

Mr Andy Mielczarek
Chair, FCA Smaller Business Practitioner Panel

Via email

10 April 2024

Dear Andy

FCA ENGAGEMENT WITH THE SMALLER BUSINESS PRACTITIONER PANEL (SBPP) 2024/25

Firstly, we would like to thank you for the SBPP's ongoing support for and challenge to the FCA, and, on a more personal note, for your time and effort steering the Panel since you were appointed as Chair. We value enormously the contributions from all our Statutory Panels, which help us deliver better outcomes for consumers, firms, and markets.

In the current environment we are, now more than ever, cognisant of the FCA's need to prioritise and focus its resources and efforts where they will have the biggest impacts. And in light of the Financial Services and Markets Act passed last year, and of our own strategy, business plan and workload, both the Board and ExCo have been reflecting on how the FCA can get the most valuable input from all of its Panels. We are also mindful of the issues that you have identified as your own priorities for your work.

A central purpose of this letter is therefore to set out the areas that the FCA expects to prioritise when engaging with the SBPP in the year ahead. We also wish to share with you our views on other relevant matters, such as the Board's interaction with the Panel and with you as Chair.

We are also writing in similar terms to the Chairs of our other statutory Panels.

Prioritisation

At a high level, and subject of course to unforeseen events during the year, the Board and ExCo wish to prioritise engagement with you on the following FCA policy and operational areas:

- The **proportionality** of the FCA approach to smaller firms, including supervisory activities, policy change and data requests – and any suggestions the Panel has for the FCA to consider if concerns are identified
- Engagement with smaller firms regarding the implementation and supervision/enforcement of the **Consumer Duty**
- **Advice/guidance**, including redress
- **Consumer credit** - regulatory reform
- Alerting us to **emerging issues/risks** for smaller regulated firms especially those which potentially impact their sustainability
- **Third party suppliers**, especially smaller suppliers which are nevertheless critical to certain sectors/sub-sectors
- **Digitalisation** and artificial intelligence
- **Approach to enforcement** and the **Integrated Regulatory Model** work which will look at how cases are identified and progressed across the FCA as well as possible changes to our supervisory model

In doing so, we ask the SBPP to operate, as always, as a “critical friend” to the FCA, providing advice and constructive challenge on current and future reform – whether through regulatory reform or policy development or changes to the ways in which the FCA operates. We will endeavour to engage with you from an early stage in our work wherever possible, to help inform our thinking before we consult more widely.

We ask the SBPP – and will ask our own teams also – to engage on these topics at a “strategic” level and to gather “on the ground” insights, including how measures are landing with smaller firms. On matters of significant reform we welcome your views on how we can best engage with external stakeholders and any needs of different target audiences.

We would welcome your input on cross-sector issues from across the whole Panel; and on more sector-specific issues from a sub-group of members with more directly relevant expertise, including, where appropriate, from across different panels.

In all of this we fully recognise that you, as a Panel which has an independent voice, also have your own set of priorities on which you will want to engage with the FCA, even if there is overlap between the two lists.

We will use these lists to prioritise the issues on which we engage with the panel. However, where there is capacity to do so, we would also value your input on other relevant issues, as appropriate. The Secretariat, together with Dominic Cashman as Panel sponsor director, will of course

work with the SBPP and with relevant FCA teams in delivering on our engagement with each other, as part of the wider support it provides.

Engagement with ExCo and the Board

We expect that the SBPP will continue to have access to and engage regularly with the FCA Chair, Board, Chief Executive and senior executives of the FCA, in line with the terms of reference agreed by the Board. We ask that you continue to submit a regular "Report to the Board" (which will also be considered by ExCo), and that this should focus on the two or three most important strategic themes that you wish to bring to the Board's attention. We will continue to have periodic Board lunches with the Panel Chairs, and see your annual report ahead of publication. And a member of ExCo will continue to endeavour to attend each of your formal meetings.

In addition, we propose to formalise an annual meeting between the FCA Chair and each of the Panel Chairs, one-to-one, to discuss the work of the Panel. This will be an opportunity to reflect on the previous year's interaction between the SBPP and the FCA, informed by the Board's engagement as outlined above and any Panel effectiveness reviews conducted either by the Panel or the FCA during the year.

Looking forward

We hope that you find this letter helpful in setting out, albeit rather formally, our expectations for our engagement with one another over the coming year, 2024-25. We look forward to continuing the constructive dialogue and close working relationships that we have built up over previous years.

Yours sincerely

Ashley Alder
FCA Chair

Nikhil Rathi
FCA Chief Executive