

The Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

10 July 2025

Dear Rachel,

Section 1JA recommendations for the Financial Conduct Authority (FCA)

This letter fulfils our obligations under section 1JA of the Financial Services and Markets Act 2000 to respond annually to the Treasury's recommendations in the Government's [remit letter](#), dated 14 November 2024.

We set out how we are supporting the Government's growth mission and the six aspects of its economic policy, to which we should have regard. We have also published a report on how we have advanced our secondary international competitiveness and growth objective in its second year. This includes updated metrics on our performance and on the growth initiatives we set out to you and the Prime Minister in January.

Supporting the growth mission and embedding the secondary objective

We have 4 clear priorities from [our new 5-year strategy](#) which reinforce one another: supporting sustained economic growth, being a smarter regulator, helping consumers navigate their financial lives, and fighting financial crime.

We have continued to improve the experience of firms by making sure we consider the secondary objective in our policy-making and approach to supervision. We are improving our operating model to be a smarter regulator – one that's more efficient, effective and proportionate.

We are simplifying our requirements following the introduction of the Consumer Duty. We are retiring more than 100 pages of outdated guidance and giving firms more flexibility in disclosure rules to tailor communications to customers' needs and preferences. When the need arises to address harm, we will look to existing legislation and rules, particularly the Consumer Duty, before deciding whether any new rules or guidance are required.

We are streamlining how we set and communicate our supervisory priorities, withdrawing hundreds of supervisory publications, and publishing a small number of market reports, instead

of over 40 Dear CEO Letters we currently send every two years. And we are reducing the data collection burden – we consulted on retiring data collection returns expected to benefit 16,000 firms (as of end of March). We have already removed 92 historic Dear CEO letters from our website.

Enabling informed and responsible risk-taking

We welcome your support in rebalancing our collective attitude to risk and recognition of the trade-offs involved. Our strategy sets out a vision to deepen trust, rebalance risk, support growth and improve lives. To effectively rebalance risk we want to prompt a public debate, including through the accountability system, on where the UK's risk appetite should be. We are already prompting this debate and supporting sensible and informed risk-taking, for example we are:

- Introducing a new form of regulated [targeted support](#) (Advice Guidance Boundary Review) at pace which will help consumers make more informed decisions about pensions and retail investments, while being clear about potential investment risk and benefits. This will enable firms to make specific suggestions to consumers based on what may be suitable for consumers like them, rather than giving them individually optimised financial advice based on an in-depth personal review. While we hope this will help build a greater culture of investment in the UK, it will be important that consumers trust it, and that they realise it is not full financial advice.
- Emphasising the [flexibility in our stress testing rules for mortgage lending](#) will improve access and flexibility for borrowers, particularly first-time buyers, but may carry greater risk of defaults.
- Prompting, through our [June Discussion Paper](#), a public conversation on the future of the mortgage market. It explores the opportunities and trade-offs involved in increasing risk appetite in the mortgage market.

We have discussed metrics for “tolerable failures” or “tolerable harm”. These metrics would capture how allowing more risk into the system could produce benefits in terms of growth and competitiveness, while recognising the possibility of more failures and consumer harm.

Supporting the real economy through sustainable lending, and by attracting and mobilising increased investment

Our work in reforming pension markets and widening retail access to investment opportunities is essential to encourage consumers and businesses to invest. We are:

- [Consulting](#) on a new Consumer Composite Investments regime and [further proposals](#) to give people more confidence to invest by improving the way they receive information about investment products.
- [Exploring](#) changes to the pensions regulatory framework that might better support consumers who invest in self-invested personal pensions, use on-line tools and modellers and who transfer or consolidate Defined Contribution pensions.

- Consulting on a new value for money framework for workplace defined contribution (DC) pension schemes to shift the focus of firms from cost to value for consumers, and further consulting later this year alongside Department for Work and Pensions (DWP) proposals for trust-based schemes to ensure an aligned approach across workplace pensions.

On sustainable lending we are:

- Supporting HMT's review of the [Consumer Credit Act](#) to deliver a modern, outcomes-based regime that maximises consumer understanding and enables competition and innovation.
- [Welcoming](#) the Government's consultation that will bring currently-exempt Buy Now Pay Later products into FCA regulation and preparing to consult on a proportionate approach to deliver good consumer outcomes.
- Working with industry to establish a new Credit Reporting Governance Body, which will improve credit information and better support consumers.

Supporting innovation and competition

We are enhancing our support of beneficial and responsible innovation to allow consumers and markets to take advantage of the benefits of new technology:

- We continue to work closely with the Government and key stakeholders to deliver the [National Payments Vision](#) and to ensure a smooth transition as the Payment Systems Regulator is consolidated with us. We are increasing the pace of change in Open Banking. We are making Variable Recurring Payments a reality, giving people more control over their payments and lower processing fees for businesses. Within a year, we will also publish a roadmap for the roll-out of Open Finance, with the regulatory foundations in place by end of 2027.
- We are supporting responsible AI development and innovation. Our [AI Lab](#) provides a pathway for firms and wider stakeholders to engage in AI-related insights, discussions and case studies. Our [AI Supercharged Sandbox](#) provides a safe space for firms to test their AI propositions. And, as part of the Digital Regulation Cooperation Forum, we ran a one-year pilot [AI and Digital Hub](#) for cross-regulatory queries.
- We are allowing firms to test regulatory changes using real world situations before these changes are made permanent. Our Digital Securities Sandbox has accepted 6 [applicants](#) between its launch last September and end of March 2025.

A world-leading global finance hub and destination of choice

We are focused on making the UK a destination of choice, by increasing UK markets' competitiveness and demonstrating our international leadership on key regulatory issues:

- We made it simpler for new entrants and existing firms to grow with our [call for input on future regulation of alternative investment fund managers](#). We are consulting on

simplifying conduct requirements for insurance firms. And we are aiming to simplify rules relating to securitisation in the UK, such as transparency and due diligence requirements.

- We remain committed to our leadership in and membership of the International Organisation of Securities Commissions and the Financial Stability Board. We recently co-led the FSB's work to better monitor and address risk from leverage in non-bank finance.
- We have established a presence in the United States and Asia-Pacific to give international investors easier access to us and remain committed to our participation in regulatory dialogues with other jurisdictions.

Leading the world in sustainable finance

We are supporting the Government's commitment to making the UK the sustainable finance capital of the world:

- The first phases of implementing Sustainability Disclosure Requirements and investment labels are in effect, with over 125 funds using labels as at end of March.
- We will be consulting on updating climate disclosure rules for listed companies that are in close alignment with international standards.
- We welcome the Government's decision to bring ESG ratings providers into regulation.

Competitive capital markets that support UK growth, including the pensions review

We have continued our work in unlocking capital investment and liquidity, supporting growth in the real economy:

- Building on the [simplified listings regime](#) introduced last year, our new prospectus regime will make it easier to raise capital and encourage investment. And we are bringing in rules to ease retail access to corporate bonds for issuers and investors.
- We published our [policy statement](#) on the regulatory framework for the Private Intermittent Securities and Capital Exchange System (PISCES), allowing investors to gain earlier access to growth companies and enhancing private companies' ability to scale and grow.
- On pensions, we [consulted](#) on rules for a new value for money framework for the default arrangements of workplace defined contribution pension schemes. These proposals will require consistent disclosure of key value metrics, asset allocations and comparable assessments of value for pension savers. They will shift the focus of decision-making by firms from cost to value and should encourage greater consideration of a broad range of asset classes, including private assets.

Reinforcing financial inclusion and supporting home ownership

We have continued our work to enable consumers to access the financial services and products they need to fully participate in the economy:

- We are supportive of your development of a national financial inclusion strategy and have been participating in the Government's Financial Inclusion Committee. We also continue to work with partners to enable consumers to build their financial resilience and contribute to economic growth and productivity. For example, we are working with external stakeholders to promote the wider roll-out of [workplace savings](#).
- Earlier this year, we launched our Mortgage Rule Review, setting out [steps](#) to improve access and flexibility for borrowers. Alongside our [consultation paper](#) in May and the mortgage reforms mentioned above, we are supporting wider access to sustainable home ownership.

We look forward to continuing to work in close partnership with you to achieve more.

Yours sincerely,

Nikhil Rathi

Chief Executive