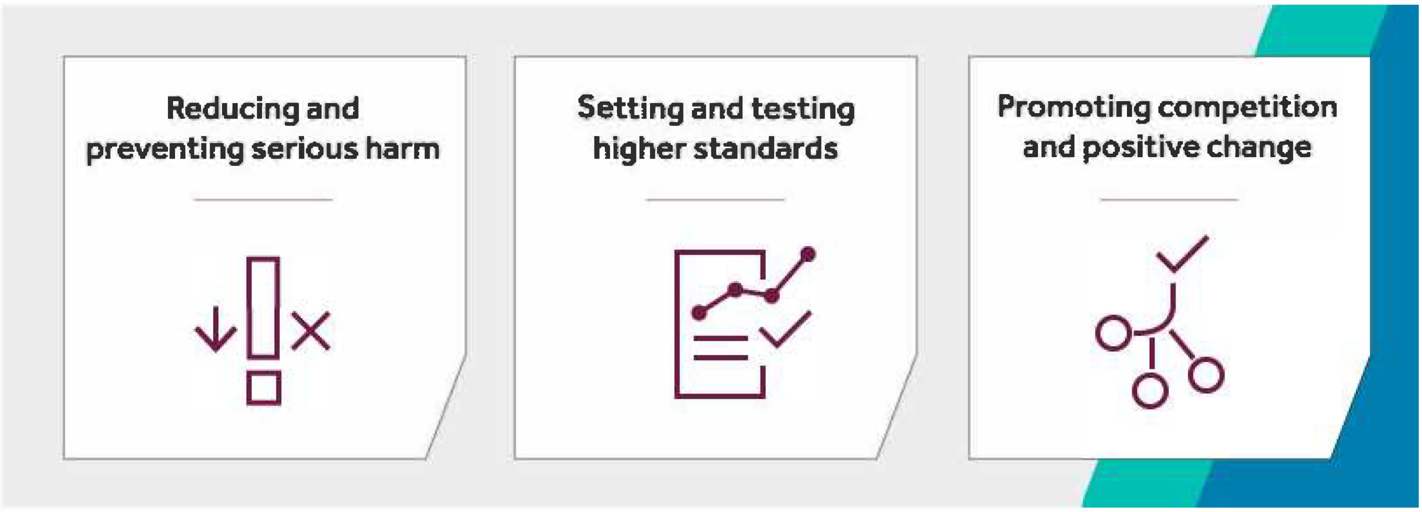
How we are focusing our efforts

We are the conduct regulator for around 51,000 firms and we prudentially supervise around 49,000 firms.

In previous years, we structured our activities around the sectors we regulate. We are also doing things differently this year to align with the Strategy [3] and the four consistent overarching consumer and wholesale market outcomes we expect financial services to deliver. This Business Plan details the work we will carry out this year under each of the 13 commitments from the Strategy where we will focus our work.

We have grouped our commitments into three areas:

- **reducing and preventing serious harm** – our focus is on protecting consumers from the harm that authorised firms can cause, including tackling fraud and poor treatment.
- **setting and testing higher standards** – we're focusing on the impact that authorised firms' actions have on consumers and markets. We expect all firms we regulate to adopt the same high standards, and have an open and cooperative approach.
- **promoting competition and positive change** – we want to use competition as a force for better consumer and market outcomes. We will support UK growth and innovation that serves our society, underpinned by widely recognised and respected high standards.



The work we do under these areas of focus will help create the conditions for financial services to deliver our expected outcomes. Collectively, we aim to improve firms' conduct and understanding of our expectations so that financial markets work well and are able to deliver good outcomes for consumers, market participants and the economy.

We need to use our resources efficiently and effectively to deliver across our commitments. We have weighed up the different outcomes we want to achieve and the issues we need to tackle by looking at factors including the likely scale, severity and probability of harm occurring, likely future harm given external events, our ability to address issues and our judgement about urgency.

Most of our activity fits within these commitments. Some of our work will deliver against more than one commitment and we highlight examples of these throughout (eg our work on consumer investments and cryptoassets).

Our commitments

Our activities for the next year will focus on the following commitments, under our three areas of focus, and each has clear outcomes:

Reducing and preventing serious harm

- dealing with problem firms – removing firms who don't meet our minimum standards from financial services markets
- improving the redress framework – so it's fairer for consumers and firms in a global context
- reducing harm from firm failure – to minimise wider fallout
- improving oversight of Appointed Representatives – to reduce poor conduct
- reducing and preventing financial crime – by joining up our actions across sectors and working with partner agencies on a 'whole system' response
- delivering assertive action on market abuse – by increasing the resilience of financial services markets and detecting and taking decisive action

Setting and testing higher standards

- putting consumers' needs first – with a focus on our proposed new Consumer Duty and the outcomes consumers get
- enabling consumers to help themselves – through targeted action to make sure promotions are clear, fair and not misleading
- a strategy for positive change – by delivering our recent environmental, social and governance (ESG) strategy
- minimising the impact of operational disruptions – by testing firms' resilience to inevitable operational disruptions

Promoting competition and positive change

- preparing financial services for the future – by tailoring our rules to better suit UK markets in a global content
- strengthening the UK's position in global wholesale markets – so that the UK is one of the leading markets of choice for issuers, intermediaries and investors alike
- shaping digital markets to achieve good outcomes

In our 2020/21 Business Plan [2], we highlighted four priorities for our consumer-facing work:

- enabling effective consumer investment decisions
- ensuring consumer credit markets work well
- making payments safe and accessible
- delivering fair value in a digital age

The shape and scope of some of these priorities have changed but they remain fundamentally important to us and we continue to reflect them in the commitments this year:

- 'ensuring consumer credit markets work well' and 'making payments safe and accessible' are in line with our commitment 'putting consumers' needs first'
- 'delivering fair value in a digital age' is in line with our commitment 'shaping digital markets to achieve good outcomes'
- 'enabling effective consumer investment decisions' is in line with our commitment 'enabling consumers to help themselves'

The Regulatory Initiatives Grid [3] from the Financial Services Regulatory Initiatives Forum gives details of our planned regulatory programme. The forum aims to strengthen coordination between members. It helps the financial services industry and other stakeholders to understand, and plan for, the initiatives that may have a significant operational impact on them. The Grid is updated twice a year.

How we'll deliver our commitments

We are joining up our tools, so we act efficiently, effectively and consistently. We will measure both our and industry's performance against these outcomes, learning and acting quickly and with greater agility.

To do this, we are framing our activities by the outcomes they achieve rather than the processes we follow. We have streamlined our work to consist of the following six core regulatory activities that capture 'start-to-finish' regulation of financial services markets. We have used these regulatory activities to frame this Business Plan:

- authorise firms and individuals
- set rules and standards
- support competition and innovation
- empower consumers and firms
- recognise and reduce harm
- take quick and effective action

Outcomes and measurement

In the 2021/22 Business Plan, we committed to report publicly, beginning in April 2022, on our consistent topline outcomes and the metrics [4] we will use to measure our progress over time.

We also committed to report against the strategic outcomes and metrics that we would set over a multi-year period. This Business Plan gives details of some of our proposed metrics to measure progress against our commitments for 2022/23. In our commitments section [5] we provide the full list of outcome measures and proposed metrics for each commitment.

Financial services outcomes can be significantly affected by external factors, including the economy, changes in technology, wider innovation and consumer behaviour. Progress will not be immediate and will not be steady from year to year. Nevertheless, we challenge ourselves to improve outcomes in the medium term, although we recognise we cannot control all the factors which determine those outcomes.

We also recognise that no metric is a perfect measure of the outcome and all metrics have some limitations. We explain on our metrics page some key points when interpreting the metrics and where we are still developing our approach. We plan to continuously improve and develop these metrics and add new ones as they become available. We will continue to engage with stakeholders and partners so we can do so. We welcome views on ways to improve the metrics we have proposed under each outcome.

Transforming how we operate so we deliver our commitments

The markets we oversee are changing rapidly and we are transforming how we operate to respond to this and prepare for future challenges. Our ongoing investment in our people, technology and capabilities, along with evolving our culture, will enable us to deliver our commitments.

Our Strategy [5] outlines the changes we have already made and those we will make over the next three years. This section highlights some of our specific work to become more innovative, assertive and adaptive, and to help us achieve our commitments.

Becoming a data-led regulator

To be innovative and adaptive, we need to stay up to date with global changes - particularly those driven by technology, innovation, and climate change - and reflect them in our regulation.

As our transformation programme continues, a key area of investment is in our capabilities to become a data-led regulator.

Our Data Strategy will be published in the coming months. It aims to make us more effective by harnessing data, converting it into actionable intelligence and improving our real time understanding of what's currently happening and, crucially, of emerging risks.

We have built analytical tools to provide key indicators about firms to help identify risks – such as phoenixing – right at the Gateway, which we can then address via frontline teams or through automated interventions. Our new cloud-based data infrastructure allows us to work with data at scale and speed. We can engineer, connect, and blend data to create new insights to help us monitor how markets and firms are functioning in line with our market integrity objective. We have explored the use of synthetic data sets to test financial crime controls. We are undertaking more work to make this available more widely and will continue to work with industry and academia.

We're actively exploring how we can use advanced analytical techniques, such as machine learning and AI, for our own supervisory and enforcement. Together with the Bank of England, we recently published the final report [4] of the AI Public-Private Forum (AIPPF) to better understand how AI is changing UK financial markets. Building on this, we will publish a Discussion Paper on AI later this year. We are also exploring the concepts of ethics and bias in algorithms and AI to ensure that all technologies – including AI – are used in a responsible way that avoids causing harm to consumers.

Our investment in technology will continue, including developing a Digital Unified Intelligence Environment to connect the vast array of data and intelligence we hold across our systems. This will deliver key actionable insights to our teams to decisively spot and stop harm, delivering the right data, at the right place, at the right time.

Our people are central to us becoming a data-led regulator. We are building an organisation that can deliver our more innovative, assertive and adaptive approach, so that every aspect of the FCA is designed to help us do our job efficiently, effectively and consistently.

We are developing our people's skills and investing in core systems. This combination of powerful information, digital tools and data skills will enable us to do our jobs as part of a genuinely digital organisation – a key step in achieving the ambition of becoming a data-led regulator.

Regulatory decisions

In November 2021, we set out changes to our Enforcement Guide (EG) and Decisions Procedure and Penalties Manual (DEPP) to streamline our decision-making and governance to enable us to be more effective and efficient in stopping harm to consumers and markets. Following consultation, we moved some decision-making on statutory notices from our Regulatory Decisions Committee (RDC) to Executive Procedures so that the RDC focuses on contentious enforcement cases.

Decisions under Executive Procedures focus on areas where we need to prevent or stop harm to consumers or the market occurring or increasing, by preventing firms from offering financial services in the first place or intervening to restrict the financial services offered to consumers. We also made some modifications to our existing Executive Procedures framework. These changes to our decision-making and Executive Procedures help us promote our statutory objectives and enable us to act more decisively and swiftly where the greatest levels of harm exist.

Diversity and inclusion

We have a role in improving diversity and inclusion in the firms and markets we regulate so they better reflect those they serve. So we should be as diverse and inclusive as possible ourselves, reflecting the communities in which we work and the consumers we protect.

We are making significant progress towards our diversity targets. By 2025, we aim to have 50% of our Senior Leadership Team (SLT) identifying as female. At the end of January 2022, 47% of our SLT identify as female, up from 43% in March 2021. We also aim to have 20% of our SLT identifying as minority ethnic by 2025. At end of January 2022 15% of our SLT identify as minority ethnic, up from 13% in March 2021. We recognise that trends may fluctuate monthly and this is a sign of progress. Our Annual Diversity Report [5] sets out our progress against other areas of diversity too.

National location strategy

We are a regulator for the whole of the UK. We are building on our ongoing strong commitment to London and Edinburgh, with our national location strategy.

- We aim to have an office in Leeds by the end of 2022. We envisage around 100 colleagues in this first phase, with scope for further growth. Recruitment is underway.
- We remain committed to doubling our Edinburgh headcount to over 200 over the next two years.
- We recognise the importance of engaging with devolved administrations and legislatures, as the different nations of the UK often have different needs and views. Our Devolved Nations team is the FCA's voice in the devolved nations and represents their voice in the FCA. The team works across the UK from the FCA office in Edinburgh, and from our presence in Cardiff and Belfast.

This year's activities to deliver our commitments

The next chapters provide details on our activities to deliver against our commitments this year. We also provide details of our planned work, together with the outcomes and some example metrics for each initiative that we will use to measure progress and performance (full details of these metrics are on our outcomes and metrics [8] page).

Focus 1: Reducing and preventing serious harm

We have made six commitments for tackling conduct that can cause serious harm.

While only a very small minority of authorised firms cause life-changing harm, it can and does happen very quickly. This section explains the actions we are taking to deliver across our six commitments for reducing misconduct that can cause serious harm.

Dealing with problem firms

Firms who don't meet our minimum standards put consumers and markets at risk. We will act faster against firms causing harm to consumers and/or markets. We will challenge ourselves to find the limits of our powers to remove firms from the market.

Outcomes we want to achieve	Examples of how we will measure progress [13]
Consumers and market participants have confidence that financial services firms which fail to meet the Threshold Conditions are identified and cancelled quickly.	• An increase in the number of cancellations or withdrawals over the next three years will reflect an increase in our effort to intervene when firms fail to meet the Threshold Conditions. (Our Threshold Conditions are the minimum conditions which a firm is required to satisfy, and continue to satisfy, to be given and retain permissions.) We anticipate this metric to rise over the next three years, followed by a decline as relevant firms adjust their conduct to fit with our expectations. We recognise that a long-term aim to increase cancellations and withdrawals of permissions is not what we want. So we will keep this metric under review as we assess our operational effectiveness in this area and to ensure there are no unintended consequences.
Consumers and market participants trust that the FCA intervenes to stop harm to consumers and market integrity quickly.	• Increase in awareness of, and perceived effectiveness of, FCA interventions. This is an example of a new perception metric we will develop using a survey of firms. We intend to rework existing survey questions related to FCA action to cover the effectiveness of our use of the Threshold Conditions and other intervention powers.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23
Authorise firms and individuals	• Complete the next phase of our Cancellation of Firm Authorisation Project. This will allow us to automate some of our processes, increasing efficiencies while still providing effective decision-making at the right points.
Set rules and standards	• Conduct a small number of complex Threshold Conditions test cases to determine whether our aims are supported by current legislation and policy and where necessary seek to make changes to support our ambitions.
Support competition and innovation	• Level the playing field for firms that follow the rules by removing those that consistently show they are unable or unwilling to do so.
Recognise and reduce harm	• Develop an automated approach for identifying simple Threshold Conditions breaches.
Take quick and effective action	• Identify and cancel firms that do not meet Threshold Conditions at pace and at scale, removing them from the perimeter. • Intervene at pace against firms causing harm to consumers and/or markets, preserving consumer assets and stopping harm in its tracks. • Increase the number of resources, with new hires providing extra capacity to drive faster and more targeted action. • Expand the types of Threshold Conditions breaches we take action against. This will include more firms that demonstrate over time that they do not have adequate resources to operate in the interests of consumers and markets without material intervention from the regulator.

Improving the redress framework

We have a duty to protect consumers from harm. That includes making sure they can get redress when things have already gone wrong. Too many firms fail owing redress to consumers. We want to see more consumers get redress from the firm that owes them money.

Outcomes we want to achieve	Examples of how we will measure progress [14]
The claims management company (CMC) sector delivers fair value.	• We are developing a metric that measures the proportion of consumers who consider that the service that claims management companies provide to them meets their expectations. We consider an increase in this metric a broad indicator of CMC services providing fair value. However, it should be noted that the outcome of consumers' actual claims can influence their perception of the value CMCs provided and they received.
The redress system delivers timely complaint resolution and compensation to consumers.	• Increase in the overall timeliness of firms' complaints resolution measured by the proportion of complaints closed within three days, between three days and eight weeks, and after eight weeks. We are also considering the feasibility of metrics in relation to complaint resolution that would better capture the fairness of complaint resolution, in addition to timeliness.
Firms that create a redress burden bear the associated cost themselves.	• Stabilisation of the redress burden arising from insolvent firms' unpaid liabilities through Financial Services Compensation Scheme (FSCS) claims over a multi-year period, with a view to a subsequent reduction. As FSCS claims will always be 'after the event' these are lagging indicators. So it will take some time before the impact of our work begins to show. FSCS claims may also be driven by wider economic conditions.
Consumers understand the redress system and how to access it.	• Increase in consumer awareness of the redress system from our Financial Lives survey data [3]. This is our flagship survey of UK consumers. We recognise the limitations of this metric in capturing consumer understanding of the redress system as well as awareness. This is complex and we may explore how to develop this further.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23
Set rules and standards	• Publish our response to the consultation on CMC phoenixing. This is when individuals from firms that go out of business later reappear in connection with CMCs and charge consumers for seeking compensation against their former firm's poor conduct by bringing claims to the FSCS. Our proposed rules ban CMCs from handling claims where they have these connections. • Consult on revisions to the pensions transfer redress guidance in July 2022.
Take quick and effective action	• Embed the wider implications framework [4], launched in January 2022. Through this, we will work in more areas with our regulatory partners, to tackle common issues and provide greater certainty to consumers and firms.

Reducing harm from firm failure

Failing firms can cause widespread harm. Consumers can lose money. Firms will always carry a risk of failing, so they need to plan for this from the outset.

We aim to minimise the fallout from failing firms. Firms should be financially resilient and recover quickly from disruptions.

Outcomes we want to achieve	Examples of how we will measure progress [15]
Firms meet their financial resource requirements so that they can conduct business, wind down and, where applicable, fail without causing significant harm to consumers and market participants.	• A low and stable proportion of firms not meeting financial resource requirements. A low and stable proportion of firms who do not meet their financial requirements indicates that firms are generally able to conduct business and wind down without causing significant harm. The metric does not perfectly capture progress towards the outcome because not all prudential regimes are harm based. So even where firms meet their financial resource requirements, they can cause harm.
Client assets and funds are appropriately held so that if the firm fails, they are returned as quickly, and as whole, as possible.	• The proportion of firms with 'adverse' 'reasonable assurance' CASS audit opinions remains stable, with a target rate of below 10%. A low and stable proportion of firms with adverse CASS audits indicates that firms generally hold client assets and funds appropriately. An adverse report is one where the auditor has identified a problem (eg the firm not identifying client money).
Firms subject to financial, or other, stress which may lead to firm failure are quickly identified and the firm rectifies the situation, winds down solvently, or enters insolvency in a way which minimises harm to consumers and market participants.	We are developing a metric to monitor the accuracy with which we identify firms' resilience to financial or other stress.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23

Set rules and standards	• Set rules and standards to ensure we apply greater consistency to firms, firms better understand the obligations on them and harms are properly taken into account, for example by:
	  • embedding the new Investment Firms Prudential Regime (IFPR)
	  • inputting into developing crypto policies
	  • developing standards for consumer investments firms promoting the need for wind down plans

Recognise and reduce harm	• Identify harm and act to mitigate it proactively and quickly by using Data Dashboards to identify emerging issues.
Take quick and effective action	• Be more assertive with our powers to start insolvency processes when necessary to mitigate harm caused by firms.

Improving oversight of Appointed Representatives

Principal firms are responsible for ensuring their Appointed Representatives (ARs) comply with our rules. But many principals do not adequately oversee the activities of their ARs. Consumers are at risk of being mis-led and mis-sold, while misconduct by ARs in the financial sector can undermine market integrity. So we're making changes to improve principals' oversight of their ARs, increase the information they give us and raise standards across financial services.

Outcomes we want to achieve	Examples of how we will measure progress [18]
Stronger oversight by principals to reduce harm caused through ARs.	• Reduction over time in volume of complaints (per £1m of revenue from regulated activities) about principal firms compared to non-principals. We know our activities will take some time to impact complaints data. We anticipate a reduction in complaints will lag behind the changes we are making. We may also see increases in the short term, where our work reveals misconduct that drives complaints. The AR Regime crosses the breadth of the financial services sector. So we'll also use metrics related to other strategic outcomes where ARs are operating to measure the success of our work.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23
Authorise firms and individuals	• Strengthen scrutiny at the regulatory gateway. This includes more engagement with principal firms as they appoint ARs and robust assessments of authorisation applications by prospective principal firms.

Set rules and standards	• Publish final rules following our consultation (CP21/34 [-2]). Our proposed rules and guidance are intended to:
	  ◦ clarify and strengthen principals' responsibilities and our expectations of them
	  ◦ increase the amount and timeliness of information we receive on principals and their ARs
	• Continue work with the Treasury on the outcome of its Call for Evidence on the AR regime as it considers possible legislative change.

Support competition and innovation	• Assess the need for further policy interventions discussed in our consultation. We'll consider the potential impact on competition and innovation, for example in relation to regulatory hosting. This will inform whether we need to take further action.
Empower consumers and firms	• Improve the information relating to principals and their ARs included on the FCA Register (subject to consultation).
Recognise and reduce harm	• Intensify supervision of principal firms to reduce the most significant risks from ARs. We'll increase our use of data to better target our interventions.
Take quick and effective action	• Undertake more assertive supervision of high-risk principals, including greater use of our regulatory tools and appropriate enforcement action.

Reducing and preventing financial crime

Financial crime does incalculable damage to society. Reducing financial crime requires a collective effort – from us, regulated firms, the Government and our regulatory law enforcement partners, both in the UK and internationally.

Outcomes we want to achieve	Examples of how we will measure progress [19]
Slow the growth in investment fraud victims and losses. Slow the growth in Authorised Push Payment (APP) fraud cases and losses.	• Reported investment and APP fraud victims and losses. The Government is developing its economic crime plan, and fraud action plan, with its partners, including us. While counter-fraud work is already underway, in the short to medium-term fraud offences are likely to continue to rise. There are wide-ranging drivers of the different types of fraud and an array of parties who can affect its prevalence and impact on victims. The effect on outcomes depends on those partners working together and taking actions, as well as us. The incidence of fraud is also affected by levels of consumer awareness and consumer behaviour. So it is challenging to isolate and measure the impact of our interventions on fraud.
Reduction in financial crime by lowering the incidence of money laundering through the firms we supervise directly and by improving the effectiveness of supervision by professional body supervisors.	• Increase in the proportion of applications rejected, withdrawn or refused by the FCA under Money Laundering Regulations (MLRs) or for financial crime reasons. This metric is under development and indicates the strength of our gateway to ensure high standards and minimise financial crime within the regulatory perimeter (the legal boundary between what we do and don't regulate). Over time, as our work on money laundering and financial crime has wider effects, we expect the proportion of applications rejected, withdrawn or refused to stabilise as firms adjust their conduct to fit with our expectations.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23
Authorise firms and individuals	• Reduce the opportunities for fraudsters to seek approval through the gateway.
Set rules and standards	• Ensure we have effective oversight of firms communicating and approving financial promotions and that firms only do so when they have the relevant competence and expertise. The proposals in CP22/2 [-6] will help us achieve this. We intend to publish our final rules in summer 2022.
Empower consumers and firms	• Continue to run our ScamSmart [-5] consumer campaign, focused on the areas of highest priority fraud. The campaign helps consumers spot the warning signs of scams and access tools such as the Warning List [-4] – a database of unauthorised firms. The campaign runs across loan-fee fraud, investment and pension fraud.

Regulatory activity	Key activities during 2022/23
Recognise and reduce harm	• Develop our approach for effectively supervising the anti-fraud systems and controls of the firms we regulate. • Undertake a small number of assessments of firms' anti-fraud systems and controls to understand and evaluate how they are protecting consumers from fraud. • Put greater resource into our intelligence gathering and expand our analytics to better spot and track potentially fraudulent activity at scale and reduce the average amount of money lost due to scams. Increase engagement with partners at both a strategic and tactical level, including the National Economic Crime Centre (NECC). This will enable us to contribute to the ten-year Fraud Action Plan, being developed by the NECC, Economic Crime Delivery Board and Economic Crime Strategic Board. • Continue our work to supervise cryptoassets firms' compliance with the Money Laundering Regulations (MLRs). We will rapidly intervene where firms risk being used as conduits for illegal activity, or where firms pose harm to consumers or market integrity (for example operating without registration, perpetrating fraud or high-risk activities). • Proactively supervise through the Office for Professional Body Anti-Money Laundering Supervision (OPBAS).
Take quick and effective action	• Enhance capabilities to identify, alert and request that platforms take down unauthorised financial promotions, associated websites and social media accounts. • Continue to use our enforcement powers to disrupt, pursue and sanction those committing financial crime, fraudsters and their enablers.

Delivering assertive action on market abuse

Market abuse undermines the integrity of the UK financial system, eroding confidence and reducing participation in our markets. Firms are a vital first line of defence. We want them to have strong prevention cultures and effective systems and controls. We work in primary markets to ensure firms and issuers have robust controls in relation to inside information and disclose it to the market in an accurate and timely way.

In secondary markets, we actively monitor data and firm intelligence to spot insider dealing and market manipulation, and take action. Our work will strengthen firms' resilience, improve our detection capability across the market and deliver assertive action both against current wrongdoing and to deter future abuse.

Outcomes we want to achieve	Examples of how we will measure progress [21]
Increased confidence in the integrity of UK markets which maintains high levels of participation across the buy-side and sell-side.	• Increase in perceived effectiveness of our action to promote market integrity. We plan to develop a new perception metric using a survey of market participants.

Outcomes we want to achieve	Examples of how we will measure progress [21]
Timely and accurate disclosure of corporate information.	• Increase in the number of FCA interventions, broadly defined, for failure of publicly traded issuers to disclose properly. We are developing a broad measure of how our discussions and interventions with issuers promote better disclosures. This measure will be affected by our capacity to detect poor disclosures as well as overall market conditions. A decrease in the number of interventions may indicate that standards are improving, so this metric will need to be interpreted alongside indicators of market cleanliness.
Financial firms and issuers are more resilient to market abuse, having robust systems and controls, high-quality reporting practices and a strong anti-market abuse culture.	• Decrease in values of our market cleanliness (MC) statistics. Our broad measure of market cleanliness is one indicator of possible insider dealing but this can be affected by other factors such as sample size or high volatility.
Criminal, civil and supervisory sanctions are brought to bear on wrongdoers to provide effective deterrents.	We are considering the best way to measure market abuse/ misconduct enforcement cases and outcomes.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23
Set rules and standards	• Provide guidance through Technical Notes, which we consult on through our Primary Markets Bulletin publications. • Continue to supervise issuers to ensure those standards are applied.
Recognise and reduce harm	• Successfully deliver the Market Surveillance Refresh project to allow efficiency improvements in our alerting, triage, and enquiry analytics. • Increase our detection capability through advanced analytics and better data coverage. • Complete our Markets Data Processor refresh which delivers market data to our alerting and analytics tools. • Further develop structured machine-readable Primary Market data through our national storage mechanism (NSM).

Examples of our work to reduce and prevent serious harm

British Steel Pension Scheme

On 31 March we published a consultation paper [-9] setting out our proposals for a consumer redress scheme. Under this, consumers who were given unsuitable advice to transfer out of the British Steel Pension Scheme (BSPS) can have the advice they received reviewed and receive redress where unsuitable advice caused loss. We found that a high proportion of that advice was unsuitable for those consumers and caused them financial loss.

The proposed scheme will advance our objective to secure an appropriate degree of protection for consumers. To achieve that we will:

- ensure firms review advice to identify whether it was unsuitable and caused loss
- ensure BSPS members who were given unsuitable advice that resulted in loss can receive redress
- ensure the scheme is effectively implemented and delivers efficient and consistent results to consumers, including learning from the Swift review [-8]
- avoid unnecessary complexity so that firms and consumers understand the scheme, what it means for them and any action they may be required to take
- work closely with the Financial Ombudsman Service and the FSCS to ensure outcomes for consumers are consistent
- monitor the impact that implementing a BSPS scheme has on the wider pension transfer market and consumer access to advice

Beyond our work on BSPS we are working on a number of past business reviews with firms who have provided poor advice to ensure consumers get access to redress. We expect most of this work to conclude this year.

We receive data every six months from firms with a Defined Benefit pension transfer permission. We use this data as part of our ongoing supervision and will investigate where it raises concerns. Where we identify poor advice, we take action.

We are also working closely with The Pensions Regulator to continue to improve the sharing of data between organisations as set out in the Joint Protocol. This work has included our recent joint statement on the Old BSPS.

High-cost credit

In recent years, the aggregate level of credit available to those who have limited or no access to mainstream credit and may be in vulnerable circumstances has reduced significantly, in markets such as home collected credit, guarantor loans and High-Cost Short-Term Credit. This situation is due to different factors, including firms' past unaffordable lending.

We have been building a picture of the nature and scale of future supply of credit to borrowers outside the mainstream markets and getting a deeper understanding of the characteristics and needs of consumers who may no longer be able to access credit. We are considering how to support these consumers, as the cost of living increases, without reducing necessary protections and exposing them to further harm.

We know that a compliant, responsible commercial high-cost credit sector can only meet some of their needs. We are supporting Government and Fair4All Finance on initiatives like the No-interest Loans Scheme and are ready to play our part in collective efforts to explore how to support consumers.

Underpinning this is our ongoing strategy to drive improved compliance in the high-cost credit market so that firms serve consumers responsibly. A fair, responsible and sustainable market should not see credit being offered to consumers who cannot afford to repay it. We want to see a culture shift, moving away from past poor conduct and taking responsibility for consumer outcomes. To support this, we are considering how we can help firms understand what outcomes we expect and how to apply our rules in practice.

Focus 2: Setting and testing higher standards

We have committed to focusing on the impact firms' actions have on consumers and markets. We expect firms to adopt the same mindset. This section explains the actions we are taking to set higher standards and assess how these deliver better outcomes.

Putting consumers' needs first

Firms need to do more to make financial services work well for consumers. Our aim is to set clearer and higher expectations for the standard of care and customer service firms give consumers. We will also work with the Government and wider partners to support financial inclusion within financial services. We have included an outcome and metrics which reflect our current focus on access to cash. We will build on these in time as our work evolves.

Outcomes we want to achieve	Examples of how we will measure progress [25][1]
Consumers are sold products and services that are designed to meet their needs and characteristics.	• Reduction over time in upheld Financial Ombudsman Service complaints about unsuitable advice and mis-sold products and services. We recognise that any reduction in complaints will lag behind the changes we make to improve outcomes for consumers, and it will take time to see the impacts of our work. We may also see increases in complaints in the short term as our measures increase consumer awareness of poor practice by firms.
Consumers get products and services which are fair value.	• Reduction in the proportion of consumers, including those in vulnerable circumstances, who, in the last 2 years, have been offered a financial product or service they wanted, but at a price, or with terms and conditions, they felt were completely unreasonable (this is a question on our Financial Lives Survey). We use 'completely unreasonable' as it fits the questionnaire design; it doesn't represent a threshold of for what we perceive as fair value.
Consumers understand the information they are given and make timely and informed decisions as a result.	• We are adding new questions to our Financial Lives survey to understand consumer perceptions of the information they are given as one way to help us assess this outcome.
Firms provide consumers with good customer support.	• Reduction over time in upheld Financial Ombudsman Service complaints about: ◦ administration or customer service ◦ account access, delays and terminations ◦ account closure ◦ cancellation of policies We recognise that any reduction in complaints will lag behind the changes that we make to improve outcomes for consumers and it will take time to see the impacts of our work. We may also see increases in complaints in the short term as our measures increase consumer awareness of poor practice by firms.
Consumers have confidence in financial services markets.	• Increase in the proportion of consumers, including consumers in vulnerable circumstances, who slightly or strongly agree that most financial firms are honest and transparent in the way they treat them (Financial Lives survey).
Appropriate access to financial services is maintained	• Continued tracking of access to cash. We'll report our findings until the Government legislates and a level of cash access has been set for us to monitor against. Our metrics here reflect our current focus on maintaining access to cash.

[1]These metrics are subject to change as we finalise our new Consumer Duty policy. It will also take time for the data to reflect the change in policy.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23
Authorise firms and individuals	• Embed the Consumer Duty at each stage of the regulatory lifecycle, from authorisation to supervision and enforcement. We will make the Consumer Duty an integral part of our regulatory approach and mindset - including authorisation, supervision and enforcement priorities and processes.
Set rules and standards	• Publish the feedback statement on the proposed Consumer Duty alongside any finalised rules and guidance by the end of July 2022. • Work closely with firms and their trade bodies, consumer organisations and wider stakeholders during the Consumer Duty implementation period to help identify and work through examples of good and poor practice that assist stakeholders to apply the Consumer Duty.
Support competition and innovation	• Publish final outcome-based rules on the proposed Consumer Duty so firms can find new ways of serving their customers with clarity about our regulatory expectations.
Empower consumers and firms	• Gather insights on consumers' needs and experiences through our consumer research and partnerships work, for example on the impact of the cost-of-living crisis on consumers. Use those insights to inform our priorities and action.
Recognise and reduce harm	• Participate in the Financial Inclusion Policy Forum and work closely with the Government and other bodies to support consumer access to products and services under our consumer protection and competition objectives. • Collect detailed information about access to cash coverage. Continue to supervise bank branch and ATM closures and conversions to help ensure fair treatment of customers. Continue to support the Government as it develops legislation to protect access to cash. • We will amend our supervisory strategies and the way we prioritise to reflect the new higher standards of the Consumer Duty and reduce harm as quickly as possible by focusing initially on the highest priority issues and portfolios.
Take quick and effective action	• Continue to use our regulatory toolkit, including our powers to enforce consumer protection legislation - eg Consumer Rights Act 2015, Consumer Protection Unfair Trading Regulations 2008 - to address harm where we see poor practice.

Enabling consumers to help themselves

Digital services make it faster and easier than ever to engage in financial services or undertake any financial services activity. Consumers need good information to make good decisions. But this doesn't always happen. Instead, they're often targeted with adverts that are illegal, unclear, unfair and misleading.

We're getting faster at finding potential breaches and shutting down misleading promotions. Our focus with authorised firms is making sure they sell products and services that are suitable for the consumers that buy them, stopping firms doing unauthorised business and warning consumers about these firms.

Outcomes we want to achieve	Examples of how we will measure progress [28]
Reduce the potential for consumer financial losses arising from mis-selling of products due to the issuing of non-compliant financial promotions by authorised entities.	• Increase in the number of our interventions on non-compliant financial promotions by authorised firms (interventions means using our regulatory tools to reduce potential or actual harm to consumers/markets). An increase of interventions over the next three years indicates that we are more effectively able to address promotions that are likely to lead to mis-selling and financial losses. We anticipate an increase over the next one to two years, followed by a flattening.
Reduce the potential for consumer financial losses and mis-selling of products due to the issuing of illegal financial promotions by unauthorised entities.	• Increase in the number of warnings on our website relating to unauthorised entities. A rise in the number of warnings issued over the next three years signals that we are more effectively able to address activity by unauthorised entities that potentially leads to mis-selling and financial losses. We anticipate an increase over the next one to two years, followed by a flattening.
Reduce the potential for financial loss from scams and the mis-selling of high-risk non-standard investments involving authorised firms.	• Reduction in the proportion of consumers investing in high-risk investments whose general tolerance to risk is very low or who demonstrate characteristics of vulnerability (measured through our Financial Lives survey). This metric indicates that our interventions are helping to ensure consumers invest in products better suited to their needs and circumstances.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23
Authorise firms and individuals	• Prepare for a role in giving firms permission to approve financial promotions. This depends on legislative changes. • The Treasury says it wants to legislate for a gateway for authorised firms wanting to approve financial promotions for unauthorised persons. We expect to include information about firms' permissions to approve promotions on the FCA Register [-22].
Set rules and standards	• Help to ensure consumers have access to high-quality information and to understand the risks of their investments. Our proposals in CP22/2 [22] to strengthen the consumer journey into high-risk investments will help us achieve this. We intend to publish our final rules in summer 2022.
Empower consumers and firms	• We have proposed new rules to increase the information consumers get to enable them to make informed decisions. Higher quality promotions will allow consumers to more easily identify suitable products that meet their investment needs and risk tolerance. • Equip less experienced investors with ways to reduce risk, by using new and innovative channels. Our InvestSmart [-21] campaign will help them to make well-informed decisions and avoid unaffordable risk.
Recognise and reduce harm	• Increase resource in intelligence and analytics, helping us to better spot and track potentially fraudulent activity and reduce the average amount of money lost to scams. • We are increasing resources for our work on non-compliant promotions by authorised firms, as well as activity by unauthorised firms which potentially leads to mis-selling and financial loss. This will reduce the potential for financial loss from scams and of authorised firms mis-selling high-risk non-standard investments.

Regulatory activity	Key activities during 2022/23
Take quick and effective action	• Intervene swiftly and assertively against authorised firms issuing non-complaint financial promotions and against unauthorised firms conducting activity that could lead to mis-selling and financial losses.

A strategy for positive change: our environmental, social and governance (ESG) priorities

The financial sector has an important role to play in helping the transition to a net zero economy and a more sustainable long-term future. We also want to embed our environmental, social and governance (ESG) work across the FCA to support the financial sector in driving positive change in these areas.

In November 2021, we set out our ESG strategye[-20]. This sets out our target outcomes and the actions we expect to take to deliver them. We are developing metrics to accompany these outcomes.

Outcomes we want to achieve	Examples of how we will measure progress [29]
Trust and consumer protection from mis-leading marketing and disclosure around ESG-related products.	Developing metrics to measure the incidence of misleading marketing for ESG products.
High-quality climate and wider sustainability-related disclosures to support accurate market pricing, helping consumers and market participants choose sustainable investments and drive fair value.	Develop metrics to measure the increase in the quality and quantity of climate-related and sustainability disclosures.
Active investor stewardship that positively influences companies' sustainability strategies, supporting a market-led transition to a more sustainable future.	Working with industry leaders and other regulators to decide how to develop indicators for the effectiveness of stewardship.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23
Authorise firms and individuals	• Embed consideration of ESG issues in how we authorise firms and individuals, considering factors such as Diversity and Inclusion (D&I), the nature of the firm and the products/services it wants to offer.

Regulatory activity	Key activities during 2022/23
Set rules and standards	Build on the regulatory framework by: • actively monitoring the effective implementation of disclosures by firms and listed companies • working with the Government in support of its ambition in green finance • leading the ongoing development of a labelling regime for investment products and an effective ESG ecosystem to support integrity in the market for ESG-labelled securities • engaging proactively on the design and governance of transition plans • strengthening investor stewardship • driving improvements in outcomes through D&I transparency, and consulting on this in summer 2022 • delivering thought leadership internationally, eg through our role as co-chair of the IOSCO Sustainable Finance Taskforce [-28] workstream on issuers' sustainability disclosures, promoting global solutions to global problems To support this, we will be transparent in our approach to managing our own climate-related risks and opportunities. In 2022, we'll publish a report covering the recommended disclosures of the Task Force on Climate-related Financial Disclosures [-27] (TCFD).
Support competition and innovation	Work with international regulators and the FinTech community to solve global problems through innovation. We will continue to work with stakeholders to: • enable innovation through our dedicated facilities, such as our Sandbox, building on our November 2021 TechSprint, recent Green FinTech challenge and Digital Sandbox • help ensure the industry can address common ESG-related challenges collectively and in line with competition law
Empower consumers and firms	Help ensure consumers: • can get relevant, targeted key information on the ESG products and services available to them, including through our work on product labelling and consumer-facing product disclosures • have the information they need to make informed choices about the ESG credentials of the firms they interact with
Recognise and reduce harm	• Monitor firms and take enforcement action as needed on how they manage the impacts, risks and opportunities from ESG issues, including how they ensure customers are treated fairly. We will develop new interventions as necessary.
Take quick and effective action	• Embed ESG across the organisation so that more of our staff are empowered to take action. We will identify where firm practices do not meet our expectations (eg greenwashing) and intervene swiftly to protect consumers.

Minimising the impact of operational disruptions

Operational disruptions are inevitable. Firms must be operationally resilient – able to prevent, respond to, recover and learn from operational disruptions. Without this, consumers can lose access to essential services and confidence in financial services.

We've introduced new rules and guidance to strengthen operational resilience and are scaling up our efforts to deal with those who can't meet our new standards.

Outcomes we want to achieve	Examples of how we will measure progress [34]
Important business services provided by firms are resilient to operational disruption.	• Reduction in impact (scale, severity, time to remediate) of operational disruptions to firms' important business services, as measured by FCA Technology, Resilience & Cyber Department. To measure our success, we will develop a new metric based on the volume, scale, severity, and time to remediate operational disruptions. While developing this metric, we will monitor the overall number of operational incidents.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23
Authorise firms and individuals	• Our authorisation process will include a consideration of how firms that are subject to the Operational Resilience Policy have ensured they meet the expectations of the policy, including the identification of Important Business Services and setting of Impact Tolerances.
Set rules and standards	• Launch – with the Bank of England and Prudential Regulation Authority (PRA) – discussion on Critical Third Parties (CTPs) in 2022. This Discussion Paper (DP) will propose an oversight regime for the supervisory authorities to set resilience standards, a testing approach, and enforcement powers for CTPs. We intend to use responses to the DP to inform a consultation in 2023. • We will keep refreshing our approach to firms reporting incidents to us and the PRA, to make it clearer for firms what, when and how they should be reporting.
Recognise and reduce harm	• From 31 March 2022 to 31 March 2025, we will assess how able firms are to remain within their impact tolerances – the maximum tolerable amount of disruption to an important business service – ahead of the 31 March 2025 deadline, from which point they will need to show they can remain within their impact tolerances.

Examples of our work setting and testing higher standards

Diversity and inclusion in the financial sector

In July 2021, we published a Discussion Paper Diversity and inclusion in the financial sector – working together to drive change [-36] jointly with the Bank of England and PRA. This explored how we can make financial services more diverse and inclusive.

Since then we have continued to engage with firms, other regulators and interested stakeholders. We have also gathered data from a sample of firms we regulate to understand their levels of diversity and the type of data they already collect. This will help us determine the best way to monitor future progress. Taking into account feedback on the discussion paper, we are working with the Bank and PRA to consult on more detailed proposals in Quarter 3 2022.

Lifetime mortgages

An increasing number of consumers are approaching retirement either owning their homes outright or with a mortgage. The lifetime mortgage market caters to those who want to use the value in their home to meet their later life needs. Given the significance of these decisions for consumers, we are considering the work we need to do to ensure that the market is working well. This could include following up on our earlier findings [-35] about poor quality advice and checking that standards among intermediaries giving advice have improved.

Funeral plans

Our strategy will focus on making sure that funeral plans offered to consumers meet their needs while offering fair value; and that firms have sufficient resources to ensure they deliver the funerals for which consumers have paid.

We aim to achieve these good outcomes for consumers through rigorous supervision of firms and the market, ensuring that firms continue to meet our high standards after we have authorised them. We will conduct an in-depth analysis of the newly authorised portfolio of these firms within the first year of regulation. We'll identify and publicise key risks of harm that firms may pose, as well as our expectations of firms to manage those risks and minimise the risk of consumer harm.

Consumer investments

Our Consumer Investments Strategy[-34] aims to enable consumers to invest with confidence, understand the risks they are taking and the protections they can expect.

We continue to consider the most appropriate regulatory changes that will make it easier for firms to help consumers who want to invest in in simple, diversified and good value products, especially ISA wrappers that contain mainstream investments.

We will introduce a regime that strengthens requirements on firms marketing high-risk investments to consumers. This builds on previous work to address harm in the market such as banning the mass-marketing of speculative mini-bonds.

Our work to improve firm resources and resilience includes reviewing our financial adviser prudential requirements. This is linked to a wider package of measures to improve the redress framework and ensuring that consumers have access to redress when things have already gone wrong, which includes our consultation on a redress scheme for former members of the British Steel Pension Scheme.

Focus 3: Promoting competition and positive change

We have made three commitments to use competition as a force for better outcomes.

We will support growth and innovation in the UK through widely recognised and respected high standards. This section explains the actions we are taking to maintain our high standards to enable innovation and competition in consumers' interests.

Preparing financial services for the future

We now have the freedom to tailor our rules to better suit UK markets. If enacted as proposed by the Treasury, the Future Regulatory Framework (FRF) will change the statutory and regulatory framework we operate in.

The Treasury has proposed us having greater powers to set rules and regulate in a way that is properly adapted to the needs of UK firms, markets and consumers. We have an important role in implementing the new framework so that it is fit for the future.

Outcomes we want to achieve	Examples of how we will measure progress [37]
The FRF supports all our topline outcomes and creates confidence in financial markets.	• We will measure our success by how effectively we respond to any change in our remit, accountability arrangements or wider obligations and how we embed firm facing requirements from legislation into our rules. In the longer term, when any legislative changes have been fully implemented, we will also consider consumer and firm confidence in the FCA and UK financial system. This metric, and others about the whole financial system and the FCA, are clearly affected by many other factors. So we will consider other ways of assessing the effectiveness of our work in this commitment.
Ensuring orderly transfers of firm-facing requirements from legislation into our Handbook.	• We will continue to assess and monitor the regulatory pipeline through the Regulatory Initiatives Forum and Grid, to understand the impact of the transfer on firms.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23
Set rules and standards	• Continue to work with the Treasury to design and deliver a new regulatory framework that will transfer firm-facing requirements from legislation into our Handbook. • Prepare to implement any changes if the Treasury proposes legislation that will change our remit, accountability arrangements or wider obligations (for example, new processes around our rule-making or cost benefit analyses). Help the Treasury prepare any legislation needed to deliver the new framework.

Strengthening the UK's position in global wholesale markets

We seek a UK wholesale market which supports both the domestic economy and growth while maintaining high standards of consumer protection. This will be achieved if the UK continues to be one of the leading markets of choice for issuers, intermediaries and investors alike when compared to other high-quality markets.

Multiple factors will affect this outcome, including some outside our control. Our actions will encompass our roles both as the supervisor of regulated firms and markets and our role in the capital markets as the securities and listings regulator. We will take action to deliver a clear, well-understood proportionate regime which upholds high standards and supports innovation. Where we are gatekeepers for users to access markets, we will improve processes to make them as efficient and robust as possible.

Outcomes we want to achieve	Examples of how we will measure progress [41]
The regulatory framework is clear, well-understood and trusted by all market participants. The framework supports market participants in determining fair value. Where outcomes are not being met, this is clearly communicated, and remediation is swiftly undertaken or enforced.	Develop a metric to measure market participants' views on our effectiveness.
The UK is regarded by market participants as one of the top markets of choice, with innovation viewed as encouraged and supported in the UK markets, and regulation viewed as appropriately evolving to address new opportunities and risks.	• Working with partners, maintain the UK's top 5 position in the New Financial global financial centres index. This measures the overall financial activity across all sectors and considers qualitative factors related to overall economic performance. It ranks different jurisdictions based on these factors. Our contribution to this is important, but it is also affected by other factors.
Market participants regard the regulatory framework as proportionate both in terms of speed and cost.	• Increased proportion of cases meeting authorisation turnaround targets for wholesale funds, regulated activities, and capital markets. These measure how quickly we approve new and changing regulated businesses, funds and capital market transactions. This can be skewed by high volumes and/or low quality of applications.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23
Authorise firms and individuals	• Enhance our capacity to approve listed issuers onto UK capital markets.
Set rules and standards	• Start the transfer of the regulatory framework from legislation into FCA rules through the future regulatory framework.
Support competition and innovation	• Begin a programme of market studies on market data, starting with trade data. • Review and update the wholesale markets regulatory framework including Primary Market Effectiveness and Wholesale Market Review projects. • Review and develop with the Treasury appropriate regimes for overseas firms to access the UK markets. • Further enhance international relationships and contribute to developing international standards, and their subsequent implementation. • Support innovation through our flexible approach to regulation eg through launching the financial market infrastructure (FMI) sandbox [-56].

Shaping digital markets to achieve good outcomes

The digitalisation of financial services is changing the way consumers make decisions and markets operate. To be an effective regulator, we must both respond to today's challenges and prepare for those of tomorrow. We need to better understand the emerging risks and opportunities so that the huge benefits to consumers are captured and the important harms mitigated.

Outcomes we want to achieve	Examples of how we will measure progress [42]
The development of digital markets and the use of new technologies in financial products and services leads to fair value for consumers.	We will develop metrics through our work to explore the potential future impacts of digital developments on financial services markets.
The consumer journey for digital financial products and services enables consumers to take decisions in their best interest.	• Reduction in 'sludge' and other harmful digital design features in areas where we have taken action. By sludge we mean the excessive friction that hinders consumers from making informed decisions by taking advantage of their behavioural biases. We will develop appropriate measures for this in different products and services.

How we will achieve the outcomes

Regulatory activity	Key activities during 2022/23
Support competition and innovation	• Work with the Government and stakeholders on the new pro-competitive regime for digital markets. • We will be proactively identifying the competition risk and benefits from Big Tech entry in financial services to inform our future work.
Empower consumers and firms	• Begin to robustly investigate digital consumer journeys across prioritised areas to ensure consumers are empowered to take decisions in their best interest.
Recognise and reduce harm	• Engage and collaborate with other regulators in the Digital Regulatory Cooperation Forum (DRCF) on digital markets issues and other online regulatory matters. Our DRCF 2022/23 workplan outlines our priorities for the coming year. • Publish a joint discussion paper with the Bank of England on artificial intelligence in financial services.

Examples of our work to promote competition and positive change

Maroon outline of a magnifying glass

Asset management and non-bank finance

The UK investment management sector manages £11 trillion of savings and pensions of millions of people across the UK and globally. The sector channels capital into investments that support economic activity.

We want firms to offer investors products that provide fair value and meet their investment needs. We want to ensure that our regulatory framework sets clear standards for a global industry, while retaining strong consumer protections.

Our supervision will focus on how asset managers ensure value for consumers. We will increase our supervisory focus on whether asset managers present the environmental, social and governance (ESG) properties of products in a way that is fair, clear and not misleading.

We will work with the Treasury and industry to identify opportunities for change from any transfer of responsibilities under the Future Regulatory Framework [-68], and will work with our global counterparts on topics such as fund liquidity to achieve common standards.

Crypto

At present, cryptoassets are only regulated in the UK for money laundering purposes, and we do not have conduct or consumer protection powers over the industry. We support innovation in financial services, including cryptoassets and their underlying technology, where they have applications that are in the public interest. For example, cryptoassets, and in particular a subset called stablecoins, could lower fees, speed up international transfers and automate payment transactions further. At the same time, risks to consumers and the market must be appropriately mitigated. This may require further cryptoasset regulation as the industry evolves.

We welcome the response of the Treasury [-67] to the 2021 consultation on cryptoasset regulation, confirming that stablecoins used as payment will be brought within the regulatory perimeter (ie under our regulation). So we will consider our regime for stablecoins used as payments and are planning to consult later this year.

The Government's response also confirmed that it will consult on wider regulation of the cryptoasset sector. We will also work closely with Government and other parties through the Cryptoassets Taskforce [-66] to design a UK approach to regulation that balances innovation and competition alongside the need for orderly markets and consumer protection.

Cryptoassets are increasingly being adopted and incorporated into existing financial services. In March 2022 we published a statement [-65] reminding authorised firms of their existing obligations where they are interacting with or exposed to cryptoasset services. Firms remain responsible for assessing the risks to their business and consumers. We will continue to assess that firms are adequately taking account of cryptoasset risks and making it clear to consumers when they are interacting with unregulated services.

Our budget

Our annual budget reflects the cost of the resources we need to carry out our work in 2022/23. The key elements of our budget are:

- the cost of our core operating activities (our Ongoing Regulatory Activity, ORA), the largest element of which is our people
- the total amount we charge the industry to fund our activities (our Annual Funding Requirement)
- capital expenditure to develop our technology and information systems, and new regulatory and operational requirements

We give additional detail in our annual fees rates consultation paper (CP22/7 [-64]).

Annual Funding Requirement (AFR)

£m	2022/23	Actual 2021/22	Change	% Change
ORA budget	617.4	575.6	41.8	7.3%

£m	2022/23	Actual 2021/22	Change	% Change
Scope change	10.4	8.3	2.1	25.3%
EU withdrawal	0.0	10.0	(10.0)	(100%)
Business Interruption Insurance	0.0	7.5	(7.5)	(100%)
Transformation programme	10.0	10.0	0.0	0.0%
Consumer Harm Campaign	2.3	2.3	0.0	0.0%
Total AFR	**640.1**	**613.7**	**26.4**	**4.3%**

Our AFR for 2022/23 is £640.1m, an increase of 4.3%. Our AFR includes our ORA budget, transformation, our Consumer Harm Campaign, and the costs we need to recover for changes to our regulated activities (scope change). The actual fees we collect will reflect the AFR net of rebates from financial penalties collected (£49.1m).

The ORA budget

The ORA budget comprises a flat in real terms base ORA budget increasing by 6.2% (£35.7m) to reflect the current inflationary environment, and additional charges to reflect changes to responsibilities (£3.0m), and the increased employer rate of National Insurance (£3.1m). This gives a rebased ORA budget of £617.4m, representing an overall 7.3% increase on last year.

Transformation

Our transformation programme is investing in systems and capabilities to enable better use of data and intelligence to regulate 51,000 firms effectively and efficiently. 2022/23 is the final year we will recover the costs of our transformation programme, with recoveries set at the same level as 2021/22.

Consumer Harm Campaign

In 2020/21 we sought industry support to undertake a communications and information campaign to tackle areas where we see real risk of consumer harm, building on and supplementing our existing campaign, ScamSmart. We continue to recover the costs of our InvestSmart Campaign at the same level as 2021/22.

Scope change recovery

In 2022/23 we will recover scope change costs for cryptoassets under the new Money Laundering Regulations, and Financial Promotions.

Capital expenditure

The increase in our capital expenditure budget reflects the investment in property, plant and equipment relating to 12 Endeavour Square, to prepare for the sublet of 3 floors and improved audiovisual equipment to support the new hybrid working approach.

Capital expenditure (£m)	2022/23	2021/22
IT systems development and infrastructure	50.0	50.0
Property, plant and equipment	6.2	1.0
Total budget	**56.2**	**51.0**

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