

Andrew Griffith MP  
Economic Secretary to the Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

12 Endeavour Square  
London  
E20 1JN

Tel: +44 (0)20 7066 1000  
Fax: +44 (0)20 7066 1099  
[www.fca.org.uk](http://www.fca.org.uk)

1 December 2022

Dear Andrew,

**Re: A dynamic and agile approach to regulation**

Thank you for your letter. In July we published a detailed report on our performance across a wide range of [operating service metrics](#) as part of our Annual Report publication for the 2021/22 financial year. In our publication, we noted that there is room for improvement in certain areas. This reflects our plans to deliver a better service, with clearer expectations at the outset.

We are always open to simplifying regulation whilst delivering better outcomes and streamlining our processes without undermining rigour. As we embed international competitiveness further in our approach, it is vital that we do not compromise on our statutory objectives of consumer protection, market integrity and competition in the interests of consumers.

To achieve that, we are improving the ways we work as part of our ongoing transformation programme to become a more innovative, assertive, and adaptive regulator.

As you know, our Chief Operating Officer is now responsible for operational effectiveness and efficiency. In October we published an update on the progress we are making in [Authorisations](#), to ensure appropriate transparency in this important area.

In the past year we have reduced our pending authorisations caseload by 50%. At the same time, our standards have remained high to prevent future risks of harm. One in five applicant firms did not receive authorisation in the last financial year, up from one in 14 the year before.

In the update, we explained our progress on service standards for case work, outlining areas where we are not meeting our statutory and voluntary timelines for authorisations and setting out our strategy for closing any gaps.

We want to improve our service to applicants with a better customer journey and more timely decisions, balancing this with ensuring the right level of scrutiny. Our update also noted that we would review our voluntary service metrics to determine whether these remain appropriate.

## **Increasing the frequency of reporting on authorisation determinations**

The current authorisations metrics are published for the prior 12 months and so will not always represent recent performance. As we explained in the Authorisations update, we will have significantly improved determination times by March 2023 compared with the prior year, but this will not be apparent in the full 2022/23 data. Equally any deterioration in performance may not be reflected in the published numbers for up to two years. This is because the time to determination is only counted at that end point. We are therefore proposing to publish authorisations service metrics on a quarterly basis. We intend to publish within six weeks following the end of each quarter beginning with Q4 2022/23.

## **Publishing more detail on the time taken to determine applications**

The current service metrics show the proportion of cases determined during a particular time period against statutory deadlines. However, this gives limited insight as to how quickly actual cases are approved. For most categories of applications, we are determining the vast majority within the statutory deadline. For straightforward, high-quality applications this can be significantly ahead of the deadline. As we improve performance, we expect that determinations past deadline will be due to good regulatory reasons, for example, where we have identified risks of harm to consumers or markets or are working through a refusal. We have previously identified instances of intelligence or whistleblowing on individuals and firms that required work, as well as links to ongoing enforcement action.

We want firms to be able to better anticipate how long it will take for their applications to be determined. Therefore, we intend to publish the lower, median and upper quartile time taken for determination in each category of application, including SMF, customer function, appointed representatives, new firm authorisations and variation of permissions.

## **Voluntary service standards for authorisation determinations**

From time to time, we have set ourselves voluntary service standards for high volume applications where we believe it is reasonable for firms to expect quicker determination times than the statutory standard. Currently we have voluntary standards for approved persons, appointed representatives and payments agents.

Following the recommendations of the Gloster report we now apply additional scrutiny to these applications which means the historic voluntary standards are no longer appropriate. Rather than set new voluntary standards we will achieve a greater level of transparency by publishing the average determination times for each of these categories of application.

## **Next steps**

The data on operational metrics that we choose to publish will need to be agreed by the Board of the FCA, who have statutory responsibility for overseeing the effective use of the FCA's resources. The Board supports transparency on operational performance which underpins our accountability, particularly to Parliament, and supports the Treasury too in fulfilling its responsibilities.

We need to design in detail the metrics we will publish on average determination times to agree the appropriate and most helpful information. We expect that will also require some administrative changes to the way that we manage cases to validate the accuracy of this additional level of reporting.

We will also discuss our approach with the PRA. Whilst they do not receive the high volume of applications that we receive in some areas, we believe dual regulated firms would benefit from a degree of consistency.

We anticipate confirming the detail of our approach in the New Year.

Yours sincerely,

**Nikhil Rathi**  
**Chief Executive**