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The Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
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9 July 2026

Dear Rachel,

Recommendations for the Financial Conduct Authority (section 1JA FSMA)

I'm writing with our annual response to your [recommendations](#) about aspects of the Government's economic policy to which we should have regard.

Advancing our statutory objectives is the FCA's main contribution to the Government's economic policy. Our [Strategy 2025-2030](#) sets the direction, and our Annual Report shows the progress we make.

Our Strategy is focused on four priorities: being a smarter regulator, supporting growth, helping consumers, and fighting crime. These priorities are designed to ensure we deliver our objectives in a way that supports well-functioning markets and sustainable economic growth. There's strong alignment between these priorities and the areas highlighted in your letter. The annex sets out how your recommendations map to our Strategy and the work we're undertaking to deliver them, providing a clear line of sight from Government priorities through to FCA activity.

This alignment is also reflected across the wider reform agenda, including the Government's Financial Services Growth and Competitiveness Strategy, and Leeds Reforms. We're already making progress in key areas, including simplifying rules, improving consumer outcomes through the Consumer Duty, and supporting capital formation and innovation.

Supporting sustainable growth and innovation requires clear and proportionate judgments about risk. Our approach is grounded in a focus on outcomes and material harm: intervening decisively where risks threaten consumer protection, market integrity or confidence, while allowing space for responsible risk-taking and innovation that can support investment, productivity and longer-term economic growth. This approach enables us to target regulatory effort where it has greatest impact.

Trade-offs inherent in pursuing growth will become more explicit, with a corresponding acceptance that not all harm can be prevented. These are not

decisions for the regulator alone, but for the whole system. They often involve broader, fundamental policy choices, and not simply regulatory ones. The Government should be clear about how it wishes growth to be balanced against the overall risk appetite and associated risk metrics for the regulatory system, providing a stable and enduring framework that allows us to adapt to a challenging external environment.

Yours sincerely,

Nikhil Rathi

Chief Executive

Annex: Mapping Government recommendations to FCA strategy and delivery

- The examples set out in this annex are illustrative and intended to demonstrate strategic alignment, where relevant, with the Government’s recommendations, its Financial Services Growth and Competitiveness Strategy and the Leeds Reforms, and delivery - rather than provide an exhaustive account of FCA activity.

Government priorities (remit letter)	Relevant FCA strategic priorities	Illustrative areas of FCA activity
Recommendation 1: Sustainable lending, investment and trade	Support economic growth	<i>Sustainable lending is covered below in Recommendation 4 (sustainable finance, and financing of adaptation projects, transition to a lower carbon intensity economy).</i> - Office for Investment: Financial Services (launched October 2025). We work with HMT and other regulators to support international financial firms establish or expand UK operations - accelerating investment, streamlining regulatory access, and reinforcing the UK’s global leadership as a financial hub. - Berne Financial Services Agreement (effective 1 January 2026). This aims to make cross-border trade in financial services to wholesale and sophisticated clients easier for UK and Swiss firms. We and Bank-PRA published joint guidance in November 2025. - More proportionate regulation (for example, streamlining the Senior Managers and Certification Regime, reforming redress) to reduce administrative burden and compliance costs for firms, while maintaining strict standards for consumer protection and individual accountability. This aims to support growth and the UK’s international competitiveness by cutting complexity and increasing regulatory flexibility.
Recommendation 2: Competition, innovation, start-up and scale up (also page 2, 1 st bullet)	Support economic growth	- Our innovation services (for example, Digital Securities Sandbox, AI Supercharged Sandbox, AI Live Testing support) are designed to help financial and fintech firms test and develop advanced technologies in secure, controlled environments. This aims to accelerate innovation while ensuring consumer protection and market integrity. - In April 2026, we published our Open Finance roadmap. Our Smart Data Accelerator has stepped up the work exploring the Mortgages and SME Finance sectors, looking at the technical solutions and regulatory framework required. We have also kicked off our PRISM Taskforce, working with industry to inform our approach to wider sectors. We’re further exploring the technology infrastructure and architecture required for open finance and smart data, with the view to test and ensure the future open finance infrastructure works for everyone and fosters deep market competition and innovation.

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		• We've strengthened regulatory support for firms as they grow and seek to enter or expand in the market (for example, the joint Scale-Up Unit and pre-application support launched in May 2026, and expanding our Early & High Growth Oversight function). This aims to accelerate market entry to help high-growth, innovative firms to launch new products faster and navigate regulatory processes so they can scale sustainably. This can boost economic growth, and ensure regulation keeps pace with market innovation. This also gives us crucial insights into the market to design future-proof rules.
Recommendation 3: Global finance hub, leadership in international regulatory fora	Support economic growth	• We've helped shape and implement global regulatory standards through leadership roles in international regulatory fora, including IOSCO, FSB, IAIS and FATF. This has enabled the UK to influence the development of international policy and supervision on areas such as non-bank financial intermediation, operational resilience, sustainable finance and digital innovation, helping to maintain a global regulatory environment that supports the UK's competitiveness as an international financial centre. • The UK is a global financial hub, and effective international cooperation is central to the FCA's approach. With offices in Brussels, the US and Asia-Pacific, we are strengthening our global network to support UK exports, attract investment, and enhance regulatory outcomes. • We're strengthening the UK's position as a global hub for sustainable finance through our work to raise standards. Initiatives include (1) decision-useful sustainability information aligned with global standards; and (2) our technical assistance programme in Southeast Asia, partnering with local regulators to support development of sustainable finance regulatory frameworks.

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Recommendation 4: Sustainable finance, green transition (also page 2, 3rd bullet)	Support economic growth	• Our current work focuses on raising standards and improving trust to build a thriving UK sustainable finance market that can compete internationally and attract capital. We aim to take a proportionate, risk-based approach to tackling known harms while supporting innovation. We work to support industry-led solutions where appropriate so that regulation strengthens competitiveness while maintaining market integrity. Key activities: ◦ We've prioritised work to streamline our sustainability reporting rules for asset managers and FCA-regulated asset owners. In June 2026, we published a consultation which proposes to simplify our climate disclosure rules for investment products. ◦ We're finalising new rules for ESG Ratings providers in Q4 2026. Our aim is to improve transparency, facilitating efficient capital allocation. The regime goes live in June 2028. ◦ In May 2026, we published the findings of our transition finance pilot. This was a market engagement exercise to examine barriers, such as information asymmetries, preventing private capital from scaling climate solutions. ◦ We're finalising rules in autumn 2026 to align listed companies' climate-related disclosure requirements with the new globally-aligned UK Sustainability Reporting Standards. • We work closely with the Transition Finance Council (TFC) as it drives forward the TFMR's recommendations to promote the competitive position of the UK as a transition finance hub.
Recommendation 5: Competitive capital markets, incl. pensions review	Support economic growth	• Capital markets reform. ◦ Building on the overhaul of the UK Listing Rules in 2024, we've streamlined the capital-raising process. This includes introducing a new prospectus regime to ease the administrative burden on firms. Our reforms have made it easier for listed companies to raise capital and reduced barriers for participation of retail investors acting to increase activity in UK listed markets. There have now been 50 significant transactions that have taken place without a shareholder vote since our reforms came into effect. ◦ We introduced a new regime for public offer platforms that provides greater flexibility for off-market capital raises from a broad investor base, subject to proportionate regulation.

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		○ Our reforms to wholesale markets aim to support growth and innovation. In the last year, our new regulatory framework for a new type of private market is live - there are now 4 approved PISCES operators, and 2 companies have held secondary trading events to provide liquidity for their shares. Further events are planned. • Cryptoasset regulatory regime. Regulations to bring cryptoassets into our perimeter were made by Parliament on 4 February 2026. We published final rules and guidance on 30 June 2026. The authorisation gateway is due to open on 30 September 2026, with the new regime commencing on 25 October 2027. • Government's Pension Schemes Act. We continue to support the Government's wider pensions consolidation and investment agenda, to help unlock private market investments where this is in the interests of savers, boosting returns and channel long-term capital into the UK economy. We are working with the Government to deliver consolidation of small pots and facilitate the transfer of members out of poorly performing schemes through contractual override. • Value for Money (VFM) Framework. Together with the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR), we're working to introduce a framework to ensure workplace Defined Contribution schemes can be compared, assessed and selected by employers based on long-term value. Schemes will be required to disclose and be consistently measured against investment performance, costs, and service quality, with poorly performing schemes required to improve or transfer their members if unable to do so. A focus on value should encourage greater consideration of a broad range of asset classes, including private assets.
Recommendation 6: Financial inclusion and participation (including accessible home ownership), improve consumer	Help consumers navigate financial lives	• We play a key role in driving greater financial inclusion in the UK. Recent examples include: ○ Our work on access to cash. ○ Ongoing collaboration with the Government and stakeholders, including Fair4All Finance, to expand access to affordable credit and explore effective referral and signposting mechanisms for consumers for whom credit is not appropriate. ○ Confirming how workplace savings schemes can be delivered within our (and other regulators') current rules so that more consumers are helped to save regularly. See our statement published in August 2025.

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access (also page 2, 2nd bullet)		○ Supporting industry-led work in banking and insurance, to promote inclusive design, expand access to key protection products, and address specific issues such as the affordability of travel insurance for people with mental health conditions, or support victim-survivors of domestic financial abuse. • Our wider work to help ensure that individuals and households have access to appropriate and affordable financial products and services includes: ○ Landmark reforms to introduce Targeted Support, to help consumers better make decisions about investments and pensions. We were ready to authorise firms on the first day that the legislation went live and several financial services firms are now authorised to provide targeted support to consumers. ○ As part of the wider Advice Guidance Boundary Review (AGBR), we're working to bridge the gap between simple guidance and full, bespoke financial advice. We've consulted (CP26/10) on simplifying pensions, and investment advice rules, giving firms confidence to offer lower cost, proportionate advice. ○ In July 2026, we confirmed our regulatory framework for Buy Now Pay Later (Deferred Payment Credit) products. Buy Now Pay Later is an important source of credit and we want the market to thrive. But we've introduced protections to ensure consumers get relevant information, are only able to borrow where they can afford it, and are supported if they get into financial difficulty. ○ Through our Premium Finance Market Study (February 2026) we're strengthening fair value - driving reductions in the cost of paying for insurance, and challenging high-priced products. As part of our response to the Which? super-complaint, we're taking forward targeted work to improve claims handling, consumer understanding and firms' delivery of the Consumer Duty. ○ The Credit Information Market Study (CIMS) FCA remedies (CP published February 2026). The proposals are aimed at improving the coverage, quality and accessibility of credit information, supporting better lending decisions and reducing exclusion caused by incomplete or inaccurate information. This will help more consumers - particularly those with thin credit files - access appropriate and affordable credit, supporting financial inclusion. • Our ongoing Mortgage Rule Review work aims to simplify the lending framework (our mortgage rules) to support sustainable home ownership, by giving firms the flexibility they need to provide greater

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		access and choice to consumers in the mortgage market at different stages of their lives. But reforms to conduct regulation are only one part of the solution: it will take a collective effort by stakeholders to tackle the challenges facing the UK housing market. • We continue to measure access to core financial products (banking and payment accounts, insurance, consumer credit, mortgages) through our Financial Lives survey.
Reduce regulatory burden on firms and improve efficiency (engaging with the FCA), page 2, 4th bullet)	Be a smarter regulator	• Rule and Handbook simplification, including replacement of assimilated EU law with UK-tailored rules, to simplify the regulatory framework. For example, we published final rules for Consumer Composite Investments in December 2025 (PS25/20) to replace EU-derived PRIIPs and UCITS disclosure frameworks with a UK-tailored disclosure regime. • Digital transformation of regulatory processes (authorisations, supervision and firm engagement). This includes continued investment in digitisation of application forms to make these easier to use and to improve the quality of submissions. We received more than 40,000 submissions through the new gateway forms platform last year, and, once the programme's core scope has been delivered, we expect that to rise to more than 110,000 submissions a year. Alongside this we're developing a new, internal tool which integrates AI to identify key risks in application documents, enabling more timely feedback. • Streamlined data collection to reduce reporting and data burden on firms. We've completely decommissioned 8 forms and either reduced scope or frequency for an additional 6 forms. These changes affect over 95% of regulated firms. • Through our Regulatory Excellence programme, we're becoming a more data-led and outcomes-focused regulator - improving risk-based triage, targeting supervision on the highest-harm firms, and enabling earlier, proportionate intervention to address poor consumer outcomes under the Consumer Duty, while reducing unnecessary burden on firms.
Enabling informed and responsible risk-taking (page 2,	Be a smarter regulator	We're reframing our regulatory approach to facilitate informed risk-taking that spurs economic growth and innovation while maintaining appropriate guardrails and consumer protections. We're actively enabling this shift through several key areas:

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2nd and 3rd paragraphs)	(rebalancing risk) Support economic growth	• Reclassifying investors: We're setting clearer boundaries between retail and professional investors to allow firms to innovate and offer diverse, higher-risk products to experienced, wealthy clients who have the resources to bear losses, without applying unnecessary restrictions. • Expanding consumer investment: (1) Through 'targeted support' (AGBR) we aim to ensure investors don't miss wealth-building opportunities due to fear or a lack of access. This enables firms to suggest products for customer groups without providing costly personalised advice. (2) We continue to run our InvestSmart campaign and support industry initiatives to improve investment understanding. (3) We continue to work with industry to improve risk warnings, promoting clearer, more balanced information, and reducing boilerplate warnings that may deter investment – supported by guidance and a clarifying webpage. (4) Following our December 2025 discussion paper, we are engaging stakeholders on how regulation can adapt to innovation and changing behaviour, ensuring rules remain proportionate and support appropriate risk-taking. • Consumer Duty: The Duty doesn't prescribe actions that firms must take (for example, risk warnings that must always be provided in a specified format). Instead, firms must act to deliver good customer outcomes and decide how best to do this within the context of their business model and customer base. • Supporting financial innovation: (1) We continue to support firms using our innovation services (such as the Regulatory Sandbox), providing oversight and a safe space to test new products and business models with scaled-back regulatory pressures. (2) Proportionate supervision: We're committed to taking a less intensive approach for firms seeking to 'do the right thing'. • Simplifying product information: Our new rules for retail investment product information combine standardised key metrics with greater flexibility in design and delivery. This supports comparability across the market while enabling firms to produce concise, engaging communications that help consumers understand the potential rewards, and risks, of investing.
Tackling financial crime (page 2, 2nd paragraph)	Fight financial crime / maintain integrity	• We engage with online platforms and tech companies on an ongoing basis to identify, block, and remove unauthorised (illegal) financial promotions (scam ads or 'finfluencer' posts). • In January 2026, we ran an advertising campaign to promote our Firm Checker tool (launched in January 2025), to help consumers avoid scams. This resulted in a significant increase in its use.

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		• In April 2026, we led international action to stop illegal finfluencers putting consumers' money at risk. This included enforcement activity, consumer awareness campaigns, and educational programmes for finfluencers who want to act responsibly. • We continue a coordinated whole-system response, partnering with the National Crime Agency, the National Economic Crime Centre, law enforcement, regulators, firms, telecoms and technology partners, and international counterparts. This supports HMT in coordination across the wider financial crime system and helping align effort around shared risks. • In May 2026, we held our 'Working together to fight financial crime' conference. This brought together leaders from regulation, industry, law enforcement, government, technology and professional bodies to discuss practical insights, collaboration and system-wide impact. Nikhil Rathi's speech noted the need for a system-wide response to financial crime, recognising the harm to victims and the wider economic costs, including impacts on business and growth. • We continue to work with the Payment Systems Regulator on Authorised Push Payment fraud, including monitoring the effectiveness of the reimbursement requirement, surveying firms on implementation, and assessing reimbursement rates including for 'on us' fraud. • We're progressing data and intelligence-sharing capabilities through the Financial Crime Detection Capabilities programme, which is integrating proactive financial crime detection, intelligence coordination, and law-enforcement data sharing, so that we can identify higher-harm activity earlier and act more quickly. • We continue to strengthen our data-led supervisory approach, with increased case volumes, targeted gateway assessments in higher-risk areas, including crypto firms, and ongoing multi-firm work testing firms' systems and controls across cash-based money laundering, terrorist and proliferation financing, sanctions, and Annex 1 activity.