FINANCIAL CONDUCT AUTHORITY

Annual Report and Accounts 2023–24

(for the year ended 31 March 2024)

HC 202

Financial Conduct Authority
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(for the year ended 31 March 2024)

Presented to Parliament pursuant to paragraphs 11(4) and 15(3) of Schedule 1ZA of the Financial Services and Markets Act 2000 as amended by the Financial Services Act 2012 and the Financial Services (Banking Reform) Act 2013

Ordered by the House of Commons to be printed on 5 September 2024

HC 202

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at

Financial Conduct Authority

12 Endeavour Square

London

E20 1JN

ISBN 978-1-5286-4826-4

E03103696 09/24

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

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Chapter 1

Chair's foreword

This report covers the first complete financial year since I joined the FCA. The period saw the introduction of significant additions to our remit, an extension of our external accountability and an expansion of our statutory objectives.

Ashley Alder, Chair

These changes, together with the introduction of the Consumer Duty, will help determine how the FCA is able to contribute to the health and success of the UK financial services sector for years to come.

As the FCA's governing body, the Board is committed to ensuring that the overall strategic direction, capabilities and resourcing of the organisation are consistent with these developments, as they evolve and embed in the coming years. The Board is acutely aware of the FCA's responsibility to shape and implement regulation within an unusually uncertain and fast–moving economic and geopolitical environment.

From late 2021, the rapid shift to higher interest rates in response to a surge in inflation, led to elevated risks in financial markets and new cost of living pressures for consumers. Although inflation has eased and interest rates have reduced, these pressures remain acute for many, with vulnerable consumers often struggling to afford mortgage repayments and other financial obligations.

Elevated macro risk factors were reflected in the failures of a few overseas headquartered banks last year. These episodes highlighted why an ability to quickly contain a crisis, working closely with our domestic and overseas partners, remains an essential attribute of effective regulation. More broadly, the significant growth of credit provision to businesses and consumers by firms operating outside the traditional banking system, has led regulators to pay special attention to risks in more opaque areas of activity in private and other non-bank markets. The FCA plays a leading role in the development of domestic and international policy in this area.

The FCA now has a new secondary objective to facilitate the international competitiveness and economic growth of the UK. Market and other commentaries have, understandably, concentrated on how this objective will operate in practice. The Board will continue to work with the FCA's executive leadership to frame the FCA's strategic direction in a manner which achieves an appropriate alignment between our primary consumer, competition and market integrity objectives and the new secondary objective.

We are committed to the principle that independent, accountable regulation is fundamental to increased trust and confidence across UK financial services. This represents a vital pillar of sustained global competitiveness and is a necessary condition for the success of specific initiatives designed to facilitate business investment and achieve better outcomes for consumers.

These initiatives include far reaching proposals for reform of the UK's equity capital markets, such as new rules for the listing regime, to facilitate easier access to sources of capital by companies wishing to join our public markets. We are also making significant progress in the multi-year programme to replace assimilated EU law with FCA domestic regulation. In doing so, we have made clear that principles of proportionality and the pursuit of safe, scalable but ambitious innovation should inform our overall approach to policy development.

FCA close participation in the creation of international regulatory standards also aligns with our competitiveness and growth objective; we want to eliminate unnecessary frictions which may restrict the cross-border investment flows and services which underscore the UK's position as a leading global financial centre.

Continued delivery of enhanced operational efficiency remains a priority, as can be seen in significant improvements in Authorisations service levels during the year. The Board is conscious of the need to achieve a balance between the compliance burden on different types and sizes of firm and an FCA which is appropriately informed, assertive and agile to tackle potential and actual instances of harm.

The Consumer Duty is widely – and rightly – regarded as a landmark reform, signalling a fundamental shift to a regulatory framework which emphasises better outcomes for the millions of people who rely on the financial industry for their economic wellbeing. The FCA will pursue implementation of the Duty in a manner which is consistent and proportionate, promoting healthy competition among firms in the interests of consumers.

The Duty links to our proposals to address the fact that regulated, personalised financial advice is only available to a minority of wealthier investors. The resulting advice or 'help' gap disadvantages millions of unsupported retail savers facing complex pension decumulation and other choices crucial to their financial security. This work is of particular relevance to challenges posed by an ageing society.

Final policy choices to close this advice gap will involve questions of commercial viability, affordability, risk acceptance and other trade-offs; this is one of many areas where the FCA looks forward to partnering with the newly established independent Cost Benefit Analysis Panel.

The FCA plays a leading role in the development of domestic and international policy in this area.

Many of these consumer and wholesale market initiatives relate to broader policy objectives directed at more effectively mobilising pools of pension and private savings to enhance capital formation in support of UK businesses, in which the FCA, other authorities and private sector all have important roles to play.

The FCA frequently sets the pace for initiatives which are subsequently adopted by overseas regulators, ranging from our data-led approach, sandboxes and other innovation services, to the Senior Manager and Certification Regime and anti-greenwashing measures. There is now considerable international interest in the way in which the outcomes-based Consumer Duty can operate to reset the relationship between regulation, firms and consumers for the overall benefit of all who interact with financial services. I have no doubt that the FCA will continue to be seen as a world-leading regulatory innovator well into the future, setting the standards for others to follow.

I am especially grateful to fellow members of the Board for their hard work and valuable insights amid a testing economic and policy environment, and to the FCA's senior leadership team and all other staff whose creativity and dedication to public service explains why the UK ranks as the world's preferred regulatory regime.

Ashley Alder
Chair

Chapter 2

Introduction from the CEO

Just over a year ago, Parliament passed the Financial Services and Markets Act 2023. This enables the FCA to replace previous EU rules which governed the UK's financial sector with a regulatory regime more tailored to UK markets.

Nikhil Rathi, Chief Executive

It also sets us a new secondary objective to facilitate the international competitiveness and growth of the UK economy in the medium to long term, whilst subject to aligning with international standards.

The new law has formed the backdrop for much of what we have delivered in 2023/2024 - from reforming the UK's wholesale capital markets regime to marking the end of LIBOR, from tighter protections for consumers buying cryptoassets to ensuring people across the UK can continue to access cash.

It has broadened our remit and strengthened our accountability. I am proud of how we have risen to the challenge. As this annual report shows, we have delivered significant impact across each of our four statutory objectives working in close partnership with many others.

Take consumer protection. Over 52 million people who use financial services now benefit from the Consumer Duty, which entered into force last July and requires firms to act to deliver good outcomes for retail customers. It is already having a positive impact. For example, 37% of advice firms have reportedly changed their fee structure to ensure they are offering fair value. And it is not just of benefit to consumers. As an outcomes-based regulation, it gives firms space to innovate and compete based on high standards which should help to grow our financial services sector and build trust in it.

We have not stopped there. We are doing more to ensure consumers have the information they need to make the right choices for them, such as bringing charges against social media influencers who disseminate unauthorised financial promotions, and stopping over 10,000 potentially misleading adverts. We have worked with Government on reviewing the provision of financial advice so that consumers get the help they want, at a time they need it and at a cost that is affordable.

We have continued to protect and enhance the integrity of the UK financial system. We cancelled the authorisation of 1,261 firms in 2023/24, double that of the previous year, ensuring that only those firms which meet our high standards continue to operate with our permission. We charged 21 individuals with financial crime offences, the highest number of charges we have made in a year and brought 9 successful prosecutions against fraudsters. We have progressed significant

We cancelled the authorisation of 1,261 firms in 2023/24, double that of the previous year, ensuring that only those firms which meet our high standards continue to operate with our permission.

wholesale markets reforms, with final rules for a simplified listing regime, more options on how to pay for investment research and a consolidated tape for bonds.

We have promoted effective competition in the interests of consumers. Last summer, we shone a spotlight on the cash savings markets and set out a 14-point action plan to get savers a better deal. The most recent data shows average easy access rates increased to 2.12% in April 2024, with 171 easy access savings accounts offering interest rates above 4% in May 2024. We have also looked closely at the impact of big tech firms entering the financial services markets and have committed to ensure competition evolves effectively.

Successfully delivering on each of these primary objectives in themselves helps us to achieve our secondary objective because they build confidence in the UK financial services sector, increase trust, and address the harms such as financial crime, which can be a drag on growth. Our focus on preventing harm has helped to reduce the Financial Services Compensation Scheme levy to its lowest level for 10 years. We also help the sector to innovate, with firms who participate in our sandbox 50% more likely to raise funding and more than 110 global regulatory peers adopting the sandbox model, reinforcing the UK's position as the leading pro-innovation jurisdiction. And, as our separate report on how we have contributed to the UK's competitiveness shows, we have gone further and, wherever possible, have sought to achieve our primary objective in a way which delivers pro-growth and international competitiveness outcomes.

Achieving all this requires an innovative, agile and resilient workforce, enabled with the right technology. We are continuing to make great strides to transform the FCA. In September last year, we reached gender parity in our senior leadership team ahead of our 2025 target. This year we have seen improvements in all our pay gaps, with significant reductions to our median ethnicity and disability pay gaps. Our median gender pay gap is down to 11.5%, ethnicity 13.0% and disability 3.3%.

Our presence across the UK is also growing. We opened an office in Leeds in 2022 and publicly committed to create over 100 new roles by the end of March 2023. We currently have almost 240 colleagues in Leeds and have recently announced we will base a further 100 jobs there.

At Mansion House last November, I said we must collaborate to compete. And we have done that too.

We work closely with our regulatory and law enforcement partners in the UK, whether that be setting consistent expectations for firms in multiple sectors of how they should support consumers struggling with the increased cost of living, or launching a new digital and AI hub so that innovators can receive free and informal advice from four regulators, all in one place.

We continue to play a leading role internationally – shaping the global standards on crypto, sustainability, and non-bank finance to name but a few.

We have called for a greater societal debate on risk, recognising that trial and error are part of innovation. If we want the UK to maintain its international competitive edge, then we need to be bold and accept that we will not, nor should we try to, stop every failure.

We are increasingly clear and confident of what we can do and what we can't. Like any ecosystem, there are multiple actors in the financial services sector. Some, like ourselves, have a bigger role to play than others. But each must do its bit for the sector to succeed.

As we have shown this year, we are fully committed to both supporting and balancing the different needs of consumers, businesses, and the wider economy, enabling all to flourish. I am very grateful to all my colleagues at the FCA for their commitment and hard work.

We continue to play a leading role internationally – shaping the global standards on crypto, sustainability, and non-bank finance to name but a few.

Nikhil Rathi

Nikhil Rathi
Chief Executive

Chapter 3

Our role

Our strategic objective	**Ensure that the markets we regulate function well**
Our operational objectives	Secure an appropriate degree of protection for consumers Protect and enhance the integrity of the UK financial system Promote effective competition in the interests of consumers
Our secondary objective	Facilitate the international competitiveness and growth of the UK economy in the medium to long term
Who we regulate	We regulate the conduct of nearly 42,000 businesses in the UK to ensure that financial markets work well. Our perimeter determines what we do and don't regulate and is set by the government and parliament (see our perimeter report). We are also responsible for registering mutual societies. Our 2023/24 mutual societies registration function can be found here.
Our functions – how we regulate to achieve our objectives	Making rules and giving guidance to set standards for firms Authorising, registering and approving firms and individuals, checking they meet standards Supervising firms and individuals to ensure they follow our rules and guidance Enforcing against firms and individuals when they don't follow our rules and guidance

Our Strategy 2022-2025 and Business Plan

Highlights 2023/24

Consumer Protection

Prevention of misleading adverts

Withdrawal or amendment of over 10,000 potentially misleading adverts, an increase of

16.6%

Cryptoasset additional consumer protections

- Better risk warnings
- 24-hour cooling-off period
- Assessment of product appropriateness for individual consumers

Stay alert awareness

2,285

warnings issued against unauthorised firms and individuals, up 21%

Guided decisions

63%

of consumers who called us about potential scams in 2023, did so before investing, up from 58% the year before

Protect and enhance market integrity

Financial crime fines

- ADM Investor Services International Limited fined £6.4m

Firms' authorisation

1,261

firms' authorisations cancelled, doubled from 2022/23

Money laundering controls

Over 87%

of Crypto registrations were withdrawn, rejected or refused for weak money laundering controls

Promote effective competition

Fair practices

- Drove improvements in the cash savings market with better interest rates for savers and improved cash ISA transfer performance

Credit information market study

- Taking steps to strengthen the credit information market through industry governance reforms which will ultimately improve consumer outcomes

International Competitiveness and Growth

Authorisation efficiency

98% of authorisation cases are assessed within statutory deadlines, up from 89% in Q1 of 2022/23

Championing innovation

Our digital sandbox is now permanently open – firms which participate in our sandbox are

50% more likely to raise funding , and on average raised 15% more than a matched set of control firms

Chapter 4

Progress on our strategic commitments

This chapter updates on how we have delivered against our operational objectives through our 13 cross-cutting commitments in our 3-year Strategy.

We report on how our actions help create the conditions for financial services to deliver the outcomes we expect, and help raise conduct and expectations, so firms consistently deliver and consumers get high-quality products and services.

Focus 1: Reducing and preventing serious harm

- Dealing with problem firms
- Improving the redress framework
- Reducing harm from firm failure
- Improving oversight of Appointed Representatives
- Reducing and preventing financial crime
- Delivering assertive action on market abuse

Focus 2: Setting and testing higher standards

- Putting consumers' needs first
- Enabling consumers to help themselves
- A strategy for positive change: our environmental, social and governance (ESG) priorities
- Minimising the impact of operational disruptions

Focus 3: Promoting competition and positive change

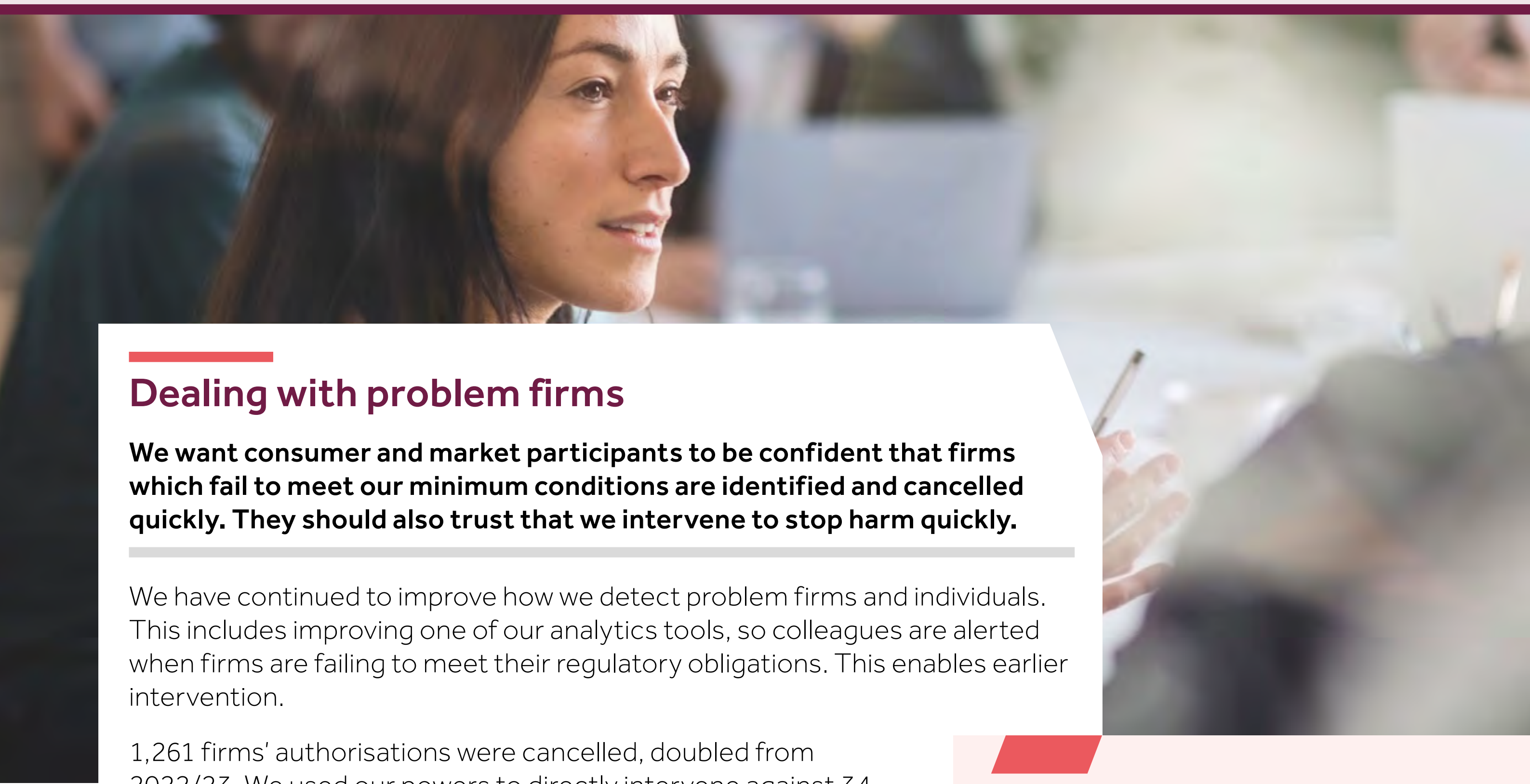
- Preparing financial services for the future
- Strengthening the UK's position in global wholesale markets
- Shaping digital markets to achieve good outcomes

Outcomes we expect financial services to deliver

- Fair value
- Confidence
- Suitability and treatment
- Access

Focus 1: Reducing and preventing serious harm

We're protecting consumers from harm by focusing on 6 commitments.



Dealing with problem firms

We want consumer and market participants to be confident that firms which fail to meet our minimum conditions are identified and cancelled quickly. They should also trust that we intervene to stop harm quickly.

We have continued to improve how we detect problem firms and individuals. This includes improving one of our analytics tools, so colleagues are alerted when firms are failing to meet their regulatory obligations. This enables earlier intervention.

1,261 firms' authorisations were cancelled, doubled from 2022/23. We used our powers to directly intervene against 34 firms where we had serious concerns, up 68% on 2022. We intervened on 268 other occasions (July 2023 to March 2024), such as through voluntary requirements or skilled person reviews.

1,261 firms' authorisations were cancelled, doubled from 2022/23.

We also helped consumers by making sure that the financial services register is kept up to date. This means people can check what the firm they are involved with is regulated to do and their protections when doing business with them.

78% of firms are aware of us withdrawing permissions (up from 2022/23). Almost all firms (94%) continue to be familiar with our minimum conditions to be authorised.

Improving the redress framework

Our aim is a redress system which consumers understand how to access, and which delivers timely and fair complaint resolution and compensation. Firms that cause harm should be more likely to bear the costs of redress and claims management companies should deliver fair value.

Lenders pay out close to £60m to borrowers in financial difficulty.

We intervene assertively to ensure that firms are compensating consumers, when things go wrong. For example, this year we intervened with almost 100 lenders to ensure they were supporting borrowers in financial difficulty and we expect that approximately 270,000 customers will receive close to £60m in compensation.

We have also tackled significant cases to help people whose lives have been damaged by the behaviour of individual firms. We secured redress worth up to £230m for over 250,000 investors in the LF Woodford Equity Income Fund. We ensured that steelworkers, who were badly advised to transfer out of the British Steel pension scheme, were given the opportunity to be put back in the financial position they would have been at retirement.

Delivering on our aim to ensure that those who cause harm pay the cost, we banned 15 individuals who delivered poor advice from working in financial services or holding a specific role, and imposed fines or secured payments of £8.87m to the Financial Services Compensation Scheme (FSCS), although some matters have been referred to the Upper Tribunal.

New proposals to ensure polluter pays

Assertive action to redress past harm complements the work we are doing to improve things in the future. We have consulted on proposals to ensure more personal investment firms pay the redress owed for any harm they cause by setting aside more capital, thereby reducing claims on the FSCS, which should benefit levy-paying firms, consumers and the wider market.

Cost of levy on firms for compensation scheme down £92m

We aim to reduce over time the levy charged to firms to fund the FSCS – it fell from £625m in 2022/23 to £270m in 2023/24. The FSCS has also seen a decrease in new claims and compensation costs and increased recoveries from failed firms.

We reviewed rules governing whether small businesses can access the Financial Ombudsman Service (FOS) and concluded that the current system was working, with over 99% of the 5.6m private sector businesses in the UK covered.

We work closely with the FSCS, the FOS and other partners to ensure consumers get the information they need. In the past year, that has included over 20 joint events in steelworker communities to explain the British Steel Pension redress scheme.

We secured redress worth up to £230m for over 250,000 investors in the LF Woodford Equity Income Fund.

Fewer claims management companies undertaking unregulated activity

We reviewed 26 claims management companies to assess if they were using their FCA authorisation to market their unregulated services, which could mislead consumers about the level of protection they have for those services. Our action clarified our expectations on firms. Many ceased carrying out unregulated claims management activities and others more clearly distinguished between their regulated and unregulated activities. Following this, fewer consumers are contacting us about unregulated claims activity by claims management companies.

We are strengthening our complaint reporting framework and will consult on new rules this financial year to better track which firms receive the most complaints. This will enable us to spot harm earlier and make faster decisions about intervening.

This year we reviewed the capital adequacy and risk assessment processes of

195

large firms across

34 parent companies.

Reducing harm from firm failure

We want to avoid disorderly failure in financial firms and minimise harm to consumers and to the integrity of the UK financial system. We expect firms to consider what might make them fail and plan for it.

We aim to quickly identify firms at risk of failure and for the firm to either rectify the situation, wind down solvently or enter insolvency in a way which minimises harm to consumers and market participants. This includes returning client money and assets as quickly, and as whole, as possible.

Helping investment firms adapt to the new prudential regime

We helped investment firms adapt to the new prudential regime which was introduced in 2022. We undertook a multi-firm review, set out areas for improvement and engaged directly with over 500 representatives from firms, trade bodies and consultancies. This follows a similar engagement we completed in 2023.

Reviewing firms' capital adequacy

This year we reviewed the capital adequacy and risk assessment processes of 195 large firms across 34 parent companies. We concluded they needed to hold an additional £1bn in capital and £2.5bn in liquidity over the firms' own assessments.

These firms should now be better prepared to undertake an orderly wind-down, reducing the risk of subsequent harm.

There has been a slight, but encouraging, decrease in the proportion of firms failing to meet financial resource requirements, down to 1.4% in December 2023 compared to 1.7% a year before.

We have implemented a new regulatory return which enables us to collect financial resilience data from 23,000 firms.

Safeguarding client money and assets

We reviewed more than 3,000 audits of how financial services firms hold and safeguard client money and assets. Where necessary, we followed up on specific concerns with individual firms and in some cases limited new business or other regulated activity.

Alongside this supervisory activity, we carried out targeted industry engagement to increase compliance with our requirements on holding and safeguarding client money and assets.

Early identification of potential firm failure

As at Q4 2023, of all regulated firms which entered an insolvency process, we had identified 52.8% in the preceding 12 months as at risk of failure or having low levels of financial resilience.

We have implemented a new regulatory return which enables us to collect financial resilience data from 23,000 firms. By using this dataset as part of our automated triage system, we are able to identify concerns with firms' financial resilience sooner and, where appropriate, intervene early.

Improving oversight of Appointed Representatives (ARs)

Proactive oversight to reduce consumer risk

We estimate there are currently around 34,000 individuals or firms who act as ARs offering financial services or products under the responsibility of authorised firms (known as principals). These principal firms are responsible for ensuring their representatives comply with our rules. We aim to reduce the risk to consumers of being misled or mis-sold products by ensuring that these principal firms are providing stronger oversight. There has been progress but there is still room for improvement.

We ran a call campaign to over

250 firms

roughly 10% of the principal firm population and conducted deep-dive assessments of 23 firms at the start of 2024.

In the last year, we proactively engaged principal firms to ensure they are taking account of new rules and guidance we introduced in December 2022. We ran a call campaign to over 250 firms, roughly 10% of the principal firm population, and conducted deep-dive assessments of 23 firms at the start of 2024. This included telephone questionnaires, video calls and information requests. While most firms were taking steps to address our requirements, not all firms could show adequate annual reviews or self-assessments.

Data to enhance interventions

We are making better use of data to target our resource on the highest risk principals and their ARs. During 2023/24, our supervisory interventions have seen principals terminating relationships with approximately 300 Introducer ARs and 350 Full ARs , helping to mitigate actual or potential harm to consumers. We also:

- reminded all principal firms of their obligations to have the right Professional Indemnity Insurance which covered the activities of its ARs and emphasised the requirement for principal firms to hold adequate financial resources taking into account the activities of their ARs
- reviewed a sample of credit brokers with ARs and, where necessary, ensured that they did not appoint ARs until they met our requirements

Improving oversight standards

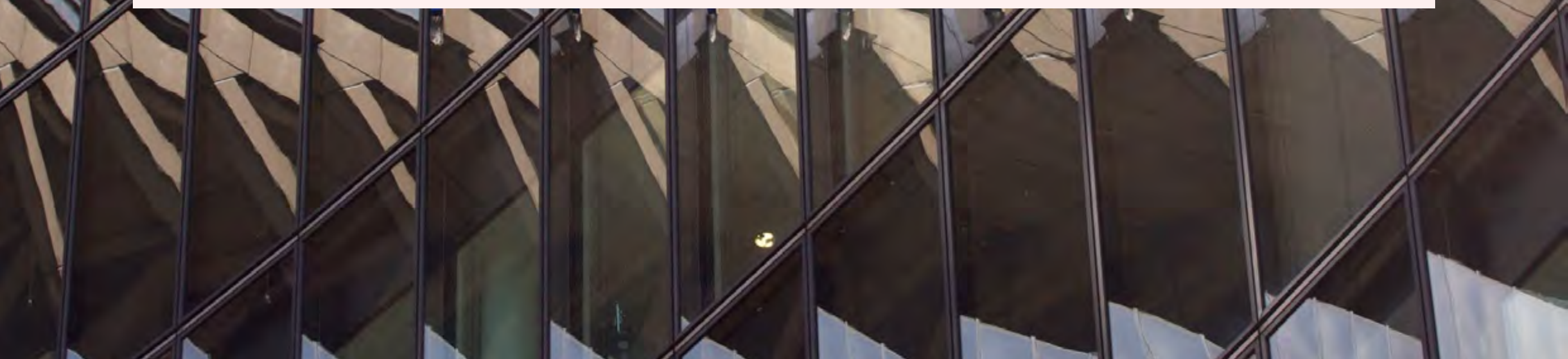
We are maintaining robust standards for new and existing principal firms. In 2023, the withdrawal rate of notifications of appointments of ARs increased to 5.9% from 1.6% in 2022. The rejection, withdrawal and refusal rate for applications to perform controlled functions for an AR more than doubled, to 6.5% from 2.8% the year before.

A survey showed that 63% of principal firms think that oversight of ARs has improved in the last year due to our actions, up from 56% last year. Complaints data shows the gap between principals and non-principals narrowed significantly in 2023. This suggests that principal firms are taking steps to improve their AR oversight since the start of the AR strategy.

We also supported the Treasury's work and its Call for Evidence, which closed on 3 March 2022, to assess whether wider legislative changes are needed. We would welcome progress on next steps.

FCA fines ED&F Man Capital Markets Ltd £17.2m for serious failings

We have continued to act against Cum-Ex trading, with fines totalling £22.5m levied by the end of FY 23/24. In June 2023, we fined ED&F Man Capital Markets Ltd £17.2m for multiple failings, including serious oversight failings as a custodian. These failings enabled its clients to illegitimately reclaim £20.5m in tax. We found that the firm's compliance function did not have the requisite expertise and so delivered an inadequate level of monitoring and review of client trading. In July 2023, we fined Bastion Capital London Limited £2.5m for serious financial crime control failings, the 4th Cum-Ex case against a broker firm. The firm failed to spot a series of trading red flags that strongly suggested financial crime. We have also decided to fine another individual £5.95m in another Cum-Ex case and this has been referred to the Upper Tribunal.



Reducing and preventing financial crime

Financial crime, including fraud, money laundering, sanctions evasion and terrorist financing, harms consumers, undermines confidence in financial markets, costs businesses and impedes economic growth.

We aim to slow the growth in the number of cases and total losses from investment fraud and authorised push payment fraud. We want to reduce financial crime by reducing money laundering through financial services firms and improving the effectiveness of professional body supervisors.

Helping consumers spot scams

We help protect consumers through our awareness campaign – ScamSmart – and our warning tool. Last year, 2,158 people who used the tool were warned about a potential scam. 63% of consumers who called us about potential scams in 2023 did so before investing, up from 58% the year before.

Highest number of financial crime charges in a year

Since April 2023, we have decided to charge 21 individuals with financial crime offences; the highest number of charges we have achieved in a year. We also brought 9 successful prosecutions against fraudsters.

In 2023, we secured 9 freezing orders, 6 more than in 2022, and restrained £21.1m in assets of individuals under investigation. We also fined ADM Investor Services International Limited £6.4m for serious financial crime control failings.

Combatting investment fraud with national crime agency and other law enforcement agencies

We continue to work closely with partners. Working with the National Crime Agency and the National Economic Crime Centre, the FCA hosted a 3-day TechSprint which brought together law enforcement partners to share ideas and build potential technological solutions to detect investment fraud earlier. This work has continued with partner agencies. We are now working with the IOSCO network to share insight with a range of jurisdictions so that a concerted effort to tackle investment fraud is developed.

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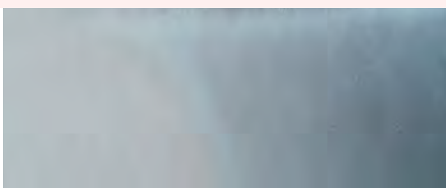


Individual pleads guilty to defrauding investors

Following an FCA prosecution, an individual pleaded guilty and was sentenced to 6 years in prison for defrauding around 240 UK investors of over £19m in a classic Ponzi scheme. For over 5 years, he operated a fraudulent investment scheme by claiming to be a successful trader, trading in Forex, Indices and Commodities via a spread betting trading account. He promised investors annual returns of between 45% and 55% and made falsified trading statements in support of these claims. Over this period, he did minimal trading. He deposited only £1.1m of investor funds into his trading accounts and made overall losses of around £646,000. He then used investor funds to pay returns to investors, and to support his luxurious lifestyle. We initiated confiscation proceedings to get compensation for victims.

Tightening financial crime controls

Since April 2023, we published 5 reviews of firms' financial crime controls, to share best practice across industry, including a review of cash-based money laundering controls and fraud controls and complaint handling, with a focus on authorised push payment fraud.

Reducing money laundering through the firms we supervise

We ensure that firms have the right systems and controls in place before we authorise them, so they aren't used to facilitate financial crime. Of those firms applying to be registered and supervised for money laundering purposes only, 36% were rejected, withdrawn or refused compared to 21% in 2021/22.

Over 87% of crypto registrations were rejected, withdrawn or refused. We help firms applying for authorisation by communicating our expectations and issuing guidance on good and poor practice. This is helping firms understand what is required – 44 crypto firms now have money laundering registration.

Improving the effectiveness of professional body supervisors

This year, we published our 4th assessment of the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), which supervises the professional body supervisors (PBSs) in the legal and accountancy sectors. While 6 out of the 9 supervisors assessed showed some improvement in the effectiveness of their oversight of anti-money laundering controls, improvements were not consistent in pace or scale across all PBSs. We have therefore continued to press for necessary improvements in effectiveness.

Of those firms applying to be registered and supervised for money laundering purposes only,

36%

were rejected, withdrawn or refused compared to

21% in 2021/22

Slowing the growth of fraud victims and reducing losses

Our work, alongside partners, to block fraud at source, educate consumers on how to spot fraud and identify and disrupt those engaged in fraud is having an impact. The rate of growth in the number of investment fraud victims slowed from 28% in 2021 to 4.2% in 2023. Moreover, the reported losses suffered by victims reduced by 40.8% in 2023, compared to 2022, a significant improvement against our baseline of 53% growth in losses in 2021. In 2023, APP fraud cases grew by 12%, which is a much slower rate of growth than our baseline year (2021) which saw a 27% growth. Losses to APP fraud reduced by 5%, compared to growth of 39% in our baseline year of 2021. Our strong messaging to the industry, as well as stronger banking controls, appears to be having an impact.

Delivering assertive action on market abuse

Market abuse undermines the integrity of the UK financial system, eroding confidence and lowering participation, to everyone's detriment.

We want to increase confidence in the integrity of UK markets, ensure access to inside information is properly controlled and market disclosures are timely and accurate. There should be a strong anti-abuse culture in firms with robust systems and controls. We will deliver effective deterrence through a range of supervisory, civil and criminal sanctions for wrongdoing.

Increased monitoring of the fixed income, currencies and commodities markets

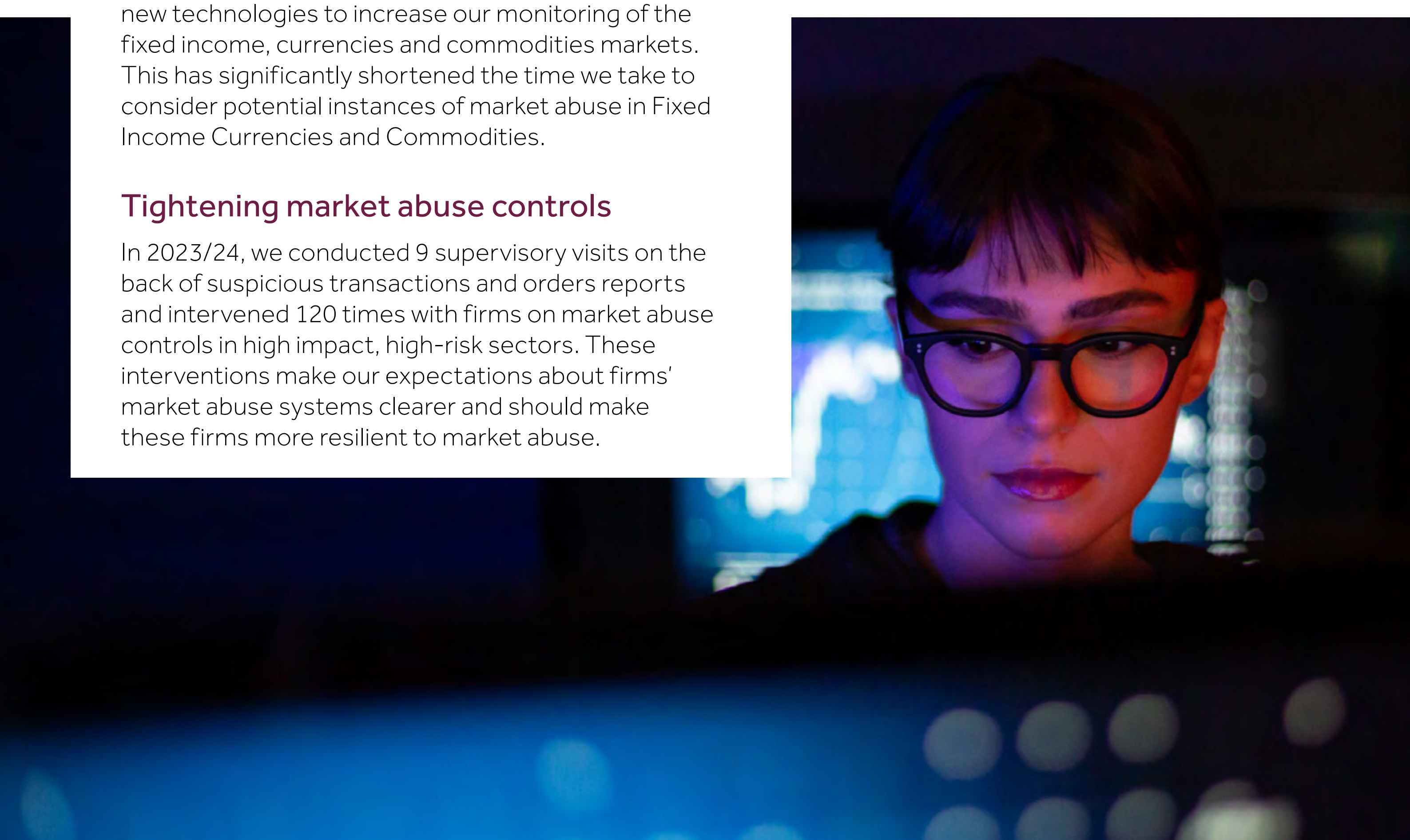
This year we have set up a dedicated team and used new technologies to increase our monitoring of the fixed income, currencies and commodities markets. This has significantly shortened the time we take to consider potential instances of market abuse in Fixed Income Currencies and Commodities.

Tightening market abuse controls

In 2023/24, we conducted 9 supervisory visits on the back of suspicious transactions and orders reports and intervened 120 times with firms on market abuse controls in high impact, high-risk sectors. These interventions make our expectations about firms' market abuse systems clearer and should make these firms more resilient to market abuse.

Two individuals convicted for taking £750,000 out of failed investment firm

Following an FCA prosecution, 2 individuals were convicted of fraud and money laundering offences. This involved the collapse of the peer-to-peer lending platform 'Collateral UK' who were fraudulently claiming to operate under the interim permission regime. They were sentenced to a combined total of 8 and a half years in prison and were disqualified from being company directors for 10 years. Confiscation proceedings are underway.



Insider dealing and fraud

An analyst at an investment bank was convicted of insider dealing and fraud and imprisoned for 22 months following a FCA investigation. He used information from his work about potential mergers and acquisitions to trade, making a profit of over £140k. He dishonestly obtained loans to fund his illegal trading and tried to hide this by using accounts in his siblings' names.

We issued 3 skilled person reviews for transaction reporting or market surveillance failures and made 1 enforcement referral for transaction reporting failures. This creates deterrence amongst these firms and encourages them to comply with the reporting regime.

Overall, we assessed 740 allegations of delayed or incomplete disclosure and issued feedback letters to 16 issuers about their conduct.

We have kept the industry informed on market conduct and transaction reporting issues through 5 editions of Market Watch.

Convictions for insider dealing

We act decisively where we see evidence of market abuse. Two individuals were found guilty of insider dealing in separate trials. We publicly censured another listed issuer, after it made announcements with materially inaccurate information about its debt position.

Increasing confidence in market integrity

According to the FCA and Practitioner Panel survey 2023/24, 69% of firms believe that we have been very, or fairly, effective at protecting UK markets from both insider dealing and market manipulation. The survey also found that 65% of firms thought we had been very, or fairly, effective at protecting UK markets from delayed or misleading disclosures.

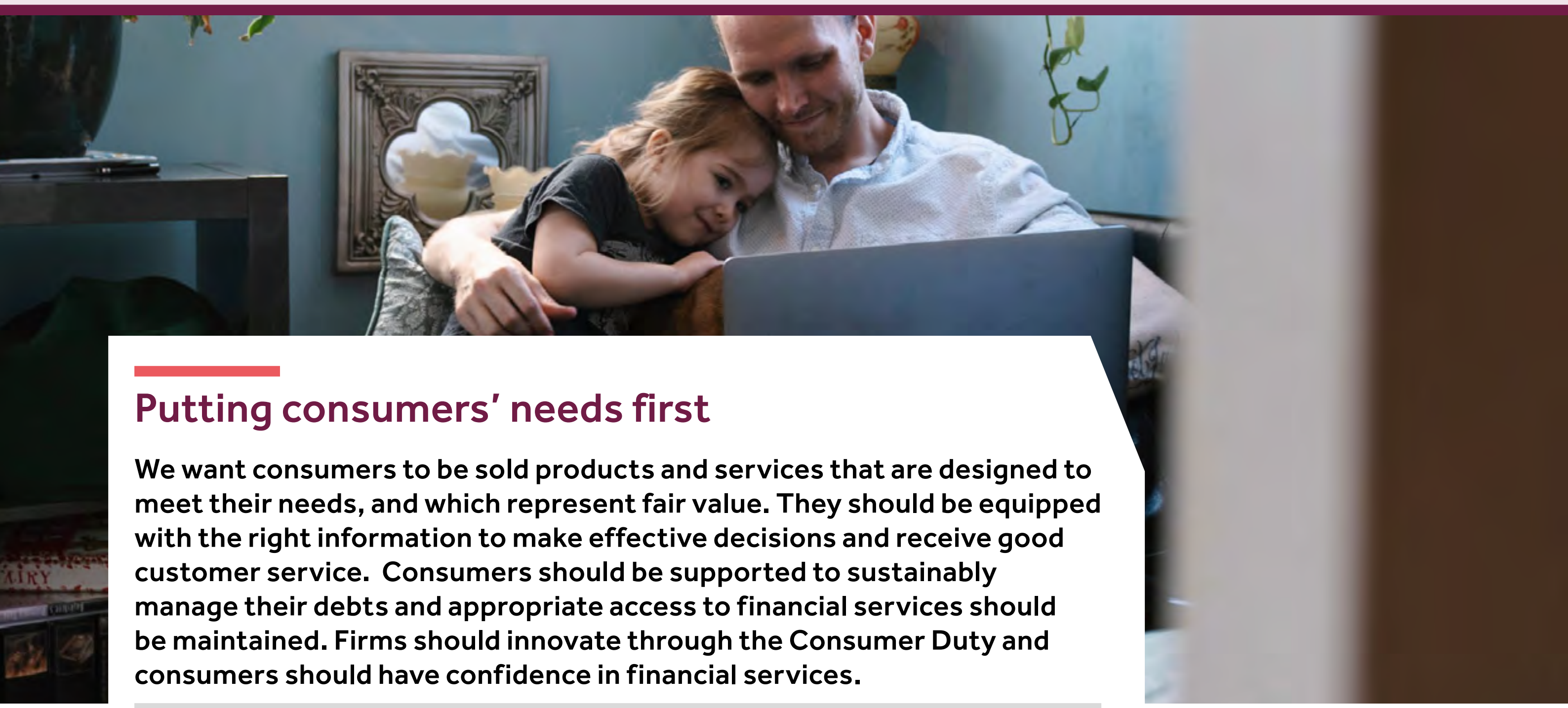
Mortgage fraud

An individual was convicted of 11 charges of fraud by false representation following an FCA prosecution.

He had earlier pleaded guilty to offences of arranging and advising on regulated mortgages without our authorisation. A connected chartered accountant pleaded guilty to fraud by false representation.

Focus 2:
Setting and testing higher standards

This section details the actions we are taking on our 4 commitments to set higher standards and assess how these deliver better outcomes.



Putting consumers' needs first

We want consumers to be sold products and services that are designed to meet their needs, and which represent fair value. They should be equipped with the right information to make effective decisions and receive good customer service. Consumers should be supported to sustainably manage their debts and appropriate access to financial services should be maintained. Firms should innovate through the Consumer Duty and consumers should have confidence in financial services.

Consumer Duty

Since 31 July 2023, most firms must act to deliver good outcomes for retail customers in relation to their open products and services, in line with the Consumer Duty.

We have worked with firms through sector-wide engagement and supervisory activity to assess how they are meeting the Consumer Duty. We issued good practice and areas for improvement in February 2024, in addition to a more targeted review of retail banking, published in December 2023.

We are seeing progress, including on offering fair value. For example, some firms have reduced or removed specific charges in their pricing models.

We have worked with firms through sector-wide engagement and supervisory activity to assess how they are meeting the Consumer Duty.

Getting a better deal for savers

Following widespread concern that consumers were not getting a good deal from the cash savings market, we set out a 14-point action plan. As part of this, we requested fair value assessments for some of the lowest-paying (on-sale), easy access savings accounts of the 9 largest firms.

Since the review, we have noted improved competition in the market driving higher rates for savers. The level of base rate rises passed on to consumers has improved. The average increase in rates for easy access deposits between July 2023 and February 2024 was 0.45ppt, compared to a base rate rise of 0.25ppt in the same period. We estimate this will mean consumers receive an additional £4bn in interest payments per year.

From January 2022 to August 2023, we saw improvements in the time it took firms to pass on base rate rises to customers. Whereas it took the largest firms 11 weeks on average to increase their rates for the first six base rate rises, this improved to 3 weeks for the final base rate rise in August 2023. The speed of firms completing cash ISA switching has also continued to improve since the review, with the largest 9 firms completing 90% of ISA transfers within 7 days.

As part of the review, we reviewed the effectiveness of firms' customer communications and encouraged firms to take proactive steps to prompt savings customers to secure a better rate.

General insurance

In September 2023, we provided a full year of general insurance value measures data, showing common indicators of value across a range of products with the aim of incentivising firms to compete on broader product value rather than just price. This data and related supervisory work shows that some general insurance firms may not be fully complying with our rules in PROD 4 (including the requirement to offer fair value), and our ongoing work shows that some firms may not be acting to deliver good outcomes for their retail customers under the Consumer Duty. Examples have been seen in the GAP Insurance market, where we have intervened so that firms appropriately consider customer value in their product design and oversight.

Cost of living

Many consumers continue to face pressures from the increased cost of living.

We partnered with regulators of other sectors, including energy, water and communications to set shared expectations of how firms should support customers in financial difficulty in June 2023 and in relation to debt collection, in March 2024.

Many consumers continue to face pressures from the increased cost of living.

We banned debt packager referral fees in June 2023, saving the average customer around

£940.

Borrowers in financial difficulty

We banned debt packager referral fees in June 2023, saving the average customer around £940. We set out good and poor practice around repeat-use overdraft customers in April 2023, to prompt firms to review their practices. This builds on work to simplify overdraft charges and to tackle high unarranged overdraft fees, which we estimate has saved people across the UK almost £1bn since the measures were introduced in 2019.

Supporting financial inclusion

We have worked closely with partners and charities to support financial inclusion.

We have published new rules to maintain reasonable access to cash, which mean designated firms would be responsible for assessing and resolving identified gaps that have significant impacts.

In September 2023, we published our initial findings on data around the provision of banking services. We have taken forward further work on declined applications for, and terminations of, basic bank accounts and research into the unbanked population. We have helped vulnerable consumers to receive better pension transfer advice by publishing good and poor practice.

We ran a 12-week TechSprint, which concluded with a live Demo Day in Glasgow on 30 May 2024, during which we supported teams to come up with technological solutions to remove some of the barriers consumers face in accessing everyday products and services. Next steps involve working with the participating teams to support them in how to put some of these proposals into practice.

We will continue to use our innovation services to tackle financial inclusion. This includes engagement with our Regulatory Sandbox and Innovation Pathways services, and/or engaging with various programs across the ecosystem such as:

- FinTech Scotland Financial Regulation Innovation Lab
- UKFIN+
- Fair4All Finance

All these programs have funding, resources, and convening power to help develop solutions further.

The No Interest Loan Scheme, currently being piloted through our regulatory sandbox by Fair4All Finance, is an example where we have already used our innovation services to support financial inclusion. In November 2023, we partnered with Fair4All Finance (F4AF) to deliver an affordable credit workshop with the objective of identifying sustainable business models for affordable credit providers. The workshop produced a set of actions for industry, F4AF and the FCA, including a pilot to provide greater transparency of decline decisions to customers and raising awareness of the affordable credit sector.

Our Early and High Growth Oversight function has supported over 450 firms to date

This provides enhanced supervision for firms as they get used to their regulatory status, and supports them to understand their obligations, so they can meet the standards we expect as they grow. It also ensures that we can identify and address harm developing in newly authorised firms quicker.

Increasing consumer confidence and better consumer service

Our Financial Lives survey shows that more than two-fifths of UK adults (43%) have confidence in the UK financial services industry, a small increase from 41% in 2022. Fewer credit and loans holders (8%), or investments holders (8%) are reporting customer service issues.

Falling FOS complaints

Over time, we aim to see a continued reduction in upheld Financial Ombudsman Service complaints about unsuitable advice or mis-sold products and services. This is because we expect our work to raise firm standards and ensure that firms deliver suitable advice and products for customers which will result, over time, in a reduction in overall complaints as well as fewer complaints being upheld. In 2023, 7,989 of these complaints were upheld, down from 10,106 in 2022.

In 2023, we assessed around

140,000

websites and issued

2,285 warnings,

an increase of 21% from 2022.

We reviewed a sample of 13 firms in response to wider concerns that peer-to-peer and investment-based crowdfunding firms were not complying with rules on promoting high-risk investments to retail clients.

Enabling consumers to help themselves

We want to reduce the potential for consumers to lose money by being scammed or mis-sold a product, whether it's a high-risk non-standard investment or due to a non-compliant or illegal financial promotion.

Over 10,000 adverts withdrawn or amended

We have increased our capacity to proactively identify illegal financial promotions on websites or social media. In 2023, we assessed around 140,000 websites and issued 2,285 warnings, an increase of 21% from 2022. Over 10,000 potentially misleading adverts were either amended or withdrawn because of our action, an increase of 16.6% on 2022.

Since February 2024, firms must apply for our permission if they want to approve financial promotions produced by unauthorised persons. This helps us maintain high standards and so benefits consumers.

Helping consumers to make well-informed investment decisions

We reviewed a sample of 13 firms in response to wider concerns that peer-to-peer and investment-based crowdfunding firms were not complying with rules on promoting high-risk investments to retail clients. Consequently, we issued examples of good and poor practice to the industry to improve compliance.

Our consumer awareness campaign – InvestSmart - helps people make better-informed investment decisions. A recent survey found people were better able to identify hype as a high-risk investment behaviour. Those that would only invest in regulated products to reduce their chances of losing money also rose to 23%, since the campaign's launch.

New marketing regime for cryptoasssets

We implemented new rules to support the extension of the financial promotion perimeter to include promotions of many types of cryptoassets. Under our new rules, firms marketing such cryptoassets to consumers in the UK must ensure, amongst other things, that promotions are clear, fair and not misleading. This helps consumers better understand what they are purchasing, and the risks involved. They also benefit from a new 24-hour cooling-off period. We issued 450 consumer alerts against firms illegally promoting cryptoassets in the first 3 months of the rules going live.

Ensuring finfluencers know, and comply with, the rules

We warned firms and finfluencers to keep their social media ads lawful, through new guidance clarifying the obligations on using social media to communicate financial promotions.

We have recently brought charges against 9 individuals in relation to an unauthorised foreign exchange trading scheme which was promoted on social media.

A strategy for positive change: our environmental, social and governance (ESG)

Our aim is to support the financial sector to facilitate positive change, including the transition to net zero, in a way that is consistent with our objectives. We also recognise that consumers are increasingly seeking out sustainability products they can trust.

We want consumers to be protected from misleading marketing and disclosure around ESG-related products and services. We want to help consumers and market participants choose sustainable investments.

There should be effective investor stewardship that positively influences companies' sustainability strategies, supporting a market facilitated transition to a more sustainable future.

Reducing greenwashing

In November 2023, we introduced a package of measures to improve the trust and transparency of sustainable investment products and reduce greenwashing.

The measures include investment labels, and naming and marketing rules that apply to UK asset managers, and targeted rules that apply to distributors of investment products to retail investors in the UK.

The rules are intended to support competition and help consumers find products that meet their needs and preferences.

Diversity and inclusion in financial services

In September 2023, we consulted on proposals to achieve a more diverse and inclusive financial services industry. These included proposals to:

- clarify and strengthen our expectations around non-financial misconduct for firms
- introduce reporting requirements for the largest firms on the demographic characteristics of their staff and the targets they set for themselves, for example on disability status and ethnicity

Following publication of the Treasury Committee's 'Sexism in the City' report, we published a statement committing to consider this feedback along with the consultation responses we received. We have been prioritising proposals that tighten expectations on firms to tackle misconduct, such as bullying and sexual harassment. We sent a letter to a sample of firms in February 2024 seeking more information on their practices. This survey has now closed, and we have been analysing the responses received to inform our further work.

International action to support higher standards

As financial services firms increasingly integrate ESG considerations into their activities and expand such products, they rely heavily on third-party ESG data and ratings services.

We promoted the convening of an industry-led working group by the International Capital Markets Association (ICMA) and the International Regulatory Group (IRSG) to come up with a Code of Conduct for ESG data and ratings providers. As a result, in December 2023, a voluntary Code of Conduct for providers was launched, which should increase transparency and trust in the market.

Minimising the impact of operational disruptions

Operational disruptions can prevent consumers accessing essential financial services, disrupt markets and threaten confidence in the sector. We want important business services that firms provide to be resilient to operational disruption.

The financial services sector remains exposed to a significant and growing threat of operational disruption, including cyber threats. The number of disruptions reported to us in 2023 rose to 1,018, compared to the previous high of 785 reported in 2022.

Review of the Senior Managers and Certification Regime (SM&CR)

In March 2023, we published a joint discussion paper with the PRA on potential ways to improve the SM&CR. We asked for views on the effectiveness, scope and proportionality of the SM&CR and received 140 responses.

Overall, the responses show strong support for the regime and its aims. For example, over 80% of respondents agreed the SM&CR made it easier to hold individuals to account, and most agreed that the regime is meeting its objectives. At the same time, respondents highlighted areas where they want to see improvements and suggested potential ways to reduce the regulatory burden on firms. We will consult on proposed changes to the regime before the end of the year.

Operational resilience

We continue to assess firms' ability to maintain their important business services within impact tolerances, as our rules require them to, by 31 March 2025.

Reducing the risk from critical third parties

UK financial services firms increasingly rely on third-party services to support their operations. These bring multiple benefits, but it is important that we also manage risks to the stability of the UK financial system if these services were to be disrupted.

We have consulted, jointly with the Bank of England (BoE) and PRA, on proposals which would allow us to monitor and manage these risks in an effective but proportionate manner and will publish final rules by the end of 2024.

Refreshing our approach to incident reporting

We plan to consult in 2024 on how firms report operational incidents to us, with the aim of making it clearer for firms. To inform this we interviewed end users and technical experts to understand the problems faced when reporting incidents.

Testing firms' cyber resilience

We launched, with the BoE and PRA, a new assessment tool for firms (STAR-FS) which mimics a cyber attack on an organisation's important business services and the technology and processes supporting those services. This helps regulators and firms better understand cyber vulnerabilities, and take remedial action, improving the resilience of individual firms and the wider financial system. We also published, with the BoE and PRA, our annual CBEST thematic report. The CBEST programme assesses the cyber resilience of systemic financial institutions through live testing, and the report informs the sector of our findings so firms can embed them into their cyber strategies..

Focus 3: Promoting competition and positive change

Our aim is to have open markets, supported by accessible rules. This section details the actions we are taking on our 3 commitments and assesses how these deliver better outcomes.

Preparing financial services for the future

Our aim is to create confidence in UK financial markets and support all our top-line outcomes. We are progressing the orderly replacement of assimilated law with requirements in our Handbook. We are tailoring provisions as appropriate to better suit UK markets while maintaining the UK's position as a pre-eminent financial centre.

Facilitating the UK's international competitiveness and growth

Our work to advance our primary objectives plays an important role in creating a safe, trusted and stable environment for firms to compete and innovate. Doing so instils trust and confidence in UK financial services, makes the UK an attractive market for firms and investors, and consequently supports the international competitiveness and medium to long-term growth of the UK economy.

In June 2023, Parliament passed a law which gives us an explicit secondary objective to facilitate the international competitiveness of the UK economy and its growth in the medium to long term. We have put this at the heart of the FCA while maintaining a strong focus on consumer protection, market integrity and effective competition in the interests of consumers.

In advance of the objective entering into force, we set out 7 drivers of productivity that we can influence and thereby support international competitiveness and growth.

We have reported separately on what we have done to achieve this secondary objective and on our performance on the relevant metrics agreed with the Government.

Since April 2023, we have published 6 consultations and 3 policy statements as part of our work to replace assimilated law.

Replacing assimilated law

The Financial Services and Markets Act 2023 provides for the repeal of assimilated law relating to financial services. Assimilated law is EU-derived law that was preserved in UK law at the end of the EU withdrawal transition period. Over the last year, we have continued working with the Government to repeal assimilated law and to replace it, where appropriate, with our rules through the Smarter Regulatory Framework (SRF) programme. Since April 2023, we have published 6 consultations and 3 policy statements as part of our work to replace assimilated law.

The FCA Practitioner Panel survey showed firms' perception of our effectiveness increased from 6.9 to **7.2 on a 10-point scale.**

Cost benefit analysis

It is important to us that our policy and rule-making is based on a robust assessment of relevant costs and benefits. In February 2024, we set out our current approach to the analysis of the costs and benefits of our policies. The Chair and members of a new statutory panel for cost benefit analysis have been appointed.

New Rule Review Framework

We have finalised our new Rule Review Framework to better assess the effectiveness of our rules. The Framework explains our approach to monitoring how well our rules are meeting their intended objectives, and, if the data and other evidence suggests that they may not be working as intended, how we will consider reviewing the rule.

Firms think we are more effective

The FCA Practitioner Panel survey showed firms perception of our effectiveness increased from 6.9 to 7.2 on a 10-point scale.

Our Financial Lives 2023 recontact survey showed confidence in the financial services industry among consumers increased from 41% to 43% in 2023.

The percentage of firms agreeing or strongly agreeing that the FCA can adapt regulatory requirements to respond to innovation and new challenges increased from 34% to 40%.

Strengthening the UK's position in the global wholesale markets

We want a UK wholesale market which supports both the domestic economy and growth. Our aim is for it to be regarded as one of the top markets of choice, open to innovation and underpinned by high standards of market integrity and consumer protection. The regulatory framework is well-understood and trusted by market participants who think it is proportionate both in terms of speed and cost. It supports them in determining fair value.

Delivering efficient and effective authorisations

We recognise the importance of providing an effective and efficient authorisations service, if we want the UK to be the best place in the world for financial services to thrive.

We have significantly improved authorisations turnaround times, which includes applications made to us by wholesale market firms. 98% of authorisations cases are assessed within statutory deadlines, up from 89% in Q1 of 2022/23. We have also authorised 100% of both new scheme applications and proposed fund alterations applications within service standards in each of the last 3 years.

Wholesale markets reform agenda

We have embarked on a wide-ranging reform agenda to bolster wholesale markets.

We have reformed the listing regime to create a simpler, more disclosure-based regime. This should provide greater opportunities for companies and investors, thereby supporting the UK's economic growth.

We have also taken forward work on a new public offer and admissions to trading regime and established a regulatory regime to allow certain investment funds established outside the UK to be promoted in the UK, including to retail clients. Changes to the Handbook have been made to allow for greater freedom on how to pay for investment research and set out new rules to enable a consolidated tape for bonds. We have prepared so that derivative markets are ready to implement the new derivative reporting rules under the UK European Market Infrastructure Regulation (UK EMIR) in September 2024.

We completed our Wholesale Data Market Study into the supply of benchmarks, credit ratings data and market data vendor services. We ruled out a significant intervention due to potential unintended consequences. We will focus on addressing any issues as we replace assimilated law with a new regulatory framework. We will tackle firm specific issues using other tools, such as our powers under the Competition Act 1998.

We continue to collaborate with our international partners. For example, we have worked both bilaterally and through global standard setting bodies to develop policy recommendations regarding leverage and margin preparedness in non-bank financing intermediaries. This supports coherent regulatory approaches that protect investors and financial stability, while also promoting growth and market efficiency.

We have significantly improved authorisations turnaround times, which includes applications made to us by wholesale market firms.

London gained ground on New York in the latest Global Financial Centres Index, published in March 2024, which evaluates the competitiveness of major financial centres around the world.

Supporting innovation

We supported the Government to develop a new, innovative market (PISCES) intended to allow private companies to scale and grow and support the pipeline of future public offerings.

We have worked with the BoE to support the Treasury's creation of a Digital Securities Sandbox to let participants test regulatory changes for market infrastructure in a live environment. This will be open to applications during 2024.

London strengthens position as global financial centre

London gained ground on New York in the latest Global Financial Centres Index, published in March 2024, which evaluates the competitiveness of major financial centres around the world.

In second place, London recorded a small increase in its competitiveness rating, stretching the gap on its closest rivals Singapore and Hong Kong which saw no change in their ratings. This included ranking second in many of the key underlying competitiveness metrics in the major industry sectors of Banking, Investment Management, Government and Regulatory, Finance, and Fintech. It was also the only capital in Europe named in the top financial centres as likely to become more significant in the next few years.

Wholesale firms more confident of UK position

The 2023/24 FCA and Practitioner Survey asked wholesale firms if the UK's position in global wholesale markets has strengthened or weakened. There has been a significant improvement in wholesale firms' perception of the UK's position, showing signs of movement away from weakening towards strengthening, with the percentage of firms saying the UK's position has weakened, reducing from 33% to 19% since 2022/23, 19% relative to the previous survey.

The survey also showed a rise to 57% from last year in the percentage of wholesale market firms agreeing that the regulatory framework is clear and well understood.

We set up our wholesale pre-application support service

In July 2023, the FCA launched a new pre-application support service (PASS) for wholesale market firms, or firms that work with wholesale firms such as advisors, trade bodies or business associations and those with innovative, complex or high-risk business models. We are pro-actively making the application process more accessible and easier to navigate, to save firms time, money and unnecessary delays. For example, we have added a page on our website setting out the common pitfalls for asset management firms to avoid when making an application.

Shaping digital markets to achieve good outcomes

The digitisation of financial services is changing how consumers make decisions and markets operate.

We aim to ensure that new technologies and the development of digital markets lead to fair value for consumers. We also want the consumer journey for digital financial products and services to enable consumers to take decisions in their best interest.

More people using open banking

Open banking is a priority for the FCA. Expanding open banking and delivering open finance has the potential to unlock further innovation and growth in the UK economy.

Together with the PSR, CMA and the Government, we published a roadmap for the next phase of open banking. This prioritised work to further strengthen the ecosystem, and to design a future open banking entity, alongside the expansion of open banking payment and data sharing services. More digitally active banking customers are using open banking, increasing to 13% in January 2024, from 11% in June 2023. A progress update was published in December 2023.

Improving customer journeys

Firms are reviewing customer journeys and product design as part of implementing the Consumer Duty. We have seen some firms removing barriers and sludge practices that make it harder for customers to act in their

own interests. For example, limiting the practice of defaulting consumers into investing their entire available balance when opening a new investment position.

Artificial intelligence (AI)

We published the feedback we received to our discussion paper on the use of AI and machine learning in UK financial services. We are focused on how firms can safely and responsibly adopt the technology. This includes scrutiny of the systems and processes firms have in place to ensure our regulatory expectations are met. We believe an evidence-based approach will ensure a proportionate, effective and pro-innovation approach to the use of AI in financial services.

Impact of big tech in financial services

Big tech entry into the financial services sector has the potential, through competition, to create both benefits and harm for consumers. Further to feedback from industry, we issued a call for input on potential competition impacts from the data asymmetry between big tech and firms in financial services. We will continue monitoring big tech firms' activities in financial services to assess whether policy changes are needed.

Co-operating with partners

The FCA is a founding member and convenor of the Global Financial Innovation Network, where over 80 international regulators collaborate and share approaches to complex emerging areas of regulation, such as AI. In June 2023, we hosted a global TechSprint to support regulators in developing new tools to identify greenwashing.

We also work with the Competition and Markets Authority (CMA), the Information Commissioner's Office (ICO) and Ofcom through the Digital Regulation Co-operation Forum to co-ordinate our approach to the regulation of digital services. This has included publishing joint papers on Quantum Technologies and Immersive Technologies. Together, supported by the Government, we have also launched a new multi-regulator service which will enable innovators to direct their questions to a single central hub and then receive a tailored response, rather than needing to contact all 4 regulators.

Chapter 5

Our accountability

We are an independent financial regulator, accountable to Parliament and the Treasury. We report to the Treasury through our Annual Report and Secondary Competitiveness and Growth Report, these are both laid before Parliament.

Strategy outcomes and metrics

Our published outcomes and metrics show how we measure our progress, including against our secondary international competitiveness and growth objective.

Operating service metrics

We monitor our timeliness across 51 service activities including applications, phone enquiries and a range of correspondence.

Positive Impact report

This explains how we provide public or societal value. It shows how we estimate our rolling annual positive impact over a 3-year period.

As part of our accountability, we respond to requests for information from MPs and peers through:

- letters
- parliamentary questions
- and evidence to All Party Parliamentary Groups

The Treasury appoints our Board.

It can also require us to carry out an investigation and report to it.

We also work with the NAO on studies into aspects of financial regulation that they undertake from time to time.

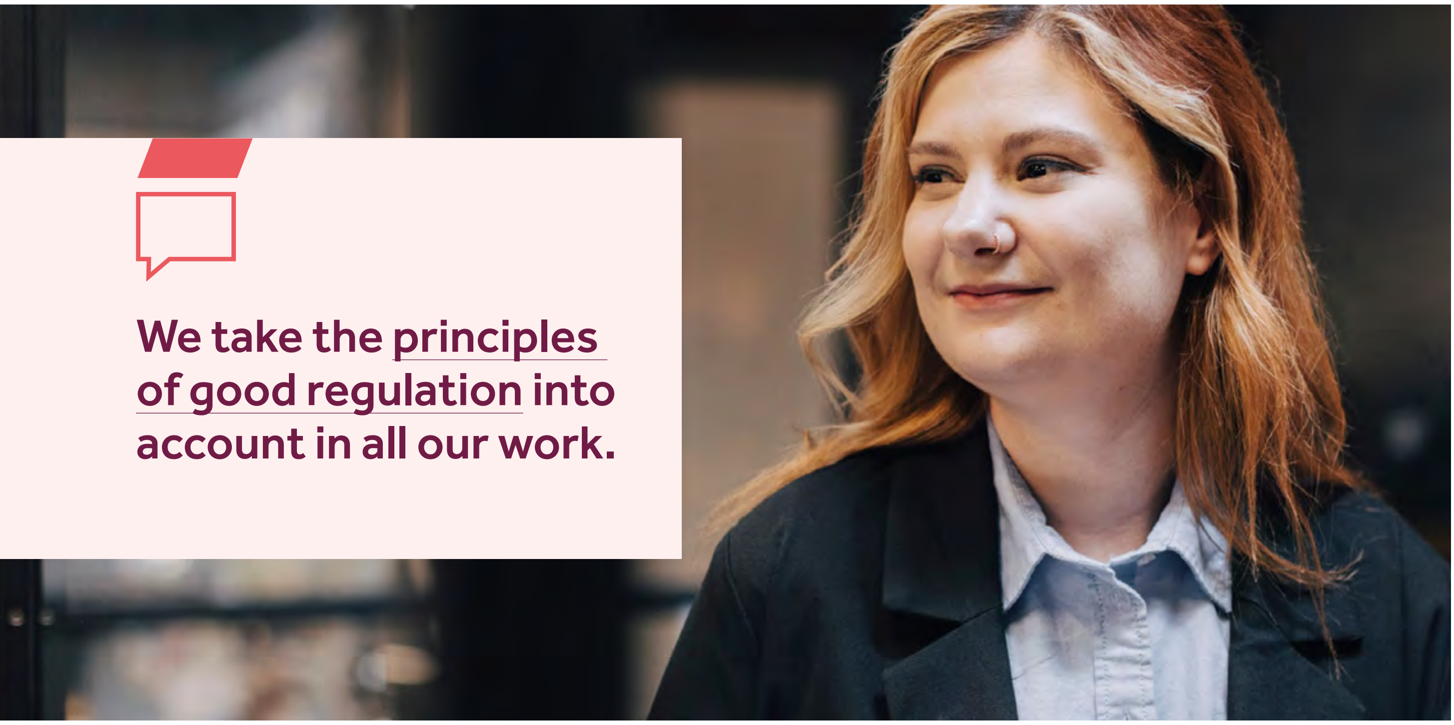
The NAO also provides an annual opinion to Parliament on the truth and fairness of the account and a regularity opinion for consistency with its audit certificate.

Assuring our work

Principles of good regulation

We take the principles of good regulation into account in all our work. For example:

- Proportionality: Together with other UK partners (BoE, PRA and the Treasury) we are developing a new regulatory framework for critical third parties (CTPs) who may pose financial stability risks to financial services should their services to financial firms be disrupted. This will enable us to make recommendations to government on who should be designated as a CTP and enable us to directly oversee them.
- Sustainable growth: After developing a new regulatory framework for Long Term Asset Funds (LTAFs), we subsequently changed our rules to allow the mass marketing of LTAFs to retail investors, with restrictions to protect consumers. This change is a good example of our methodical approach to regulation, where we consider feedback from market participants and consumers, through our consultation process, before we finalise rules. It also reflects the balance needed between opening access to investments while ensuring appropriate protection and minimising risk.
- Transparency: In promoting competition and positive change, we proposed changes to listing rules to make markets more accessible for those wanting to raise capital. On secondary markets, we implemented simpler and more effective public reporting rules, established the regulatory framework for the emergence of a consolidated tape for bonds and consulted on a new transparency regime for bonds and derivatives. These changes are the result of extensive industry engagement with both 'buy' and 'sell' sides.



We take the principles of good regulation into account in all our work.

Net zero

The Financial Services and Markets Act 2023 gives us a regulatory principle that, where relevant to undertaking our functions, we contribute towards achieving the UK's net zero emissions target. From 1 January 2025, we will have a regulatory principle to have regard to and contribute towards achieving environmental targets set out in the Environment Act 2021. You can read more about this in Chapter 4

Working with our partners

We work closely with consumer groups, trade associations, professional and international bodies.

Working with the PRA

We have a Memorandum of Understanding (MoU) with the PRA to coordinate our actions and achieve joint outcomes. Our MoU was updated on 26 March 2024, to ensure that it remains effective and to reflect the outcomes of the Treasury's Future Regulatory Framework (FRF) review and the Financial Services and Markets Act 2023 (FSMA 2023).

The PRA can veto any of our actions if it thinks they may threaten financial stability. It did not use this power during 2023/24.

We must hold annual meetings with external auditors of firms the PRA identifies as important to the UK's financial stability. We held 37 meetings over the last financial year, deepening our understanding of issues affecting these firms and helping us to identify trends.

Working with others

We work closely with the Department for Work and Pensions (DWP) and the Money and Pensions Service (MaPs). We also have agreed ways of working with The Pensions Regulator, including our joint regulatory strategy.

Working with regulatory and professional bodies

We use a framework to guide co-operation between ourselves, the FOS, the FSCS, The Pensions Regulator and MaPs. We use this to find the best way to deal with issues that could have wider implications across the financial services industry. Examples of the work carried out are in the Wider Implications Framework's Annual Report.

We also collaborate with law enforcement partners, such as the National Crime Agency and Serious Fraud Office, both in the UK and globally.

Working with regulatory bodies outside of the UK

We work closely with regulatory partners in other countries to promote the development and implementation of effective international standards. For example, we chaired the leading international IOSCO working group on Crypto and Digital Assets which delivered policy recommendations in November 2023 to address cryptoasset market integrity and investor protection. Chapter 4 gives more information on our work with regulatory bodies outside the UK.

Engaging with our panels

We consult with independent statutory panels representing the interests of consumers, regulated firms and markets when developing our policies and decisions. They give us valuable insights and help to shape how we deliver our operational objectives. Examples this year include:

Wholesale markets

- This year, we have had rich engagement with the Markets Practitioner Panel (MPP) and the Listing Authority Advisory Panel (LAAP) on policy development and regulatory reform, but also on market risks and horizon scanning.
- Discussions have focused on: listing reform and the broader ecosystem needed to attract new public companies in the UK, transparency, research, liquidity, leverage financing, market effects from higher rates, sovereign debt markets, private markets and seeking to identify pockets of concentration.

Our discussions with both the MPP and LAAP further informed our thinking around how to balance our differing statutory objectives including the trade-off between increased risk appetite and our consumer protection objective. Reframing of 'risk appetite' has underpinned some of our work, with a general recognition of a healthy appetite for investment risk being necessary to support investor's goals and the UK's position in global wholesale markets. For this to be sustained, participants and stakeholders need to accept and consistently receive the message that investment losses will also be a feature of a vibrant market.

We consult with independent statutory panels representing the interests of consumers, regulated firms and markets when developing our policies and decisions.

Consumer Duty

Our regular discussions with the panels, as part of implementing the Duty, have helped us:

- respond to issues raised and provide sector specific feedback to improve support for small firms, taking a tailored approach to communications
- work closely with the FOS to ensure our approaches are aligned and avoid the potential for inconsistent application
- consider how best to integrate the Duty into ongoing policy development across different areas, such as, Sustainability Disclosure Requirements, investment labels and in updating the asset management regime

Advice Guidance Boundary Review (AGBR)

The panels feedback has informed our joint work with the Treasury to ensure consumers can get the help and guidance they need, at a cost they can afford, at the time they need. This has included:

- input on evidence gathering and consumer testing that needs to be carried out to inform the final proposals
- input on how the current advice/guidance could be interpreted including insights on consumer journeys
- how to ensure the new regulatory framework is commercially viable, future proof and supports innovation for firms

Big tech and AI

The Practitioner Panel, Smaller Business Practitioner Panel and the Consumer Panel provided valuable insights on:

- the potential for data asymmetry and competition risk from big tech firms offering financial services
- the risks to operational resilience where big tech are critical third-party suppliers to financial services
- the risks of harm to consumers from the range of data firms have access to

Panel membership

We have adopted diversity targets against the FCA's independent panels (excluding the CBA panel which was not yet formed). Against these targets, the figures as of 3 March 2024, are:

- Across the independent panels 35% are women (2 panels achieved the target).
- Across the independent panels, the target for at least one senior position to be held by a woman is exceeded.
- All independent panels meet the target that at least one member is from an ethnic minority background.

Disclosing diversity information is voluntary and the figures provided are based on the responses received. Data is reported across all panels where disclosure on an individual panel basis would lead to the release of personally identifiable information.

Appointments to the panel during the year have been made in accordance with the FCA Statement of Policy on Panel Appointments.

Getting insights from consumers and firms to shape our work

We regularly engage with a network of 30+ consumer organisations, and with consumers directly, to ensure their voice is heard as we develop policy.

We carry our two important surveys, the Financial Lives main survey and the FCA and Practitioner Panel Survey.

The Financial Lives main survey:

- The 2020 and 2022 results are from our main surveys which take place approximately every 2 years and survey a large sample of respondents each time. For example, the 2022 survey received more than 19,000 responses.
- The 2023 results are from an FLS biennial recontact survey. In May 2023, we recontacted all FLS May 2022 respondents who had agreed to be invited to take part in a follow-up survey. Just over 6,000 took part. We can compare results between the 2 main surveys and the recontact survey as, importantly, the data from these surveys were weighted in the same way to be representative of UK adults. There are some methodological differences between the 2022 main survey and the 2023 recontact survey. However, it is possible that these changes may contribute to changes in some results. This recontact survey checked for changes in people's ownership of financial products, rather than re-asking all product ownership questions. The results of this recontact survey are representative of 19+ year olds, because we

re-contacted respondents 12 months after the FLS 2022 main survey of adults aged 18+.

- We also reference the Financial Lives cost of living (January 2023 and January 2024) recontact surveys. Much like the biennial recontact survey mentioned above, we ran 2 short surveys among our Financial Lives 2022 main survey respondents, one in January 2023 (gaining more than 5,000 responses), and a follow up in January 2024 (gaining more than 3,000 responses). These surveys focused on people's financial situation at the time of each survey, and on their general perceptions of how things had changed since the cost of living started to rise.

FCA and Practitioner Panel Survey (annual):

- This gives regulated firms an opportunity to tell us how our approach affects them. Please see here for more information.

FCA and Practitioner Panel Survey (annual) gives regulated firms an opportunity to tell us how our approach affects them.

Our response to National Audit Office (NAO) recommendations

Financial services regulation: Adapting to Change

This is a valuable piece of work that supports our ongoing efforts to adapt and transform, and continuously improve our delivery as an organisation. The NAO made 4 recommendations covering accountability arrangements, external reporting on performance, operational processes to manage scale of change and strategic workforce planning. We have started implementing all the recommendations, noting the interdependency with the work of some of our external partners. This is a snapshot of our progress to date:

- Accountability arrangements: We and the Treasury accepted the recommendation that the new accountability arrangements introduced by FSMA 2023 should be reviewed at the appropriate point. We will work with the Treasury to consider when that review should take place and what it will look like, taking into account our existing obligations and its scheduling.
- External reporting on performance: We aim for continuous improvement in our approach, particularly on how we explain our performance externally so that it is clear and transparent. We are reviewing the way we present our performance metrics to better explain our framework and metrics externally.
- We have implemented operational processes to manage our scale of change and ensure the business has the capacity to absorb the change. We are also supporting the delivery of our Strategy through a governance and control regime that provides planning and prioritisation recommendations and insight.
- Strategic workforce planning: We will continue to build our strategic workforce capability and develop a strategic workforce planning framework and first draft of our strategic workforce plan.

Chapter 6

Our Section 172

The following section describes how the Board has considered section 172(1)(a) to (f) (s.172) of the Companies Act 2006.

Section 172(1) states we need to consider the:

- long-term consequences of our decisions
- interests of our employees
- need to foster our business relationships with suppliers, customers and others
- impact of our operations on the community and the environment
- desirability of our maintaining a reputation for high standards of business conduct

Our stakeholders

Our key stakeholders include our:

- employees
- consumers and consumer organisations
- regulated firms and individuals
- parliamentarians
- other regulators and regulatory partners
- suppliers
- the community and environment

The Board recognises that effective stakeholder engagement is key to meeting its duties under s.172 and achieving our statutory objectives.

Understanding each stakeholder's views and priorities helps us deliver a high-quality service so we have an active programme of stakeholder engagement. Different stakeholders often have different views, and the Board prioritises the need to deliver in the public interest when deciding on the appropriate course of action.

Given the impact of our decisions on the lives of everyone in the UK, our stakeholders increasingly expect us to achieve our statutory objectives in the face of the changing economic environment, geopolitical challenges and the ongoing expansion of our remit.

Our approach to stakeholder engagement

Our Board is committed to achieving and maintaining high standards of business conduct, as explained in our Corporate Governance statement in Chapter 8.

The key stakeholder engagement activities undertaken during the year include:

- receiving updates on the employee survey results and engaging with representatives of the Staff Consultative Committee
- providing stakeholders with an opportunity to question the Chair, Chief Executive and Directors at the Annual Public Meeting
- reviewing the results of the annual Stakeholder Survey and Joint Practitioner Panel/FCA Survey of firms
- receiving updates on corporate responsibility and sustainability initiatives
- engaging with the Complaints Commissioner to support the effective operation of our Complaints Scheme

The following sections describe these and broader Board engagement activities and describe how these have helped us to deliver better outcomes.

Our people

Our employees are the key to our success as a regulator and have a wide range of backgrounds and skill sets. We aim to promote an inclusive culture. This brings together diverse skills and perspectives to develop insights, act decisively, respond in an agile and assertive way and continuously improve our decisions in the public interest.

This year we have improved how we inform and consult with colleagues through changes to our Staff Consultative Committee.

Launched in 2022, our new Diversity, Equity and Inclusion (DEI) programme is evidence-based and aims to create an environment where all colleagues can fulfil their potential and contribute meaningfully to the FCA's outcomes.

All our senior leaders have a commitment to support DEI in their performance objectives and we have set up DEI Divisional Delivery Groups to ensure accountability for delivering our programme at all levels across the organisation.

We continue to hold ourselves publicly accountable by publishing workforce diversity data against our targets. In addition, our internal dashboard provides all staff with diversity and inclusion data above and beyond our statutory obligations.

We value the role of network groups in raising awareness, educating the organisation and shaping HR policy, for example to support colleagues with caring responsibilities. We also support colleagues through an Employee Assistance Programme and an updated wellbeing framework.

Our Board prioritises its engagement with our employees to maintain oversight of their welfare and concerns. In the past year, Board engagement with our employees included a range of colleague and divisional meetings and a programme of CEO visits to employee networks and groups.

Consumers and consumer organisations

In pursuing our statutory objective to protect consumers, our Board recognises the impact our decisions have on people's daily lives and the UK economy. This means it is important that we actively consult with consumers and consumer bodies.

Through our Consumer Network, we aim to improve our relationship and engagement with consumer organisations. The Network consists of 30 different consumer organisations including debt charities (Money Advice Trust, StepChange), consumer-facing organisations (MoneySavingExpert, Which?) and related charities (such as Age UK, Scope, Shelter).

We also annually engage insight specialists, BritainThinks, to survey what key stakeholders, including consumer organisations, think about the FCA and the work we've done over the past year.

This survey also allows us to look back at how perceptions have changed over the years and to revisit specific challenges from previous years. Publishing these findings internally helps our employees to understand our stakeholders' perceptions of us and in planning for the year ahead.

Our chair and members of our executive team directly meet with consumers through regular regional visits. They also participate in roundtable discussions and other forums with consumer organisations.

The needs of consumers are pivotal in the Board's decision-making, and we consider them in a variety of ways, including:

- Feedback from the Consumer Panel provided through our Board engagement at panel meetings and monthly reports from the panel chair presented to the Board. The Board also requires that policy proposals are discussed with the Panel.
- Reviews and feedback to consultation papers before confirming new or amended rules.
- Open stakeholder engagement with the chair, chief executive and executive directors on how the FCA has delivered against its strategic objectives at the Annual Public Meeting on 4 October 2023.

Regulated firms and individuals

The conduct and culture of the firms and individuals we regulate shape the outcomes for consumers and markets. The aim of our engagement with firms is to identify potential harm, so that we can reduce or prevent it at an early stage.

We conduct an annual survey, jointly with the Practitioner Panel, to seek views from across the financial services sector of our performance as a regulator.

The survey's results give an insight into the FCA's performance over the past year and on lessons learned. The FCA Executive and the Practitioner Panels use the results to better understand the issues affecting all firms, and to help the Board's consideration of improving our operations.

The Board also receives regular updates about our engagement with regulated firms and individuals, including the results of consultations and findings from supervisory activity such as thematic reviews.

Teams across the organisation use a wide range of sources to inform the Board's decision-making. This includes data and intelligence from firms and their trade associations, insight shared by other regulatory organisations, and information from MPs and whistleblowers. We also gather information from industry events and surveys to help us understand the issues firms face.

Teams and the Board also engage with the Practitioner Panel, the Smaller Business Practitioner Panel, the Markets Practitioner Panel and the Listing Authority Advisory Panel to understand their views and the views of those they represent.

Parliamentarians

Since December 2019, we have given oral evidence to parliamentary committees 37 times – more than any other regulator in the 2019-2024 Parliament.

For example, our chair and chief executive give evidence before the Treasury Select Committee as part of its ongoing scrutiny of our work in a general accountability hearing. We actively engaged with the House of Lords Financial Services Regulation Committee, created in January 2024. We appeared 9 times before a Parliamentary Committee in the last financial year.

Below are details of the evidence sessions senior leaders have attended as witnesses in the last financial year:

- 17 April 2024, Treasury Select Committee Sub-Committee on Financial Services Regulations, Insurance: Matt Brewis
- 28 February 2024, Home Affairs Committee, Fraud: Steve Smart

- 31 January 2024, Treasury Select Committee Sub-Committee on Financial Services Regulations, Access to Cash: David Geale, Sarah McKenzie
- 17 January 2024, Treasury Select Committee, Sexism in the City: Nikhil Rathi, Sarah Pritchard
- 16 January 2024, Leasehold and Freehold Reform Bill Committee: Matt Brewis
- 12 December 2023, Treasury Select Committee, Work of the FCA: Nikhil Rathi, Ashley Alder
- 25 October 2023, Science, Innovation and Technology Committee, Governance of artificial intelligence (AI): Jessica Rusu
- 19 July 2023, Treasury Select Committee, Work of the FCA: Nikhil Rathi, Ashley Alder
- 12 July 2023, Treasury Select Committee Sub-Committee on Financial Services Regulations, Multi-occupancy building insurance: Sheldon Mills, Matt Brewis

We provide written evidence to all committees who ask for it and respond to their reports. We also attend policy meetings about legislation that are not formal Bill Committees.

As part of our accountability to Parliament, we also respond to requests for information from MPs and peers, as well as attending and organising meetings and briefings. We have also provided regular parliamentary briefings on topics including capital markets reform, the new Consumer Duty, asset management, and open banking.

Our Board approves this Annual Report we make to Parliament. We also publish a Perimeter Report explaining how we will continue to work with the Treasury and Parliament on the challenges of our current regulatory perimeter.

Government, devolved administrations and other stakeholders

We regularly meet with Ministers and Government departments. We also engage with members of the Devolved Parliaments and Assemblies, their associated executive bodies and with other political bodies and stakeholders.

For example, members of the Board meet with the Complaints Commissioner (the commissioner) to discuss their Annual Report to support the effective operation of our Complaints Scheme.

The Treasury appoints our Board which manages and challenges our executive team. This helps hold us to account and helps set our direction as an organisation.

We must consider the principles of good regulation when carrying out our work. We aim to account for our decisions as transparently and clearly as possible.

Other regulators and regulatory partners

To meet our objectives, we must collaborate with other regulators. We work together to share knowledge and best practice, improve ways of working and explore cross-cutting issues.

Internationally, we seek to shape the global regulatory agenda and international financial policies.

The Board oversees our cooperation and coordination activities with regulatory counterparts across the UK and internationally. For example, the Oversight Committee meets regularly to provide support and advice to the Board on its relationship with the Financial Ombudsman Service (FOS), the Financial Services Compensation Scheme (FSCS) and the Payment Systems Regulator (PSR).

As chair of the Wider Implications Framework, we engage with the FOS, FSCS, Pensions Regulator and the Money and Pensions Service (MaPs) on issues that could have a wider impact across the financial services industry.

We are a member of the UK Regulators Network (UKRN). The UKRN brings together regulators to share knowledge and best practice, explore cross-cutting issues and build better ways of working. We play an active role in the UKRN's networks, including the CEOs' and Chairs' groups.

Similarly, we are a member of the UK Competition Network. This network fosters cooperation and knowledge sharing between the Competition and Markets Authority (CMA) and sector regulators. We hold competition law powers concurrently with the CMA.

Through the Financial Services Regulatory Initiative Forum (the Forum), our Board engages with:

- other representatives of the Bank of England (BoE)
- the PRA
- the Payment Systems Regulator
- the Competition and Markets Authority
- the Information Commissioner's Office
- the Financial Reporting Council alongside the Treasury as an observer member

Forum members collaborate to publish the Regulatory Initiatives Grid. This sets out the regulatory pipeline so that the financial services industry and other stakeholders can plan for the timing of the initiatives that may have a significant operational impact on them.

Our Board also engages with other regulators through collaborative initiatives like the AI Public-Private Forum (AIPPF) run jointly with the BoE. As a member of the Digital Regulatory Cooperation Forum, we work closely alongside the:

- Competition and Markets Authority
- Information Commissioner's Office
- The Office of Communications

to support regulatory cooperation and coordination on areas of mutual importance in digital markets.

Our suppliers

We are committed to building a strong and innovative relationship with our suppliers.

To meet our objectives, we depend on approximately 1,000 suppliers. How we select our suppliers and build relationships with them must be in line with our strategy and values. We must demonstrate that what we procure delivers Value for Money (VfM) for us and our stakeholders. We are a Contracting Authority under the Public Contract Regulations 2015.

The Board delegates matters involving procurement and managing suppliers to the Chief Operating Officer (COO) in line with the Delegation of Financial Authorities. The COO through the Chief Procurement Officer (CPO) ensures that:

- we buy responsibly and adhere to our Ethical Procurement Policy
- we publish an annual Modern Slavery & Human Trafficking Statement and deliver on its commitments

We regularly review supplier terms and conditions. In April 2024, we updated our Supplier Code of Conduct to clarify our expectations, including those on:

- climate change and the environment
- diversity, equity, and inclusion
- human rights and employment laws
- ethical behaviour and respectful treatment
- artificial intelligence (AI)

Our community and the environment

Good corporate citizenship and corporate responsibility are important parts of our identity as an employer and a regulator. As a responsible employer, we take account of the:

- social
- environmental
- financial impacts

of our decisions and actions and aim to contribute positively to the wider community and our environment.

What we learn from this makes us a better regulator. The Board, together with our Executive Committee, oversees our community engagement and sustainability strategies.

Through our Corporate Responsibility programme, our people can volunteer for important causes across the UK, fundraise for our charity partners, take part in our legal pro bono programme, and support local schools to develop students' skills, confidence, and resilience through our flagship Inspiring Futures programme.

We also run our 'CEO Challenge', which sees our early careers colleagues work on social impact projects in our local community. Since the programme was launched in 2010, we have worked with dozens of charities and community partners.

Our Environmental, Social and Governance (ESG) Division continues to integrate ESG considerations across how we regulate and operate.

This has included factoring ESG issues into our FCA Risk Management Framework to ensure ESG-related risks of harm to consumers and markets are considered in how we oversee the financial services industry.

The Government's Green Finance Strategy update, published in March 2023, set a vision for the UK to become the 'best place in the world for raising transition capital'. The Transition Finance Market Review (TFMR), launched in January 2024, will be key to understanding what our financial services system needs to do to deliver on this goal. We have used that framework in developing our own net zero transition plan – a major development for us in our journey to being a more sustainable organisation.

We've published our transition plan alongside this Annual Report; it can be read alongside the climate-related financial disclosures and our Environmental Sustainability Report.

We also work extensively with our international counterparts maintaining UK leadership, inputting into international standards, and encouraging interoperability between the UK and other regimes. This work advances our competitiveness objective. This includes continuing in our role as Vice Chair of IOSCO's Sustainable Finance Taskforce and co-lead of its Corporate Reporting workstream.

We've led work within the Global Financial Innovation Network (GFIN), as part of a cross-border testing initiative with other regulators, to identify how technology can verify sustainability-related product claims and be used to identify examples of greenwashing.

As we set out in our Environmental Policy Statement, we work actively with our suppliers to meet our commitment to sound environmental practice. This work is a key part of our transition plan.

Read more about our environmental sustainability work in our Net Zero Transition Plan, Environmental Sustainability Report in Appendix 4 and climate-related financial disclosures.

Board decisions and taking Stakeholder views into account

As covered earlier, our Board took account of the views and interests of a wide range of stakeholders during 2023/2024.

FSMA also requires us to consult publicly with the industry, consumers and other interested parties on our rules and guidance before they are approved by the Board and published in our Handbook.

To inform our decision-making process, any proposed change to our Handbook is accompanied by:

- a cost benefit analysis (as required by FSMA)
- Equality Impact Assessments (EIA)
- consumer surveys
- other analysis tools

to assess the costs and the benefits we expect from the change. This helps to ensure any burden or restriction we impose is proportionate to the benefits we expect.

Key Board decisions during 2023/2024	
Implementation of the New Consumer Duty	In April 2023, the Board discussed the proposed approach to supervision and enforcement of the New Consumer Duty (the new Duty), including how this would be communicated externally. The new Duty sets higher and clearer standards of consumer protection across financial services and requires firms to put their customers' needs first.
Authorisations Operating Service Standards	In April 2023, the Board agreed changes to the reporting of authorisations operating service metrics to increase transparency and to reiterate increased scrutiny at the gateway. The FCA wants to make sure the UK is the best place in the world for financial services to thrive. This involves providing an effective and efficient service whilst maintaining high standards to protect customers and to bolster the reputation of the UK market.
Improving Equity Secondary Markets	In April 2023, the Board approved the rules and Policy Statement on changes to technical standards and summarised feedback to CP22/12. This work seeks to enhance execution quality for investors by lowering the cost of trading, reducing market impact and ultimately increasing liquidity. It also seeks to improve post-trade transparency.

Key Board decisions during 2023/2024	
Debt packagers Policy Statement	In May 2023, the Board approved rules to affect the prohibition on debt packagers accepting referral fees and agreed to a 4-month implementation period in order to balance the risk of harm to consumers and taking into account the impact on firms. This work seeks to remove a strong incentive for debt packagers to offer advice which does not have regard to the best interests of the customer or is not appropriate to the individual circumstances of the customer.
Cryptoasset financial promotions	In May 2023, the Board approved near final rules and Policy Statement for authorised persons and registered crypto businesses and publication of a Policy Statement on cryptoasset financial promotions. This sought to categorise cryptoassets as 'Restricted Mass Market Investments' and apply the associated restrictions on how they can be marketed to UK consumers. The Board approved the near final rules as final in June 2023.
Mortgage Affordability Rules (Amendment) Instrument 2023	In June 2023, the Board approved rules to give effect to the Mortgage Charter. The accompanying changes to the Handbook aim to secure an appropriate degree of protection for consumers by enabling lenders to offer their customers swift, temporary reductions in payments and for customers to make an informed choice on their options.
Complaints Scheme Consultation	In June 2023, the Board approved changes to the Complaints Scheme (the Scheme) following consultation. These changes seek to make it easier for complainants to understand how the Scheme works and what to expect from it.
Consumer Investments Strategy	In September 2023, the Board approved publication of an update on progress against the workstreams and outcomes in the Consumer Investments Strategy launched in September 2021. The strategy seeks to enable consumers to make effective investment decisions with the accompanying outcomes and workplans now incorporated within the wider FCA Strategy. The Board therefore also agreed that future outcomes would be reported in the Annual Report.

Key Board decisions during 2023/2024	
Sustainability Disclosure Requirements (SDR) and investment labels	In November 2023, the Board approved rules and guidance and to help consumers navigate the market for sustainable investment products.
Primary markets effectiveness	In December 2023, the Board considered the proposed reforms to the Listing Rules as part of the Primary Markets Effectiveness Review for consultation. The proposals seek to create a simpler, more disclosure-based listing regime aimed at helping boost UK growth and competitiveness by making the regime more attractive to a wider range of companies. This should also provide greater opportunities for investors, while still keeping high standards of disclosure so shareholders retain the ability to exercise stewardship and other rights to influence company behaviour.
UK Consolidated Tape Framework	In December 2023, the Board approved rules and Policy Statement on the UK consolidated tape (CT) framework for bonds. The works seeks to promote cheaper, higher quality and more accessible market data for its users by facilitating the creation of a consolidated tape for bonds.

Nikhil Rathi

Nikhil Rathi, Chief Executive

Chapter 7

Group operational overview

The operational and financial performance of the Group in 2023/24 covers:

1. key highlights
2. investing in our people and our data and technology
3. group operating results for the year
4. overall financial position at 31 March 2024
5. principal risks and uncertainties

To deliver our objectives as effectively as possible we:

- use our resources in an economic, effective and efficient manner
- invest in our people, infrastructure and systems
- encourage diversity and inclusion

Section 1 – key highlights

- Increased our national footprint through building our presence in Leeds as well as Edinburgh, as we grew our workforce and invested in our people.
- Enhanced ways of working with the Staff Consultative Committee to strengthen our understanding and ability to respond to colleague opinion.
- Strategically invested in our data and technology to further evolve into a regulator that is more driven by data and digital capabilities, specifically enhancing:
  - Firm experience, through the execution of Transforming Data Collections Programme and the introduction of Digital Forms.
  - Our operational efficiency and engagement, by implementing a new telephony platform that facilitates improved interactions with us and the enhancement of our case management system, positively affecting approximate 3000 of our colleagues.
  - Innovation within financial services, with the launch of the Digital Sandbox.

Section 2 – investing in our people and our data and technology

2.1 Our people

To support our growing remit and deliver our ambitious strategy, we have been transforming our career frameworks and workforce over the past 3 years. Our people priorities provide clarity and drive clear accountability for delivery.

We continue to recruit the capability we need now and for the future, while also retaining the experienced talent we have. We are becoming a more effective regulator by being truly representative of broader society and the nations and regions of the UK.

During the financial year we hired nearly 1,000 new colleagues across the UK, now employing over 200 people in Leeds and over 250 people in Edinburgh in addition to our London location. We have also strengthened the capability of our leadership team. As a result, we have been able to improve operational effectiveness and deliver a more rigorous gateway in our Authorisations Division, build capacity and resilience in our case and investigation teams and more broadly as our remit expands, and bolster considerably our range and depth of expertise in data and technology.

Attracting and retaining talent

We continue to attract the diversity of talent needed which combined with a significant reduction in attrition is enabling us to match our strategic ambitions.

During 2023/24 we made 1,839 appointments (1,762 FCA, 77 PSR), of which 842 were internal moves (815 FCA, 27 PSR) and 997 were external appointments (947 FCA, 50 PSR). Of these, 36 appointments (17 external and 19 internal) were made to the FCA and PSR Senior Leadership Teams (SLTs), 2 appointments (1 external and 1 internal) were made at Executive Committee level.

In addition, we recruited 90 graduates, 25 apprentices and 38 summer interns for our 2024 cohorts. We continue to receive a high number of applications across our schemes and have moved significantly up the rankings for Student Employers with Rate my Placement now standing as the 49th ranked employer.

Employee turnover totalled 9.9% (17.5% in 2022/23) for the FCA Group, with 7.2% (15.2% in 2022/23) accounted for by colleagues choosing to leave and excluding interns, fixed term contracts reaching their end date and other involuntary turnover.

In 2024/25, we will strengthen our workforce through a greater focus on supporting agility, deploying our people where they are most needed and aligned to our strategic workforce plans.

Our continued ability to attract, retain and progress talented individuals will help us further enhance our effectiveness. It also reflects how the strength of our organisational purpose is seen by colleagues choosing to work at the FCA. We will going forward further improve the clarity of our career offer for all colleagues.

Listening to our colleagues

The Board and Executive are committed to enhance our ways of working with the Staff Consultative Committee (SCC), strengthening our understanding and responding to colleague opinion across the organisation.

Enhancements to the SCC have focused on giving our colleagues a greater breadth of opportunity to contribute to the operation of the FCA and PSR. This has included inviting 2 Trade Unions to take up seats on the SCC, giving greater diversity to the colleague representation mechanisms on offer.

Elections commenced in 2023/24 to increase the number of staff representatives across the organisation with a bespoke learning pathway developed for them.

In 2024/25, we will introduce new and more inclusive types of leave with enhanced time off to welcome a child for partners.

Colleague development

Our focus remains on equipping colleagues with the skills and knowledge they need to excel in their roles and adapt to the dynamic financial and regulatory landscape.

The FCA Academy is at the forefront of our learning initiatives, offering an extensive mix of in-person and online training programmes. These are tailored to meet immediate and future regulatory demands, enhance technical capabilities, and improve essential soft skills.

All new colleagues benefitted from our corporate induction and accompanying learning pathway. In addition, we continued investing in our management and leadership capability through our dedicated People Managers learning pathway and leadership transition programme for new members of the SLT.

We continue to support the desire of many colleagues to develop their professional skills through development programmes or sponsored study. This includes increasing our drawdown of the apprenticeship levy and consequently reducing the net cost of funding colleagues to achieve qualifications. We offer 30 programmes ranging from A-level equivalent (L3) to Masters (L7) in critical areas including data, digital, compliance, risk and finance.

As a data-led regulator, our data fluency programme supports colleagues to improve their data capabilities. We continue to actively engage in the skills and capabilities workstream of the Digital Regulation Cooperation Forum.

With the launch of the Consumer Duty in July 2023, we introduced a programme of learning to help colleagues better understand how the Consumer Duty impacts not only our ways of working but also our day-to-day lives as consumers.

Our 'Professions' framework helps us invest in the specific skillsets of different groups of colleagues. We have now launched 6 professions – accounting and finance, economics, legal, people, policy and risk management. Further professions we will launch this year include regulatory.

Colleague wellbeing

In February 2024, we introduced our updated wellbeing framework to promote healthy working practices and underpin positive behavioural change and healthy lifestyles. The framework also aims to provide support for line managers and enable easy access to wellbeing services and training.

We continue to offer a comprehensive programme covering mental health, emotional health, physical health, social wellbeing and financial wellbeing. Colleagues have access to a range of support services such as Private Medical Insurance, Employee Assistance Programme, a Virtual GP Service, Physiotherapy and Occupational Health.

During 2023/24 our sickness rate, which calculates the proportion of working hours lost because of sickness, decreased to 2.7% (3.0% in 2022/23).

At the start of 2024/25, we are introducing a more inclusive time off for personal circumstances policy, to help colleagues better manage the impact of caring responsibilities or unforeseen events in their personal lives.

Rewarding our colleagues

Overall, our pay and benefits offer aims to retain and attract people with the skills necessary to meet our vital objectives – protecting consumers and markets and promoting competition in the interests of consumers.

Our employment offer is designed to:

- provide fair, competitive pay at all levels
- reward strong, consistent performance
- aid transparency and career development
- protect the benefits colleagues value for the long term
- help close our disability, ethnicity and gender pay gaps

Following the launch of our New Employment Offer in April 2022, we have seen a positive impact on the pay of younger, female and ethnic minority colleagues. This is evidenced in our comprehensive pay gap reporting.

The April 2024 pay review has again been informed by benchmarking data, labour movement within the organisation, recruitment and the wider economic context set against the income we receive from fees on firms. We have also responded to colleague feedback and closely engaged with the SCC. Further details are set out in the Remuneration Report section.

We are confident our reward package continues to be one of the best overall of any public authority, regulator, or enforcement agency in the UK. We remain committed to shaping it in a way which supports our aspiration to be an inclusive employer for all.

Diversity, Equity and Inclusion as an employer

We pride ourselves on being a diverse, inclusive and flexible workforce that reflects the public we protect. We were in the first group of signatories to the Government's Women in Finance Charter.

By 2025, we aimed to have 50% of our SLT identifying as female. By the end of March 2024, we achieved this with 50% of our SLT identifying as female, up from 48% in March 2023. We also aim to have 20% of our SLT identifying as ethnic minority by 2025. At the end of March 2024, 13.9% of our SLT identified as ethnic minority. This is fractionally up from 13.8% in March 2023.

At the FCA, our female representation stood at 52% and minority ethnic representation at 34%. This is against targets of 50% and 25% respectively.

Over the past 12 months we have started implementation of our 3-year evidence-led internal diversity, equity and inclusion (DEI) programme. The programme prioritises 4 areas where we need to take action to have the greatest positive impact.

Supported by new governance, we have already made good progress. Our new DEI data dashboard gives colleagues visibility of progress against our targets and we have established Divisional Diversity Groups across the organisation to ensure accountability at all levels.

Our DEI webpages provide a detailed overview of our work, commitments as a public body and pay gap figures for gender, ethnicity and disability for the year ending 31 March 2024.

2.2 Our data and technology

Data and Technology underpins our activities at the FCA to help us protect consumers, improve consumer and firm experience, reduce firm burden and encourage innovation within financial services. We have made significant progress across several data and digital programmes to realise our ambition to become a digitally enabled and data-led regulator. We have continued to invest in delivery and improvements; prioritising £153m in funding through the financial year, as well as growing our skills and capabilities, including establishing a Digital Delivery Hub in Leeds.

Protecting consumers

We have continued to build and deploy intelligence systems that allow us to detect and prevent harm to protect consumers, making progress in moving towards a Digital Unified Intelligence Environment. For example, we continue to develop the Single View of Firm, our tool for bringing all the information and data relevant to the supervision of a firm together, with enhanced risk indicators. We have also increased the capacity and sophistication of our web-scraping tools; in the last quarter, we have identified 207 scam websites where follow up action was taken, representing an increase in 30% from the previous quarter. We have also launched tools that help us analyse what consumers are saying about the firms, products, and services they transact with.

Improving experience for consumers and firms

We are investing in improving the experience of both consumers and firms by providing improved solutions to colleagues that enable them to do their jobs more effectively and enabling colleagues to focus on cases where there is the greatest harm. We achieved a significant upgrade to our case management platform throughout the first half the financial year, deploying a modern interface to colleagues that simplifies their tasks. This was followed in December by a new contact centre solution, improving the experience of the consumers and firms that call us. The new solution deploys artificial intelligence (AI), incorporating features for voice-to-text call transcription and context sensitive recommendations for next best actions. The use of AI allows case officers to focus time on more valuable tasks that require human judgement and experience. We expect to continue to deploy AI in a way that augments human capabilities, rather than replacing them, supported by our technology platforms and partners.

We are on a 4-year journey to transform the Authorisations Gateway, moving to a modern, well-designed digital experience for firms with the first form successfully launched to Public Beta in September 2023.

Reducing firm burden

We will reduce the burden on firms by continuing to implement our Transforming Data Collections Programme in partnership with the Bank of England. The programme aims to digitise and optimise regulatory reporting, improving firm experience in getting the data we need to regulate. We have continued to support firms to enable them to comply with their regulatory reporting requirements with proactive and timely reminders of upcoming regulatory reporting deadlines; full year compliance was 93% in 2023, and 91% in 2022. Over 700,000 submissions have been processed by our RegData platform.

Enhancing market integrity

We have continued to enhance our capability to identify and pursue market abuse by refreshing our market surveillance technology and data. The refresh allows us to extend our alerting analytics into a wider range of asset classes, implements new tools that speed up detection of misconduct, and allows us to fully integrate data engineering, data science and market surveillance into a seamless delivery chain.

Our investment in financial markets technology and data underpins the delivery of the Smarter Regulatory Framework and our public commitments to strengthen the UK's position in global wholesale markets. Using new technology and exploiting internal and external data sets we are improving our operational efficiency and improving the competitiveness of the UK.

Innovation for financial industry

Enabling innovation in the financial services industry in the UK is a key part of delivering effective competition, competitiveness, consumer protection and market integrity. We aim to support beneficial and responsible innovation, ensuring consumers and markets reap the benefits of new technology and innovative advancements, while identifying, assessing and mitigating risks. In the last financial year, 146 applications across all innovation services were received. We have offered 6 months support to 31 firms and signposted many others to relevant information to support the development of their business model, product or service.

In August 2023, we launched a Digital Sandbox platform to foster innovation within financial services and provide greater access to participate in Tech Sprints that can accelerate early-stage development. The platform provides access to synthetic data which enables financial services companies to test their products and innovations with data which is representative of consumers without compromising the consumer or the data which belongs to them. As part of our work in this area, the FCA established the Synthetic Data Expert Group, producing a report in March 2024 on best practices and collaboration across private/public sector. We are scoping an AI Sandbox as well as exploring ways to use our innovative tools to be more agile in policymaking.

Enabling data and technology led regulation

Service and operational resilience remains a priority; our consumer and firm facing systems such as the FCA Website, Financial Services Register and RegData have achieved 100% availability. We have upgraded our technology networks, cloud environments, cyber security platforms and modernisation of colleagues' devices. Safety and security are key and we are proceeding with new technologies, like Artificial Intelligence, cautiously while learning more about these powerful and dynamic technologies and how they can support us to achieve our role.

Part of becoming a data-led regulator is continued investment to ensure we have high quality reliable data. In January 2023, we implemented the Data Catalogue allowing the FCA's data to be better defined. In the last financial year, metadata for over 450 data sets and 9,400 data items has been captured in the Data Catalogue and published to the whole FCA to improve data discovery and promote data utilisation.

The FCA are committed to realising value for money for the firms we regulate and working with trusted suppliers. In September 2023, the FCA launched a new Digital Services procurement framework with 62 partner suppliers, giving us a way to strategically obtain data, digital and technology skills and capabilities from the market.

We are making great progress and the FCA remains committed to ongoing investment in our data and technology, prioritising £180m in funding for the upcoming financial year to help us to continue to protect consumers, improve the experience of both consumers and firms, reduce firm burden and ensure our services are secure through design, with improved technical stability and efficiency.

Section 3 – Group operating results

The Group generated a £44.8m deficit for 2023/24 (see Table 1). This primarily resulted from a planned net £30.5m higher expenditure of Ongoing Regulatory Activities (ORA) and a £8.7m increase in the net pension obligation, measured in accordance with *IAS 19 Employee Benefits*.

The FCA's expenditure was £35.1m higher for ORA as reserves were used to fund our investment in strategic commitments and technology aligned to our 3-year strategy. This was offset in part by PSR's expenditure being £4.6m lower for ORA than planned due to a slower pace in reaching anticipated staffing levels due to market buoyancy and the delay or reprioritisation of projects and pieces of work.

The increase in the net pension obligation is primarily driven by £36.4m of net actuarial losses offset by £28.4m of contributions paid during the year, as reflected in Table 1. This measurement is performed as required by IAS19 as an accounting valuation and is to provide a consistent measurement of accounting costs across different entities.

For funding purposes, the FCA and Trustee use the technical provision basis of valuation and the Plan is expected to be fully funded by 31 March 2027, with a year-on-year improvement in funding seen in 2023/24. On this basis the FCA's expected cash liability has reduced year on year.

Additionally, on a technical provision basis, the Plan is projected to be running ahead of the agreed target date to eliminate the Plan's deficit and therefore, the FCA has agreed with the Trustee to defer £10m of deficit reduction contributions to 31 August 2027, as disclosed in *Note 18 Retirement benefit obligation*.

Table 1

Group Deficit	2023/24 £m	2022/23 £m
Net actuarial gains/(losses) on Pension Scheme	(36.4)	(76.0)
Pension deficit contributions taken to Balance Sheet	28.4	28.5
Pension interest charge & past service cost	(0.7)	0.8
Total Defined Benefit Pension Scheme	**(8.7)**	**(46.7)**
FCA over/(under) recovery of ORA	(35.1)	(11.4)
FCA over/(under) recovery of exceptional projects	(5.6)	8.9
PSR over/(under) recovery of ORA	4.6	(2.8)
Total Group Deficit for the year	**(44.8)**	**(52.1)**

As a result, the Group accumulated reserves have decreased from £68.2m to £23.4m (see Table 2).

Analysis of income and operating costs

Income

Fees: We are funded by raising fees from the firms we regulate; we do not receive funding from the UK Government. FSMA gives us the powers to raise fees to meet our costs, which includes our budgeted Ongoing Regulatory Activity (ORA). This represents the net costs of our core operating activities after offsetting Other Income.

Our Annual Funding Requirement (AFR) also includes fee income from exceptional projects recoveries (including set up costs of new responsibilities), special project fees, other regulatory income (register extract services) and application fees. Under certain circumstances, such as when Parliament introduces new legislation, there may be changes to the scope of our regulated activities, which can include new responsibilities. Major work resulting from this scope change is reported separately from ORA under exceptional projects, so it is individually identifiable from a cost and fee perspective. We include these activities as part of the cost of ORA only when this scope change work becomes part of our business as usual.

Other Income: This includes income from certain publications and training services we provide, recovering the costs of Skilled Persons to carry out s166 reviews, interest on bank deposits and income for providing, levying and collecting fees for other regulatory bodies.

Chart 1 – Year on year change in income

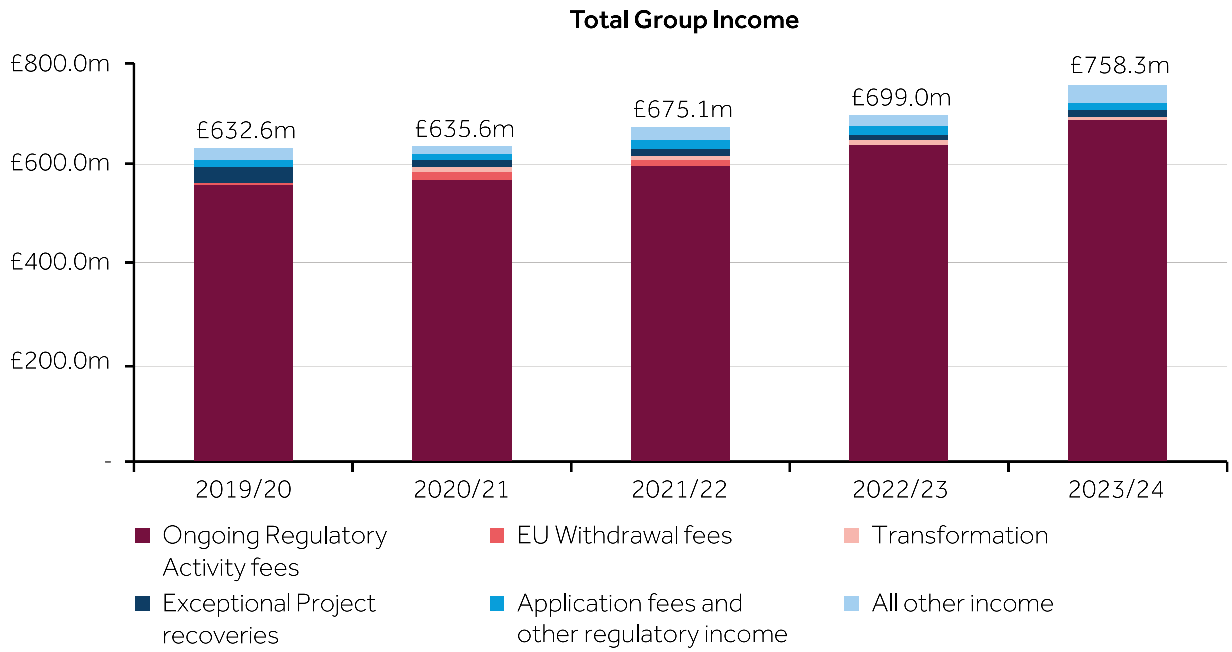
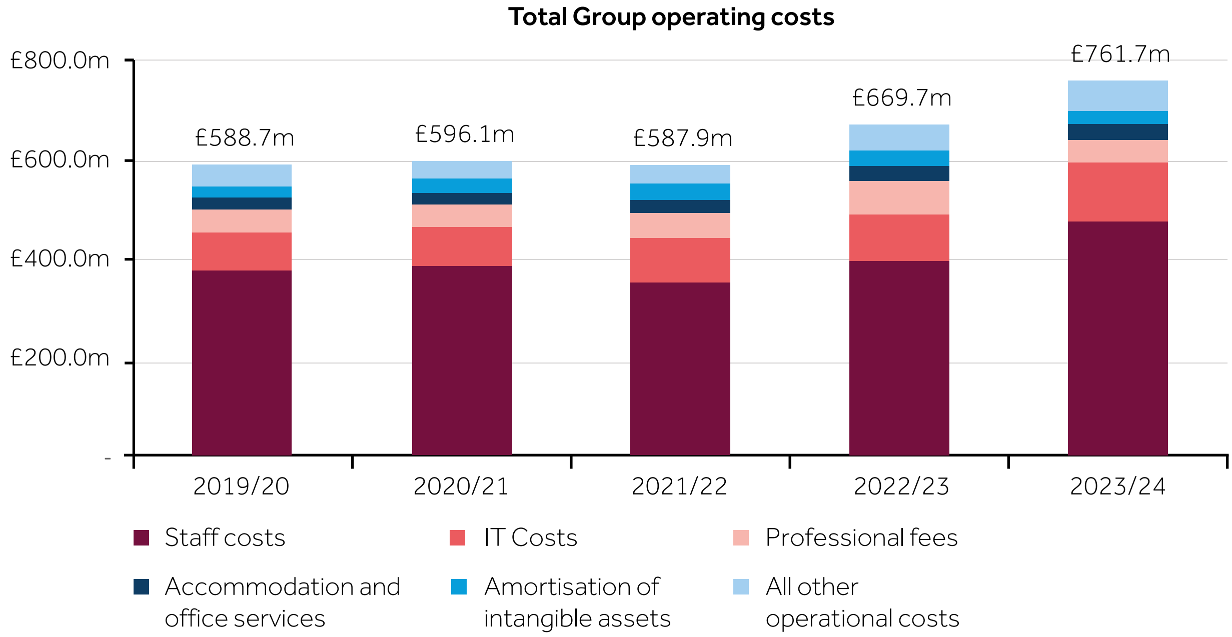


Chart 1 shows the 5-year movement in the Group's income. The FCA raises fees directly in response to the budgeted cost to perform its statutory duties. Therefore, fees rise and fall in line with the Group's cost base, which is presented in Chart 2 as a 5-year trend.

Operating costs

Chart 2 – How we spend our money



The main movement over the last five years were:

- £92.0m increase in 2023/24, driven primarily by a £80.0m increase in staff costs and £29.0m higher IT costs. Staff costs increased due to the increase in staff numbers in 2023/24 (for further details on the uplift in staff numbers refer to Note 5 staff information on page 117). IT costs are higher as we invest more in becoming a digitally enabled and data-led regulator and made significant progress across a number of data and digital programmes.
- £81.8m increase in 2022/23, driven primarily by a £44.2m increase in staff costs and £17.3m higher professional fees as planned. Staff costs increased due to the increase in staff numbers in 2022/23. Professional fees were higher as a result of undertaking regulatory initiative projects. We use professional fees for activities we cannot fulfil internally, for example for s166 Skilled Person reports and Specialist IT skills. Recruitment costs have also increased to support the higher headcount.

Section 4 – Overall Financial Position

Reserves

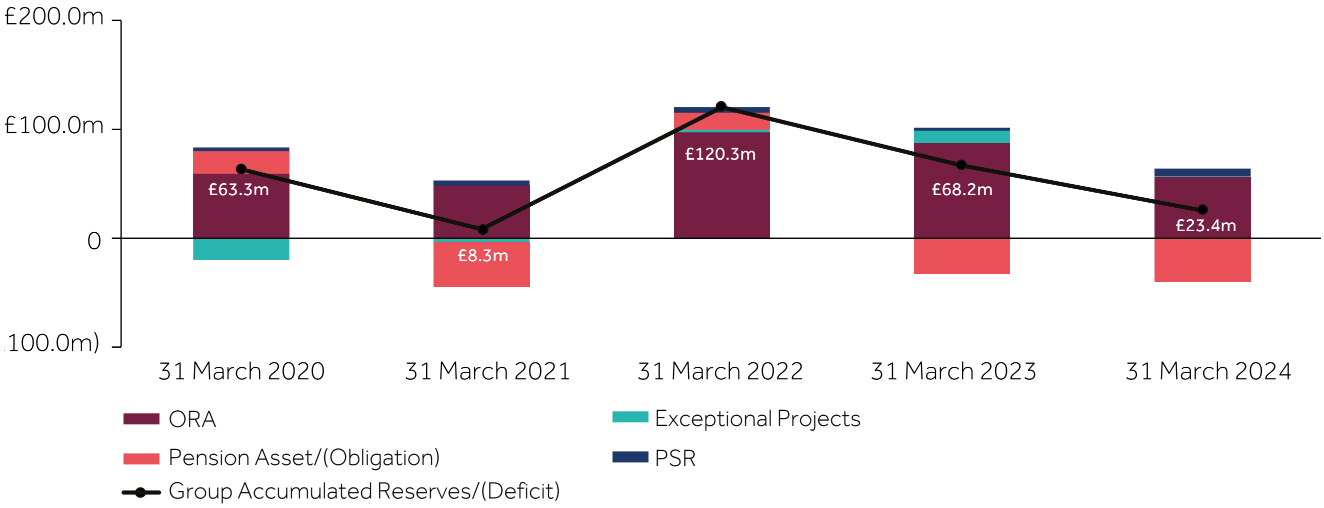
The FCA seeks to maintain ORA reserves between 6% and 10% of ORA expenditure, which may be flexed based on the FCA Board's assessment of risk and economic factors (ie inflation, regulatory environment and interest rates). At 31 March 2024, the FCA's ORA reserves of £55.7m or 8% of ORA expenditure. This is a decrease from 14% of ORA expenditure in 2023.

The use of ORA reserves reflects the Board's continued commitment to invest in the FCA's technology and operations, underpinned by the Transformation programme and our 3-year strategy. All fees raised through the AFR support our planned programme of work. 2023/24 saw higher expenditure to achieve our strategic commitments and the utilisation of available reserves, with some further utilisation planned in 2024/25.

Table 2

Reserves	FCA					PSR	Group
	Ongoing Regulatory Activities (ORA) £m	Exceptional Projects £m	Accumulated Reserves £m	Pension Asset (Obligation) £m	Total Accumulated Reserves £m	Accumulated Reserves £m	Accumulated Reserves £m
At 31 March 2022 (as restated)	**97.2**	**2.5**	**99.7**	**15.5**	**115.2**	**5.1**	**120.3**
(Under)/Over recovery against budget	(11.4)	2.3	(9.1)	–	(9.1)	(2.8)	(11.9)
Net Exceptional Projects recoveries	–	6.6	6.6	–	6.6	–	6.6
Pension movement	–	–	–	(46.7)	(46.7)	–	(46.7)
At 31 March 2023	**85.8**	**11.3**	**97.1**	**(31.2)**	**65.9**	**2.3**	**68.2**
(Under)/Over recovery against budget	(35.1)	(0.6)	(35.7)	–	(35.7)	4.6	(31.1)
Transfer of reserves	5.0	(5.0)	0.0	–	–	–	0.0
Net Exceptional Projects recoveries	–	(5.0)	(5.0)	–	(5.0)	–	(5.0)
Pension movement	–	–	–	(8.7)	(8.7)	–	(8.7)
At 31 March 2024	**55.7**	**0.7**	**56.4**	**(39.9)**	**16.5**	**6.9**	**23.4**

Chart 3 – Reserves balance 2020-2024



Penalties collected on behalf of the Treasury

Penalties of £35.3m (2023: £212.6m) were collected during the year by the FCA (2023: £10.2m were collected by the PSR). During the year, £11.8m was paid to the Treasury, of which £7.5m related to penalties owing from 2022/23 and £4.3m of this balance is now due to the FCA for the under recovery of enforcement costs in 2022/23, which will be deducted from future penalties payable to the Treasury. In 2022/23, £208.0m was paid to the Treasury, £57.7m in penalties owing from 2021/22 and £212.6.m of penalties received during the year net of £54.8m to be rebated to fee payers in 2023/24. At 31 March 2024, penalties owing to the Treasury was £0.2m (2023: £7.5m).

Section 5 – Principal risks and uncertainties

To achieve our Strategy and consequently deliver against our objectives, we must ensure our risks are well-managed.

Our Risk Management Framework (RMF) supports a consistent and robust approach to identifying, assessing and appropriately managing our risks. We operate a three lines of defence model which helps ensure appropriate segregation of duties. We have robust governance processes and defined roles and responsibilities across the organisation, as explained in more detail in the Corporate Governance Statement (Chapter 8) and the Corporate Governance of the FCA.

Our Risk Management Process helps colleagues understand how the component parts of the RMF come together, including our Risk Appetite Framework, which supports:

- the consistent and objective escalation, prioritisation and management of risks, including any interdependencies between them
- decision makers in focusing on priority items in their planning and allocation of resources and take more informed risk-based decisions
- internal processes to be kept under review and where appropriate, new processes and controls are implemented
- the Executive and Board in providing a cross-FCA view of the most important risks and actions being taken to mitigate them

Risks and Uncertainties facing the PSR are contained in their Annual Report and Accounts.

Key actual and emerging risks

Our priorities for tackling risks of harm in 2023/24, and how we have progressed against these Strategic Commitments are covered in Chapter 4.

The external environment including the markets we regulate are not static and so we conduct horizon scanning to identify and assess emerging risks and opportunities. These risks may be beyond our immediate control but could impact our business priorities and currently include:

- The increased geopolitical instability, including any escalation of ongoing conflicts and outcomes of elections, have the potential to give rise to new pressures and challenges.
- The impact of persistent inflation and maintained higher interest rates mean that many consumers and businesses continue to struggle. This may impact the products and services being accessed and increase the need to ensure firms are appropriately considering consumer needs.

- The potential for domestic and international developments (political, economic, financial or regulatory) to damage the international competitiveness of the UK, given the further globalisation of financial services. This would undermine our actions to facilitate competitiveness and growth and/or lead to increased pressure for us to address this issue.
- Innovation and the continued development of technology including Artificial Intelligence (AI). These present real opportunities to improve efficiency and effectiveness which will need to be balanced against the risk of them being used to the detriment of consumers and markets.
- Ongoing threats from cyber-attacks and to information security which remain elevated due to the current unsettled geopolitical environment.
- The pace and volume of external change and impact of firms' business models. This includes the speed of digitisation, the introduction of new regulations, and firms seeking to operate at the periphery of the regulatory perimeter and avoid regulation to the detriment of market participants.
- The potential increased risk of conflicting and/or unachievable expectations, including in relation to transparency and accountability.

Key own risks

While each of the risks and mitigations below are listed individually, there are, of course, interdependencies between them, such that we do not manage them in isolation.

Perimeter risk: Our regulatory remit is unclear, misunderstood, or changes (including new objectives), are ineffectively implemented.	**Strategy, Planning and Prioritisation risk:** Our strategy and business plan are not forward looking or sufficiently dynamic and/or our prioritisation is ineffective.
Examples of key current mitigations	
Strong working relationships with key stakeholders which enable sufficient opportunity to input into decisions.	Robust processes supporting effective prioritisation and allocation of resources to achieve the highest impact outcomes.
Proposed legislative changes are monitored with clear governance to enable appropriate escalation of issues impacting our remit and responsibilities.	Horizon scanning and stress testing of plans help to enable efficient and effective responses to emerging or unplanned risks and issues.
Dedicated resources to help reduce harm linked to our Perimeter and publication of a Perimeter Report aids understanding of our remit and our powers.	Progress against our strategic priorities and business plan are monitored through governance forums and performance metrics are reviewed and published regularly.
Stable risk trend	**Improving risk trend**

Regulatory Tools and processes risk: We do not have appropriate tools or processes, or we fail to use them efficiently or effectively to identify and prevent harmful activities in the regulated financial services market.

Examples of key current mitigations

- A robust and efficient Authorisations process that limits the ability for bad actors to enter the regulated financial system while enabling competition.
- An intelligence and data-led, outcomes-based approach to supervision, competition and enforcement to enable a swift, effective and proportionate response to prevent or mitigate harm.
- Continued implementation of the Consumer Duty which sets higher standards for firms and creates a focus for firms to appropriately consider consumer needs and outcomes.

Stable risk trend

People risk: We do not attract or maintain the right capacity and/or skills to deliver our objectives in the right locations at the right costs and struggle to maintain staff engagement and wellbeing.

- The People Committee oversees the people strategy, reviewing whether the workforce can sustainably deliver our Strategy, on budget and in line with our values.
- Continued development of Strategic Workforce Planning, including investment in capabilities to keep pace with regulatory change and innovations in financial services.
- Continued expansion of our national footprint to ensure we continue to attract the right skills in the right locations.

Improving risk trend

Operational Resilience risk: We or our suppliers are insufficiently prepared to prevent and/or appropriately respond to operational disruptions.

Examples of key current mitigations

- A comprehensive MI system which provides a risk-based view of threats and controls underpinning our cyber and technology stability risks.
- Due diligence assurance is conducted on our critical Third-Party Suppliers.
- Critical Business Services are documented with tolerances for outages and stress tested periodically so they remain appropriate.

Stable risk trend

Technology risk: Our IT strategy and systems are not fit for purpose or do not keep pace with technological innovations which impacts our ability to operate efficiently and effectively.

- Ongoing investment to update our IT infrastructure, so that it continues to meet changing demands.
- Robust governance and controls which enable forward looking scalable enterprise architecture and value for money.
- Ongoing collaborative relationships with regulatory partners to align strategies and regulatory requirements for Artificial Intelligence and Machine Learning.

Stable risk trend

Data and Information risk: Our data and information or its use are inadequate, inaccurate, inappropriate, fail to maintain data integrity or adapt to innovations in data/analytics/AI.

Examples of key current mitigations

Clear governance arrangements, including defined responsibilities to maintain the integrity of our data, access to it and its use.

Continued development of data sharing arrangements and innovative tools and techniques to enabling agile and effective identification of harm.

Robust tools, processes around the data lifecycle, including storage, which better enables organisational join up and insights from data we hold.

Stable risk trend

Public Confidence risk: We are not seen as an effective and independent regulator, limiting our ability to influence outcomes and deliver against our statutory objectives.

Ongoing investment to update our IT infrastructure, so that it continues to meet changing demands.

A robust governance process and controls for all external communications including a formal communications plan for all announcements.

Our performance is transparently measured through published operating service metrics and our progress against our strategy through outcome metrics.

Stable risk trend

Financial risk: We have insufficient funds to meet our outgoings or insufficient time to mitigate potential cash flow impacts.

Examples of key current mitigations

Stress tested cash flow forecasts are regularly prepared to identify potential shortfalls that may occur and ensure the effectiveness of mitigations in place.

The annual budget is monitored monthly against baseline spend and change portfolio forecasts to understand likely financial outcomes.

The defined benefit pension plan, including its funding position, is monitored by the Pension Trustee Board, FCA Board and external advisors as needed.

Improving risk trend

Chapter 8

Directors’ report and corporate governance statement

Directors’ report

The directors present their report for the year ended 31 March 2024.

Some information that fulfils the requirements of the Directors’ report can be found elsewhere and is referred to below. This information is incorporated into this Directors’ report by reference.

Details of the directors who held office during the year can be found in Figure 2 of the Corporate Governance Statement.

The directors have a duty under section 172 of the Companies Act 2006 (s172) to promote the success of the Financial Conduct Authority (FCA) and factor our stakeholders into their decision-making. This includes details of how the directors have engaged with employees and external stakeholders, including consumers, regulated and other businesses, the communities we operate in, community leaders and parliamentarians, domestic and international regulators, and our suppliers during the year.

The FCA publishes a number of additional reports, alongside the annual report. These include our annual Sustainability Report in Appendix 4, which sets out our environmental sustainability work. We also continue to hold ourselves publicly accountable for our Diversity, Equity and Inclusion programme by publishing workforce diversity data against our targets.

In addition, the FCA’s Business Plan 2024/25 explains our programme of work for the next 12 months.

The Group comprises the FCA and its wholly-owned subsidiary, the Payment Systems Regulator Limited (PSR). More information about the PSR’s activities during the year and its programme of work for the next 12 months can be found in its Annual Report 2023/24 and Annual Plan 2024/25 respectively.

The FCA has no branches or subsidiaries outside of the UK.

Directors' responsibilities for the Annual Report and Accounts

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have chosen to prepare the financial statements for the FCA (the Parent Company) and the Group in accordance with International Financial Reporting Standards, as adopted by the UK. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently
- make reasonable and prudent judgements and estimates
- state whether applicable International Financial Reporting Standards, as adopted by the UK, have been followed and ensure any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that show, with reasonable accuracy, the company's financial position and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

As far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware
- they have taken all the steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

The directors are responsible for maintaining and ensuring the integrity of the corporate and financial information on the company's website. UK legislation which applies to preparing and distributing financial statements may differ from legislation in other jurisdictions.

The directors confirm that the Annual Report and Accounts as a whole, are fair, balanced and understandable.

Going concern and key financial risks

In preparing the FCA and PSR financial statements, the directors have performed a going concern assessment which covered the period from 1 April 2024 to 31 March 2026. This included a robust assessment of the key emerging and principal risks, taking into consideration the latest FCA's Business Plan. The risks and uncertainties identified are set out below:

1. **Liquidity risk:** The FCA is currently well placed from a liquidity perspective, with cash and deposits of £311.7m at 31 March 2024 and an available overdraft facility of £100m, sufficient to meet its short-term payment obligations when due or otherwise fund its ongoing operations. The PSR has cash and deposits of £14.9m, which are ring-fenced within the FCA total.

2. **Cash flow risk:** can be assessed by looking at the following 3 key areas:

   a. The FCA's current liquidity position reflects (i) cumulative exceptional project costs (£0.8m), (ii) the continued cash contributions to reduce the pension scheme deficit, (iii) the funding of capital expenditure which is recovered over the useful economic lives of the assets rather than when the expenditure is incurred, and (iv) the potential to make ex gratia compensatory payments to remedy complaints under the Complaints Scheme.

   b. The FCA's net retirement pension obligation of £39.9m at 31 March 2024 reflects (i) the triennial valuation of the FCA Pension Plan at 31 March 2022 updated based on year end market conditions and (ii) the effectiveness of the Plan's low risk strategy to minimise the impact of market fluctuations on funding levels.

c. The FCA's strong fee covenants are underpinned by the statutory powers granted to it to raise fees to fund its and the PSR's regulatory activities. Of the firms on which the FCA currently levies its fees, the top 100 are estimated to be responsible for 48.3% of those fees (2023: 48.9%).

3. **Credit risk:** falls into 2 main categories:

   a. The collection of fees from the financial services industry: The FCA has a strong record in terms of collecting fees with bad debt experience averaging 0.6% (2023: 0.7%) of total income (excluding interest and finance income).

   b. The placement of firm fees as deposits with various counter parties: the FCA only invests with financial institutions which, among other things, meet its minimum credit rating as assigned by credit rating agencies. The FCA also spreads its deposits across a number of counter parties to avoid the concentration of credit risk.

4. **Significant accounting judgments and key sources of estimation uncertainty** that have been considered by the directors are the assumptions underpinning the measurement and valuation of intangibles, right of use assets, net investment in sublease, lease liabilities and dilapidation provisions (as set out in Notes 8, 9,10, 13 and 19, respectively, to the Financial Statements), the assumptions underpinning the pension assets and obligations (as set out in Note 18 to the Financial Statements).

The Directors have also considered any assumptions relating to provisions and contingent liabilities under the Complaints Scheme (as set out in Note 19 to the Financial Statements).

The identification and mitigation of risk is overseen by the Risk Committee and the associated procedures are described in more detail in the Internal Controls section of the Corporate Governance statement, page 75.

Having regard to the above, it is the directors' opinion that the FCA is well placed to manage any possible future funding requirements pertaining to its regulatory activity and has sufficient resources to continue its business for the foreseeable future.

The directors therefore conclude that using the going concern basis is appropriate in preparing its financial statements as there are no material uncertainties related to events or conditions that may cast significant doubt about the FCA's ability to continue as a going concern.

Events after the reporting period

There were no material events after the reporting period.

Directors' indemnities

In general, under the Financial Services and Markets Act 2000 (FSMA), the FCA has the benefit of an exemption from liability in damages for anything done or omitted in relation to the exercise or purported exercise of our statutory functions, provided that such acts or omissions are in good faith and do not infringe section 6(1) of the Human Rights Act 1998. This is supplemented with indemnities the FCA gives for the protection of individual employees, including directors, as described below.

In accordance with our Articles of Association and to the extent permitted by law, directors are granted an indemnity from the Company in respect of liability incurred as a result of their office. The indemnities were in force during the course of the financial year ended 31 March 2024 and remain in force at the date of this report.

Political donations

The Group did not give any money for political purposes in the UK. It did not make any political donations to political organisations, or to any independent election candidates, or incur any political expenditure during the year.

Disabled persons

The FCA is committed to providing equal opportunities. The FCA gives full consideration to applications for employment from disabled persons and reasonable adjustments are made to the recruitment process to ensure that no applicant is disadvantaged because of their disability. Where existing employees become disabled, the FCA makes all reasonable adjustments to accommodate the needs of that employee. Reasonable adjustments are put in place for employees with a disability to access training, career development and promotion opportunities.

Auditor

The Comptroller and Auditor general acted as auditor throughout the year, in line with the requirements of FSMA for the Company's accounts to be examined, certified and reported on by the Comptroller and Auditor general.

By Order of the Board on 27 June 2024.

Toby Hall
Company secretary
3 September 2024

Corporate governance statement

This section of the report explains the composition and governance structure of the FCA Board (the Board). It also outlines the Board's role, its performance, continuing professional development and succession planning.

We are an independent public body which is funded entirely by fees from the firms that we regulate. We are accountable to the Treasury, which has overall responsibility for the UK's financial system. We are also accountable to Parliament. The Financial Services and Markets Act 2000 (FSMA), as amended by the Financial Services Act 2012 and the Financial Services and Markets Act 2023, defines our work and purpose and requires us to meet and consult with our various stakeholders.

The FCA is a company incorporated in England and Wales under the Companies Act 2006 and is a company limited by guarantee with no share capital (company no. 1920623). Our governance structure provides the Board with assurance that the potential impacts on our stakeholders have been taken into careful consideration during the development of proposals put before it (further information on our stakeholders and how we engage with them is available in the s172 statement in Chapter 6).

We are open and accountable to the public through our Annual Report, our Annual Public Meeting and our broader engagement programme. We report annually to the Treasury on the extent to which we have met our regulatory objectives and are also subject to regular detailed scrutiny by Parliament through a number of its select committees.

We are required by FSMA to have regard to generally accepted principles of good corporate governance. Our Board is committed to meeting high standards of corporate governance and this report sets out how we are governed in line with the principles of the UK Corporate Governance Code (the Code), recognising that parts of the Code are not applicable to the FCA. The statutory framework set out in FSMA for the FCA and FSBRA for the Payment Systems Regulator (PSR), enables the ability to raise fees to recover the costs of carrying out our statutory functions. The Board therefore considers the requirement to include an explanation of how it has assessed the prospects of the FCA and the PSR and any related disclosures under provision 31 of the UK Corporate Governance Code not applicable.

The role of the Board, Board Committees and Executive Committees

Consistent with the Code, the Board is our governing body with collective responsibility for the long-term success of the organisation.

There is a clear division of responsibilities between the Board and executive management. The Board provides strategic leadership, sets our strategic aims, and ensures that we have the necessary financial and human resources to allow us to meet our statutory objectives.

The chief executive is responsible for implementing the strategy agreed by the Board, the leadership of the organisation, and managing the organisation within the authorities delegated by the Board.

The Board's role includes:

a. Determining the matters that should be reserved to it for decision, which shall include the exercise of the FCA's legislative functions and other matters as set out in the Schedule of Matters Reserved to the Board from time to time.
b. Making strategic decisions affecting the future operations of the FCA.
c. Overseeing the discharge by the executive management of our day-to-day business of the FCA.
d. Setting appropriate policies to manage risks to the FCA's operations and the achievement of our regulatory objectives.
e. Seeking regular assurance that our system of internal control is effective in managing risks in the manner it has approved.
f. Maintaining a sound system of financial control.

g. Taking specific decisions, outside those specified in the Schedule of Matters Reserved to the Board, which the Board or executive management consider to be of a novel or contentious nature or to be of such significance that they should be taken by the Board.
h. Maintaining high-level relationships with other organisations, authorities, and other relevant stakeholders. These include the Government, the Financial Services Compensation Scheme, the Financial Ombudsman Service, the Bank of England, the Prudential Regulation Authority, and the various statutory and other panels.
i. Establishing and maintaining arrangements to ensure accountability regarding decisions of committees of the Board and executive management, through periodic reporting.

The Board is supported by a number of committees to achieve the efficient discharge of its functions and facilitate effective decision-making. These committees are shown in Figure 1 and the membership of them is provided in Figures 4-10.

There are mechanisms in place to ensure that Board committees are accountable to the Board. For example, the chair of the Regulatory Decisions Committee reports to the Board Risk Committee and the chairs of the other Board Committees report on the work undertaken by their committee at the following Board meeting.

Our Corporate Governance of the Financial Conduct Authority document provides more details on our governance arrangements and is available on our website. Further details of the Board committees' activities can be found later in this report.

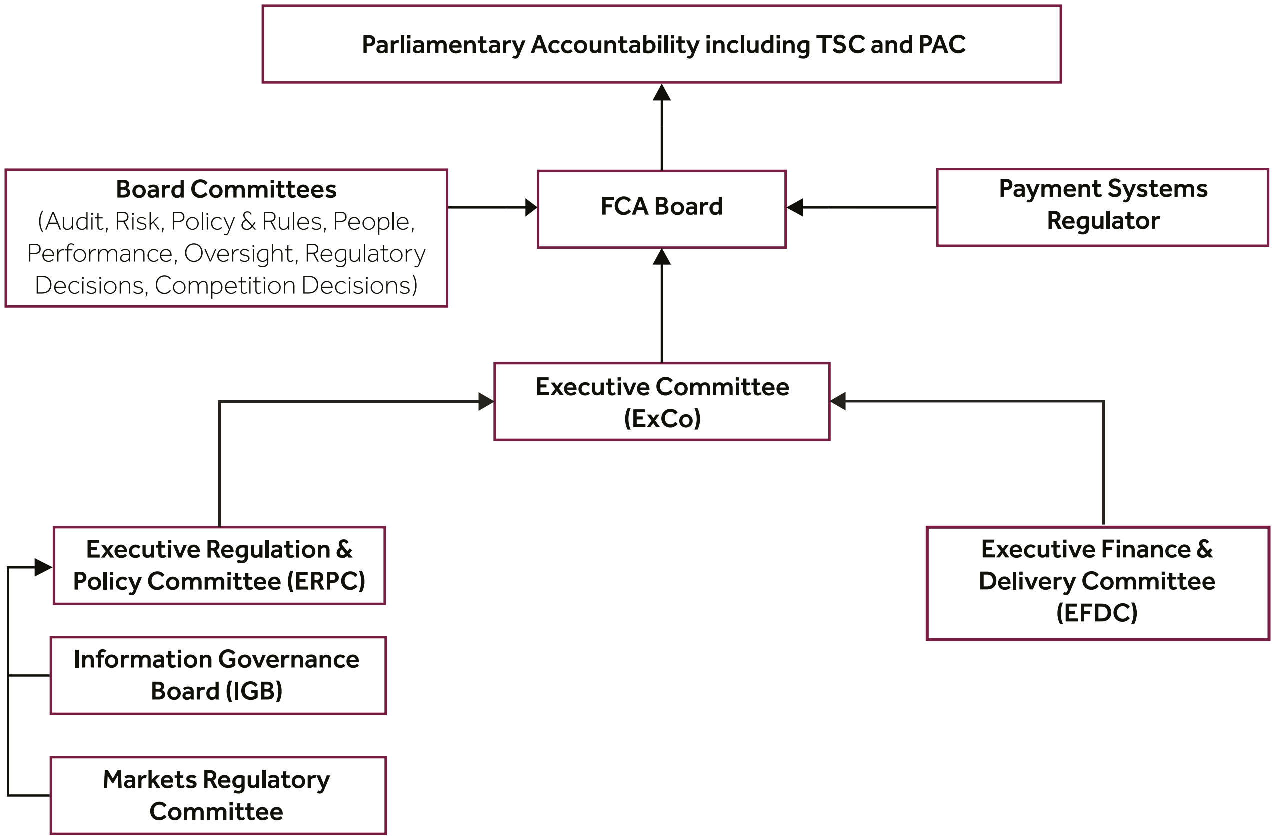
Our executive committees also play an important role in our governance. The principal committee is the Executive Committee (ExCo), which is chaired by the chief executive and takes decisions on the most significant operational issues.

There are several other committees that report directly or indirectly to ExCo, including the:

- Executive Regulation and Policy Committee (ERPC) – which takes decisions on significant regulatory and policy issues and has responsibility for issuing general guidance under FSMA. ERPC also oversees 2 Regulatory Sub-Committees, the Information Governance Board which oversees implementation of the FCA's data strategy and Markets Regulation Committee which exercises oversight and takes decisions on certain regulatory and market issues and is also responsible for the function and decision-making of the UK Listing Authority.
- Executive Finance and Delivery Committee – which takes decisions on spending and delivery on all programmes, projects, and cross-cutting work packages.

Figure 1 below summarises our governance framework. Further details of our executive structure can be found on our website.

Figure 1 – the FCA's governance framework



Senior Managers and Certification Regime

The Senior Managers and Certification Regime (SM&CR) does not formally apply to the FCA. However, as a matter of best practice, we have set out descriptions of the core responsibilities of our Board, Board committee and executive committee members and staff carrying out senior management functions. Our website has more details on how we apply the SM&CR to ourselves.

Board composition

FSMA requires that the membership of our Board is as follows:

- the chair and the chief executive, who are each appointed by the Treasury
- the Bank of England's deputy governor for Prudential Regulation and the chair of the Payment Systems Regulator
- two non-executive directors appointed jointly by the Secretary of State and the Treasury
- at least one other director appointed by the Treasury

In making appointments to the Board, the Treasury is required to ensure that a majority of members are non-executive. The directors who served during the year are shown in Figure 2.

Figure 2 -Board members during the reporting year

Name	Original appointment date	Expiry of current term/ date membership ceased
Ashley Alder Chair	20/02/23	19/02/28
Liam Coleman[1] Non-executive director	05/11/19	04/11/25
Bernadette Conroy[2] Non-executive director	06/04/20	05/04/26
Sophie Hutcherson Non-executive director	14/04/23	13/04/26
Richard Lloyd[3] Non-executive director	01/04/19	31/03/25
Alice Maynard[4] Non-executive director	05/11/19	04/11/25
Nikhil Rathi Executive director – chief executive	01/10/20	30/09/25
Aidene Walsh[5] Non-executive director	29/08/23	25/01/26
Sam Woods[6] Non-executive director – Bank of England Deputy Governor for Prudential Regulation	01/07/16	30/06/26
Bryan Zhang Non-executive director	19/02/24	18/02/27

All non-executive appointments are made in accordance with the Government's Governance Code for Public Appointments published by the Cabinet Office and are regulated by the Office of the Commissioner for Public Appointments.

A majority of Board members are non-executive and bring extensive and varied experience to the Board and Board committees. All non-executive directors are considered to be independent. Richard Lloyd continued to serve as the deputy chair during the year[7].

The Board sought to build its capacity during the year and welcomed Bryan Zhang in February 2024 who brings extensive experience within financial services, particularly within fintech, digital transformation, and open banking.

The Board aims to ensure it has a diverse membership, with 4 out of the 10 Board members identifying as women, 2 Board members being from a minority ethnic background and 1 Board member who identifies as disabled. Particular attention is paid to the recruitment process to attract a diverse field of candidates

1 Liam Coleman was appointed for a second 3-year term in July 2022.
2 Bernadette Conroy was appointed for a second 3-year term in March 2023.
3 Richard Lloyd was appointed for a second 3-year term in January 2022.
4 Alice Maynard was appointed for a second 3-year term in July 2022.
5 Aidene Walsh is a non-executive of the FCA in accordance with FSMA. Aidene was appointed the permanent chair of the Payment Systems Regulator with effect from 26 January 2023 and joined the PSR Board with effect from 29 August 2023..
6 Sam Woods is a non-executive of the FCA in accordance with FSMA. Sam's term as the deputy governor of the Bank of England for The Prudential Regulation Authority was renewed for a further 5 years with effect from 1 July 2021.
7 The Deputy Chair role was previously referred to as the Senior Independent Director.

from which a variety of members with the appropriate balance of relevant skills and experience can be selected.

As an executive member of the Board, Nikhil Rathi has an employment contract with the FCA, subject to a 6-month notice period.

The activities of the Board

The Board has a formal schedule of matters reserved to it and it meets regularly to make sure it is discharging its duties effectively. The Board also addressed a small number of matters by written procedure. Such matters were noted at the subsequent meeting and recorded in the respective minutes.

Details of the number of Board meetings held and attendance at those meetings are set out in Figure 3. For those members identified, the figures reflect the number of meetings available for them to attend, given that their term either began or ended part way through the reporting year. Board members' attendance at Board committee meetings during the reporting year can be found in figures 4-10 below.

Figure 3 – meeting attendance by Board members during the reporting year

Name	Scheduled board meetings
Ashley Alder (chair)	11/11
Liam Coleman	11/11
Bernadette Conroy	11/11
Sophie Hutcherson	11/11
Richard Lloyd	10/11
Alice Maynard	11/11
Nikhil Rathi	11/11
Aidene Walsh	7/7
Sam Woods	9/11
Bryan Zhang	2/2

As detailed above, the Board met on 11 occasions during the year. In addition, the non-executive directors met privately throughout the year without members of the executive present.

The chair works closely with the company secretary and the chairs of the Board committees to ensure that the Board's agendas reflect the FCA's priorities and that the right matters are considered by the Board and Board committees at the appropriate time. Papers for Board and Board committee meetings are usually circulated the week before meetings take place.

Internal processes make sure that matters presented to the Board, Board committees and executive committees have been through internal stakeholder review and that external stakeholder engagement has been sought, as appropriate.

At meetings, the Board considers standard agenda items including: a report from the chief executive, including progress against the Business Plan; reports from the chairs of Board committees; reports from the chairs of the Independent Panels; updates from the Prudential Regulation Authority and the Payment Systems Regulator; regular updates on people and culture issues; Rulemaking; and approval of spending over thresholds set out in the Matters reserved to the Board. The Board also considers specific items on strategy, policy and other issues as required.

Non-executive directors provide rigorous challenge on strategy, performance, responsibility, and accountability to hold the chief executive to account and make sure that the Board's decisions are robust and aligned to the strategy of the FCA and its mission.

The Board addressed many issues during the year. The principal areas of activity included:

- overseeing delivery of the 2023/24 Business Plan
- overseeing the FCA's approach to key strategic issues, including:
  - changes in the economic environment
  - geopolitical challenges and the rising cost of living
- approving and overseeing delivery of major policy initiatives
- overseeing the FCA's engagement with the development of the Smarter Regulatory Framework and the implementation of the Financial Services and Markets Act 2023
- overseeing the transition of the FCA's Transformation Programme into business as usual
- enhancing the FCA's approach to its governance of environmental issues
- overseeing the FCA's approach to independent reviews
- developing and approving the 2024/25 Business Plan
- approving organisational budgets and business plans of the Payment Systems Regulator, the Financial Ombudsman Service and the Financial Services Compensation Scheme
- approving the annual report and accounts

More detail regarding the Board's activities during the year can be found in the minutes of Board meetings which are published on our website.

Company secretary and independent advice

Each director can use the advice and services of the company secretary, who advises the Board on company law and corporate governance matters and ensures that the Board follows appropriate procedures. The company secretary is also responsible for providing access to external professional advice for Board members, as necessary.

Miles Bake stood down as the company secretary on 31 December 2023 and was succeeded by William Hague with effect from 1 January 2024. Toby Hall then took on the role with effect from 1 July 2024.

Succession

The Board considers that all the non-executive directors bring strong independent oversight and continue to demonstrate independence. However, the Board recognises the recommended term within the Code and takes into account the need for suitable succession in its advice to the Treasury, whose ministers make appointments to the Board.

Succession planning remains a regular key agenda item for the Board and its committees and takes into account the FCA's diversity and inclusion objectives. The People Committee monitors the balance and composition of the Board and Board committees and Board members' skills and experience to identify where gaps may exist in order to inform the Treasury on future appointments.

Board induction and training

On joining, Board members are given background information describing the FCA and its activities. They receive an induction pack which includes information on the FCA's governance arrangements, the Board's role and responsibilities, its committees and officers and other relevant information. Structured meetings and briefings with a range of key people across the FCA are also organised, to make sure Board members have a thorough induction to the Board and to the business of the FCA. There is also a systematic continuing professional development programme for Board members, including regular individual meetings with the chair to discuss and give feedback on individual performance.

Board effectiveness review

Reviews of board effectiveness are conducted annually. In accordance with good corporate governance practice, such reviews are externally facilitated every 3 years. The last external evaluation took place in 2021, facilitated by Advanced Board Excellence, with a summary published on the FCA's website.

This year, the Board conducted a further internal self-evaluation of its effectiveness. The Board considered that the results showed evidence of good progress to improve its efficiency and focus. It continues to look for ways to make further improvements.

To this end, preparations are underway for the next externally facilitated review, due to be conducted before the end of 2024.

Conflict of interests

All Board members are required to declare relevant interests in accordance with the Conflict of Interests Policy for Non-Executive Directors, which was refreshed in February 2024. The Board took appropriate steps to manage any potential conflicts of interest that arose during the year.

A register of interests is maintained by the company secretary.

Internal controls

As set out in Section 5 of the Group Operational Overview – Principal Risks and Uncertainties, the Risk Management Framework (RMF) is the FCA's key framework to assess the adequacy and effectiveness of the FCA's control environment. The framework is an important part of our governance arrangements that helps manage risks to the FCA achieving its statutory and operational objectives. No such framework can, however, provide absolute assurance or eliminate all risk and the FCA aims to prudently manage its risks.

Key features of the framework and the internal control environment include:

- clear apportionment of accountabilities and responsibilities across FCA senior management through the application of the Senior Managers and Certification Regime
- clear reporting lines, delegated authorities and escalation routes, which are reviewed on a regular basis
- appropriate policies and procedures included in the employee handbook and other manuals
- systems which are used to record and manage key risks and facilitate point in time risk assessments
- a forward-looking view of how risks may emerge/develop and appropriate mitigation strategies, to ensure the FCA remains resilient under extreme conditions and is able to identify and demonstrate speed in its response to market events
- an approach to continuous improvement where lessons learned are used to strengthen the internal control environment
- regular reporting to Executive and Board oversight committees at various levels that highlights the key risks faced – this supports discussion on the best course of action to mitigate and manage key risks that helps senior managers make decisions on priorities and resource allocation
- the Risk & Compliance Oversight (R&CO) Division, which routinely provides Second Line of Defence (2LoD) opinions (through advisory and assurance activities) to Executive and Board level committees to ensure risk-conscious decision-making
- the Internal Audit Division, the Third Line of Defence (3LoD), which provides independent assurance about the adequacy and effectiveness of risk management, governance and controls to the Executive, and the Board via the Audit Committee
- the Audit Universe, which contains information in relation to each FCA business area, including core activities, systems and projects – this information contributes to the development of the 3-year strategic Internal Audit Plan, which is periodically reviewed to ensure that it keeps pace with the changing environment
- clear segregation between the FCA's regulatory function and the FCA's internal treasury function to ensure separation of regulatory and investment activities

- the Control Room, which provides central co-ordination supporting the owners of insider lists in managing insider information

The Board acknowledges that the risks facing the organisation continually evolve. The key risks are set out in detail in the Principal Risks and Uncertainties Section 5 above. All these risks impact the FCA's Own Risk Profile, which in turn determines the breadth and pace of risk mitigation necessary to ensure the internal control environment continues to remain appropriate for the prevailing risk environment. Further, the external environment has a direct impact on the FCA's crisis planning and prioritisation of resources, which ensure the organisation is resilient and responsive.

Oversight by the Board Committees

The identification and mitigation of risk is overseen by the Risk Committee, with the adequacy and effectiveness of the control environment overseen by the Audit Committee.

In this year, the Risk Committee received regular reports on the risk environment from all 3 lines of defence. This included the outputs of assurance reviews, oversight activities, incident & event reports, and other relevant second line opinions from R&CO.

The Audit Committee received and reviewed reports from:

- R&CO on compliance related matters, the outcomes from complaints handling, and outcomes of certain assurance reviews
- Internal Audit on outcomes of reviews, whistleblowing disclosures, themes identified from internal audit reviews and outstanding audit actions
- the National Audit Office (NAO) on their work

Financial risks such as credit risk and liquidity risk are monitored on an ongoing basis and mitigations put in place to minimise any risk. In addition, the adequacy and effectiveness of financial policies, procedures, and activities, including segregation of duties and authorisations in accordance with a delegation of financial authority, are monitored through monthly management reviews, regular management information and other reviews. Where areas for improvement in the framework and/or system are identified, including through the work of the second and third lines of defence and the NAO, the relevant committee seeks assurance on enhancements from management.

The Risk Committee reported to the Board at least quarterly on its oversight of the risk environment, and the Audit Committee reported at least quarterly to the Board on internal controls and other activity undertaken in the period.

Opinion on the operation of the organisation's controls

Based on the assessments completed by the 3 lines of defence and the work of the NAO, the design and operation of the organisation's controls is broadly adequate, with aspects of internal controls and risk management having further improved during the year. For example, action taken by management has enhanced controls in relation to key risks such as capacity and business planning and prioritisation.

There are areas where focus should continue to further strengthen the risk and control environment, in particular responding to changes in the external environment and the organisation's evolving risk profile and regulatory model. These areas, for which the FCA has already put in place programmes to bolster controls, include:

- capability development and longer-term strategic workforce planning in light of the changing needs of the organisation
- the completeness, accuracy and use of data and intelligence and other information to drive joined-up regulatory activities across the end-to-end regulatory lifecycle – this should also support effective oversight and public accountability, enabling the provision of accurate MI, analysis and the demonstration of the effectiveness of our regulation

- information technology, including cyber, operational resilience and information security, both within the FCA and in our supplier base, with the increasing prevalence of in-built artificial intelligence and other capabilities
- the consistency and completeness of our records management
- the changes required to our internal processes and controls to meet the growing expectations of stakeholders on increased transparency and accountability
- further developing the management of the risks third parties pose to the FCA's operations (third party risk management)
- ongoing strengthening of the measurement of outcomes experienced by users of the regulated activities of FCA authorised firms and delivered by the activities of the FCA
- operating adequate, effective and efficient quality control and assurance processes

These improvements remain essential, especially given developments in the internal and external environment, and therefore must be appropriately prioritised, managed and mitigated to ensure that the organisation is well placed to meet new and emerging challenges.

Equally, it remains important that management continues to assure itself that its control framework overall remains robust, and that controls within it are adequate, proportionate, embedded and effective, and are responsive to the continually changing environment in which the FCA is charged with delivering its statutory objectives.

Board Committees

The Board committee structure continues to evolve to ensure it supports the Board in an efficient and effective way. To this end, the Performance Committee was established in October 2023 to advise and support the Board in meeting its responsibilities for an effective system of managing the performance of the FCA against its strategy and associated plans.

The Board committees met frequently during the year and, where necessary, addressed matters by written procedure. Such matters were noted at the subsequent meeting and recorded in the respective minutes.

The terms of reference for each committee are kept under regular review to ensure that their respective remits are clear and complimentary. These are detailed in the Corporate governance of the Financial Conduct Authority document, which is published on our website. The committees reflect on the effectiveness of their activities at the end of each meeting.

Membership of Board committees consists solely of non-executive directors. The only exceptions to this are: the Oversight and the Policy & Rules Committees, of which the chief executive is a member and the Audit Committee of which a non-executive director of the Payment Systems Regulator (PSR) is a member.

Information on each committee's membership is published on our website and is detailed in figures 4-10 below. These figures also include details of members' attendance at committee meetings during the reporting year. For those members identified, the figures reflect the number of meetings available for them to attend, given that their term began or ended part way through the reporting year.

Audit Committee

The Audit Committee has responsibility for reviewing and providing assurance to the Board on matters including: the effectiveness of our internal controls; the integrity of the financial statements and the statements that relate to financial controls and operational risk in the annual report and accounts; and for oversight of the external audit process.

The Board's statement on internal controls, above see page 75, gives more information on internal controls. The Committee has assured itself that the financial statements give a true and fair view and have been prepared with integrity.

During the year, the Committee's principal areas of activity included:

- reviewing the annual internal audit plan
- reviewing internal audit reports
- reviewing the group's internal financial controls systems and monitoring financial risks
- monitoring the integrity of the financial statements
- reviewing significant financial reporting judgements contained within the financial statements
- reviewing the long-term strategy for the Defined Benefit section of the FCA's pension plan
- reviewing the National Audit Office's (NAO) audit plan and reports
- reviewing the effectiveness of the NAO's audit process based on assessment criteria relating to the quality of the audit, the handling of key judgements and the responses to questions from the Committee
- monitoring complaints handling processes
- reviewing whistleblowing arrangements
- considering the outcomes from the annual risk and control self-assessments and the organisational internal control assessments
- reviewing a bi-annual retrospective report of agreed FCA supplier contract extensions above £30k
- reviewing the annual compliance plan

Figure 4 – meeting attendance by Audit Committee members during the reporting year

Name	Scheduled meetings	Additional meetings
Liam Coleman (chair)	7/7	1/1
Bernadette Conroy	7/7	1/1
Simon Ricketts	7/7	1/1
Bryan Zhang[8]	1/1	0/1

The Committee also oversees the relationship with the external auditor, the C&AG and the National Audit Office (NAO). Information on fees paid to the auditor is disclosed in Note 6 of the financial statements in Chapter 10.

The Committee met on 7 occasions during the year, with meetings scheduled to coincide with the risk reporting and external audit cycles. An additional meeting was also held as part of the year end process.

Two joint meetings of the Audit and Risk Committees were also held. The key areas of focus included:

- considering the chief operating officer & chief risk officer quarterly review of themes assessing the operational performance across FCA functions
- overseeing and assuring the implementation of Independent Review recommendations
- considering the findings and responses to the Complaints Commissioner's annual report
- reviewing updates on Supervision, Policy & Competition (SPC) operational improvement

Figure 5 – meeting attendance by Audit and Risk Committees members at joint meetings during the reporting year

Name	Scheduled meetings
Liam Coleman	2/2
Bernadette Conroy	2/2
Alice Maynard	2/2
Simon Ricketts	2/2

8 Bryan Zhang was appointed to the committee from February 2024

The Committee held private sessions with the chief internal auditor[9], the executive director of Risk and Compliance Oversight and representatives from the NAO throughout the year, without management present. The Committee also held private sessions on its own without management present.

The Committee meetings were attended by: the chair of the Board, the chief executive, the chief operating officer, the executive director of Risk & Compliance Oversight, the director of Internal Audit, the finance director and representatives from the NAO. Other relevant members of staff were invited to attend in relation to certain items of business.

Risk Committee

The Risk Committee has responsibility for the review and oversight of the risks to the FCA achieving its statutory objectives, the appetite for such risks and the suitability of the scope and coverage of the mitigation used to reduce the potential impact of such risks. The Committee is also responsible for the effective operation of the Regulatory Decisions Committee (RDC) and receives regular reports on the operation of the RDC from its chair.

During the year the Committee reviewed the updated risk management framework and received regular reports from the Risk and Compliance Oversight and Internal Audit divisions.

During the year, the Committee's principal areas of activity included:

- detailed examinations of the existing and emerging risks in certain sectors and considering the organisational approach to risk
- reviewing the risk management framework
- reviewing and approving the Risk & Compliance Oversight annual operational and assurance plan
- receiving Risk & Compliance Oversight quarterly update reports
- receiving Internal Audit quarterly update reports
- receiving bi-annual reports on the operation of the Regulatory Decisions Committee
- regular deep dives into 'own risk' and external risks
- reviewing risks associated with:
  - the FCA's business planning and prioritisation process
  - Financial and Operational risks
  - the Smarter Regulatory Framework (SRF) (previously known as the Future Regulatory Framework)
  - developing the next phase of the FCA strategy approach to identifying and considering risks
  - independent review reports

Figure 6 – meeting attendance by Risk Committee members during the reporting year

Name	Scheduled meetings	Additional meetings
Bernadette Conroy (chair)	6/6	1/1
Liam Coleman	5/6	0/1
Jeannette Lichner[10]	2/2	0/0
Alice Maynard	6/6	1/1
Aidene Walsh[11]	2/2	1/1
Bryan Zhang[12]	1/1	1/1

The Committee met on 6 occasions during the year. An additional meeting was also held to approve the Risk, Compliance & Oversight (R&CO) Annual plan 2024-25.

9 Formerly referred to as the Director of Internal Audit
10 Jeannette Lichner attended her last meeting in July 2023
11 Aidene Walsh was appointed to the committee from December 2023
12 Bryan Zhang was appointed to the committee from February 2024

The chief operating officer, the executive director of Risk & Compliance Oversight and the chief internal auditor all attended the meetings of the Committee. A representative of the PSR was a regular attendee by invitation.

The FCA chair and chief executive also attended meetings of the Committee by invitation, with other members of staff invited to attend relevant items.

The Committee held private sessions with the executive director of Risk & Compliance Oversight at each meeting during the year, without management present. The Committee also held private sessions on its own, without management present.

Performance Committee

The Performance Committee supports the Board in meeting its responsibilities for an effective system of managing the performance of the FCA against its strategy and associated plans. It considers both financial and operational performance under this responsibility.

The Committee was newly formed during the year and developed effective ways of working, including expectations for reporting and lines of communication with other areas of governance.

During the year, the Committee's principal areas of activity included:

- receiving quarterly reports on FCA financial performance
- receiving quarterly reports on FCA annual operating service standards
- receiving quarterly reports on FCA operational hotspots
- receiving quarterly update reports on work towards the FCA strategy and strategic commitments
- scrutinising outline investment cases ahead of board approval
- reviewing progress on the projects change portfolio
- assessing the organisation's progress against specific areas of the FCA strategy and business plan through deep-dive discussions, including Technology Architecture Overview

Figure 7 – meeting attendance by Performance Committee members during the reporting year

Name	Scheduled meetings	Additional meetings
Sophie Hutcherson (chair)	4/4	0
Ashley Alder	4/4	0
Liam Coleman	1/4	0
Bernadette Conroy	4/4	0
Alice Maynard	4/4	0

The Committee met on 4 occasions during the year.

The FCA chair attended meetings of the Committee as a full voting member of the Committee.

The chief operating officer and the executive director of Risk & Compliance Oversight attended the meetings of the Committee.

The chief executive and chief internal auditor also attended meetings of the Committee by invitation, with other members of staff invited to attend relevant items.

People Committee

The People Committee has responsibility for approving, overseeing and reviewing the People Strategy.

During the year, the Committee's principal areas of activity included:

- considering and monitoring the approach to hybrid working
- considering the performance objectives of the chief executive and executives within its remit
- considering succession planning for senior executives
- considering the approach to talent management
- considering and responding to the Employee Survey
- supporting non-executive director recruitment
- agreeing changes to the senior executive structure
- approving the annual budget for pay and At our Best awards
- approving the remuneration of executives within its remit

To enable it to carry out its duties, the Committee received information on, and assessment of the individual performance of the relevant executives from the chief executive. Performance was measured against the achievement of the collective objectives by reference to the Business Plan, the objectives relating to the individual's area of responsibility and assessment of their leadership capabilities.

Figure 8 – meeting attendance by People Committee members during the reporting year

Name	Scheduled meetings
Alice Maynard (chair)	6/6
Ashley Alder	5/6
Liam Coleman[13]	0/1
Bernadette Conroy	6/6
Richard Lloyd	4/6
Aidene Walsh[14]	3/5

The Committee met on 6 occasions during the year. An overview of the remuneration framework that applied during 2023/24 is set out in the Remuneration Report in Chapter 9.

Policy & Rules Committee

The Policy & Rules Committee has responsibility for providing advice to the Board when exercising its legislative functions to make policy and rules under FSMA (2000) Sch 1ZA Part 1 Paragraph 8 and in determining the general policy and principles by reference to which the FCA performs a particular legislative function.

The Committee is responsible for scrutinising proposals for new policy initiatives and rules, changes to existing policy and rules, shaping and inputting into the strategic direction of policymaking before making recommendations to the Board regarding the adoption of policy and rules.

During the year, the Committee's principal areas of activity included:

- Wholesale Data Market Study
- Primary Markets Effectiveness Review
- Future Regulatory Framework Review
- approach and implementation of the Regulatory Sandbox
- Senior Manager and Certification Regime Review

13 Liam Coleman stood down from the committee from July 2023
14 Aidene Walsh was appointed to the committee from August 2023

Figure 9 – meeting attendance by Policy and Rules members during the reporting year

Name	Scheduled meetings
Richard Lloyd (chair)	6/6
Ashley Alder	6/6
Bernadette Conroy[15]	3/3
Sophie Hutcherson[16]	3/3
Nikhil Rathi	3/6
Aidene Walsh[17]	3/3
Sam Woods	5/6

The Committee met 6 times during the reporting period.

Oversight Committee

The Oversight Committee has responsibility for providing advice to the Board on its relationships with the Financial Ombudsman Service, Financial Services Compensation Scheme (FSCS) and PSR in regard to the FCA's obligations in respect of each[18].

The Committee, which meets throughout the year with senior representatives of the FOS, FSCS and PSR, is advisory in nature and has no delegated decision-making duties or powers.

During the year the Committee's principal areas of activity included:

- Assuring itself of the capabilities and performance of these organisations.
- Engaging with each organisation on proposals to revise the wider assurance framework.
- Providing review and challenge of the basis of preparation, and underlying assumptions, of each organisation's annual budget and business plan.
- Providing oversight of the compliance of the FOS following its periodic review.
- Considering the FCA's consumer investments strategy to tackle poor practice and misconduct in the market. Thinking about how this could reduce the burden on the organisations and the compensation bill and other regulatory costs borne by authorised firms.
- Making sure that the FCA maintained good and effective working relationships with the FOS and PSR to ensure other matters of mutual interest were identified, discussed, and acted on.

Figure 10 – meeting attendance by Oversight Committee members during the reporting year

Name	Scheduled meetings	Additional meetings
Ashley Alder (chair)	4/4	2/2
Liam Coleman[19]	2/3	2/2
Richard Lloyd	4/4	2/2
Sheldon Mills[20]	3/4	2/2

The Committee met 4 times during the year and held 2 additional meetings: one was held to consider the reappointment of a non-executive director of the FOS and the appointment of an interim chief executive officer of the FSCS; and the other was held to consider the appointment of the chair of the FSCS and the appointment of a non-executive director of the PSR.

15 Bernadette Conroy stood down from the committee from July 2023
16 Sophie Hutcherson was appointed to the committee from July 2023
17 Aidene Walsh was appointed to the committee from August 2023
18 This includes in relation to the Board's statutory duties set out in the Financial Services and Markets Act (FSMA) and the Financial Services (Banking Reform) Act (FSBRA)
19 Liam Coleman was appointed to the committee from July 2023
20 Sheldon Mills is the Executive Director, Consumers & Competition and attends Oversight as the Chief Executive's nominee.

Our statutory Panels

We are required to consult on the impact of our work with our statutory Panels. These Panels represent the interests of consumers, large and smaller regulated firms, and markets. We also consult the Listing Authority Advisory Panel (LAAP) on our work relating to primary markets.

More detail about how we engage with these Panels can be found in Chapter 5 and the s172 statement.

Regulatory Decisions Committee

The Regulatory Decisions Committee (RDC) takes certain regulatory decisions on behalf of the FCA that relate to enforcement actions.

The members of the RDC are not board members, but individuals who represent the public interest and are appointed to decide how we should use particular enforcement powers. These include the power to stop individuals performing roles in relation to regulated financial services and levying fines on firms or individuals for breaches of our rules and legal requirements.

The RDC is a decision-making body that is separate from the FCA staff who recommend action against a firm or individual. RDC members are selected for their experience of making independent evidence-based decisions. They generally work in senior and expert positions in financial services, or otherwise bring knowledge and understanding of consumers and other users of financial services. This range of skills and experience is intended to help achieve fairness and consistency across sectors and cases and enhance the objectivity and balance of the FCA's decision-making.

The RDC becomes involved in decision-making after the Enforcement team has concluded that it is appropriate for the FCA to use particular powers against a firm or individual. The RDC receives a proposal and supporting evidence from the Enforcement team. The RDC reviews this material and, in most cases, seeks the views of the relevant firm or individual, before coming to a final decision.

The RDC chair submitted half-yearly reports to the Risk Committee and attended the relevant Committee meetings to discuss significant matters highlighted in those reports.

The RDC's separate annual review of its activities for the year ending 31 March 2024 can be found in Appendix 3 of this report.

Competition Decisions Committee

The Competition Decisions Committee (CDC) exercises certain decision-making powers in competition law investigations on behalf of the FCA. The CDC comprises 3 persons appointed from the CDC Panel, a pool of individuals authorised by the Board to be appointed to act as decision-makers in any particular investigations under the Competition Act 1998 following the issuing of a Statement of Objections.

The decisions taken by the CDC include whether there has been a competition law infringement and whether to impose a financial penalty for any such an infringement, other than in settlement cases.

By order of the Board on 27 June 2024.

Toby Hall
Company secretary
3 September 2024

Chapter 9

Remuneration Report

Remuneration principles

The FCA's remuneration principles are to retain and attract people with the skills necessary to meet our statutory objectives.

The remuneration offered to FCA employees is benchmarked annually to ensure that we position ourselves at the median position within relevant markets, taking account of both private and public sector comparators and differences between London and other markets in the UK outside London. Specifically, we ensure that we remain towards the top (if not at the top) of all public authorities or enforcement agencies in the UK in terms of our overall employment package. This is considered in conjunction with the economic environment in which we operate, and the affordability of any increases in relation to the overall cost of the FCA for the firms that we regulate.

The total remuneration package includes:

- basic pensionable salary
- core benefits and flexible benefits
- a non-contributory defined contribution pension scheme[1].

Remuneration focus for 2023/24

The FCA announced a new employment offer in March 2022.

The new employment offer was designed to:

- provide fair, competitive pay at all levels
- reward strong, consistent performance
- simplify our previously overly complex structure of pay and job families
- aid transparency and career development
- protect the benefits colleagues value for the long term
- support our aim of closing our disability, ethnicity and gender pay gaps

The first year of the employment offer resulted in an overall average salary increase of 7.1% across the total population eligible as of 1 April 2022.

The April 2023 pay review was the second year of the new employment offer. In April 2023, the average salary increase was 6.8% (7.1% in April 2022). The overall average salary increase was 6.7% for men and 7.0% for women. Salaries across our Black colleagues increased on average by 7.4%, across Asian colleagues by 7.4% and across Mixed/multiple ethnic groups colleagues by 7.5%.

These salary increases included any base pay uplifts to the new pay ranges, performance related pay uplifts and guaranteed uplifts. They exclude manager allowance consolidation, backdated pay, and do not take account of the additional pension contribution and flexible benefits accruing from salary uplifts.

1 A small number of employees have deferred final salary savings and defined pension contributions. The final salary section of the pension scheme closed to future accruals in April 2010.

More detail can be found in the associated Equality Impact Assessment – https://www.fca.org.uk/publication/corporate/equality-impact-assessment-2023.pdf

Our discretionary performance bonus scheme has now been completely withdrawn. The last bonus awards were paid in April 2022 for the performance year 2021/22. Funding for the At our Best recognition programme was increased from £1.0m to £1.1m from April 2023. This was fully utilised during the 2023/24 financial year.

Remuneration focus for 2024/25 onwards

To ensure our employment offer remains competitive, from April 2024 we have applied increases of at least 3.0% to the midpoints of our pay ranges. The exact increase has been informed by benchmarking, plus internal and external comparator data.

Performance Related Pay continues to determine individual pay award increases, based on performance over the previous 12 months and taking into account where someone is positioned in the pay range. Colleagues with the highest performance, who are currently positioned lowest in the pay range, receive the biggest percentage increase to their base pay. This helps to rebalance our overall salaries over time and narrow our pay gaps, advancing the achievement of our diversity and inclusion objectives.

We have also responded to colleague feedback and engaged with the Staff Consultative Committee (SCC). In particular, we have simplified the pay review process and made it easier for colleagues to understand what this means for them. Their feedback has been helpful, and we look forward to building on this mutually beneficial engagement process in future years.

The majority of the overall budget to be allocated to salary changes in 2024/2025 is being applied to the April 2024 pay review, where we expect an average base salary increase of 4.8% across the FCA. The remainder of the budget will be used to fund greater spend on At our Best awards, interim performance review uplift costs, an enhancement to paid leave for new parents and carers, plus the outcome of a review involving Professional Support colleagues.

We continue to reinforce the recognition of excellent performance in the moment by increasing the size of the budget available for the At our Best recognition programme in line with our headcount. The budget in 2024/25 will be in excess of £1.2m annually.

There are no significant changes planned in 2024/25 to the wider FCA employment benefits. We are planning to review our pension plan more broadly during 2024/25, specifically considering whether to maintain age-based contribution rates and how we could offer greater flexibility for colleagues.

Remuneration of Executive Directors with designated responsibility under the Senior Manager Regime (SMR)

Basic pensionable salary

From April 2023, the remuneration for SMR Executive Directors was reviewed by the People Committee of the Board. Salary increases, ranging from 0 to 4% were awarded on a case by case basis considering among other things, performance, the scope of their role and pay relative to their peers.

Other benefits

A flexible benefit account was available which could be spent against a range of benefits, including purchasing extra holiday, enhanced private medical cover, dental and travel insurance, or taken as cash.

This sum is included in 'other benefits' in the remuneration tables.

Pensions

The FCA Pension Plan (the Plan) defined contribution section offers employees an employer contribution of 8 to 12% of salary, depending on age. In addition, employee contributions are matched up to 3% depending on age.

Further information about the Plan is set out in Note 18 to the Financial Statements.

Non-Executive Directors

Non-Executive Directors receive a fee for their service (see Table 1) and are not eligible to be considered for salary reviews, core or flexible benefits or pension contributions.

Board Directors' remuneration (audited)

In accordance with the Financial Services & Markets Act (FSMA), the Treasury is responsible for determining the remuneration of non-executive directors. In 2023/24:

- The fee for the Chair of the FCA remained at £170,000 per annum.
- The fee for non-executive directors remained at £35,000 per annum.
- An additional fee of £10,000 per annum was payable to any non-executive director who was also appointed to chair a Committee of the Board.
- An additional fee of £7,500 per annum was payable to any non-executive director who was also appointed a non-executive director of the Payment Systems Regulator (PSR).
- The fee for the interim Chair of the PSR was £40,000 per annum.
- The fee for the Chair of the PSR was £75,000 per annum. This fee covers all duties, including service as a non-executive director of the FCA and membership of any Board committee.
- The fee for a non-executive director of the PSR as a standalone role remained at £15,000 per annum.

The table below sets out the remuneration paid or payable to any person that served as a Board Director during the financial years ending 31 March 2023 and 2024. The remuneration figures shown are for the period served as Board Directors.

Table 1

	Basic Salary		Other benefits		Total FCA Remuneration (excluding pension)		Pension		Total FCA Remuneration	
	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000
Chair										
Ashley Alder[1]	170	19	–	–	170	19	–	–	170	19
Richard Lloyd[2]	45	136	–	–	45	136	–	–	45	136
Charles Randell[3]	–	28	–	–	–	28	–	–	–	28
Executive Director										
Nikhil Rathi[4]	470	455	–	–	470	455	61	55	531	510

Non-Executive Directors

	Group Fee Paid		FCA Fee Paid	
	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000
Liam Coleman[5]	45	45	45	45
Bernadette Conroy[6]	45	45	45	45
Sophie Hutcherson[7]	43	–	43	–
Jeannette Lichner[8]	–	43	–	43
Alice Maynard[9]	45	45	45	45
Tommaso Valletti[10]	15	31	–	20
Aidene Walsh[11]	75	46	–	–
Sam Woods[12]	–	–	–	–
Bryan Zhang[13]	4	–	4	–

Notes

Chair

1. Ashley Alder joined as Chair of the FCA Board on 20 February 2023 and received a full-time equivalent fee of £170,000 per annum.

2. Richard Lloyd joined the FCA Board on 1 April 2019. Richard was appointed as Chair of the Oversight Committee on 17 September 2020 and subsequently stepped down from 23 June 2022. Richard received the accompanying committee chair fee of £10,000 per annum whilst in this role. Richard was appointed interim Chair of the FCA Board from 1 June 2022 and stepped down from 20 February 2023. Richard received a full-time equivalent fee of £170,000 per annum as interim Chair of the FCA. Richard was appointed as Chair of the Policy and Rules Committee from 23 June 2022 but did not receive an accompanying fee during his tenure as interim Chair of the FCA. Richard began receiving the committee chair fee following Ashley Alder's appointment as Chair of the FCA Board with effect from 20 February 2023.

3. On 31 March 2022, Charles Randell stepped down as Chair of the PSR Board and continued as a non-executive director until he stepped down on 31 May 2022.

Executive Director of the FCA

4. Nikhil Rathi was appointed as Chief Executive on 1 October 2020. In April 2023, Nikhil was awarded a 3.25% salary increase at the discretion of the People Committee of the FCA Board. Nikhil is a member of the FCA Pension Plan and is entitled to receive an annual pension contribution equivalent to 12% of his salary. From April 2023, in line with the previous year, Nikhil continued to receive a non-pensionable cash payment in lieu of employer pension contributions. From May 2023, Nikhil opted into the FCA Pension Plan and received an annual pension contribution equivalent to 12% of his salary. Nikhil also voluntarily contributed an additional 1% of his salary into the Pension Plan. This was matched by the FCA, under the standard terms of the FCA Pension Plan.

Non-Executive Directors of the FCA

5. Liam Coleman joined the FCA Board on 5 November 2019 and was appointed Chair of the Audit Committee on 1 August 2020.

6. Bernadette Conroy joined the FCA Board on 6 April 2020. Bernadette was appointed as Chair of the Risk Committee from 1 December 2021.

7. Sophie Hutcherson joined the FCA Board on the 14 April 2023 and was appointed Chair of the Performance Committee on 27 July 2023.

8. Jeannette Lichner joined the FCA Board on 1 April 2020. Jeannette was appointed Chair of the Oversight Committee from 24 June 2022. Jeannette stepped down from the FCA Board on 1 April 2023.

9. Alice Maynard joined the FCA Board on 5 November 2019 and was appointed Chair of the People Committee (formerly the Remuneration Committee) on 24 September 2020.

10. Tommaso Valletti was appointed to the FCA Board on 5 November 2019 and then to the PSR Board on 1 April 2020. Tommaso stepped down from the FCA Board on 4 November 2022 but remained on the PSR Board as a standalone role.

11. Aidene Walsh was appointed as interim Chair of the PSR Board from 1 April 2022 and was confirmed as the permanent Chair from 26 January 2023. Aidene was appointed to the FCA Board on 29 August 2023 in accordance with FSMA.

12. Sam Woods was appointed the Deputy Governor of the Bank of England for The Prudential Regulation Authority from 1 July 2016. Sam is a non-executive of the FCA in accordance with FSMA. Sam does not receive a fee from the FCA for this role.

13. Bryan Zhang joined the FCA Board on the 19 February 2024.

Fair pay disclosure (audited)

Remuneration ratios

The Accounts Directions from the Treasury, in accordance with Schedule 1ZA, paragraph 14(1) of FSMA, requires the FCA to disclose remuneration ratios which represent the relationship between the remuneration of the highest-paid director and the remuneration of the organisation's Total Workforce for 2023/24 and 2022/23.

Remuneration ratios represent the difference between the highest-paid director and the full-time equivalent remuneration of the employee at the 25th percentile, 50th percentile (median), and the 75th percentile (collectively 'the Employee Percentiles') of the Total Workforce at the reporting period end date (excluding the highest-paid director) expressed as a multiple. Remuneration ratios are based on both the total remuneration of the highest-paid director and of the Employee Percentiles, as well as the salary component of the total remuneration.

Remuneration ratios have been calculated using the annualised salary and benefits paid (on a full-time equivalent basis) to employees in March 2024 on the basis that it provided the most accurate means of identifying the Employee Percentiles of the remuneration of the Total Workforce for the reporting period.

The remuneration ratio calculations reflect the consolidated position including the PSR ('Group') and FCA as a stand-alone entity ('FCA Parent Company').

Definitions are below:

- Remuneration is total remuneration and includes salary, performance pay or bonuses and benefits, whether monetary or in-kind. It does not include severance payments or employer pension contributions.
- Total Workforce includes employees, temporary staff, contractors and other short-term resource.

Table 2

	Group				FCA (Parent Company)			
	Total remuneration		Salary component		Total remuneration		Salary component	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
Highest paid director's total remuneration	£469,788	£455,000[2]	£469,788	£455,000	£469,788	£455,000[2]	£469,788	£455,000
25th percentile remuneration of total workforce	£52,948	£50,054	£47,630	£40,110	£52,852	£49,911	£47,630	£45,000
25th percentile remuneration ratio	8.9:1	9.1:1	9.9:1	11.3:1	8.9:1	9.1:1	9.9:1	10.1:1
50th percentile/ median remuneration of total workforce	£67,236	£65,494	£60,872	£65,494	£66,886	£65,008	£60,349	£60,000
50th percentile remuneration ratio	7.0:1	6.9:1	7.7:1	6.9:1	7.0:1	7.0:1	7.8:1	7.6:1
75th percentile remuneration of total workforce	£87,855	£87,724	£79,301	£80,840	£87,153	£87,228	£78,774	£80,381
75th percentile remuneration ratio	5.3:1	5.2:1	5.9:1	5.6:1	5.4:1	5.2:1	6.0:1	5.7:1

2 Restated (from total remuneration value of £456,682 published in 2022/23) to remove employee funded benefit.

The total remuneration of the highest-paid director disclosure differs between (i) the Board Directors' remuneration in Table 1, which is based on actual amounts paid, including pension, and (ii) the Remuneration Ratios in Table 2, which is based on a full year equivalent and excludes pension contributions. The Chief Executive of the FCA was the highest-paid director for 2023/24.

Excluding the highest-paid director, remuneration ranged from £24,356 to £396,000. (2022/23: £25,000 to £337,306). In 2023/24 no employees (2022/23: nil) received remuneration in excess of the highest paid director. All figures are based on full time equivalent basis.

Changes in the size and shape of the workforce as we have grown to reflect our broadening remit, alongside the salary increases applied during 2023/24, account for the changes to the total remuneration and salary components. The figures highlight total remuneration and salary growth at the 25th percentile in 2023/24, yet static or negative growth at the 75th percentile.

Change in remuneration

A comparison of the percentage change in salary and benefits between 2023/24 and 2022/23 of the highest-paid director and of the FCA Group Total Workforce average per full time equivalent (FTE) is presented in Table 3 below. This excludes pension contributions.

The smaller increase in the change in remuneration for the total workforce average per FTE between 2022/23 and 2023/24 (1.6%) is impacted by the payment of cost of living payments to employees in the 2022/23 financial year alongside the significant increase in the size of the workforce during this period.

Table 3

% Change in remuneration	Salary and benefits 2023/24 vs 2022/23	Salary and benefits 2022/23 vs 2021/22
Highest-paid director	3.3%	0.0%
Total Workforce Average per FTE	1.6%	7.4%

Senior pay disclosure (audited)

In addition to the Executive Directors reported under Directors' Remuneration, Table 4 below sets out the remuneration paid or payable to any person that served as a voting member of the Executive Committee during the years ending 31 March 2024 and 2023. The Executive Directors are members of the FCA Pension Plan and are entitled to receive an annual pension contribution equivalent to 12% of their salary.

Table 4

	Basic salary 2023/24 £'000	Other benefits 2023/24 £'000	Total FCA Remu-neration (excluding pension) 2023/24 £'000	Pension 2023/24 £'000	Total FCA Remu-neration 2023/24 £'000	Basic salary 2022/23 £'000	Other benefits 2022/23 £'000	Total FCA Remu-neration (excluding pension) 2022/23 £'000	Pension 2022/23 £'000	Total FCA Remu-neration 2022/23 £'000
Stephen Braviner Roman[1]	310	18	328	37	365	300	20	320	36	356
Therese Chambers[2]	305	24	329	37	366	–	–	–	–	–
Sheree Howard	308	18	325	37	362	300	19	319	36	355
Sheldon Mills[3]	308	18	325	37	362	300	19	319	36	355
Sarah Pritchard[4]	312	18	330	40	370	300	19	319	41	360
Jessica Rusu[5]	308	17	325	40	365	300	18	318	39	358
Emily Shepperd	310	18	328	37	365	300	19	319	36	355
Steve Smart[6]	238	13	251	33	284	–	–	–	–	–
Mark Steward[7]	–	–	–	–	–	316	20	336	38	374

1. During 2022/23 and 2023/24, Stephen Braviner Roman received a non-pensionable cash payment in lieu of employer pension contributions which he would otherwise have been eligible to receive.
2. Therese Chambers joined the FCA Executive Committee as a voting member on 1 April 2023. During 2023/24, Therese received part of her pension benefits as a non-pensionable cash payment in lieu of employer pension contributions which she would otherwise have been eligible to receive. Therese remains entitled to receive legacy spouse death in service benefits, this is included in the other benefits section in Table 4.
3. During 2022/23 and 2023/24, Sheldon Mills received part of his pension benefits as a non-pensionable cash payment in lieu of employer pension contributions which he would otherwise have been eligible to receive.
4. During 2022/23 and 2023/24, for a portion of each year Sarah Pritchard voluntarily contributed an additional 2% of her annual salary into the Pension Plan. This was matched by the FCA, under the standard terms of the FCA Pension Plan. For the remainder of the year, Sarah ceased making voluntary contributions, instead receiving lower employer pension contributions and a non-pensionable cash payment in lieu of employer pension contributions which she would otherwise have been eligible to receive. These were equivalent to 12% of Sarah's salary.
5. During 2022/23 and 2023/24, Jessica Rusu voluntarily contributed an additional 1% of her salary into the Pension Plan. This was matched by the FCA, under the standard terms of the FCA Pension Plan.
6. Steve Smart joined the FCA Executive Committee as a voting member on 21 June 2023.
7. Mark Steward stepped down as a voting member of the Executive Committee on 31 March 2023 and received £208k as basic salary, benefits and pension for his remaining period of employment in the year ended 31 March 2024.

Other Directors' salaries and benefits

Table 5 below shows the total remuneration ranges for Directors who are not voting members of the Executive Committee. These figures include base pay and benefits and are based on the actual amount an individual has earned during the accounting periods.

Table 5

Total Remuneration Range	2023/24 Number of individuals	2022/23 Number of individuals
£0 – £79,999	0	1
£80,000 – £99,999	0	0
£100,000 – £119,999	0	0
£120,000 – £139,999	0	0
£140,000 – £159,999	0	0
£160,000 – £179,999	0	0
£180,000 – £199,999	0	2
£200,000 – £219,999	1	10
£220,000 – £239,999	15	10
£240,000 – £259,999	11	9
£260,000 – £279,999	7	3
£280,000 – £299,999	1	0

Chapter 10

Financial statements of the Financial Conduct Authority for the period ended 31 March 2024

Company Number 01920623

The Certificate and Report of the Comptroller and Auditor General to the members of the Financial Conduct Authority and the Houses of Parliament

Opinion on financial statements

I have audited the financial statements of the Financial Conduct Authority (FCA) and its Group for the year ended 31 March 2024 under the Financial Services and Markets Act 2000.

The financial statements comprise the FCA and its Group's:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of the FCA and its Group's affairs as at 31 March 2024 and its operating deficit for the year then ended;
- have been properly prepared in accordance with the UK adopted International Accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the FCA and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities

Authorising legislation	Financial Services and Markets Act 2000, Financial Services Act 2012, the Financial Services (Banking Reform) Act 2013 and the Financial Services and Markets Act 2023.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the FCA and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included consideration of the FCA and its Group's funding arrangements and assessment of whether any conditions exist which may cast significant doubt on the FCA and its Group's ability to continue to operate. My key observations were that funding is secured by statutory levies raised by the FCA and its Group and that no events or conditions exist which may cast significant doubts on the FCA's ability to continue operations. I reviewed management's cash flow forecasts and noted that the FCA has access to overdraft facility should they be required. I also reviewed media coverage of the FCA and Hansard records, including considering plans of the new UK government and their potential impact on FCA and Group.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the FCA and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this certificate.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around penalties levied by the FCA, an area in which I have no findings to report. The significant risk in relation to fraud through management override of controls recognised under ISAs (UK) is, as previously, considered separately in our section on fraud later in this report

The key audit matters were discussed with the Audit Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 77 to 79.

My work on the key audit matters, which all related to the FCA, is described in the following section of this certificate. In this year's certificate, the key audit matters are the same as recorded in my prior year report. However, there have been developments affecting the precise nature of the risks assessed in these areas since the previous year, which I have reported below.

Key audit matter 1 – Defined benefit pension assets

Description of risk

The FCA reports a net liability of £39.9m (£31.2m in 2022-23) in respect of its legacy defined benefit pensions scheme as reported in the Statement of Financial Position. This is the net figure of the defined benefit assets less the gross liabilities. The fair value of FCA's share of the assets of the scheme, £601.3m (£623.3m in 2022-23), has reduced slightly compared to the previous year end, but remains highly significant to the financial statements. There is an inherent risk that these assets are inappropriately valued or incorrectly presented and classified in the financial statements. In addition, there is a risk that assets included in the report are not those for which the underlying rights are held by the FCA (indirectly, via the defined benefit scheme). As the values concerned are significantly in excess of my materiality threshold for the audit, I consider this to be one of the most significant assessed risks of material misstatement. In addition, this risk is of higher significance to the audit strategy and direction of my resources as the audit of the FCA Pension Plan is not carried out to the same timetable as that of the Group. I have therefore risk assessed and tested the underlying balances directly, rather than seek to use the work of the scheme auditors as a source of evidence.

How the scope of my audit responded to the risk	I performed the following procedures: • Reviewed the design and implementation of the controls management has in place around the preparation of the IAS 19 report and the scheme assets reported therein, including its review by senior finance staff and the FCA's audit committee. • Obtained external confirmation from investment managers of the plan's asset holdings and their valuations as at the reporting date. I sought, and received, confirmation of all investments, as each is individually material to the FCA. • Performed a detailed risk assessment of each of the funds in which the Plan has a holding, to understand the nature of the investments held and their management and in turn guiding a detailed review of each of the fund valuations to assess their reasonableness and appropriateness under the reporting framework. • Reviewed the disclosures of scheme assets to confirm these were accurately prepared, compliant with IAS 19 and fairly reflected the underlying investments. **Key observations** • I am satisfied that management has undertaken the valuation of scheme assets in line with the requirements of the financial reporting framework and that the related disclosures have been appropriately presented.

Key audit matter 2 – Defined benefit pension liabilities

Description of risk

The FCA reports a net liability of £39.9m (£31.2m in 2022-23) in respect of its legacy defined benefit pensions scheme as reported in the Statement of Financial Position. This is the net figure of the defined benefit assets less the gross liabilities. The defined benefit obligation (including unfunded elements) of £641.2m (£654.5m in 2022-23) reported in relation to FCA members is, in common with the scheme assets, highly material to the FCA. An analysis of movements in the obligation is provided in Note 18.

The valuation of defined benefit obligations is an area of high inherent risk, requiring complex actuarial methods and the exercise of judgement in choosing appropriate assumptions. Plan liabilities, or associated actuarial gains or losses, may be misstated due to errors in choosing and applying actuarial methods, or via the use of unreasonable assumptions or inaccurate data. There is an associated risk that these methods, assumptions and the uncertainty in valuation are not adequately disclosed in the financial statements.

Specific to the current period, following the latest triennial funding valuation (the results of which was used to update the IAS 19 valuation in last year's financial statements), FCA discussed the funding position of the scheme with the Pension Plan Trustees. This resulted in the revised schedule of contributions described under 'Deficit Recovery Plan' in note 18. Consequently, there is a need for FCA to make appropriate disclosure and consider the implications under IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

For these reasons, I continue to consider this area to include some of the most significant assessed risks of material misstatement.

How the scope of my audit responded to the risk	I performed the following procedures: • Reviewed the design and implementation of the controls management has in place around the preparation of the IAS 19 (Employee Benefits) report and the defined benefit obligations reported in it, including our review and challenge of the assumptions applied by senior finance staff and the audit committee. • Reviewed, with the assistance of actuarial experts, the valuation methods and accounting treatments adopted by the FCA to confirm that these are in accordance with the requirements of IFRS and reflected recent legal developments. • Benchmarked the demographic and financial assumptions used by other comparable entities to those applied by the FCA, again with the assistance of actuarial experts. • Reviewed the disclosures of pension obligations and the accompanying sensitivity analysis, to confirm they have been accurately prepared by management and fairly reflect the choice of assumptions and the associated uncertainty. • Reviewed the disclosures in relation to the funding position and changes to the FCA's Deficit Recovery Plan, to ensure they accurately and fairly reflected the current agreements with the Plan Trustee. • Assessed the impact of IFRIC 14, including a review of the Trust Deed and revised schedule of contributions, to confirm that the FCA had carried out their own assessment in accordance with IFRS. **Key observations** I am satisfied that management has undertaken the valuation of scheme defined benefit obligations in line with the requirements of the financial reporting framework and that the related disclosures have been appropriately presented.

Key audit matter 3 – Leasing arrangements

Description of risk

The FCA reports right of use assets of £132.2m (£178m in 2022-23) and lease liabilities of £208.5m (£211.7m in 2022-23) in respect of its leasing arrangements in its Statement of Financial Position. The majority of the balance reflects the rental arrangements for the FCA's three main offices, in Stratford, Edinburgh and Leeds. I consider appropriate application of the methods prescribed by IFRS 16 Leases to be amongst the more significant assessed risks of material misstatement to the FCA.

As I reported last year, this reflects the scale of the related balances in the context of the FCA's financial statements and complexity in applying the IFRS 16 leasing model. However, additional factors arose during the current period, most notably the conclusion of the rent reviews on FCA's most significant leases and a material subleasing transaction. As this was the first time FCA had accounted for such events under IFRS 16, this had a higher impact on the audit strategy and direction of resources.

How the scope of my audit responded to the risk	I performed the following procedures: • Reviewed the design and implementation of the controls management has in place over financial reporting of leasing arrangements. • Reperformed management's leasing and subleasing calculations to confirm they were accurately prepared and reflected the underlying lease agreements and terms. • Recalculated management's disclosures to confirm they accurately reflected audited records. **Key observations** I found that, in all material respects, FCA had appropriately accounted for the subleasing and rent review transactions in the draft financial statements presented for audit. However, I did identify a historic issue whereby FCA had not followed guidance in IFRS relating to the liquidity disclosures for their leases (relating to the need to provide these disclosures on a cash, rather than discounted basis). Following correction of this error in disclosure (see note 13) including for the comparative period, I concluded that the FCA's lease liabilities and related disclosures in the financial statements are materially correct.

Key audit matter 4 – Accounting for intangible assets

Description of risk

The FCA holds significant investments in intangible assets accounted for under IAS 38 Intangible Assets. These assets, with a total net book value of £75.9m (£92.6m in 2022-23), relate chiefly to specialised internally developed software required to perform the FCA's regulatory functions, as described in note 8. These systems are highly integrated and make use of a wide range of cloud computing arrangements, including 'software as a service' (SaaS), 'platform as a service' (PaaS) and 'infrastructure as a service' (IaaS).

In the previous year, I had identified a particular risk in determining whether customised systems linked to SaaS arrangements are identifiable assets controlled by the FCA. This continues to be relevant, but our assessment also highlighted a high degree of complexity and judgement in determining whether costs associated with improvements to the FCA's cloud infrastructure and its existing intangible assets can be capitalised under IAS 38.

I consider appropriate application of IAS 38 in this scenario to be amongst the most significant assessed risks of material misstatement to the FCA due to this high degree of complexity and the need for management's judgment.

How the scope of my audit responded to the risk	I performed the following procedures: • Reviewed the design and implementation of the controls management has in place over financial reporting for intangible assets; • Tested a sample of projects in detail, included those falling within the category of assets under development, to confirm that the items met the definition of an intangible asset under IAS 38; • Where costs related to existing intangible assets, challenged the evidence supporting capitalisation and considered whether substantive new functionality, justifying inclusion of a separate intangible asset, had been developed; • Reviewed management's disclosures to confirm they accurately and fairly reflected our understanding of the related systems and assets under development. **Key observations** For a subset of projects classified by the FCA as intangible assets under development, an analysis of which is given in note 8 under work in progress, the FCA was unable to provide sufficient evidence to justify the capitalisation of new intangible assets. Accordingly, the FCA made an adjustment to expense certain costs which were maintenance in nature or insufficiently supported. Following this adjustment, I am content that the reporting of intangible assets and related disclosures in the financial statements is materially correct and in line with the requirements of the financial reporting framework.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the FCA and its Group's financial statements as a whole as follows:

	Group	Financial Conduct Authority
Materiality	£7.1m	£7.0m
Basis for determining materiality	1% of gross operating costs for the year ending 31 March 2024 of £761.7m (2022-23, 1% of £669.7m)	1% of gross operating costs for the year ending 31 March 2024 of £741.9m (2022-23, 1% of £651.4m)
Rationale for the benchmark applied	I chose this benchmark because the budgeted expenditure for the financial year determines the Annual Funding Requirement for both parent and subsidiary, which form the basis for the fees invoiced to regulated firms. I considered whether other parts of the financial statements might form an appropriate benchmark such as the portfolio of entity-constructed intangible assets, the defined benefit pension liability and the matching right of use asset and lease liability, However, on balance, the key area of interest for Parliament and other stakeholders, such as the firms regulated by the FCA, is the FCA's annual expenditure, which determines the size of the regulatory cost that the FCA imposes upon the financial services sector. I have selected a materiality percentage of 1% of gross operating costs. 1% is at the lower end of the materiality range and I chose it because the FCA is a sensitive entity. For example, FCA fines are regularly reported by the press and there is an active parliamentary interest in the ongoing operations of the FCA, especially at the Treasury Select Committee. Regulated firms also take an interest in where their fees are spent. The financial services sector is of key significance to the UK economy, and so the affairs of one of the key regulators will attract significant attention.	

Performance materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 71% of Group materiality for the 2023-24 audit (2022-23: 72%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £142,000, as well as differences below this threshold that, in my view, warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit Committee have increased the operating deficit and reduced net assets by £4.6m.

Audit scope

The scope of my group audit was determined by obtaining an understanding of the FCA, its Group, and its environment, including the entity and group wide controls, and assessing the risks of material misstatement at the group level.

The Group comprises the FCA and the Payment Systems Regulator (PSR), its sole subsidiary. I assessed the PSR as a non-significant component for the group audit as, during 2023/24, the PSR's expenditure was £22.8m (3.0% of Group expenditure of £761.7m) and PSR's income was £27.3m in 2023/24 (3.6% of Group total income of £758.3m). Moreover, PSR's total assets at 31 March 2024 were £19.5m (3.1% of Group total assets of £633.8m).

The FCA, as parent of the group, is itself is a significant component and was audited by the Group engagement team.

This work covered substantially all of the Group's assets and net expenditure, and together with the procedures performed at Group level, gave me the evidence I needed for my opinion on the Group financial statements as a whole.

Other information

The other information comprises information included in the Annual Report but does not include the financial statements and my auditor's certificate thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury direction issued under the Financial Services and Markets Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report, Directors' Report and the Corporate Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report, Directors' Report and the Corporate Governance Statement has been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the FCA and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report, Directors' Report and the Corporate Governance Statement.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit;
- a corporate governance statement has not been prepared; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Corporate governance statement

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the FCA and its Group's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 66 to 67;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 66;
- Directors' statement on fair, balanced and understandable set out on page 66;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 61 to 64;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 61 to 64; and
- The section describing the work of the audit committee set out on pages 77 to 79.

The directors have not provided an assessment of the entity's prospects, the period this assessment covers and why the period is appropriate as required by provision 31 of the UK Corporate Governance Code. The directors have set out the reasons for omitting these disclosures on page 69.

Responsibilities of the directors for the financial statements

As explained more fully in the statement on Directors' Responsibilities for the Annual Report and Accounts, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the FCA from whom the auditor determines it necessary to obtain audit evidence.
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing Group financial statements, which give a true and fair view, in accordance with the Companies Act 2006 and, where applicable, in accordance with HM Treasury directions issued under the Financial Services and Markets Act 2000;
- preparing the Annual Report, which includes the Remuneration Report, in accordance with the Companies Act 2006 and the Financial Services and Markets Act 2000; and
- assessing the FCA and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or the group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Financial Services and Markets Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the FCA and its Group's accounting policies;
- inquired of management, the FCA's Chief Internal Auditor and those charged with governance, including obtaining and reviewing supporting documentation relating to the FCA and its Group's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and

  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the FCA and its Group's controls relating to the FCA's compliance with the Companies Act 2006 and the Financial Services and Markets Act 2000;

- inquired of management, the FCA's Chief Internal Auditor and those charged with governance whether:

  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud;

- discussed with the engagement team and the relevant external actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the FCA and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates, and capitalisation decisions in respect of intangible assets. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the FCA and its Group's framework of authority and other legal and regulatory frameworks in which the FCA and Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the FCA and its Group. The key laws and regulations I considered in this context included the Financial Services and Markets Act 2000; Financial Services Act 2012; The Financial Services (Banking Reform) Act 2013; Companies Act 2006, the UK Corporate Governance Code; and relevant employment law and taxation legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit Committee and the FCA's in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business, and considering such risks when reviewing the FCA's capitalisation decisions in relation to intangible assets;
- I reviewed legislation for any changes which could impact the FCA and its Group to determine whether these had been appropriately reflected in the Annual Report and financial statements where required; and
- I carried out substantive tests of detail of material areas of income and expenditure, including penalty and fee income, to ensure transactions agreed to supporting documentation and were regular.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
4 September 2024

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of comprehensive income for the year ended 31 March 2024

		Group		Parent Company	
	Notes	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Income					
Fee income	4	725.1	679.8	698.5	661.7
Other income	4	33.2	19.2	35.4	21.8
Total income		**758.3**	**699.0**	**733.9**	**683.5**
Operating costs					
Staff costs	5	(477.3)	(402.7)	(461.8)	(390.6)
Staff costs capitalised during the year	5	3.8	9.2	3.8	9.2
Administrative and general costs	6	(288.2)	(276.2)	(283.9)	(270.0)
Total operating costs		**(761.7)**	**(669.7)**	**(741.9)**	**(651.4)**
Operating (deficit)/surplus for the year		**(3.4)**	**29.3**	**(8.0)**	**32.1**
Interest payable and similar expenses	7	(5.0)	(5.4)	(5.0)	(5.4)
Net actuarial losses for the year in respect of the pension scheme	18	(36.4)	(76.0)	(36.4)	(76.0)
Total comprehensive deficit for the year		**(44.8)**	**(52.1)**	**(49.4)**	**(49.3)**

Statement of changes in equity for the year ended 31 March

	Accumulated Surplus	
	Group £m	Parent Company £m
At 1 April 2022	**120.3**	**115.2**
Total comprehensive deficit for the year	(52.1)	(49.3)
At 31 March 2023	**68.2**	**65.9**
Total comprehensive deficit for the year	(44.8)	(49.4)
At 31 March 2024	**23.4**	**16.5**

The notes on pages 109 to 144 form part of the accounts

Statement of financial position as at 31 March

Company Number: 01920623

		Group		Parent Company	
	Notes	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Non-current assets					
Intangible assets	8	75.9	92.6	75.9	92.6
Property, plant and equipment and ROU assets	9	185.3	242.0	185.3	242.0
Net Investment in sublease	10	33.7	–	33.7	–
		294.9	**334.6**	**294.9**	**334.6**
Current assets					
Trade and other receivables	11	27.2	26.8	28.8	28.0
Cash and cash equivalents	11	311.7	347.6	297.0	338.5
		338.9	**374.4**	**325.8**	**366.5**
Total assets		**633.8**	**709.0**	**620.7**	**701.1**
Current liabilities					
Trade and other payables	12	(344.4)	(377.7)	(338.2)	(372.1)
Lease liabilities	12	(23.2)	(13.7)	(23.2)	(13.7)
		(367.6)	**(391.4)**	**(361.4)**	**(385.8)**
Total assets less current liabilities		**266.2**	**317.6**	**259.3**	**315.3**
Non-current liabilities					
Long-term provisions	13	(17.6)	(20.2)	(17.6)	(20.2)
Lease liabilities	13	(185.3)	(198.0)	(185.3)	(198.0)
		(202.9)	**(218.2)**	**(202.9)**	**(218.2)**
Net assets excluding net retirement benefit obligations		**63.3**	**99.4**	**56.4**	**97.1**
Net retirement benefit obligations	18	(39.9)	(31.2)	(39.9)	(31.2)
Net assets		**23.4**	**68.2**	**16.5**	**65.9**
Accumulated reserves		**23.4**	**68.2**	**16.5**	**65.9**

The Company is exempt from the requirement of Part 16 of the Companies Act 2006 as stipulated in Schedule 1ZA, s.15(4) of the Financial Services and Markets Act 2000.

The financial statements were approved and authorised for issue by the Board on 27 June 2024 and signed on 3 September 2024 on its behalf by

Ashley Alder

Nikhil Rathi

Ashley Alder
Chair

Nikhil Rathi
Chief Executive

Statement of cash flows for the year ended 31 March

		Group		Parent Company	
	Notes	Total 2024 £m	Total 2023 £m (*Restated)	Total 2024 £m	Total 2023 £m (*Restated)
Net cash (used)/generated by operations	3	**(19.0)**	**94.4***	**(24.2)**	**96.2***
Investing activities					
Interest received on bank deposits	4	14.9	5.8	14.5	5.7
Payment of software development costs	8	(17.0)	(14.4)	(17.0)	(14.4)
Payments for property, plant, and equipment	9	(2.5)	(7.5)*	(2.5)	(7.5)*
Proceeds from sale of assets		–	0.1*	–	0.1*
Net cash used in investing activities		**(4.6)**	**(16.0)**	**(5.0)**	**(16.1)**
Financing activities					
Lease repayments	13	(12.3)	(15.8)	(12.3)	(15.8)
Net increase in cash and cash equivalents		**(35.9)**	**62.6**	**(41.5)**	**64.3**
Cash and cash equivalents at the start of the year	11	347.6	285.0	338.5	274.2
Cash and cash equivalents at the end of the year	**11**	**311.7**	**347.6**	**297.0**	**338.5**

* These prior year figures have been restated by an immaterial amount to enable a more appropriate comparison to those presented in the current financial year.

Notes to the financial statements

1. General information

The Financial Conduct Authority Limited (FCA) is a company incorporated in England and Wales under the Companies Act 2006 and is a company limited by guarantee with no share capital. The directors of the company are the members and have agreed to contribute £1 each to the assets of the company in the event of it being wound up. The FCA only requires nominal capital due to its legal status and funding model ie it operates within a statutory framework that enables it to raise fees to recover the costs of carrying out its statutory functions. The nature of the FCA's operations is set out in the Operational Overview.

These accounts have been prepared on a consolidated basis to include the Payment Systems Regulator Limited (PSR). The registered office for both the FCA and PSR is 12 Endeavour Square, London, E20 1JN. The PSR has a single share with £1 nominal value, which is owned by the FCA.

The financial statements are presented in pounds sterling (rounded to £0.1m) because that is the currency of the primary economic environment in which both the FCA and PSR operate.

2. Core accounting policies

a) Basis of preparation

The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention in accordance with: UK-adopted International Financial Reporting Standards (IFRS); the Treasury's Accounts Directions issued under the Financial Services and Markets Act 2000; and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. We discuss the reason why the going concern basis is appropriate in the Directors' Report.

The principal significant accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to both accounting years presented, unless otherwise stated.

b) Significant judgements and estimates

The preparation of financial statements requires management to make estimates and judgements. Actual results could differ from estimates. Information about these judgements and estimates is contained in the relevant accounting policies and notes to the accounts.

The significant accounting estimates with a significant risk of a material change to the carrying value of assets and liabilities are:

- Intangible assets useful lives (note 8) – asset lives are reviewed on an annual basis and, where necessary, adjusted to reflect the remaining expected asset life. Changes to asset lives arise as a result of changes in technology or business need.
- The lease liabilities (note 13) and related Right of Use (ROU) assets (note 9) are calculated using a proxy discount rate to calculate the present value of the lease payments. The proxy rate used is the rate of a loan from the Public Works Loan Board with a duration equivalent to the lease. The rates in use are 2.46% in respect of 12 Endeavour Square (QWH), 2.18% in respect of Quayside House (QH) and 0.68% in respect of 6 Queen Street, Leeds (6QS).
- Net retirement pension obligations (note 18) – the quantification of the pension obligation is based on assumptions made by the Directors relating to the discount rate, retail price inflation (RPI), future pension increases and life expectancy.
- End of lease obligations (note 19) – The provision for end of lease obligations represents the expected costs to return the office buildings to the landlords at the end of the lease terms with any building alterations and additions removed. This provision is based on a survey completed by professional advisors adjusted for any material changes to date in the Building Cost Information Service (BCIS) construction cost indices.

The significant judgements made in the process of applying the group's accounting policies are:

- Intangible assets impairment (note 8) – the carrying amounts of intangible assets are reviewed at each balance sheet date for indicators of impairment. If indicators of impairment exist, the intangible asset's recoverable amount is estimated, and where this falls below the carrying value, an impairment is recognised.
- Net investment in sublease (note 10) – the calculation of the net investment in sublease is based on assumptions regarding the expected term of the sublease, which includes an option to extend the lease, and takes into account all relevant facts and circumstances that exist regarding the lessee's economic incentive to exercise the option to terminate the lease.

c) Group financial statements

The PSR is a private company, limited by shares (a single share with a £1 nominal value), and is a wholly owned subsidiary of the FCA.

d) Changes in accounting policy and errors

The group has adopted the new standard IFRS 17 'Insurance contracts' as amended in December 2021 effective for the group for the annual reporting period beginning 1 April 2023 replacing IFRS 4. Due to the nature of the group's principal activities, the group has no contracts that are in scope of this standard and therefore the consolidated financial statements are unaffected by this adoption.

The group has adopted the following new amendments to IFRSs and International Accounting Standards ('IASs') that became mandatorily effective for the group for the first time in the financial year. The amendments have been issued and endorsed by the UK Endorsement Board ('UKEB') and do not have a significant impact on the group's consolidated financial statements.

- Amendments to IAS 1 relating to the disclosure of accounting policy and materiality judgements.
- Narrow scope amendments to IAS 8 'Accounting policies, change in accounting estimates and errors' relating to the definition of accounting estimates.
- Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'.

The following new standards and amendments to existing standards have been issued, are not effective for the current reporting period and are not expected to have a significant impact on the Group's consolidated financial statements:

- New standard IFRS 18 'Presentation and Disclosure in Financial Statements' which will replace IAS 1 'Presentation of Financial statements' issued in April 2024 and effective from accounting periods starting on or after 1 January 2027.
- Amendments to IAS 1 – Non-current liabilities with covenants issued in November 2022 and effective from accounting periods starting on or after 1 January 2024.
- Amendments to IFRS 16 – Leases on sale and leaseback issued in September 2022 and effective from accounting periods starting on or after 1 January 2024.
- Amendments to IAS 7 and IFRS 7 – Supplier finance issued in May 2023 and effective from accounting periods starting on or after 1 January 2024.
- Amendments to IAS 21 – Lack of Exchangeability issued in August 2023 and effective from accounting periods starting on or after 1 January 2025.

e) Income

The core principle of IFRS 15 – Revenue from Contracts with Customers is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard requires an entity to identify the contract(s) with a customer and the performance obligation related to the contract. It further requires the transaction price to be determined and allocated to the performance obligations in the contract. Revenue can only be recognised under the standard when the entity satisfies a performance obligation.

The implication of adopting IFRS 15 directly has been assessed, however given the nature of the FCA's and the PSR's activities and that IFRS 15 relates to commercial organisations it was not considered appropriate. Accordingly, International Accounting Standard (IAS) 8(10) has been applied to develop an accounting policy that provides information that is relevant and reliable.

In doing so, the definition of a contract has been broadened to include legislation and regulation. In this circumstance, a 'contract' is the underlying statutory framework set out in The Financial Services and Markets Act 2000 (FSMA) for the FCA and The Financial Services (Banking Reform) Act 2013 (FSBRA) for the PSR. This framework enables the FCA and PSR to raise fees to recover the costs of carrying out their statutory functions. The performance obligation under the 'contract' is the granting of the ability to operate and remain authorised or registered during the course of the year.

The group's revenue streams are categorised as either fee income or other income.

Fee income includes: annual periodic fees; special project fees; and application fees. FSMA enables the FCA to raise fees and FSBRA enables the FCA to raise fees on behalf of the PSR to recover the costs of carrying out their statutory functions.

- Annual periodic fees are levied and measured at fair value and are recognised at the later of the fee year to which they relate (invoices on account) or invoice date.
- Special project fees (SPFs) are charged to recover exceptional supervisory costs where a firm undertakes certain restructuring transactions such as raising additional capital or a significant change to a firm's business model. SPFs are recognised at the point when a corresponding fee is invoiced to the respective firm.
- Application fees are recognised on receipt of a firm's application for authorisation or registration.

Other income satisfies the core principles and conditions as set out in IFRS 15 to be recognised as revenue.

Other income includes:

- Skilled person reports income: The FCA can itself appoint a Skilled Person and settle the professional fees directly with the supplier. These fees are then recovered by charging a corresponding fee to the respective firm. There is no separate performance obligation to a firm for this report and the income is not a separate revenue stream, but rather a direct recovery of costs. The fees are recognised as the costs are incurred.
- Services provided to other regulatory bodies: The FCA acts as a collection agent for certain other regulatory bodies. The FCA does not recognise any income collected on behalf of these regulated bodies except the fees it charges as stated in the Service Level Agreements (SLAs). The performance obligation is the provision of an integrated business support as stipulated in the SLA and revenue is recognised when the services are delivered.
- Publication and training services: The cost of events is not included in firms' fees so the FCA charges any firm that takes part in workshops, round-tables, conferences, seminars and other events. The performance obligation is the provision of an event to a firm and it is at this point that income is recognised.
- Finance lease income: When the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the FCA's net investment outstanding in respect of the leases. When a contract includes lease and non-lease components, the FCA applies IFRS 15 to allocate the consideration under the contract to each component.

Resulting contract assets and liabilities are accounted for as fees receivable within Current assets and Fees received in advance in Current liabilities.

f) Intangible assets – capitalisation and amortisation

In accordance with IAS 38: Intangible Assets, costs associated with the development of software for internal use are capitalised only where:

i. the FCA can demonstrate the technical feasibility of completing the software
ii. the FCA has adequate technical, financial and other resources available to it as well as the intent to complete its development
iii. the FCA has the ability to use it upon completion
iv. the asset can be separately identified, it is probable that the asset will generate future economic benefits, and the development cost of the asset can be measured reliably.

Only costs that are directly attributable to bringing the asset to working condition for its intended use are included in its measurement. These costs include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in a manner intended by management. All additions are initially capitalised as work in progress during the development stage. When the asset is available for use (immediately once completed) it is then transferred from work in progress to the appropriate asset category.

Intangible assets are amortised over their expected useful lives (which ranges from 3 to 10 years). Asset lives are reviewed on an annual basis and, where necessary, adjusted to reflect the remaining expected asset life. Changes to asset lives arise as a result of changes in technology or business need. Where the full asset life cannot be determined with reasonable certainty the net book value is amortised over the minimum time that would be required to implement a replacement asset. The minimum time to replace is also reassessed on an annual basis. Amortisation is reported as an administration expense in the statement of comprehensive income.

g) Impairment of intangibles, property plant and equipment

Each year the FCA reviews the carrying amount of its intangible assets, property, plant and equipment to determine whether there is any indication that its assets have suffered any impairment in value.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. The assets' residual values and useful lives are reviewed and adjusted if appropriate.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment is immediately recognised as an expense.

h) Leases

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee recognises a Right of Use (ROU) asset in the same way as other non-financial assets (for example property, plant and equipment) and lease liabilities in the way of other financial liabilities.

As a consequence, a lessee recognises depreciation on the ROU asset and interest on the lease liability, and also classes lease payments between principal and interest and presents them in the statement of cash flows in accordance with IAS 7.

The Group has taken advantage of the lease recognition exemptions permitted by the standard in respect of:

- expenses relating to short term leases
- expenses relating to low value asset leases

i) Sublease

Leases for which the FCA is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the FCA is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the FCA's net investment in subleases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the FCA's net investment outstanding in respect of the subleases. Subsequent to initial recognition, the FCA regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (ie after a deduction of the loss allowance).

j) Taxation

As a UK incorporated company, the FCA is subject to the provisions of the UK Taxes Acts, the same corporation tax rules as any other UK incorporated company.

On the basis of the relevant tax legislation and established case law, the result of the FCA's regulatory activities (on which it does not seek to make a profit) is not subject to corporation tax because regulatory activity does not constitute a 'trade' for corporation tax purposes.

The FCA invests heavily in its own fixed assets, mainly IT software, and accounts for these as intangible fixed assets. It therefore has significant levels of amortisation charges. The FCA has applied the intangible fixed asset tax rules to these assets and as a result tax relief is available for the amortisation.

This amortisation is currently being utilised to offset any corporation tax due on investment income, resulting in nil corporation tax being payable by the FCA at this time.

The application of the corporation tax regime for intangible assets has also led to an unrecognised deferred tax asset in relation to unused tax losses carried forward as it is not sufficiently certain that the FCA will actually have taxable income to set against these losses in future. As at 31 March 2024 this deferred tax asset equated to £69.9m (2023: £66.9m).

The FCA is partially exempt for VAT purposes because a significant part of the revenue relates to regulatory activities which are outside the scope of VAT.

The corporation tax treatment of the PSR's activities is the same as for the FCA, for the same reasons and agreed with His Majesty's Revenue and Customs. As the FCA wholly owns the PSR, the FCA and the PSR are part of the same group for corporation tax and VAT purposes.

k) Provisions and contingent liabilities

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material. No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

3. Notes to the cash flow statement

	Notes	Group		Parent Company	
		Total 2024 £m	Total 2023 £m (*Restated)	Total 2024 £m	Total 2023 £m (*Restated)
(Deficit)/Surplus for the year from operations		**(3.4)**	**29.3**	**(8.0)**	**32.1**
Adjustments for:					
Interest received on bank deposits	4	(14.9)	(5.8)	(14.5)	(5.7)
Net interest on pension scheme	18	0.7	(1.0)*	0.7	(1.0)*
Finance income on net investment in sublease	4	(0.2)	–	(0.2)	–
Amortisation of intangible assets	8	26.6	32.2	26.6	32.2
Impairment loss of intangible assets	8	3.9	–	3.9	–
Depreciation of property, plant and equipment including ROU assets	9	20.3	21.0	20.3	21.0
Increase in net investment in sublease	10	(33.5)	–	(33.5)	–
Remeasurement of ROU asset	9	2.6	–	2.6	–
Loss on disposals of property, plant and equipment	9	36.0	–*	36.0	–*
Loss on disposals of intangible assets	8	0.1	–	0.1	–
Impairment loss of property, plant and equipment including ROU assets	9	4.6	–	4.6	–
Increase/(decrease) in provisions	19	(2.6)	3.1	(2.6)	3.1
Payments made against unfunded pension liability	18	(0.1)	(0.1)*	(0.1)	(0.1)*
Past service costs	18	–	0.1	–	0.1
Additional cash contributions to reduce pension scheme deficit	18	(28.4)	(28.4)	(28.4)	(28.4)
Operating cash flows before movements in working capital		**11.7**	**50.4**	**7.5**	**53.3**
Decrease/(Increase) in receivables	11	(0.4)	2.8	(0.8)	2.8
Increase/(Decrease) in payables	12	(30.3)	41.2*	(30.9)	40.1*
Net cash generated by operations		**(19.0)**	**94.4***	**(24.2)**	**96.2***

* These prior year figures have been restated by an immaterial amount to enable a more appropriate comparison to those presented in the current financial year.

4. Income

FSMA enables the FCA to raise fees and the FSBRA enables the FCA to raise fees on behalf of the PSR, to recover the costs of carrying out their statutory functions.

Fee income includes the annual periodic fees receivable under FSMA for the financial year and is recognised in the year and measured at fair value in accordance with note 2e.

	Group		Parent Company	
	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Ongoing Regulatory Activity fees[1]	**689.5**	**638.3**	**662.9**	**620.2**
Exceptional projects recoveries (costs)				
– Transformation	5.0	10.0	5.0	10.0
– Investment harm campaign	2.3	2.3	2.3	2.3
– Financial Promotions	1.8	2.4	1.8	2.4
– Smarter Regulatory Framework	12.7	–	12.7	–
– Pensions Dashboard	1.5	–	1.5	–
– Funeral Plans	0.7	–	0.7	–
– CryptoAsset Business	(0.3)	8.0	(0.3)	8.0
– Senior Managers and Certification Regime (SM&CR)	(0.9)	–	(0.9)	–
– Claims Management Companies	(1.6)	–	(1.6)	–
	21.2	**22.7**	**21.2**	**22.7**
Application fees and other regulatory income	14.0	18.3	14.0	18.3
Special project fees	0.4	0.5	0.4	0.5
Total	**725.1**	**679.8**	**698.5**	**661.7**

1 Of the £689.5m (2023: £662.9m) Ongoing Regulatory Activity fees, £35.1m (2023: £54.8m) related to penalties collected in the previous year for the sum of enforcement costs and returned to fee payers through reduced fees. See note 14.

Other income is recognised when services are provided and is analysed below:

	Group		Parent Company	
	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Skilled person reports (s.166) income[1]	6.4	2.3	6.4	2.3
Services provided to other regulatory bodies	7.5	7.4	7.5	7.4
Publications and training services	0.1	0.1	0.1	0.1
Interest received on bank deposits	14.9	5.8	14.5	5.7
Finance income on net investment in sublease	0.2	–	0.2	–
Other sundry income	4.1	3.6	6.7	6.3
Total other income	**33.2**	**19.2**	**35.4**	**21.8**

1 This income is a recharge of the costs of directly appointed s.166 reports to the firm in question. Overall, this has a net zero impact on the statement of comprehensive income for the FCA as these charges are included in administrative costs.

5. Staff information

Staff costs (including executive directors) comprise:

		Group		Parent Company	
	Notes	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Gross salaries and taxable benefits		354.2	291.4	341.9	281.9
Employer's national insurance costs		39.8	34.9	38.3	33.8
Apprenticeship levy		1.6	1.4	1.6	1.4
Exit packages (including ex-gratia)		0.6	0.9	0.6	0.9
Employer's defined contribution pension costs		40.1	32.5	38.7	31.4
Other net pension finance cost/(income)	18	0.7	(1.0)	0.7	(1.0)
Payment made against unfunded liability		0.1	0.1	0.1	0.1
Permanent staff costs		**437.1**	**360.2**	**421.9**	**348.5**
Temporary		2.0	3.4	2.0	3.4
Secondees		0.7	1.3	0.8	1.1
Contractors		37.5	37.8	37.1	37.6
Short-term resource costs		**40.2**	**42.5**	**39.9**	**42.1**
Total staff costs		**477.3**	**402.7**	**461.8**	**390.6**

Of which the following was capitalised during the year:

	Group		Parent Company	
	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Staff costs	3.8	9.2	3.8	9.2

Staff numbers comprise:

The average number of employees by headcount and full-time equivalent (including executive directors and fixed-term contractors) during the year to 31 March is presented by division below:

	Group				Parent Company			
	Total 2024		Total 2023		Total 2024		Total 2023	
	Headcount	FTE	Headcount	FTE	Headcount	FTE	Headcount	FTE
Supervision, Policy and Competition	1,564	1,522	1,306	1,271	1,564	1,522	1,306	1,271
Authorisations	745	729	656	643	745	729	656	643
Enforcement and Market Oversight	684	669	638	621	684	669	638	621
Sub-total	**2,993**	**2,920**	**2,600**	**2,535**	**2,993**	**2,920**	**2,600**	**2,535**
Operations	636	614	585	571	636	614	585	571
Other Support Divisions	490	472	311	296	490	472	311	296
Data Technology and Innovation	534	528	408	403	534	528	408	403
Secondment, Parental Leave and Long-term Sick	202	193	245	228	197	189	240	223
PSR	140	136	102	98	–	–	–	–
Total	**4,995**	**4,863**	**4,251**	**4,131**	**4,850**	**4,723**	**4,144**	**4,028**

The average number of short-term resources utilised during the period to 31 March by type was:

	Group				Parent Company			
	Total 2024		Total 2023		Total 2024		Total 2023	
	Headcount	FTE	Headcount	FTE	Headcount	FTE	Headcount	FTE
Temporary	93	92	57	56	92	91	55	55
Secondees	25	24	33	32	25	24	32	31
Contractors	112	112	122	122	111	111	121	121
Total	**230**	**228**	**212**	**210**	**228**	**226**	**208**	**207**

As at 31 March, the number of full-time equivalent employees (including executive directors and fixed-term contractors) was:

	Total 2024		Total 2023	
	Headcount	FTE	Headcount	FTE
Permanent staff				
FCA	5,097	4,966	4,469	4,349
PSR	160	156	123	118
	5,257	**5,122**	**4,592**	**4,467**
Short-term resources				
FCA	176	174	272	271
PSR	5	5	2	2
	181	**179**	**274**	**273**
Group Total	**5,438**	**5,301**	**4,866**	**4,740**

Exit packages

Redundancy and other departure costs incurred in accordance with the redundancy policy are set out below. A compulsory redundancy is any departure resulting from a restructure or other change leading to a role ceasing to exist. Other departures are those mutually agreed with the individual concerned.

Long-term ill health settlements are credited back to the FCA by our insurers. Ex-gratia payments are classified as Special Payments (Note 15) and excluded from the table.

					(Restated[1])			
Exit package cost band £'000	Number of compulsory redundancies 2024	Number of other departures agreed 2024	Number of Long-term ill health or tribunal settlements 2024	Total 2024	Number of compulsory redundancies 2023	Number of other departures agreed 2023	Number of Long-term ill health or tribunal settlements 2023	Total 2023
0 -10	–	2	2	4	–	3	1	4
>10 – 25	–	8	1	9	–	4	1	5
>25 – 50	–	–	–	–	–	3	–	3
>50 – 100	–	3	–	3	–	3	–	3
>100 -150	–	1	–	1	–	2	–	2
>150 – 200	–	–	–	–	–	–	–	–
Total number	**–**	**14**	**3**	**17**	**–**	**15**	**2**	**17**
Gross Costs (£'000)	**–**	**437**	**20**	**457**	**–**	**668**	**30**	**698**

1 Note that the figures included for 2023 have been restated to remove ex-gratia payments that were previously included in the disclosure.

6. Administrative and general costs

	Notes	Group		Parent Company	
		Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
IT running costs		118.3	92.0	118.2	92.0
IT project scoping costs		4.6	1.9	4.6	1.9
Professional fees		45.9	68.6	42.8	63.1
Professional fees: s166[1]		2.7	2.3	2.7	2.3
Accommodation and office services		32.1	29.9	32.1	30.0
Amortisation of intangible assets	8	26.6	32.2	26.6	32.3
Depreciation of property, plant and equipment	9	8.6	9.1	8.6	9.1
Depreciation of the ROU assets	9	11.7	11.9	11.7	11.9
Recruitment, training and wellbeing		14.9	17.6	14.0	16.8
Travel		2.3	1.4	2.3	1.4
Loss on disposal of assets	8,9	2.6	–	2.6	–
Proceed from sale of assets		–	(0.1)	–	(0.1)
Impairment loss	8,9	8.5	–	8.5	–
Other costs		9.4	9.4	9.2	9.3
Total		**288.2**	**276.2**	**283.9**	**270.0**

1 These Professional fees are the costs of directly appointed s166 ('skilled person') reports recharges to the firm in question. Overall this has a net zero impact on the statement of Comprehensive income for the FCA as the recharges for these costs are recognised in other income.

Auditors

The Comptroller and Auditor General was appointed as auditor on 1 April 2013 under FSMA. The auditor's total remuneration for audit services is set out below:

	Group		Parent Company	
	Total 2024 £'000	Total 2023 £'000	Total 2024 £'000	Total 2023 £'000
Fees payable to the National Audit Office for the audit of the financial statements	215	158	180	130

The National Audit Office has not provided any non-audit related services to the Group in 2024 (March 2023: £nil).

7. Interest payable and other similar expenses

	Group		Parent Company	
	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Interest on lease liability	5.0	5.4	5.0	5.4

8. Intangible assets

The PSR does not hold intangible assets.

	Internally generated software £m	Other software costs £m	Work in progress £m	Total £m
Cost				
At 1 April 2022	209.4	1.1	27.9	238.4
Additions	10.1	0.1	4.2	14.4
Transfers	12.3	–	(12.3)	–
Disposal	(46.2)	(0.6)	–	(46.8)
At 31 March 2023	185.6	0.6	19.8	206.0
Additions	–	–	14.0	14.0
Transfers	5.0	–	(5.0)	–
Reclassification[1]	–	(0.1)	–	(0.1)
Disposal	(24.3)	(0.3)	–	(24.6)
Impairment	(16.0)	(0.2)	–	(16.2)
At 31 March 2024	**150.3**	**–**	**28.8**	**179.1**
Amortisation				
At 1 April 2022	127.1	0.9	–	128.0
Charge for year	32.1	0.1	–	32.2
Disposal	(46.2)	(0.6)	–	(46.8)
At 31 March 2023	113.0	0.4	–	113.4
Charge for period	26.6	–	–	26.6
Disposal	(24.3)	(0.2)	–	(24.5)
Impairment	(12.1)	(0.2)	–	(12.3)
At 31 March 2024	**103.2**	**–**	**–**	**103.2**
Net carrying value				
At 31 March 2023	**72.6**	**0.2**	**19.8**	**92.6**
At 31 March 2024	**47.1**	**–**	**28.8**	**75.9**

1 Reclassification to computer equipment within property plant and equipment (refer to Note 9)

Internal software development costs of £5.0m (2023: £10.1m) have been capitalised as additions during the year. Internally developed software is designed to help the FCA carry out its various statutory functions, such as holding details relating to regulated firms. These functions are particular to the FCA, so this internally developed software generally has no external market value. Management judgement has been applied in quantifying the benefit expected to accrue to the FCA over the useful life of the relevant assets. Those expected benefits relate to the fact that such software allows the FCA to carry out its functions more efficiently than by using alternative approaches (for example, manual processing). If the benefits expected do not accrue to the FCA (for example, if some aspect of its approach to discharging its statutory functions changes) then the carrying amount of the asset would require adjustment.

Of the net carrying amount of internally generated software of £47.1m:

i. £12.7m relates to INTACT, a case management tool for authorising firms and individuals
ii. £8.9m relates to FDC, a system which is used for submitting regulatory data and the master registry for authorised firms' permissions, individuals and collective investment schemes
iii. £4.1m relates to MiFiD, the markets in financial instruments directive tool (EU legislation that regulates firms which provide financial instruments)
iv. £3.8m relates to the customisation and integrations of Workday, the operating system for FCA HR and Finance
v. £3.1m relates to Sharepoint, a data storage system used across the FCA's platforms; and
vi. £14.5m relates to 21 individually immaterial assets

Of the net carrying amount of work in progress of £28.8m:

i. £14.1m relates to Gateway, a system which captures the key core data that is used by other platforms for authorising firms and individuals who can enter the financial services regulatory perimeter in the UK via a series of forms
ii. £2.8m relates to Market Surveillance refresh, replacing the existing Market Surveillance Tool – SMARTS (provided by NASDAQ) with a new offering provided by OneMarketData
iii. £1.2m relates to the data cloud with the goal to uplift and assure the security of business workloads across the FCA's public cloud estate through the replacement of legacy virtual servers
iv. £3.1m relates to Digital Register Portfolio, replacing the existing register is a web-based database holding a public record of those firms that are, or have been regulated or registered by FCA
v. £7.6m relates to 23 individually immaterial projects

9. Property, plant and equipment, and Right of Use Assets

Property, plant and equipment, and Right of Use Assets are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis over the expected useful economic life. The principal useful economic lives used for this purpose are:

Right of Use Assets (leased office in Stratford)	Lease term – 20 years
Right of Use Assets (leased office in Edinburgh)	Lease term – 15 years
Right of Use Assets (leased office in Leeds)	Lease term – 4 years and 9 months
Leasehold improvements	Up to lease term – 20 years
Furniture and equipment	10 years
Computer equipment (excluding software)	Up to 5 years

The PSR does not hold any property, plant and equipment or Right of Use Assets.

	Right of Use Assets £m	Leasehold improvements £m	Computer equipment £m	Furniture and equipment £m	Work in progress £m	Total £m
Cost						
At 1 April 2022	**231.2**	**65.4**	**17.5**	**12.0**	**8.2**	**334.3**
Additions	4.7	2.8	0.8	0.3	0.6	9.2
Transfers	–	–	7.3	–	(7.3)	–
Disposal	–	–	(7.4)	–	–	(7.4)
At 31 March 2023	**235.9**	**68.2**	**18.2**	**12.3**	**1.5**	**336.1**
Additions	4.2	1.0	0.9	–	0.6	6.7
Transfers	–	–	0.6	–	(0.6)	–
Reclassification[1]	–	–	0.1	–	–	0.1
Remeasurement	(2.6)	–	–	–	–	(2.6)
Impairment	–	(6.7)	–	–	–	(6.7)
Disposal	(49.6)	–	(3.3)	(1.2)	–	(54.1)
At 31 March 2024	**187.9**	**62.5**	**16.5**	**11.1**	**1.5**	**279.5**
Depreciation						
At 1 April 2022	**46.0**	**14.0**	**15.2**	**5.2**	**–**	**80.4**
Charge for year	11.9	3.8	4.2	1.1	–	21.0
Disposal	–	–	(7.3)	–	–	(7.3)
At 31 March 2023	**57.9**	**17.8**	**12.1**	**6.3**	**–**	**94.1**
Charge for year	11.7	4.1	3.4	1.1	–	20.3
Disposal	(13.9)	–	(3.3)	(0.9)	–	(18.1)
Impairment	–	(2.1)	–	–	–	(2.1)
At 31 March 2024	**55.7**	**19.8**	**12.2**	**6.5**	**–**	**94.2**
Net book value						
At 31 March 2023	**178.0**	**50.4**	**6.1**	**6.0**	**1.5**	**242.0**
At 31 March 2024	**132.2**	**42.7**	**4.3**	**4.6**	**1.5**	**185.3**

1 Reclassification from other software costs within intangible assets (refer to Note 8)

Of the ROU assets cost of £187.9m, £180.7m (2023: £228.5m) relates to the property based in Stratford, £5.6m to the property based in Edinburgh (2023: £5.6m) and £1.6m to the property based in Leeds (2023: £1.6m). Leasehold improvements relate primarily to the cost of fitting out the Stratford, Edinburgh and Leeds properties. The cost of the ROU asset in Stratford has been remeasured to reflect a market rent review increase agreed during the year.

In December 2023, three floors in Stratford were subleased for the remaining term of the head lease. As a result, the ROU assets related to the subleased floors were disposed of at the commencement of the lease and a net investment in sublease (refer Note 10) was recognised based on the present value of the lease receivable, arising in a loss of disposal of the ROU assets of £2.2m. An adjustment was also made to the ROU asset for the remeasurement of the dilapidations provision as disclosed in Note 19 of £2.6m.

Leasehold improvements in respect of the subleased floors were also written off and resulted in an impairment loss as disclosed in Note 6. The ROU and furniture and equipment assets disposed of have been included in Administration and general expenses as Loss on disposal of assets (refer Note 6).

10. Net investment in sublease

The FCA subleases three floors in 12 Endeavour Square, Stratford which was leased in 2018. The sublease has been classified as a finance lease because the sublease is for the whole of the remaining term of the head lease.

	Total 2024 £m	Total 2023 £m
Net investment in sublease, 1 April	–	–
Recognised during the year	33.5	–
Finance income earned	0.2	–
Lease payments received	–	–
Net investment in sublease, 31 March	**33.7**	**–**

The following table sets out the lease receivables maturity, showing the undiscounted lease payment to be received after the reporting date.

	Total 2024 £m	Total 2023 £m
Within one year	–	–
Within two to five years	9.9	–
Within six to ten years	18.1	–
Greater than ten years	13.3	–
Total undiscounted lease payments receivable	**41.3**	**–**
Unearned finance income	(7.6)	–
Net investment in sublease	**33.7**	**–**

11. Current assets

Trade receivables are recognised initially at amortised cost. The group has applied the simplified approach to impairment of financial assets by providing for expected credit losses on trade receivables as described by IFRS 9. This requires the use of lifetime expected credit loss provisions for all trade receivables. These provisions are based on an assessment of risk of default and expected timing of collection, and an allowance for loss is made for potentially impaired receivables during the year in which they are identified based on a periodic review of all outstanding amounts. Allowance losses are recorded within administrative costs in the statement of comprehensive income when there is objective evidence that an asset is impaired.

Cash and cash equivalents comprise cash and short-term fixed-rate bank deposits with a maturity date of 12 months or less and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value. Of the £311.7m (2023: £347.6m), £51.7m (2023: £66.7m) related to fees collected on behalf of other financial regulatory organisations as disclosed in related party transactions, note 20 and in trade creditors, note 12.

The FCA currently has a £100m (2023: £100m) unsecured overdraft facility with Lloyds Banking Group which is reviewed on an annual basis and was renewed subsequent to the reporting date. The PSR does not have, or require, its own credit facilities.

		Group		Parent Company	
	Notes	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Fees receivable		5.6	3.1	5.6	3.1
Net penalties receivable	14	0.3	0.4	0.3	0.4
Other debtors		1.1	0.1	1.1	0.1
Intragroup receivable		–	–	1.6	1.2
Prepayments and accrued income		20.2	23.2	20.2	23.2
Trade and other receivables		**27.2**	**26.8**	**28.8**	**28.0**
Cash deposits		286.9	327.7	274.4	327.7
Cash at bank		24.8	19.9	22.6	10.8
Cash and cash equivalents		**311.7**	**347.6**	**297.0**	**338.5**
Total current assets		**338.9**	**374.4**	**325.8**	**366.5**

Intragroup receivable at 31 March includes services charged by the FCA to the PSR on a provision of services agreement between the two entities (which sets out the services supplied and the respective costs of those services). The costs are based on charges the FCA has incurred and have been eliminated in the consolidated figures.

The average credit period is 49 days (2023: 51 days).

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

All the fees and other receivables have been reviewed for indications of impairment. The provision has been determined by reference to past default experience:

	Group		Parent Company	
	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
At 1 April	5.0	3.9	5.0	3.9
Decrease/(Increase) in provision for fees receivable	(0.6)	1.1	(0.6)	1.1
Total at 31 March	**4.4**	**5.0**	**4.4**	**5.0**

In addition, some of the unimpaired fees receivable are past due as at 31 March. The age of fee receivables past due, but not impaired, is as follows:

	Group		Parent Company	
	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Not more than three months	4.1	1.0	4.1	1.0
Between three and nine months	0.9	1.3	0.9	1.3
Greater than nine months	0.6	0.8	0.6	0.8
Total unimpaired fees receivable	**5.6**	**3.1**	**5.6**	**3.1**

The FCA policy is to review receivables systematically for recoverability when they are more than three months past due.

12. Current liabilities

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

		Group		Parent Company	
	Notes	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Trade creditors and accruals		87.7	100.8	86.8	100.4
Other taxation and social security		12.8	11.8	12.8	11.8
Net penalties payable	14	31.6	61.1	31.6	60.5
Fees received in advance		212.3	204.0	202.2	196.5
Intragroup payable – PSR		–	–	4.8	2.9
Trade and other payables		**344.4**	**377.7**	**338.2**	**372.1**
Lease liabilities	13	23.2	13.7	23.2	13.7
Total current liabilities		**367.6**	**391.4**	**361.4**	**385.8**

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade payables is 10 days (2023: 9 days).

Intragroup payable includes fees collected by the FCA but not paid over to the PSR at 31 March. These fees have been eliminated in the consolidated figures. In addition, intragroup payable includes penalties collected by the FCA but not paid over to the PSR or the Treasury.

As at 31 March, the group and FCA (parent company) current liabilities have contractual maturities which are summarised below:

	Within 6 months		6 to 12 months	
	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Trade creditors and accruals	87.7	100.8	–	–
Fees received in advance	212.3	204.0	–	–
Other liabilities	44.4	72.9	–	–
Lease liabilities	14.4	8.7	8.8	5.0
Total current liabilities	**358.8**	**386.4**	**8.8**	**5.0**

Of the amounts due within 6 months, Trade creditors and accruals include £0.9m (2023: £0.4m), and Fees received in advance include £10.1m (2023: £7.5m) for the PSR.

13. Non-current liabilities

As at 31 March, the Group and FCA (parent company) had non-current liabilities consisting of:

	Notes	Total 2024 £m	Total 2023 £m
Long-term provisions for dilapidations	19	17.6	20.2
Lease liabilities		185.3	198.0
Total non-current liabilities		**202.9**	**218.2**

Lease liabilities movements:

	Notes	Total 2024 £m	Total 2023 £m
Value of discounted future cash flows on ROU assets brought forward		211.7	220.4
Lease commenced in year		–	1.7
Market rent adjustment		4.1	–
Payments in year		(12.3)	(15.8)
Interest expense on lease liabilities	7	5.0	5.4
Lease liabilities at 31 March		**208.5**	**211.7**

Lease liabilities fall due as follows:

	Total 2024 £m	Total 2023 (Restated*) £m
Within one year	23.4	17.5
Within two to five years	83.3	69.8
Within six to ten years	87.1	85.6
Greater than ten years	51.5	80.3
Total undiscounted lease payments	**245.3**	**253.2**
Effect of discounting	(36.8)	(41.5)
Lease liabilities at 31 March	**208.5**	**211.7**

* The figures for the 2023 financial year have been restated to present the undiscounted payments.

The non-current lease liabilities relate to the lease of offices at 12 Endeavour Square, London, Quayside House, Edinburgh and 6 Queen Street, Leeds. The principal terms are detailed below:

	12 Endeavour Square	Quayside House	6 Queen Street
Carrying value of discounted cash flows at 31 March 2024	£202.0m	£5.2m	£1.3m
Interest rate for IFRS 16 discounting purposes (quoted by Public Works Loan Board at lease commencement date)	2.46%	2.18%	2.73%
Lease commencement	31 March 2018	8 May 2020	29 July 2022
Lease term	20 years	15 years	4 Years and 9 months
Rent review frequency	5 years	5 years	N/A
Rent free period ends	September 21	November 21	March 23
Basis of rent review	Market rate	Market rate	N/A

The statutory basis for the FCA fees is described in Note 4. The annual charges in respect of the depreciation of the underlying ROU assets and the finance charges related to the leases are part of the Ongoing Regulatory Activities of the FCA and form part of the underlying costs on which fees are based.

The liquidity risk of not being able to meet the lease payments as they fall due is assessed as minimal.

14. Penalties

Penalties issued and not yet collected as at 31 March are included in both current assets and current liabilities and are subject to an assessment of recoverability.

A liability to the fee payers arises when a penalty issued from enforcement action pursuant to FSMA or FSBRA is received. This liability is limited to the sum of the enforcement costs for that year agreed with the Treasury and these retained penalties are returned to the fee payers through reduced fees in the following year. Once total penalties collected during the year exceed this amount, a liability to the Treasury arises.

Penalties issued and collected under the Competition Act 1998 are paid in full to the Treasury.

Recognition of enforcement expenses: all costs incurred to the end of the year are included in the financial statements, but no provision is made for the costs of completing current work unless there is a present obligation.

In the course of enforcement activities, indemnities may be given to certain provisional liquidators and trustees. Provisions are made in the accounts for costs incurred by such liquidators and trustees based on the amounts estimated to be recoverable under such indemnities.

Net penalties receivable

		Group		Parent	
	Notes	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Penalties receivable at 1 April		8.6	12.9	8.6	12.9
Penalties issued during the year		39.1	209.4	39.1	199.2
Write-offs during the year		(4.1)	(1.1)	(4.1)	(1.1)
Penalties collected during the year		(35.3)	(212.6)	(35.3)	(202.4)
Penalties receivable at 31 March		**8.3**	**8.6**	**8.3**	**8.6**
Allowance for bad debts		(8.0)	(8.2)	(8.0)	(8.2)
Net penalties receivable at 31 March	11	**0.3**	**0.4**	**0.3**	**0.4**

Allowance for bad debts

Penalties receivables were also reviewed for impairment and an allowance made as set out below. These allowances reduce the amounts receivable.

	Group and Parent	
	Total 2024 £m	Total 2023 £m
At 1 April	8.2	3.3
Utilisation of provision	(4.0)	(0.8)
Allowance made for bad debts	3.8	5.7
Total at 31 March	**8.0**	**8.2**

Penalties collected during the period

	Group		Parent	
	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Retained penalties to be returned to fee payers	35.1	54.8	35.1	54.2
Penalties collected and paid to the Treasury during the year	11.8	208.0	11.8	165.1
Penalties payable to the Treasury	0.2	7.5	0.2	7.5
Penalties over released to the Treasury from previous years	(4.3)	–	(4.3)	–
Payable to the Treasury from previous years	(7.5)	(57.7)	(7.5)	(24.4)
Penalties collected during the period	**35.3**	**212.6**	**35.3**	**202.4**

Net penalties payable

		Group		Parent	
	Notes	Total 2024 £m	Total 2023 £m	Total 2024 £m	Total 2023 £m
Retained penalties to be returned to fee payers		35.1	54.8	35.1	54.2
Penalties under (over) released to fee payers		0.3	(1.6)	0.3	(1.6)
Penalties over released to HM Treasury		(4.3)	–	(4.3)	–
Penalties payable to the Treasury		0.2	7.5	0.2	7.5
Net penalties receivable	11	0.3	0.4	0.3	0.4
Net penalties payable	12	**31.6**	**61.1**	**31.6**	**60.5**

15. Losses and special payments

The Accounts Direction from the Treasury requires a statement showing losses and special payments by value and by type where they exceed £300,000 for the year to 31 March 2024 only (no comparative figures required).

The total number of FCA special payment cases, and their total value, was as follows:

	Total 2024
Total number of cases	8
Total value of cases (£000)	547

Special payments: One payment over £300k (2023: £ nil) of the special payments relates to a procurement litigation challenge under the Public Contract Regulations 2015 for which the parties have agreed a settlement. Special payments includes ex-gratia payments of £216k (six cases) which were paid during the year.

There are no fruitless payments or losses to report for 2023/24.

16. Operating lease arrangements

At the reporting date, the FCA had outstanding commitments for future minimum lease payments under non-cancellable operating leases for low value items which fall due as follows:

	2024 £m	2023 £m
Within one year	1.0	0.4
In the second to fifth years inclusive	1.3	0.3
Total	**2.3**	**0.7**

Low value lease expenses of £0.9m (2023: £0.5m) were recognised in the Statement of Comprehensive Income in the year.

17. Capital commitments

The FCA entered contracts on 31 March 2024 for future capital expenditure totalling £1.4m relating to intangible assets (2023: £6.8m). These commitments are not provided for in the financial statements.

There were no capital commitments for the PSR.

18. Retirement benefit obligation

Background

The FCA operates a UK registered occupational pension scheme, the FCA Pension Plan (the Plan) established on 1 April 1998. The FCA is the Plan's Principal Employer and The Financial Ombudsman Service (FOS) also participates in the Plan.

The Plan has two sections:

Money Purchase (defined contribution)

The Money Purchase section is open to all employees of the FCA and FOS and forms part of a wider flexible benefits programme where members can, within limits, select the amount of their overall benefits allowance that is directed towards their pension plan.

Final Salary (defined benefit)

The Final Salary section is closed to new members and to future accruals. The benefits of the deferred members are calculated based on their final pensionable salary, calculated at the date they ceased accruing benefits.

The FCA also has a small number of unfunded pension liabilities that sit outside the Plan but which were designed to provide top up benefits to the Final Salary Section. These unfunded pension liabilities are valued using an approach and assumptions consistent with those used for the Final Salary Section of the Plan.

Governance

The governance of the Plan is primarily the responsibility of the Trustee of the Plan. The Trustee has an established governance framework (covering both sections) in place to support the operation of the Plan and to ensure all legislative and regulatory requirements are complied with, including (where relevant) those required under the Master Trust regime.

In relation to the Final Salary section, the FCA is consulted by the Trustee on key areas such as investment strategy and funding requirements, together with any operational decisions that might impact the FCA.

The Trustee's investment strategy for the Final Salary section includes investing in liability-driven investments and bonds whose values increase with decreases in interest rates (and vice-versa). This is done within a broad liability driven investing framework that uses cash, gilts and other hedging instruments like swaps in a capital efficient way. These funds help to manage the interest rate and inflation risks inthe Final Salary section of the Plan relative to the agreed funding targets. In combination, this efficiently captures the trustee risk tolerances and return objectives relative to the Plan's (Final Salary) liabilities.

Significant accounting policies

Money Purchase

- Payments are based on rates specified in the rules of the Plan and are recognised as they fall due in the Statement of Comprehensive Income.
- Pre-paid contributions are recognised as an asset in the Statement of Financial Position to the extent that a cost refund or a reduction in future payments is available.

Final Salary

IAS 19 Employee Benefits is used to calculate the amounts recognised in the FCA's year end accounts, with principles set out in IFRS. This standard requires a best-estimate approach overall, with the exception of the discount rate, which must be based on yields on high quality corporate bonds regardless of the investment held by the Plan.

In accordance with *IAS 19* the following are recognised in the:

Statement of Financial Position:

- The Plan's DBO representing the present value of future benefits owed to employees (or former employees) in respect of their service in prior periods.
- The FCA's GMP equalisation adjustment has been included within the DBO.
- The Plan's assets based on their fair value at the balance sheet date.
- The *Retirement benefit (obligation)/asset* is calculated by deducting the value of the DBO from the fair value of the Plan's assets
- A defined benefit asset where the scheme is in surplus as the FCA retains the right to receive a refund in the event of final wind-up of the Plan after all members' benefits have been met in full

Statement of Comprehensive Income

- The impact of changes in the financial assumptions due to market conditions at the balance sheet date are fully recognised in the period in which they are incurred as *Actuarial gains and losses*
- Experience gains or losses and the impact of changes in the demographic assumptions (for example changes in life expectancy compared to those at the start of the year) are fully recognised in the period in which they are incurred as *Actuarial gains and losses*
- Past service costs or credits (including unvested past service costs) are recognised immediately as incurred

Scheme Funding requirements

A triennial funding valuation or Scheme Specific Valuation (SSV) is carried out for the Trustee by a qualified independent actuary. The purpose of the funding valuation is for the FCA, FOS and the Trustee to agree cash contributions to ensure the Final Salary section has sufficient funds available to meet future benefit payments to its members. The funding valuation is carried out using the principles set out in UK Pension legislation and uses a prudent approach, including the discount rate which is derived from prudent return expectations above a risk-free yield curve based on UK gilts.

The different purpose and principles lead to different assumptions being used and therefore, a different estimate for the liabilities and deficit relative to what the FCA is required to disclose in its year end accounts. Changes in market conditions can have a different impact on the funding liabilities and the IAS 19 liabilities.

Deficit Recovery Plan

A Recovery Plan was put in place following the SSV of the Plan as at 31 March 2016 and required an annual deficit reduction contribution of £30.0m to be paid jointly by the FCA and the FOS over ten years with the aim of eliminating the Plan deficit by 31 March 2027 and to meet the statutory funding objective. The FCA's share of the deficit reduction contributions (based on its share of the assets and liabilities) in the year was £28.4m (2023: £28.4m) and the FOS's share was £1.6m (2023: £1.6m), consistent with a funding side letter agreement between the FCA and the FOS.

As the FCA is funded by the financial services industry, it must continually review how it can best deploy its resources and consider impact of those decisions on its employees, most of whom are pension scheme members. In addition to protecting member benefits, the FCA has a statutory duty to protect consumers, enhance market integrity, and promote competition in the interest of consumers. As a result, in September 2023, due to the fact that the Plan was projected to be running ahead of the agreed target date to reach its long term funding objective, the FCA opened discussions with the Trustee. Through these discussions, including relevant external advisers, it was agreed between the FCA and Trustee to defer £10m of the deficit reduction contributions due in 2024/25 to 2027/28. Contributions are set to return to £30m p.a. for the period 1 April 2025 to 31 March 2027 and the FCA will continue discussions with the Trustees as further information on The Plan performance becomes available. This agreement is recorded in the Schedule of Contributions and Recovery Plan dated March 2024.

The future deficit reduction contributions are expected to be as follows:

	FCA £m	FOS £m	Total £m
2024/25	18.9	1.1	20.0
2025/26	28.4	1.6	30.0
2026/27	28.4	1.6	30.0
2027/28 (to be paid by 31 August 2027)	9.5	0.5	10.0
Total	**85.2**	**4.8**	**90.0**

The FCA and the Trustee have agreed a monitoring framework to review the funding position on an annual basis and ongoing discussions will be held in relation to future deficit reduction contributions.

Application of IFRS Interpretations Committee (IFRIC) 14

The FCA retains ultimate responsibility for payment of any debt due in event of a wind-up. The FOS would be liable for payment of a debt should they cease to participate, calculated in line with the Pensions Act 1995 section 75 debt provisions.

Where the Plan is in surplus, the FCA retains the right to receive a refund in the event of final wind-up of the Plan after all members' benefits have been met in full. Under the Second Definitive Deed dated 21 October 2010, the Trustee will consult with the FCA and any residual surplus on wind-up will be paid to the FCA and the FOS, as principal and associated employers. The Trustee will consult with the Scheme Actuary in determining the proportion to be paid to the FCA and the FOS.

Given the above, the FCA has a right to a refund and recognition of any surplus in the Statements of Financial Position. Therefore, the excess of contributions over the IAS 19 deficit does not give rise to an onerous minimum funding requirement and accordingly, no adjustment is made under IFRIC 14.

Unfunded Pension Liabilities

- Valued using an approach and assumptions consistent with those used for the Final Salary section.

Money Purchase disclosures

Amounts recognised in the statement of comprehensive income in respect of the defined contribution section at rates specified in the rules of the Plan is as follows:

	Notes	2024 £m	2023 £m
Employer's defined contribution pension costs	5	40.1	32.5

Final Salary disclosures

The following disclosures are only in respect of the FCA's portion of the DBO and the Plan's DB assets. The Plan assets do not include any of the FCA's own financial instruments, nor any property occupied by, or other assets used by the FCA. All defined contribution assets and liabilities (including legacy AVC funds) are excluded from these disclosures.

Assumptions

The SSV of the Plan was carried out as at 31 March 2022 by the Scheme Actuary. The results of this valuation have been taken into account for the purpose of the IAS 19 retirement benefit obligation as at 31 March 2024 by the FCA's actuary where appropriate (noting the different purpose and approach for setting assumptions), allowing for any changes in assumptions and movements in liabilities over the period and taking account of cashflows paid and changes in market conditions.

The major assumptions and census dates used for the purpose of actuarial assumptions under IAS 19 were as follows:

At 31 March	2024	2023
Financial assumptions		
Discount rate	4.85%	4.75%
Retail price index (RPI) inflation	3.35%	3.50%
Consumer price index (CPI) inflation	3.00%	3.10%
Future pension increases (RPI capped at 5%)		
– in payment	3.10%	3.20%
– in deferment	3.35%	3.50%
GMP equalisation allowance	0.15%	0.15%
Demographic assumptions		
Base tables	2022 Club Vita	2022 Club Vita
Plan membership census dates	31/03/2022	31/03/2022
Future improvements	CMI 2021 and CMI 2022 projections	CMI 2021 projections
Member life expectancies in years at retirement age:		
Retiring today aged 60		
– Males	27.5	27.7
– Females	29.6	29.8
Retiring in 15 years aged 60		
– Males	28.6	28.8
– Females	30.6	30.9
Other assumptions		
GMP equalization allowance of DBO	0.15%	0.15%

The above table of single-rate discount rate and inflation assumptions represents a simplification of the underlying assumptions, which in reality takes account of the term to each projected cashflow in the Plan.

Discount rate
The purpose of the discount rate is to discount future expected cashflows due from the Plan, which determines the DBO disclosed at the balance sheet date.

IAS 19 requires that the discount rate is determined based on market yields at the balance sheet date on high quality corporate bonds and consistent with the duration of the Plan's liabilities (around 14 years at the current year end). To satisfy this requirement the discount rate assumption is derived using a cash flow matching approach based on the Plan's projected cash flows applied to a full corporate bond yield curve.

The choice of discount rate does not directly affect the funding of the Plan or the ability of the Plan to meet its obligations to pay benefits to participants, but does have a follow-on impact in terms of the Net Benefit Cost for the following fiscal year.

The increase in the discount rate over the year reflects changes in the market yield of corporate bonds.

RPI and CPI inflation
The RPI inflation assumption is derived using a cash flow matching approach based on the Plan's cash flows and break-even future inflation, adjusted for an inflation risk premium of 0.10% (ie a reduction to breakeven inflation). Break-even inflation is the difference between the nominal yield on a fixed-rate gilt and the real yield (fixed spread) on an inflation-linked gilt of similar maturity.

RPI will be aligned with CPIH from February 2030 onwards and therefore, CPI and RPI are expected to be closely aligned from that date. The CPI inflation assumption is set by reference to the RPI inflation assumption by deduction a margin of 1% prior to 2030 and 0% from 2030 onwards, reflecting the best estimate of the future difference between CPI and RPI.

Future pension increases
Benefits are assumed to increase in line with increases in the relevant inflation index (RPI or CPI) that applies. The assumptions take into account any caps and floors and (for increases to pensions in payment) the impact of year-on-year volatility in future inflation (RPI 2.0% p.a., CPI 1.5% p.a.)

GMP equalisation allowance (as % of liability)
Guaranteed Minimum Pension (GMP) is the minimum pension which a United Kingdom occupational pension scheme has to provide for those who were contracted out of the State Earnings Related Pensions Scheme (SERPS).

Following previous court rulings there is a requirement for all UK pension plans to equalise for the effects of unequal GMPs.

The FCA's GMP equalisation adjustment has been estimated at 0.15% and included within the DBO. There have been no significant developments in the implementation of this benefit over the year, and therefore the existing loading to the DBO remains appropriate.

Mortality
The mortality assumption takes into account the actual Plan experience based on a study performed by the Scheme Actuary as part of the 31 March 2022 triennial funding valuation and the future improvements in mortality based on the Continuous Mortality Investigation (CMI) projection model.

As part of the 31 March 2022 funding valuation, a full mortality study was carried out and the base tables were updated to Club VITA 2022 tables, which are based on actual Plan experience.

The mortality assumptions for 2024 are based on these Club VITA tables and use the CMI 2022 projection model to allow for future mortality improvements. The CMI 2022 model includes a core 25% weight on mortality experience over 2022 and 0% weight on mortality experience for 2020 and 2021. For 2024, the CMI 2022 model core parameters have been adopted.

For comparison, in 2023 the CMI 2021 projection model was used (the latest available at the time) with a core 5% weighting placed on 2020 and 2021 death experience.

Risks

The key assumptions in the quantification of Retirement benefit obligation which have a significant risk of causing a material adjustment to the assets and liabilities within the next financial year include:

Risk	Description
Regulatory	Changes in the Plan provisions or applicable law that could impact the Plan's funding.
Demographic	
• Life expectancy	An increase in life expectancy will lead to an increased value being placed on the Plan's DBO. Future mortality rates cannot be predicted with certainty.
Financial	
• Asset volatility	There is a risk that a fall in asset values is not matched by a corresponding reduction in the value placed on the Plan's DBO. The Plan holds a proportion of growth assets, which are expected to outperform corporate and government bond yields in the long term, but gives exposure to volatility and risk in the short term.
• Change in bond yields	A decrease in corporate bond yields will increase the value placed on the Plan's DBO, although this will be partially offset by an increase in the value of the Plan's corporate bond holdings.
• Inflation risk	The majority of the Plan's DBO is linked to inflation, where higher inflation will lead to a higher value being placed on the DBO. Some of the Plan's assets are either unaffected by inflation or loosely correlated with inflation (eg growth assets), hence the change in the value of the Plan's assets as a result of increasing inflation may be smaller than the equivalent increase in DBO.
• Future annual pension increases	Generally the rate for annual pension increases awarded by the Plan for pensions in payment is the annual increase in RPI, or 5.0% a year if lower, although some of the pension rights transferred in from the FCA's predecessor organisations receive different levels of pension increases. Increases in payment are also subject to a minimum of zero when inflation is negative, which means the value of the liabilities may change by less than the value of the corresponding assets held to 'hedge' these liabilities.

Where the impact of these risks results in increasing the Plan's deficit, the FCA is exposed to making additional deficit contributions until the Plan achieves full funding.

To help manage these risks the Trustee's investment strategy for the Final Salary Section includes:

- investing in liability-driven investments (LDI) and bonds whose values increase with decreases in interest rates (and vice-versa)
- investing in gilts and gilt based derivatives within the LDI portfolio to hedge some of the interest rate and inflation risk associated with the DBO
- an insurance contract that makes up approximately 15% of the Plan's assets to help further manage the Plan's risk exposure

During the year, the Trustee amended the hedge target for the LDI portfolio from a percentage of total liabilities on a gilts + 0.3% basis to a percentage of fully funded liabilities (ie the value of the assets) on a gilts + 0.3% basis and maintained the hedge target at 100%

The Trustee also manages the risk by receiving regular updates on the performance of the Scheme's investments.

Other risks

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993, which only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met.

The decision was subject to appeal, heard after the reporting date in June 2024, and the original decision was upheld. However, there is potential for legislative intervention following industry lobbying efforts that may retrospectively validate certain rule amendments. The Trustee has confirmed that they are not aware of any areas in which the relevant requirements were not complied with but are working with legal advisors to consider steps to be taken following the Court of Appeal's decision. The matter is to be considered by the Trustee Board at the end of September 2024.

Consequently, as there are no currently known impacts to the Final Salary Section, no adjustment has been made to the DBO to allow for this ruling. The FCA and the Trustee will continue to monitor the situation.

Sensitivities

The results of the pension valuation are sensitive to changes in all of the assumptions referred to above.

The table below provides an estimate of the sensitivity of the present value of pension obligations, and the cost of servicing those obligations, to small movements in those key assumptions.

Assumption	Sensitivity	£m	Decrease/(increase) in pension obligation at 31 March 2024 £m	%
Baseline	Assumptions as above – no change	(638.5)		
Discount rate	10 bps increase to 4.95%	(630.1)	8.4	1.3
Discount rate	10 bps decrease to 4.75%	(647.1)	(8.6)	(1.3)
Retail Price inflation (allowing for impact on pension increase)	10 bps increase to 3.45%	(645.4)	(6.9)	(1.1)

Note: The DBO includes liabilities covered by the buy-in asset, the value of which would also change in response to increases/decreases in discount rate and inflation assumptions. This has not been considered here but would serve to offset some of the impacts shown above.

Assumption	Sensitivity	£m	Decrease/(increase) in pension obligation at 31 March 2024 £m	%
Baseline	Assumptions as above – no change	(638.5)		
Longevity	Life expectancy for a 60 year old increases by 1 year	(657.3)	(18.8)	(2.9)

The table below illustrates the volatility in the assumptions used to value the fund assets on the surplus in the Plan at 31 March 2024. A 10% sensitivity in property valuations in the UK market has been applied to reflect the valuation uncertainties in the property fund in the Plan.

Assumption	Sensitivity	£m	Increase/(decrease) in fair value of Plan Assets at 31 March 2024	%
Baseline	Assumptions as above – no change	601.3		
Return seeking portfolio	Decrease of 10% in value	587.0	(14.3)	(2.4)

The amounts recognised in the Statements of Financial Position are:

	2024 £m	2023 £m
Fair value of Plan assets	601.3	623.3
Less: Present value of DBO	(638.5)	(651.9)
Deficit in the Plan	**(37.2)**	**(28.6)**
Unfunded pension liabilities	(2.7)	(2.6)
Obligation recognised on balance sheet	**(39.9)**	**(31.2)**

Changes in the fair value of the Plan assets are as follows:

	2024 £m	2023 £m
Opening fair value of Plan assets	623.3	912.8
Expected return on Plan assets	29.6	24.3
Actuarial losses	(53.6)	(319.7)
Contributions by the employer	28.4	28.4
Benefits paid	(26.4)	(22.5)
Closing fair value of Plan assets	**601.3**	**623.3**

The fair value of the Plan assets and asset allocation at 31 March were as follows:

	Asset allocation 2024 %	Fair value 2024 £m	Asset allocation 2023 %	Fair value 2023 £m
Equity securities	**10.0**	**60.0**	**7.9**	**49.5**
UK Equity	0.3	2.0	0.3	2.0
European Equity	1.2	7.2	1.0	6.4
Japanese Equity	0.6	3.8	0.5	3.0
Asia Pacific Equity	0.3	1.6	0.3	1.6
North American Equity	6.5	38.9	4.9	30.8
Emerging Markets	1.1	6.5	0.9	5.7
Debt securities	**60.7**	**364.7**	**63.3**	**394.7**
LGIM Liability-Driven Investment Fund (LDI)[2]	60.7	364.7	63.3	394.7
Infrastructure fund	**11.5**	**69.5**	**10.3**	**64.1**
Real estate/property	**2.2**	**13.6**	**3.2**	**20.2**
Buy-in asset[1]	**15.0**	**90.1**	**14.7**	**91.4**
Other	**0.6**	**3.4**	**0.6**	**3.4**
Cash	0.6	3.4	0.6	3.4
Closing fair value of Plan assets[3]	**100.0**	**601.3**	**100.0**	**623.3**

1 In September 2016 and February 2019, the Trustee of the Plan completed the purchase of an insurance contract to cover the pension payments for a tranche of the Plan's pensioner members. Under these policies the insurer makes pension payments to the Plan that match the payments due to the members covered and are an asset of the Plan. These policies have been valued based on the membership at 31 March 2022 and have been updated for expected benefits paid since that date, and for changes in market conditions, however, no update has been made for actual experience since that date.

2 The Plan uses gilts and gilt based derivatives within the LDI portfolio to hedge some of the interest rate and inflation risk associated with the liabilities. The derivatives used to achieve this can be unquoted, and the Plan's exposure to these instruments will change over time depending of the level of leverage in the LDI portfolio of about 1.5x as at 31 March 2024 (2023:1.86x). The value of the derivatives (and other unquoted assets) is not expected to be material in the overall context of the Plan assets.

3 The remaining underlying assets held within these funds are all quoted except for the buy-in asset and real estate/property.

Changes in the present value of the DBO are as follows:

	2024 £m	2023 £m
Opening DBO	(651.9)	(893.9)
Benefits paid	26.4	22.5
Interest cost on DBO	(30.3)	(23.3)
Actuarial gains	17.3	242.8
Closing DBO	**(638.5)**	**(651.9)**

The DBO actuarial (losses)/gains are comprised of:

	2024 £m	2023 £m
Experience losses arising on the Plan liabilities	(8.3)	(7.0)
Gains arising from change in discount rate	7.0	229.2
Gains/(losses) arising from change in assumptions linked to price inflation[1]	6.6	(4.8)
Gains arising from change in demographic assumptions	4.0	19.7
Gains from changes to cash commutation factors	8.0	5.7
Total DBO actuarial gains	**17.3**	**242.8**

1 There was a loss in 2023 arising from the change in assumptions linked to price inflation because of a change in the shape of the inflation curve that is used to calculate the liabilities, in particular a spike in short-term inflation over the next 12 months that serves to increase liabilities. For 2024 this position has been reversed and there is a gain.

Changes in the unfunded pension liabilities are as follows:

	2024 £m	2023 £m
Opening unfunded pension liabilities	(2.6)	(3.4)
Benefits paid	0.1	0.1
Interest cost	(0.1)	(0.1)
Actuarial (losses)/gains	(0.1)	0.8
Closing unfunded pension liabilities	**(2.7)**	**(2.6)**

Amounts recognised in the Statement of Comprehensive Income in respect of the defined benefit plan and unfunded pension liabilities are as follows:

	2024 £m	2023 £m
Defined benefit plan		
Interest cost on the DBO	(30.3)	(23.3)
Interest income on the Plan assets	29.6	24.3
Net interest (cost) income	**(0.7)**	**1.0**
Unfunded pension liabilities		
Interest cost	(0.1)	(0.1)
Other net pension finance (cost)/income	**(0.8)**	**0.9**

Note: Plan administration costs are accounted for outside IAS 19 and are therefore excluded from the Statement of Comprehensive Income.

Cumulative actuarial losses recognised in Other Comprehensive Income are as follows:

	2024 £m	2023 £m
At 1 April	(296.7)	(220.7)
Net actuarial losses recognised in the year	(36.4)	(76.0)
At 31 March	**(333.1)**	**(296.7)**

Actuarial (losses)/gains recognised in the period in which it occurs as part of Other Comprehensive Income are as follows:

	2024 £m	2023 £m
Total DBO actuarial gains	17.3	242.8
Unfunded pension liabilities (losses)/gains	(0.1)	0.8
Plan assets actuarial losses	(53.6)	(319.6)
Net actuarial losses	**(36.4)**	**(76.0)**

19. Provisions and contingent liabilities

	End of lease obligations	
	<1 year £m	>1 year £m
At 1 April 2022	–	17.1
Additional provision in year	–	3.1
Provision derecognised in the financial year	–	–
Utilised in year	–	–
At 1 April 2023	–	20.2
Additional provision in year	–	–
Provision derecognised in the financial year	–	(2.6)
Utilised in year	–	–
Closing provision at 31 March 2024	**–**	**17.6**

End of lease obligations

End of lease obligations are in respect of ROU properties.

The lease for 12 Endeavour Square requires that the building is returned to the Landlord at the end of the lease term with any building alterations and additions removed. This obligation is therefore expected to crystallise in 2038. As with any provision of this nature with an extended timeline there are a number of uncertainties and necessary assumptions to determine a likely provision value. The provision is included as an End of lease obligation > 1 year and is currently assessed as £16.9m (2023: £19.5m), which is based on a survey completed by professional advisors in 2019 and assumes that the final obligation will be the result of a negotiated settlement taking account of the actual final build and fit out, the obsolescence of building fabric (and related components), and the future intention for the building at that time. In December 2023, three floors in Stratford were subleased for the remaining term of the head lease. As a result, the provision has been adjusted to reflect the expected cost to restore the building to the condition required by the head lease for the remaining floors leased by the FCA. The provision and underlying assumptions will be reassessed on a regular basis through the lease term and adjustments made if required.

Based on the survey conducted in March 2023 the provision in respect of the lease for Quayside House is £0.6m (2023: £0.6m). The lease is due to expire in May 2035 and requires the building to be returned to the Landlord at the end of the lease terms with any changes removed.

FCA entered into a lease on 29 July 2022 at 6 Queen Street, Leeds. At the end of the lease expiry in May 2027 FCA will return the property to the Landlord with alteration work. The survey was conducted in March 2023 by professional advisors and a lease obligation of £0.1m recorded in the accounts to reflect liability.

Contingent liabilities

The FCA is subject to a variety of claims that arise from time to time in the ordinary course of business. Provisions are made when claims are justified, reliably measurable and payment is expected to be made.

As at 31 March 2024, there are a number of open complaints and claims made against the FCA. However, the FCA does not expect the ultimate resolution of any of the claims to have a significant adverse effect on its financial position, performance or cash flows.

20. Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is set out in Chapter 9 Remuneration Report.

Significant transactions with other financial services regulatory organisations

The FCA enters into transactions with a number of other financial services regulatory organisations. The nature of the FCA's relationship with these organisations is set out in FSMA. The FCA considers all of the below organisations to be related parties.

The FCA is required under various statutes to ensure that each of the Financial Services Compensation Scheme, the Financial Ombudsman Service, and the Money Advice Service can carry out their functions. The FCA has the right to appoint and remove the directors of these organisations, with the approval of the Treasury. However, the appointed directors have to exercise independent judgement in accordance with the Companies Act 2006. IFRS 10 Consolidated Financial Statements defines control as 'the ability to use power to vary returns'. On the basis of this, the FCA does not control these entities and hence is not required to prepare consolidated financial statements including these organisations.

During the year, the FCA provided agency services to collect tariff data, issue levy invoices and collect levy monies. In addition to these services, the FCA also provides services relating to information systems, enforcement and intelligence services, contact centre and data migration to the Prudential Regulation Authority.

The charge for the services, and net amount of fees collected that remained to be paid over at 31 March were as follows:

	Service charge		Fees collected not remitted	
	2024 £m	2023 £m	2024 £m	2023 £m
The Financial Services Compensation Scheme	0.4	0.4	16.0	45.1
The Financial Ombudsman Service Limited (FOS)	0.2	0.8	7.9	13.0
The Prudential Regulation Authority	5.6	5.3	24.0	8.0
The Treasury	0.3	0.3	0.2	0.4
Consolidated Fund	0.5	–	3.6	–

The service charges to the Treasury include charges in respect of the collection of Money and Pensions Service Levy, the Devolved Authorities Debt Advice Levy and the Illegal Money Lending Levy. The service charge to the Consolidated Fund is in respect of the Economic Crime Levy.

The FCA is a guarantor of a lease agreement for FOS's premises in Exchange Tower, Harbour Exchange, London, E14. The lease is for a 15-year term commencing 1 September 2014.

FOS is also a participating employer in the FCA Pension Plan described in note 18 and makes contributions at the same overall rate as the FCA.

The Office of the Complaints Commissioner (OCC)

Following legislative changes which took effect on 1 April 2013, the OCC deals with complaints against the FCA, PRA, and the Bank of England in respect of its oversight over the recognised clearing houses, central securities depositaries, inter-bank payment systems or wholesale cash distribution (Part 5A of the Banking Act 2009) and payment schemes. Complaints against the PSR are currently managed under voluntary arrangements. It has been agreed that the FCA will fund the OCC until 31 March 2025.

The FCA funds the activities of the OCC through the periodic fees it raises. During 2023/24, the FCA transferred £0.6m (2023: £0.6m) to the OCC to cover running costs, which have been expensed in the FCA group financial statements. At 31 March 2024, funding for the first quarter 2024/25 of £0.3m (2023: £0.0m) was advanced to the OCC and included in Prepayments and accrued income (Note 11).

Under the Financial Services Act 2012 as amended by FSMA 2023, the Treasury since 29 August 2023 appoints the Complaints Commissioner. The OCC activities are immaterial compared to those of the FCA and have been accounted for at fair value through the statement of comprehensive income of the FCA.

21. Events after the reporting period

A court appeal decision regarding the treatment of section 37 of the Pension Schemes Act 1993 occurred in June 2024. The potential impact of this has been outlined in Note 18.

There are no other material events after the reporting date.

The financial statements were authorised for issue on the date of the Comptroller and Auditor General's signature.

Appendix 1

Exercise of sub-delegated powers by the Financial Conduct Authority under the European Union (Withdrawal) Act 2018

Financial Conduct Authority

Presented to Parliament pursuant to paragraph 32(2)(a) of Schedule 7 of the European Union (Withdrawal) Act 2018

EXERCISE OF SUB-DELEGATED POWERS BY THE FINANCIAL CONDUCT AUTHORITY UNDER THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 – REPORT FOR THE YEAR ENDING 31 MARCH 2024

Introduction

The European Union (Withdrawal) Act 2018 (EUWA) requires the Financial Conduct Authority (FCA) to lay a report before each House of Parliament annually if it exercises relevant sub-delegated powers. Once it is laid, the FCA must provide a copy of it to a Minister of the Crown and publish it as we consider appropriate. The relevant sub-delegated powers in relation to the FCA ('the Powers') and those which it has exercised in the period to which this report relates are:

a. regulation 63 of the EEA Passport Rights (Amendment, etc. and Transitional Provisions) (EU Exit) Regulations 2018 (SI 2018/1149) – the power to charge fees
b. paragraph 12K of Part 1A of Schedule 3 and paragraph 35 of Part 3 of Schedule 3 to the Electronic Money, Payment Services and Payment Systems (Amendment and Transitional Provisions) (EU Exit) Regulations 2018 – the power to charge fees
c. regulations 206 and 208 of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 – the power to raise fees
d. powers to make technical standards substituted for the power of an EU entity to make EU tertiary legislation by regulations made under section 8 of EUWA (see below for more detail)

This report covers our use of the Powers in our annual reporting year ending 31 March 2024. Our 2023 report, for the year ending 31 March 2023, can be found here.

We have published detailed information on the use of the Powers on our website here.

How we used the Powers in the reporting year ending 31 March 2024

During the 2023/24 reporting year, we consulted on and made 2 instruments under the Powers relating to raising and charging fees:

- The first instrument was consulted on in Consultation Paper (CP) 23/7 in April 2023 and made by the FCA Board in June 2023. Consultation feedback was published in Handbook Notice 111. The instrument raised fees to recover the FCA's 2023/24 funding requirement, including fees relating to each of the categories mentioned in paragraphs (a) to (c) above.
- The second instrument was consulted on in CP23/22 in November 2023. It was made by the FCA Board in March 2024. Consultation feedback was published in Handbook Notice 117. This instrument made changes to our fees structure in order to introduce new fees or groups of fee payers and make updates and clarifications to the Fees manual.

Technical standards powers

Throughout the reporting year, the FCA also made various technical standards. The Powers under which these technical standards were made include:

- the following articles and schedules of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012:
  - Article 4 (Waivers for equity instruments)
  - Article 7 (Authorisation of deferred publication)
  - Article 20 (Post-trade disclosure by investment firms, including systematic internalisers, in respect of shares, depositary receipts, ETFs, certificates and other similar financial instruments)
  - Article 21 (Post-trade disclosure by investment firms, including systematic internalisers, in respect of bonds, structured finance products, emission allowances and derivatives)
  - Article 23 (Trading obligation for investment firms)
  - Part 2 of Schedule 3 (Powers to make technical standards transferred to the FCA)
- regulation 72 (Transfer of directive functions to the FCA) and paragraph 31 of Part 3 of Schedule 2 (Directive functions transferred to FCA) of the Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019

We used these powers following the procedural requirements set out in the Financial Services and Markets Act 2000, as amended by the Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 – in particular:

- section 137T (General supplementary powers)
- section 138P (Technical Standards)
- section 138Q (Standards instruments)
- section 138S (Application of Chapters 1 and 2

Additional details on the instruments we made using the above Powers are set out below.

In July 2022, in CP22/12, we consulted on changes to aspects of trade reporting, waivers from pre-trade transparency and the tick size regime as part of the Wholesale Markets Review conducted with the Treasury. The final rules were published in May 2023 in Policy Statement (PS) 23/4. Following responses to the consultation, in that policy statement it was also agreed that changes to reporting of transactions in exchange traded funds priced at the net asset value would also be consulted on. After consulting on those changes in CP23/14, further rules were made final on 27 July 2023. The final rules came into force on 29 April 2024. Consultation feedback was published in Handbook Notice 112.

In January 2023, in CP23/2, we consulted on streamlining our existing rules that required in-scope companies with securities admitted to UK regulated markets to prepare, publish and file their annual financial report in an electronic format with the FCA, and for the financial statement within it to be in a 'structured digital format'. This simplification involved the revocation of existing Technical Standards and relocating the substantive requirements therein to the Disclosure Guidance and Transparency Rules sourcebook of the FCA handbook. The final rules came into force on 28 July 2023 and consultation feedback was published in Handbook Notice 111.

In July 2023, in CP23/15, as part of the Treasury's Wholesale Market Review, we consulted on our proposed framework for establishing a Consolidated Tape in the UK under new rule-making powers granted by the Financial Services and Markets Act 2023. As part of this regime, we revoked the relevant Technical Standards. The final rules, made by the FCA Board on 14 December 2023, and the related forms rules made by the FCA Board on 28 March 2024, came into force on 5 April 2024. Consultation feedback was published in CP23/33.

Lastly, in December 2023, we published a joint policy statement (PS18/23) with the Prudential Regulation Authority (PRA) providing feedback to responses to CP13/23, which had proposed to extend the temporary exemptions for single-stock equity options and index options from the UK bilateral margining requirements from 4 January 2024 until 4 January 2026. The consultation also set out the PRA's and the FCA's proposed approach to model pre-approval in relation to bilateral initial margin models. These rules came into effect on 18 December 2023.

Appendix 2

Use of Skilled Person Reports

Section 166 of FSMA (s166) gives the FCA the power to get an independent view of aspects of a firm's activities that cause us concern or if we need further analysis. Either the firm or, under the Financial Services Act 2012, the FCA, can appoint the skilled person firm(s) to do this. In each case, we set the scope of the review and the firms pay the costs.

Key activities

In 2023/24, we used this s166 power in 83 cases. In 17 of those cases, we appointed the skilled person firm. In the remaining 66 cases the regulated firm appointed the skilled person.

Across all 83 reviews, the work was undertaken by 20 different skilled persons firms.

The aggregate cost incurred by regulated firms for s166 work undertaken in the 2023/24 financial year – including reviews that remain in progress from previous years – was £38.3m.

The reviews examined several regulatory issues, including:

- Consumer Duty
- controls and risk management frameworks
- financial crime
- corporate governance and senior management arrangements, including culture
- adequacy of advice
- adequacy of systems and controls
- client money and client asset arrangements
- principal oversight of appointed representatives
- market abuse

FCA Sectors	Number of Skilled Person Reports Commissioned in 2023/24
Retail Banking and Payments	20
Retail Lending	15
Retail Investments	19
General Insurance and Protection	8
Pensions and Retirement Income	1
Investment Management	3
Wholesale Financial Markets	17
Total	**83**

	FCA Firm Supervision Category		
Lots	Dedicated Supervision	Portfolio Supervision	Total
Client Assets	0	1	1
Prudential - operational risk, recovery and resolution and wind-down	1	0	1
Governance and individual accountability	0	4	4
Controls and risk management frameworks	1	25	26
Conduct of Business	6	22	28
Financial Crime	3	20	23
Total	**11**	**72**	**83**

The tables above cover reviews where we used our powers under s166 for 2023/24.
For PRA information please refer to its publications.

Notes

1. The number of 2023/24 cases include reviews where a Requirement Notice has been issued but work has not yet started and so no costs have been incurred.
2. Costs quoted are net of VAT except where reviews are directly appointed; the costs of directly appointed s166 reviews are reported gross. The Financial Statements (Note 6) give information about costs related to directly appointed s166 reviews.
3. Lots is a term that describes the different subject areas in which a skilled person review can be carried out.
4. FCA Firm Supervision Category refers to the way we supervise firms. Most are supervised as members of a portfolio of firms that share a common business model. We assign a dedicated supervision team to those firms with the greatest potential impact on consumers and markets.

For 2019/20, 1 skilled person review commissioned within that financial year end was subsequently cancelled, with costs being incurred. This reduced the total number of s166 reviews commissioned for the 2019/20 financial year to 58.

For 2020/21, 1 skilled person review commissioned within that financial year end was subsequently cancelled, with no costs being incurred. This reduced the total number of s166 reviews commissioned for the 2020/21 financial year to 67.

For 2021/22, 1 skilled person review commissioned within that financial year end was subsequently cancelled, with costs being incurred. This reduced the total number of s166 reviews commissioned for the 2021/22 financial year to 37.

For 2022/23, 2 skilled person reviews commissioned, within that financial year, were subsequently cancelled:

- 1 with costs
- 1 without costs

being incurred.

This reduced the total number of s166 reviews we commissioned for the 2022/23 financial year to 45.

Appendix 3

RDC Annual Review of the year to 31 March 2024

Introduction from Tim Parkes, Chair of the Regulatory Decisions Committee

This is the ninth annual review published by the Regulatory Decisions Committee (RDC) of the Financial Conduct Authority (FCA), and my last. Over the course of this year, 23 cases were referred to the RDC and 28 cases completed, compared to 18 and 38 in the previous year. All of the cases we have dealt with have come from the FCA's Enforcement and Market Oversight Division (EMO).

The RDC always aims to make fair and appropriate decisions on the FCA's behalf and to do its work efficiently. Panels – ordinarily comprising 3 members or the chair or a deputy alone in straightforward cases – are responsible for assessing the material provided by both:

- the EMO case team in support of its proposed action and
- the subject of the proposed regulatory action, including representations

We continue to deal with cases as quickly as is possible.

As in previous years, we have decided in some cases not to follow the proposal for regulatory action made by EMO or to impose different sanctions in light of representations received from the subjects of the proposed action.

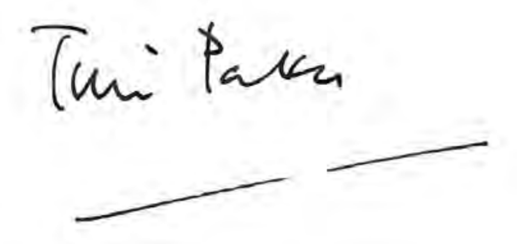
I meet each member of the committee every year to provide feedback on individual and collective performance and to receive feedback on how we can continue to improve our procedures, training and recruitment processes.

I have also continued to take opportunities – both inside and outside the FCA – to communicate what the RDC does and to answer questions about, and to listen directly to, any concerns about the RDC.

Looking forward to next year, we expect the overall number of cases coming to the RDC to remain roughly the same. I shall be retiring as RDC chair later this year, so next year's annual review will be delivered by my successor.

As this is my last review, I would like to take this opportunity to thank the RDC's members for their hard work over the last year and throughout my time as chair. I'd also like to recognise the excellent support provided by our Secretariat which includes our own legal advisers, case handlers and administrator.

As I have said before, without the collective dedication and commitment of the RDC's members and the Secretariat, the RDC would not be able to meet its objectives.



Tim Parkes

Overview

The RDC is a committee of the FCA Board and makes specific decisions on its behalf. The Committee primarily makes decisions on enforcement actions alleging serious misconduct and breaches. The Board appoints the RDC's chair and members. Apart from the RDC chair, RDC members are not FCA staff. However, the RDC is operationally independent and separate from the FCA's executive management structure and EMO.

The RDC chair reports half-yearly to the FCA Board's Risk Committee on resourcing and performance – such as how long it takes to complete cases.

Case work

The RDC made 41 decisions on cases (at either the first or final stage) during the year. This figure is very similar to the figure last year, which was 39. The RDC completed 22 Panel Cases received from EMO (EMO Panel Cases) this year compared with 32 last year. Given the size and complexity of such cases, they have always constituted the bulk of the RDC's caseload in terms of hours worked.

Making decisions

The RDC is supported by a secretariat of FCA staff made up of:

- case management
- legal and
- administrative

functions that support the RDC. These staff work in a separate division from the FCA staff involved in conducting investigations and making recommendations to the RDC. They report to the company secretary. The RDC's dedicated legal function advises the RDC chair and members on the legal and evidential soundness of cases. This ensures an objective and independent approach to issues in cases brought to the RDC.

The Secretariat also monitors case inputs and timeliness. It helps make sure that we progress cases appropriately, considering:

- their complexity
- the requirements of the subjects and
- resourcing

The FCA's website includes a detailed description of the RDC's role in contested cases. The website explains the different notices which the RDC can issue. The RDC takes decisions based on its understanding of the issues. It also assesses the evidence and legal basis for any recommendation for regulatory action.

The process allows those who are the subject of the proposed action, or their legal representative, to make both written and oral representations to the RDC. The Financial Services Lawyers Association may provide them with pro-bono legal assistance. When appropriate, the RDC will depart from the recommendations made to it, for example, to change:

- the basis of a case from deliberate to negligent misconduct, or vice versa
- the amount of a proposed financial penalty or
- to decide that no regulatory action is appropriate

The RDC's decision-making remit includes cases where the firm or individual only wants to contest part of the case against them, rather than all of it.

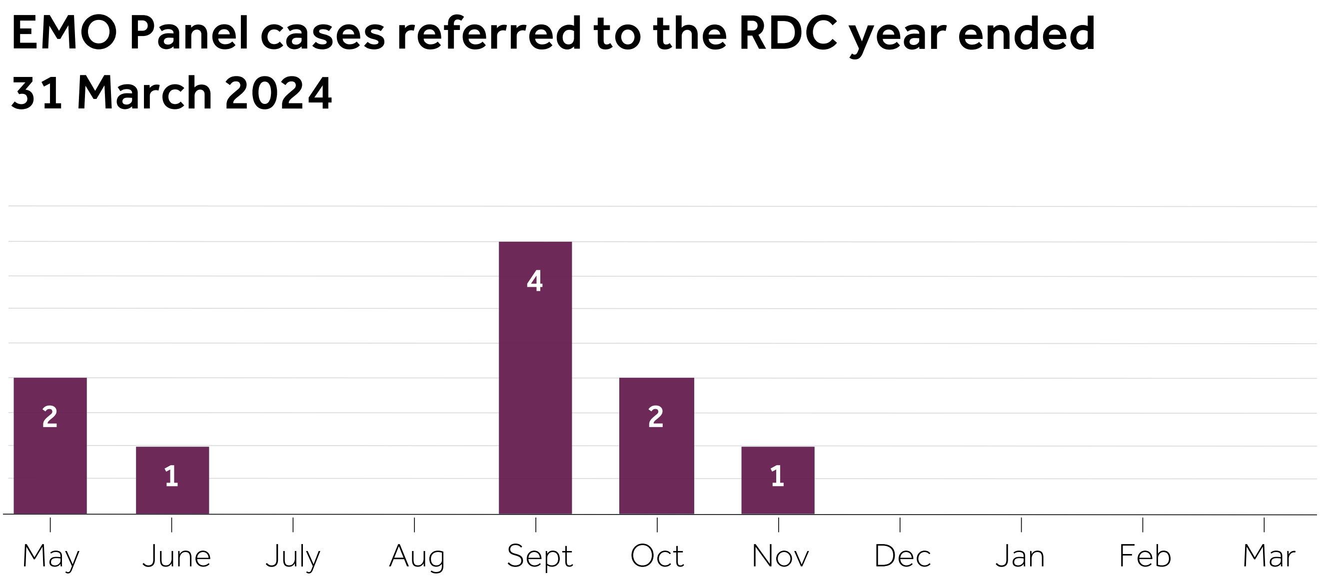
RDC decisions are decisions of the FCA. Only the subject of the action can challenge these decisions. They may refer the matter to the Upper Tribunal for a re-hearing.

Operational performance

Cases received

The number of Panel Cases received by the RDC from EMO during the year decreased to 10 compared with 18 last year.

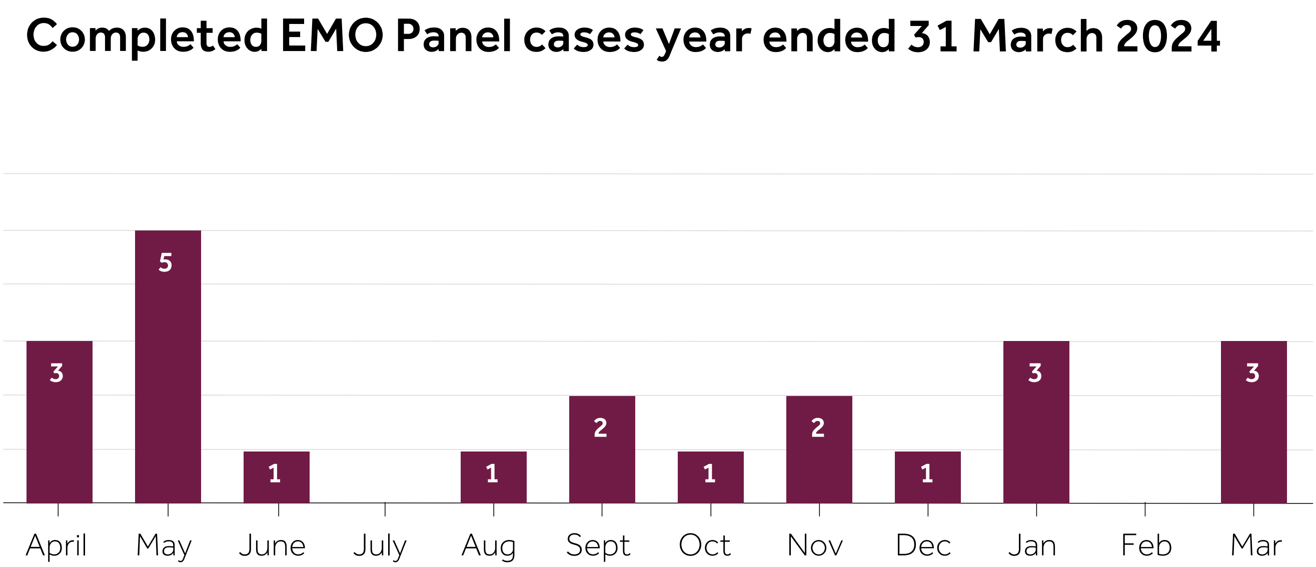
Figure 1: EMO Panel cases referred to the RDC during the year by month



Outputs and outcomes

The RDC concluded 22 EMO Panel cases this year, compared with 32 last year. Some of these cases were settled. However, most proceeded through the full RDC process. This included some cases opened in previous reporting years.

Figure 2: EMO Panel cases completed during the year by month



Outcomes of completed EMO Panel cases

The outcomes of the 22 completed EMO Panel cases were:

- The RDC decided to issue 15 prohibition orders preventing individuals from performing functions related to regulated activities. 6 of the 15 cases also included withdrawal of the individual's approval.
- The RDC decided to refuse the variation of a prohibition in relation to 1 individual.
- The RDC decided to impose financial penalties on 1 firm and 15 individuals.
- 4 cases were settled by the Executive following the referral of the matter to the RDC and prior to the issue of a Warning Notice.
- 1 case was withdrawn by EMO following the referral of the matter to the RDC prior to the issue of a Warning Notice.

Timing

The average time the RDC took to complete an EMO Panel case was 11.6 months. This was from receiving the case papers until either giving a Decision Notice or deciding not to do so. This compares with 15.4 months last year.

Ongoing caseload

At the end of the period of this review, the RDC had 6 open EMO Panel cases and 3 potential cases which had been notified to it.

Upper Tribunal decisions

Where there are disagreements between the FCA and firms or individuals about the FCA's regulatory decisions, the firm or individual can refer the RDC's decision to the Upper Tribunal (Tax and Chancery Chamber) for a re-hearing. The Tribunal is an independent judicial body established by the Tribunals, Courts and Enforcement Act 2007.

Tribunal proceedings involve a full re-hearing of the case. They are not an appeal. They also involve different evidence – most notably live witness evidence, including cross-examination before the Tribunal. The RDC does not have any role in the proceedings. EMO presents the FCA's case. EMO can choose to present the case to the Tribunal on a different basis from that presented to the RDC, such as by arguing for a higher financial penalty. For these reasons, the RDC cannot directly assess the quality of its decisions in such cases based on whether the Tribunal reaches the same conclusion as the RDC.

Tribunal decisions are often informative and illuminating. The RDC actively reviews them for any lessons either about:

- the specific case
- RDC processes and
- procedures more generally

During the year, there were 2 substantive Tribunal decisions on cases decided by the RDC:

- Markos Markou
- a joint decision on three individuals connected to the FCA's Final Notice against Julius Baer International dated 10 February 2022

In the first of these cases, the Tribunal disagreed with the RDC's conclusion that Mr Markou recklessly failed to oversee appropriately the regulated mortgage business of Financial Solutions (Euro) Ltd ('FSE'). The Tribunal decided that Mr Markou had acted reasonably, except that he failed to ensure that FSE did not carry on regulated mortgage business without professional indemnity insurance in place. The Tribunal concluded this was not a reckless failure and decided not to consider or determine whether Mr Markou had instead acted with a lack of due skill, care and diligence, on the basis that Mr Markou had not had the opportunity to defend himself against such an allegation. The Tribunal directed the FCA not to impose any financial penalty on Mr Markou and to reconsider the RDC's decisions to withdraw Mr

Markou's approvals and to prohibit him. The FCA has appealed the Tribunal's decision to the Court of Appeal.

The second case related to arrangements entered into by Julius Baer with an individual ('the finder') connected with the Yukos Group, pursuant to which the finder received fees for introducing Yukos Group companies to Julius Baer. The RDC decided to prohibit three individuals on the basis that, in managing and overseeing Julius Baer's relationships with the Yukos Group and the finder, they had each acted recklessly and with a lack of integrity by disregarding the clear risk that, by entering into these arrangements, Julius Baer might be facilitating or participating in financial crime. The Tribunal concluded that each of the individuals had demonstrated a lack of competence and capability, but found that none of them had acted recklessly or with a lack of integrity. In light of the Tribunal's decision, the FCA discontinued the regulatory proceedings against the individuals.

In a subsequent decision, following applications for costs from two of the three individuals, the Tribunal concluded that it had not been unreasonable for the RDC to issue decision notices to them based on the RDC's view that they lacked integrity (even though the Tribunal ultimately took a different view). However, the Tribunal concluded that it was unreasonable for the decision notices to include findings in relation to a particular transaction carried out by Julius Baer which, in light of changes to the FCA's case following the issuing of the warning notices, were materially different to those set out in the warning notices. The Tribunal therefore ordered the FCA to pay the costs incurred by the two individuals in dealing with that issue in the Tribunal proceedings.

Another notable decision this year was the Tribunal's decision in respect of case management applications relating to a first supervisory notice and a decision notice given to BlueCrest Capital Management (UK) LLP ('BlueCrest') by the RDC. These notices respectively set out the FCA's decisions to impose a redress requirement and a financial penalty on BlueCrest for failing to manage fairly a conflict of interest in breach of Principle 8 of the FCA's Principles for Businesses and thereby causing loss to its investors. (Bluecrest had elected not to make representations to the RDC but to make them to the Tribunal.) The Tribunal held that the FCA did not have the power to impose the redress requirement and so barred the FCA from defending BlueCrest's reference in respect of the first supervisory notice. The Tribunal also refused to allow the FCA to amend its Statement of Case in the Tribunal proceedings to plead that BlueCrest had breached Principle 7 and a COBS rule as well as Principle 8. The FCA has appealed the Tribunal's decision to the Court of Appeal (as has BlueCrest in respect of an amendment the Tribunal did permit).

RDC Panel cases referred to the Tribunal and awaiting substantive hearings or decisions at the year-end (31 March 2024), comprised:

- 7 multi-party cases
- 6 single-party cases

The RDC's membership

The RDC's members are current, and recently retired, financial services industry practitioners and non-practitioners. The RDC appoints members for a fixed term. This is normally 3 years but it can be extended. There are currently 14 members on the committee. Its composition reflects the different sectors of the regulated industry and consumers.

There are currently 6 practitioners (Kevin Brown, Julie Hepworth, Caroline Ramsay, Peter Jones, Tanya Castell and E. Noel Harwerth) and 8 non-practitioners (Tim Parkes, Margaret Obi, Edward Sparrow, Karen Johnston, Philip Marsden, Sidney Myers, Anne Heal and Stephen Mount).

A total of 6 members of the Committee, including the chair, are lawyers (Tim Parkes, Margaret Obi, Edward Sparrow, Karen Johnston, Philip Marsden and Sidney Myers) and 2 are accountants (Caroline Ramsay and Stephen Mount).

The FCA's website gives further details. In the coming year, Tim Parkes will step down after almost 9 years as chair, and a new RDC chair will be appointed.

We select RDC members based on their:

- experience of making independent, evidence-based decisions
- work in senior and expert positions in financial services, or other relevant sectors
- knowledge and understanding of consumers and other users of financial services

This range of skills and experience aims to improve the objectivity and balance of the FCA's decision-making and to help achieve fairness and consistency across cases.

The full RDC meets every few months. The object of these meetings is to:

- enhance the effectiveness of the committee by sharing insights and experience regarding decided cases
- undertake training in relevant technical aspects of regulation by the FCA
- keep members informed of likely future workloads and areas of focus

The RDC chair and deputy chairs meet more frequently.

The next 12 months

In the next 12 months, we expect to receive some notable enforcement cases. We anticipate case numbers will remain at roughly the same levels. We also expect we will receive several cases relating to market abuse. Otherwise, future cases are likely to reflect the priorities set out in the FCA's Business Plan for 2024/25. Finally, we look forward to welcoming a new RDC chair.

Appendix 4

Environmental sustainability report

Our environmental sustainability report provides a comprehensive overview of the FCA and Payment Systems Regulator's (PSR) environmental performance and follows the Treasury's guidelines for sustainability reporting. Our report covers our headquarters in London, Edinburgh and Leeds.

This year, we prioritised the validation of our greenhouse gas[1] emissions targets, which have been officially validated by the Science Based Targets initiative (SBTI)[2]. We aim to achieve our interim targets by 2028, and our net zero emissions goal by 2045. By setting clear decarbonisation targets for our value chain, we not only commit to these goals, but also unlock additional environmental benefits, encouraging more sustainable choices throughout our operations.

Our additional environmental targets are established for 2025, in alignment with the Greening Government Commitments (GGC)[3]. Our actions through 2025, are guided by our ISO 14001[4] certification, and are further supported by our policy statement and internal strategy.

We have adjusted the environmental metrics in the baseline years to reflect our hybrid working policy and more accurately assess our environmental performance. The adjustments include waste, water usage, and paper consumption related to on-floor printers used by our employees. We anticipate having updated baseline years for reporting and goal setting further to next year's Greening Government Commitments.

Employee engagement is central to our sustainability efforts. Actions over this past year include:

- sustainability webinars, events, articles and blogs on our intranet
- collaboration with Sustain, a FCA and PSR volunteer-based group that advocates for sustainability improvements such as recycled paper for printing, disposable coffee cup reduction in London office and guest speakers on sustainability topics
- a 2023 Earth Day event across all three of our offices, during which we collected over 400kg of unused personal IT equipment for recycling and sustainable disposal

Our environmental, social and governance (ESG) strategy shapes how we approach our ESG target

1 Greenhouse gases (GHGs) are gases in the atmosphere that raise the surface temperature of our planet. They absorb the wavelengths of radiation emitted by Earth, resulting in the greenhouse effect. The most important greenhouse gases include carbon dioxide (CO_2), methane (CH_4), and water vapor. These gases play a significant role in regulating Earth's energy balance, despite being only a fraction of all atmospheric gases.
2 Search for Financial Conduct Authority on Science Based Targets initiative, Companies Taking Action.
3 Greening Government Commitments (GGC) 2021- 2025. The target framework is voluntary for the Financial Conduct Authority.
4 ISO 14001:2015 specifies the requirements for an environmental management system that an organisation can use to enhance its environmental performance.

outcomes in the financial sector. While this report focuses on our internal performance, we are also invested in sharing our sustainability challenges and opportunities, demonstrating our commitment to accountability.

Mitigating climate change: working towards our 2045 net zero goal

'SDG[5] 13. Take urgent action to combat climate change and its impact'

In February 2024, our targets received validation, building on the initiatives outlined in the FCA and PSR Net Zero Transition Plan[6]. Our efforts align with the UK Government's commitment to transition to net zero by 2050 and support global decarbonisation goals, such as SDG 13. We also published our climate-related disclosures report aligned with the Task Force on Climate-related Financial Disclosures (TCFD) alongside our annual report.

Progress on our near-term climate target by 2028

Our Net Zero Transition Plan identified that our supply chain has the largest emissions footprint[7] - particularly in Scope 3 category 1 'purchased goods and services'. Therefore, by 2028, our near-term climate target is for 70% of our suppliers to establish emissions reduction targets that align with SBTI standards.

As of 2021, 33% of our suppliers had already set targets, based on their emissions impact within our supply chain. At the close of this past year, 38% had set targets, demonstrating 5% progress. To achieve our commitments, we have updated our procurement policy and applied new terms and conditions to the Digital Services Framework Agreement.

The table below presents a summary of this year's progress on our near-term target.

Summary of Supplier Engagement Strategy to reduce emissions in line with our SBTI FY2028 Targets

Total Scope 3 without optional emissions (tonnes CO2e)	SBTI Status	Size from total Scope 3 emissions (tonnes CO2e)	Ratio from total Scope 3 emissions	Number of suppliers
26,992	Suppliers have set SBTI targets	10,156	38%	28
	Suppliers committed to set SBTI targets	453	2%	7
	Suppliers need to set SBTI-aligned targets	8,786	32%	35
	Total	**19,395**	**72%**	**70**

5 Sustainable Development Goals (SDGs) are a collection of 17 goals set up by the United Nations as a call for action to promote prosperity while protecting the planet.
6 FCA and PSR Net Zero Transition Plan, July 2023. Transition to net zero is the process of shifting from current levels of greenhouse gas emissions to achieving a state of net zero emissions. This involves implementing strategies to reduce emissions, increase sustainability and often includes the adoption of carbon offsetting measures to compensate for any remaining residual (5-10%) emissions. The transition to net zero is a proactive approach towards mitigating climate change and promoting environmental sustainability.
7 The total amount of greenhouse gas emissions, usually measured in carbon dioxide equivalents, associated with a particular activity, product, or organisation. This is sometimes referred to as a 'carbon footprint', although the term 'carbon' specifically refers to carbon dioxide.

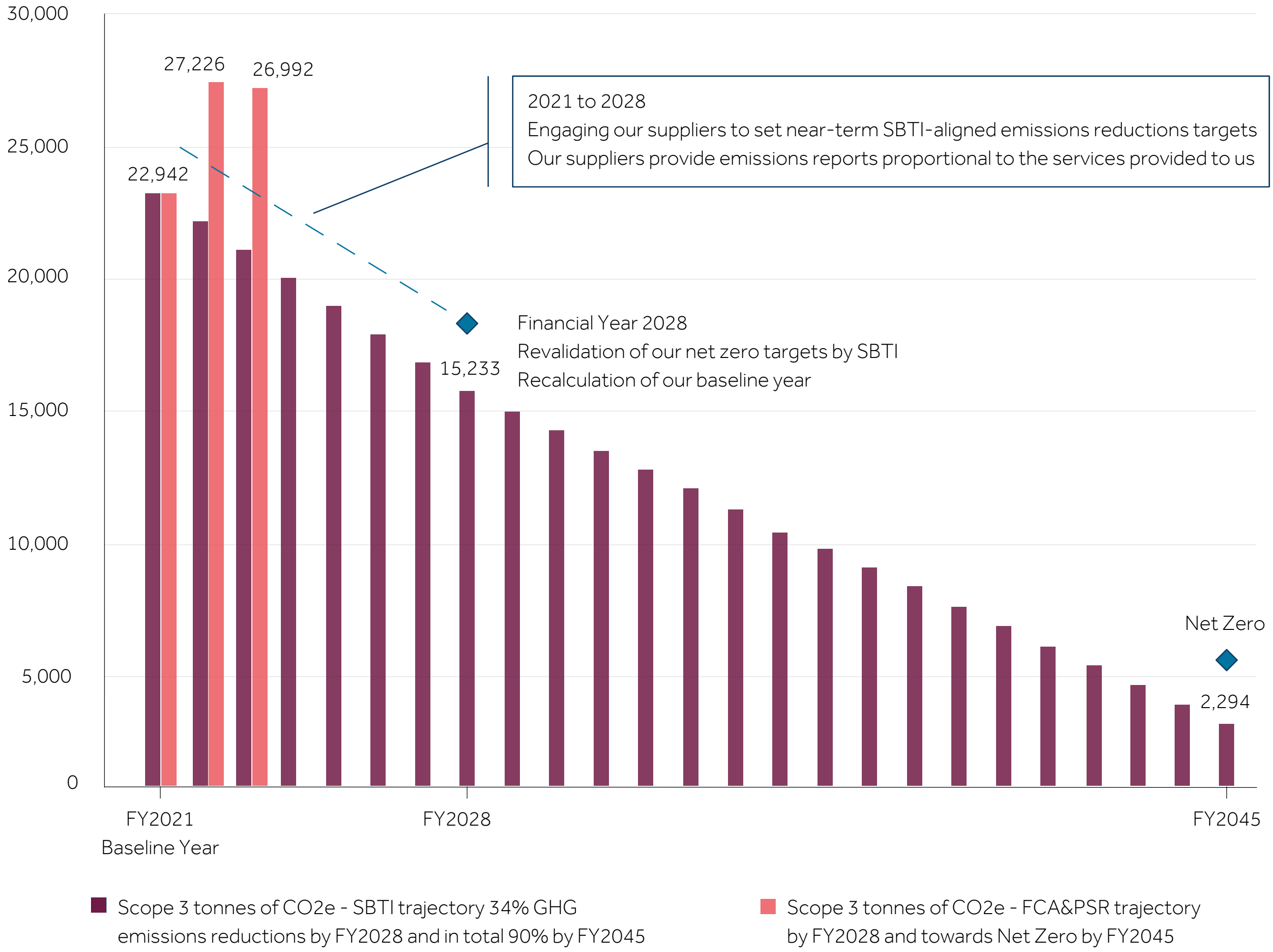
Progress on our net zero target for 2045

We have started to request that suppliers who already have targets, provide us with detailed emissions reports related to their services. This approach will enable us to move away from a spend-based method of calculating emissions for Scope 3 category 'purchased goods and services' to an average-data method. It will also improve the reporting accuracy of our supply chain's climate impact. Currently, emissions reports are only received from 1 digital supplier and 1 facilities management supplier, with potential from 4 more suppliers.

We collaborate with suppliers and employees to progress our net zero goals, as outlined in FCA and PSR Net Zero Transition Plan published last year.

The chart below provides an analysis of our decarbonisation trajectory, our annual emissions estimations, and our next steps in the interim.

Analysis of our emissions reductions targets



Greenhouse gas emissions

'SDG 13. Take urgent action to combat climate change and its impact' – 'Indicator 13.2.2: Total greenhouse gas emissions per year'

To help combat climate change and to comply with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the 2018 Regulations)[8], we monitor the following:

- scopes 1 and 2 greenhouse gas emissions
- scope 3 from categories[9] 1 to 8 in our organisation's operational boundary
- scope 3 optional category 6 emissions for business travel accommodation
- scope 3 optional category 7 emissions from homeworking

We updated our emissions inventory, noting the following changes between this year's reporting and previous years' publicly available data:

Scope 2: Renewable electricity and Scope 3 Cat. 8: Upstream leased assets

- We have provided an indication of greenhouse gas emissions from renewable electricity usage in our offices, calculated in a location-based method. This information complements the official market-based method, which results in a greenhouse gas emissions figure of '0' for renewable electricity usage.

Scope 3 Cat. 1: Purchased goods and services

- Updates were made in emissions calculations using the spend-based method for our financial year 2022 to reflect inflation averaged 9.1% a year, and 3.8% for financial year 2023. This step was considered to enhance the accuracy of our emissions calculations.

Scope 3 Cat. 4: Upstream transport, Scope 3 Cat. 6: Business travel transportation and Scope 3 Cat. 7: Employee commuting

- Updates were made to reflect greenhouse gas emissions from transportation in a well-to-wheel (WTW) approach following the SBTI targets validation process. The WTW approach for transport emissions considers the entire life cycle of a vehicle, from production to end use, including fuel production, processing, distribution, vehicle operation and tailpipe emissions.

Scope 3 Cat. 11a: Use of sold products, excluding sale of fossil fuels

- We have removed this category from our emissions reporting following the SBTI targets validation process concluding that the category is not in scope for our organisation.

Scope 3 Optional Cat. 6: Business travel overnight accommodation

- Updates were made in the emissions calculations for overnight accommodation such as hotel stay whilst traveling for business in the 2022 financial year. The emissions were calculated by error for only for 1 month instead of 12 months.

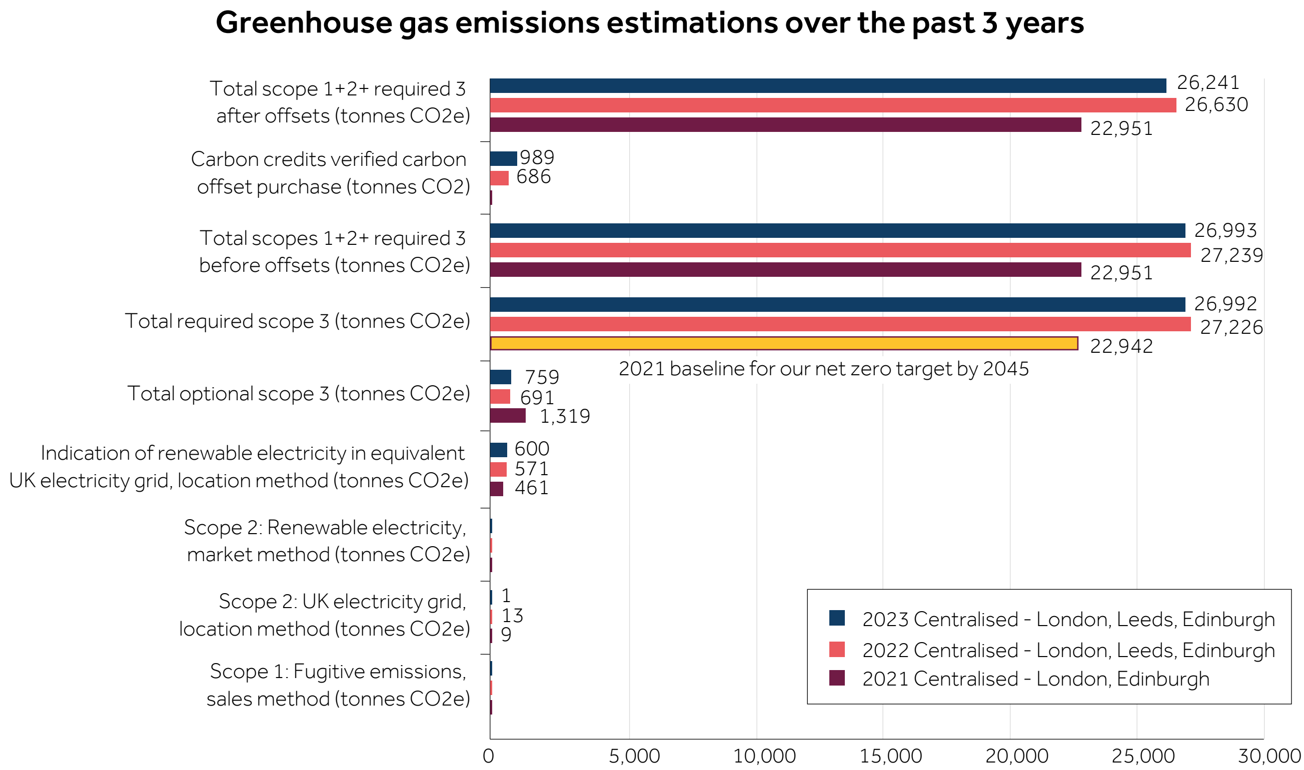
Carbon credits

- Updates were made to carbon offsets figures in 2022 financial year following desk due diligence and recalculations.

8 Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the 2018 Regulations): These regulations focus on energy and carbon reporting. They apply to large companies and LLPs. Large companies are defined as those meeting at least two of the following criteria: (a) turnover of £36 million or more, (b) balance sheet total of £18 million or more, or c) 250 employees or more. The 2018 Regulations require companies and LLPs to report on their energy consumption, greenhouse gas emissions, and energy efficiency measures. They apply to financial years beginning on or after 1 April 2019.

9 Indirect GHG emissions relevant to our organisation are in Scope 3 categories: 1. Purchased Goods and Services, 2. Capital Goods, 3. Fuel- and Energy-Related Activities, 4. Upstream Transportation and Distribution, 5. Waste Generated in Operations, 6. Business Travel, 7. Employee Commuting, 8. Upstream Leased Assets (our offices).

The chart below provides an analysis of our greenhouse gas emissions estimations.



	2023 Centralised - London, Leeds, Edinburgh	2022 Centralised - London, Leeds, Edinburgh	2021 Centralised - London, Edinburgh
Scope 1: Fugitive emissions, sales method(tonnes CO2e)	-	-	-
Scope 2: UK electricity grid, location method (tonnes CO2e)	1	13	9
Scope 2: Renewable electricity, market method (tonnes CO2e)	-	-	-
Indication of renewable electricity in equivalent UK electricity grid, location method (tonnes CO2e)	600	571	461
Total optional scope 3 (tonnes CO2e)	759	691	1,319
Total required scope 3 (tonnes CO2e)	26,992	27,226	22,942
Total scopes 1+2+ required 3 before offsets (tonnes CO2e)	26,993	27,239	22,951
Carbon credits verified carbon offset purchase(tonnes CO2)	989	686	-
Total scope 1+2+ required 3 after offsets (tonnes CO2e)	26,005	26,553	22,951

Emissions intensity

Emissions intensity is a metric that helps us assess our environmental impact relative to the size and scale of our operations. By measuring emissions per full-time equivalent (FTE) employee, we can more accurately track our progress in reducing carbon output, regardless of changes in our workforce size.

Over the past three years, our emissions intensity per full-time equivalent (FTE) employee has shown minor variation. Total emissions intensity was 5.9 tonnes CO2e per FTE in 2021, 6.6 tonnes CO2e per FTE in 2022, and 5.3 tonnes CO2e per FTE in 2023. Meanwhile, business travel emissions intensity increased from 16 kg CO2e per FTE in 2021 to 229 kg CO2e per FTE in 2023, reflecting the return to normal travel activities following the COVID-19 pandemic.

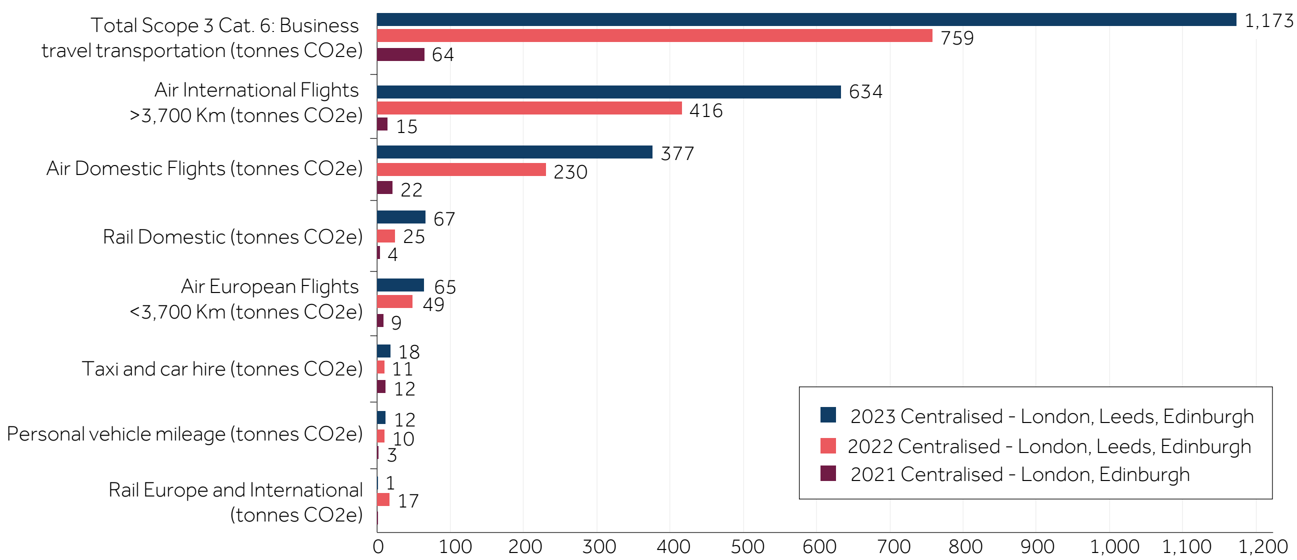
Business travel and greenhouse gas emissions: a closer look

Post-pandemic, our business travel mileage and emissions impact have reduced thanks to the mainstream adoption of virtual meetings. At the same time, we have opened two regional offices in Edinburgh and Leeds, leading to more employees and additional business travel. However, our overall impact over the past year is still below pre-pandemic levels.

We have updated our business travel and expenses standards with new controls whereby head of department or higher approval is now required for domestic flights, and travel by train is encouraged to reduce our climate impact and support our net zero commitment. We offset our travel emissions with certified carbon credits.

The chart below provides an analysis of our business travel emissions.

Analysis of Scope 3 Category 6: business travel emissions over the past 3 years



	2023 Centralised - London, Leeds, Edinburgh	2022 Centralised - London, Leeds, Edinburgh	2021 Centralised - London, Edinburgh
Rail Europe and International (tonnes CO2e)	1	17	0
Personal vehicle mileage (tonnes CO2e)	12	10	3
Taxi and car hire (tonnes CO2e)	18	11	12
Air European Flights <3,700 Km (tonnes CO2e)	65	49	9
Rail Domestic (tonnes CO2e)	67	25	4
Air Domestic Flights (tonnes CO2e)	377	230	22
Air International Flights >3,700 Km (tonnes CO2e)	634	416	15
Total Scope 3 Cat. 6: Business travel transportation (tonnes CO2e)	1,173	759	64

Minimising waste and promoting resource efficiency

'SDG 12. Ensure sustainable consumption and production patterns' – 'Indicator 12.5.1: National recycling rate, tonnes of material recycled'

We monitor our progress against the GGC with the goal of reducing overall waste by 15% by 2025. This reduction target is measured from a 2017 baseline and aligned with SDG 12. Our initial baseline was adjusted downward to reflect reduced in-office working. Despite this, we surpassed our target by 39%.

We achieved 53% of our annual recycling target which is set at 70%. Our recycling includes:

- plastics
- cardboard
- glass
- metals
- food waste
- confidential paper
- hazardous waste
- IT equipment
- scrap metals from bespoke recycling projects

This year, we had two waste management projects in response to the leasing of three of our London office floors to the National Crime Agency: a donation for the reuse of electronics such as monitors and keyboards, and a resale for the reuse and recycling of office furniture. Both projects contributed to reducing our office footprint, which helps reduce our ongoing emissions footprint.

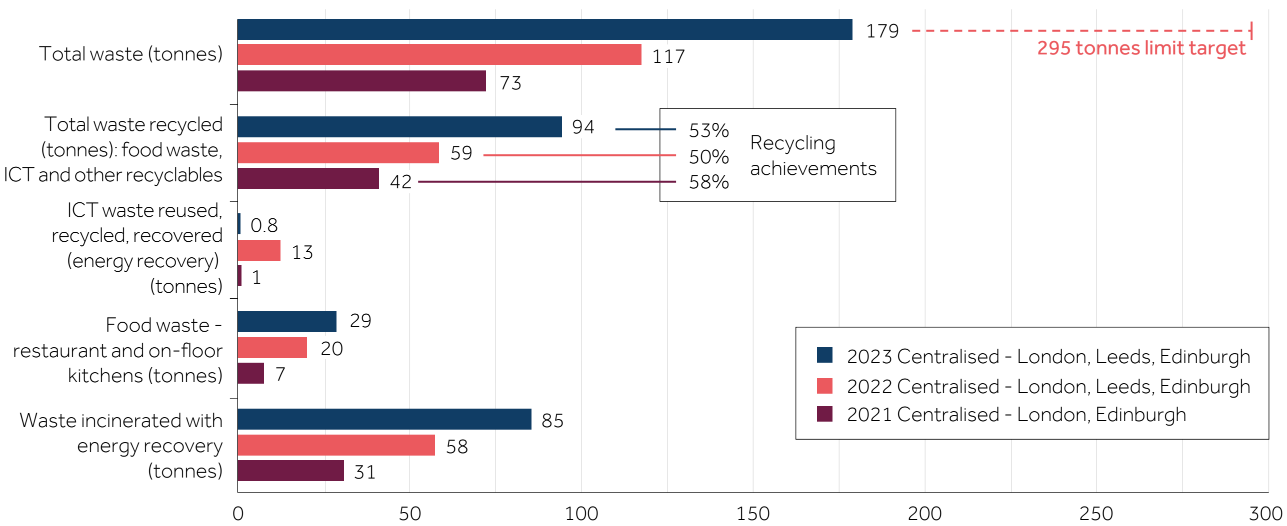
We continue to engage with our employees and our suppliers in Facilities Management and Technology to meet our targets, including maintaining our commitment to reduce the amount of waste going to landfill to 0.

We have progressed our commitment to remove all Consumer Single Use Plastics (CSUP) by 2025, particularly in our London office:

- For the past 3 years, we have used biobased coffee cups and lunch boxes.
- We have replaced the small plastic pots of fruits with biobased material pots.
- We continue to coordinate with our suppliers to find solutions to remaining Consumer Single Use Plastics such as milk bottles and smoothie cups.

The chart below provides an analysis of our waste generated and recycling.

Waste generation and management over the past 3 years



Energy consumption

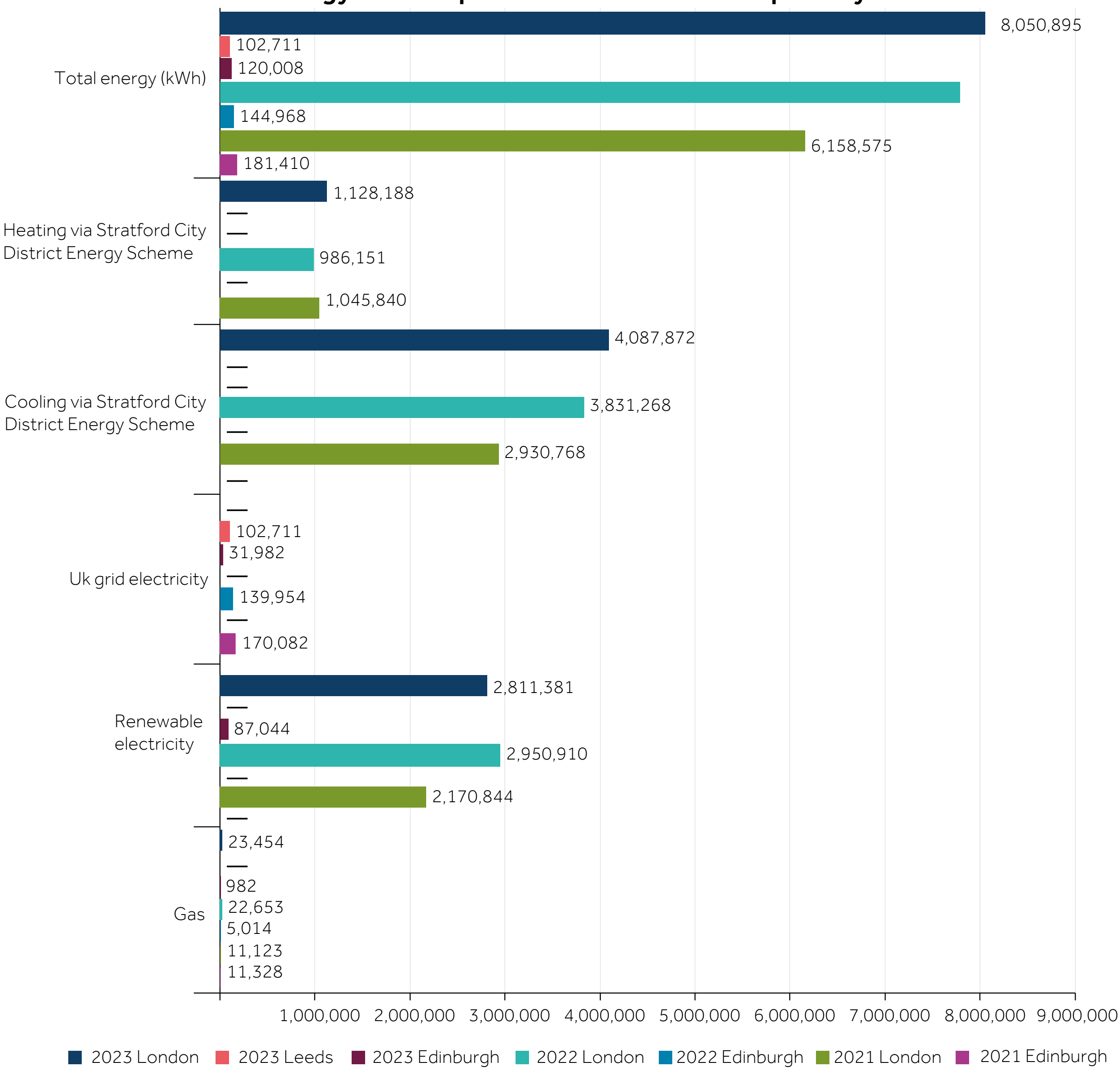
'SDG 7. Ensure access to affordable, reliable, sustainable, and modern energy for all' – 'Indicator 7.2.1: Renewable energy share in the total final energy consumption'

Our reported energy consumption is calculated using a combination of data from our landlord's service charges, the Building Management Systems (BMS) that monitor the buildings' energy use, and direct electricity bills for our operational areas in Edinburgh office. These sources collectively provide the measure of our total energy usage in kWh.

Our London office has been supplied with renewable electricity since 2018 and our Edinburgh office since May 2023. In Edinburgh, this applies to our two office floors, where we have operational control over our energy supplier. Our initiative contributed to our Scope 2 emissions target validation by the SBTI of sourcing long-term renewable electricity through 2028.

The chart below provides an analysis of our energy consumption.

Energy consumption and costs over the past 3 years



	2023			2022		2021	
	Edinburgh	Leeds	London	Edinburgh	London	Edinburgh	London
Gas	982	-	23,454	5,014	22,653	11,328	11,123
Renewable electricity	87,044	-	2,811,381	-	2,950,910	-	2,170,844
Uk grid electricity	31,982	102,711	-	139,954	-	170,082	-
Cooling via Stratford City District Energy Scheme	-	-	4,087,872	-	3,831,268	-	2,930,768
Heating via Stratford City District Energy Scheme	-	-	1,128,188	-	986,151	-	1,045,840
Total energy (kWh)	**120,008**	**102,711**	**8,050,895**	**144,968**	**7,790,982**	**181,410**	**6,158,575**

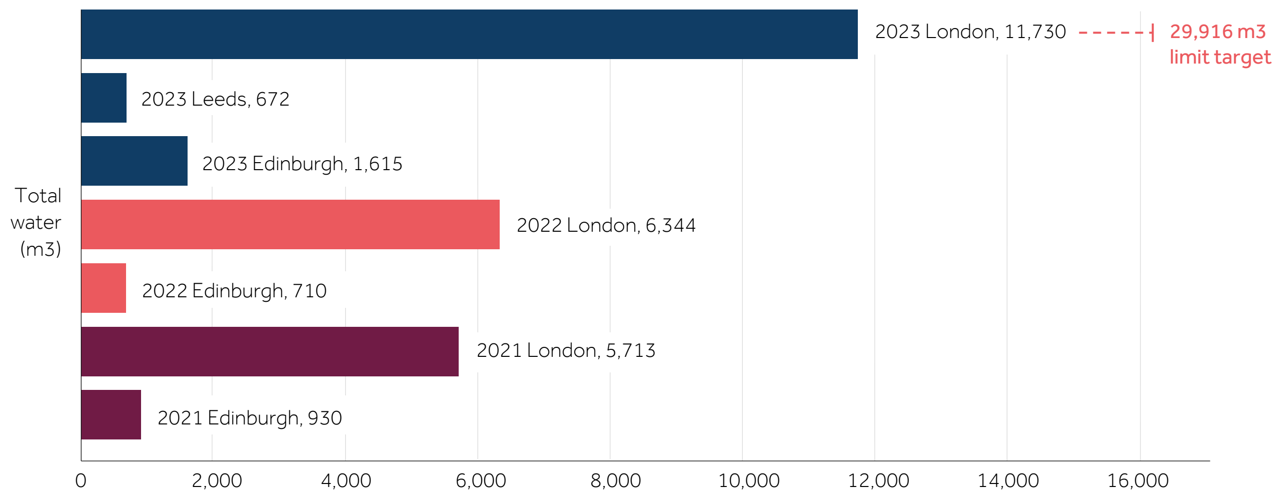
Water consumption

'SDG 6. Ensure availability and sustainable management of water and sanitation for all' – 'Indicator 6.4.1: Change in water-use efficiency over time' – 'Indicator 6.4.2: Level of water stress: freshwater withdrawal as a proportion of available freshwater resources'

Our target to reduce 8% water consumption by 2025 is in line with the GGC and contributes to the SDG 6. Our metrics in the baseline year 2017 were adjusted down to reflect reduced in-office working. Nonetheless, we have surpassed our target by 53% in terms of water conservation.

The chart below provides an analysis of our water consumption.

Water consumption and costs over the past 3 years



Paper use

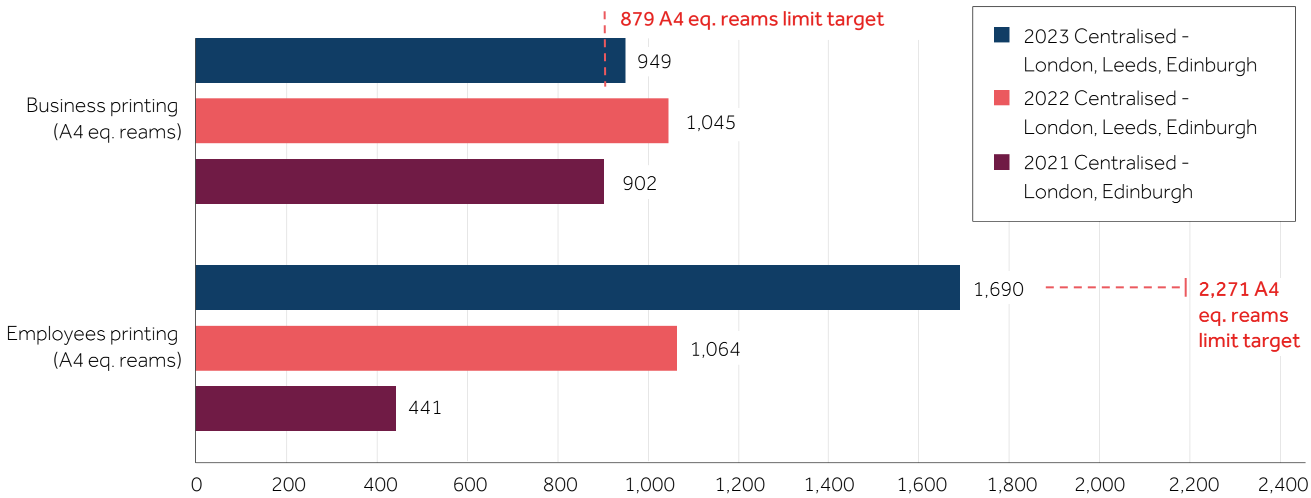
'SDG 15. Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss' – 'Indicator 15.2.1: Progress towards sustainable forest management'

Our target for on-floor printers used by employees is a 75% annual reduction in printing from the 2018 baseline. Although our baseline metrics were adjusted down to reflect reduced in-office work, we still exceeded our paper printing target by 17%. For business printing using our reprographics services, we aim for a 75% annual reduction from the 2019 baseline. However, we missed this target by 8%.

In response, we switched to using 100% recycled paper for all our printing needs. This aligns with SDG 15 protecting forests by reducing demand for new wood pulp materials. Our action was also communicated to all employees to highlight improved sustainable practices in the workplace.

The chart below provides an analysis of our paper consumption.

Printing and writing paper consumption over the past 3 years



Sustainable procurement

'SDG 12. Ensure sustainable consumption and production patterns' – 'Indicator 12.7.1: Degree of sustainable public procurement policies and action plan implementation'

Procurement and supplier management are an important part of our internal environmental strategy and our transition plan to reach net zero.

Policy and guidelines

We updated our Supplier Code of Conduct, outlining our expectations on collaborating with suppliers to improve sustainability. This includes suppliers setting their own SBTI-aligned emissions reductions targets by 2027. The requirement applies to contracts that are equal or above £500,000 excluding VAT, in any given year of the contract duration.

Tendering and Supplier Management Framework

We incorporated environmental sustainability into the evaluation criteria for three public tenders. We also completed an annual attestation process with our key suppliers on commitments to regulatory compliance and furthering environmental sustainability.

Our restaurant and catering services

Our London office restaurant is managed by a food services group certified in ISO 14001 for environmental management in catering. Our sustainable practices include:

- a carbon footprint labelling system (A to E) for the menu dishes, displayed to inform our employees' food choices every day
- Fairtrade coffee sourced from a single-origin Nicaraguan community cooperative
- the sale option of reusable cups and food containers as an alternative to single-use packaging
- eco-cleaning products to reduce the impact on water

Sustainable construction

'SDG 12. Ensure sustainable consumption and production patterns' – 'Indicator 12.7.1: Degree of sustainable public procurement policies and action plan implementation'

We successfully completed a small fit-out project in our Leeds office. The main contracting parties were directly awarded the works via a standalone contract (The JCT Intermediate Building Contract with contractor's design (ICD) 2016). The contracting party followed its internal sustainability policies and procedures in the supplier nomination process. To reduce costs and environmental impact, we used existing furniture and IT equipment that were no longer needed as a result of the subletting of three office floors in our London office.

Biodiversity

'SDG 15. Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss' – 'Indicator 15.5: Red List Index'

Since December 2022, we have purchased carbon credits[10] from our business travel partner, to offset business travel emissions. This year, we have:

- offset 989 tonnes of carbon, equivalent to 444 return flights, London to New York
- contributed to the planting of 5,338 mangroves and trees in Kenya and Haiti

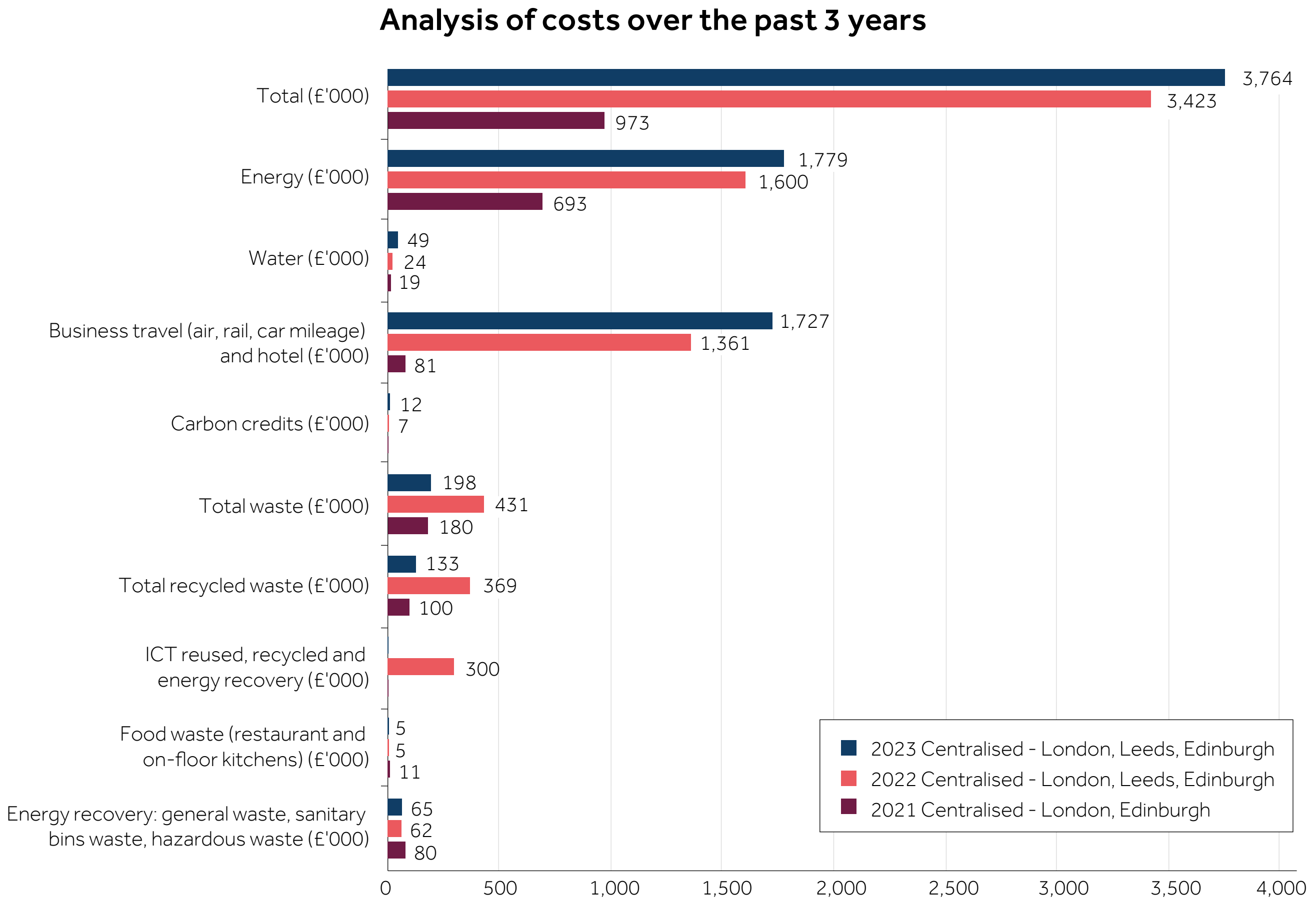
These credits invest in nature-based solutions to enhance future carbon sinks, support ecosystems restoration and local communities.

Costs of services with environmental aspects

In line with the Treasury's sustainability reporting guidance, the chart below provides an analysis of our gross expenditures[11] for utilities, energy and water, waste management, business travel and carbon credits.

10 A carbon credit represents a reduction or removal of one metric tonne of carbon dioxide equivalent (CO2e) from the atmosphere. They enable companies to compensate for their emissions by financing projects that reduce or sequester emissions elsewhere.

11 Some of the costs provided are calculated as a proportion of the total service charge, which includes most of our facilities management services. These services are covered by the service charge fee paid to our office property owners. All ICT disposals in the past financial year were handled as part of our business-as-usual (BAU) EUC (End-Use-Computing) operations with no additional charges. Therefore, we cannot calculate a specific disposal cost.



	2023 Centralised - London, Leeds, Edinburgh	2022 Centralised - London, Leeds, Edinburgh	2021 Centralised - London, Edinburgh
Energy recovery: general waste, sanitary bins waste, hazardous waste (£'000)	65	62	80
Food waste (restaurant and on-floor kitchens) (£'000)	5	5	11
ICT reused, recycled and energy recovery (£'000)	-	300	-
Total recycled waste (£'000)	133	369	100
Total waste (£'000)	198	431	180
Carbon credits (£'000)	12	7	-
Business travel (air, rail, car mileage) and hotel (£'000)	1,727	1,361	81
Water (£'000)	49	24	19
Energy (£'000)	1,779	1,600	693
Total (£'000)	3,764	3,423	973

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978-1-5286-4826-4