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Dear Rachel,

Thank you for providing us with clear recommendations for aspects of the Government's economic policy to which the FCA should have regard when delivering on our objectives.

We will report on progress within a year, in line with the Financial Services and Markets Act 2000. In the meantime, we wanted to set out how we are supporting growth, the development of our next strategy, our international role and approach to risk.

## **Growth**

We agree that the financial services sector is fundamental to delivering the Government's growth mission and we are committed to continuing to play a pivotal role.

Since you took office, we have delivered several measures to support growth, from the overhaul of UK listing rules to the reform of UK retail disclosure rules; from changes to the remuneration regime with the PRA to proposals to provide better value for money for workplace pension savers; as well as our newly launched AI lab to support innovators on new AI models and solutions, to name but a few.

In the coming months, we will:

- Conclude far-reaching reforms to secondary capital raising and launch a consultation on a new type of market for private company shares (PISCES).
- Set out next steps on streamlining our rulebook, following our Call for Input which generated over 170 responses with mixed views from industry.
- Consult on proposals for targeted support in pensions, followed by broader proposals for retail investments – both will contribute to customers being better able to access appropriate advice, as you called for in your letter.

## **FCA Strategy 2025-2030**

Supporting the growth of the financial services sector and the UK economy will be a cornerstone of the FCA's next strategy, covering the period 2025 to 2030. We will build on our existing approach for early and high growth firms and ensure that innovative new firms are supported to enter the market and scale up when ready.

We are keen to ensure our work dovetails with the Government's financial services growth and competitiveness strategy. We will also draw on the research we are funding to identify how regulation can support growth in every part of the UK.

Our strategy will also prioritise tackling financial crime, building on our recent progress to slow the growth in investment fraud. We agree with you about the negative impact financial crime has on economic growth and the toll it takes on affected consumers and businesses.

Enabling people to make the most of their money through a focus on consumer resilience will be a third priority. We want to maximise the potential of open banking and open finance, and do more to support vulnerable consumers. Products and advice must empower consumers to make informed choices and pursue sensible risk-taking.

Our final, but most important, priority will be to further strengthen our operational effectiveness and efficiency - harnessing the use of data and technology at scale and streamlining administrative burdens while maintaining high regulatory standards.

### **The UK's international leadership**

To successfully deliver the next strategy, we agree on the need to maintain our leading role with global partners and in international fora. A recent example is the significant work we have led through the Financial Stability Board, to better monitor and address risks from leverage in the non-bank financial intermediation (NBFIs) ecosystem.

In an era of increasing geostrategic competition, we may face both opportunities and obstacles. We will advocate for global co-operation and openness, while acknowledging that this may be an increasingly hard argument to make and, on some issues, we may choose initially to make progress with a smaller group of like-minded jurisdictions.

We may also be confronted with choices. For example, leading the way in implementing global agreements on sustainable finance may create opportunities for both the UK financial services sector and long-term investment but it could also mean we impose requirements on firms not implemented in other major jurisdictions. Likewise, as we develop the regulation for cryptoassets, we can seek to maximise our leading role on international crypto standards at the International Organization of Securities Commissions (IOSCO), while recognising that other jurisdictions might pursue a different approach or not seek to regulate these products at all. And we may see an increase in protectionist impulses when it comes to cross-border data sharing.

### **Risk**

Finally, we welcome your commitment to support us as we seek to facilitate more informed and responsible risk-taking by authorised firms and consumers.

As we have discussed, we have sought to prompt a debate on this issue to ensure there is understanding and, as far as possible, a greater degree of consensus with Government and across Parliament on an appropriate risk appetite. Recent issues have highlighted the diversity of views between those who would prefer us to invest more resource to minimise consumer losses and risk-taking, and those who want us to focus on reducing burdens on firms and supporting the growth and international competitiveness of the financial services industry. As we implement our strategy, we will face trade-offs between different priorities, but a common thread will be to support responsible risk taking as an essential component of growth and innovation, consumer resilience and cutting financial crime. Delivering outcomes across all our objectives should build trust and confidence in the UK financial services sector, both at home and

abroad, contributing to its success and enabling it to contribute more to the growth of the real economy.

As we pursue a shift in mindset and in our risk appetite, it will be crucial to ensure this is backed by a shared view across the ecosystem of the financial services sector, that our various accountability mechanisms are aligned in the same direction and this position remains consistent over time, whether that be in Parliament or how the complaints and compensation system works.

No other comparable regulator is liable for losses in the way some argue we are or should be in the UK through the current complaints system for financial regulators. Understanding your perspective on issues of compensation and where liability should fall in the context of the scale of the UK financial services sector and the imperative of prioritisation will be important in influencing the risk appetite we are able to sustain in the coming years. Improving how we work with stakeholders to manage any future mass redress events will also help us make sure that we can support both more informed risk taking and consequently greater trust and confidence in the UK's financial markets.

The reality is we will never operate a zero failure regulatory regime. That would stifle innovation at a cost not just to business but consumers too. We will always have to make judgements about how best to deploy our resources. It is not feasible to pursue every piece of intelligence or concern raised about the 42,000 firms we regulate nor all complaints we receive on unauthorised activity.

We will continue to bolster our operational effectiveness, including handling of complaints which has improved but where we have more to do. We must also be held to account for our actions and learn lessons wherever possible. It is important we all agree that we should do this in a proportionate way. If not, then this will continue to incentivise considerable risk aversion which, we agree with you, we would like to avoid.

As we progress our next strategy, we hope to agree on an ambitious set of performance metrics for the system as a whole and be held to account against those, recognising individual things will go wrong in a system where there is a desire for more risk.

The recent Court of Appeal judgment on motor finance has also highlighted the important role of the judicial system and legislation. We will continue to work with your team on its implications, pending any decisions of the Supreme Court.

We are proud of all that our colleagues in the FCA, working across the UK, do to enable a fair and thriving financial services sector for the good of consumers and the economy. We look forward to continuing to work in close partnership with you to achieve more.

Yours sincerely,

**Nikhil Rathi**  
**Chief Executive**

**Ashley Alder**  
**Chair**