

Financial Conduct Authority



# Our Strategy

*8 December 2014*



## Foreword



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I am pleased to share with you the outcomes from our strategic review, which were approved by the Board in early November. Thank you for your contributions to our thinking, which you have shared through workshops, the staff survey, the red tape review, and direct feedback to your line managers and me personally.

I'm very proud of everything we have achieved together so far, and look forward to leading you through the next phase of our journey.

A handwritten signature in black ink, appearing to read 'M. Wheatley', written in a cursive style.

Martin

# The FCA Today

We have achieved an enormous amount and learned a lot about being a conduct regulator. Whether it is sending out clear messages through our enforcement actions relating to LIBOR or Forex, event driven supervision to resolve issues like CPP, our cross-FCA approach to consumer credit, behavioural economics or our ground-breaking work on the Payday Cap, the FCA is truly on the map.

We have also set out our stall as a markets regulator, launched the debate on how we regulate the asset management industry and introduced *Intact*, our new platform to gather information about our contact with firms and consumers. Internally, the focus has been on our people through the launch of The FCA Academy, our world-class training offering to help you achieve your career aspirations. This summary only gives a flavour of our successes, there are many more and this shows how good we can be when we're at our best.

Parliament has asked us to take on a whole range of new functions, concurrent competition powers and the new Payment Systems Regulator. We have made a good start to delivering on our competition duty and objective, but there is much more we can do to take a market-driven view of regulation. With success also comes an ever increasing waterfront to police and we need to be smart about how we make best use of our resources.

The scale and scope of our new remit has put our supervisory model for small firms under strain. We also know that things have felt stretched and we have heard from you that it can be difficult to align the things we care about and the issues we pursue across the organisation. As a consequence it is, at times, difficult to understand the relative importance of the competing demands on our time. We also know we have more to do to ensure our resources are deployed efficiently and effectively and our governance arrangements strike a balance between good governance and acting quickly.

## Consumer Credit



## FCA Academy



## Intact



## Price Cap



## FOREX



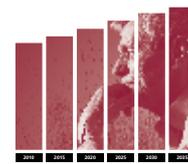
## The environment in which we regulate

Our work is shaped not only by firm conduct, but by trends and the changing environment in which we regulate. We have considered a range of the current challenges in developing the strategy and considered the pressures they might create for the FCA. For example:

- An ageing population is likely to drive more demand for certain types of financial products.
- A more indebted young – at the other end of the age range, those under 25 have higher levels of debt than their parents' generation.
- Technology – both in terms of adoption of new technology by consumers and the fact we will need to respond to more innovative business models.
- A global and interconnected world where policy makers are increasingly looking for solutions to big problems at an International or European level.

This leads us to conclude that change is the new normal for the FCA and we need to be ready to meet the unexpected. We need to be more focussed and more flexible in how we respond to these trends and be willing to adapt our approach to issues and think of flexible solutions.

### Ageing population



### Indebted young



### Innovations in Technology



### A global and interconnected world



# Our Objectives

We remain focussed on achieving our Strategic Objective:

“Ensuring that the relevant markets function well”

Our Operational Objectives are also unchanged:

- To secure an appropriate degree of protection for consumers;
- To protect and enhance the integrity of the UK financial system; and,
- To promote effective competition in the interest of consumers.

## What we will do in practice



## Sustainable model of regulation



We have already started to make a shift in this area by lowering barriers to entry in authorisations, our new market studies and a more risk based approach to supervision. However, there is more to do here and this will mean three major strategic changes:

- We will sharpen our focus on large firms, sectors and small firm supervision, integrating authorisations and supervision. This will mean that we will shift our approach to supervision for smaller firms, removing the distinction between C3 and C4 firms, supervising individual firms on a more risk-based model, and removing much of our standard Pillar 1 activity for those firms. For larger firms, we will take a whole market as well as a firm specific view of each firm, largely continuing the existing three pillar supervision model for C1 and C2 firms.
- We will embed our approach to regulated Markets across the FCA, aligning them where they fit best with the wider organisation.
- While multi-firm supervisory activity will remain in Supervision, we will merge our market intervention work together, so that cross-market thematic and market study work comes together in the competition division. The aim is to do fewer, more focussed pieces of market-based work that look broadly across regulated sectors and products. To support this horizontal view, we will be building out our strategy and competition agenda, with a greater focus on market intelligence, data and analysis.

To complement this, the firm-level supervision will be increasingly steered by insights provided from a new intelligence approach, set out below.

## FCA common view



As an organisation we collect, ingest and create significant amounts of data, information and intelligence. Some of this needs to be done by very specialist teams. However, we need to make better use of this to understand the markets we regulate and to make fully-informed decisions. On many issues we lack a common FCA view which can make it difficult for us to prioritise risks.

We intend to create a common FCA view of what is happening in each of the markets and sectors we regulate. To make this work as a new team and cross-functional resource, sharing processes and systems will be developed to remove duplication.

## Priority setting



We have achieved an enormous amount in the early life of the FCA, but that can also lead us to feel over stretched and for those we regulate to feel overburdened.

To remedy this we will be establishing new ways of prioritising the work we do as part of looking at our streamlined governance.

## Strategic approach to risk



We will ensure we have the best second line of defence that we can, by bringing together the Risk and Supervisory Oversight functions to form a new Risk Division.

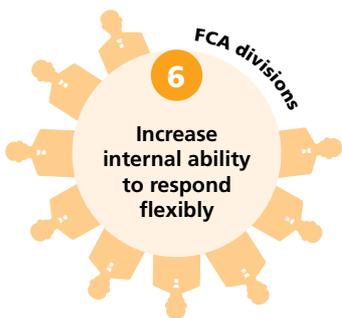
## Engage and influencing



Recognising the importance of the European and International agenda we will bring together our International and Markets Policy functions to provide co-ordination of our international activity. We will aim to influence strategic developments at an earlier stage than we do now.

The communications division will be aligned more closely with the strategy and policy teams and the CEO's office so it can continue to support the whole organisation as one of our regulatory tools.

## Flexible resources



We need to strike a balance between delivering our priorities and delivering in what we know will be an uncertain environment, and will be looking to ensure we can be flexible and share resources more strategically across the organisation in line with our agreed priorities.

## Making the most of our resources



Any public organisation has a responsibility to tackle inefficiency, duplication or other factors in our processes which get in the way of working as effectively as we can. We are reviewing our governance structures and decision making processes to enable faster decision making and more effective prioritisation across the organisation and later next year we will do some more work to ensure we have as much resource as we can focussed on delivering our objectives as efficiently and effectively as possible.

## Our organisation

Putting these changes into practice has implications for how we organise ourselves and our resources; as a consequence of the review we will make a number of changes to our organisational structure with all changes effective 1 April 2015. These structural changes will be complemented by our continued focus on developing our leadership, collaboration and culture.

## Next steps

Over the next few months we will work with you in your Divisions and Departments to make this strategic intent a reality, in order that we can continue to meet our statutory objectives in the most effective way for the FCA, consumers and the industry.

