

Michael Findlay  
Markets Practitioner Panel  
c/o Panel Secretariat  
12 Endeavor Square  
London  
E20 1JN

12 Endeavour Square  
London  
E20 1JN

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

14 November 2022

Dear Michael,

I want to thank the Panel and its members for your ongoing support over the last year. You have provided input that has helped inform our response to the war in Ukraine and the development of our markets' priorities under the FCA strategy. You have also provided valuable input on discussions on cryptoassets and support for improving diversity in financial services. Your professional engagement, advice and expertise have helped us to keep the markets open and orderly through another challenging year.

We recognise too that the recent volatility in the economy and financial markets, and the Government's reform agenda will both be a significant feature of our ongoing dialogue with the Panel in the coming months. Your input will undoubtedly prove critical as we assess the impact of these for the FCA and sector at large.

In line with our statutory requirement, I want to respond to some of the key issues you highlighted in your 2021/22 annual report.

#### Future Regulatory Framework (FRF)

Your report encouraged us to take a holistic view of all the regulatory changes to ensure this works together and delivers the right outcomes.

At the heart of our three-year strategy is our commitment to focus on three key areas: reducing and preventing serious harm; setting and testing higher standards; and promoting competition and positive change. These underpin the 13 strategic commitments we are taking forward as an organisation this year and over the next two years. Additionally, reflecting the changing economic circumstances, we are also focused on supporting consumers given the rising cost of living. Together, these strategic commitments are designed to work together. When we published our Business Plan to take these forward, we also set out the metrics by which we will measure our impact.

We consider the Treasury's framing of the new proposed 'international competitiveness and growth' objective as secondary to our existing operational objectives, to be the right approach. This strikes the right balance of reflecting our important role to facilitate international competitiveness and medium- to long-term growth, without detracting from our existing operational objectives or acting in a way that benefits short-term competitiveness at the cost of long-term growth.

Given the amount of retained EU law to be transferred to our Handbook, we will need to prioritise requirements to ensure an orderly transfer. The view from industry and statutory Panels on priorities will be important and we welcome continued dialogue and discussion on that. We will also consider policy changes on a case-by-case basis, subject to consultation and cost benefit analysis.

### FCA Strategy – Markets Priorities

Thank you for your input on the strategy as it developed. You suggested introducing some short-term metrics alongside more strategic outcome-focused measures.

We continue to refine our strategy, an important priority of which is to strengthen the UK's position in the wholesale markets. Considerable work is already underway, including foundational processes to improve our access to and use of data, improvements to our authorisation and registration gateway, for example on change in control, and significant policy work, for instance the Primary Market Effectiveness and Wholesale Market reviews. We are also promoting innovation through the development of the new Financial Market Infrastructures Sandbox.

We will set out longer-term plans in due course and welcome your continued input as we do so.

On metrics, the State of the Sector report, published by the Treasury and the City of London, sets out metrics on a range of indicators and matches these to actions to date by the Treasury and regulators.

Alongside this, we have published the first set of metrics we will use so we, and others, can better assess our progress against outcomes stated in our Business Plan and Strategy. For the wholesale market, we continue developing other metrics, including how market participants perceive our actions. Again, we welcome continued dialogue with you as we seek to shape more specific metrics for use over the next three years.

### Cryptoassets

You raised concerns about the heightened risk of misconduct by crypto market participants, including the need to consider the regulatory implications.

We have warned consumers about the risks of investments linked to cryptoassets. We have advised them that if they invest in these products, they should be prepared to lose all their money. We have issued further warnings through our website and our new InvestSmart campaign. In March 2022, we took action against unregistered cryptoasset ATM machines and warned of the risks from promoting cryptoasset and non-fungible token investments through social media in May 2022.

We will continue to communicate to consumers where we identify risks and to maintain a list of unregistered cryptoasset businesses to help consumers avoid dealing with these firms.

As the Panel is aware, the Treasury is considering how to legislate creating a new regulatory regime for cryptoassets. We are working closely with the Treasury, via the CryptoAsset Taskforce (CATF). We share the Panel's concerns about the future regime balancing the support for technological innovation with protecting consumers and maintaining market integrity. To help with that conversation, the FCA arranged a 'policy sprint' on what a future regulatory regime could look like.

We will continue to review our messages, being clear on the available protection levels and what is within and outside our perimeter.

## Environmental, Social and Governance (ESG)

My particular thanks for your help with our work to promote clear labelling and higher-quality sustainability-related disclosures. Our Sustainability Disclosure Requirements (SDR) and investment labels consultation has now been published.

Our proposals are aimed at asset managers and would introduce labels to help consumers navigate the complex landscape of investment products. They would provide naming and marketing rules to ensure product names and marketing are proportionate to the sustainability profile of the product. Also create consumer-facing and more detailed disclosure requirements to increase transparency on sustainability-related matters. Together these proposals aim to protect consumers from potential harms from greenwashing and build trust in the market for sustainable investment products.

Alongside this work, we have been a strong supporter of establishing international sustainability-related disclosure standards for corporate reporting. We welcomed the excellent progress in establishing a global baseline for corporate reporting in our response to the International Sustainability Standards Board's (ISSB) consultation on climate and general sustainability standards.

We welcome the ISSB building from the Taskforce on Climate-related Financial Disclosure's (TCFD) globally accepted recommendations, while raising the bar to provide meaningful disclosures that meet investors' information needs. We intend to consult on adapting our own TCFD-aligned disclosure rules for listed issuers to reference the final, UK-adopted ISSB standards.

## FCA Transformation

You have asked us to focus on assessing the cost of regulation, being clearer with firms on why we are gathering data and how we are using it effectively. You have also asked us how we will measure our progress and what KPIs we are developing.

There are many ways in which transformation is helping us better assess the costs of regulation relative to the benefits. Internal work on how we measure and routinely report on time spent means we can better evaluate this to inform our future choices on how we regulate.

As part of moving towards a more Digital Operating Model, the Gateway project which manages the processes and forms that all new firms and applicants must complete, is planning to digitise onboarding forms. The project is actively reviewing the data collected on firms as they look to become regulated. This will help to ensure that we only collect information which we deem useful and that this is done in an intuitively easy and efficient way. Our joint work on Data Collections with the Bank of England also aims to reduce costs by streamlining and integrating our data reporting requirements.

## Strategic initiatives

You have restated that we should consider whether UK regulation is targeted and proportionate, including the implications for the UK's attractiveness as a global trading and investment hub.

We agree with the Panel that UK regulation should be targeted and proportionate. This is embedded throughout our policy development process to strengthen UK wholesale market, including through rigorous cost/benefit analysis. We view this as an integral part of our role in promoting the UK growth agenda and delivering on our proposed new growth and competitiveness secondary objective.

I am grateful for your support and input and look forward to continuing to work with you and your fellow panellists over the next year.

Yours sincerely,

Nikhil Rathi  
Chief Executive