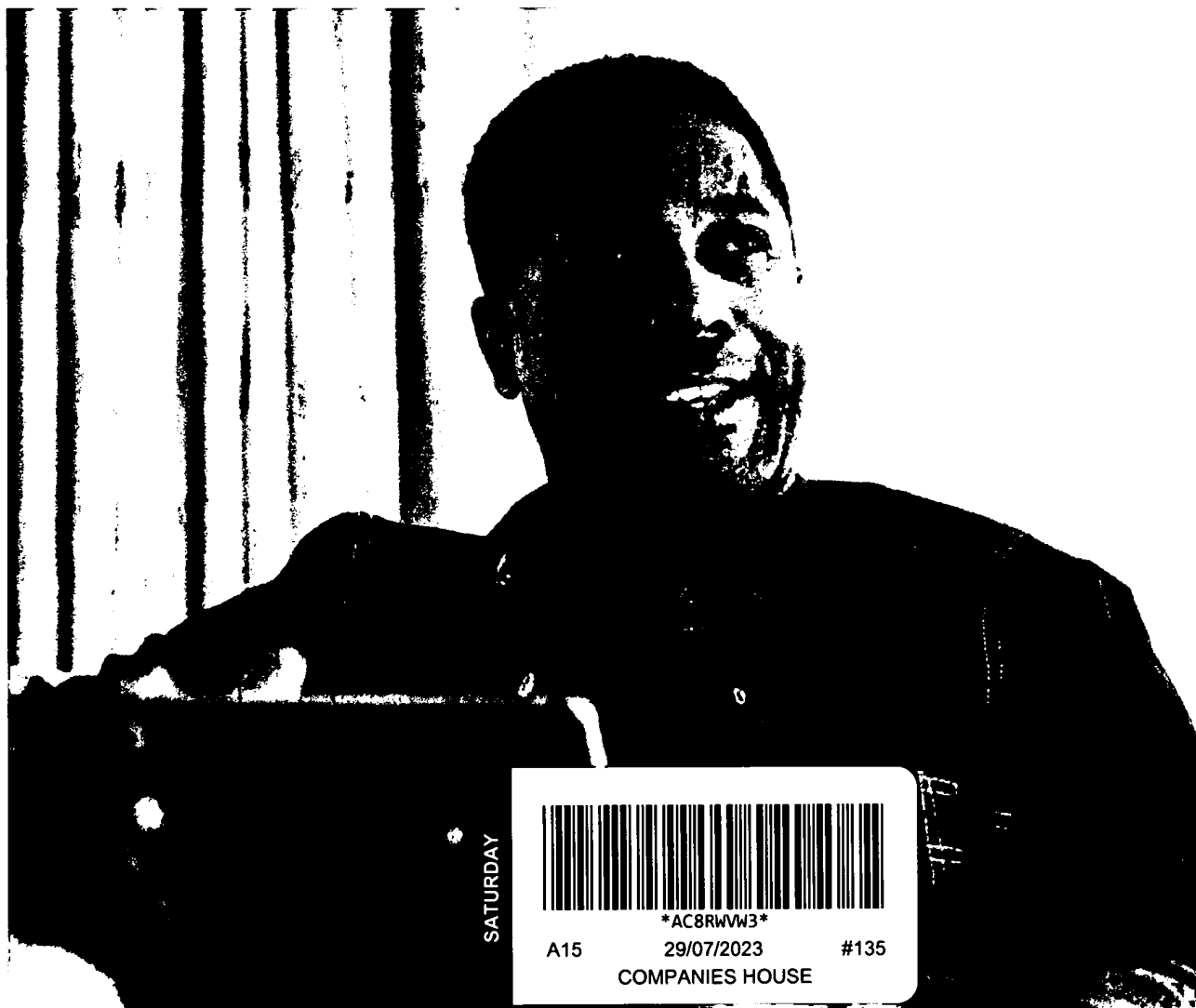


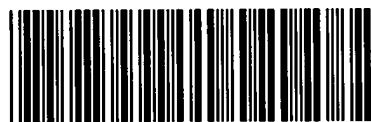
Annual Report and Accounts 2022/23

(for the year ended 31 March 2023)

HC 1578



SATURDAY



AC8RWVW3

A15

29/07/2023

#135

COMPANIES HOUSE



FINANCIAL
CONDUCT
AUTHORITY

Financial Conduct Authority
Annual Report and Accounts 2022/23
(for the year ended 31 March 2023)

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 20 July 2023

HC 1578



© Financial Conduct Authority copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

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 978-1-5286-4109-8

E02910351 07/23

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



Contents



1.	Chair's foreword.....	6
2.	Introduction from the CEO	10

Strategic report

3.	Our Role and how we made a difference in 2022/23	13
4.	Transforming the FCA.....	21
5.	Our 2022-25 Strategy – progress against our commitments and outcomes	26
	Focus 1: Reducing and preventing serious harm	28
	Focus 2: Setting and testing higher standards	47
	Focus 3: Promoting competition and positive change	59
6.	Our Section 172 Statement.....	67

Financial statements and corporate governance

7.	Group operational overview	80
8.	Directors' report and corporate governance statement	98
9.	Remuneration report.....	120
10.	Financial statements of the Financial Conduct Authority for the period ended 31 March 2023	130

Appendices

1.	Exercise of sub-delegated powers by the Financial Conduct Authority under the European Union (Withdrawal) Act 2018.....	181
2.	Use of our Skilled Person Reports	184
3.	RDC annual review of the year to 31 March 2023.....	186
4.	Environmental sustainability report	194

Chapter 1

Chair's foreword

My first 5 months as Chair have confirmed what I observed before joining – that the FCA has an unusually broad remit, covering consumers, the City and everything in between.

Within this remit, the FCA must be alive to an unprecedented set of challenges and opportunities as financial and technological innovation accelerates, economic headwinds strengthen and international relations are reshaped. In addition, a new responsibility to progress the most active domestic reform agenda seen in years signifies that the FCA is now at a major point in its history.

The FCA's day-to-day activities are testing in themselves, including the supervision of around 50,000 firms, oversight of the UK's wholesale markets and working with stakeholders to develop better policies to protect consumers and promote the integrity of our world-class financial services sector.

This vast swath of responsibilities means the FCA must continually make difficult choices about where to focus finite resources. The Board has a duty to make sure these resources are directed to those activities that are of most value to consumers and to the UK's financial markets as a whole, ensuring competition works for the benefit of the firms we supervise and the real economy businesses and consumers they serve.

Having joined the FCA from an overseas international financial centre, I am especially aware of the importance of a sound and trusted regulatory system to underpin the continued success of any global financial hub.

The Board is also aware of the need for the FCA to be sufficiently agile and adaptive to deliver effective regulatory outcomes. As has become only too apparent in recent years, events can require us to redirect resource and efforts, sometimes within hours, to meet emerging challenges. From the pandemic through to Russia's invasion of Ukraine, to last year's turbulence in the gilt markets and the recent failures of SVB and Credit Suisse, the FCA continually demonstrates it can respond swiftly to very different types of crisis.

During introductory meetings with stakeholders from Westminster and Whitehall, the City and consumer groups, I have been asked to thank FCA staff who have successfully navigated events such as these. I have seen first-hand how they demonstrate undoubted dedication to public service and to achieving the best outcomes available.



Ashley Alder
Chair

The FCA must be alive to an unprecedented set of challenges and opportunities as financial and technological innovation accelerates, economic headwinds strengthen and international relations are reshaped.

Inflation and higher interest rates continue to affect many consumers, from the most vulnerable who struggle with debt, to those facing the expiry of cheaper fixed-rate mortgages and those who are having to make tough spending choices – dipping into savings and cutting back on discretionary costs.

This Annual Report and our 2023 Business Plan explain how we work to make sure that firms are sensitive to these pressures and ensure that consumers are treated fairly. The Consumer Duty, coming into effect this month, is designed to create an unambiguous focus on consumers so that firms put consumer needs and outcomes at the heart of all they do.

The tighter economic cycle also gives rise to new pressures across wholesale markets and new challenges for firms and the real economy businesses they serve, all of which require the FCA to focus on novel areas of stress, including often in opaque areas of financial instrument trading and non-bank financial intermediation of credit.

Against this dynamic background the Board must consider how the FCA's existing strategic priorities should evolve. Earlier this year, the Board agreed that of the FCA's 13 priorities, 4 will receive additional resource where available:

- putting consumers' needs first
- preparing financial services for the future
- reducing and preventing financial crime
- strengthening the UK's position in global wholesale markets

We are putting consumers' needs first through the Consumer Duty and preparing financial services for the future through implementing the Future Regulatory Framework and the Government's Edinburgh Reforms.

To reduce and prevent financial crime, we have a strengthened authorisation process, improved assessments of regulated firms, deployed more staff to investigate and prosecute offenders and continued to take down hundreds of scam websites.

In strengthening the UK's position in global wholesale markets, I am keen that we bring the regulatory dimension fully to bear in important debates about future positioning of the UK's capital and investment markets. These centre on ways to encourage the mobilisation of domestic savings, including those held in pension schemes, to invest in productive assets in the interests of consumers and the economy as a whole.

Nikhil Rathi, FCA, Chief Executive gave an important speech in March about proposals to reform primary market listing rules which laid out the types of choices and trade-offs that we must confront when thinking about risk tolerance across the consumer and institutional markets we regulate. Of relevance here are concerns that an 'advice gap' can inhibit many consumers from realising their personal goals, whether it's saving for a child's future or securing enough income for later life.



We are putting consumers' needs first through the Consumer Duty and preparing financial services for the future through implementing the Future Regulatory Framework and the Government's Edinburgh Reforms.



There is evidence that this also limits the effective deployment of investment capital to fund growing UK businesses. Consumers should have access to the right, affordable expertise to make informed decisions about the investment risks which best match their individual needs.

Progress towards this outcome – as well as other policies which address fundamental questions about risk tolerance in different wholesale and consumer markets – should be an important aspect of the Board's role in setting the FCA's overall strategic direction.

In doing so the FCA should be crystal clear that discussions on risk tolerance across markets does not imply any reduction of the standards we expect of firms. We will not see a return to 'light touch' regulation – the FCA does not tolerate poor conduct.

A strengthened authorisations process will limit the ability of bad actors to enter our financial system. We will take a data-led, outcomes-based approach to supervision of the firms we regulate. Our two new Executive Directors of Enforcement will review our approach to firms that do not meet our standards.

The reform programme enabled by the Financial Services and Markets (FSM) Act, whereby retained EU Law is to be repealed in tranches and adapted to better suit needs in the UK, will be a high-impact area of focus. The Board is overseeing the demanding timetable the FCA is working to and making sure that, to implement these changes, together with the Edinburgh Reforms announced by the Government last year, we remain agile, proportionate and fully accountable.

The Act also introduces a new Secondary International Competitiveness and Growth Objective for the FCA and PRA. This has, unsurprisingly, proved to be a lightning rod for an understandably wide range of views about the interplay between regulation and drivers of economic productivity, echoing an intensive market-participant dialogue about the future of UK capital markets.

Here, the Board must make sure that criteria used to assess this relationship, and to be reported on by the FCA publicly, are credible, practical and work properly alongside our primary consumer protection, market integrity and competition objectives.

For example, in my early interactions with firms considerable feedback concerned the speed of our authorisations process, and how this was perceived to affect competitiveness. Many firms will have been pleased to see that staffing and process initiatives have meant we are meeting our statutory authorisations time period in significantly more cases across the year, positioning us to meet them at the start of this financial year. However operational efficiency cannot be the sole attribute of competitiveness.

Applications for permissions that do not give us the information we need to make sound judgements, or which raise red flags about business models or management integrity, will be scrutinised extremely carefully.

The Gateway now operates with a more intensive focus on how newly authorised firms meet threshold conditions, and a 'use it or lose it' policy means that permissions are removed to avoid inferences that firms pursuing unregulated activity fall within the FCA's remit.



The reform programme enabled by the Financial Services and Markets (FSM) Act, whereby retained EU Law is to be repealed in tranches and adapted to better suit needs in the UK, will be a high-impact area of focus.



Developing an understanding of how a secondary competitiveness objective intersects with our existing primary objectives touches on far more than the Authorisations Gateway. However, our approach to authorisations illustrates how efficiency gains can be achieved whilst setting higher standards.

I would like to pay tribute to my predecessor, Charles Randell, who stepped down as Chair of the FCA in May 2022. Charles supported the FCA through a period of extraordinary change, both to the environment in which the organisation operates and to the way it works. His leadership through the pandemic helped the FCA to support millions of consumers with mortgage and loan forbearance as well as stabilise markets through a period of unprecedented uncertainty. He also led the organisation through a series of reviews that have led to a far more agile, data-driven regulator.

I would also like to thank Richard Lloyd, who provided fantastic leadership as Interim Chair from June 2022 until I began my term in February. Richard made important improvements to Board processes and governance, and I am delighted he continues to serve on the Board as Deputy Chair. I would like to thank all of our Non-Executive Directors for supporting the FCA so ably.



Ashley Alder
Chair



Applications for permissions that don't give us the information we need to make sound judgements, or which raise red flags about business models or management integrity, will be scrutinised extremely carefully.

[View all our permissions](#)

Chapter 2

Introduction from the CEO

The FCA was born out of the 2008 financial crisis. The UK has faced repeated shocks, threats as well as opportunities, ever since and the financial system has shown significant resilience and capacity for innovation.

I said at my Parliamentary pre-appointment hearing 3 years ago that I wanted to see the FCA adopt a more preventative approach to consumer harm and a stronger, prompter approach to enforcement. I was clear greater use of data and technology would be fundamental, due to the scale and pace at which we have to work to be effective.

Last year, our Board confirmed a 3-year strategy with clear outcomes and metrics against which we can be held to account, based on preventing serious harm, and setting and testing higher standards across our growing remit, all underpinned by a stronger operational platform.

12 months on our Annual Report shows the significant progress we are making.

Having moved our core systems to the cloud, we are constantly leveraging new data capabilities to act more swiftly and react to firm and market issues at scale. Analytics tools are speeding up case management and providing improved visibility of risk in supervised firms.

Significantly increased investment in our people and technology has reduced our pending authorisations caseload by nearly 60 per cent, from around 12,500 to below 6,000. This is alongside significantly increased scrutiny of these applications, in the financial year 2022/23, the number of firms we didn't authorise was 1 in 4. This is up from 1 in 5 in 2021/22 and 1 in 14 in 2020/21.

We said we would also do more to target firms with the most potential to create harm, who are already authorised. We have since stopped over 600 of these firms from operating – up 30 per cent from the previous year.

We scan 100,000 websites a day looking for unlawful activity, resulting in a number of alerts being issued each year. Last year 1882 alerts were issued, an increase of 34% on the previous year. 8,582 financial promotions were withdrawn or amended last year, 14 times more than the year before. Big data tools now test firms' systems to identify sanctioned entities effectively.



Nikhil Rath
Chief Executive



We significantly increased investment in our people and technology has reduced our pending authorisations caseload by nearly 60 per cent, from around 12,500 to below 6,000.



Our people can be proud of everything they have achieved. We will continue to invest in technology, and bolstering capability, to support their ability to deliver our strategy.



We are also supporting firms to launch innovative services. Our regulatory sandbox has been copied around the world. Uniquely, we are now working with hundreds of newly authorised, high growth potential firms, to remediate problems early so they can grow safely.

And we are collaborating more widely. To complement our usual written firm consultation process, we are increasingly running thematic workshops and sprints, focusing on outcomes and policy options. Our recently announced ESG sprint enables firms to trial and scale new technology across multiple jurisdictions for the first time, an example of UK regulation supporting global market access. We want to capitalise on the opportunity we now have to be more agile.

Our most far-reaching intervention in consumer protection for decades has been the Consumer Duty, following a mandate from Parliament.

It comes into force on 31 July 2023 and places good outcomes for consumers at the heart of every part of the value chain in retail financial services.

It will also support competition, in time lowering barriers to entry for potential new firms, by giving them more certainty about what outcomes we look for. Over time, it should also reduce the number of new rules we need to create, lowering costs to firms.

And to further support the competitiveness of wholesale markets, we have proposed changes to our listing rules, as part of wider reforms, aligned with the Chancellor's Edinburgh Reforms package.

We continue to work in close collaboration with our global counterparts to ensure strong global standards, promote financial stability and support the UK's competitiveness.

The UK holds senior positions on global regulatory bodies such as the Financial Stability Board and the International Organization of Securities Commissions, sharing our expertise and innovation. We played a pivotal role in the creation of the first set of sustainability-related reporting standards as well as new international standards on regulation of cryptoassets.

Our people can be proud of everything we have achieved. We will continue to invest in technology, and bolstering capability, to support their ability to deliver our strategy.

We are now seeing significantly increased internal mobility and promotion within the FCA, helping us join up better. Twice as many colleagues joined us as left us last year, amid sharply reduced gender pay gaps and a falling ethnicity pay gap. We are now at our highest ever headcount. We have delivered on our commitment to double our presence in Edinburgh and established a new office in Leeds, embedding our position as a national regulator.

As consumers became increasingly more reliant on financial services, it was FCA colleagues who assessed how lenders treat vulnerable customers and acted where bad practice was found. When cost-of-living challenges began to hit, this work helped.

When Silicon Valley Bank faced collapse, FCA colleagues worked at pace to support the resolution and quickly assess the potential impact on other City institutions, to support Government and Bank of England decision making.

Public sector reform is never easy, especially in volatile times. It is often talked about and, more often, quietly shied away from.

Thanks to the utter dedication and laser focus of colleagues at the FCA, we are fast transforming into a different type of organisation, better positioned to innovate, adapt and collaborate, so that we assertively address threats, mitigate shocks and embrace the opportunities of the future.



Nikhil Rath
Chief Executive

Chapter 3

Our Role and how we made a difference in 2022/23

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

Who we regulate

nearly 50,000 firms

We are also the prudential supervisor of around 46,000. Our perimeter determines what we do and don't regulate and is set by the Government and Parliament. (see our annual [Perimeter Report](#).) We are also responsible for registering mutual societies. Our 2022/23 mutual societies registration function update can be found [here](#)

Our functions – how we regulate to achieve our objectives

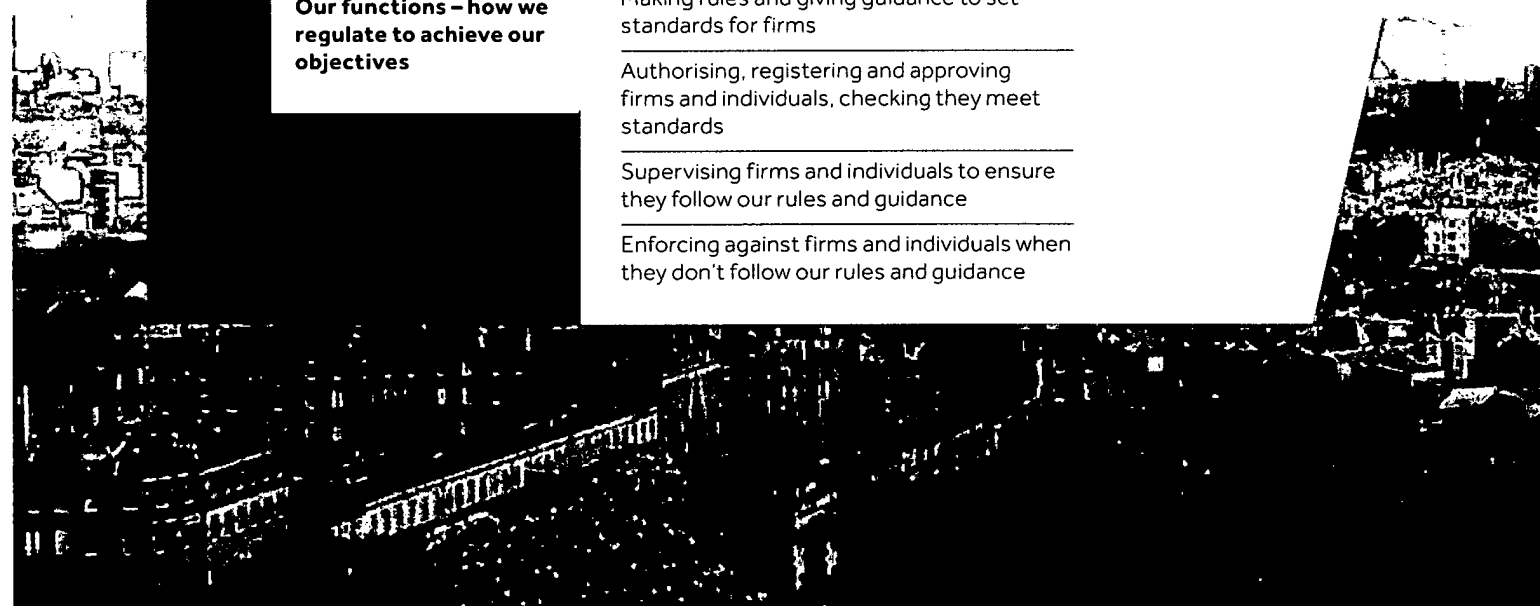
Making rules and giving guidance to set standards for firms

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**



We play a fundamental role in enabling the success of the financial services sector in the United Kingdom. Our work helps to protect the UK's 52.1 million customers of financial services products (as at May 2022) and promotes effective competition in their interest.

Between April 2019 and 31 March 2022, our policy interventions delivered benefits worth £28.7 billion and we secured consumer redress worth nearly £1.4 billion through to our enforcement action, confiscations and penalties on firms and individuals.

In 2022/23, we made substantial progress delivering the first year of our 3-year strategy, through the programme of work we set out in our 2022/23 Business Plan. We prepared to take on new powers under the FSM Act so we can better adapt our rules to meet the needs of UK consumers and markets. We continued to transform and strengthen how we use data to supervise firms and detect harm.

Our Annual Report shows what we have achieved in 2022/23 and explains how we have met our strategic and operational objectives. It also shows the progress we have made in the first year of our 3-year strategy.

We worked with our partners in the UK, and globally, to enforce sanctions in response to the war in Ukraine. We also worked with our partners to respond to significant market events, such as the resolution of the collapse of Silicon Valley Bank (SVB) and Credit Suisse.

Multiple teams came together to help make sure consumers facing cost-of-living pressures are treated appropriately. We continued to provide thought leadership, for example on global standards for environment, social and governance issues; and for cryptoassets.

We set out in more detail how we have carried out our functions to achieve our operational objectives through our 3-year strategy in chapter 5. **Highlights include:**



Consumer protection

Consumer Duty: our new duty sets higher and more exacting standards of consumer protection across financial services and requires firms to deliver good outcomes for retail consumers.

In 2022, we introduced new rules to make sure our financial promotions regime is robust and remains fit for purpose in a changing economic environment.

We are using advanced analytics and new sources of data to identify inappropriate financial ads. Following our intervention last year, we had **8,582** promotions amended or withdrawn. This is an increase of **1,498%**, compared to 573 in 2021.

We worked successfully with law enforcement to intervene against illegal crypto activity. In October, we conducted a collaborative operation with a Regional Organised Crime Unit tackling an unregistered cryptoasset business, apparent money laundering and other offences. This led to restraining orders for over £3m in crypto and other assets, stopped illegal crypto-exchange activity, led to several detentions and disrupted a serious organised crime unit.



Protect and enhance market integrity

In the financial year 2022/23, the number of firms we didn't authorise was 1 in 4. This is up from 1 in 5 in 2021/22 and 1 in 14 in 2020/21.

We reviewed nearly 100 suspected sanction breaches. We have also introduced a data-led approach to proactively supervise firms to ensure they have appropriate sanctions systems and controls, we also conducted 38 proactive assessments looking at firms' systems and controls.

In 2022, we imposed financial penalties of £215.8m. Following a trial in early 2023, 3 individuals were imprisoned for a binary option fraud. We started prosecutions into alleged market manipulation, money laundering, insider dealing and investment fraud.

To further support the competitiveness of wholesale markets, we have proposed changes to our listing rules, as part of wider reforms, aligned with the Chancellor's Edinburgh Reform package.

In 2022/23, we opened 613 financial crime supervision cases, an increase of 65% from the previous year and an increase of 10% from our 2020/2021 baseline figure of 548.

We have been training our staff and have begun updating our policies and procedures ahead of the new growth and competitiveness secondary objective coming into effect.



Promote effective competition

In November 2022, we published our Credit Information Market Study Interim Report and discussion paper (DP) and are working with the industry on reforming industry governance as part of a wider package of remedies, which seek to improve data quality, stimulate consumer engagement and foster an environment of effective competition and innovation.

In September 2022 we published our report into multi-occupancy buildings insurance, examining the causes of increases in buildings insurance costs since the Grenfell tragedy and setting out a range of recommendations and other potential remedies designed to give leaseholders greater protections from high prices and ensure the buildings insurance market operates better.

In October 2022, we published a discussion paper seeking views on the potential competition implications from Big Tech firms entering a range of retail financial services sectors; and in March 2023, we published our Trade Data Review findings, looking at concerns with firms' ability to access and use trade data.

Under the Competition Act, in January 2023 we issued a statement of objections to 3 parties regarding suspected anti-competitive arrangements in money remittance services. We also issued 9 'on notice' letters. These aim to increase awareness of competition law and encourage compliance. We opened a further case into potential abuse of a dominant position.

Working with our partners

These examples demonstrate the significant increase in the scale and breadth of our work. But whether tackling financial crime and fraud to protect consumers or assessing the opportunities and risks from digital innovation in financial services, we cannot deliver alone.

We work closely with a range of partners to support the UK's framework for financial regulation. These include other regulators in the UK as well as overseas, consumer groups, trade associations, Government departments and professional bodies.

We launched the Wider Implications Framework to facilitate structured collaboration on key issues between the FCA, the Financial Ombudsman Service, the Financial Services Compensation Scheme, the Pensions Regulator and the Money and Pensions Service. As set out in the Framework's Annual Report, key areas that we have collaborated on include providing redress to former members of the British Steel Pension Scheme (BSPS) who received unsuitable pension transfer advice, complaints about mortgage standard variable rates, and preparing the Financial Ombudsman Service for the introduction of the Consumer Duty.

We have a Memorandum of Understanding with the Prudential Regulation Authority (PRA) to coordinate our actions and activities and achieve joint outcomes.

The PRA can veto any of our actions if it thinks it may threaten financial stability. The PRA has a power to require the FCA to refrain from specified action where certain conditions are met, including where the PRA considers [the FCA's] actions threaten financial stability. It did not use this power during 2022/23.

The PRA identifies several firms as important to the UK's financial stability and we must hold annual meetings with these firms' external auditors. The purpose of those meetings is to gain a deeper understanding of issues at these firms, and the themes and trends from the external auditor's work. We held 20 of these meetings over the last financial year.

We also have a Memorandum of Understanding with the Department for Work and Pensions (DWP) and the Money and Pensions Service (MaPS). It sets out our roles and responsibilities and how we will coordinate, cooperate and exchange relevant information.

During the year, we have coordinated on a range of issues including the cost-of-living crisis and debt issues.

Our cooperation with regulatory bodies outside the UK covers a wide range of activities and issues. We promote the development and implementation of effective international standards. This is including through joining or chairing key working groups at the FSB, IOSCO, the IFRS Monitoring Board and the IAIS. For further information on our work with regulatory bodies outside the UK, please refer to Chapter 5, Setting and testing higher standards.



We work closely with a range of partners to support the UK's framework for financial regulation. These include other regulators in the UK as well as overseas, consumer groups, trade associations, Government departments and professional bodies.



Assuring our work

Principles for good regulation

We take the principles for good regulation into account in all our work. As required by FSMA, we include compatibility statements in all our consultation papers to explain how our proposals meet these principles. For example:

- The Consumer Duty is underpinned by the concept of reasonableness. This is an objective test. It means the rules and guidance must be interpreted in line with the standard that could reasonably be expected of a prudent firm carrying on the same activity involving the same product or service.
- Improving Equity Secondary Markets – these proposals take into account the desirability of growth in the medium and long term and the Government's aim of seeing more competition and innovation in all sectors of the UK's financial industry.

Strengthening our accountability

Strategy outcomes and metrics

We have also published outcomes and metrics to measure our progress in achieving our Strategy.

We continue to develop and improve our framework. We have published the latest update to our Strategy metrics on our outcomes and metrics webpage.



For the period 1 April 2019 to 31 March 2022, we estimate benefits from our policy interventions to be at least £28.8 billion. This represents an annual average benefit of at least £9.6 billion.

[View the full details](#)

Operating Service Metrics

We provide information about our timelines in a range of areas using operating performance (formerly known as service standards). These are metrics that we aim to meet when carrying out our work. They cover around 54 service standards activities including dealing with regulatory applications, telephone enquiries and other correspondence.

For authorisations, we now report more detailed information on determinations times and volumes on a quarterly basis, along with our performance in relation to statutory deadlines, to improve transparency.

Positive Impact report

Our Positive Impact report sets out how we provide public or societal value. It shows how we estimate our annual positive impact on a rolling average over a 3-year period.

For the period 1 April 2019 to 31 March 2022, we estimate benefits from our policy interventions to be at least £28.8 billion. This represents an annual average benefit of at least £9.6 billion.

We are accountable to Parliament and the Treasury

We are an independent financial regulator accountable to Parliament and the Treasury. As part of this, we report to the Treasury on our progress through our Annual Report. The Treasury then submits the report to Parliament.

We appear at least twice a year before Parliament's Treasury Select Committee (TSC) in a general accountability hearing to scrutinise all aspects of our work. We also regularly give evidence to the TSC, its newly established Sub-Committee for Financial Services and a range of other Parliamentary committees.

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.

Engaging with Panels

We consult with our statutory Panels when developing our regulatory policies and processes. We also consult the Listing Authority Advisory Panel (LAAP) on our work involving primary markets. These Panels represent the interests of consumers, regulated firms and markets and play an important role in



We engaged extensively with the Panels during (among others) the Consumer Duty policymaking and implementation period.

[View the full video](#)

advising and challenging us.

Part of the Panels' role includes formally responding to our consultations and discussion papers. The Panels provided valuable feedback and insights through regular feedback which has helped assure and inform delivery of our Strategy commitments this year including the examples below:

Wholesale Markets

Our proposals on Primary Markets Effectiveness have been shaped by intensive engagement and collaboration with the LAAP and Listings rules reform is a priority topic for this panel. LAAP and Markets Practitioner Panel (MPP) jointly responded to Discussion Paper [DP 22/2](#) in August 2022 and provided further feedback in March which has directly influenced our policy developments. Both MPP and LAAP have also provided input on broader areas of the regulatory framework for wholesale markets.

Consumer Duty

We engaged extensively with the Panels during (among others) the Consumer Duty policymaking and implementation period. This helped us to improve the clarity of our rules and make sure the Duty delivers a significant shift in consumer protection, while also applying a proportionate approach. We worked closely with the Consumer Panel to strengthen our approach to governance and accountability in the Duty. Following concerns raised by the Practitioner Panel and Smaller Business Practitioner Panel, we extended the implementation period for the Consumer Duty.

Cost of living

We have had regular discussions with all the Panels about the impact of the cost-of-living pressures on consumers and firms which provided us with useful 'in the moment' feedback. We welcomed suggestions about how we could use our powers to help firms and consumers during this difficult period.

Access to cash

We have been working closely with the Panels as we develop our regulatory approach to protecting access to cash. The Consumer Panel has provided useful insight on the likely impacts of changes in access to cash on consumers especially those with characteristics of vulnerability. This information will help inform our approach to developing rules and guidance for persons designated under the new access to cash legislation as we seek to ensure the reasonable provision of cash access services across the UK.

Diversity and Ethnicity with our Panels

We agreed to adopt diversity targets for the FCA's independent panels.

Against these targets, we can report that as of 31 March 2023:

- Across all the Independent Panels 31% are women.
- Across all the Independent Panels, the target for at least one senior position to be held by a woman is exceeded.
- 4 out of 5 Independent Panels meet the target that at least one member is from an ethnic minority background

Gathering insights from consumers and the firms to inform our work

We carry out 2 significant surveys:

- Financial Lives Survey (FLS)
- FCA and Practitioner Panel Survey

Our FLS is a key source of insight and informs our consumer protection and competition work. It helps us identify harm and improve consumer outcomes. The FCA and Practitioner Panel Survey gives firms regulated by us an opportunity to give their views on our performance and effectiveness.

Chapter 4

Transforming the FCA

We are transforming the way we work at the FCA to make sure we:

- can make fast and effective decisions
- can prioritise the right outcomes for consumers, markets and firms
- improve our approach to intelligence and information sharing

We want to take advantage of data and technology to increase our ability to act decisively in the interests of consumers and reduce burdens on firms. We also want to be more assertive in testing the limits of our own powers and work with other partners to make sure they bring their powers to bear.

Our Transformation Programme

In March 2023, we successfully completed a 3-year programme designed to deliver significant changes to the way we work to improve our performance. This section sets out some of what we have done to improve our performance and meet future challenges. Our Transformation work continues. In 2023/24, we will continue our momentum and build on these foundations.

Ensuring firms start with high standards and maintain them:

- In the financial year 2022/23, the number of firms we did not authorise was 1 in 4. This is up from 1 in 5 in 2021/22 and 1 in 14 in 2020/21.
- Setting up an Early and High Growth Oversight (EHGO) function to support newly regulated firms to meet our supervision requirements in the early years and regulatory obligations. EHGO now engage with over 300 firms and can spot early indicators of issues.
- Using digital technology to make data capture more efficient at the Authorisations Gateway. This makes it easier for firms to submit data. See more on 'Becoming a data-led regulator', chapter 5.

Using new ways to find, and act on, issues and harm faster:

- Improving how we assess and allocate supervision firm case work and design digital tools to improve consistency.
- Investing in technology upgrades which has improved our ability to analyse significant amounts of data. This helps us intervene and prevent harm at scale.
- Forming the Financial Promotions and Enforcement Task Force (FPET) to intervene more assertively against financial promotions breaches.

Enabling consumers to make informed financial decisions:

- Launching a consumer section on our website to provide clear, accessible information on financial services risks, rights, remedies and rule changes.

We are developing an automated triage and transfer service to assist consumers in promptly connecting with the appropriate regulatory authority during their first contact.

Strengthening our structure:

- Becoming a truly national regulator with a new office in Leeds and doubling our presence in Edinburgh. For further information see chapter 4, Our locations.
- We combined our Supervision, Policy and Competition functions to tackle issues in a more multi-disciplinary way. For further information please see chapter 5, Setting and testing higher standards.
- We created a dedicated Data, Technology and Innovation function. The benefits of this include doubling the number of TechSprints we do.
- We introduced a competitive employee package which underpins stronger performance management, career mobility and supports our ambitions on inclusivity.
- We have invested in our authorisations function, including hiring 159 extra staff in the past 2 years, and improving operational performance through better use of triage, technology and data. The result is that caseloads had fallen from their peak of 12,500 in December 2021, by almost 60% to around 5,500 as the end of March 2023.

Improving our decision-making

- Providing quicker direction and certainty to firms by delegating decisions from the Regulatory Decision Committee (RDC) to senior managers.
- Improving management decisions on our own performance and prioritisation through clearer accountability of our senior executives in line with the principles of the Senior Managers Regime (SMR).
- Introduced an Executive Finance and Delivery Committee (EFDC) to help us focus resources.

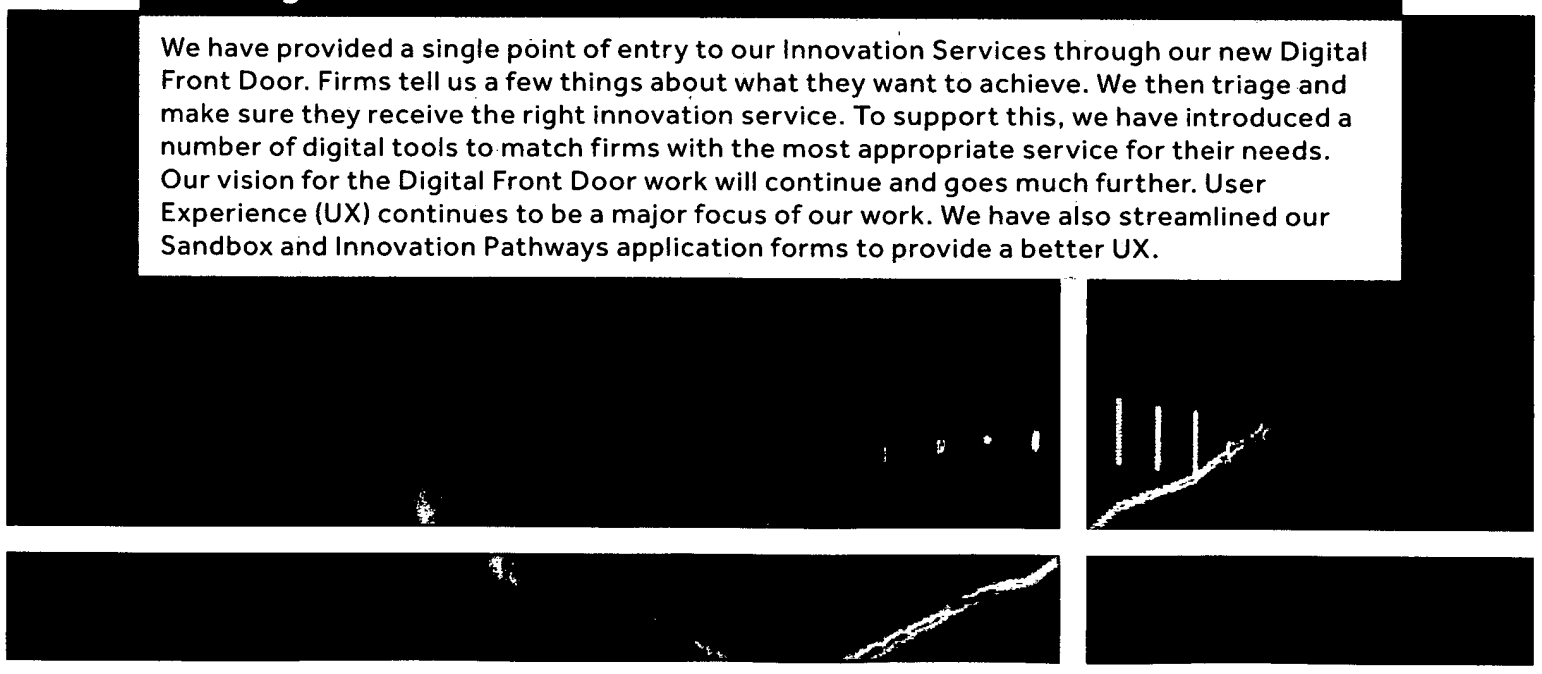


We created a dedicated Data, Technology and Innovation function.



Our Digital Front Door

We have provided a single point of entry to our Innovation Services through our new Digital Front Door. Firms tell us a few things about what they want to achieve. We then triage and make sure they receive the right innovation service. To support this, we have introduced a number of digital tools to match firms with the most appropriate service for their needs. Our vision for the Digital Front Door work will continue and goes much further. User Experience (UX) continues to be a major focus of our work. We have also streamlined our Sandbox and Innovation Pathways application forms to provide a better UX.



Becoming a data-led regulator

Transforming data collections from firms

In 2022, based on our predictive analytics work, firm compliance to reporting deadlines increased from 88% to 95%.

In January 2023, we launched an improved form for 20,000 consumer credit firms, to improve the accuracy and quality of the data submissions. This helps to make sure firms' annual fees are set correctly, their permissions are correct and allows us to better monitor the consumer credit sector.

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 aim to have 50% of our Senior Leadership Team (SLT) identifying as female. At the end of March 2023, 48% of our SLT identified as female, up from 45.2% in March 2022. We also aim to have 20% of our SLT identifying as minority ethnic by 2025. At end of March 2023, 13.8% of our SLT identified as minority ethnic. This is modestly down from 15.1% in March 2022. These figures are taken from employees at the FCA and the Payment Systems Regulator (PSR).

We welcome progress in some areas and acknowledge that we need to do more to meet our stretching targets. In 2022, we introduced a new internal diversity, equity and inclusion (DEI) programme for 2023-2025.

The programme redefines our internal DEI priorities and measures of success, it is data and evidence-led and prioritises 4 areas where we need to take action to have the greatest positive impact: 1 Diversity, 2 Equity, 3 Inclusion and 4 Personal Leadership & Accountability.

Each priority has associated outcomes describing where we want to be at the end of the 3-year period and areas of success and progress measurement. These priorities apply across all diversity demographics.

Our diversity, equity and inclusion [webpages](#) provide a detailed overview of our work on DEI, commitments as a public body and [pay gap figures](#) for the year ending 31 March 2023.

RegData – reducing the data collection burden on firms

We have delivered the flexible and scalable data collections platform, RegData, and migrated over 52,000 firms and 120,000 users from the previous system.

We have created a new Data Collections Unit to quantify and qualify the value, burden and cost of our regulatory data collections. This will unify our different sources of data and intelligence, including Open-Source intelligence such as consumer sentiment on social media platforms and media reporting. It will also strengthen our cross-Government sharing of indicators of poor regulatory conduct.



Our locations

We are a regulator for the whole of the UK. Our Devolved Nations Team plays a key role in engaging with devolved administrations, legislatures and other stakeholders to ensure their needs and views are represented. In September 2022, we opened our Leeds office and have already hired more than 100 staff to work there. We committed in 2021 to doubling our Edinburgh headcount to 200+ and achieved this in April.

Edinburgh



In September 2022, we opened our Leeds office and have already hired more than 100 staff to work there.

Leeds



FCA FINANCIAL
CONDUCT
AUTHORITY

We're recruiting in Leeds

Join us for a career
that makes a difference
fca.org.uk/careers



Our recent actions in response to independent reviews

We provide regular updates on the progress we have made against the recommendations of the independent reviews. Over the past year these include:

Training

We have introduced new mandatory training for Authorisations staff on identifying and analysing financial irregularity. We now require Authorisations and Supervision staff handling cases to complete financial analysis training. We have rolled out an improved framework for the way we carry out and escalate financial checks on individual firms at the Gateway. We also require Authorisation staff to have training on holistic assessments which helps staff spot issues that need further assessment such as firms unregulated activities.

A streamlined transfer service for consumers

We have implemented improvements to the consumer experience so that consumers, where appropriate are transferred directly to the FOS, therefore reducing the regulatory touch points. Result being the numbers of calls received by the FCA that were intended for the Ombudsman service has reduced year on year by c.25% contacts. Our aim is to now broaden the scope to include other members of the regulatory family.

Whistleblowing

Whistleblowing reports give us unique insight into the sectors and firms we regulate. We assess every report we receive. Reports can lead to action against a firm or individuals.

This year, we carried out a qualitative assessment survey of whistleblowers. Our proposed improvements include making sure the teams assessing disclosures engage with whistleblowers as early as possible. We are improving our final feedback to whistleblowers to give them a fuller picture of our actions and the outcome of their disclosure when we close their case.



We have introduced new mandatory training for Authorisations staff on identifying and analysing financial irregularity.

[View our whistleblowing strategy](#)



Chapter 5

Our 2022-25 Strategy – progress against our commitments and outcomes

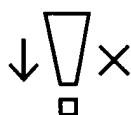
Last year, we launched our 3-year strategy setting out 13 cross-cutting commitments to support our strengthened focus on:

- reducing and preventing serious harm
- setting and testing higher standards
- promoting competition and positive change

[View our 3-year strategy](#)



Our commitments support the topline outcomes we expect for consumers from financial services across the markets we regulate – fair value, suitability and treatment, confidence and access. There are 3 we expect for wholesale markets – fair value, confidence and access.



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



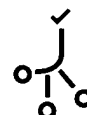
Setting and testing higher standards

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



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



Suitability and treatment



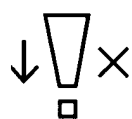
Confidence



Access

We also published measures for these topline outcomes and our commitments to track and hold ourselves accountable for progress. We report the latest values for these measures in our [outcomes and metrics webpage](#). In this annual report we detail our progress over the last 12 months.

We recognise that progress towards our outcomes will not always be immediately seen in our metrics or steady from year to year, due to the nature of our interventions and the metrics available to measure progress.



Focus 1: Reducing and preventing serious harm

While only a very small minority of authorised firms cause life-changing harm, it can and does happen very quickly. This section explains the actions we are taking to reduce and prevent conduct that can cause serious harm.

Dealing with problem firms

Firms who do not meet our minimum standards put consumers and markets at risk. To reduce these risks, we have recruited 3 additional teams, are acting faster and are identifying consumer harm more proactively through data-led and assertive capabilities. In 2022, we increased the number of firms whose authorisation was cancelled. We started engaging with firms earlier to stop harm. Consequently, we are seeing an increase in firms either complying or rectifying issues voluntarily.

How we have progressed against our outcomes

Consumers and market participants have confidence that financial services firms which fail to meet Threshold Conditions are identified and cancelled quickly

In 2022, we cancelled the authorisation of 627 firms that failed to meet our minimum standards or stopped being eligible for authorisation, an increase of 30% compared to 2021.

Consumers and market participants trust the FCA intervenes to stop harm to consumers and market integrity quickly

We have taken targeted action against problem firms, intervening where appropriate to tackle consumer harm when we identify it. The FCA and Practitioner Panel survey shows that in 2021, 55% of firms were aware of the FCA withdrawing permissions from firms or individuals. This has increased to 71% in the recent 2022/23 survey. The FCA Practitioner Panel survey also shows that 50% of firms agree, or strongly agree, the FCA is quick to intervene to stop potential harm within the industry, 28% neither agree nor disagree, 13% disagree or strongly disagree and 9% do not know.

In 2022, we took own-initiative action against 19 firms compared to 25 firms in 2021. This has reduced by 33% compared to 2021. This reflects us being more assertive with firms earlier to stop harm. Consequently, we have seen an increase in cases where firms either comply or rectify issues voluntarily, reducing the need for us to use our own-initiative powers.



In 2022, we cancelled the authorisation of 627 firms that failed to meet our minimum standards or stopped being eligible for authorisation, an increase of 30% compared to 2021.

[View our full report](#)

What we have done

Successfully completing our Cancellation of Firm Authorisation Project

This project has automated identification of firms not meeting minimum standards and simplified internal processes. This makes us more efficient. We are using our new cancellation powers to take faster action against firms failing to conduct any regulated activity.

Expanding action taken against Threshold Condition breaches

Using data, we have identified suitable cases and started investigations into these issues, where we plan to act using our full range of powers. We have also used additional data sources to improve our capability to proactively detect firms in breach of complex Threshold Conditions.

Improving the redress framework

We have a duty to secure an appropriate degree of protection for consumers. That includes making sure they can get appropriate and efficient redress when things have gone wrong.

Overall, we have made good progress to improve the redress framework through establishing processes that will deliver improvements in the long term. There is more we plan to do over the next 2 years to improve complaints reporting and provide guidance for firms on redress exercises.

How we have progressed against our outcomes

The redress system delivers timely complaint resolution and compensation to consumers

Our complaint-handling rules are designed to make sure that firms put consumers back in the position they would have been in, had things not gone wrong. In 2022, firms have made some progress resolving complaints within the timeframe of 8 weeks more quickly – with 49% of complaints resolved in 3 days and 95% of complaints within 8 weeks. This is compared to 48% of complaints in 3 days and 91% within 8 weeks in 2021.

Firms that create a redress burden bear the cost themselves

This year we made Asset Retention Rules for British Steel Pension Scheme (BSPS) complaints to help mitigate the risk of firms dissipating their assets while owing redress. As at the end of March 2023, of the approximately 352 firms that advised on the BSPS, 151 firms responsible for advising and arranging around 3,000 of the nearly 8,000 BSPS transfers were covered by these rules.

The value of Financial Services Compensation Scheme (FSCS) compensation payments has remained stable this year and we have seen a fall in the levy charged to firms. However, FSCS costs include payments for past misconduct that happened 5-10 years ago, we know there are still existing liabilities in the pipeline.



The Compensation Framework Review set out our plans to:

- continue to tackle the underlying causes of high FSCS compensation costs
- improve our understanding of the impact of FSCS protection on consumer decision-making, confidence and behaviour, and the effect of FSCS protection on firm behaviour and incentives
- consider the appropriate scope of FSCS protection and how to best communicate its availability
- review compensation limits and funding class thresholds

This year we made Asset Retention Rules for British Steel Pension Scheme (BSPS) complaints to help mitigate the risk of firms dissipating their assets while owing redress.

Asset Retention Rules

Consumers understand the redress system and how to access it

This year we have run 10 events across the country, with over 1,000 former members of the BSPS, to raise awareness of how the redress system could help them. We have improved the information for consumers on the [FCA Register](#).

We track the overall number of consumers who have said they are aware they can make a compensation claim for mis-selling of a financial product or service directly, without using a Claims Management Company (CMC). It is disappointing the number of consumers who are aware of this has reduced from 63% in 2020 to 55% in 2022.

This higher awareness is likely to be linked to the deadline for complaining about PPI in August 2019, just before the fieldwork for the survey started.

The lower awareness in 2022 reflects less communication around this topic in 2022. We are working with regulatory partners on how we can improve against this metric.

The claims management company sector delivers fair value

We have helped to ensure CMCs deliver fair value by introducing rules to cap the fees they can charge in relation to financial services claims. We act against firms not following the new rules. Our 2022 FLS showed 57% of consumers who made a claim in the last 3 years and used a CMC for their most recent claim considered that the service provided met their expectations and 39% of them considered that the fee paid was fair. This is the first time we have collected this data. We will continue to monitor this. If CMCs are doing a good job, we would expect more of the complaints CMCs pursue to be upheld by the Financial Ombudsman Service. In 2022/23, it upheld 47% of complaints made through FCA-regulated CMCs, compared to 30% in 2021/22.

What we have done

Stopped individuals from financial firms phoenixing into claims management

In 2022, we introduced new rules to prohibit claims management companies from phoenixing and making claims to the FSCS. This happens where an individual connected with a wound-up financial services firm reappears in a CMC, aiming to benefit from their former firm's poor conduct representing consumers with FSCS claims. Before we made these rules, at least 18 (7%) of FCA-regulated CMCs had known connections to former financial services firms. We introduced a new reporting requirement for firms to notify us of such connections and a prohibition on bringing claims in relation to their financial services activity.

Updated the redress guidance for pension transfers

We updated the methodology for calculating redress for people who transferred out of their defined benefit (DB) pension due to unsuitable advice. This will make sure consumers who received non-compliant advice and suffered harm as a result receive redress that, so far as possible, puts them back in the position they would have been in if the advice had complied with our rules.

Developed internal guidance about redress exercises

We have developed and launched an internal tool and new process to guide our judgements on redress exercises, ensure consistency, support assertive interventions and achieve improved outcomes for consumers by helping to make sure firms offer appropriate redress when things go wrong.

Taken action when firms do not handle complaints well

The Financial Ombudsman shares information with us so that we can act where firms' complaint handling falls short of our expectations. We intervene if firms are slow to pay Ombudsman awards.

Worked with our regulatory partners to tackle issues which could have a wider impact on the industry

Over the last year, we have worked together with the Financial Ombudsman Service, the FSCS the Pensions Regulator and the Money and Pensions Service on issues with a potential wider impact. We identified 7 issues which we have tackled using better collaboration.



Our 2022 FLS showed

57%

of consumers who made a claim in the last 3 years and used a CMC for their most recent claim considered that the service provided met their expectations and

39%

of them considered that the fee paid was fair



Reducing harm from firm failure

Firms with weak financial resilience are more likely to fail. We have taken steps to minimise the harm and loss to customers and markets when they do. While firms will always carry a risk of failing, we expect them to be financially resilient and recover quickly from disruptions.

How we have progressed against our outcomes

Firms meet their financial resource requirements so that they can conduct business, wind-down and, where applicable, fail without causing significant harm to consumers and market participants

We have supported firms as they implement the new investment firms' prudential regimes, including reviewing individual processes, interrogating data submissions and publishing our observations. This will help 3,500 firms under the new regime have a better understanding of what they need to do including around wind-down planning, capital and liquidity. This should reduce the risk of harm occurring.

We have published further guidance for the general insurance broking sector and fast growth firms, to improve their wind-down planning and understanding of broader financial resilience.

We have observed an increase in firms who are not meeting financial resource requirements (1.7% in December 2022 compared with 1.3% in December 2021). Compliance with financial resource requirements is an indicator firms are generally able to conduct business and wind-down without causing significant harm.

Client assets and funds are appropriately held so that if the firm fails, they are returned as quickly, and as whole, as possible

We have reviewed more than 3,000 Client Assets Sourcebook (CASS) audits to assess whether there are serious client assets risks which need intervention. There were slightly fewer adverse reasonable assurance CASS opinions in 2021 (8.3% compared with 9.1% in 2020). However, we do not limit our reviews to CASS audit reports with an 'adverse' opinion and we will follow up on any material concerns we identify in any CASS audit.

From our review of CASS audits, as well as other data sources such as regulatory returns and intelligence received, we have followed up with firms on more than 1,100 CASS concerns. We have subsequently used regulatory tools to resolve the problems we identified.



We have reviewed more than 3,000 Client Assets Sourcebook (CASS) audits to assess whether there are serious client assets risks which need intervention.

Firms subject to financial, or other, stress which may lead to failure are quickly identified and the firm rectifies the situation, winds down solvently, or enters insolvency in a way which minimises harm to consumers and market participants

We have implemented a data-based, automated triage framework to identify firms with weak financial resilience. We also ran a consultation on a new financial resilience baseline return which applies to 20,000 firms. The responses to this, together with data submissions from 3,500 firms under the Investment Firms Prudential Regime, means we can identify financial resilience concerns earlier and more quickly. Our new baseline metric tells us that 59% of firms, which entered into an insolvency process, were identified as at risk of failure, or having low levels of financial resilience, in the 12 months prior.

We have planned for, and responded to, emerging issues from the current economic outlook, energy markets and broader market stresses through targeted work with affected sectors. This allows us to take swift, targeted action to reduce harm to consumers and markets through issues at an early stage.

We have regularly engaged with participants in the insolvency and restructuring market, including insolvency practitioners, to identify emerging issues that can help us to take action proactively in order to reduce harm and minimise disorderly failures.

What we have done

Investment firms prudential regime

In 2022, the new investment firms prudential regime was in its first full year. We received new reporting from 3,500 firms providing a clearer, more objective understanding of their financial resilience. We have reviewed the processes of 53 organisations across 17 groups, resulting in us advising firms to hold over £5bn of capital requirements and over £8bn of liquidity in aggregate.

Developing policies for cryptoassets

We are continuing to design, and will consult on, the prudential requirements for firms that are carrying out activities involving cryptoassets, once the Treasury and Parliament bring those activities under our regulation.

Developing standards for consumer investment firms

We are looking at changes to prudential requirements for non-MiFID adviser firms and plan to set out further details on this in 2023.

Action to reduce harm

We have continued to review the resource requirements of several other sectors. This includes general insurance brokers, contract for differences (CFD) providers, wealth managers and payment services firms. This has resulted in an increase of £19.2m in capital requirements and £208.7m in liquidity requirements for these firms.



In 2022, the new investment firms prudential regime was in its first full year. We received new reporting from 3,500 firms providing a clearer, more objective understanding of their financial resilience.



Our data-led approach

We are establishing a new baseline financial resilience regulatory return to go live from 1 January 2024. This will give us the baseline level of this data on a permanent basis for 20,000 firms. This will help us better identify firms with low levels of financial resilience and take steps to reduce harm to consumers and markets from potential failure.

We have made significant investments in data visualisation and dashboards. We have launched a suite of 7 dashboards across the business to deliver critical point-in-time financial information and trends on over 45,000 FCA solo-regulated firms.

Using our insolvency powers

Where there is a risk of ongoing harm, and a firm's directors do not take steps to place it into an insolvency process, we may need to take action ourselves. We do this where we believe it is appropriate. In the calendar year 2022, we:

- made 10 applications to court to place firms into insolvency processes, compared to 1 in 2021
- issued 8 winding-up petitions, 1 application for administration and 1 application for special administration

The Resolution of Silicon Valley Bank UK Ltd (SVB UK)

As part of our focus on reducing and preventing serious harm, FCA teams are engaged in resolutions or interventions of banks and other financial services firms of all sizes, with a differing role depending on the nature of the firm.

After the collapse of Silicon Valley Bank in the US we rapidly mobilised a large, multi-faceted team to respond to the fast-evolving crisis involving SVB UK. Working alongside our partner authorities, our team moved at pace to assess the level of harm to consumers and markets likely to arise from the impending failure. We were able to identify and engage with the population of impacted FCA-regulated firms and share our analysis with the Bank of England to support their decision making. We drew on recently improved data analytics capabilities to understand wholesale market derivatives exposure of SVB which helped inform our view of market risk and helped us target some of our work.

From our supervisory interactions, it was clear several FCA solo-regulated firms would have faced operational and liquidity problems if SVB UK went into administration, potentially causing them to fail. In such an eventuality, we would have been the resolution authority for the FCA solo-regulated firms. We also worked on further mitigating options alongside multiple work streams facilitating the successful sale to HSBC.

We worked with the PRA overnight and through the weekend to update the Depositor Protection Rules. This ensured customers of any impacted Payments and E-Money firms would be subject to FSCS protection, in line with the outcome of the related consultation.

Improving oversight of Appointed Representatives

Principal firms are responsible for ensuring their Appointed Representatives (ARs) comply with our rules. But some principals do not adequately oversee the activities of their ARs. Consumers risk being mis-led and mis-sold, while misconduct by ARs can undermine market integrity. We have introduced changes through new rules and guidance to improve principals' oversight of their ARs and raised ARs' standards.

How we have progressed against our outcomes

Stronger oversight by principals to reduce harm caused through ARs

While complaints for both 2021 and 2022 show an improved position for principal firms, compared to the published baseline, principal firms and their ARs still generate more complaints than non-principal firms overall.

There are around 35,000 ARs, including Introducer Appointed Representatives (IARs), operating in the AR regime at the end of this reporting period 2022/23. This has reduced over time from around 43,000 in 2020, a 19% decline. Our supervisory interventions between July 2022 and 31 March 2023 have seen principals terminating relationships with 153 ARs and 618 IARs.

Our [FCA & Practitioner Panel survey 2022/23](#) showed that, 56% of principal firms surveyed think oversight of ARs by principal firms in their sector has improved.

Improving principals' understanding of their obligations is central to our strategy. We have written directly to over 3,000 principals to outline our new rules. We also have collected new and comprehensive data covering over 35,000 AR/IAR.

The new data includes information about the ARs' business, revenue and complaints, reasons for appointing ARs and the financial arrangements between principals and their ARs. This informs our data-led supervisory approach, targeting our resource on the highest risk principals and their ARs.

What we have done

Clarifying and strengthening principals' responsibilities and our expectations of them

Our [new rules](#) and guidance took effect on 8 December 2022. Our engagement work will test whether firms are properly embedding the new rules across the AR regime.

Continuing work with the Treasury

We have 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.



Our FCA & Practitioner Panel survey 2022/23 showed that, 56% of principal firms surveyed think oversight of ARs by principal firms in their sector has improved.



Strengthening scrutiny at the Authorisations Gateway

As set out in our [October 2022 Authorisations update](#) we have taken action to reduce our overall workload, including recruiting additional permanent staff.

As a result, we are now allocating new notifications and individual applications in a more timely manner. To help ensure we maintain robust standards at the Authorisations Gateway, we have also improved our forms to gather more information from principals proposing to add new ARs. These changes to our forms align with our drive to improve the standard of due diligence conducted by principals on the ARs themselves.

In May 2022, we refused an application from Alexander Jon Compliance Consulting Limited to provide regulatory host services, over concerns it could not demonstrate that it had the skills, experience or the staff to oversee ARs. The applicant was unable to describe a viable or sustainable business model. It was also unable to explain how its ARs would assess products or services were appropriate for consumers, or to demonstrate that it would have direct responsibility for the conduct and compliance of its ARs.

We are also intervening when former ARs do not meet the threshold for direct authorisation. For example, in the last year, in our advisers and intermediaries portfolio, 44% of new firm applications from former ARs were withdrawn or refused following our assessment.

Improving the information, we provide on principals and their ARs

Our consumer webpages now have clearer explanations of the regime so consumers can better understand:

- who they are dealing with
- how to complain
- the limitations on their ability to complain to the Financial Ombudsman Service

We have also revised the information shown on the FS register abouts ARs, to give consumers clearer information.

Intensify our supervision

We established a new department to lead our cross-FCA strategy on ARs and high-risk casework. We have used our intervention tools to act swiftly to prevent on-going harm, resulting in several firms either ceasing all regulated activity, off-boarding ARs or stopping on-boarding further ARs until completion of remediation.

Cross-sector intervention was necessary in some instances. This was due to inadequate financial and non-financial resources of principal firm to over-see its ARs, inadequate due diligence when on-boarding ARs and poor on-going monitoring of ARs.



In May 2022, we refused an application from Alexander Jon Compliance Consulting Limited to provide regulatory host services, over concerns it could not demonstrate that it had the skills, experience or the staff to oversee ARs.



Data-led supervision

We have used profiling tools and outlier analysis to produce data that helps us to focus on the right firms. For example, our analysis of AR survey data identified a previously unknown group of around 60 regulatory hosts. As a result, 1 firm has stopped trading, while others are taking action to resolve problems. Our data also helped identify the riskiest wholesale principals' firms and their ARs. Our supervision of these firms resulted in principal firms terminating their relationship with 129 ARs (33%).

Reducing the number of trading names

Some firms register trading names for unauthorised persons, rather than registering as an AR, to circumvent the AR regime. If that person carries on regulated activity without being authorised or exempt, such as an AR, it's likely they're carrying out unlawful unauthorised business. Trading names can also confuse or mislead consumers. Separately, we challenged a large principal network about the number of its trading names. This led to it reducing the number by 35% fewer trading names and 15% fewer ARs with trading names.

Greater use of our regulatory tools and appropriate enforcement action

During the year ended 31 March 2023, we conducted at least 23 enforcement cases into principal firms where we identified potential misconduct related to AR's. A total of 4 skilled persons reviews on principal firms that sit in the asset management and alternatives portfolios were also ongoing across the year ending 31 March 2023. These reviews focused on testing governance, systems and controls, including onboarding and monitoring of ARs.



Reducing and preventing financial crime

Financial crime does huge damage to society. Reducing financial crime requires a collective effort – from us, regulated financial services firms, telecommunications and social media companies, the Government and our regulatory law enforcement partners – in the UK and internationally. Over the past year, we have improved our cross-organisational response and have built strong foundations for effectively tackling financial crime.

How we have progressed against our outcomes

Slow the growth in investment fraud victims and losses

Most investment fraud originates online. We have taken a multi-pronged approach to tackling this. This includes identifying and seeking to remove illegal financial promotions, taking enforcement action where we identify bad actors and seeking to influence our external partners to make policy and legislative changes, which will reduce the volume of investment fraud.

It remains a challenge to measure our direct impact on fraud trends given the wide-ranging drivers of fraud and array of parties who can affect its prevalence and impact on victims. However, National Fraud and Intelligence Bureau (NFIB) data shows the number of reported victims of investment fraud fell by 3.5% in 2022 compared to 2021. Losses increased by 6.8% in 2022 compared to 2021. This is a significantly slower rate of growth of losses than between 2020 and 2021 (53% growth).

Slow the growth in Authorised Push Payment (APP) fraud cases and losses

In the first year of our strategy, we have increased our capabilities to tackle APP fraud. We have invested in a permanent fraud team who have delivered an internal Fraud Framework for assessing firms' anti-fraud systems and controls to identify outlier firms. We completed several pilot assessments and included our findings in a letter to all payments firms.

We continued to engage on a variety of legislative and regulatory changes including:

- Working with the PSR on its proposal to mandate reimbursement for APP scams where the monies are sent using the Faster Payments system.
- Supporting the PSR to extend the confirmation of payee requirements to an additional 400 firms. This will cover 99% of faster payments by October 2023.
- Working with regulatory partners and industry to potentially slow the payments process where fraud is suspected.

According to the latest UK Finance data, there has been a 6% increase in the number of reported APP fraud cases and a 17% gross reduction in losses in 2022 compared with 2021 (this compares to a 27% gross increase in reported cases and 39% gross increase in losses between 2020 and 2021). To have a long-lasting impact on the levels of fraud, a whole system response is needed.



In the first year of our strategy, we have increased our capabilities to tackle APP fraud. We have invested in a permanent fraud team who have delivered an internal Fraud Framework for assessing firms' anti-fraud systems and controls to identify outlier firms.

[View our APP fraud strategy](#)

Reduce financial crime by lowering the incidence of money laundering through the firms we supervise directly and by improving the effectiveness of supervision by Professional Body Supervisors (PBSs)

In 2022/23 we invested in improving our ability to ensure we kept firms at risk of being used as conduits for financial crime out at the Authorisations Gateway. The rate of Rejection, Withdrawal and Refusals (RWR) for Annex I institutions applying to register under the Money Laundering Regulations (MLRs) increased slightly (24% in 2022/23 compared to 21% in 2021/22). In other applications for registration under the MLRs, such as for UK cryptoasset businesses, we see a higher RWR rate. For the financial year of 2022/23 we registered 7%, with the remaining 93% either being rejected, withdrawn or refused.

Our approach to Anti-Money Laundering (AML) supervision is agile, risk-based and targeted so our resources are directed towards firms with the greatest risk of money laundering. While we have increased the volume of supervisory work, we will increasingly focus on this area.

In 2022/23, we reviewed nearly 100 suspected sanction breaches. We have also introduced a data-led approach to proactively supervise firms to make sure they have appropriate sanctions systems and controls. This includes using synthetic data built using the Office of Financial Sanctions Implementation list of financial sanctions targets to test firms' sanction-screening systems and deep dives into firms' systems and controls. In 2022/23, we conducted 38 proactive assessments looking at firms' systems and controls.

We have also worked closely with our partner agencies domestically and internationally to help achieve a joined-up approach, as well as engagement with industry to help improve firms' sanctions systems and controls using new data capabilities, we have developed so that we can target our supervisory focus most effectively on higher risk areas.

In 2022/23, we opened 613 financial crime supervision cases, an increase of 65% from the previous year and an increase of 10% from our 2020/21 baseline figure of 548.

Santander UK Plc

As part of our role to protect consumers and the market, we have repeatedly stepped in and penalised firms for poor management of their AML systems. We fined Santander £107.8 million after we found serious and persistent gaps in their AML controls which affected its Business Banking customers.

Santander qualified for a 30% discount because they settled the case. If they hadn't settled, their penalty would have been £153,990,400. Between 31 December 2012 and 18 October 2017, Santander failed to properly oversee and manage its AML systems. This significantly affected the bank accounts of more than 560,000 of their business customers.

We also found Santander's systems didn't adequately verify the information provided by customers about the business they said they would be doing. The firm failed to properly monitor the amounts of money customers said would be going through their accounts compared with what they actually deposited.

These failures led to more than £298 million passing through the bank before it closed these accounts. In one example, a new customer opened an account claiming it was for a small translations business. The customer said they expected to deposit £5,000 monthly. However, within 6 months they deposited millions into this account. This money was then swiftly transferred to a range of separate accounts.

What we have done

Enhancing due diligence checks at the Authorisations Gateway

In 2022, we supplemented our centralised intelligence resources by creating a team within Authorisations to carry out enhanced due diligence checks. This dedicated Authorisations intel team means a swifter turnaround time for our intelligence checks at the Authorisations Gateway enabling us to move more quickly to stop bad actors there.

Intervening to prevent non-compliant financial promotions

In August 2022, we published our rules to strengthen the regime for promoting high-risk investments (PS22/10). For more information on the significant increase in the work in this area, please see the 'enabling consumers to help themselves' section.

Educating consumers on how to spot scams

Our ScamSmart campaign aims to give consumers the knowledge and tools to help prevent them falling victim to scams. We do this by raising consumer awareness of the key warning signs of a scam and encouraging them to check our online Warning List. Over 2 million people have visited the ScamSmart website since its launch in 2014, and more than 45,000 have seen our warnings about specific, unauthorised firms. Over the last year:

- ScamSmart ran 4 campaigns: 2 loan fee fraud campaigns in August 2022 and December 2022; a pensions scams campaign between October and November 2022. In February 2023, we launched an investment scams campaign to increase awareness among 21–54-year-olds.
- Over 194,000 people visited the ScamSmart website.
- 27,544 people accessed the warning list compared with 24,785 in 2021.
- There was a 34% increase in the number of warnings issued in 2022 compared to 2021.
- 57% of consumers who contacted us about a scam involving activities we regulate did so before they invested in the product, compared with 51% in 2021.

New framework for assessing firm's anti-fraud systems and controls

We have invested in a new Fraud Team who plan to deliver an internal Fraud Framework for assessing firm anti-fraud systems and controls. This will improve our ability to assess firms and identify where we need to intervene.

The Fraud Team are also developing a data dashboard which, with the Fraud Framework, will give us strong tools to identify and assess firms that may be outliers in tackling fraud or being used by fraudsters.



Over 2 million people have visited the ScamSmart website since its launch in 2014.

Warning List



Completing pilots to help deepen our understanding of fraud controls

We have completed our initial pilot assessments to understand how well firms ensure they are not being used by fraudsters and how they protect their customers from fraud. A letter was sent to payment firms in March 2023 which included key messages on fraud.

We have also launched a further pilot on money mules. This focuses on how firms make sure they are not being used to 'cash out' the proceeds of fraud. This aims to set expectations as well as improve standards.

Strengthening fraud detection and relationships with external partners

We continued our focus on trying to take down websites that promote investment fraud and finding new ways to intervene against fraud. We have worked closely with the National Economic Crime Centre (NECC) in developing the multi-agency Fraud Targeting Centre.

We have also worked closely with the UK Financial Intelligence Unit so we can access the Suspicious Activity Reports (SARS) database – a powerful source of intelligence. Over 900,000 SARS were submitted between 2021-2022 according to the [NCA SARs Annual Report 2022](#).

Collaborating with law enforcement agencies on high-risk cryptoasset activity

This year we have worked with law enforcement to intervene against illegal crypto activity. In November 2022, we conducted a collaborative operation with one of the Regional Organised Crime Units tackling an unregistered cryptoasset business, apparent money laundering and other offences. This led to restraining orders for over £3m in crypto and other assets, stopped illegal crypto exchange activity, led to a number of detentions and disrupted a serious organised crime unit.

Between March and May 2022, we contacted 24 crypto ATM operators, which are prone to money laundering risks and identified 73 locations of interest for crypto ATM (CATM) operations. We have seen a significant drop of 68% in reported CATM activities in 2022. Although not all of this can be attributed to FCA activity it shows the progress being made in this area.

In February 2023, using our powers under regulation 69 of the Money Laundering Regulations, we entered and inspected various locations in Leeds that were suspected of hosting illegally operated CATMs. This was the first in a series of actions where we are working with other law enforcement agencies to identify and disrupt unregistered crypto businesses in the UK.



Between March and May 2022, we contacted 24 crypto ATM operators, which are prone to money laundering risks and identified 73 locations of interest for crypto ATM (CATM) operations. We have seen a significant drop of 68% in reported CATM activities in 2022.



Actively supervising PBSs through sourcebook assessments and cross-cutting initiatives

The Office for Professional Body Anti-Money Laundering Supervision (OPBAS) is housed within the FCA. It supervises the 25 PBSs in the legal and accountancy sectors with the aim of reducing the harm of money laundering and terrorist financing. This year it published a revised sourcebook to give PBSs additional guidance on its expectations and the outcomes to improve AML Supervision – with a focus on how effective PBSs are in ensuring appropriate money laundering and terrorist financing controls.

It has also:

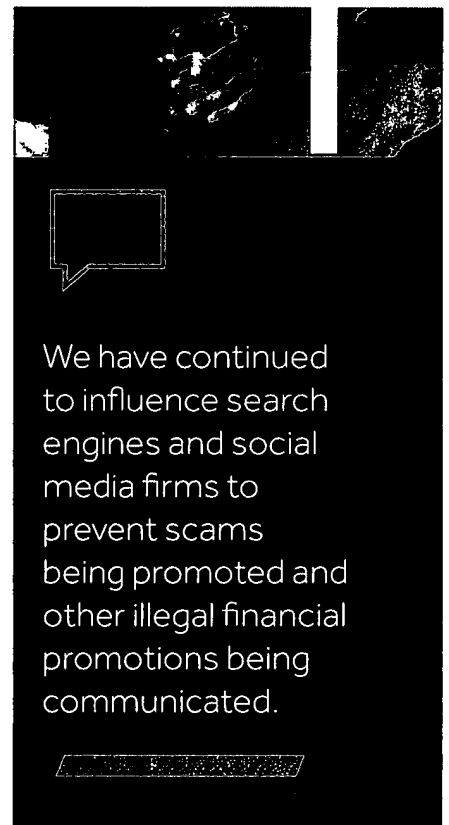
- Continued to support the Intelligence Sharing Expert Working Groups (ISEWGs) including introducing devolved nation ISEWGs to understand geographical risk more clearly.
- Undertaken proactive supervision in high-risk areas, including publishing the outcomes from its first project on Trust or Company Service Providers (TCSP) supervision and risk. It also successfully completed assessments of the effectiveness of 9 PBSs – covering a majority of the underlying PBS-supervised firms populations.
- Played a key contributing role alongside the FCA in the development of the Economic Crime Plan 2 and is leading and supporting several actions under the Plan.
- Produced the first iteration of an internal data dashboard and KPIs on a pilot basis for Q4 2022 which will be produced quarterly to monitor and inform risk-based supervision.
- Reviewed all 22 PBS' annual AML reports for effectiveness. It subsequently wrote to all PBSs jointly with the Treasury to provide published feedback, as well as providing individual feedback. The OPBAS report published on 28 April 2023 found that professional bodies are continuing to demonstrate good levels of compliance with money-laundering regulations but improvements in how effectively they supervise have not been good enough.

OPBAS has also taken on an active role in ensuring PBSs' have contributed to the implementation of sanctions following the Russian invasion of Ukraine.

Identifying illegal financial promotions and requesting take downs

We have continued to influence search engines and social media firms to prevent scams being promoted and other illegal financial promotions being communicated. As a result, we have seen a near 100% reduction in illegal paid-for advertisements on Google and Bing. Our data systems help us identify scam websites, including analysis of approximately 100,000 websites a day, where we identify scams we issue a consumer warning and request the website host takes the website down. In 2022, we saw a significant increase in the number of consumer warnings on unauthorised firms compared to 2021.

We have also played a significant role in related legislative reforms – particularly the Online Safety Bill. We worked with partners to ensure fraud offences were categorised as 'priority illegal content' and 'paid-for advertising'





We had 48 open financial crime investigations within our unauthorised business enforcement teams at the end of 2022/23, with 212 individuals and entities under investigation.

fell within scope of the Bill. If the Bill is passed with these changes, it will mean that platforms will need to actively take steps to prevent people being exposed to fraudulent content on them.

Enforcement investigations into unauthorised businesses

During the financial year we increased investment in our unauthorised business enforcement teams. We charged 2 individuals for perverting the course of justice after previously charging them with fraud/money laundering offences in 2021/22. We also opened investigations into a further 13 individuals and entities suspected of committing fraud or money laundering offences where there was ongoing consumer harm.

We had 48 open financial crime investigations within our unauthorised business enforcement teams at the end of 2022/23, with 212 individuals and entities under investigation.

How we are using Artificial Intelligence (AI) and data science to identify unauthorised business

We are using reporting tools and dashboards – that make use of natural language processing, entity resolution and data visualisation techniques – as a way to automatically triage high volumes of cases received by the Perimeter Teams. Within these teams, this has led to a significant optimisation of case allocation, with 60-70% of cases now only requiring a quick check by a junior resource. In the past, every case needed a detailed review, which was time-consuming and resource-intensive.

Proceeds of Crime Act (POCA)

Following legal proceedings brought by the FCA, QPay Europe Limited forfeited over £2m in funds. Although QPay was not directly involved in criminality, the FCA's case was that QPay's funds were the proceeds of illegal activity connected to crime in the USA.

Delivering assertive action on market abuse

Market abuse undermines the integrity of the UK financial system, eroding confidence and reducing participation in our markets. Firms are a vital first line of defence. We have used communication, supervision and, where necessary, enforcement tools, to support strong anti-abuse cultures and effective systems and controls.

We work in primary markets to make sure firms and issuers have robust controls for inside information and disclose it to the market in an accurate and timely way. This reduces the opportunity to commit market abuse. In secondary markets, we are improving our ability to monitor markets data and firm intelligence to spot insider dealing and market manipulation.

How we have progressed against our outcomes

Increased confidence in the integrity of UK markets which maintains high levels of participation across the buy-side and sell-side

We have continued to monitor issuers and other market participants to ensure standards remain high. Given volatile market conditions, we have increased our scrutiny of firms for commodities and fixed income.

According to the 2022/23 FCA and Practitioner Panel Survey, more than 60% of wholesale market firms thought we are effective at promoting market integrity, protecting markets from delayed or misleading disclosures, insider dealing and market manipulation. Almost half of firms still thought market abuse was an issue in the UK. This reflects the size and complexity of the UK markets.

On market cleanliness, we saw an increase in the market cleanliness statistic and the abnormal trading volume measure and a decrease in the potentially anomalous trading ratio compared with 2021. As we have set out in previous years, care is needed in analysing this data, which can be affected by variables such as market volatility and high trading volumes. Episodes of high volatility, after the Russian invasion of Ukraine and other significant economic and political developments throughout the year, could have affected our 2022 measures.

Timely and accurate disclosure of corporate information

We have continued our work in undertaking live surveillance and post-event reviews of disclosures by listed companies in UK securities markets. Where we find concerns and issues, we take a range of actions. We suspended listings of instruments on 34 occasions and there were 54 instances of clarificatory statements to the market post contact from us.

Financial firms and issuers are more resilient to market abuse, having robust systems and controls, high-quality reporting practices and a strong anti-market abuse culture

We have taken high profile enforcement action against 3 firms for failures in market abuse systems and controls. We have worked with regulated firms to disrupt the activity of serial market abusers, ongoing work which contributed to broking firms closing multiple accounts.



We suspended listings of instruments on 34 occasions and there were 83 instances of clarificatory statements to the market post contact from us.



Bringing criminal, civil and supervisory sanctions against wrongdoers to provide effective deterrents

We have published Decision Notices following investigations into the timeliness and accuracy of disclosures by 2 listed companies and some of their directors. We have published notices confirming we have started legal action in 2 further cases. We have also taken high profile action against a director for unlawfully disclosing inside information. We have charged 5 individuals for insider dealing and have a case for market manipulation before the Upper Tribunal.

Carillion Plc

We censured Carillion Plc and proposed fines totalling £870,200 for 3 of its former directors. If Carillion wasn't in liquidation, we would have imposed a penalty of £37.9m. Among other failings, Carillion recklessly published misleading announcements in 2016 and 2017. They also did not accurately, or fully, disclose the true financial performance of Carillion. They also did not reflect significant deteriorations in the expected financial performance of Carillion's UK construction business and the associated increasing financial risks.

We also found the directors acted recklessly and knew about Carillion's rule breaking. We determined this conduct was market abuse and broke our listing rules and principles. And this was also damaging to market integrity. The 3 former directors have referred their Decision Notices to the Upper Tribunal which will determine what, if any, is the appropriate action for us to take.

What we have done

Providing observations through Market Watches (MW) and Primary Market Bulletins (PMB)

We have published observations on transaction reporting to improve data quality. We have commented on firms' market abuse surveillance arrangements and reiterated the importance of accurate insider lists. Our Primary Market Bulletins have included articles covering a range of topics from ESG to unlawful disclosure of inside information.

Increasing our market surveillance and data capabilities

We are constantly improving our systems for better market surveillance and improving the quality of our data and how we use it. Our new Market Surveillance system went live in July 2023. To minimise operational risk, we will deliver phased business transition to the new infrastructure over Q1 and Q2 of FY2023/24 with full go-live in October 2023.

We have further developed structured machine-readable Primary Market data through our national storage mechanism (NSM). It is mandatory for relevant issuers to file Annual Financial Reports with us. We have been working to expand the range of permitted taxonomies, to drive up compliance with filing requirements and, in partnership with the Financial Reporting Council, to increase awareness and drive-up quality in this area.

Other examples of our work to reduce and prevent serious harm

British Steel Pension Scheme (BSPS)

We recognise the harm caused to former members of the BSPS who received unsuitable advice to transfer their pension between May 2016 and March 2018. As a result, we have implemented a redress scheme to make sure former members who are owed money can receive it. This will run through 2023/24. We estimate it will provide around 1,100 in-scope consumers approximately £49 million in redress. Alongside this, we have updated our methodology for the calculation of redress for unsuitable Defined Benefit pension transfer advice.

High-Cost Credit

The amount of credit available to those with limited, or no, access to mainstream credit has reduced further this year as more high cost lenders have exited the market. We have used sector data to build a picture of the scale of future supply of credit.

We continue to work closely with Government and Fair 4 All Finance to encourage initiatives to support consumers who struggle to access affordable credit. For example, we are supporting Fair 4 All Finance in piloting the No Interest Loan Scheme (NILS), through our regulatory sandbox. We have spoken publicly about the importance of customers being aware of the risks from illegal money lending, and will continue to publicise the work of the government funded Illegal Money Lending Team in our onwards engagement with firms and trade associations. We have intervened to prevent firms harming consumers through unaffordable lending practices. In October 2022, we published our portfolio letter to the sector. This explained our key priorities. We will continue to engage with these firms to set out our expectations and ensure consumer harm is reduced, while aiming to maintain consumer access to fair, affordable credit.



We continue to work closely with Government and Fair 4 All Finance to encourage initiatives to support consumers who struggle to access affordable credit.





Focus 2: Setting and testing higher standards

We have committed to focusing on the impact firms' actions have on consumers and markets. This section explains our actions to set higher standards and assess how these deliver better outcomes.

Putting consumers' needs first

We have set clearer and higher expectations for the standard of care and customer service firms give consumers. We have worked with the Government, and wider partners, to support financial inclusion.

How we have progressed against our outcomes

Consumers:

- are sold products and services designed to meet their needs and characteristics
- get products and services which are fair value
- understand the information they are given and make timely and informed decisions as a result
- are provided with good customer support

The Consumer Duty comes into force on 31 July 2023 for new and existing products or services that are open to sale or renewal. It applies to firms across the distribution chain, from product and service origination through to distribution and post-sale activities to retail customers.

To track whether firms are delivering good outcomes for retail consumers once the Duty comes into force, we have developed a set of metrics we will report against. For example, relevant complaints received and upheld by the Financial Ombudsman Service.

Through clearer rules for firms, we anticipate over time the Consumer Duty will have a positive influence in terms of consumers receiving fairer prices and better quality support for products and services, an increase in satisfaction with their providers, and a reduction in consumer harm and in complaint volumes.

Consumers have confidence in financial services markets

Data suggests that overall, UK adults' level of confidence in the UK financial services industry, together with perceptions of honesty and transparency, remained broadly steady between 2020 and 2022. However, consumers with characteristics of vulnerability had less confidence in the industry in 2022 than they did in 2020. This is possibly affected by cost-of-living pressures.



The Consumer Duty comes into force on 31 July 2023 for new and existing products or services that are open to sale or renewal.





Cost of living

Consumers are facing increasing pressure from the rising cost of living. Over three-quarters of UK adults reported they felt an increasing burden in keeping up with their domestic bills and credit commitments in the 6 months to January 2023.

Our Financial Lives research found the number of adults who missed payments on any domestic bills, or were unable to meet any of their credit commitments in 3 or more of the previous 6 months, went up by 1.4 million: from 4.2 million (8%) in May 2022 to 5.6 million (11%) in January 2023.

Over the same period, the number of people who felt that making these kinds of payment was a heavy burden jumped from 7.8 million (15%) to 10.6 million (21%).

The financial services industry has a role to play in supporting consumers as they deal with these pressures. We have shown we will set high standards and hold firms to account for their actions. We have set out how we expect lenders to support struggling borrowers; warned insurers to protect their customers from unnecessary add-ons and unfair penalties. We have secured improvements to unfair Buy Now Pay Later (BNPL) contracts ahead of regulating the market.

Maintaining appropriate access to financial services

We have been supervising firms against our branch closures guidance, which was introduced in 2020 and updated in October 2022 to add further expectations of firms. We have reminded firms of the importance of assessing the impact of a closure on access to the full range of banking services. Our supervisors pay particularly close attention to closures planned in areas where there are fewer cash access alternatives, such as post-office services as well as areas with significant indicators of potential customer vulnerability.

In June 2023, the Parliament passed the Financial Services and Markets Act 2023. This Act will give us powers to seek to ensure the reasonable provision of cash access services across the UK.

The legislation will give us new powers to act where we find or anticipate significant impacts on consumers' ability to access cash. We are developing rules and guidance in anticipation of these new powers with the aim of consulting on proposals in summer 2023. We will continue to engage with relevant stakeholders including LINK and the Treasury. We will publish updates about access to cash coverage to inform our policy work and to make sure we can act quickly if we see problems emerging. More on our data publications is set out below.

What we have done

Publishing final outcome-based rules on the Duty so firms can find new ways of serving their customers and be clear about our expectations

We published our feedback statement alongside the finalised rules and guidance in July 2022. Among other high-level obligations being brought in, the Consumer Duty rules require firms to consider the needs, characteristics and objectives of their retail customers – including those with characteristics of vulnerability – and how they behave, at every stage of the customer journey. As well as acting to deliver good retail customer outcomes, firms will need to both monitor and be able to evidence how they are doing so.

Embedding the Duty at each stage of regulation, from authorisation to supervision and enforcement

We are asking firms seeking authorisation, and those varying their permissions, to explain how they will meet the requirements of the Consumer Duty. We are assessing how far firms have policies, processes and frameworks in place to ensure they understand, monitor and act to achieve good outcomes for retail customers.

We have reviewed the implementation plans of the larger firms we believe the Consumer Duty will apply to. As well as engaging with individual firms directly, we published findings from this review to help all firms understand our expectations and implement the Duty more effectively. We have also assessed how the Duty should apply to relevant sectors and have written to them setting out our expectations.

Working with all stakeholders during the Duty implementation period to identify examples of good and poor practice to help them apply it

To help firms understand and meet their obligations under the Duty, we are delivering a wide-ranging programme to support them. This includes trade body and Statutory Panel engagement, speeches, sector and portfolio letters, podcasts and round tables.

Key activities include:

- Since last July we have spoken at nearly 100 Consumer Duty events. Almost 9,000 firms attended our sector-based webinars. Attendees were significantly more confident they understood the Duty after the webinar – with a 29% increase in those rating a high confidence, compared to before.
- We issued 19 portfolio and sector letters that set out our expectations for embedding the Duty in different sectors.
- We published a review of Consumer Duty implementation plans and a review of fair value frameworks. These publications highlighted examples of good practice and areas for improvement.



Since last July we have spoken at nearly 100 Consumer Duty events. Almost 9,000 firms attended our sector-based webinars.



Using consumer research and partnerships to get insights on consumers' needs and experiences to inform our priorities and action

We continue our regular work with consumer organisations, both one-to-one and through our Consumer Network. We use their knowledge to inform our priorities, such as in developing our understanding of the impact of the rising cost of living on different groups of consumers. We also continue to closely monitor consumer behaviours and experiences both through our FLS and through a wide range of other data.

Multi-Occupancy Buildings Insurance

On 21 September 2022, we published our report into multi-occupancy buildings insurance. The report – a product of close collaboration between Supervision, Policy, Competition and Economics colleagues – examined the causes of increases in buildings insurance costs since Grenfell. It set out a range of recommendations and other potential remedies. These are designed to give leaseholders greater protections from high prices and to make sure the buildings insurance market operates better.

Our review found evidence of a reduction in the supply of insurance and significant increases in the average premium since Grenfell – especially for buildings with cladding or other material fire safety risks. Our evidence suggests this is the result of the severe fire risks identified after the Grenfell tragedy. It is also the result of the declining underwriting profitability in this line of business due to sustained increases in claims over the last 15 years.

However, our review also found evidence of high commissions paid to brokers and other firms in the distribution chain. It found poor practices which aren't consistent with driving fair value to leaseholders. Leaseholders also have few routes to challenge the insurance costs passed on to them by freeholders. This limits their ability to put pressure on the different elements of the insurance cost.

On 21 April 2023, we produced a follow-on report that focused on the remuneration of brokers. This corroborated the findings of our September report. We also published a Consultation Paper with proposed rule changes aiming to improve the way the market operates.

Participating in the Financial Inclusion Policy Forum and working closely with the Government and others to support consumer access to products and services

We continue to work with the Government and other stakeholders to tackle financial exclusion. We have participated in the Financial Inclusion Policy Forum.

Assertive supervision of our branch closures guidance

We continue to supervise our branch closure guidance assertively. We engage with firms to understand the extent to which the firm is following the guidance and to challenge any gaps in their analysis. As a result, we are seeing changes in how firms consider the impact of branch closures in local communities.

Collecting detailed information about access to cash coverage

We have continued to collect data from firms on provision of cash access points and published analysis of cash access coverage on our website. In May 2023 we published access to cash coverage data for Q1 (Jan-March) and Q2 (April-June) 2022. As at Q2 2022, for any bank, building society, Post Office branch, or any ATM (either free or pay-to-use):

- 96.5% of the UK population were within 2km of a cash access point
- 99.8% of the UK population were within 5km of a cash access point

We also maintained close engagement with the Treasury as they develop their cash policy statement and will take this into account as we develop our rules for access to cash.

Use our regulatory toolkit, including our powers to enforce consumer protection legislation, to address harm

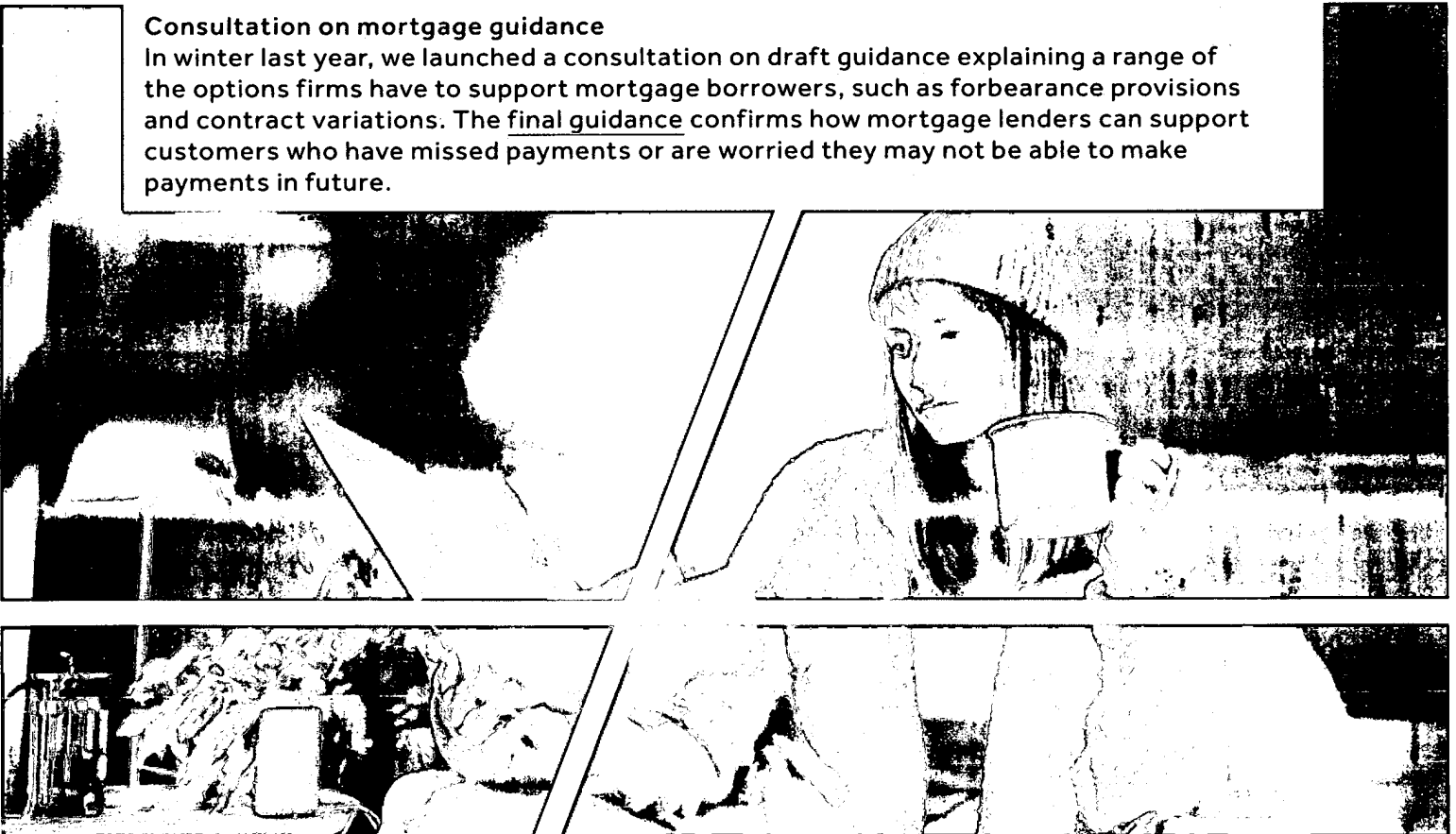
We continue to use our regulatory toolkit, including our powers to enforce consumer protection legislation, such as the Consumer Rights Act and Consumer Protection from Unfair Trading Regulations, to address harm where we see poor practice. For example, we published an undertaking from BNPL firms on the fairness and clarity of their contract terms.

Borrowers in financial difficulty

In November 2022, we reported on our work on 'Borrowers in financial difficulty'. Our findings highlighted consumers were not getting the help and support they are entitled to. As part of this, we asked 32 lenders to make material changes to improve processes and outcomes for their customers.

Consultation on mortgage guidance

In winter last year, we launched a consultation on draft guidance explaining a range of the options firms have to support mortgage borrowers, such as forbearance provisions and contract variations. The final guidance confirms how mortgage lenders can support customers who have missed payments or are worried they may not be able to make payments in future.



Enabling consumers to help themselves

Digital services make it faster and easier than ever to engage in financial services. Consumers need good information to make good decisions. However this doesn't always happen. Instead, they are often targeted with adverts that are illegal, unclear, unfair or misleading.

How we have progressed against our outcomes

Reduce the potential for consumer financial losses arising from mis-selling of products due to issuing of non-compliant financial promotions by authorised entities

We have significantly increased our intervention against authorised firms that fail to comply with financial promotions rules. As a result, we have secured the amendment or withdrawal of over 8,582 potentially misleading adverts in 2022 – 14 times more than in 2021.

Reduce the potential for consumer financial losses and mis-selling of products due to the issuing of illegal financial promotions by unauthorised entities

In relation to unauthorised firms and individuals, we issued 1,882 warnings in 2022. This is an increase of 34% from 1,410 in 2021.

Reduce the potential for financial loss from scams and the mis-selling of high-risk non-standard investments involving authorised firms

In 2022, we introduced new rules to make sure our financial promotions regime is robust and remains fit for purpose in a changing investment environment.

UK-wide metrics using NFIB data show:

- the number of reported victims of investment fraud fell by 3.5% in 2022 compared to 2021
- while losses increased by 6.8% in 2022 compared to 2021, this is a significantly slower rate of growth of losses than between 2020 and 2021 (53% growth). As outlined in the Reducing and preventing financial crime section, it remains a challenge to measure our direct impact on fraud trends given the wide-ranging drivers of fraud and array of parties who can affect its prevalence and impact on victims



We have significantly increased our intervention against authorised firms that fail to comply with financial promotions rules.

Bespoke Markets Group

In 2022/23, we prosecuted 4 people who ran UK-based Bespoke Markets Group. This operated a binary options fraud between 2016 and 2018, taking £1.2m from UK investors.

A total of 3 defendants were found guilty of fraud, 1 of whom was also found guilty of perverting the course of justice. Prison sentences of between 9.5 and 7.5 years were imposed. The defendants were also disqualified from being company directors for a period of 10 years. The fourth defendant was convicted of a FSMA offence. We pursue confiscation orders to obtain compensation for victims and to deprive the offenders of their ill-gotten gains. A further defendant will be tried separately later in the year.

What we have done

A new Authorisations Gateway for firms who approve financial promotions

The Financial Services and Markets Act 2023 creates a new regulatory Authorisations Gateway later this year, restricting firms from approving financial promotions, unless they have our permission to do so. We have developed a robust framework for supervising firms' approvals of financial promotions that will reduce the harm from consumers buying inappropriate products.

Strengthening our financial promotion rules for high-risk investments

In December 2022, the initial set of new rules came into force. This included a requirement for an enhanced consumer risk warning in financial promotions for high-risk investments. A fortnight later, we reviewed 67 crowdfunding and peer-to-peer firms to assess if they were complying. Of those firms, we found 60% had failed to comply with the new standards. We were extremely concerned with this lack of compliance. So we took immediate action to ensure the firms remedied this.

Helping consumers make better-informed investment decisions and become smarter investors

Our InvestSmart campaign has helped less experienced investors make better-informed decisions more suited to their appetite for risk. Findings from our latest tracking survey indicate that since the launch of the campaign, consumers are 24% more likely to say they would be careful by doing research to reduce the chances of them losing money in high-risk investments (up from 42% to 52%). They are also 24% more likely to look to learn about investing from reputable information sources (from 62% to 77%). One of these sources is 15% more likely to be the FCA website (from 75% to 86%).

Identifying illegal financial promotions

We have increased our intelligence and analytics capability to identify and track potentially fraudulent financial promotions across social media faster and in larger volumes. This helps us to take action where we see illegal financial promotions by unauthorised entities.

Reducing non-compliant financial promotions by authorised firms

We have increased resources for our work on non-compliant promotions by authorised firms. In 2022/23, we dedicated more resource to actively look for non-compliant promotions. This has helped reduce the harm caused by authorised firms mis-selling high-risk investments.

Swift intervention

We have intervened quickly against authorised firms issuing non-complaint financial promotions and against unauthorised firms conducting activity that could lead to mis-selling and financial losses. During 2022, we have used our financial promotions banning power twice to tell firms to withdraw financial promotions.

Using advanced analytics to identify inappropriate financial promotions

We are using advanced analytics and new sources of data to identify inappropriate financial ads. Following our intervention last year, we had **8,582** promotions amended/withdrawn. This is an increase of **1,498%**, compared to 573 in 2021. In 2021, the baseline figure for the number of warnings relating to possible scams and unauthorised business, was 1,410. By the end of 2022, the figure was **1,882** an increase of **34%**. This was despite us seeing an overall decrease of 24% of total reports received in 2022 compared with 2021.

Our environmental, social and governance (ESG) priorities

Consumers need to be able to trust ESG-related products and financial services firms need clear standards so that they can deliver for consumers. To empower consumers and firms, we are promoting transparency, choice and fair value in sustainable finance products. We will continue to support the Government's ambitions for the provision of sustainable finance. We welcomed this year's 2023 Green Finance Strategy.

How we have progressed against our outcomes

Trust and consumer protection from misleading marketing and disclosure around ESG-related products

Our 2022 FLS found that 76% of retail investors who had previously invested in ESG-related products agreed they find it hard to tell which funds follow responsible investment principles. 53% agree they received enough information to assess how responsible their fund was.

We have been working on regulatory initiatives intended to improve trust and consumer choice in these products. We will be monitoring their progress using our 2022 FLS data as a baseline.

High-quality climate and sustainability disclosures to support accurate market pricing, helping consumers and market participants choose sustainable investments and drive fair value

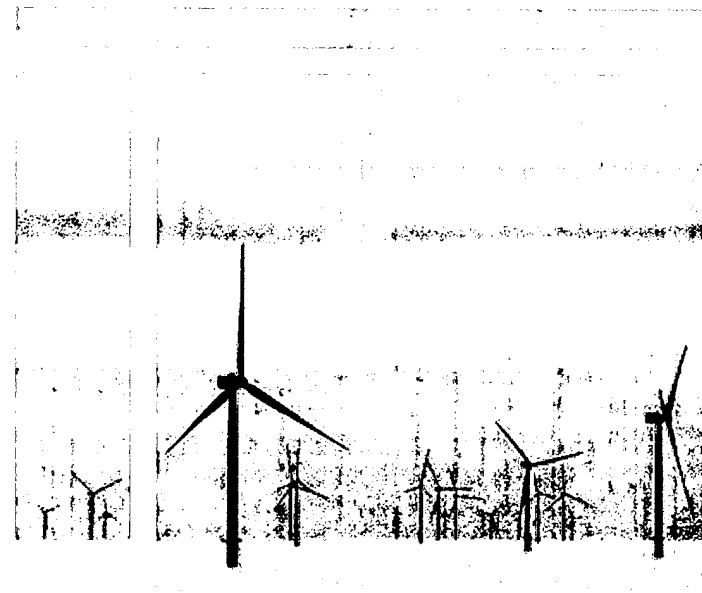
We have been actively shaping domestic and international work on sustainability disclosures. As part of this, with the Financial Reporting Council (FRC), we have reviewed climate-related financial disclosures by premium-listed commercial companies.

We found that over 90% included a statement in their Annual Financial Report indicating whether they had made climate-related financial disclosures consistent with the Task Force of Climate-Related Financial Disclosures' (TCFD) recommendations. The average length of disclosures was 5 pages.



Consumers need to be able to trust ESG-related products and financial services firms need clear standards so that they can deliver for consumers.

[View our 2023 Green Finance Strategy](#)



Active investor stewardship that positively influences companies' sustainability strategies, supporting a market-led transition to a more sustainable future

We have been working with the FRC, and others, throughout the year to promote more effective stewardship. In November 2022, we also launched the [Vote Reporting Group \(VRG\)](#) to develop proposals to enhance shareholder vote reporting by asset managers. Improving vote reporting will mean asset owners can better hold asset managers to account on their stewardship.

What we have done

Improve transparency in ESG-related products

In October 2022, we published our Sustainability Disclosure Requirements (SDR) and investment labels [consultation](#). This outlined our proposed package of measures to ensure greater transparency, consistency and trust in the market for sustainable investment products. We are carefully considering feedback on the consultation and plan to publish our policy statement in Q3 2023.

We continue to work closely with international regulators and the International Organization of Securities Commissions (IOSCO), where we are the Vice-Chair of the Sustainable Finance Task Force. We have also been continuing to promote a global baseline of sustainability-related reporting standards under the International Sustainability Standards Board (ISSB). This will make sure firms can provide information that UK markets and investors need in a way that is consistent and comparable with international standards.

We also provided [feedback](#) on ESG integration in UK capital markets. Last November, we set up an industry group to develop a voluntary [Code of Conduct](#) to support greater transparency and trust in the market for ESG data and ratings services. The Government recently consulted on the potential regulation of ESG ratings providers.

Embedding ESG considerations across all regulatory functions

We have worked to embed ESG considerations in all aspects of our regulatory activity. We have done this so we can intervene quickly where practices do not meet our expectations and take appropriate actions.

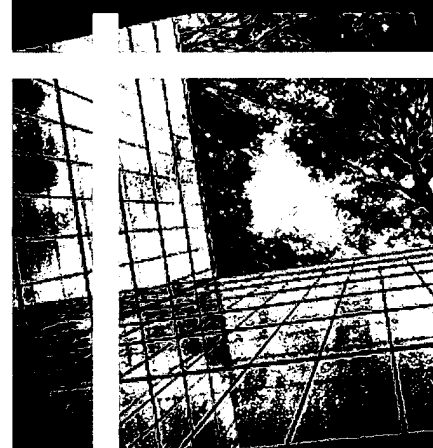
We tested an approach in Authorisations that subjected new firms in key sectors that wanted to offer ESG-related advice, products or services, as a material part of their business model, to an additional ESG-specific assessment. We have also been working to embed ESG considerations into how we supervise firms. This includes factoring ESG into our firm evaluations and tackling any firm-specific issues that have occurred. We are also assessing the portfolios where ESG is particularly important in terms of the risks of harm and are integrating these considerations into our supervisory strategies.

Across all our workstreams, our newly formed [ESG Advisory Committee to the Board](#) is supporting our approach to ESG as a regulator and as an organisation. Where we can, we are walking the walk on ESG issues.



In October 2022, we published our Sustainability Disclosure Requirements (SDR) and investment labels consultation.

[View our consultation](#)



Drive improvements in DEI, stewardship and governance

Alongside the VRG, we have been working with the FRC to consider how shareholders' rights can be used more effectively on climate-related issues. In April 2022, we published a [policy statement](#) on DEI on company boards and in executive management. This introduced requirements for listed companies to disclose the representation of women and minority ethnic groups on a comply or explain basis against targets.

We also want to understand better how we can refine existing rules and guidance to support the industry in adapting to the changing world. This February, we published a [discussion paper](#) on finance for positive change.

Minimising the impact of operational disruptions

Operational disruptions can prevent consumers accessing essential financial services, disrupt markets and threaten confidence in the sector. Our focus has been on making sure the important business services firms provide are resilient to operational disruption.

Outcomes we want to achieve

Important business services provided by firms are resilient to operational disruption

Despite the significant and growing threats faced by the sector, we have seen firms reporting a similar but slightly lower number of operational disruptions to us in 2022 (785) as in 2021 (793).

88% of firms have told us that they are aware of our work in this area. 57% of firms say operational resilience has become more of a priority for their firm over the past 12 months. These are new questions we have included in the FCA and [Practitioner Panel Survey 2022/23](#). We will use this as a baseline to monitor progress.

Alongside the VRG, we have been working with the FRC to consider how shareholders' rights can be used more effectively on climate-related issues.

[Learn more](#)

What we have done

Authorisations – operational resilience policy

We have made sure all relevant firms entering our regulation fully comply with our policy requirements. This means these newly authorised firms are on track to meet our expectations of being able to provide their important business services resiliently by 31 March 2025.

Bank of England and PRA – discussion on Critical Third Parties

The Bank, PRA and FCA published a joint discussion paper in July 2022. The aim of the DP was to inform future regulatory proposals relating to Critical Third Parties (particularly on technically complex areas, such as resilience testing) and to provide thought leadership from the Bank, PRA and FCA to UK cross-sectoral and international financial regulatory debates on CTPs. Subject to FSM Bill timetables, the supervisory authorities plan to consult on proposals relating to the oversight of Critical Third Parties in H2 2023.

Impact tolerances assessment

We have continued to assess how well the highest risk firms are complying with our Operational Resilience policy requirements, including defining their important business services and impact tolerances. These assessments also look at whether and how able firms will be to remain within their impact tolerances by the deadline of 31 March 2025.

Transforming data collection programme – operational incidents

Under the transforming data collection programme, alongside the Bank and PRA, we have looked at what, when and how firms should be reporting operational incidents to us. We will follow this work with an implementation phase. This will enable us to respond promptly and appropriately to operational incidents affecting UK financial services.

Other examples of our work setting and testing higher standards

Diversity and Inclusion in financial services

We want Diversity and inclusion to be central to a firm's culture and practices, so we have been working on developing a package of proposed measures for firms. These build on our July 2021 discussion paper, [Diversity and Inclusion in the financial sector – working together to drive change](#). This asked for stakeholder feedback on a range of proposals exploring how diversity and inclusion could be improved within the financial sector.



Under the Transforming data collection programme, alongside the Bank and PRA, we have looked at what, when and how firms should be reporting operational incidents to us.



Lifetime mortgages

Advice about later life lending has a significant and potentially lifelong impact for consumers. We are following up our earlier findings about poor advice in the lifetime mortgage market. We are assessing the quality of advice consumers get from a sample of firms. We will intervene to drive up standards. This work sits alongside our thematic review of retirement income advice.

Funeral plans

We began regulating pre-paid funeral plans on 29 July 2022. After a rigorous assessment process, we authorised 26 providers, holding approximately 1.6 million funeral plans. Most of the remaining firms achieved an orderly transfer of customers to authorised firms. Before our regulation of the sector began, 4 firms entered insolvency. This resulted in harm to over 45,000 customers.

Consumer investments

This work on setting and testing higher standards is part of our wider aim of enabling consumers to help themselves. In our 1-year update on the Consumer Investments Strategy, we explained the work we have delivered to enable consumers to invest with confidence, understand the risks they are taking and the protections they can expect.

We also wanted to help consumers understand the risks before they invest and reduce the number of those investing in unsuitable high-risk investments. So we have introduced strengthened rules for how high-risk investments can be promoted to consumers.

We want to raise the standards of financial promotions to make sure consumers do not buy products that are inappropriate due to misleading promotions. So we have set out our plans for a new Authorisations Gateway for authorised persons who approve financial promotions for unauthorised persons.

Our work to improve firm resources and resilience continues. We are currently considering the prudential requirements that apply to non-MiFID investment advisers. We will set out our thinking in this area later this year.



We began regulating pre-paid funeral plans on 29 July 2022. After a rigorous assessment process, we authorised 26 providers, holding approximately 1.6 million funeral plans.





Focus 3: Promoting competition and positive change

We have made 3 commitments to use competition and positive change as a force for better outcomes. We will support growth and innovation in the UK through widely recognised and respected high standards. This section explains the actions we are taking to maintain our high standards to enable innovation and competition in consumers' interests.

Preparing financial services for the future

The Financial Services and Markets Act 2023 delivers the outcomes of the Government's Future Regulatory Framework (FRF) Review and implements important changes to the statutory framework we operate in. The Act also repeals retained EU law (REUL) in financial services, and enables its replacement, with rules tailored where appropriate to better suit UK markets and introduces a new secondary objective to facilitate the UK's international competitiveness and medium-to long-term growth.

We are also making changes across the FCA to reflect new accountability and scrutiny mechanisms.

How we have progressed against our outcomes

The FRF Review reforms support all our topline outcomes and creates confidence in financial markets

We continue to monitor the level of confidence in our regulation by consumers and regulated firms, through the Financial Lives and FCA and Practitioner Panel Surveys. Consumer confidence remained steady in 2022/23. 41% of consumers agreed they have confidence in the financial services industry (2022 FLS). Firms' perceptions of our effectiveness meanwhile decreased slightly in the latest 2022/23 FCA and Practitioner Panel Survey from a mean score of 7.1 in 2021 to 6.9.

While we have carried out significant work under this commitment, much of our work has yet to take effect. In the longer term, we expect our work to positively impact these measures.

Ensuring orderly transfers of firm-facing requirements from legislation into our Handbook

In partnership with the Treasury and other regulators, we have started work on the process to repeal EU law REUL and replace these, where appropriate, with regulators' rules. The focus has been on the REUL in the Treasury's first and second tranches as announced in the Treasury's Building a smarter financial services framework for the UK publication.

As part of this work, we are engaging with stakeholders on important potential reforms, such as on Securitisation, Prospectus reforms and the Packaged



The Financial Services and Markets Act 2023 delivers the outcomes of the Government's Future Regulatory Framework (FRF) Review and implements important changes to the statutory framework we operate in.



Retail and Insurance-based Investment Products (PRIIPs) regulation. We continue to assess, monitor and provide clarity on the regulatory pipeline through the Regulatory Initiatives Grid, which includes timings for some of the initial work to replace REUL with rules in our Handbook.

What we have done

In February 2023, we published the sixth Regulatory Initiatives Grid, alongside the other key regulators for financial services. This gives stakeholders a clearer view of upcoming regulatory developments.

Advancing UK growth and competitiveness

Alongside this Annual Report, we have published our annual response to our remit letter from the Government. We are embedding the new secondary international competitiveness and growth objective into our processes. We will report next year on how we have delivered on the new secondary objective in its first year, including against metrics, so that we can be held accountable.

Improving our accountability

It is important we are accountable for our performance including against the new legislative requirements introduced by the Financial Services and Markets Act 2023. We have been adapting the way we work to reflect this.

We have commenced work to develop a rule review framework. We have also started work to prepare for the new Cost Benefit Analysis (CBA) Panel. The panel will provide advice and robust challenge to our CBAs and CBA framework.

Strengthening the UK's position in global wholesale markets

Alongside partners in industry, Government and other bodies, we are helping to strengthen the UK's leading position as a global vibrant financial centre by creating the right conditions for investment, innovation and sustainable economic growth. This will be achieved if the UK continues to be one of the leading markets of choice for issuers, intermediaries and investors.

We are adapting our rules to make sure the UK remains an attractive place to invest while maintaining high standards of consumer protection and market integrity. We have, therefore, started major reviews of regulation in primary and secondary wholesale markets.

Continued on page 61

How we have progressed against our outcomes

The regulatory framework:

- **is clear, well-understood and trusted by all market participants**
- **supports market participants in determining fair value**

We are adapting our rules to make sure the UK remains an attractive place to invest while maintaining high standards of consumer protection and market integrity. We have, therefore, started major reviews of regulation in primary and secondary wholesale markets.

Where outcomes are not being met, this is clearly communicated, and remediation is swiftly undertaken or enforced

We have continued to set out our expectations of firms using a range of channels and have taken appropriate supervision and enforcement action where firms are not meeting them. See Chapter 5, Taking assertive action on market abuse.

We have measured the perceived effectiveness of our role and will use these baseline values for monitoring our impact in the future. In our 2022/23 FCA and Practitioner Panel Survey, over 60% of wholesale markets firms agreed we are effective in regulating and ensuring the integrity of wholesale markets.

The UK is viewed by market participants as one of the top markets of choice. Innovation is seen as encouraged and supported and regulation is seen as evolving appropriately

We are helping to strengthen the UK's leading position as a global and vibrant, full-service financial centre by creating the right conditions for investment, innovation and sustainable growth, underpinned by globally respected high standards. We are recognised internationally as a pro-innovation regulator, for our continued support for innovative firms. Through international groups, including IOSCO and FSB, we continue to provide thought-leadership across topics including crypto, ESG and non-banking financial institutions.

The UK ranked second globally on the top financial centre indexes measuring the size of financial activity (New Financial Global Financial Centres index, June 21 and Z/Yen Global Financial Centres index, March 2023). Though against the context of challenging market and economic dynamics and significant market disruption in the Autumn, in our 2022/23 FCA and Practitioner Panel Survey, a third of firms felt that the UK's position in wholesale markets had weakened during 2022/23. A third felt it had stayed the same and 7% felt it had got stronger.

Despite the demanding environment, 32% of firms generally felt our actions had positively impacted the UK's position and 33% were neutral.

Market participants regard the regulatory framework as proportionate both in terms of speed and cost

We are improving our own performance and processes to make sure our regulation is proportionate in speed and cost, to help markets work better and improve the competitiveness of the UK. This includes improvements to our authorisations process – see Chapters 4 and 5.



We are improving our own performance and processes to make sure our regulation is proportionate in speed and cost, to help markets work better and improve the competitiveness of the UK.



In 2021, the UK was perceived as having the world's preferred regulatory regime for financial services (Kroll regulatory outlook 2021). In our 2022/23 FCA and Practitioner Panel Survey, around half of wholesale market firms agreed that our regulation was proportionate in terms of benefits and costs. A quarter of firms neither agreed nor disagreed and only 6% disagreed.

What we have done

Adapting our rules

Leaving the EU has given us the freedom to tailor our rules to better suit UK markets, while maintaining high and internationally consistent standards. In FY2022/23, we have continued to adapt our rules so that the UK remains a trusted and attractive market. We have done this:

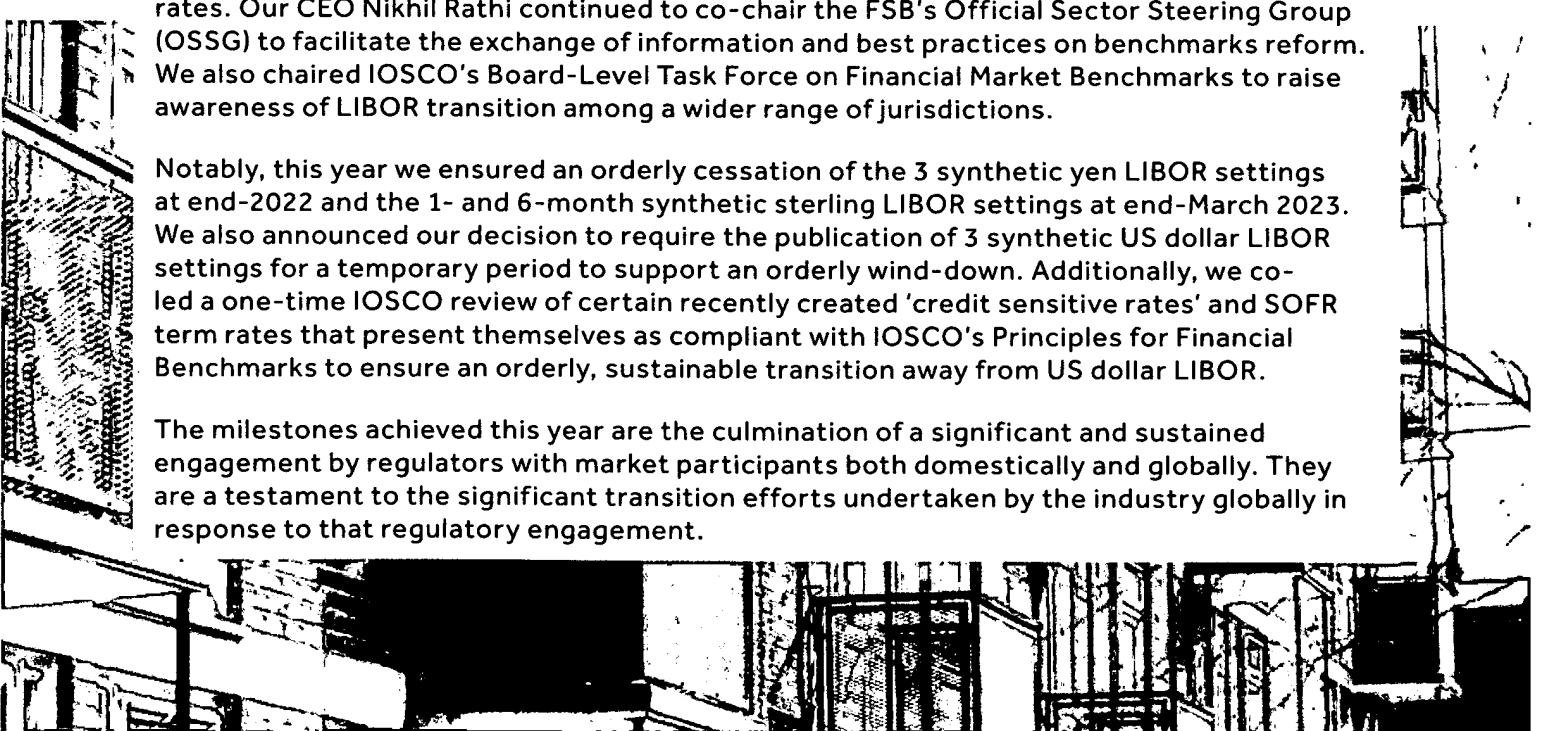
- Primary Markets Effectiveness Review – this review aims to make it easier for companies to list in the UK while retaining key standards that support market confidence and integrity. In FY2022/23, we completed a wider discussion with market participants on what form of listing regime would serve the UK market best in the future. After our analysis of responses, we published a consultation paper on 3 May 2022.
- Wholesale Markets Review – working closely with the Government, we have consulted on reforms to UK secondary markets. We also consulted on new guidance on the trading venue perimeter.
- Overseas fund regime – we are continuing to work in collaboration with the Treasury to develop policy on the overseas fund regime. This will enable investment funds from an overseas jurisdiction to be sold to UK retail investors.
- Asset management regime review – we launched a review of the current asset management and fund regime to establish what topics to prioritise.

LIBOR

This year, the FCA continued to play a global leadership role through the FSB and IOSCO in the final stages of the orderly transition away from LIBOR to alternative, robust reference rates. Our CEO Nikhil Rathi continued to co-chair the FSB's Official Sector Steering Group (OSSG) to facilitate the exchange of information and best practices on benchmarks reform. We also chaired IOSCO's Board-Level Task Force on Financial Market Benchmarks to raise awareness of LIBOR transition among a wider range of jurisdictions.

Notably, this year we ensured an orderly cessation of the 3 synthetic yen LIBOR settings at end-2022 and the 1- and 6-month synthetic sterling LIBOR settings at end-March 2023. We also announced our decision to require the publication of 3 synthetic US dollar LIBOR settings for a temporary period to support an orderly wind-down. Additionally, we co-led a one-time IOSCO review of certain recently created 'credit sensitive rates' and SOFR term rates that present themselves as compliant with IOSCO's Principles for Financial Benchmarks to ensure an orderly, sustainable transition away from US dollar LIBOR.

The milestones achieved this year are the culmination of a significant and sustained engagement by regulators with market participants both domestically and globally. They are a testament to the significant transition efforts undertaken by the industry globally in response to that regulatory engagement.



Through international groups, including the IOSCO and FSB, we continue to provide thought-leadership across topics including crypto, ESG and non-banking financial institutions.

Supporting innovation

Supporting innovation

In March 2023, we published our [Trade Data Review findings](#). This looks at concerns with firms' ability to access and use trade data. We found that while trade data users can generally access the data they need, there are areas where competition is not working as well as it could. Following this report, we will prioritise work to develop consolidated tapes. This will collect wholesale trade data across the market for a particular asset class and disseminates it in a single feed.

Through international groups, including the IOSCO and FSB, we continue to provide thought-leadership across topics including crypto, ESG and non-banking financial institutions. We are leading the development of the IOSCO recommendations for the regulation of cryptoassets. These recommendations focused on market integrity and investor protection issues, were published in May 2023 for consultation with a view to being finalised by the end of 2023.

We are also working with the Government and Bank of England on HMT proposals for further regulation of cryptoassets and plans to develop the Financial Market Infrastructure Sandbox.

Improving our own performance and processes

We have started work to improve our data capability – this includes enhancing our market monitoring capability. This is so the FCA can increase responsiveness to market events and mobilising early work to build the foundations needed to provide more investor-useful data to the market.

Regulatory Sandbox and Innovation Pathways

We have seen many successful new firm entrants with Innovation Pathways, supported by our tailored regulatory guidance. We have supported over 700 firms since inception.

Our Innovation Services are not just about growth. We are also working to help consumers with cost-of-living increases. Business models supported by our services include: a no-interest loan scheme for customers in vulnerable circumstances.

The Regulatory Sandbox gives firms access to regulatory expertise and a set of tools to enable them to test products and services. We supported over **870 firms through the Regulatory Sandbox and Innovation Pathways** to date.

Shaping digital markets to achieve good outcomes

The digitalisation of financial services is changing the way consumers make decisions and markets operate. To be an effective regulator, we must both respond to today's challenges and prepare for those of tomorrow. We need to better understand the emerging risks and opportunities so the huge benefits from greater competition and innovation are realised and the harms to consumers mitigated.

How we have progressed against our outcomes

The developments of digital markets and the use of new technologies in financial products and services leads to fair value for consumers

We published a [discussion paper](#) on AI to help assess the benefits and risks of AI to consumers and how we can best support safe and responsible adoption. We also published a discussion paper on the implication of Big Tech entry to inform the FCA's approach to these firms.

The consumer journey for digital financial products and services enables consumers to take decisions in their best interest

Our investigation into harmful digital consumer journeys led to supervisory action against several firms, with the importance of ensuring sludge practices are identified and remedied highlighted in the portfolio letter to around 700 firms providing high-cost lending products. We will review the effectiveness of our actions at reducing sludge and other harmful design features in the future.

What we have done

The new pro-competitive regime for digital markets

We continued to provide support to stakeholders as the Government prepared legislation for the new pro-competitive regime, which was introduced into Parliament on 25 April 2023. We are also engaging with the Digital Markets Unit at the CMA.

Big Tech entry and expansion in retail financial services

In October 2022, we published a [discussion paper](#) seeking views on the potential competition implications from Big Tech firms entering a range of retail financial services sectors. We hosted an [expert panel webinar](#) in November 2022, followed by sector-specific workshops in December 2022 with over 300 attendees across both events.



In October 2022, we published a discussion paper seeking views on the potential competition implications from Big Tech firms entering a range of retail financial services sectors.

[discussion paper](#)



Investigation of harmful digital consumer journeys

We investigated the impact of gamification and other design features in investment trading apps on consumers. Our findings included concerns that they may encourage investors to take unsuitable risks in investing. We have identified sludge and dark patterns in the [credit information market](#). We are considering measures to help consumers access and dispute credit information.

Our work with the Digital Regulation Cooperation Forum (DRCF)

The DRCF brings together the CMA, Information Commissioner's Office (ICO), Office of Communications (Ofcom) and the FCA to cooperate and coordinate work on regulation in digital services.

Over the last year, the DRCF has delivered its [2022/23 workplan](#) across DRCF's threefold objectives – coherence, collaboration and capabilities – against a range of published activities. The FCA joined DRCF as a full member in April 2021 and has played an active role.

Discussion paper on AI

Together with the Bank of England, we published a discussion paper on the implications of AI for regulation and policy, supported by a [machine-learning survey](#) which tracks the take-up of AI in UK financial markets over time.

Open banking and open finance

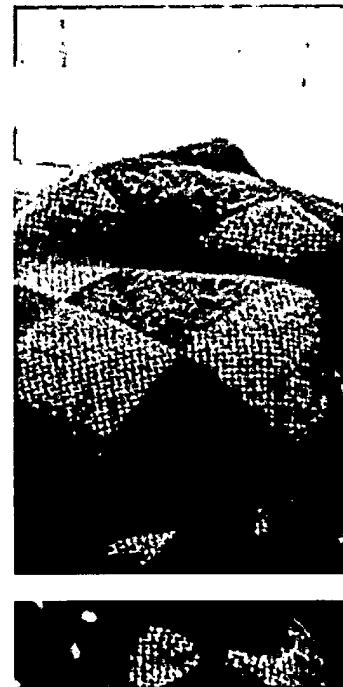
Following the creation of the Joint Regulatory Oversight Committee (JROC) in March 2022, we have worked at pace with the PSR, the CMA and the Treasury (the other JROC members). The JROC is playing a leading role in taking the next steps to realise the full potential of open banking.

The JROC set up a strategic working group (SWG) for stakeholders to share their views on open banking and next steps needed that culminated in the publication of a SWG report.



We investigated the impact of gamification and other design features in investment trading apps on consumers. Our findings included concerns that they may encourage investors to take unsuitable risks in investing.

[Read more](#)



Other examples of our work promoting competition and positive change

A focus on asset management:

- We wrote to asset management firms setting out our priorities for the sector.
- The priorities set out in our portfolio letter build on existing work done on value and ESG.
- Given the turbulence following the autumn budget, there was significant global focus on liquidity management in non-banking financial institutions.
- We worked with firms and counterparts including overseas regulators and the Bank of England to increase resilience in fund structures.
- We published a discussion paper on Updating and improving the UK regime for asset management.

Cryptoassets

We have supported 10 firms in 2022 who are proposing to utilise Distributed Ledger Technology through our Sandbox and Innovation Pathways. We also published information for consumers on the basics of cryptoassets as part of our InvestSmart campaign, highlighting the risks of scams associated with this sector. Additionally:

- We held our first CryptoSprint in 2022. This brought together nearly 200 participants of crypto firms, traditional finance, lawyers, academics and consultants to work together on potential solutions as we develop regulatory policy.
- We worked with the Treasury, the Bank of England and the PSR via the Cryptoassets Taskforce on a future regulatory framework for cryptoassets including stablecoins. This work has informed the Treasury's consultation for wider regulation of the sector.
- We published good and poor practice on AML and counter-terrorist financing (CFT) for crypto firms seeking registration with us.
- No crypto ATMs are currently registered with us for AML and CFT. We have taken enforcement action alongside police forces across the UK on illegal crypto ATMs.
- We have published our rules for qualifying cryptoasset financial promotions and an accompanying consultation paper on guidance for how we approach, and how firms comply with, our main requirement that cryptoasset financial promotions must be fair, clear and not misleading.

International work on cryptoassets

The FCA Chairs the IOSCO Fintech Taskforce Crypto and Digital Assets workstream. Here we have been leading work to develop recommendations for addressing market integrity and consumer protection risks arising from cryptoassets. The FCA is also actively involved in work to develop international standards for cryptoassets, including the Financial Stability Board.

Chapter 6

Our Section 172 Statement

The following section describes how the Board has had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

Section 172(1) provides that regard should be had to the:

- long-term consequences of decisions
- interests of the company's employees
- need to foster the company's business relationships with suppliers, customers and others
- impact of the company's operations on the community and the environment
- desirability of the company 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
- community leaders (including Parliamentarians)
- other regulators and regulatory partners
- suppliers
- community and environment

The Board recognises that effective stakeholder engagement is key to meeting their duties under S172 of the Companies Act 2006 and achieving the FCA's statutory objectives to ensure that we:

- protect consumers
- protect the integrity of financial markets
- promote effective competition in the interests of consumers

For this reason, the Board recognises the broad range of stakeholders that have an interest in or are affected by our work. By understanding the views of each stakeholder group and the issues that matter to them, we can make sure we deliver a high-quality service. We undertake an active programme of stakeholder engagement to make sure we are fulfilling our duties appropriately.

By making sure we have a comprehensive understanding of our key stakeholder groups, the Board can consider the needs and concerns of our stakeholders in its discussions and decision making. However, the Board recognises that the views of our stakeholders do not always align. In such circumstances, the Board must decide on the most appropriate course of action to make sure we're delivering in the public interest.

By regulating the financial services sector, the FCA plays a critical role in the lives of everyone in the UK. This means that our stakeholders increasingly expect us to achieve our statutory objectives in an uncertain, fast-changing world – and to do so ever faster. This expectation has increased following the:

- Covid-19 pandemic
- increasing cost of living
- continual expansion of the FCA's remit

and ongoing geopolitical challenges.

Our approach to stakeholder engagement

Our Board is committed to achieving and maintaining high standards of business conduct. Our Corporate Governance statement in Chapter 8 provides more details of this.

The key stakeholder engagement activities the Board has 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 describes these and the broader range of engagement activities the Board has undertaken with our stakeholders during the year. They also describe how these have helped us to deliver better outcomes for the users of financial services.

Our people

Our employees are the key to our success as a regulator. We attract and retain colleagues from a wide range of backgrounds and skill sets. We aim to promote an inclusive culture that enables us to bring those diverse skill and perspectives together in a way that makes sure we have the capability to:

- develop insights
- act decisively

and continuously improve how we operate and respond in an agile and assertive way to new:

- issues
- threats
- challenges

In support of our value to 'work inclusively', we seek to foster a diverse and inclusive workplace environment. We aim for it to:

- be free from discrimination and bias
- celebrate difference
- support colleagues to be their authentic selves at work

Our Board believes this empowers our people to meet and fulfil their potential. It also results in better judgements and decision-making in the public interest.

Launched in 2022, our new D&I strategy sets out our approach to creating a working environment where all colleagues can bring their authentic selves to work. This is so they 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. We continue to hold ourselves publicly accountable by publishing workforce diversity data against targets. This is part of our commitment to transparency around diversity and inclusion data above and beyond our statutory obligations.

We recognise the many needs of our diverse workplace and we support the creation and development of network groups social and sport clubs. We also provide support groups and an Employee Assistance Programme to help our employees through a wide range of challenges.

Our Board prioritises its engagement with our employees to maintain oversight of their welfare and concerns. In the past year, the Board engaged with our employees using a variety of means, including:

- presentations and contributions to Board discussions and decisions
- a range of colleague and division meetings involved Board members
- our newly constituted People Committee oversees and provides assurance across a wide range of people and engagement matters
- regular engagement by the Chair and Chief Executive with the Staff Consultative Committee (SCC) to discuss issues of importance to our staff
- the Board received reports throughout the year from the Chair of the People Committee and CEO on 'colleague voice' work
- our Chair met with a wide range of employee networks and groups to discuss issues and seek input into existing work or feedback on matters within the remit of the Board, Board committees and executive committees
- our Board contributed to townhalls and articles for our intranet, to both inform and engage with our employees as matters arise
- the Board and People Committee were regularly kept up to date with views from across the organisation

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-facing work, our priorities are to:

- enable consumers to make effective financial decisions
- ensure consumer credit markets work well
- make payments safe and accessible
- deliver fair value in a digital age

The consumers we aim to protect include:

- retail consumers buying financial products or services for their own use (such as mortgages, personal loans, ISAs or investment advice)
- retail investors in financial instruments (such as shares and bonds)
- small businesses buying financial products or services

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 Alzheimer's Society, Scope and Shelter).

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

The results of the Stakeholder Survey give an insight into how we're perceived externally – what stakeholders think about our activities, communications and announcements, and the impact of any changes.

They also provide a chance to look back at how perceptions have changed over the years and to revisit specific challenges from previous research years. We publish the research findings internally. This helps our employees to understand how our stakeholders perceive us and helps them in planning for the year ahead.

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

In addition, and in accordance with the requirements of FSMA, we have a Consumer Panel. This is made up of independent members with experience of consumer affairs in financial services. We are required to consult with the Consumer Panel, and other statutory panels, on the impact of our work.

The needs of consumers are pivotal in the Board's decision-making and we consider them through a variety of mechanisms, 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 12 October 2022.
- Our consumer investment strategy, published in 2021, sets out a package of measures designed to reduce the risk of consumer investment harms.

To further our objective to get an appropriate degree of protection for consumers, we launched a redress scheme for former members of the British Steel Pension Scheme (BSPS) who received unsuitable advice to transfer out. We expect that over 1,000 customers will receive redress as a result.

While we confirmed the final rules of the scheme, we updated our rules on calculating redress payments for unsuitable defined benefit (DB) pension transfer advice. This will make sure that redress puts consumers back in the financial position they would have been had they remained in their DB scheme, as far as possible.

Chapter 5 includes more detail about our consumer-facing work, including progress against our consumer investment strategy.

Regulated firms and individuals

The conduct and culture of the firms we regulate – and the individuals who hold key roles in those firms – 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.

The FCA and the Practitioner Panel launched its joint survey of FCA-regulated firms in February 2023. The joint Practitioner Panel/FCA Survey seeks views from across the financial services sector of our performance as a regulator. It usually takes place annually.

This type of feedback is essential in helping us address the challenges ahead. It is also one of several sources of feedback we use to evaluate our performance against key areas of focus in our 3-year strategy.

The results from the survey will give an insight into the FCA's performance over the past 2 years and provide reflections on lessons learned. The Board closely considers the results of the survey to better understand the issues affecting all firms and to help improve how we operate.

The Board also receives regular updates about our engagement with regulated firms and individuals. This includes the results of consultation with regulated stakeholders for policy changes 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, information from MPs and from whistleblowers. We also gather information from industry events and surveys to help us understand the issues firms face.

The Board also engages 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.

We believe that our work on Diversity, Equity & Inclusion (DEI) in the financial services sector will help us to achieve our objectives.

We include a focus on DEI in our supervision, including a piece of multi-firm work looking at firms' approaches to DEI, published in 2022. We plan to publish a Consultation Paper later this year.

Read more about our Regulatory Diversity and Inclusion work in our [Annual Diversity Report](#).

Community leaders, including parliamentarians

To deliver our objectives, we actively engage with ministers, MPs, peers and government departments. We also engage with members of the Devolved Parliaments and Assemblies and their associated executive bodies. Our work also involves discussions with other political bodies and stakeholders.

For example, the Board meets annually with the Complaints Commissioner (the Commissioner) to support the effective operation of our Complaints Scheme. The Board also responds to the annual report of the Commissioner and to any reports in respect of complaints referred.

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. This includes the need for transparency. We aim to account for our decisions as transparently and clearly as possible. Our senior staff regularly appear in front of parliamentary committees.

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 also regularly give evidence to other Parliamentary committees, including Bill Committees.

The list below provides details of the evidence sessions senior leaders have attended as witnesses in the last financial year:

- 8 March 2023, Treasury Select Committee, Work of the FCA: Nikhil Rathi, Ashley Alder
- 22 February 2023, Treasury Select Committee Sub-Committee on Financial Services Regulation, Sustainability labels and disclosures: Sacha Sadan, Mark Manning
- 14 December 2022, Work and Pensions Committee, Defined Benefit Pensions with Liability Driven Investments: Nikhil Rathi, Simon Walls
- 14 December 2022, Treasury Select Committee, Ashley Alder pre-commencement hearing: Ashley Alder

- 7 December 2022: Treasury Select Committee, The crypto-asset industry: Sarah Pritchard, Matthew Long
- 15 November 2022, Industry and Regulators Committee (Lords), The use of Liability Driven Investments (LDI) by pension funds: Nikhil Rath, Simon Walls
- 7 November 2022, Treasury Select Committee, Work of the FCA: Nikhil Rath, Richard Lloyd
- 19 October 2022, Financial Services and Markets Bill Committee, Financial Services and Markets Bill: Sheldon Mills, Sarah Pritchard
- 8 June 2022, Work and Pensions Committee, Protecting pension savers – five years on from Pension Freedoms: Saving for later life: Sarah Pritchard
- 26 May 2022, Fraud Act 2006 and Digital Fraud Committee, Fraud: Mark Steward
- 27 April 2022, Public Accounts Committee, British Steel Pension Scheme: Nikhil Rath, Sheldon Mills

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

As part of our accountability to Parliament, we respond to requests for information from MPs and peers through letters, parliamentary questions, as well as attending and organising meetings and briefings. We have also commenced quarterly Parliamentary briefings, with the first being held on 31 January 2023 on the mortgage market.

Our Board approves the Annual Report we make to Parliament setting out our progress in delivering our objectives during the last year. We also published a Perimeter Report explaining how we will continue to work with the Treasury and Parliament on the challenges posed by the current regulatory perimeter.

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
- explore cross-cutting issues

Internationally, we seek to shape:

- the global regulatory agenda
- 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 and the FSCS.

This year, we also took over the chair of the Wider Implications Framework. This is a mechanism by which we engage with the:

- Financial Ombudsman
- FSCS
- The Pensions Regulator (TPR)
- Money and Pensions Service

about issues that could have a wider impact across the financial services industry.

We are a member of the UK Regulators Network (UKRN), which is currently chaired by the Managing Director of the PSR (a subsidiary of the FCA). The UKRN brings together regulators from a range of sectors to share knowledge and best practice and to 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 like ourselves. 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
- the Prudential Regulation Authority (PRA)
- the Payment Systems Regulator (PSR)
- the CMA
- the ICO
- the Financial Reporting Council (FRC) alongside the Treasury as an observer member

Forum members collaborate to publish the Regulator Initiatives Grid. This sets out the regulatory pipeline so that the financial services industry and other stakeholders can understand and 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). This is run jointly with the Bank of England. As a member of the Digital Regulatory Cooperation Forum, we work closely alongside the:

- CMA
- ICO
- Ofcom

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

Chapter 5 gives more detail about our engagement with regulatory bodies during the last year.

Our suppliers

We are committed to building a strong and innovative relationship with our suppliers and to making sure that all our contracts are carried out in full compliance with relevant procurement regulations.

To meet our objectives efficiently and effectively, we depend on approximately 1,000 suppliers, providing a wide range of goods and services. How we select our suppliers and how we foster our relationships with them is essential to enable us to perform at our best. We must be able to demonstrate that everything that we procure delivers Value for Money (VfM) for us and our stakeholders. We are also 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 ensures that:

- procurement practices are compliant with appropriate legislation
- procurement processes are built around assessing against VfM criteria
- we regularly review terms and conditions to enable the delivery of VfM
- we seek feedback from and give it to suppliers before, during and after procurement projects
- there is a structured approach to contract and supplier management, based on the relative importance and the risk profile of each relationship
- the behaviours and standards we expect from our suppliers are clearly set out in our Supplier Code of Conduct
- we buy responsibly and adhere to our Ethical Procurement Policy
- we publish an annual Modern Slavery & Human Trafficking Statement and deliver on its commitments

In December 2022, 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

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.

We aim to protect consumers and enhance the integrity of the UK financial system. But we also aim to create a positive impact in our communities 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.

The Board strongly supports community engagement at the FCA as embedding the values of our organisation, empowering our people and enriching the wider community.

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 cohort work on social impact projects within our local community. Since the programme was launched in 2010, we have worked with dozens of charities and community partners.

In August 2021, we established our ESG Division and, throughout the financial year, we have continued to embed ESG considerations across how we regulate and operate.

This has included factoring ESG issues into our cross-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.

Environmental considerations have been central to much of this work. This is reflected throughout our approach to the ESG Commitment in our 3-year Strategy. Our work on sustainability disclosure requirements and investment labels is one example of how we're seeking to improve outcomes for consumers looking to invest with positive environmental impacts in mind.

We have set out a summary of progress against the ESG Commitment's target outcomes in Chapter 5.

We continue to work closely with stakeholders across industry, government, civil society and elsewhere on environmental issues. As part of this, we have liaised throughout the year with the Government on the provisions of the Financial Services & Markets Bill related to environmental and wider sustainability issues and on revisions the Government is making to its Green Finance Strategy.

Additionally, we have played a key role in the Government's Transition Plan Taskforce (TPT), helping to develop the sector-neutral framework and associated guidance on which the TPT consulted during the year.

We have leant heavily on that framework as part of 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 complements the climate-related financial disclosures set out in appendix 4

We also received a new Remit Letter from the Chancellor in December 2022, asking us to have regard to 'the government's ambitions for the provision of sustainable finance and the supply of long-term investment to support UK economic growth, including the supply of finance for infrastructure projects'. Chapter 5 explains how we are taking the Remit Letter into account in our work.

Alongside our work with Government, we've continued to deliver thought leadership internationally. During the year, we have continued in our role as Vice-Chair of IOSCO's Sustainable Finance Taskforce and co-lead of its Corporate Reporting workstream.

And we have 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.

We are supporting our ESG Commitment through an ongoing programme of capability building across the organisation. We are focusing on a range of issues – with environmental issues for consumers, firms and markets, as well as wider society – figuring prominently.

And we remain committed to becoming a more sustainable organisation and to minimising our own impact on the environment.

As we set out in our Environmental Policy Statement, we work actively with our suppliers to meet our commitment to sound environmental practice. We encourage them to develop and supply goods and services to help improve environmental performance. Our work with our suppliers is a key part of the transition plan mentioned above.

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

Board decisions and taking Stakeholder views into account

Board decision-making processes

The Board took account of the views and interests of a wide range of stakeholders during 2022/2023. In the previous section, we explained who these stakeholders are and some of the ways the Board has engaged with them.

Having access to a full range of views is an important part of the way the Board makes decisions. 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
- 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 2022/2023

Future Regulatory Framework and Regulatory Reform	The Board closely monitored and advised on our proposed approach to Future Regulatory Framework file transfer and regulatory reform measures, including engagement with the Treasury.
Business prioritisation	In May 2022, The Board approved implementation of financial sanctions following the Russia-Ukraine geopolitical crisis and necessary response to the increasing cost of living. The Board has had to reassess its priorities and reallocate resources according to the immediate need.
Deliver the Consumer Investments Strategy	In July 2022, following consultation in January 2022, the Board approved near final rules and publication of the proposed Policy Statement on strengthening the FCA's financial promotion rules for high-risk investments and approvals. The Board outlined that it would expect the rules to be extended to high-risk cryptoasset investments once the Treasury has made relevant legislation.
New Consumer Duty	In July 2022, The Board approved the Consumer Duty Instrument and maintained oversight of the FCA's readiness and approach to embedding and implementation of the Consumer Duty throughout the year.
Appointed Representatives	Following consultation, in July 2022 the Board approved final rules to improve the Appointed Representatives regime which are designed to require principal firms with Appointed Representatives to provide more information to the FCA and to strengthen their responsibilities for ensuring compliance with our rules.

Key Board decisions during 2022/2023

Future Disclosure Framework	In October 2022, the Board agreed that we should publish a discussion paper on the Future Disclosure Framework in December 2022, with a focus on retail disclosures.
Defined Benefit Pension Redress	In November 2022, the Board agreed to make British Steel Pension Scheme consumer redress rules following consultation.
Operationalising the Secondary International Competitiveness Growth Objective	In November 2022, the Board approved the recommended interpretation of the new Secondary International Competitiveness and Growth Objective (SICGO), the approach to the new reporting requirement and the proposed approach to implementing the SICGO across the FCA.
Review of the Senior Managers and Certification Regime	In February 2023, the Board agreed the proposed overarching objective and key aims for the review of the Senior Managers and Certification Regime, a collaborative review between the FCA and the PRA. The aim of the review was to identify potential enhancements to the regime.

Taskforce on climate-related disclosures (TCFD)

This section sets out our approach to managing climate-related risks and opportunities. It is aligned with the recommendations of the TCFD and covers both our regulatory and corporate activities.

We produced our first ever climate-related financial disclosures last year as a standalone report. This year's disclosures build on that report and, where relevant, cross-refer to it. This reflects that some of our disclosures are unchanged.

Describe the Board's oversight of climate-related risks and opportunities

In October 2022, the Board amended relevant Board committee Terms of Reference to reflect this oversight explicitly – see Corporate Governance of the FCA [P.17 Clause 9, P.23 Clause 5(e) and P.32 Clause 8(d) on the Audit Committee, the Risk Committee and the People Committee].

In December 2022, we announced the establishment of an ESG Advisory Committee to support the Board in executing oversight of relevant ESG-related issues as a corporate entity and as a regulator. Here are the Advisory Committee's Terms of Reference.

Describe management's role in assessing and managing climate-related risks and opportunities

The role of management, including through our Executive Committee, in assessing climate-related risks and opportunities is unchanged from last year. Our Executive Committee and Executive Regulation and Policy Committee have specific responsibilities for a range of matters involving climate considerations.

Our Chief Executive, some Executive Directors and the Director of ESG have individual responsibilities assigned to them for climate-related matters. Where appropriate, these are reflected in their individual objectives.

Our Director of ESG, who reports to the Chief Executive, has a mandate to embed climate and wider ESG considerations seamlessly and comprehensively across the FCA's functions. The Role of management below executive level gives a description of wider management responsibility for this.

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

How climate-related risks and opportunities affect the FCA's own operations gives a description of risks and opportunities relevant for our own operations. Our net zero transition plan takes account of these risks and opportunities as part of our commitment to achieve net zero by 2045.

Our assessment of how climate-related risks and opportunities affect regulated financial sectors remains unchanged from last year. We assess the risks facing sectors through our internal Portfolio Analysis and Portfolio Strategy framework. This leads to the portfolio letters we regularly issue to the industry.

In terms of risks, we are aware of periodic research indicating that the 10-year moving average for insured natural catastrophe losses continues to grow at 5-7% annually. In terms of opportunities, we highlighted last year the role wholesale markets could play in the transition. We note data indicating that sustainable debt issuance fell 19% in 2022 from the record levels seen in 2021, but that this was in line with the fall in overall debt issuance. Sustainable debt remains 5% of the overall debt issuance.

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

We are working in-house and via our external engagement to identify new sources of climate risks and appropriate strategic responses. This includes with the ESG Advisory Committee and the Climate Financial Risk Forum (CFRF) (which we co-convene with the PRA). As noted above, alongside this Annual Report, we are publishing our own net-zero transition plan.

We continue to support the financial sector's transition to net zero, as set out in financial sector transition strategies and target setting. We have continued to work intensively within the Government's Transition Plan Taskforce to help finalise the sector-neutral framework and to develop sector-specific guidance. The sector-neutral framework forms the basis of our own net zero transition plan.

Our work to build an effective sustainable finance ecosystem focuses on disclosure requirements, innovation and active investor stewardship. This is reflected in our progress against the ESG commitment in chapter 5 and in our 2023/24 Business Plan.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

In 2021/22, we used 3 climate scenarios developed by the Network for Greening the Financial System (NGFS) to conduct an initial assessment of the resilience of our strategy. Our analysis remains unchanged.

Describe the organisation's processes for identifying and assessing climate-related risks

In last year's disclosures, we set out the FCA's overarching approach to risk management. In the subsequent year, we have applied the FCA's cross-organisational Risk Management Framework to our work on climate issues and have amended our risk taxonomies to take climate risks into account more explicitly. Our taxonomies consider the risks of harm that may arise in the markets we oversee, the causes of those harms and where we may face operational and execution risks as an organisation (our 'own risk'). Analysis against the taxonomies has allowed us to identify where our approach to climate-related risks is weaker and to address shortcomings accordingly.

We have expanded our risk identification capabilities for climate issues. We have also established the Market Intelligence and Engagement Team to work with teams across the FCA to horizon scan for climate-related risks.

In addition, we have assessed the risks to us as an organisation from our transition to net zero. We set out in our net zero transition plan how we are approaching them.

We have continued to expand climate-related training for our staff to make sure they understand why the FCA cares about climate considerations and how that relates to their roles and where risks may lie. We are in the process of developing training and awareness initiatives covering internal sustainability considerations too. Our overarching approach to risk describes our process for identifying and assessing climate-related risks.

Describe the organisation's processes for managing climate-related risks

Last year we implemented an updated risk tolerance framework across the organisation. We have yet to develop specific key risk indicators relating to our own climate-related risks. We will focus on doing so in the coming year.

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

We have integrated the ESG Division into relevant supervisory and policy decision-making committees that consider the management of climate-related risks. We have amended our Risk of Harm, Cause of Harm and Own Risk taxonomies to integrate climate-related risks.

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

We published a set of ESG-related regulatory outcomes and metrics in April 2022 alongside the FCA's 3-year Strategy. We have provided an update of our progress against those metrics on our website.

Metrics and targets to manage our own operational climate-related risks and opportunities and our performance against them can be found in our Environmental Sustainability Report (Appendix 4 to this Annual Report) and in our net zero transition plan.

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks

Scope 1, Scope 2 and Scope 3 GHG emissions can be found in our Environmental Sustainability Report. We have augmented that analysis within our net zero transition plan.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

These are set out in our Environmental Sustainability Report and our net-zero transition plan.

Nikhil Rath, Chief Executive

Chapter 7

Group operational overview

The operational and financial performance of the Group in 2022/23 covers:

1. key highlights
2. investing in our people and technology
3. group operating results for the year
4. overall financial position at 31 March 2023
5. principal risks and uncertainties facing the group

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

- Growth in our people and the opening of an office in Leeds, creating a national footprint
- Implementation of a new three-year technology delivery plan and continued use of data and analytics to improve how we operate, reducing and preventing serious harm
- We have used advanced analytics and new sources of data to identify inappropriate financial ads; last year 573 adverts were withdrawn or amended, up to end October 2022
- Group operating surplus (including interest expenses) for the year of £23.9m (2021/22 (as restated¹): £83.0m)
- Total comprehensive deficit (including net actuarial (losses)/gains) for the year of £52.1m (2021/22 (as restated¹): £112.0m surplus)

Section 2 – investing in our people and technology

2.1 Our people

Our people are at the heart of fulfilling the FCA's purpose and strategy. We seek to enable and embrace a culture where our people are empowered to act decisively in the public interest. This has been a year focused on growth to ensure that we have the capability, skills and capacity we need to deliver our strategic objectives.

During this financial year, we have hired over 1,200 new colleagues across our London, Edinburgh and Leeds locations. As we adapt to meet demands, we have enhanced our national presence to better reflect and access the consumers, markets and firms we serve. We are on course to achieve our targets for growth in both Edinburgh, which is on track to double in size, and in Leeds where a new recruitment campaign is underway, aimed at boosting our presence in the city and ensuring that we have a truly

¹ Restatement in 2021/22 relates to changes to the accounting and reporting of the right of use assets and lease liabilities under IFRS 16 and intangible assets under IAS 38, as detailed in Note 2d) *Changes in accounting policy* of the financial statements.

national footprint. Our hybrid environment offers colleagues greater flexibility and choice, as we believe that this is the best way to work effectively and inclusively for the benefit of everyone. Our career development has been embedded with a new, simpler structure providing greater flexibility and opportunities for mobility.

Attracting and keeping talent

During 2022/23 we continued to focus on attracting and appointing the diversity of talent required to match our strategic ambitions.

We made 2,387 appointments (2,325 FCA, 62 PSR), of which 1,181 were internal moves (1,160 FCA, 21 PSR) and 1,206 were external appointments (1,165 FCA, 41 PSR). Of these, 49 appointments (22 external and 27 internal) were made to the Senior Leadership Team (SLT), albeit no appointments at Executive Committee level.

In addition, we also recruited 90 graduates, 25 apprentices and 42 summer interns in 2022, following a significant increase in applicants to all 3 programmes. We are the top apprentice employer in the banking and finance sector according to Job Crowd and rose 4 places in The Guardian UK300 Top Graduate Employers to 96th.

Employee turnover totalled 17.5% (17.3% in 2021/22) for the FCA Group, with 15.2% (15.5% in 2021/22) accounted for by colleagues choosing to leave. The temporary spike in turnover post Covid has now abated and we expect it to fall to pre-pandemic levels during 2023/24.

In 2023/24 we will continue to increase our headcount to deliver our growing remit and meet our strategic objectives, for example, on the Future Regulatory Framework or strengthening our data capability. As we do so, we will increase our workforce based in Edinburgh and Leeds.

Our continued ability to attract, retain and progress talented individuals will help us to continue to enhance our effectiveness. It also reflects the strength of our organisational purpose with many colleagues choosing to work at the FCA in part because of their desire to make a difference to the lives of the public we serve.

Listening to our employees

The Board and ExCo have continued to invest in listening to our colleagues, including through all colleague meetings and less formal sessions with Executive Directors.

We ran a specific initiative to consult colleagues on how their views could best be considered in our decision making. This gathered feedback from over 900 colleagues and reviewed the approach of a range of external organisations. It identified three areas for action: formal and informal mechanisms for feedback and leadership.

We have taken substantial follow up action alongside work to respond to our annual employee survey with an emphasis on leadership, engagement and empowerment, and creating a shared positive vision. This work continues in 2023/24.

We used a pilot exercise in February 2022 to inform our approach to hybrid working and consider 4 dimensions: organisational effectiveness and productivity, employee experience, sustainability and cost, and external stakeholder perceptions. Our new policy came into force in September 2022 with all colleagues expected to work at least 40% of their time each month in the office, rising to 50% of the time for senior leaders.

Employee development

We are committed to equipping colleagues with the skills and knowledge necessary to succeed in their role and to help them evolve these as the financial and regulatory landscape changes.

The FCA Academy, which leads our learning and development offer, provided a wide range of in person and virtual training events in 2022/23 to support short and long-term regulatory priorities, technical skills and broader soft skills development. 45% of colleagues attended at least one formal learning event during 2022/23 and many more accessed e-learning content.

All new colleagues benefitted from our corporate induction and accompanying learning pathway.

We invested in our management and leadership capability through:

- a dedicated People Managers learning pathway focused on empowering others, building trust and psychological safety, giving feedback, goal setting and managing hybrid teams
- we rolled out a leadership transition programme for new Heads of Department and Directors which was completed by 43 colleagues in 2022/23
- relaunching an 'always-on' 360 feedback tool which enables colleagues to provide anonymous feedback and provides our leaders with insights to focus their development plan.

To support our ambition to be a data-led regulator, we rolled out a Data Fluency programme for all colleagues, building on our successful approach to improve the data capabilities of our senior leaders. We are also actively engaged in the skills and capabilities workstream of the Digital Regulation Cooperation Forum.

We continue to support the desire of many colleagues to achieve professional qualifications through either sponsored study or the apprenticeship route. This includes maximising our drawdown of the apprenticeship levy and consequently reducing the net cost of funding colleagues to achieve qualifications. In 2022/23 we increased the number of programmes available at different levels and we now offer 32 programs ranging from A-level equivalent (L3) to Masters (L7).

We are developing a 'Professions' framework to invest in the specific skillsets of different groups of colleagues. We have now launched three professions – Legal, HR and Economics – with more planned in 2023/24.

Employee wellbeing

We are committed to fostering a working environment that protects the physical and mental wellbeing of all. This means creating healthy working environments, supporting line managers, and enabling our people to access relevant support and information to identify health risks and manage their wellbeing effectively.

Our wellbeing framework seeks to improve understanding across the organisation and underpin behavioural change and healthy lifestyles. We offer a comprehensive programme covering mental health, emotional health, physical health, social wellbeing, financial wellbeing, and meaning and purpose. Employees 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 2022/23 our sickness rate, which calculates the proportion of working hours lost because of sickness, decreased to 3.0% (3.2% in 2021/22).

Rewarding our employees

2022/23 was the first year of our new employment offer, designed to reward strong and consistent performance; aid career development; and close our pay gaps. It resulted in an overall average salary increase of 7.1% across all those eligible as of 1 April 2022.

The April 2023 pay review was 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.

Over time, our aim through the new employment offer is to:

- raise salaries where appropriate in line with developments in the wider market, for example the minimum salaries of colleagues in more junior roles
- narrow pay ranges which have been too broad previously and consequently benefitting colleagues at the lower end of the pay ranges (more often women or those from ethnic minorities) who should receive bigger uplifts
- enable strong performers at the bottom of the pay range to progress more quickly within those ranges.

In its first year, the mean and median pay gaps for both gender and ethnicity have reduced compared to 2021/22. Changes for other protected groups, for example colleagues with disabilities, are less marked, in part because these groups are represented more equally at all levels across the FCA.

We also helped colleagues to deal with the increased cost of living through one-off payments in October 2022 and January 2023.

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 and we remain committed to shaping it in a way which supports our aspiration to be an inclusive employer for all.

2.2 Our technology

We published an update to our Data Strategy on 23 June 2022. From 2019 to 2021, we spent £103m to deliver our Data Strategy against an initial forecast of £120m. We committed to spending an additional £33m across the 2022/23 financial year. This was primarily spent on speeding up our case management and triage processes so that we can intervene faster on high-risk areas, extending our Single View capability to all financial services sectors (pensions, retail, wholesale, credit etc.) to help identify outliers and 'problem' firms faster, sourcing new data to deliver faster insight and delivering data literacy training to all employees.

We have had over 87,000 views on our complaints and mortgages lending data publications in the last 12 months (to November 2022).

As part of the FCA Strategy we set out what outcomes matter to us and the metrics we will use to measure them. These include 22 top line metrics linked to outcomes that stay the same from year to year to monitor how we deliver our statutory objectives over time and 60 metrics we use to monitor our 13 commitments for the next 3 years.

We have introduced a new approach to model how harms develop and find the opportunities to intervene earlier. We call this approach the Path to Harm; a diagnostic conceptual model which identifies early warning signals of a developing harm and the data we can use to turn those signals into actionable intelligence. This is helping us to identify earlier opportunities for interventions and action to be taken.

In February, we published the final report of the AI Public Private Forum (AIPPF) – a joint initiative with the Bank of England and artificial intelligence (AI) practitioners from across regulated firms, academia and technology.

A new Data Collections Unit was created to quantify and qualify the value, burden, and cost of our regulatory data collections. Our industry-led committee made recommendations on Phase 1 in July 2022 and both we and the BoE published our response along with a [CEO letter](#).

Section 3 – Group operating results

The Group generated a £52.1m deficit for 2022/23 (see Table 1). This primarily resulted from a £11.4m higher expenditure of Ongoing Regulatory Activities (ORA) offset by a net £6.6m of scope change recoveries and a £46.7m decrease in the net pension asset/obligation.

Expenditure was higher for Ongoing Regulatory Activities (ORA) due to planned utilisation of reserves. Reserves were used to fund FCA's investment in our strategic commitments and technology aligned to our three-year strategy.

The decrease in the net pension asset/obligation is primarily driven by actuarial (losses)/gains for the year realised in both the pension assets and defined benefit obligation, net of contributions paid during the year, as reflected in Table 1. The defined benefit obligations decreased due to changes to the discount rate and price inflation, linked to the market and changes in life expectancies following the formal valuation of the defined benefit scheme as at 31 March 2022.

Table 1

Group Surplus/(Deficit)	2022/23 £m	2021/22 (as restated) £m
Net actuarial gains/(losses) on Pension Scheme	(76.0)	29.0
Pension contribution income taken to Balance Sheet	28.5	28.2
Pension interest charge & past service cost	0.8	(0.4)
Total Defined Benefit Pension Scheme	(46.7)	56.8
FCA over(under) recovery of ORA	(11.4)	51.2
FCA ORA Reserves Utilised	–	(2.4)
FCA over/(under) recovery of Transformation	1.3	(2.1)
FCA over recovery of Investment Harm Campaign	0.9	0.6
PSR over/(under) recovery of ORA	(2.8)	0.5
Net recovery of Scope Change	6.6	7.4
Total Group (Deficit)/Surplus for the year	(52.1)	112.0

As a result, the Group accumulated reserves have decreased by £52.1m to £68.2m (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 cover 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 scope change (set up costs of new responsibilities) recoveries, special project fees, other regulatory income (Register extract services), application fees and fees to support Transformation and Investment Harm Campaign activities. 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, 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

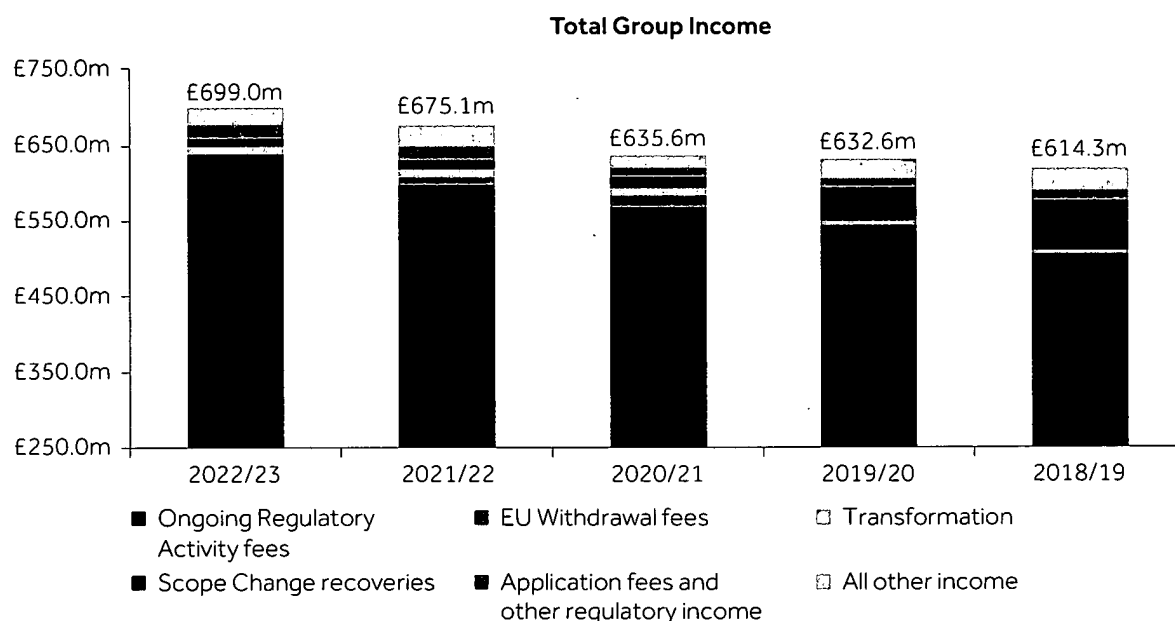


Chart 1 shows the five-year movement in the Group's income. The main movements over the last five years were:

- £23.9m increase in 2022/23 driven by ORA fees increases to reflect the inflationary environment, and additional charges to reflect changes to responsibilities and the increased employer rate of National Insurance. Fees for EU Withdrawal and Business Interruption Insurance (part of all other income) were not raised in 2022/23 as activities related to these have wound down;
- £39.5m increase in 2021/22 driven by ORA fees increase of £29.2m due to inflationary increases and £7.5m raised for Business Interruption Insurance; and
- £18.3m increase in 2019/20 driven by ORA fees increase of £22.1m due to inflationary increases.

Operating costs

Chart 2 – How we spend our money

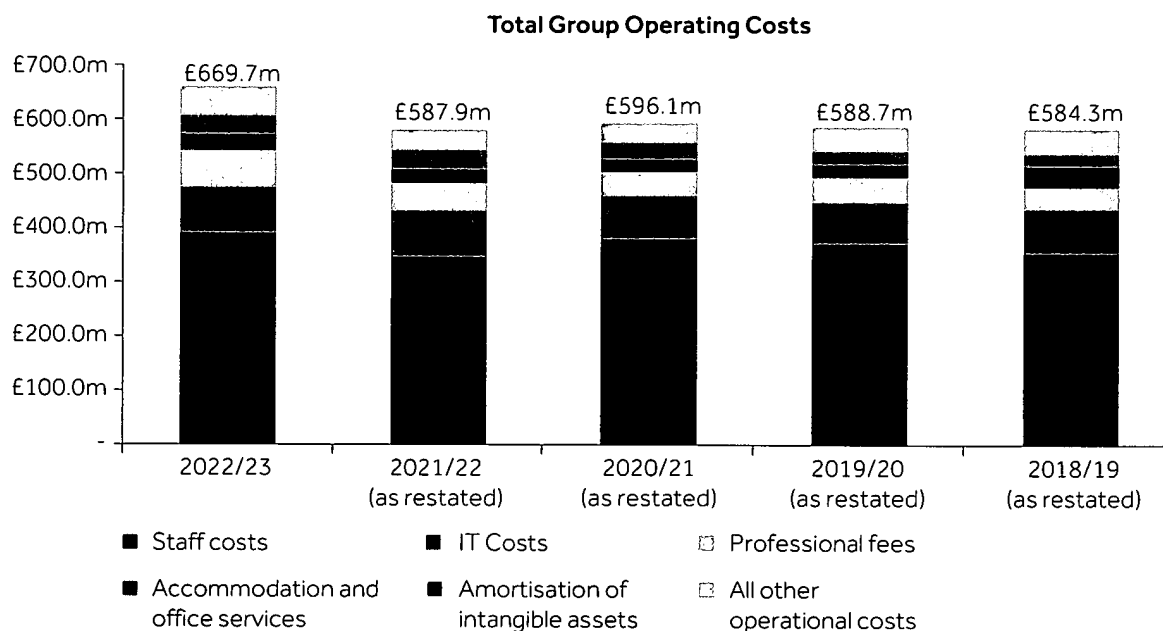


Chart 2 shows the five-year movement in the Group's operating costs. The main movement over the last five years was £81.8m increase in 2022/23, driven primarily by a £44.2m increase in staff costs and £17.3m higher professional fees as planned. Staff costs increased due to the increase in staff numbers in 2022/23 (for further details on the uplift in staff numbers refer Note 5 Staff information on page 157). Professional fees are higher as a result of conducting projects to carry out regulatory initiatives. 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

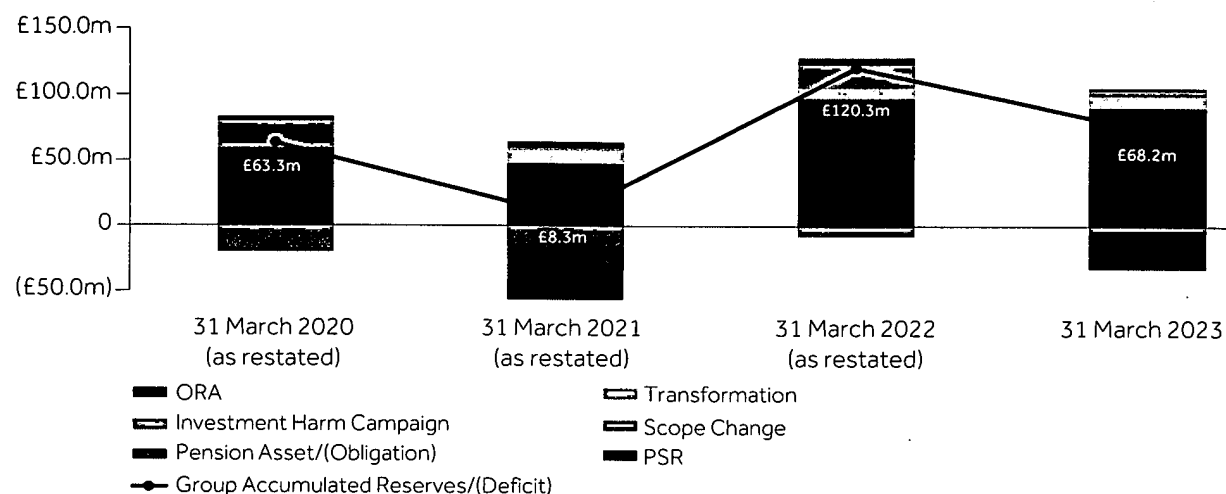
The FCA seeks to maintain ORA reserves between 6% and 10% of ORA expenditure, which may be flexed based on the FCA Board's assessment of risk and economic factors (i.e. inflation, regulatory environment and interest rates). At 31 March 2023, the FCA's ORA reserves of £85.8m or 13% of ORA expenditure, exceeded the upper threshold limit of 10%. Through the utilisation of ORA reserves over the three year strategy, the FCA is targeting towards the midpoint of 8%, which also helps reduce volatility in fees.

The ORA reserves reflect the Board's continued commitment to invest in the FCA's technology and operations, underpinned by the Transformation programme and our three year strategy. All fees raised through the AFR support our planned programme of work. 2022/23 saw higher expenditure due to planned utilisation of reserves to achieve our strategic commitments with further spend planned in 2023/24.

Table 2

RESERVES	FCA							PSR	Group
	Ongoing Regulatory Activities (ORA) £m	Transformation £m	Investment Harm Campaign £m	Scope Change £m	Accumulated Reserves £m	Pension Asset (Obligation) £m	Total Accumulated Reserves £m	Accumulated Reserves £m	Accumulated Reserves £m
At 31 March 2021 (as restated)	48.4	10.1	1.8	(15.3)	45.0	(41.3)	3.7	4.6	8.3
(Under)/Over recovery against budget (as restated)	51.2	(2.1)	0.6	–	49.7	–	49.7	0.5	50.2
ORA Reserves Utilised	(2.4)	–	–	–	(2.4)	–	(2.4)	–	(2.4)
Net Scope Change recoveries	–	–	–	7.4	7.4	–	7.4	–	7.4
Pension movement	–	–	–	–	–	56.8	56.8	–	56.8
At 31 March 2022 (as restated)	97.2	8.0	2.4	(7.9)	99.7	15.5	115.2	5.1	120.3
(Under)/Over recovery against budget	(11.4)	1.3	0.9	–	(9.2)	–	(9.2)	(2.8)	(12.0)
Net Scope Change recoveries	–	–	–	6.6	6.6	–	6.6	–	6.6
Pension movement	–	–	–	–	–	(46.7)	(46.7)	–	(46.7)
At 31 March 2023	85.8	9.3	3.3	(1.3)	97.2	(31.3)	65.9	2.3	68.2

Chart 3 – Reserves balance 2020-2023



The Scope Change deficit of £1.3m is due to the FCA funding scope change costs before recovering those costs from the relevant firms. The largest component relates to the setting up of the Funeral Plans (Table 3).

Table 3

Scope Change	SM&CR ¹ £m	EU Withdrawal £m	Claims Management ³ £m	Crypto Asset SAML ³ £m	Funeral Plans £m	Financial Promotions £m	Pensions Dashboard	Other ² £m	Total £m
At 31 March 2021	3.4	6.2	(1.6)	3.5	1.5	–	–	2.3	15.3
2022 costs	0.1	–	–	3.0	2.1	0.3	–	–	5.6
2022 recoveries	(4.4)	(6.2)	–	–	–	–	–	(2.3)	(12.9)
At 31 March 2022	(0.9)	–	(1.6)	6.5	3.6	0.3	–	–	7.9
2023 costs	–	–	–	1.2	1.4	0.8	0.4	–	3.8
2023 recoveries	–	–	–	(8.0)	–	(2.4)	–	–	(10.4)
At 31 March 2023	(0.9)	–	(1.6)	(0.3)	5.0	(1.3)	0.4	–	1.3

1 Senior Managers & Certification Regime. To be refunded as part of the 2023/24 Annual Funding Requirement

2 This relates to EU Benchmarks (£1.9m) and Securitisation Repositories (£0.4m)

3 To be refunded as part of the 2023/24 Annual Funding Requirement

Transformation Programme

Transformation at the FCA is a multi-year journey to make significant changes to transform the FCA to be more innovative, assertive, and adaptive. In March 2023 we successfully completed the first part of our journey, a 3-year programme, dedicated to the transformation of the FCA (see Chapter 4). We published our 3-year strategy as part of this in April 2022. To continue our successful delivery of the strategy, to ensure we maintain momentum and integration across the many initiatives planned this year, we have extended our Transformation journey into 2023/24.

Penalties collected on behalf of the Treasury

We collected penalties of £212.6m (2022: £354.7m) payable to the Treasury, of which £10.2m (2022: £33.3m) were issued by the PSR. At 31 March 2023, penalties owing to the Treasury was £7.5m (2022: £52.1m) and £208.0m was paid during the year, representing £57.7m of penalties received in 2021/22 and £212.6m of penalties received in 2022/23 net of £54.8m to be rebated to fee payers in 2023/24.

Section 5 – Principal risks and uncertainties

The focus of this section is on the principal risks and uncertainties to the FCA achieving its strategic and operational objectives.

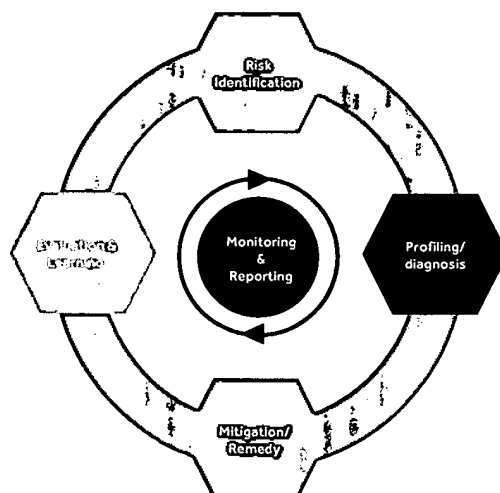
The FCA faces a range of risks, which in extreme scenarios could threaten its long-term viability and ability to remain a credible regulator. The FCA must use its resources effectively and efficiently. To achieve this the FCA must have the ability to identify, manage and report on potential and actual risks of harm. In doing so it must deliver appropriate actions to prevent and mitigate serious risks of harm and ensuring an appropriate risk appetite is maintained. The FCA's Risk Management Framework (RMF) provides for a systematic, disciplined, and consistent approach to evaluating and improving the management and oversight of risks, seeking to mitigate them to bring them within risk appetite. These risks include:

Risk of Harm
External Risks posed to consumers and markets
Own Risk
Operational Risk and Execution Risk

Day-to-day roles and responsibilities relating to risk management are built around the three lines of defence (3LoD) model, ensuring appropriate segregation of duties.

The FCA's policy and control framework is a core part of the RMF setting clear standards for FCA policies and providing clarity on where we rely on policies to manage key areas of risk.

The FCA adopts a Risk Management Process which helps colleagues understand how the component parts of the RMF come together in terms of day-to-day risk management.



The Board considers and assesses the nature and extent of the Strategic Risks the FCA is exposed to and is willing to take to achieve its strategic and operational objectives and oversees the Executive in ensuring that planning, prioritisation and decision making is consistent with this assessment. Details of the specific Risks and Uncertainties facing the PSR are contained in their Annual Report and Accounts.

External Risks of Harm

The FCA's regulation affects consumers, businesses, and the UK economy. We prioritise our work by identifying, assessing/triaging, and understanding trends in the Risks of Harm and, therefore, threats to the achievement of our strategy and plans. This clarifies corporate priorities which helps us to regulate and make decisions to improve outcomes for users of financial services and the markets themselves.

We focus on outcomes rather than being driven by processes. Our Strategy, published in April 2022, sets out our vision and ambitions for the next three years. It also sets out the consistent high-level outcomes expected from financial services and the key strategic areas we will focus on. There are 13 (cross-cutting) commitments in the Strategy to support our strengthened focus on:

- reducing and preventing serious harm;
- setting and testing higher standards; and
- promoting competition and positive change.

Together, these coordinate our actions and support the outcomes the FCA expects consumer and wholesale financial services to deliver.

The strategic areas are mapped to the 13 commitments in Table 4 below.

Table 4

Area	Description	13 commitments
1	Reducing and preventing serious harm	1. Dealing with problem firms 2. Improving the redress framework 3. Reducing harm from firm failure 4. Improving oversight of Appointed Representatives 5. Reducing and preventing financial crime 6. Deliver assertive action on market abuse
2	Setting and testing higher standards	7. Putting consumers' needs first. 8. Enabling consumers to help themselves. 9. A strategy for positive change: our environmental, social and governance (ESG) priorities. 10. Minimising the impact of operational disruptions.
3	Promoting competition and positive change	11. Preparing financial services for the future. 12. Strengthening the UK's position in global wholesale markets. 13. Shaping digital markets to achieve good outcomes.

Chapter 5 of this document provides further details on how we have progressed against the intended outcomes for each of the 13 commitments and the work we have undertaken. Additionally, we publish details on intended outcomes and the metrics used to measure these on our website. The latest update published on 20 July 2023, details our progress over the previous 12 months.

To ensure we remain outcome focused, it is essential we regularly review our priorities. Decisions must be evidence-based, with appropriate consideration of the risks associated with any re-prioritisation to ensure we pivot our human and other resources where they are most needed. This includes consideration of the potential impact the external environment can have.

As such, we keep our Strategy and priorities under continual review so they can adapt to important changes. The markets we regulate are not static so current opportunities and challenges will not be the same as those we will face in the future. Examples of current opportunities and challenges include:

- prolonged high levels of inflation and increasing interest rates placing additional challenges on consumers, especially those experiencing financial hardship, firm resilience, and consequently the integrity and proper functioning of the market. We have taken account of cost-of-living pressures and the continuing uncertain and volatile external economic and geopolitical environment on our priorities as detailed in our recent Business Plan 2023/24;
- the pace of external change, changes in firms' business models, consumer behaviour and speed of digitisation;
- the emergence of new technologies including Generative and other forms of Artificial Intelligence;
- upcoming changes to current, and introduction of new regulations and policies, (e.g., the Future Regulatory Framework and New Consumer Duty) that can positively impact consumers and markets;
- the FCA's broad remit which continues to grow and the impact this may have on other regulators; and
- the potential increased risk of conflicting and/or unachievable expectations and/or the increasing expectations on transparency and accountability of stakeholders.

We therefore continue to monitor emerging risks and adapt our plans where necessary.

Own Risks (Operational & Execution Risk)

The FCA keeps internal processes under continuous review and implements new processes and controls where appropriate.

Title & Risk Trend	Description	Key mitigations
Perimeter	The risk that the FCA's regulatory scope or remit (i.e. the regulatory perimeter) is unclear or misunderstood both internally and externally, including where changes to the regulatory perimeter, new regimes or changes to the FCA's objectives and requirements are not implemented effectively, resulting in consumers not receiving the degree of protection that they thought was available, the integrity of the UK financial system not being maintained or competition in the interest of consumers not operating effectively.	Strong working relationships and regular liaison with HM Treasury, regulatory partners and Government. Clear governance structures including regular horizon scanning, to oversee proposed legislative change with the potential to impact the FCA's remit and accountabilities. Dedicated resources to help reduce harm linked to our Perimeter, including tackling firms and/or individuals carrying out regulated activities without the correct permissions or authorisation and a Perimeter Report and webpages to support stakeholder understanding. Further enhancements: Continue to build on successful consumer campaigns such as ScamSmart and InvestSmart to improve understanding of the perimeter; seeking to improve the consumer experience by helping them to access the right agency first time; and adapt to future changes in the FCA's objectives and regulatory powers.
Strategy, Planning and Prioritisation	The risk that the FCA does not operate effective and clearly defined Strategy and Business Planning processes, that enables a forward looking and dynamic approach to prioritisation that allows an adequate and effective response to internal and external events, including regulatory, legislative, macroeconomic and geopolitical changes and events.	Robust strategic and financial planning which includes appropriate governance to support the allocation of funding/resource and effective prioritisation. Horizon scanning including stress and scenario testing to ensure the FCA is aware of internal and external factors that could impact its strategy and business plan in a timely manner. Metrics that measure the achievement of outcomes set out in the FCA's business plan and current strategic priorities are reviewed regularly. Further enhancements: Continue to enhance processes to ensure that the organisational structure, plans, systems and controls remain appropriate to deliver the FCA's objectives. This includes continuing to back test and evaluate the effectiveness of interventions.

Title & Risk Trend	Description	Key mitigations
Regulatory Tools and Process	The risk that the FCA does not have the appropriate tools or processes or fails to apply them to identify and/or act in an assertive, effective and efficient manner with sufficient speed and agility to identify and prevent harmful activities such as fraud in the regulated financial services market.	Robust authorisations processes which ensure that firms and individuals meet the FCA's minimum standards and understand that they must continue to meet them as long as they are authorised. Agile and assertive supervisory, competition and enforcement processes which ensure the FCA intervenes in a timely manner to prevent or mitigate harm. Comprehensive policy making processes to ensure there are robust rules, guidance tools and standards in place and that these remain fit for purpose, including liaison with HM Treasury and Government to effect changes in legislation to mitigate deficiencies in tools and powers. Further enhancements: Continued close engagement with key stakeholders to ensure the FCA robustly contributes to discussions around proposed regulatory change, including to resolve deficiencies in its remit and powers, together with ongoing enhancements to the FCA's systems, data and intelligence collection, usage and management information.
People	Risk associated with the inability to attract and retain a suitably skilled, experienced and motivated workforce; the right number of people to deliver the work programme, in the right location(s) at the right cost to keep pace with the changing nature of regulated firms and the markets within which they operate; or lack of appropriate diversity and inclusion, such that the FCA does not appropriately identify the risks and harms in the market or act with the pace or flexibility required.	People Committee responsible for approving, overseeing and reviewing the FCA's People Strategy. Targeted recruitment campaigns to attract high calibre staff and a competitive employment offer designed to reward strong, consistent performance, aid career development and close any diversity related or other pay gaps. On-going capability assessments, identification of potential gaps and a wide range of approaches to help drive personal development, including an FCA Academy and continuous training. Further enhancements: Continued development of Strategic Workforce Planning capability, with increased fungibility of resources and integration with the FCA strategy development and financial planning processes.

Title & Risk Trend	Description	Key mitigations
Financial	A range of risks encompassing revenue and collections risk, pensions obligations risk, capital and liquidity risks. The collection of fees and future fee income of the FCA could be impacted by firm failures and/or reduced revenues generated by firms as a result of external environmental factors. The risk that current cash reserves and overdraft facility are insufficient to meet the FCA's outgoings, as a result of significant adverse changes in income and/or expenditure, including as a result of inflation, with insufficient time to mitigate potential cash flow impacts through changes in revenue or enhanced cost controls. The risk that a movement in the defined benefit Pension scheme's (the defined benefit Plan's) asset values are not matched by a corresponding movement in the value placed on the Plan's defined benefit obligations resulting in an increased funding deficit.	Cash flow forecasts which stress test for downside and worst-case scenarios, prepared to determine potential liquidity risk and to support the level of overdraft required. Annual budget is monitored monthly against baseline spend and change portfolio and forecasts are prepared monthly based on actual spend to date. The defined benefit Plan is monitored frequently by the Pension Trustee Board with regular reviews of the Plan's funding position using external appropriately skilled individuals and advisors. Further enhancements: Continue to supplement our forecasting with relevant stress and scenario testing to ensure that the reserve levels remain appropriate. The defined benefit Plan continues to move closer to full funding position based on both technical provision and Long-Term Objective basis.
Governance	The risk that the FCA does not have appropriate and effective governance and decision-making arrangements in place (operating in accordance with the principles of good corporate governance and the Nolan Principles), with clearly defined and agreed roles and responsibilities, appropriate systems and controls and professional standards.	Robust and clearly articulated governance arrangements at all levels of the organisation with defined roles and responsibilities and periodic review of their appropriateness and effectiveness. <u>Senior Managers Regime</u> has been embedded clearly setting out the responsibilities and delegations for senior staff, supported by clear supporting documentation. Clear policies, standards and guidance to ensure colleagues meet expected professional standards. Further enhancements: The governance arrangements are continuously reviewed to ensure they meet the changing needs of the organisation and remain fit for purpose.

Title & Risk Trend	Description	Key mitigations
Operational Resilience	The risk that the FCA (and its suppliers) are not resilient, including, but not limited to, technology stability, operational resilience and cyber related risks. Please also see Technology Risk below.	A robust approach to maintaining Operational Resilience, including ongoing cyber and technology programmes and dedicated resources assigned to all aspects of operational resilience, supported by appropriate, robust governance arrangements. Comprehensive management information system, including a risk-based view of all threats and controls underpinning the FCA's cyber risk. Further enhancements: Continuous development activity to identify and remediate issues identified to ensure the FCA meets desired resiliency standards, including continued enhancements to the management and oversight of third-party suppliers.
Technology	The risk that we fail to ensure the appropriate integrity, availability and resilience of the FCA's systems as well as the ability to adapt to technological innovations such as artificial intelligence (AI) and machine learning (ML) increases the risk that the FCA's systems are not fit for purpose and may impact the delivery of intended outcomes, potentially undermining the FCA's ability to deliver key objectives and operate effectively. Please also see Operational Resilience Risks above.	Ongoing change initiatives focused on updating the FCA's current IT infrastructure to ensure it remains fit for purpose and continues to meet changing demands. Robust governance arrangements to oversee technology risks and on-going investment in technology resources. Development of collaboration opportunities across the global regulatory landscape to align AI/ML strategies and regulatory requirements. Further enhancements: Continued investment in the IT infrastructure to ensure hardware and software remain fit for purpose, aligned to the threat landscape and position the FCA to appropriately take advantage of new technology developments.

Title & Risk Trend	Description	Key mitigations
Data and Information	The risk that the FCA has inaccurate, incomplete or inadequate data, and/or fails to appropriately ensure the ongoing integrity and use of its data, intelligence and/or other information. This encompasses the external and internal adoption of new data and analytical techniques, including responding to advancements in AI/ML and related capabilities to deliver key objectives or policy enhancements aimed at mitigating harm.	Robust governance structure with specific responsibility for addressing the risks related to data, including implementation of key roles and responsibilities such as Data Owners and Data Stewards. Enhanced controls, processes, tools and direction for data acquisition, utilisation, quality and storage to accelerate the FCA's data approach to ensure it becomes a data led regulator. Establishment of the <u>Innovation Advisory Group</u> to highlight concerns impacting FinTech and RegTech and identify opportunities for further innovation in financial services. Continuous focus on collating appropriate data, intelligence and other information; analysing it using innovative techniques and processes; and making it available, with associated robust controls to manage use and access. Further Enhancements: Further strengthening data sharing with regulatory partners and other relevant external organisations and forward-looking enhancements to the FCA's tools and data repositories together with focus on the internal and regulatory response to the ever changing data, AI and ML landscape.
Public Confidence	The risk that the FCA fails to maintain the public confidence of its key external stakeholders including in its independence, and in how it delivers against its Business Plan and objectives, with appropriate clarity, speed and agility.	Strong working relationships and regular liaison with key stakeholders, including regulatory and law enforcement partners, Government, industry and consumer groups. Delivery of the transformation and other change programmes will continue to increase operational efficiency and effectiveness, including agility and robustness of response to harm. Further enhancements: Continuing to increase external engagement, together with strengthening existing and using new methods to enable better collaboration, intelligence collection and collective action.

Chapter 8

Directors' report and corporate governance statement

Directors' report

The directors present their report for the year ended 31 March 2023.

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. They use the s172 statement see Chapter 6 and Corporate Governance Statement see Chapter 8 to explain how they have performed this duty. 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 see Appendix 4 and Task Force on Climate-related Financial Disclosures Report see chapter 6 which set out our environmental sustainability work; and our annual Diversity Report, which provides an overview of our diversity and inclusion activities.

In addition, the FCA's business plan 2023/24 explains our programme of work for the next 12 months and can be found on our website.

The Group comprises the FCA and its wholly-owned subsidiary, the Payments Systems Regulator Limited (PSR). More information about the PSR's activities during the year can be found in its own Annual Report.

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 United Kingdom. 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 United Kingdom, have been followed and 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, and
- they have taken all the steps they ought to have taken as directors in order 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 2023 to 31 March 2025. 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 £347.6m at 31 March 2023 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 £9.1 million, 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 scope change costs (£1.3m), (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 current Complaints Scheme.

- b. The FCA's net pension obligation of £31.2m at 31 March 2023 reflects (i) the triennial valuation of the FCA Pension Plan at 31 March 2022 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 responsible for 48.9% of those fees (2022: 49.1%).

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 1.95% (2022: 0.91%). The average bad debt increase mainly reflects debt arising from late reporting fees and firms which were marginally impacted by the Covid-19 pandemic and by the cost-of-living crisis and high inflation.
- 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 Estimate Uncertainty that have been considered by the directors are the estimated intangible assets useful lives (as set out in Note 8 to the Financial Statements), the assumptions underpinning the right of use assets, lease liabilities and dilapidation provisions (as set out in Notes 9, 12 and 18, respectively, to the Financial Statements), the assumptions underpinning the pension assets and obligations (as set out in Note 17 to the Financial Statements) and the assumptions relating to provisions and contingent liabilities under the Complaints Scheme (as set out in Note 18 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 109.

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

In June 2023, the High Court granted permission to bring a judicial review claim against the FCA. The FCA are defending the claim and proceedings are ongoing. The FCA does not expect the ultimate resolution of the claim to have a significant adverse effect on its financial performance, position or cash flows.

There are no other material events after the reporting date.

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. Accordingly, the FCA does not currently purchase Directors and Officers Liability Insurance.

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 2023 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.

Auditor

The Comptroller and Auditor General acted as External 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 29 June 2023.

Miles Bake – Company Secretary

Corporate governance statement

Introduction

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) 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 see 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 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. Due to the statutory framework set out in FSMA for the FCA and FSBRA for the PSR, which enables the ability to raise fees to recover the costs of carrying out our statutory functions, the Board 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 is 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 it 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 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 4-11.

The Board committee structure has evolved during the year to ensure it continues to support the Board in an efficient and effective way. The Policy and Rules Committee was established in June 2022 to support the Board in meeting its responsibilities when exercising its legislative functions to make policy and rules under FSMA (2000). The Committee has increased the time available for Board Members to discuss the development of policy proposals and new rules and ensure that the final decision-making process is informed, streamlined and efficient. PeopleCo was established in June 2022, replacing the former Nomination and Remuneration Committees. Having a single committee aligns the functions of the 2 former committees, allowing the Board to have a more comprehensive, unified look at 'people matters'.

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.

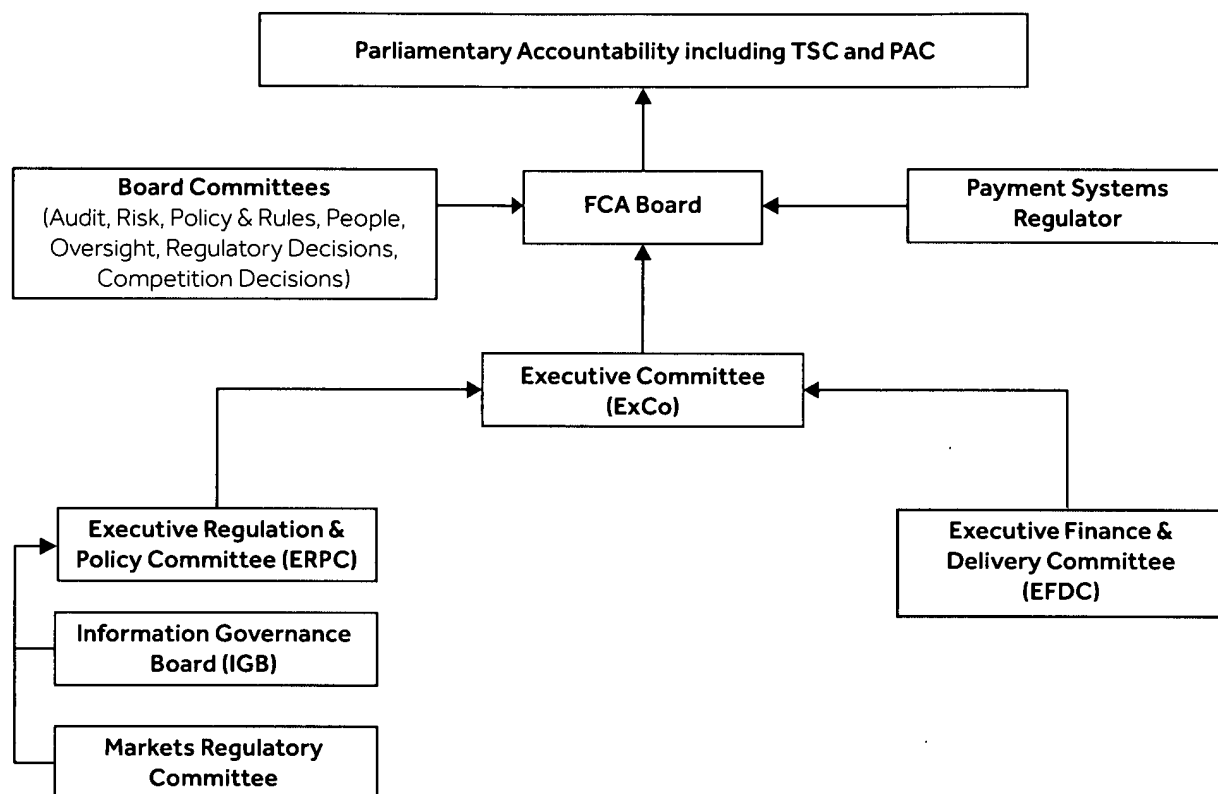
Our executive committees also play an important role in our governance. The principal committee is the Executive Committee (ExCo), which is chaired by the Chief Executive and takes decisions on the most significant operational issues.

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

- Executive Regulation and Policy Committee – which takes decisions on significant regulatory and policy issues.
- Executive Diversity Committee – which previously led our diversity and inclusion agenda. This was replaced on 28 June 2022 by a Diversity, Equality and Inclusion Programme Board, which enables more stringent change management governance for our Diversity, Equity and Inclusion strategy.
- Executive Finance and Delivery Committee – which takes decisions on spending and delivery on all programmes, projects, and cross-cutting work packages, and receives regular performance reviews from each Division (established 01 April 2022).
- Information Governance Board – which oversees implementation of the FCA's data strategy.
- Markets Regulatory 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.

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 Treasury
- the Bank of England's Deputy Governor for Prudential Regulation
- 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, 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
Charles Randell² (Chair until 31 May 2022)	01/04/18	31/05/22
Ashley Alder (Chair from 20 February 2023)	20/02/23	19/02/28
Richard Lloyd (Interim Chair from 1 June 2022 until 19 February 2023)	01/04/19	31/03/25
Liam Coleman (Non-Executive Director)	05/11/19	04/11/25 ¹
Bernadette Conroy Non-Executive Director	06/04/20	05/04/26 ²
Jeannette Lichner (Non-Executive Director)	01/04/20	31/03/23
Alice Maynard (Non-Executive Director)	05/11/19	04/11/25 ³
Tommaso Valletti (Non-Executive Director)	05/11/19	04/11/22
Sam Woods (Non-Executive Director – Bank of England Deputy Governor for Prudential Regulation)	01/07/16	30/06/26 ⁴
Nikhil Rathi (Executive Director – Chief Executive)	01/10/20	30/09/25

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 was the Senior Independent Director (SID) until he became Interim Chair on 1 June 2022. Richard Lloyd resumed the SID role once Ashley Alder became the permanent Chair on 20 February 2023⁵.

The Board aims to ensure it has a diverse membership, with 3 out of 9 Board members identifying as women, one Board member being from a minority ethnic background and one Board member who identifies as disabled. Particular attention is paid to the recruitment process to attract a diverse field of candidates from which a variety of members with the appropriate balance of relevant skills and experience can be selected.

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 Alice Maynard was appointed for a second 3-year term in July 2022.

⁴ Sam Woods is a member of the Board, as long as he remains the Deputy Governor for Prudential Regulation. Sam Woods was first appointed to the role and joined the Board on 01/07/16 for a 5 year term, which was then renewed for a further 5 years and due to expire on 30/06/26.

⁵ The Board has since renamed the role of the Senior Independent Director as Deputy Chair.

The Annual Diversity 2022/23 report sets out how the FCA has progressed in relation to improving diversity and inclusion, including meeting the targets set out in our recent Policy Statement on the diversity of boards of listed companies.

Charles Randell stepped down as Chair on 31 May 2022 and had no commitments in addition to his chairmanship of the FCA and non-executive directorship of the PSR⁶. Richard Lloyd became Interim Chair of the FCA from 1 June 2022 and served until Ashley Alder took up the role on a permanent basis on 20 February 2023.

The Board also said goodbye to Tommaso Valletti and Jeannette Lichner, who stood down as non-executive directors when their terms ended on 04 November 2022 and 31 March 2023 respectively. The Board was delighted to welcome Sophie Hutcherson on 17 April 2023. Sophie joins the Board with over 30 years in financial services, as a regulatory supervisor and policy maker and then in a variety of regional and global roles for multi-national and smaller firms in compliance, risk and general leadership.

As an executive member of the Board, Nikhil Rath 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 ensure 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 4-11 below.

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

Name	Scheduled board meetings
Charles Randell ⁷ (Chair until 31 May 2022)	2/2
Ashley Alder ⁸ (Chair from 20 February 2023)	2/2
Richard Lloyd (Interim Chair from 01 June 2022)	11/11
Liam Coleman	11/11
Bernadette Conroy	11/11
Jeannette Lichner	11/11
Alice Maynard	11/11
Tommaso Valletti ⁹	6/6
Sam Woods	10/11
Nikhil Rath	11/11

⁶ Charles Randell stood down as Chair of the PSR on 31 March 2022 but remained a non-executive director until 31 May 2022.

⁷ Charles Randell stood down as Chair and from the Board on 31 May 2022.

⁸ Ashley Alder joined the Board as Chair on 20 February 2023.

⁹ Tommaso Valletti served as a non-executive director until 04 November 2022.

As detailed above, the Board met on 11 occasions during the year. An additional Board Sub-Committee meeting was held to approve the appointment of new Regulatory Decision Committee (RDC) Deputy Chairs¹⁰. 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 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. Wherever possible, the Chair and Company Secretary review papers before they are circulated to members to ensure that information is accurate, clear and received in a timely manner. Papers for Board and Board committee meetings are usually circulated the week before meetings take place.

Internal processes ensure that matters presented to the Board, Board committees and executive committees have undergone internal stakeholder review and sought external stakeholder engagement, as appropriate.

At meetings, the Board considers a number of 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 more recently the Payments 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 ensure 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 the FCA's approach to key strategic issues, including:
 - the continuing situation in Russia and Ukraine
 - the rising cost of living
- Overseeing the FCA's engagement with the development of the Future Regulatory Framework and the Financial Services Bill, including:
 - the development of the Secondary International Competitiveness & Growth Objective
- Reviewing the Senior Managers and Certification Regime
- Approving major policy initiatives, including:
 - the new Consumer Duty
- Approving the FCA's approach to strengthening its governance of environmental issues
- Overseeing the FCA's response to independent reviews, as well as those carried out within the FCA, and the work to address them
- Overseeing the FCA's Transformation Programme and its operational performance
- Approving organisational budgets and business plans of the Payment Systems Regulator, the Financial Ombudsman Service and the Financial Services Compensation Scheme, and
- 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](#).

¹⁰ The members of the Board sub-committee included: Ashley Alder, Richard Lloyd and Bernadette Conroy. Authority to approve the appointment of new Regulatory Decision Committee (RDC) Deputy Chairs was delegated by the Board.

Independent Review Assurance Statement

Since their publication in December 2020, the FCA has sought to implement, through a dedicated programme of work, the Recommendations and Lessons Learned (collectively 'the Recommendations') from the Independent Reviews into London Capital & Finance plc (LCF) and Connaught.

In our public response¹¹ to both Independent Reviews, we stated that our implementation of the Recommendations would be subject to comprehensive assurance activity, with this being overseen by our Board and its Audit and Risk Committees, and our Chairs of those bodies explaining how this oversight was performed.

The FCA always needs to learn and adapt, continually enhancing its effectiveness and efficiency, while also making improvements informed by a range of insights, including the recommendations from the Independent Reviews. As Chairs of the Board, and the Audit and Risk Committees, we are committed to this focus on continuous improvement, and we gain insight to the FCA's evolving approach through our review and challenge of the key risks the FCA is running and the adequacy and effectiveness of its controls.

The Committees have met on a regular basis from the beginning of this dedicated programme of work and received regular reports on progress from both the team coordinating the development and implementation work as well as those assuring it. We note the improvements made by the FCA in the implementation of the Recommendations, as set out in the 'Our recent actions in response to independent reviews' section of this Annual Report.

Each Recommendation, and underlying actions, have been subject to assurance work by the FCA's risk management function and, in some areas, its internal audit function. The assurance work was conducted through a programme to assess the adequacy and effectiveness of what has been delivered. The findings have been presented to the areas in the FCA accountable for the delivery of the Recommendations, the Executive Committee and the Audit Committee and Risk Committees on a regular basis, with challenge provided on these conclusions. Assurance work relevant to the Recommendations has been extensive, and future work relevant to their ongoing effectiveness will be absorbed into the normal work programmes of the Risk & Compliance Oversight and Internal Audit Divisions. This will include the FCA's continued progress in developing automated methods for generating alerts to front line supervisors and enhancing how we receive and process intelligence from industry sources.

The Risk and Audit Committees have also scrutinised the FCA's progress in taking corrective actions to address assurance findings and considered if the work indicates broader issues for the FCA's risk management which need to be mitigated. Many of these issues represent ongoing risks to the FCA, and, therefore, to consumers and financial services markets. The Principal Risks and Uncertainties section of this Annual Report provides a description of some of these risks and details further enhancements that the FCA intends to make in future. We will also conduct assurance work on the actions taken in response to the IRHP Independent Review over the next year.

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 was appointed as the Company Secretary of the FCA with effect from 23 March 2022.

¹¹ <https://www.fca.org.uk/news/press-releases/fca-responds-independent-reviews-london-capital-finance-connaught#:~:text=The%20FCA%20has%20accepted%20all,extent%20of%20the%20regulatory%20perimeter>

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 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 Committee¹² 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 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 ensure 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 an internal self-evaluation of its effectiveness in November 2022 and discussed the results at its December 2022 meeting. The Board considered that the results evidenced good progress to improve the efficiency and focus of the Board. The Board continues to look for ways to make further improvements.

Conflict of interests

All Board members are required to declare relevant interests in accordance with the FCA's [Conflict of Interests Policy for Non-Executive Directors](#). 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. The Board last reviewed the [Conflict of Interests Policy for Non-Executive Directors](#) in March 2019.

Internal controls

As set out in Chapter 7 – 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.

¹² The People Committee was established on 23 June 2022 and replaced the former Nominations and Remuneration Committees.

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

- Leadership at all levels regularly demonstrating to all colleagues their commitment in maintaining an appropriate control culture across the FCA and for all colleagues to effectively adopt and live the FCA's values.
- 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 key risks together with relevant supporting information, and to 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 regularly providing Second Line of Defence (2LoD) opinions to Executive and Board level committees on key risks and controls and undertaking various assurance activities in line with its pre-agreed plan, as well as reviews which are responsive to the changes in the internal and external risk environment.
- The Internal Audit Division, the Third Line of Defence (3LoD), providing independent assurance about the effectiveness of risk management 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 as these relate to risk management. This information contributes to the development of the three-year strategic Internal Audit Plan.
- The Internal Audit Plan, which is approved by the Audit Committee and sets out the reviews that Internal Audit will perform. Internal Audit periodically reviews the Audit Plan to ensure that this keeps pace with the changing internal and external environment, and
- Clear segregation between the FCA's regulatory function and the FCA's internal treasury function to ensure separation of regulatory and investment activities.

The Board acknowledges that the risks facing the organisation continue to evolve. These risks are set out in detail in the Principal Risks and Uncertainties Section Chapter 7. All such risks impact the FCA's Own Risk Profile and influence the breadth and pace of risk mitigation being undertaken to ensure that the internal control environment adapts to the overall prevailing risk environment. Further, the external environment has a direct impact on the FCA's crisis planning, and prioritisation of resources, to ensure the organisation is able to respond in a timely, efficient and effective manner.

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. The Audit Committee and Risk Committee also meet jointly on a regular basis to review the FCA's performance.

These Committees received reports on the assessments performed by the three lines of defence. Based on these assessments, the design of the organisation's controls is broadly adequate, with aspects of the design and implementation of internal controls and risk management being improved during the year. There are further improvements to be made to the effectiveness of controls including embedding greater adherence and, in particular, increasing compliance with newer controls. As such, further investment is being made as set out in the FCA's Business Plan, including in:

- information technology, including cyber, operational resilience and information security, both within the FCA and in our supplier base;

- continuing to improve the quality, breadth and depth of the data the FCA receives and the integrity and usage of the FCA's data through automation of analytics tooling and enhanced intelligence capabilities including continued strengthening of data sharing with regulatory partners and other relevant external organisations;
- ongoing enhancement of metrics used in the measurement of outcomes experienced by users of the regulated activities of FCA authorised firms and delivered by the activities of the FCA; and
- continuing enhancement of the FCA's internal frameworks (including for example, recruitment, third-party risk management, financial crime), processes and controls for all risks, including to enable adaption at pace to potential forthcoming changes in the FCA's objectives and regulatory powers, as well as expectations of stakeholders on increased transparency and accountability.

The Audit Committee received and reviewed reports from: the Risk & Compliance Oversight Division on various compliance related matters, the outcomes from complaints handling, outcomes of certain assurance reviews and various other activities; and Internal Audit on outcomes of reviews into whistleblowing disclosures, executive summaries of internal audit reviews, themes identified from internal audit reviews and outstanding audit findings. The Audit Committee also received regular updates on the work of the National Audit Office (NAO). The Risk Committee received regular reports on the risk environment from all three lines of defence. This included the outputs of assurance reviews, oversight activities, including of the Transformation Programme, incident & event reports, and other relevant second line opinions from the Risk & Compliance Oversight Division. Both committees also received regular updates on the progress on actions taken by first line management in response to the Independent Reviews, together with the outcome of assurance work on those actions to demonstrate their adequacy and effectiveness.

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.

Board Committees

The Board committees also 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 reviewed periodically and 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, Nikhil Rathi, is a member; and the Audit Committee of which the PSR non-executive director, Simon Ricketts, is a member.

Information on each committee's membership is published on our website and is detailed in figures 4-11 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 is responsible for reviewing and providing assurance to the Board on matters including: the effectiveness of our internal controls; our operational risk management framework and mitigation strategies; 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 109 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 the organisation'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
- reviewing internal audit reports
- scrutinising significant projects for IT and major change programmes
- scrutinising the organisation's cyber security controls
- monitoring complaints-handling processes
- considering the outcomes from the annual risk and control self- assessments and joint organisational internal control assessments

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
Jeannette Lichner ¹³	6/7	1/1
Simon Ricketts	7/7	1/1

The Committee also oversees the FCA's relationship with the external auditor, the National Audit Office (NAO). Information on fees paid to the auditor is disclosed in Note 6 of the financial statements on page 160 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 to approve the 3-year Internal Audit Plan for the PSR and FCA.

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

- updates on the Cyber Security Programme for the FCA and PSR
- Transformation programme updates

¹³ Audit Committee member until 31 March 2023.

- Chief Operating Officer & Chief Risk Officer Quarterly review of themes assessing the operational performance across FCA functions
- Change Portfolio updates
- oversight of Information and Risk management risks and controls
- implementation of Independent Review recommendations

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

Name	Scheduled meetings
Liam Coleman	5/5
Bernadette Conroy	5/5
Jeannette Lichner ¹⁴	5/5
Alice Maynard	5/5
Simon Ricketts	5/5

The Committee held private sessions with the Director of Internal Audit, the 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.

Wherever possible and as necessary, the Committee meetings were attended by: the Chair of the Board, the Chief Executive, the Chief Operating Officer, the 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.

The functions of the PSR's Audit Committee are carried out by the members of the Audit Committee. The Committee therefore reviews and provides assurance to the PSR's Board on relevant matters.

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 FCA 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 annual risk and compliance operational and assurance plan
- reviewing the effectiveness of risk identification and mitigation, including the potential for unintended consequences of FCA interventions
- receiving reports on the operation of the Regulatory Decision Committee
- regular deep dives into "own risk" and external risks
- reviewing the risks highlighted by independent review reports

¹⁴ Audit Committee member until 31 March 2023

- reviewing risks associated with:
 - the FCA's business planning and prioritisation process
 - the increasing cost of living
 - the Consumer Credit Strategy
 - Financial and Operational risks
 - LDI (Liability- Driven Investment Strategies) risks
 - the Future Regulatory Framework

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

Name	Scheduled meetings	Additional meetings
Bernadette Conroy (Chair)	7/7	1/1
Liam Coleman	6/7	1/1
Jeannette Lichner	7/7	1/1
Alice Maynard	7/7	1/1

The Committee met on 7 occasions during the year. An additional meeting was also held to approve the Risk, Compliance & Oversight (R&CO) Annual plan 2023-24. Five joint meetings of the Audit and Risk Committees were also held, as detailed above.

The Chief Operating Officer, the Director of Risk & Compliance Oversight and the Director of Internal Audit 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 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.

Remuneration Committee

The Remuneration Committee was responsible for ensuring that there is a formal and transparent procedure for developing policy on remuneration and for agreeing the remuneration packages of members of the Executive Committee and other senior executives who fall within the scope of the Senior Managers Regime. The Committee also recommended to the Board the annual budget for pay and performance awards and is also responsible for determining the remuneration of members of certain associated bodies (such as the Board of the Financial Ombudsman Service and the Consumer Panel).

The Remuneration Committee was disbanded on 23 June 2022 and its remit subsumed by the newly formed People Committee. Prior to its disbandment, the Committee's principal areas of activity included:

- monitoring progress of the staff consultation, and
- reviewing proposals relating to the new employee offer

The Committee met on 2 occasions during the year before being disbanded.

Figure 7 – meeting attendance by Remuneration committee members during the reporting year

Name	Scheduled meetings
Alice Maynard (Chair)	2/2
Charles Randell	2/2
Liam Coleman	2/2
Bernadette Conroy	2/2
Jeannette Lichner	2/2

Nominations Committee

The Nominations Committee was responsible for making recommendations to the Board with regard to the structure, size and composition of the Board and its committees, taking account of the skills, knowledge, experience and diversity of the Board and the organisation's strategy. The Committee was also responsible for setting the performance objectives for members of the Executive Committee and certain other senior executives.

The Nominations Committee was disbanded on 23 June 2022 and its remit subsumed by the newly formed People Committee. Prior to its disbandment, the Committee's principal areas of activity included:

- considering succession planning for senior executives, and
- considering the performance objectives of the Chief Executive and executives within its remit

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

Name	Scheduled meetings
Charles Randell (Chair)	1/1
Liam Coleman	1/1
Bernadette Conroy	1/1
Jeannette Lichner	1/1
Alice Maynard	1/1
Richard Lloyd	1/1
Tommaso Valletti	1/1

The Committee met on 1 occasion during the year before being disbanded.

People Committee

The People Committee was established by the Board on 23 June 2022, and replaced the former Remuneration and Nominations Committees. The People Committee is responsible for approving, overseeing and reviewing the FCA's People Strategy.

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

- considering and monitoring the FCA's 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 FCA's 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 performance awards, and
- 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 9 – meeting attendance by People Committee members during the reporting year

Name	Scheduled meetings	Additional meetings
Alice Maynard (Chair)	8/8	1/1
Liam Coleman	6/8	1/1
Bernadette Conroy	6/8	1/1
Jeannette Lichner ¹⁵	8/8	0/1
Richard Lloyd	8/8	1/1

The Committee met on 8 occasions during the year, with 1 additional meeting held to update the committee on Colleague Voice.

An overview of the remuneration framework that applied during 2022/23 is set out in the Remuneration Report in Chapter 9.

The functions of the PSR's Remuneration Committee were carried out by the members of the Remuneration Committee until its disbandment. Since its establishment, these are now carried out by the members of the People committee. The People Committee therefore reviews and provides assurance to the PSR's Board on relevant matters.

Oversight Committee

The Oversight Committee provides support and advice to the Board on its relationship and obligations in respect of the Financial Ombudsman Service (the Ombudsman Service) and the Financial Services Compensation Scheme (FSCS). The Committee, which meets throughout the year with senior representatives of the Ombudsman Service and FSCS, 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 Ombudsman Service following its periodic review

¹⁵ Jeannette Lichner stood down as a member of the People Committee on 31 March 2023.

- considering the FCA's consumer investments strategy to tackle poor practice and misconduct in the market, and how this could reduce the burden on the organisations and the compensation bill and other regulatory costs borne by authorised firms, and
- ensuring that the FCA maintained good and effective working relationships with the Ombudsman Service and FSCS 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
Richard Lloyd (Chair until 23 June 2022)	3/3	1/1
Jeannette Lichner (Chair from 24 June 2022) ¹⁶	3/3	1/1
Sheldon Mills ¹⁷	2/3	0/1
Charles Randell ¹⁸	1/1	1/1

The Committee met three times during the reporting period and held one additional meeting for the Financial Ombudsman Service to discuss their future funding proposals and their work on transformation.

Policy & Rules Committee

The Policy & Rules Committee was established by the Board on 23 June 2022 and provides support to the Board in meeting its responsibilities 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 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 Committees' principal areas of activity included:

- Future Regulatory Framework (FRF) and Regulatory Reform Delivery options;
- Approaches to access to cash;
- New regulatory returns;
- Approach and implementation of the FMI sandbox;
- Finalising the framework for Regulatory Diversity & Inclusion;
- Mortgage market strategic response to rising cost of living and market conditions;
- Fee Policy Proposals.

¹⁶ Jeannette Lichner stood down as Chair of the Oversight Committee on 31 March 2023. Ashley Alder took on the role from 1 April 2023.

¹⁷ The Executive Director, Consumer & Competition, Sheldon Mills, attends Oversight as the Chief Executive's nominee.

¹⁸ Charles Randell stood down as a member of the Oversight Committee on 31 May 2022.

Figure 11 – meeting attendance by Policy and Rules members during the reporting year

Name	Scheduled meetings
Richard Lloyd (Chair)	3/3
Bernadette Conroy	3/3
Sam Woods	3/3
Tommaso Valletti ¹⁹	1/1
Nikhil Rathi	3/3

The Committee met 3 times during the reporting period.

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 3 and the s172 statement see Chapter 6.

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 2023 can be found in Appendix 3 of this report.

¹⁹ Tommaso Valletti stood down as a member of the Policy and Rules Committee on 4 November 2022.

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 three 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 29 June 2023.

Miles Bake – Company Secretary

Chapter 9

Remuneration Report

Remuneration principles

The FCA's remuneration principles are to retain and attract the skills we need to meet our vital objectives – protecting consumers and markets and promoting competition – for the long term.

The remuneration offered to FCA employees is benchmarked annually to ensure that we position ourselves up to 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 scheme¹

Remuneration focus for 2022/23

The FCA announced a new employment offer in March 2022 – <https://www.fca.org.uk/publication/corporate/fca-employment-offer.pdf>.

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, and
- support our aim of closing our 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 salary increase includes base pay uplifts to the new pay ranges, performance related pay uplifts and guaranteed uplifts. It excludes manager allowance consolidation, backdated pay, and does 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.

As part of the new employment offer, around 900 of the FCA's lower paid colleagues received an average salary increase of £3,575 to bring them to the minimum of a new pay benchmarks. With other salary increases and performance related pay, these colleagues received an overall average of nearly £6,500 and higher pension contributions and flexible benefits as a result of the increase.

The overall average salary increase was 6.8% for men and 7.4% for women. Salaries across our Black colleagues increased on average by 8.5%, across Asian colleagues by 8.2% and across Mixed/multiple ethnic groups colleagues by 7.7%.

More detail can be found in the associated Equality Impact Assessment – <https://www.fca.org.uk/publication/corporate/our-new-employment-offer-equality-impact-assessment.pdf>

The FCA also paid colleagues who met their performance objectives a one-off, backdated cash payment equivalent to 4% of salary in April 2022 in recognition of the changed economic environment since the consultation on the new employment offer was launched in September 2021.

The FCA discretionary performance bonus scheme has now been completely withdrawn. The last awards were paid in April 2022 for the performance year 2021/22 and as such are included for the last time in our bonus award publication data that covers the reporting period from 1 April 2022 – 31 March 2023. Bonuses were paid to those who performed the strongest, receiving 4 or 5 in their performance reviews on a rating scale of 1-5. The amounts paid were based on a fixed value as calculated as a percentage of the average salary for each grade. These ranged from 6% of salary for level 4 performers to 9% of salary for the highest, level 5, performers. For level 5 performers in less senior roles this value increased to 10% of salary.

The distribution of discretionary bonus awards is shown in Table 5.

Table 5

2022/23		2021/22 ²	
Bonus percentage awarded	Percentage of workforce awarded a bonus	Bonus percentage awarded	Percentage of workforce awarded a bonus
0%	–	0%	75.3%
0.1-5%	–	0.1-5%	0.4%
5.1-9.9%	–	5.1-9.9%	23.8%
10-14.9%	–	10-14.9%	0.5%

² Bonuses are paid annually in April 2022 immediately after the performance year.

Funding for the in the moment At our Best (AoB) recognition programme was increased from £0.3m to £1.0m from April 2022. This was fully utilised during the 2022/23 financial year.

In October 2022 all employees with a salary of £60,000 or less received a one-off payment of £1,000 to support colleagues in light of the current cost of living pressure. In January 2023, a further one-off payment of £250 was made to colleagues at all grade levels below the Senior Leadership Team. These payments were subject to tax and national insurance.

From June 2022, the Dependants' Pension on death in service benefit was replaced with increased life assurance. The existing 2x salary employer-funded life assurance, which included the option to increase up to 4x salary under the flexible benefit scheme, increased to 8x salary, with the option for colleagues to increase this to 10x, through the flexible benefits scheme.

Remuneration focus for 2023/24 onwards

The April 2023 pay review was the second year of the new employment offer. To ensure our employment offer remains competitive we have applied increases of between 3% and 7% to the midpoints of our pay ranges. The exact increase has been informed by benchmarking, plus internal and external comparator data. An additional increase has also been applied to the pay range minimums, helping to maintain our narrower pay ranges and to the benefit of those paid at the bottom of, or below, the range.

Performance Related Pay is a key part of our new employment offer. Performance Related Pay is based on performance over the previous 12 months and takes 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 continue to reinforce the recognition of excellent performance in the moment by increasing the size of the budget available for At our Best awards in line with our headcount. The budget in 2023/24 will be in excess of £1m annually.

There are no significant changes planned in 2023/24 to the wider FCA employment benefits. We are planning to review our pension plan more broadly during 2023/24, 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

SMR Executive Directors received no salary increase in 2022/23.

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) has two sections, both of which are non-contributory; a defined benefits section (closed to new entrants and any future accruals) and a defined contribution section. The defined contribution section offers an employer contribution of 8% to 12% of salary, depending on an employee's age. In addition, employee contributions are matched up to 3%, depending on an employee's age.

Further information about the Plan is set out in Note 17 to the Financial Statements.

Non-Executive Directors

Non-Executive Directors receive a fee for their service (see Table 6) and are not eligible to be considered for salary reviews, core or flexible benefits or pension contributions.

Board Directors' remuneration (audited)

The table below sets out the remuneration paid or payable to any person that served as a Board Director during the years ending 31 March 2023 and 2022. The remuneration figures shown are for the period served as Board Directors.

Table 6

	Basic salary		Other benefits		Total FCA Remuneration (excluding pension)		Pension		Total FCA Remuneration	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Chair										
Ashley Alder ¹	19	–	–	–	19	–	–	–	19	–
Richard Lloyd ²	136	52	–	–	136	52	–	–	136	52
Charles Randell ³	28	170	–	–	28	170	–	–	28	170
Executive Directors										
Nikhil Rath ⁴	455	455	–	–	455	455	55	60	510	515

	Group Fee Paid		FCA Fee Paid	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Liam Coleman ⁶	45	45	45	45
Bernadette Conroy ⁷	45	38	45	38
Jeannette Lichner ⁸	43	35	43	35
Alice Maynard ⁹	45	45	45	45
Tommaso Valletti ¹⁰	31	43	20	35
Sam Woods ¹¹	–	–	–	–

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.
2. Richard Lloyd joined the FCA Board on 1 April 2019 and was appointed to serve as Chair of the Risk Committee on 1 April 2020 and as Chair of the Oversight Committee on 17 September 2020. Richard stepped down as Chair of the Risk Committee after its meeting on 1 December 2022. 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 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.

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. For the year ended 31 March 2022, he received a fee of £20,000 as Chair. For the year ended 31 March 2023, he received a fee of £7,500 per year for his role as non-executive director of the PSR Board.

Executive Directors of the FCA

4. Nikhil Rathi was appointed as Chief Executive on 1 October 2020 on an annual salary of £455,000. He is a member of the FCA Pension Plan and is entitled to receive an annual pension contribution equivalent to 12% of his salary. During April and May 2022, 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. From June 2022, Nikhil ceased making voluntary contributions, instead receiving lower employer pension contributions and a non-pensionable cash payment in lieu of employer pension contributions which he would otherwise have been eligible to receive. These were equivalent to 12% of Nikhil's salary for the period June 2022 to March 2023 inclusive.

Non-Executive Directors of the FCA

5. In accordance with FSMA, HM Treasury is responsible for determining the remuneration of non-executive directors. The fee for non-executive directors remains unchanged at £35,000 per annum. An additional fee of £10,000 per annum is payable to any non-executive director who has been appointed to chair a Committee of the Board.
6. Liam Coleman joined the FCA Board on 5 November 2019 and was appointed Chair of the Audit Committee on 1 August 2020.
7. Bernadette Conroy joined the FCA Board on 6 April 2020. Bernadette joined the Risk Committee from 1 October 2022 and was appointed Chair of the Risk Committee after its meeting on 1 December 2022.
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 to serve as 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 received a fee of £35,000 per annum for this role. Tommaso was appointed to the PSR Board on 1 April 2020 and received an additional fee of £7,500. Tommaso stepped down from the FCA Board on 4 November 2022 and as a result, his fee increased to £15,000 for his role on the PSR Board.
11. Sam Woods, the Deputy Governor of the Bank of England for The Prudential Regulation Authority, is a non-executive of the FCA in accordance with FSMA. Sam does not receive a fee from the FCA for this role.

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 2022/23 and 2021/22.

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 2023 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, discretionary performance 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 7

Remuneration Ratios	Group				FCA (Parent Company)			
	Total Remuneration		Salary Component		Total Remuneration		Salary Component	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Highest Paid Director's, Total Remuneration	£456,682	£456,985	£455,000	£455,000	£456,682	£456,985	£455,000	£455,000
25th percentile Remuneration of Total Workforce and remuneration ratio	£50,054	£44,941	£40,110	£40,233	£49,911	£44,729	£45,000	£40,086
	9.0:1	10.2:1	11.3:1	11.3:1	9.1:1	10.2:1	10.1:1	11.4:1
50th percentile/Median Remuneration of Total Workforce and remuneration ratio	£65,494	£64,078	£65,494	£58,185	£65,008	£63,606	£60,000	£58,140
	7.0:1	7.1:1	6.9:1	7.8:1	7.0:1	7.2:1	7.6:1	7.8:1
75th percentile Remuneration of Total Workforce and remuneration ratio	£87,724	£90,707	£80,840	£83,200	£87,228	£90,102	£80,381	£79,664
	5.2:1	5.0:1	5.6:1	5.5:1	5.2:1	5.1:1	5.7:1	5.7:1

The total remuneration of the highest-paid director disclosure differs between (i) the Board Directors' remuneration in Table 6, which is based on actual amounts paid, including pension but excluding taxable benefits paid by the FCA but fully funded by the director, and (ii) the Remuneration Ratios in Table 7, which is based on a full year equivalent and excludes pensions contributions.

The Chief Executive of the FCA was the highest-paid director for 2022/23.

Excluding the highest-paid director, remuneration ranged from £25,000 to £337,306 (2021/22: £21,176 to £376,709).

In 2022/23 no employees (2021/22: nil) received remuneration in excess of the highest paid director. All figures are based on full time equivalent basis.

Changes to the size and shape of the workforce as we grow to reflect our broadening remit and average salary increases during 2022/23 are reflected in the increase in the Total Remuneration and Salary Component of the 25th and 50th percentile employees for the Group and the FCA.

A reduction in senior employees in addition to the changes to the size and shape of the workforce during 2022/23 primarily accounts for the decrease in the Total Remuneration and Salary Component of the 75th percentile employee for the Group and the FCA.

Change in remuneration

A comparison of the percentage change in salary and benefits between 2022/23 and 2021/22 of the highest-paid director and of the FCA Group Total Workforce average per full time equivalent (FTE) is presented in Table 8 below.

Table 8

% Change in remuneration	Salary and benefits ¹ 2022/23 vs 2021/22	Salary and benefits ¹ 2021/22 vs 2020/21
Highest-paid director	0.0%	0.0%
Total Workforce Average per FTE	7.4%	4.2%

¹ excludes pension contributions

Senior pay disclosure (audited)

In addition to the Executive Directors reported under Directors' Remuneration, Table 9 below sets out the remuneration paid or payable to any person that served as a voting member of the Executive Committee during the year ending 31 March 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 9

	Basic salary 2022/23 £'000	Discretionary performance bonus 2022/23 £'000	Other benefits 2022/23 £'000	Total FCA Remuneration (excluding pension) 2022/23 £'000	Pension 2022/23 £'000	Total FCA Remuneration 2022/23 £'000
Stephen Braviner Roman ¹	300	–	20	320	36	356
Sheree Howard	300	–	19	319	36	355
Sheldon Mills ²	300	–	19	319	36	355
Sarah Pritchard ³	300	–	19	319	41	360
Jessica Rusu ⁴	300	–	18	318	39	358
Emily Shepperd	300	–	19	319	36	355
Mark Steward ⁵	316	–	20	336	38	374

1. During 2022/23, 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. During 2022/23, Sheldon Mills received a non-pensionable cash payment in lieu of employer pension contributions which he would otherwise have been eligible to receive.
3. For a portion of the 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 for the period November 2022 to March 2023 inclusive.
4. During 2022/23, 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.
5. Mark Steward stepped down as a voting member of the Executive Committee on 31 March 2023.

Table 10 below sets out the remuneration paid or payable to any person that served as a voting member of the Executive Committee during the year ending 31 March 2022.

Table 10

	Basic salary 2021/22 £'000	Discretionary performance bonus 2021/22 £'000	Other benefits 2021/22 £'000	Total FCA Remuneration (excluding pension) 2021/22 £'000	Pension 2021/22 £'000	Total FCA Remuneration 2021/22 £'000
Stephen Braviner Roman	50	-	4	54	6	60
Megan Butler ¹	316	-	24	340	28	368
Stephanie Cohen ²	184	-	11	195	18	213
Nausicaa Delfas ³	38	-	3	41	3	44
Sheree Howard	300	-	22	322	38	360
Sheldon Mills	300	-	22	322	31	353
Sarah Pritchard	236	-	16	252	31	283
Jessica Rusu	250	-	18	268	30	298
David Scott ⁴	160	-	12	172	19	192
Emily Shepperd	300	-	21	321	36	357
Mark Steward	316	-	23	339	38	377

1. Megan Butler stepped down as a voting member of the Executive Committee on 31 March 2022 and received £187k as basic salary, benefits and pension for her remaining period of employment in the year ended 31 March 2023.
2. Stephanie Cohen was appointed a voting member of the Executive Committee on 7 June 2021 and stepped down on 17 January 2022 and received £64k as basic salary, benefits and pension for her remaining period of employment in the year ended 31 March 2023.
3. Nausicaa Delfas was seconded to the Financial Ombudsman Service and stepped down as a voting member of the Executive Committee on 17 May 2021.
4. David Scott was appointed as a voting member of the Executive Committee on 28 June 2021 and stepped down on 1 February 2022.

Other Directors' salaries and benefits

Table 11 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 11

Total Remuneration Range	2022/23 Number of individuals	2021/22 Number of individuals
£0 – £79,999	1	0
£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	2	0
£200,000 – £219,999	10	6
£220,000 – £239,999	10	11
£240,000 – £259,999	9	5
£260,000 – £279,999	3	1

Chapter 10

Financial statements of the Financial Conduct Authority for the period ended 31 March 2023

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	131
Statement of comprehensive income	144
Statement of changes in equity	144
Statement of financial position	145
Statement of cash flows	146
Notes to the financial statements	147
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 certify that I have audited the financial statements of the Financial Conduct Authority (FCA) and its Group for the year ended 31 March 2023 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 2023;
- Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows 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 and FCA financial statements is applicable law and 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 2023 and of the operating surplus for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, where applicable, in accordance with HM Treasury directions issued under the Financial Services and Markets Act 2000.

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, and The Financial Services (Banking Reform) Act 2013.
-------------------------	---

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 directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included consideration of the Group and the FCA's funding arrangements and assessment of whether any conditions exist which may cast significant doubt on the Group or the FCA's ability to continue to operate. My key observations were that funding is secured by statutory levies raised on the Group and FCA's behalf 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 facilities should they be required. I also reviewed the provisions of the Financial Services and Markets Bill and the implications for the FCA and the Group during its passage through the Houses of Parliament. HM Government has no intention, as far as I am aware, to abolish the FCA.

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.

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

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 judgment, 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 through 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 the Group's plant and equipment.

The key audit matters were discussed with the Audit Committee. Its report on matters that it considered to be significant to the financial statements is set out on page 112.

In this year's certificate, I have made changes to the risks identified compared to my prior year's certificate. These changes incorporate the impact of my reappraisal of risk arising from the implementation of the revised ISA (UK) 315 and include, specifically:

- A disaggregation of significant risks in relation to the defined benefit obligation and the FCA's share of scheme assets, which I have now reported as separate key audit matters;

- The identification of new key audit matters in relation to leasing arrangements and accounting for intangible assets, both of which I considered to be significant risks; and
- The identification of new significant risks in relation to the recognition, completeness and disclosure of penalties received and receivable, due to their scale and profile. However, I did not consider these to be key audit matters as the accounting for penalties does not require the exercise of significant judgment or estimation, nor the interpretation of complex technical requirements.

In addition, I no longer consider the following to be key audit matters:

- the implementation of the new Workday System, which occurred in the previous financial year; and
- the risk of management override of controls, which whilst still relevant as a presumed significant risk of material misstatement under ISAs (UK), is considered separately in our section on fraud later in this report.

Key audit matter 1 – Defined benefit pension assets

Description of risk

The FCA reports a net liability of £31.2m 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 FCA's share of the assets of the scheme, with a fair value of £623.3m has been subject to a significant level of change due to economic and market volatility during the reporting period. An analysis of these assets and changes therein is presented in Note 17. 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 resources as the audit of the FCA Pension Plan is not carried out to the same timetable as that of the Group. My engagement team must therefore directly risk assess and test the underlying balances, rather than seeking to use the work of the scheme auditors as a source of evidence.

Key audit matter 1 – Defined benefit pension assets

How the scope of my audit responded to the risk	I performed the following procedures: • A review of the design and implementation of the controls around the preparation of the IAS 19 report and the scheme assets reported in it; including review by senior finance staff and the audit committee • Obtaining external confirmation from investment managers of the plan's asset holdings and their valuations as at the reporting data. I sought, and received, confirmation of all investments, as each is individually material to the FCA. • A review of the reports issued by the service auditors of investment managers, focusing on the controls in place in relation to asset management and valuation and reporting of their effectiveness. • A review of 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 the valuation of scheme assets has been undertaken 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 £31.2m 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 of £651.9m reported in relation to FCA members is, in common with the scheme assets, highly material to the FCA and has undergone a significant change during the year, most notably due to changes to the financial assumptions on inflation and the appropriate discount rate. An analysis of movements in the obligation is provided in Note 17.

The valuation of defined benefit obligations is in general an area of high inherent risk, requiring complex actuarial methods and the exercise of judgment 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.

Whilst we have reported this risk previously, we have identified a higher degree of risk this year arising from the need to update the valuations to take account of the latest triennial funding valuation as at 31 March 2022. For these reasons, I consider this to be one of the most significant assessed risks of material misstatement.

Key audit matter 2 – Defined benefit pension liabilities

How the scope of my audit responded to the risk	I performed the following procedures: • A review of the design and implementation of the controls around preparation of the IAS 19 (<i>Employee Benefits</i>) report and the defined benefit obligations reported in it, including review and challenge of the assumptions by senior finance staff and the audit committee. • With the assistance of actuarial experts, a review of the valuation methods and accounting treatments adopted by the FCA to confirm they are in accordance with the requirements of IFRS, including specific consideration of plan amendments occurring during the year. • Review and benchmarking of the demographic and financial assumptions used by other comparable entities, again with the assistance of actuarial experts. • A review of the triennial valuation reports to understand the nature of experience gains and losses since the last valuation, considering whether these items represented genuine changes in estimates, or indicated error in previous valuations. • A test of a sample of FCA members to confirm that key data had been accurately and completely transferred from pension administration systems to the scheme actuary's valuation. • A review of the disclosures of pension obligations and the accompanying sensitivity analysis, to confirm they have been accurately prepared and fairly reflect the choice of assumptions and the associated uncertainty. Key observations I identified, from reading the triennial valuation reports, that several members had been omitted from the previous valuation reported in the group financial statements, thereby causing an understatement of liabilities reported in previous years. I also noted that the impact of plan amendments had been accounted for within other comprehensive income, rather than through profit or loss, as required by IAS 19. I carried out further procedures to confirm that neither issue was material. Overall, I am satisfied that the valuation of defined benefit obligations has been undertaken in line with the requirements of the financial reporting framework and that the related disclosures in the financial statements are materially correct.
---	--

Key audit matter 3 – Leasing arrangements

Description of risk

The FCA reports right of use assets of £178.0m and lease liabilities of £211.7m in respect of its leasing arrangements, in its Statement of Financial Position. The majority of the balance reflects 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. This reflects the scale of the related balances in the context of the FCA's financial statements, complexity in applying the IFRS 16 leasing model and recent and planned changes in FCA's estate.

How the scope of my audit responded to the risk

I performed the following procedures:

- A review of the design and implementation of the controls over financial reporting of leasing arrangements.
- Review of evidence regarding management's plans for the FCA estate to confirm that any changes had been appropriately reflected in the accounting and in choice of assumptions regarding lease terms.
- Review of management's lease calculations to confirm they were accurately prepared and reflected the underlying lease terms.
- Recalculation of management's disclosures to confirm they accurately reflected audited records.

Key observations

I identified, from reading lease agreements, that the FCA's leases included rent review terms where the reviewed rent was restricted to a fixed range (a cap and collar arrangement) and enquired as to how the FCA had applied IFRS 16 requirements in relation to variable lease payments in this scenario.

The FCA had, on initial application of the standard, used the higher (the cap) rate in its calculations, but on review, concluded that it should instead have adopted the minimum amount (the collar). The impact of this change on the financial statements is described in note 2d.

I extended the procedures above regarding management's calculations to confirm that management's proposed adjustments had been performed accurately and in line with IFRS 16. 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 £92.6m, 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 with 'software as a service' (SaaS) arrangements, including Sharepoint, Salesforce and Workday. There is a high degree of complexity and need for management judgment to apply IAS 38 in this scenario, particularly in determining whether customised systems linked to SaaS arrangements are identifiable assets controlled by the FCA.

I consider appropriate application of IAS 38 in this scenario to be amongst the more 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:

- A review of the design and implementation of the controls over financial reporting for intangible assets
- Tests of detail on a sample of additions to assets under development to confirm that the items met the definition of an intangible asset under IAS 38
- A specific assessment of management's review of intangible assets (see below), focussed on the major SaaS arrangements, to confirm that management's approach was compliant with IAS 38; and
- Review of management's disclosures to confirm they accurately and fairly reflected our understanding of the related systems and assets under development.

Key observations

I found that the FCA, in setting its accounting policies for capitalisation of intangible assets, had not initially considered the latest practice and interpretations regarding SaaS arrangements, including the IFRS Interpretations Committee (IFRIC) agenda decision *Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)*.

Following our challenge, the FCA carried out a review of its accounting policies in this area, which affected both balances within assets under development and amounts capitalised in previous periods. The impact of this review, which was agreed by the FCA Audit Committee as part of its governance role, is described in note 2d.

I am satisfied that the revised accounting policies adopted by management in relation to intangible assets and related disclosures are in line with the requirements of the financial reporting framework and have been appropriately applied in the financial statements.

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	£6.7m	£6.5m
Basis for determining materiality	1% of gross operating costs for the year ending 31 March 2023 of £669.7m	1% of gross operating costs for the year ending 31 March 2023 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 72% of Group materiality for the 2022-23 audit (2021-22: 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 Transactions 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 £130,000, 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, including those which arise from my statistical projections of likely error, would, if adjusted, have increased net expenditure by £1.9m.

Audit scope

The scope of my group audit was determined by obtaining an understanding of the FCA and its Group's 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 2022/23, the PSR's expenditure was £21.0m (3.1% of Group expenditure of £669.7m) and PSR's income was £18.2m in 2022/23 (2.6% of Group total income of £699.0m). Moreover, PSR's total assets at 31 March 2023 were £12.1m (1.7% of Group total assets of £709.0m).

The FCA, as parent of the group, is itself a significant component and was audited by the group engagement team. My work on the key audit matters, which all related to the FCA, is described above in this certificate.

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 the information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report 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 Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements; and
- the information given in the Strategic Report, Group Operational Overview, Directors' Report and Corporate Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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
- I have not received all of the information and explanations I require for my audit; 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
- a corporate governance statement has not been prepared
- 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 99 to 100;
- Directors' statement that the financial statements are fair, balanced and understandable set out on page 99;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 99;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 109 to 111; and

- The section describing the work of the audit committee set out on page 112.

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 102.

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.
- 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;
- ensuring such internal controls are in place as directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- 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 intend to liquidate the entity or the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify 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 head of internal audit 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 head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations; and
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team and the relevant external specialists, including actuarial specialists engaged to assist in the audit of defined benefit pension obligations 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 and bias in management estimates and in common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the FCA and Group's framework of authority and other legal and regulatory frameworks in which the Financial Conduct Authority 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 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;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;

- 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 including 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 evidence sufficient 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

19 July 2023

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

Statement of comprehensive income for the year period 31 March 2023

	Notes	Group		Parent Company	
		Total 2023 £m	Total 2022 (as restated ¹) £m	Total 2023 £m	Total 2022 (as restated ¹) £m
Income					
Fee income	4	679.8	658.2	661.7	641.0
Other income	4	19.2	16.9	21.8	19.7
Total income		699.0	675.1	683.5	660.7
Operating costs					
Staff costs	5	(402.7)	(356.1)	(390.6)	(346.5)
Staff costs capitalised during the year	5	9.2	6.8	9.2	6.8
Administrative and general costs	6	(276.2)	(238.6)	(270.0)	(234.3)
Total operating costs		(669.7)	(587.9)	(651.4)	(574.0)
Operating surplus for the year		29.3	87.2	32.1	86.7
Interest payable and similar expenses	7	(5.4)	(4.2)	(5.4)	(4.2)
Net actuarial (losses)/gains for the year in respect of the defined benefit pension scheme	17	(76.0)	29.0	(76.0)	29.0
Total comprehensive surplus/ (deficit) for the year		(52.1)	112.0	(49.3)	111.5

¹ Refer Note 2d for explanation of the restatement

Statement of changes in equity for the year ended 31 March

	Accumulated Surplus	
	Group £m	Parent Company £m
At 1 April 2021 (as restated¹)	8.3	3.7
Total comprehensive surplus for the year (as restated)	112.0	111.5
At 31 March 2022 (as restated¹)	120.3	115.2
Total comprehensive deficit for the year	(52.1)	(49.3)
At 31 March 2023	68.2	65.9

¹ Refer Note 2d for explanation of the restatement

The notes on pages 147 to 180 form part of the accounts

Statement of financial position as at 31 March

Company Number: 01920623

	Notes	Group			Parent Company		
		Total 2023 £m	Total 2022 (as restated ¹) £m	Total 2021 (as restated ¹) £m	Total 2023 £m	Total 2022 (as restated ¹) £m	Total 2021 (as restated ¹) £m
Non-current assets							
Intangible assets	8	92.6	110.4	131.1	92.6	110.4	131.1
Property, plant and equipment and ROU assets	9	242.0	253.9	265.7	242.0	253.9	265.7
		334.6	364.3	396.8	334.6	364.3	396.8
Current assets							
Trade and other receivables	10	26.8	29.6	23.0	26.8	29.6	23.6
Cash and cash equivalents	10	347.6	285.0	199.1	338.5	274.2	187.1
		374.4	314.6	222.1	365.3	303.8	210.7
Total assets		709.0	678.9	618.9	699.9	668.1	607.5
Current liabilities							
Trade and other payables	11	(377.7)	(336.3)	(323.1)	(370.9)	(330.6)	(316.3)
Lease liabilities	11	(13.7)	(11.8)	(12.3)	(13.7)	(11.8)	(12.3)
		(391.4)	(348.1)	(335.4)	(384.6)	(342.4)	(328.6)
Total assets less current liabilities		317.6	330.8	283.5	315.3	325.7	278.9
Non-current liabilities							
Long-term provisions	12	(20.2)	(17.1)	(17.1)	(20.2)	(17.1)	(17.1)
Lease liabilities	12	(198.0)	(208.9)	(216.5)	(198.0)	(208.9)	(216.5)
		(218.2)	(226.0)	(233.6)	(218.2)	(226.0)	(233.6)
Net assets excluding retirement benefit		99.4	104.8	49.9	97.1	99.7	45.3
Net retirement benefit assets/(obligations)	17	(31.2)	15.5	(41.6)	(31.2)	15.5	(41.6)
Net assets		68.2	120.3	8.3	65.9	115.2	3.7
Accumulated reserves		68.2	120.3	8.3	65.9	115.2	3.7

¹ Refer Note 2d for explanation of the restatement

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 by the Board, and signed on **18 July 2023** on its behalf by

Ashley Alder
Chair



Nikhil Rathie
Chief Executive



Statement of cash flows for the period ended 31 March

	Notes	Group		Parent Company	
		Total 2023 £m	Total 2022 (as restated ¹) £m	Total 2023 £m	Total 2022 (as restated ¹) £m
Net cash generated by operations	3	96.0	118.7	97.8	119.9
Investing activities					
Interest received on bank deposits	4	5.8	0.4	5.7	0.4
Expenditure on intangible software development	8	(14.4)	(12.8)	(14.4)	(12.8)
Purchases of property, plant and equipment	9	(9.2)	(8.2)	(9.2)	(8.2)
Proceeds from sale of assets		0.2	–	0.2	–
Net cash used in investing activities		(17.6)	(20.6)	(17.7)	(20.6)
Financing activities					
Lease repayments		(15.8)	(12.2)	(15.8)	(12.2)
Net increase in cash and cash equivalents		62.6	85.9	64.3	87.1
Cash and cash equivalents at the start of the year	10	285.0	199.1	274.2	187.1
Cash and cash equivalents at the end of the year	10	347.6	285.0	338.5	274.2

¹ Refer Note 2d for explanation of the restatement

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 i.e. 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 key areas are:

- Pension asset/(obligation) (note 17) – the quantification of the pension asset/(obligation) is based on assumptions made by the directors relating to the discount rate, retail price inflation (RPI), future pension increase and life expectancy;
- 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 12) 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). The discounted cash flow is based on the maximum rent stated.

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

No new or amended IFRSs have been adopted in the year.

IFRS 16 - Leases

The FCA implemented IFRS 16 – Leases in 2018/19, a year earlier than the mandatory requirement. In calculating the lease liability and related RoU asset on implementation at 1 April 2018, expected lease payments included an increase in last payments arising from the first rent review in March 2023, based on the higher of the collar and capped rate set out in the lease agreement.

IFRS 16 requires lease liability to be remeasured by discounting revised lease payments for changes in future lease payments arising from a change in a rate, including those arising from a rent review. Where a set of payments that the lessee could make are provided, such as the collar and capped rates, IFRS application guidance requires the set of payments that aggregates to the lowest amount and therefore, the collar rate should have been included in the expected lease payments in calculating the values of the RoU asset and lease liability.

The correction is only applicable from 2018/19 and does not affect prior years. The overall impact is to reduce the value of the RoU asset and related liability, and consequently the related depreciation and interest charge.

IAS 38 - Intangible assets

IFRS Interpretations Committee (IFRIC) issued a final agenda decision on cloud computing arrangements in April 2021 which considered how to account for configuration or customisation costs where an intangible asset is not recognised. The IFRIC final agenda decision forms part of IFRS guidance and must be followed in order to claim compliance with IFRS Standards. Following a review of the accounting policy for intangible assets in 2022/23, the FCA assessed the IFRIC final agenda decision impacts the FCA's reporting. As a result, an update is required of the intangible assets and related disclosures. As any changes resulting from agenda decisions are to be accounted for as a change in accounting policy in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the update is applied retrospectively to years ended 31 March 2021/22 and prior years.

The amount of the correction for each affected line of the Financial Statements is as follows:

	Note	2022 £m	2021 £m	2020 £m	2019 £m
Statement of comprehensive income					
Administrative and general costs					
• IT running costs – increase in charge	6	(5.2)	–	–	–
• Depreciation on RoU assets – reduction in charge	6	1.2	1.2	1.2	1.2
• Amortisation of intangible assets – reduction in charge	6	1.9	1.1	1.1	1.1
Interest payable and similar expenses					
• Interest on lease liability – reduction in charge	7	0.5	0.6	0.6	0.5
Comprehensive surplus for the year – increase/(decrease) in surplus		(1.6)	2.9	2.9	2.8
Statement of changes in equity					
At 31 March, as originally stated		3.1	59.8	(62.1)	(89.7)
Cumulative retrospective adjustment for RoU depreciation and interest		5.3	3.5	1.7	–
Cumulative retrospective adjustment for IT running costs and amortisation of intangible assets		(4.7)	(5.8)	(6.9)	(7.9)
		3.7	57.5	(67.3)	(97.6)
Total comprehensive surplus (deficit) for the year, as originally stated		113.1	(56.7)	121.9	27.6
Current year adjustment for RoU depreciation and interest		1.7	1.8	1.8	1.7
Current year adjustment for IT running cost and amortisation of intangible assets		(3.3)	1.1	1.1	1.1
At 31 March, as restated		115.2	3.7	57.5	(67.3)

	Note	2022 £m	2021 £m	2020 £m	2019 £m
Statement of financial position					
Non-current assets					
Property, plant and equipment and RoU assets					
• RoU asset cost – at implementation – reduction in cost	9	(23.7)	(23.7)	(23.7)	(23.7)
• RoU asset depreciation charge cumulative to 31 March – reduction in charge	9	3.6	2.4	1.2	–
• RoU asset depreciation charge for year – reduction in charge	9	1.2	1.2	1.2	1.2
• RoU asset – net book value at 31 March – reduction		(18.9)	(20.1)	(21.3)	(22.5)
Intangible assets					
• Intangible assets cost – reduction in cost	8	(34.4)	(29.5)	(29.5)	(29.5)
• Intangible assets amortisation charge cumulative to 31 March – reduction in charge	8	24.5	23.7	22.6	21.6
• Intangible assets amortisation charge for year – reduction in charge	8	1.9	1.1	1.1	1.1
• Intangible assets – net book value at 31 March – reduction		(8.0)	(4.7)	(5.8)	(6.8)
Non-current liabilities					
• Lease liabilities – reduction in RoU lease liability	12	25.9	25.4	24.8	24.2
Net assets – increase/(decrease) in net assets		(1.0)	0.6	(2.3)	(5.1)
Accumulated reserves – increase/(decrease) in reserves		(1.0)	0.6	(2.3)	(5.1)

	Note	2022 £m	2021 £m	2020 £m	2019 £m
Statement of cash flows					
Net cash generated by operations	3	(1.6)	2.9	2.9	2.8
Expenditure on intangible software development – decrease		(5.2)	–	–	–
Net impact		(7.8)	2.9	2.9	2.8
Notes to the cash flow statement					
Surplus/ (Deficit) for the year from operations - increase/ (decrease)		(2.1)	(3.5)	1.2	1.2
Depreciation of property, plant and equipment including RoU assets – reduction in charge		(1.2)	(1.2)	(1.2)	(1.2)
Amortisation of intangible assets – reduction in charge		3.3	4.7	–	–
Net impact		–	–	–	–

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 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.

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 brought into 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. 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:

The FCA enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group 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 Group 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 the leases. 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. 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 (i.e. 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 2023 this deferred tax asset equated to £66.9m (2022: £61.7m).

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

		Group		Parent Company	
		Total 2023 £m	Total 2022 (as restated) £m	Total 2023 £m	Total 2022 (as restated) £m
	Notes				
Surplus for the year from operations		29.3	87.2	32.1	86.7
Adjustments for:					
Interest received on bank deposits	4	(5.8)	(0.4)	(5.7)	(0.4)
Amortisation of intangible assets	8	32.2	33.7	32.2	33.7
Depreciation of property, plant and equipment including ROU assets	9	21.0	19.5	21.0	19.5
Loss/(Gain) on disposals of property, plant and equipment	9	0.1	0.3	0.1	0.3
Increase in provisions	18	3.1	–	3.1	–
Difference between pension costs and normal contributions		0.1	0.1	0.1	0.1
Payments made against unfunded pension liability	17	0.1	0.1	0.1	0.1
Past Service costs	17	0.1	–	0.1	–
Additional cash contributions to reduce pension scheme deficit	17	(28.4)	(28.4)	(28.4)	(28.4)
Operating cash flows before movements in working capital		51.8	112.1	54.7	111.6
Decrease/(Increase) in receivables	10	2.8	(6.6)	2.8	(6.0)
Increase in payables	11	41.4	13.2	40.3	14.3
Net cash generated by operations		96.0	118.7	97.8	119.9

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 2023 £m	Total 2022 £m	Total 2023 £m	Total 2022 £m
Ongoing Regulatory Activity fees ¹	638.3	592.8	620.2	575.6
Additional Ongoing Regulatory Activity fees	–	4.4	–	4.4
Transformation	10.0	10.0	10.0	10.0
Investment harm campaign	2.3	2.3	2.3	2.3
EU Withdrawal fees	–	10.0	–	10.0
Business interruption insurance	–	7.5	–	7.5
Scope Change costs recovered – CryptoAsset Business	8.0	–	8.0	–
Scope change costs recovered – Financial Promotions	2.4	–	2.4	–
Scope change costs recovered – EU withdrawal	–	6.2	–	6.2
Scope Change costs recovered – Senior Managers and Certification Regime	–	4.4	–	4.4
Scope change costs recovered – other	–	2.3	–	2.3
Application fees and other regulatory income	18.3	17.8	18.3	17.8
Special project fees	0.5	0.5	0.5	0.5
Total	679.8	658.2	661.7	641.0

¹ Of the £620.2m (2022: £575.6m) Ongoing Regulatory Activity fees £55.3m (2022: £50.5m) related to penalties collected in the previous year for the sum of enforcement costs and returned to fee payers through reduced fees. See note 13.

Other income is recognised when services are provided and is analysed below:

	Group		Parent Company	
	Total 2023 £m	Total 2022 £m	Total 2023 £m	Total 2022 £m
Skilled person reports (s.166) income ¹	2.3	1.3	2.3	1.3
Services provided to other regulatory bodies	7.4	7.6	7.4	7.6
Publications and training services	0.1	0.1	0.1	0.1
Interest received on bank deposits	5.8	0.4	5.7	0.4
Other sundry income	3.6	7.5	6.3	10.3
Total other income	19.2	16.9	21.8	19.7

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:

	Notes	Group		Parent Company	
		Total 2023 £m	Total 2022 £m	Total 2023 £m	Total 2022 £m
Gross salaries and taxable benefits		291.4	271.6	281.9	264.1
Employer's national insurance costs		34.9	32.5	33.8	31.4
Apprenticeship levy		1.4	1.3	1.4	1.3
Employer's defined contribution pension costs		32.5	28.9	31.4	28.0
Other net pension finance cost/ (income)	17	(1.0)	0.4	(1.0)	0.4
Exit packages (including ex-gratia)		0.9	0.8	0.9	0.8
Payment made against unfunded liability		0.1	–	0.1	–
Permanent staff costs		360.2	335.5	348.5	326.0
Temporary		3.4	2.9	3.4	2.9
Seconded		1.3	1.5	1.1	1.5
Contractors		37.8	16.2	37.6	16.1
Short-term resource costs		42.5	20.6	42.1	20.5
Total staff costs		402.7	356.1	390.6	346.5

Of which the following was capitalised during the year:

	Group		Parent Company	
	Total 2023 £m	Total 2022 £m	Total 2023 £m	Total 2022 £m
Staff costs	9.2	6.8	9.2	6.8

Staff numbers comprise:

The average number of full-time equivalent employees (including executive directors and fixed-term contractors) during the year to 31 March is presented by division below:

	Group		Parent Company	
	Total 2023	Total 2022 ¹	Total 2023	Total 2022 ¹
Supervision, Policy and Competition	1,271	1,225	1,271	1,225
Authorisations	643	524	643	524
Enforcement and Market Oversight	621	625	621	625
Sub-total	2,535	2,374	2,535	2,374
Operations	571	556	571	556
Central services	296	267	296	267
Data Technology and Innovation	403	368	403	368
Secondment, Parental Leave and Long-term Sick	228	227	223	226
PSR	98	100	–	–
Total	4,131	3,892	4,028	3,791

¹ 2022 average staff numbers have been restated for better comparison with 2023 following divisional restructures.

The average number of short-term resources utilised during the period to 31 March by type was:

	Group		Parent Company	
	Total 2023	Total 2022	Total 2023	Total 2022
Temporary	56	47	55	46
Secondees	32	24	31	23
Contractors	122	64	121	63
Total	210	135	207	132

As at 31 March, the number of full-time equivalent employees (including executive directors and fixed-term contractors) was:

	2023	2022
Permanent staff		
FCA	4,349	3,766
PSR	118	99
	4,467	3,865
Short-term resources		
FCA	271	172
PSR	2	5
	273	177
Group Total	4,740	4,042

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 14) and excluded from the table.

Exit package cost band £'000	Number of compulsory redundancies 2023	Number of other departures agreed 2023	Number of Long-term ill health settlements 2023	Total 2023	Number of compulsory redundancies 2022	Number of other departures agreed 2022	Number of Long-term ill health settlements 2022	Total 2022
0-10	–	2	4	6	–	1	1	2
>10–25	–	4	2	6	–	2	1	3
>25–50	–	3	–	3	–	1	–	1
>50–100	–	2	1	3	–	2	–	2
>100–150	–	4	–	4	–	3	–	3
>150–200	–	–	–	–	–	1	–	1
Total number	–	15	7	22	–	10	2	12
Gross costs	£0.0m	£0.8m	£0.1m	£0.9m	£0.0m	£0.8m	£0.0m	£0.8m

6. Administrative and general costs

	Notes	Group		Parent Company	
		Total 2023 £m	Total 2022 (as restated) £m	Total 2023 £m	Total 2022 (as restated) £m
IT running costs		92.0	88.4	92.0	88.4
IT project scoping costs		1.9	2.4	1.9	2.4
Professional fees		68.6	51.2	63.1	48.7
Professional fees: s166 ¹		2.3	0.9	2.3	0.9
Accommodation and office services		29.9	25.1	30.0	24.9
Amortisation of intangible assets	8	32.2	33.7	32.3	33.7
Depreciation of property, plant and equipment	9	9.1	7.9	9.1	7.9
Depreciation of the ROU assets	9	11.9	11.6	11.9	11.6
Recruitment, training and wellbeing		17.6	10.3	16.8	10.1
Travel		1.4	0.5	1.4	0.5
(Gain)/Loss on disposal of assets	9	–	0.3	–	0.3
Proceed from sale of assets		(0.1)	–	(0.1)	–
Other costs		9.4	6.3	9.3	4.9
Total		276.2	238.6	270.0	234.3

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 & 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 2023 £'000	Total 2022 £'000	Total 2023 £'000	Total 2022 £'000
Fees payable to the National Audit Office for the audit of the financial statements	158	148	130	120

The National Audit Office has not provided any non-audit related services to FCA group in 2023 (2022: £nil)

7. Interest payable and other similar expenses

	Group		Parent Company	
	Total 2023	Total 2022 (as restated)	Total 2023	Total 2022 (as restated)
	£m	£m	£m	£m
Interest on lease liability	5.4	4.2	5.4	4.2

8. Intangible assets

The PSR does not hold intangible assets.

	Internally generated software (as restated) £m	Other software costs £m	Work in progress (as restated) £m	Total (as restated) £m
Cost				
At 1 April 2021 (as restated)	221.9	18.9	57.1	297.9
Additions	–	–	12.8	12.8
Transfers	42.0	–	(42.0)	–
Disposal	(54.5)	(17.8)	–	(72.3)
At 31 March 2022 (as restated)	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
Amortisation				
At 1 April 2021 (as restated)	148.2	18.6	–	166.8
Charge for year	33.5	0.2	–	33.7
Disposal	(54.6)	(17.9)	–	(72.5)
At 31 March 2022 (as restated)	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
Net carrying value				
At 31 March 2022 (as restated)	82.3	0.2	27.9	110.4
At 31 March 2023	72.6	0.2	19.8	92.6

Internal software development costs of £10.1m (2022:£42.0m) 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 £72.6m:

- i. £17.6m relates to INTACT, a case management tool for authorising firms and individuals (three years useful life remaining);
- ii. £13.2m relates to FDC system (replacement of Gabriel) which is used for submitting regulatory data and the master registry for authorised firms' permissions, individual and collective investment schemes (three years and four months useful life remaining);
- iii. £4.0m relates to SharePoint, the new system for FCA staff to save document files within the FCA network (four years and one month useful life remaining);
- iv. £4.8m relates to Workday, the new operating system for HR and Finance (five years useful life remaining);
- v. £6.0m relates MiFiD, the markets in financial instruments Directive (EU legislation that regulates firms that provide financial instruments). This system enables the detail transaction data capture from the authorised firms (three years useful life remaining); and
- vi. £2.7m relates to Cloud – FCA web based storage (one year useful life remaining).

Of the net carrying amount of work in progress of £19.8m, majority are made from the different projects:

- i. £6.1m relates to Gateway, which captures the key core data that is used to authorise firms. This platform enables individuals to enter the financial services regulatory perimeter in the UK via a series of forms all on the same platform, which can then be used for other platforms such as FCA Register;
- ii. £3.1m relates to Themis – relate to Search and Discovery (S&D) element-empower quicker and consistently explore information across multiple data sets and platforms to find indicators of harm, thus expediting the fulfilment of our statutory obligations;
- iii. £1.9m relates to Market Surveillance refresh, replacing the existing Market Surveillance Tool – SMARTS (provided by NASDAQ) with a new offering provided by OneMarketData; and
- iv. £1.1m relates to Financial Services Register Digital First – the Register Portfolio will be aimed at mitigating the risk of harm.

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

	Right of Use Assets (as restated) £m	Leasehold improvements £m	Computer equipment £m	Furniture and equipment £m	Work in progress £m	Total (as restated) £m
Cost						
At 1 April 2021 (as restated)	231.2	63.7	31.3	12.2	2.0	340.4
Additions	–	–	0.2	–	8.0	8.2
Transfers	–	1.7	–	–	(1.7)	–
Disposal	–	–	(14.0)	(0.2)	(0.1)	(14.3)
At 31 March 2022 (as restated)	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
Depreciation						
At 1 April 2021 (as restated)	34.4	10.4	25.9	4.1	–	74.8
Charge for year	11.6	3.6	3.2	1.1	–	19.5
Disposal	–	–	(13.9)	–	–	(13.9)
At 31 March 2022 (as restated)	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
Net book value						
At 31 March 2022 (as restated)	185.2	51.4	2.3	6.8	8.2	253.9
At 31 March 2023	178.0	50.4	6.1	6.0	1.5	242.0

Of the ROU assets cost of £235.8m, £228.5m relates to the property based in Stratford and £5.6m to the property that is based in Edinburgh and £1.6m to the property based in Leeds. Leasehold improvements relate primarily to the cost of fitting out the Stratford, Edinburgh and Leeds properties.

Of the net carrying amount of work in progress of £1.3m, majority are made from the different projects:

- i. £0.4m relates to the remaining balance of the laptop refresh project.
- ii. £0.3m relates Edinburgh and Leeds office refresh.
- iii. £0.2m relates to Themis – relate to S&D element -empower quicker and consistently explore information across multiple data sets and platforms to find indicators of harm, thus expediting the fulfilment of our statutory obligations.

The PSR does not hold property, plant and equipment or right of use assets.

10. 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 £347.6m (2022: £285.0m), £66.7m (2022: £16.7m) related to fees collected on behalf of other financial regulatory organisations as disclosed in related party transactions, note 19 and in trade creditors, note 11.

The FCA currently has a £100m (2022: £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	
	Total 2023 £m	Total 2022 £m	Total 2023 £m	Total 2022 £m
Fees receivable	3.1	6.6	3.1	6.6
Net penalties receivable	0.4	9.7	0.4	9.7
Other debtors	0.1	0.8	0.1	0.8
Prepayments and accrued income	23.2	12.5	23.2	12.5
Trade and other receivables	26.8	29.6	26.8	29.6
Cash deposits	327.7	251.6	327.7	251.6
Cash at bank	19.9	33.4	10.8	22.6
Cash and cash equivalents	347.6	285.0	338.5	274.2
Total current assets	374.4	314.6	365.3	303.8

The average credit period is 51 days (2022: 73 days).

The decrease in the average credit period reflects the return to standard credit terms of 30 days from the extended credit terms of 90 days to smaller fee paying firms in light of the pandemic.

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 2023 £m	Total 2022 £m	Total 2023 £m	Total 2022 £m
At 1 April	3.9	1.5	3.9	1.5
Increase in provision for fees receivable	1.1	2.4	1.1	2.4
Total at 31 March	5.0	3.9	5.0	3.9

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 2023 £m	Total 2022 £m	Total 2023 £m	Total 2022 £m
Not more than three months	1.0	5.3	1.0	5.3
Between three and nine months	1.3	0.7	1.3	0.7
Greater than nine months	0.8	0.6	0.8	0.6
Total unimpaired fees receivable	3.1	6.6	3.1	6.6

The FCA policy is to review receivables systematically for recoverability when they are more than three months past due.

11. Current liabilities

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	Notes	Group		Parent Company	
		Total 2023 £m	Total 2022 £m	Total 2023 £m	Total 2022 £m
Trade creditors and accruals		100.8	65.8	100.4	65.7
Other taxation and social security		11.8	7.4	11.8	7.4
Net penalties payable	13	61.1	116.8	60.5	83.6
Fees received in advance		204.0	146.3	196.5	140.4
Intragroup payable – PSR		–	–	1.7	33.5
Trade and other payables		377.7	336.3	370.9	330.6
Lease liabilities	12	13.7	11.8	13.7	11.8
Total current liabilities		391.4	348.1	384.6	342.4

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade payables is 9 days (2022: 10 days).

Intragroup payable includes fees collected by the FCA but not paid over to the PSR at 31 March, less services charged by the FCA 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. 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	
	2023 £m	2022 £m	2023 £m	2022 £m
Trade creditors and accruals	100.8	65.8	–	–
Fees received in advance	204.0	146.3	–	–
Other liabilities	72.9	124.2	–	–
Lease liabilities	8.7	4.5	5.0	7.3
Total current liabilities	386.4	340.8	5.0	7.3

Of the amounts due within 6 months, Trade creditors and accruals include £0.5m (2022: £0.4m), and Fees received in advance include £7.5m (2022: £4.9m) for the PSR.

12. Non-current liabilities

As at 31 March, the Group and FCA (parent company) had non-current liabilities consisting of:

	Notes	2023 £m	2022 (as restated) £m
Long-term provisions for dilapidations	18	20.2	17.1
Lease liabilities		198.0	208.9
Total non-current liabilities		218.2	226.0

Lease liabilities movements:

	Total 2023 £m	Total 2022 (as restated) £m
Value of discounted future cash flows on ROU assets brought forward	220.4	228.4
Lease commenced in year	1.7	–
Payments in year	(15.8)	(12.2)
Interest expense on lease liabilities	5.4	4.2
Lease liabilities at 31 March	211.7	220.4

Lease liabilities fall due as follows:

	Total 2023 £m	Total 2022 (as restated) £m
Within one year	13.7	11.8
Within two to five years	72.1	67.2
Within six to ten years	76.8	70.8
Greater than ten years	49.1	70.6
Lease liabilities at 31 March	211.7	220.4

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 2023	£204.5m	£5.5m	£1.7m
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 ¹	Market rate ¹	Market rate	N/A

¹ The contract for 12 Endeavour Square specifies the minimum and maximum that can be charged at the first rent review in March 2023, which has yet to be agreed between the FCA and the landlord and will be adjusted in the subsequent financial year.

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.

13. 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 by the PSR 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

	Notes	Group		Parent	
		Total 2023 £m	Total 2022 £m	Total 2023 £m	Total 2022 £m
Penalties receivable at 1 April		12.9	3.7	12.9	3.7
Penalties issued during the year		209.4	364.4	199.2	331.1
Write-offs during the year		(1.1)	(0.4)	(1.1)	(0.4)
Penalties collected during the year		(212.6)	(354.7)	(202.4)	(321.4)
Penalties receivable at 31 March		8.6	13.0	8.6	13.0
Allowance for bad debts		(8.2)	(3.3)	(8.2)	(3.3)
Net penalties receivable at 31 March	10	0.4	9.7	0.4	9.7

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 2023 £m	Total 2022 £m
At 1 April	3.3	3.6
Increase/(Decrease) in allowance for bad debts	4.9	(0.3)
Total at 31 March	8.2	3.3

Penalties collected during the period

	Group		Parent	
	Total 2023 £m	Total 2022 £m	Total 2023 £m	Total 2022 £m
Retained penalties to be returned to fee payers	54.8	55.3	54.2	55.3
Penalties paid to the Treasury during the year	208.0	247.8	165.1	247.8
Penalties payable to the Treasury	7.5	52.1	7.5	18.8
Receivable/(Payable) to the Treasury from previous years	(57.7)	(0.5)	(24.4)	(0.5)
Penalties collected during the period	212.6	354.7	202.4	321.4

Net penalties payable

	Notes	Group		Parent	
		Total 2023 £m	Total 2022 £m	Total 2023 £m	Total 2022 £m
Retained penalties to be returned to fee payers		54.8	55.3	54.2	55.3
Penalties over released to fee payers		(1.6)	(0.3)	(1.6)	(0.3)
Penalties payable to the Treasury		7.5	52.1	7.5	18.8
Net penalties receivable		0.4	9.7	0.4	9.7
Net penalties payable	11	61.1	116.8	60.5	83.5

14. 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 2023 only (no comparative figures required).

There are no losses and special payments to report for 2022/23.

15. 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:

	2023 £m	2022 £m
Within one year	0.4	0.5
In the second to fifth years inclusive	0.3	0.4
Total	0.7	0.9

Low value lease expenses of £0.5m (2022: £0.6m) were recognised in the Statement of Comprehensive Income in the year.

16. Capital commitments

The FCA entered contracts on 31 March 2023 for future capital expenditure totaling £6.8m relating to intangible assets (2022: £1.8m). These commitments are not provided for in the financial statements.

There were no capital commitments for the PSR.

17. Retirement benefit (obligation)/asset

The FCA operates a UK registered occupational pension scheme, the FCA Pension Plan (the Plan). The FCA is the Plan's Principal Employer. The Financial Ombudsman Service (FOS) also participates in the Plan. The Plan was established on 1 April 1998. It has two sections, the Money Purchase (defined contribution) Section which is open to all employees of the FCA and FOS, and a Final Salary (defined benefit) Section, which is closed to new members and to future accruals.

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.

The governance of the Plan is primarily the responsibility of the Trustee of the Plan. The Trustee has an established governance framework in place to support the operation of the Plan and to ensure legislative and regulatory requirements are complied with under the Master Trust regime.

Money Purchase

The Money Purchase Section 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.

Payments to the Money Purchase Section of the Plan are recognised in the statement of comprehensive income, as they fall due. Pre-paid contributions are recognised as an asset to the extent that a cost refund or a reduction in future payments is available.

Final Salary

The disclosures have been prepared for the purpose of reporting under IAS19, revised 2011 on the understanding that there is no impact from IFRIC14 or any requirement to recognise an additional liability in respect of any minimum funding requirements. The disclosures are only in respect of the FCA's portion of the liability/asset. 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 other defined contribution assets and liabilities are excluded from these disclosures.

The FCA is consulted on key areas such as investment strategy and funding requirements. The Plan is exposed to several key areas of risk.

These risks primarily relate to the Final Salary Section and include interest rate and inflation risk, longevity risk, asset return and liquidity risk. In addition, there may be changes in the Plan provisions or applicable law that could impact the Plan's funding. The FCA is exposed to these risks to the extent that if the deficit in the Plan were to worsen due to these factors, additional deficit contributions may be required.

To help manage these risks 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). Over time, the Plan has reduced its exposure to equities and diversified growth funds and increased the liability-driven investment (LDI) funds to improve the levels of interest rate and inflation hedging. In addition, the Trustee also hold 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 UK economy and the financial markets saw elevated levels of volatility, with rising levels of inflation and rapid increases in gilt/bond yields, which affected the value of the Plan's assets and liabilities. Overall, the Plan's hedging strategies performed broadly as expected and the Trustee was able to act quickly to meet any collateral call needed to ensure appropriate liquidity was maintained within the LDI portfolio.

The total expense recognised in the statement of comprehensive income of £76.0m (2022: £29.0m) represents contributions payable to the Plan by the FCA at rates specified in the rules of the Plan.

The Final Salary Section has no active members and the benefits of the deferred members are calculated based on their final pensionable salary, calculated at the date they ceased accruing benefits.

The net assets or liabilities of the Final Salary Section of the Plan are calculated by deducting the present value of the Plan's obligations from the fair value of its assets. The FCA retains the right to receive a scheme surplus as a refund in the event of final wind-up of the Plan after all members' benefits have been met in full, consequently we recognised a defined benefit asset in the statement of financial position for the year ended 31 March 2022.

The obligation of the Final Salary Section of the Plan represents the present value of future benefits owed to employees in respect of their service in prior periods. The discount rate used to calculate the present value of those liabilities is the balance sheet date market rate of high quality corporate bonds having maturity dates approximating to the average term of those liabilities. The calculation is performed by a qualified actuary using the projected unit credit method at each reporting date.

Actuarial gains and losses arising in the Final Salary Section of the Plan (for example, the difference between actual and expected return on assets, effects of changes in assumptions and experience losses due to changes in membership) are fully recognised in other comprehensive income in the period in which they are incurred.

Past service cost (including unvested past service cost) is recognised immediately in the profit or loss.

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). SERPS was a UK Government pension arrangement, to which employees and employers contributed between 6 April 1978 and 5 April 2002, when it was replaced by the State Second Pension.

Where pension schemes have members with a GMP, the GMP accrual rate for females is generally higher than for males which has caused unequal benefits between males and females. On 26 October 2018 the High Court ruled in the Lloyds Banking Group case that UK pension schemes that have contracted out of SERPS will need to equalise benefits between men and women. On 20 November 2020, the High Court ruled that individual transfer payments between 17 May 1990 and 5 April 1997 (after which GMP stopped accruing) would need to be equalised. The FCA's GMP equalisation adjustment has been included within the Defined Benefit Obligation (DBO).

The Scheme Specific Valuation (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 as at 31 March 2023, allowing for any changes in assumptions and movements in liabilities over the period.

The key assumptions concerning the future uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the assets and liabilities within the next financial year, are:

- Pension asset/(obligation) – the quantification of the pension asset/(obligation) is based on assumptions made by the directors relating to the discount rate, retail price inflation (RPI), future pension increases and life expectancy.
- Level of 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.

The major assumptions and dates used for the purpose of actuarial assumptions were as follows:

At 31 March	2023	2022
Discount rate	4.75%	2.65%
Retail price inflation (RPI)	3.50%	3.85%
Future pension increases (RPI capped at 5%)	3.20%	3.50%
Plan membership census dates	31/03/2022	31/03/2019

The discount rate is used to calculate DBO. The DBO is the present value of the cash flows of expected future payments required to settle the obligation to provide benefits resulting from employee service in the current and prior periods. The discount rate was chosen with reference to the duration of the Plan's liabilities (around 14 years). 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. The discount rate determines the DBO disclosed in the FCA's accounts at the fiscal year end and has a follow-on impact in terms of the Net Benefit Cost for the following fiscal year.

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 2023 are based on these Club VITA tables and use the 2021 version of the Continuous Mortality Investigation (CMI) projection model to allow for future mortality improvements. This is an update on the mortality assumptions from 2022, which used the 2020 version of the CMI projections. Other changes for 2023 include a 5% weighting for 2020 and 2021 death experience within the 2021 CMI projection model (previously 0% weighting) and an update to the initial addition parameter to be 0.5%, in line with the assumption used for the funding valuation.

The above assumptions represent a simplification of the underlying assumption, which in reality takes account of the term to each projected cashflow in the Plan.

The table below illustrates the assumed life expectancies in years of members when they retire:

	2023 Males	2023 Females	2022 Males	2022 Females
Retiring today aged 65	22.8	24.7	23.5	24.8
Retiring in 15 years aged 65	23.6	25.7	24.4	25.8

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 assumptions.

Assumption	Sensitivity	Decrease/(increase) in pension obligation at 31 March 2023	
		£m	%
Baseline	Assumptions as above – no change	(651.9)	–
Discount rate	10 bps increase to 4.85%	8.9	1.4
Discount rate	10 bps decrease to 4.65%	(9.1)	(1.4)
Retail Price inflation (allowing for impact on pension increase)	10 bps increase to 4.60%	(7.2)	(1.1)

Assumption	Sensitivity	Decrease/(increase) in pension obligation at 31 March 2023	
		£m	%
Longevity	Life expectancy for a 60 year old increases by 1 year	(19.6)	(3.0)

The table below illustrates the volatility in the assumptions used to value the fund assets on the surplus in the Plan at 31 March 2023. A 10 percent sensitivity in property valuations in the U.K. market has been applied to reflect the valuation uncertainties in the property fund in the Plan.

Assumption	Sensitivity	Deficit at 31 March 2023	
		£m	Funding level %
Baseline		(28.6)	95.6
Property value	Decrease of 10% in value	(36.8)	94.4

The amounts recognised in the statements of financial position are:

	2023 £m	2022 £m
Fair value of Plan assets	623.3	912.8
Less: Present value of funded obligations	(651.9)	(893.9)
Surplus/(Deficit) in the Plan	(28.6)	18.9
Unfunded pension liabilities	(2.6)	(3.4)
Asset/(obligation) recognised on balance sheet	(31.2)	15.5

Amounts recognised in the statement of comprehensive income in respect of the defined benefit plan and unfunded pension liabilities are as follows:

	Notes	2023 £m	2022 £m
Net interest on the net defined benefit asset/(liability)		1.0	(0.5)
Past service cost relating to GMP equalisation		–	–
Unfunded pension liabilities:			
Net interest		(0.1)	(0.1)
(Gains)/losses		0.9	0.1
Benefits paid		0.1	0.1
Other net pension finance costs/(income)	5	1.9	(0.4)

Actuarial loss of £76.0m, comprised of £76.8m actuarial loss in respect of the defined benefit scheme net of £0.8m actuarial gain in respect of unfunded pension liabilities, is recognised in the period in which it occurs as part of other comprehensive income. Cumulative actuarial losses recognised in other comprehensive income are as follows:

	2023 £m	2022 £m
Losses at 1 April	(220.7)	(249.7)
Net actuarial (losses)/gains recognised in the year	(76.0)	29.0
At 31 March	(296.7)	(220.7)

Changes in the present value of the DBO (excluding unfunded pension liabilities) are as follows:

	2023 £m	2022 £m
Opening DBO (excluding unfunded pension liabilities)	(893.9)	(913.2)
Benefits paid	22.5	28.9
Interest cost on Plan liabilities	(23.3)	(18.0)
Past service cost	–	–
Actuarial (losses)/gains	242.8	8.4
Closing DBO (excluding unfunded pension liabilities)	(651.9)	(893.9)

Actuarial (losses)/gains:

	2023 £m	2022 £m
Experience (losses)/gains arising on the Plan liabilities	(7.0)	(33.0)
Gains/(losses) arising from change in discount rate	229.2	101.9
(Losses) arising from change in assumptions linked to price inflation ¹	(4.8)	(57.2)
Gains/(losses) arising from change in demographic assumptions	19.7	0.6
Losses from changes to cash commutation factors	5.7	(3.9)
Total actuarial (losses)/gains	242.8	8.4

¹ There is a loss 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.

Changes in the fair value of the Plan assets are as follows:

	2023 £m	2022 £m
Opening fair value of Plan assets	912.8	875.1
Expected return on Plan assets	24.3	17.5
Actuarial (losses)/gains	(319.7)	20.7
Contributions by the employer	28.4	28.4
Benefits paid	(22.5)	(28.9)
Closing fair value of Plan assets	623.3	912.8

The fair value of the Plan assets and asset allocation at 31 March were as follows:

	Asset allocation 2023 %	Fair value 2023 £m	Asset allocation 2022 %	Fair value 2022 £m
Equity securities	7.9	49.5	7.7	70.5
UK Equity	0.3	2.0	0.3	2.8
European Equity	1.0	6.4	0.9	8.5
Japanese Equity	0.5	3.0	0.5	4.3
Asia Pacific Equity	0.3	1.6	0.2	2.3
North American Equity	4.9	30.8	4.9	44.5
Emerging Markets	0.9	5.7	0.9	8.1
Debt securities	63.3	394.7	75.6	690.4
LGIM Liability-Driven Investment Fund (LDI) ²	63.3	394.7	75.6	690.4
Real estate/property	13.5	84.3	3.1	28.4
Buy-in asset¹	14.7	91.4	13.1	119.0
Other	0.6	3.4	0.5	4.5
Cash	0.6	3.4	0.5	4.5
Closing fair value of Plan assets³	100.0	623.3	100.0	912.8

- 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 has not been updated 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 £1.86x as at 31 March 2023(2022:1.9x). 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.

The Trustees' investment strategy 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 in the Plan. In combination, this efficiently captures the trustee risk tolerances and return objectives relative to the Plan's liabilities.

There are no deferred tax implications of the above asset/(obligation).

The FCA is the principal employer of the Plan and retains ultimate responsibility for payment of any debt due in event of a wind-up. The Financial Ombudsman Service is an associated employer and would be liable for payment of a debt should they cease to participate, calculated in line with section 75 debt provisions. Our understanding is that surplus can, ultimately, be returned to the principal and associated employers on wind-up, but there is currently no agreement in place that sets out how this would be achieved.

The Final Salary Section of the Plan closed from 31 March 2010. A Recovery Plan was put in place following the Scheme Specific Valuation as at 31 March 2016 and required an annual deficit contribution to be paid over ten years with the aim of reducing the Plan deficit by 31 March 2027. FCA's deficit contribution in the year was £28.4m (2022: £28.4m) and Financial Ombudsman Service's deficit contribution was £1.6m (2022: £1.6m). A deficit contribution of £28.4m per year will be paid by the FCA to the end of the Recovery Plan.

The Trustees commissioned a financial review, which involved a stochastic asset and liability modelling exercise, in conjunction with the 31 March 2019 valuation to decide on the appropriate combination of contributions and investment strategy to meet the statutory funding objective. The review helped to underpin the agreed contributions and investment strategy, ongoing monitoring and contingency plans. At 31 March 2023, the Trustee and the Sponsor have hedged 100% of liabilities on a gilts + 0.3% basis.

The Trustee also manages the risk by receiving regular updates on the performance of the Scheme's investments.

18. 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
Utilised in year	–	–
Closing provision at 31 March 2023	–	20.2

Lease provisions

End of lease obligations are in respect of Right of Use 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 £19.5m (2022: £17.0m), 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. 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 (2022: £0.1m). 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 new 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 2023, 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.

19. Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Key management personnel include the chairman, executive board members and directors that report directly to the CEO or COO. This includes senior management acting in the role of director for more than 3 months. Of this group, 22 (2022:23) personnel received remuneration of £100k or more for the year (for further information see the Remuneration report on page 120).

	Group		Parent Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Short-term benefits	6.4	5.8	5.1	5.0
Post-employment benefits	0.6	0.7	0.8	0.5
Total	7.0	6.5	5.9	5.5

There were no other transactions with key management personnel in the year.

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 HM 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	
	2023 £m	2022 £m	2023 £m	2022 £m
The Financial Services Compensation Scheme	0.4	0.3	45.1	10.1
The Financial Ombudsman Service Limited (FOS)	0.8	0.2	13.0	4.2
The Prudential Regulation Authority	5.3	7.3	8.0	1.9
His Majesty's Treasury	0.3	0.3	0.4	0.5

The service charges to His Majesty's 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 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 17 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 depositories, 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 continue to fund the OCC until 31 March 2024.

The FCA funds the activities of the OCC through the periodic fees it raises. During 2022/23, the FCA transferred £0.6m (2022: £0.5m) to the OCC to cover running costs, which have been expensed in the FCA group financial statements. At 31 March 2023, the balance owing to the FCA from the OCC was £0.0m (2022: £0.0m).

By virtue of certain provisions contained in FSMA, the FCA (together with the Bank of England and HM Treasury) has the right to appoint the Complaints Commissioner, who is both a member and a director of the company and as such has the ability to control the OCC. However, 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.

20. Events after the reporting period

In June 2023, the High Court granted permission to bring a judicial review claim against the FCA. The FCA are defending the claim and proceedings are ongoing. The FCA does not expect the ultimate resolution of the claim to have a significant adverse effect on its financial performance, position or cash flows.

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 Schedule 7 paragraph 32(2)(a) 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 2023

Introduction

The European Union (Withdrawal) Act 2018 (EUWA) requires the Financial Conduct Authority (FCA) to lay an annual report before each House of Parliament if it exercises relevant sub-delegated powers. Once the report 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 that which it has exercised in the period to which this report relates are:

- a. regulation 3 of the Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 – the making of EU Exit instruments relating to FCA rules and binding technical standards (the 'deficiency fixing power')
- b. regulations 206 and 208 of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 – the power to raise fees
- c. paragraph 12K (Power to charge fees) of Part 1A of Schedule 3 and paragraph 35 (Power to charge fees) of Part 3 of Schedule 3 to the Electronic Money, Payment Services and Payment Systems (Amendment and Transitional Provisions) (EU Exit) Regulations 2018 (SI 2018/1201)
- d. regulation 63 (power to charge fees) of the EEA Passport Rights (Amendment, etc. and Transitional Provisions) (EU Exit) Regulations 2018 (SI 2018/1149)
- e. 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 2023. Our 2022 report, for the year ending 31 March 2022, can be found on [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 2023

Throughout 2022/23, we consulted on and made instruments under the Powers on a range of issues, as detailed below.

In March 2022, in Consultation Paper (CP) 22/4, we consulted on changes to the Conduct of Business sourcebook (COBS) to amend our research rules for collective portfolio managers. The FCA Board made these rules final in May 2022. Feedback on our consultation was published in Handbook Notice 99.

In April 2022, we consulted in CP22/7 on the 2022/23 periodic regulatory fees and levies for the FCA, the Financial Ombudsman Service, the Money and Pensions Service and the Treasury's expenses in funding the teams that tackle illegal money lending, among others. The FCA Board made this instrument at its June 2022 meeting. Feedback on CP22/7 can be found in Policy Statement (PS) 22/7.

Finally, as consulted on in CP22/23, at the end of March 2023, the FCA Board made the fees for principal firms of appointed representatives and the fees for UK Markets in Financial Instruments Directive trading firms. For details on the feedback we received to our consultation, see Handbook Notice 108.

Technical standards powers

Throughout the reporting year, the FCA also made various technical standards, details of which are set out below. 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:
 - Paragraph 19 of Schedule 3
 - Article 32(1) (Trading obligation procedure)
- regulation 72 (Transfer of directive functions to the FCA) of the Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019
- Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories:
 - Articles 9(5) and 9(6) (Reporting obligation)
 - Article 11(15) (Risk-mitigation techniques for OTC derivative contracts not cleared by a CCP)
 - Article 56(3) (Application for registration)
 - Article 81(5) (Transparency and data availability)
- Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs):
 - Article 13(5)

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 137A (The FCA's general rule-making power)
- section 137R (The FCA's financial promotion rule-making power)
- section 137T (General supplementary powers)
- section 138P (Technical Standards)
- section 138Q (Standards instruments)
- section 138S (Application of Chapters 1 and 2)
- section 139A (Power of the FCA to give guidance)
- section 247 (Trust scheme rules)
- section 261I (Contractual scheme rules)

Additional details on the instruments we made using the above Powers are set out below.

In March 2022, we consulted in [CP22/4](#) on technical amendments to the ancillary activities exemption. The FCA Board made the relevant instrument in May 2022. See [Handbook Notice 99](#) for details on the feedback we received.

In [CP22/5](#), also published in March 2022, we consulted on changes to the definition of UKSEF 2022 to support issuers in reporting their financial statements with electronic tags based on an up-to-date taxonomy. These changes entered into force in April 2022. Full details of the amendments can be found in [Handbook Notice 98](#).

In June 2022, the FCA Board made Handbook Administration (No 60) Instrument 2022. In it, we made minor amendments to clarify the permitted taxonomies set out in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format. These changes were not consulted on separately because, as with all Handbook Administration instruments, the amendments did not represent a change in FCA policy.

In July 2022, we published a joint consultation ([CP22/13](#)) with the Prudential Regulation Authority, which proposed changes to the margin requirements for non-centrally cleared derivatives to address issues previously raised by industry. The FCA Board made the relevant instrument on 9 December 2022 and our response to feedback was published in [PS22/16](#).

In February 2023, the FCA Board made instruments relating to a joint consultation we published with the Bank of England in November 2021 ([CP21/31](#)). Our consultation related to proposals to amend the framework for derivatives reporting under the UK version of the European Market Infrastructure Regulation. Details on the feedback we received can be found in [PS23/2](#).

Finally, in [CP22/26](#), we consulted on changes to the derivatives trading obligation. The FCA Board made this instrument at the March 2023 Board. Feedback to the consultation was published in [Handbook Notice 108](#).

Appendix 2

Use of our 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 2022/23, we used this s166 power in 47 cases. In 4 of those cases, we appointed a skilled person firm. We appointed 14 different skilled persons firms to undertake these reviews.

The aggregate cost incurred by regulated firms for s166 work undertaken in the 2022/23 financial year – including reviews that remain in progress from previous years – was £35.1m.

The reviews examined several regulatory issues, including:

- 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

FCA Sectors	Number of Skilled Person Reports Commissioned in 2022/23
Retail Banking and Payments	9
Retail Lending	5
Retail Investments	14
General Insurance & Protection	1
Pensions & Retirement Income	1
Investment Management	8
Wholesale Financial Markets	9
Total	47

Lots	FCA Firm Supervision Category		Total
	Dedicated Supervision	Portfolio Supervision	
Client Assets	0	5	5
Governance and individual accountability	2	2	4
Controls and risk management frameworks	1	16	17
Conduct of Business	0	11	11
Financial Crime	2	8	10
Total	5	42	47

The tables above cover reviews where we used our powers under s166 for 2022/23. For PRA information please refer to its publications.

Notes

1. The number of 2022/23 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 2021/22, 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 2021/22 financial year to 36.

For 2020/21, 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 2020/21 financial year to 67.

Appendix 3

RDC Annual Review of the year to 31 March 2023



Introduction from Tim Parkes, Chair of the Regulatory Decisions Committee

This is the eighth annual review published by the Regulatory Decisions Committee (RDC) of the Financial Conduct Authority (FCA). Over the course of this year, 18 cases were referred to the RDC and 38 cases completed, compared to 81 and 86 in the previous year. The reduction in case numbers is largely due to the RDC's change in remit, as explained below. The majority 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 both the material provided by:

- the FCA 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 the relevant division of the FCA or to impose different sanctions in light of representations received from the subjects of the proposed action.

In my report last year, I noted the changes to the RDC's remit. These took effect on 26 November 2021. The RDC no longer makes decisions about:

- authorisation and approval cases
- proposed supervisory actions to impose requirements
- varying a firm's permissions, civil and criminal proceedings and
- most straightforward enforcement cases

which are now made by the FCA's Executive.

As mentioned, this change in remit is largely responsible for the reduction in RDC case numbers this year. The figures in this report focus on the larger enforcement matters which now form the vast majority of the RDC's workload. However, we concluded a small number of legacy authorisation cases early in this reporting year.

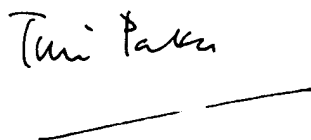
I meet each member of the committee every year to provide feedback on individual and collective performance and to receive feedback on how we can continue to improve our procedures, training and recruitment processes.

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 stabilise, or increase slightly.

As usual, I would like to thank the RDC's members for their hard work over the last year. 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.

A handwritten signature in black ink that reads "Tim Parkes". Below the signature is a horizontal line that starts under the first name and extends to the right, ending under the last name.

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 39 decisions on cases (at either the first or final stage) during the year. This figure is a significant decrease on that of the previous year, which was 132. This is very largely a reflection of the RDC's change in remit in November 2021. The RDC completed 32 Panel Cases received from EMO (EMO Panel Cases) this year compared with 9 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
- 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
- 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 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 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.

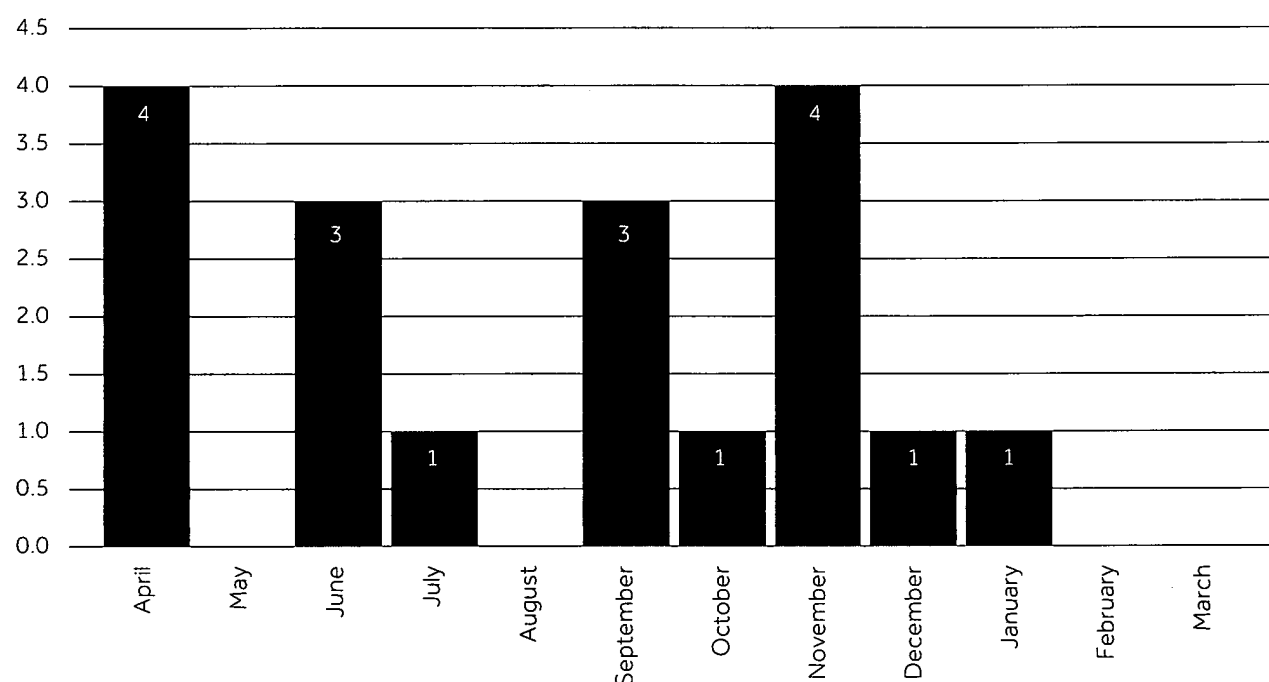
RDC decisions are decisions of the FCA. Only the subject of the action can challenge these decisions. They may refer the matter to the Upper Tribunal for a re-hearing.

Operational performance

Cases received

The number of Panel Cases received by the RDC from EMO during the year was similar to the previous year – 18 this year compared with 19 last year.

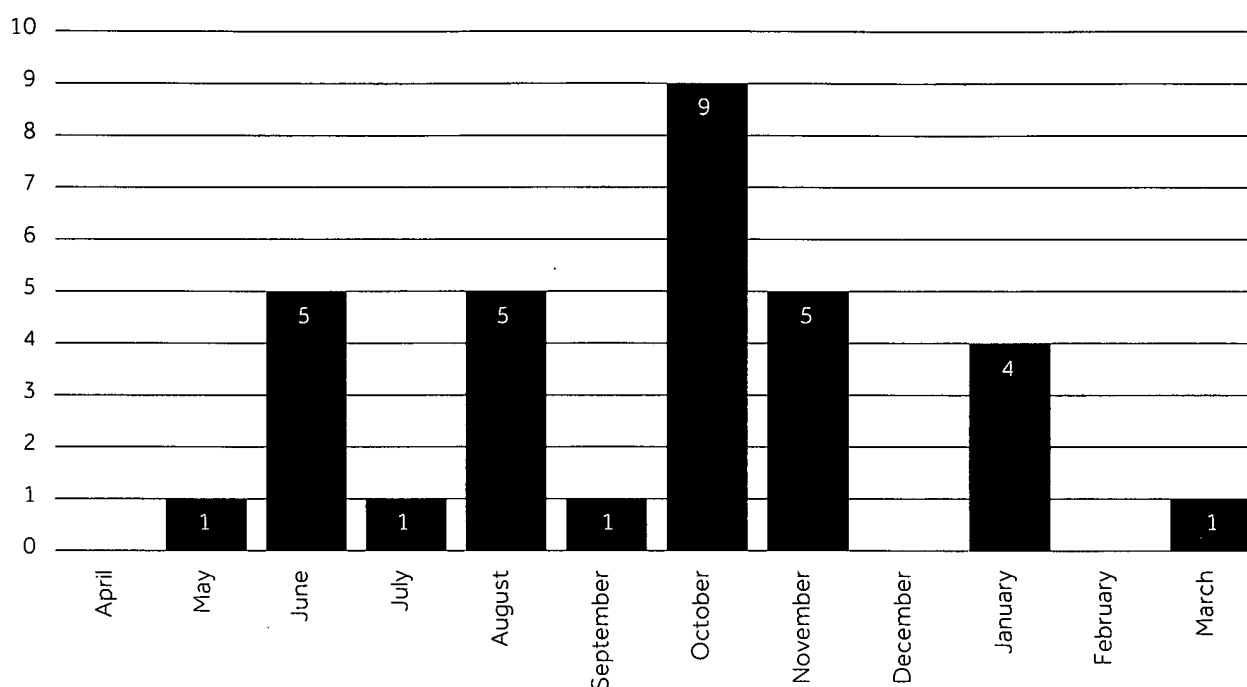
Figure 1: EMO Panel cases referred to the RDC during the year by month



Outputs and outcomes

The RDC's output increased considerably this year. The RDC concluded 32 EMO Panel cases; compared with 9 last year. Some of these cases were settled. However most proceeded through the full RDC process. This included some longstanding cases opened in previous reporting years. The RDC was able to conclude these this year.

Figure 2: EMO Panel cases completed during the year by month



Outcomes of completed EMO Panel cases

The outcomes of the 32 completed EMO Panel cases were:

- The RDC decided to issue 9 prohibition orders preventing individuals from performing functions related to regulated activities. One of the 9 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 5 firms and 13 individuals.
- The RDC decided not to issue a Decision Notice in relation to 3 individuals.
- The RDC decided to impose a public censure on 1 firm.
- 4 cases were settled by the Executive following the issue of a Warning Notice.
- 2 cases were withdrawn by Enforcement before RDC consideration.

Timing

The average time the RDC took to complete an EMO Panel case was 15.4 months. This was from receiving the case papers until either giving a Decision Notice or deciding not to do so. This compares with 10.6 months last year. This increase in duration reflects a number of factors. They included the significant increase in cases closed this year compared with the previous year.

As well as this, the closed cases included several complex legacy matters. These took much longer to conclude than standard cases. We expect this increase in case duration to be a one-off. We expect the average duration to reduce again next year.

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
- procedures more generally.

During the year, there were 2 substantive Tribunal decisions on cases decided by the RDC:

- Przemyslaw Soszynski (trading as Phenix Consultancy)
- the joint decision on Andrew Page, Robert Ward, Tristan Freer, Thomas Ward and Aiden Henderson.

In the first of those cases, the Tribunal agreed with the RDC's decision to refuse the application of Mr Soszynski for authorisation as a claims management company. This was on the basis that he had failed to meet the Threshold Conditions (Effective Supervision, Appropriate Resources, and Suitability). The Tribunal found that, among other failings, Mr Soszynski:

- did not have the requisite professional indemnity insurance
- did not have permission to hold client money
- was in breach of the prudential resources requirement during his period of temporary authorisation
- failed to notify the FCA of this
- failed to record all telephone calls with customers and retain other relevant communications with them.

The Tribunal also found Mr Soszynski's attitude to be unsuitable for a regulated person.

The second case involved Andrew Page, Aiden Henderson, Robert Ward and Tristan Freer (who were directors) and Thomas Ward (who was a *de facto* director) at financial advice firms:

- Financial Page Ltd
- Henderson Carter Associates Limited
- Bank House Investment Management Limited.

The firms provided unsuitable investment advice to over 2,000 customers. This caused them to place their pensions in high-risk financial products in self-invested personal pensions. Hennessy Jones, an unauthorised firm, had a significant financial interest in these. This resulted in customers suffering significant losses totalling over £50 million.

The Tribunal agreed with the RDC that the individuals had failed to act with integrity – having either acted dishonestly or recklessly. So it was appropriate to impose significant financial penalties, totalling over £1 million, and prohibition orders on them. The Tribunal concluded that:

- the individuals failed to scrutinise where their customers' pension funds were being invested
- they had compromised their judgement for personal financial gain.

In respect of Thomas Ward, the Tribunal agreed with the RDC that he knowingly acted as a de facto director of Financial Page Ltd without approval. It also agreed he acted without integrity when performing that role.

A total of 7 RDC Panel cases referred to the Tribunal were awaiting substantive hearings or decisions at the year-end (31 March 2023). These comprised:

- 5 multi-party cases
- 2 single-party cases.

Ongoing caseload

At the end of the period of this review, the RDC had 18 open EMO Panel cases and 4 potential cases which had been notified to it.

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 15 members on the committee. Its composition reflects the different sectors of the regulated industry and consumers.

There are currently 7 practitioners (Kevin Brown, Julie Hepworth, Charles Laughton-Scott, Caroline Ramsay, Peter Jones, Tanya Castell and E. Noel Harwerth) and 8 non-practitioners (Tim Parkes, Elizabeth France, John Hull, Karen Johnston, Philip Marsden, Sidney Myers, Anne Heal and Stephen Mount).

A total of 5 members of the Committee, including the Chair, are lawyers (Tim Parkes, John Hull, 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, we expect some existing members to step down as their terms end and new members to join the committee.

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 large, complex enforcement cases. These tend to involve both firms and individuals. We anticipate case numbers will remain at the same, or slightly higher, levels. We also expect we will receive further cases relating to pension transfer advice and market abuse. Otherwise, future cases are likely to reflect the priorities set out in the FCA's Business Plan for 2023/24.

Appendix 4

Environmental sustainability report

Our environmental sustainability report provides a comprehensive overview of the FCA's and PSR's environmental performance. This covers our headquarters in London, as well as our expanding operations in Edinburgh and Leeds¹. We have taken several steps to enhance our sustainability efforts this year. This includes publishing an external report on our transition to net-zero by 2045².

We have prepared our emissions reduction targets for validation by the Science-Based Targets initiative. We have also included climate-related disclosures in our annual report (see Chapter 6).

To engage with our employees on environmental issues, we have conducted webinars and events in partnership with Sustain – the FCA and PSR employee network focused on sustainability issues. As well as this, we have coordinated opportunities for volunteering and engagement with our graduates and apprentices on sustainability initiatives through our Corporate Responsibility team.

Our environmental training has been updated. We will roll it out in the coming year. This is to make sure our employees are equipped with the knowledge and skills they need to achieve our internal environmental sustainability goals.

This year, we have focused on embedding sustainability expectations in our supply chain. We have done this through the preparation and evaluation of our public tenders and our approach to ongoing supplier management. Additionally, we have maintained our ISO 14001³ certification for our environmental management system. We have also updated our policy statement⁴ and internal strategy to guide our efforts up to 2025.

In the past year, we have adjusted down the environmental metrics in some of the baseline years. This is to reflect our current hybrid working policy and more accurately our environmental performance compared to the targets we have set. We found the adjustment relevant for water usage, generation of waste and paper consumption from on-floor printers used by our employees.

In parallel, our environmental, social and governance (ESG) strategy is an essential part of our approach to achieving our ESG target outcomes in the financial sector. This report primarily focuses on our internal performance. However, we remain committed to sharing our own sustainability challenges and opportunities to promote and role model accountability and transparency.

¹ We have opened Leeds office in September 2022. Until the end of the financial year 2022-23, we have not received energy and water utilities meters and bills from our property owner.

² FCA and PSR Net Zero Transition Plan, July 2023.

³ ISO 14001:2015 specifies the requirements for an environmental management system that an organisation can use to enhance its environmental performance.

⁴ FCA and PSR Environmental Policy Statement, November 2022.

Energy

'SDG⁵ 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'

In the past 5 years, we have made great strides in reducing our carbon footprint and improving our energy efficiency. Our total energy consumption decreased by 21% from 10,124,098 kWh in 2018/19 to 7,935,950 kWh in 2022/23. We have also used certified renewable electricity⁶. This made up 37% of our total energy consumption in 2022/23.

We also reduced our gas usage by 80% over the same period — from 139,257 kWh in 2018/19 to 27,669 kWh in 2022/23.

Although hybrid working has affected our energy consumption patterns, we have maintained our energy consumption levels. This is because of the ongoing energy needs for our office buildings and operations. Nonetheless, we remain committed to reducing our energy consumption.

Metrics							Targets
Energy (kWh)	2022/23			2021/22	2020/21	2019/20	2018/19
	London	Edinburgh	Leeds	London/Edinburgh	London		
Gas	22,653	5,014	-	22,451	1,261	61,197	139,257
Renewable electricity	2,950,910	-	-	2,170,844	1,555,975	2,657,318	7,110,688
UK electricity grid	-	139,954	n/a	170,082	-	-	-
Cooling via Stratford City District Energy Scheme	3,831,268	-	-	2,930,768	2,117,876	3,290,931	2,257,287
Heating via Stratford City District Energy Scheme	986,151	-	-	1,045,840	1,034,690	1,042,571	616,866
Total energy (kWh)	7,790,982	144,968	n/a	6,339,985	4,709,802	7,052,017	10,124,098
Total costs (£'000)	1,522	78	n/a	693	437	758	1,056

Not set for energy but reflected in the GHG emissions targets

Water

'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 commitment to SDG 6 is reflected in our efforts to reduce water consumption. At our Stratford headquarters, we benefit from a rainwater collection system in a BREEAM⁷ Excellent rated office building. This helps reduce our reliance on mains water.

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 The electricity supplier at our Stratford office provides electricity certified with Renewable Energy Guarantees of Origin (REGO) scheme administered by Ofgem.

⁷ Building Research Establishment Environmental Assessment Method (BREEAM) is a certification which drives the built environment's performance across an entire sustainability spectrum.

Our target to reduce water consumption was set in line with the Greening Government Commitments (GGC). Our metrics in the baseline year 2017/18 were adjusted down to reflect reduced in-office working. Nonetheless, we exceeded our target by 50% in terms of water usage reduction. This is a significant achievement because of growing pressure on freshwater resources, particularly in southeast England.

Metrics								Targets* adjusted to ratio of office attendance in hybrid working		
Water (m3)	2022/23			2021/22	2020/21	2019/20	2018/19	Baseline	Target	Annual Target Achievement (%) ⁸
	London	Edinburgh	Leeds	London/Edinburgh	London			2017/18	2024/25	2022/23
Total water (m3)	6,344	710	n/a	6,643	4,342	22,763	54,508	15,282	14,060	50%
Total costs (£'000)	21	2.5	n/a	19	11	15	137			

Paper consumption

'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'

We have made progress in reducing our paper consumption and promoting sustainable practices in the workplace. Our efforts in reducing paper usage align with SDG 15. In particular they align with Indicator 15.2.1 which measures progress towards sustainable forest management. For on-floor printers used by our employees, we achieved our annual target to limit printing to up to 1,067 A4 equivalent reams per year.

For business printing using our reprographics services, we have missed our annual target by 19%. This means we have not reduced printing in line with our target to limit paper consumption from business printing to 879 A4 equivalent reams per year.

Overall, our commitment to hybrid working and digitalisation has played a key role in reducing paper consumption. We remain dedicated to further reducing our environmental impact.

Metrics						Targets* adjusted to ratio of office attendance in hybrid working			
Paper (A4 eq. reams)	2022/23	2021/22	2020/21	2019/20	2018/19	Baseline	Target	Annual Target Achievement (%)	
	London/Edinburgh/Leeds	London/Edinburgh	London			Multiple	Annual	2022/23	
A4 sheets	929,914	665,550	582,526	6,087,513	8,761,299	-	-	-	
A3 sheets	1,739	3,022	1,142	26,865	45,403	-	-	-	
Employees printing (on-floor printers)	1,064	441	-	-	-	4,269	1,067	0.3%	
Business printing (reprographics)	1,045	902	-	-	-	3,516	879	-19%	
Total paper (A4 eq. reams)	2,109	1,343	1,170	12,282	17,704				

⁸ The annual target achievement percentage informs by how much (%) we have done better than the target or by how much (%) we have missed the target. In the case we have missed the target, the ratio figure will be negative.

Waste minimisation and management

'SDG 12. Ensure sustainable consumption and production patterns' – 'Indicator 12.5.1: National recycling rate, tons of material recycled'

Our commitment to SDG 12, which focuses on sustainable consumption and production patterns, is reflected in our waste prevention and recycling efforts. We measure our progress against Indicator 12.5.1: National recycling rate, tonnes of material recycled.

Metrics		Targets* adjusted to ratio of office attendance in hybrid working									
Waste (tonnes)	Description	2022/23			2021/22	2020/21	2019/20	2018/19	Baseline	Target	Annual Target Achievement (%)
		London	Edinburgh	Leeds	London/Edinburgh	London			2017/18	2024/25	2022/23
Mixed Dry Recyclables (MDR)	plastics, cardboard, glass, metal	28	-	-	23	7	211	357	-	-	-
Food waste	kitchen catering and on-floor food waste	20	-	-	7				-	-	-
Confidential paper	recycled paper by specialised contractors	9			11				-	100% to recycling	100%
ICT reused preventing waste	refurbished, remarketed, and redeployed	10			0.02	-	-	-	-	YoY% increase	n/a
ICT recycled	recycled for valuable minerals and materials	2			0.5	-	-	-	-	YoY% increase	n/a
Hazardous waste recycled	batteries, and other small electric waste	0.2	-	-	0.2	0.3	1	2	-	-	-
Recovery of energy from hazardous waste	hazardous waste that can't be recycled	0.1	-	-	0.1				-	-	-
Recovery of energy ⁹ from general waste	general waste and clinical waste	57	-	-	31	10	113	109	-	-	-
Recovery of energy from e-waste	e-waste that can't be recycled	0.6			-	-	-	-	-	-	-
Landfilled waste	e-waste with problematic substances that can't be incinerated	0.02			-	-	-	-	-	0% to landfill	0% to landfill
Total waste recycled (tonnes)	cumulative waste recycled	59			42	7	212	359	86%	70% recycling rate	50% recycling rate achieved
Total waste after prevention (tonnes)	total waste after ICT prevented waste by reuse	117			73	17	325	468	163	139	16%
Total waste (tonnes)	total waste before ICT prevented waste by reuse	127			73	17	325	468	-	-	-
Waste costs (£'000)											
Mixed recyclables		12	-	-	36	58	179	98			
Food waste		5	-	-	11						
General waste ¹⁰		61	-	-	79	17	-	51			
Confidential paper		52	-	-	53						
Hazardous waste		1	-	-	1	27	25	11			
ICT equipment and e-waste		330			-	-	-	-			
Total costs (£'000)		461			180	102	204	160			

9 The process of energy recovery is sometimes referred to as energy from waste (EfW). In this process, usually general (municipal) waste is incinerated generating electricity and diverting waste from landfill.

10 General waste also sometimes referred to as 'municipal waste' includes our clinical waste.

In 2022, we prevented 10 tonnes of IT waste. This was through our Laptop Refresh Programme which replaced outdated technology.

Following this programme and others throughout the year, our End-User Compute (EUC) supplier remarketed and redeployed 81% of the IT equipment. This contributed to our waste reduction efforts. In addition, through the year, we recycled 59 tonnes of waste.

This represented a 50% recycling rate and included recyclables such as:

- plastics
- cardboard
- glass
- metals
- food waste
- confidential paper
- hazardous waste

from which valuable resources were recovered.

These were put back into the circular economy. We are committed to continuously seeking to prevent, reduce and recycle our waste. We work closely with our suppliers to maintain our 0% landfill policy. We engage with our suppliers in Facilities Management, Technology and with our employees to improve and achieve our 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'

In line with our commitment to SDG 13, we have made significant improvements in assessing our greenhouse gas emissions in the past year. We have updated our emissions inventory to align with industry best practices. This enables us to set and prepare interim emissions reduction targets for 2028. The Science Based Targets initiative will be providing external independent validation for them. We have also developed a roadmap to achieve net-zero emissions by 2045.

This is summarised in the [FCA and PSR Net Zero Transition Plan](#) we have published alongside this Annual Report. Our efforts have also enabled us to better understand the climate-related implications relevant to our organisation. We have reported on this in Chapter 6.

We would like to highlight some discrepancies between this year's emissions reporting and previous years' publicly available data. Notably, we have made some adjustments in our baseline financial year 2021/22:

GHG emissions	
Scope	Description of discrepancies
Scope 3.1: Purchased goods and services	Removal of emissions generated under the category 3.2 'capital goods' from this category, and updates made to emissions factors to enhance reporting accuracy, while adhering to the spend-based method.
Scope 3.2: Capital goods	We have included emissions under this category as a result of reclassifying emissions previously reported under 3.1 'Purchased goods and services'.
Scope 3.3: Fuel- and Energy-Related	Updates made to transmission & distribution (T&D) emissions as a result of confirming that the cooling and heating via Stratford City District Energy Scheme already factored-in the T&D emissions into the conversion factors provided annually to us.

GHG emissions	
Scope	Description of discrepancies
Scope 3.5: Waste	Correction made in the wastewater figures based on Thames Water benchmark for wastewater ratio out of total water mains.
Scope 3.7: Employee commuting	Updates made to the number of journeys made to the office, based on exclusion of weekends and bank holidays. Minor changes made to emissions factors, and inclusion of PSR commuting, benchmarked against FCA, assuming it fits the same patterns as FCA commuting.
Scope 3.7 Optional: Employees teleworking	Inclusion of PSR homeworking, benchmarked against FCA, assuming it fits the same patterns as FCA working-from-home. Total worked hours adjusted to reflected FCA and PSR FTE (permanent, fixed-term contract (FTC), apprentices, graduates).
Scope 3.8: Upstream leased assets	Updates made to emissions resulting from the use of energy utilities in our rented offices. These emissions were previously classified as Scope 1 and 2 emissions. However, following reassessment of the organisational boundary, these emissions are now classified as Scope 3 emissions. This is because most of the operations emitting the emissions are under the financial and operational control of our property owners.
Scope 3.11a: Use of sold products, excluding sale of fossil fuels	We are reporting data against this category referring to emissions generated by end-users (in our case, the regulated firms and consumers, the wider public) from accessing our services based on data usage including our information systems (IS), contacting Supervision Hub, and calling and emailing the FCA and PSR.
Scope 1 (natural gas)	Scope 1 emissions are included in category 3.8: 'Upstream leased assets'. Minor changes were made to emissions factors due to governmental updates.
Scope 1 (f-gas)	Maintenance reports showed 0 leaks of fugitive gases and 0 kg of fluorinated gas top-up.
Scope 2 (renewable, UK grid electricity)	Scope 2 emissions are included in category 3.8: 'Upstream leased assets' because district cooling, heating and most of the electricity utilities are under the control of the property owners. We don't procure these utilities directly from the suppliers.

This year, we fell short by 35% compared to our overall Scope 3 emissions reduction targets. This was primarily due to factors such as:

- the carbon footprint of our supply chain
- an increase in commuting and business travel following the pandemic

However, we remain dedicated in our commitment to reduce greenhouse gas emissions. We will continue to:

- update our inventory
- set targets
- develop strategies

to achieve our net-zero emissions goal by 2045.

In the near term, we aim to engage our suppliers and support them in setting their own emissions targets. We believe this will help us improve our overall performance.

Metrics										Targets			
GHG emissions (tonnes CO2e) ¹¹	Description	Method	2022/23			2021/22	2020/21	2019/20	2018/19	Baseline	Interim Target	Net-Zero Target	Annual Target Achievement (%)
			London	Edinburgh	Leeds	London/Edinburgh	London			2021/22	2027/28	2044/45	2022/23
Scope 1	fugitive emissions	sales-based	-	-	-	-	-	-	-	-	-	-	-
Scope 2	UK electricity grid	location-based	-	13	-	9	-	-	-	9	2023/24: 100% RE ¹²	100% RE	0%
Scope 3 ¹³ GHG (tonnes CO2e)													
Cat. 1: Purchased goods and services:	purchased services, products, materials	spend-based and average-data	26,381			20,954	-	-	-	33% of suppliers (cumulative) by emissions have SBTs	70% of suppliers (cumulative) by emissions have SBTs	-	31% of suppliers (cumulative) by emissions have SBTs
Purchased goods and services	procurement data	spend-based	26,375			20,950	-	-	-	-	-	-	-
Water supply	Mains water supply	average-data	1	-	n/a	1	-	-	-	-	-	-	-
Paper use	employees printing & reprographics	average-data	5		n/a	3	-	-	-	-	-	-	-
Cat. 2: Capital goods	IT, AV and office furniture	average-product	172			1,023	-	-	-	-	-	-	-
Cat. 3: Fuel and energy-related	transmission and distribution (T&D) of energy	average-data	47	2	n/a	44	-	-	-	-	-	-	-
Cat. 4: Upstream transport	post and courier services	distance-based	8			16	-	-	-	33% of suppliers (cumulative) by emissions have SBTs	70% of suppliers (cumulative) by emissions have SBTs	-	31% of suppliers (cumulative) by emissions have SBTs
Cat. 5: Waste	waste and wastewater	waste-type specific and average-data	4		n/a	3	-	-	-	-	-	-	-
Cat. 6: Business travel:	business travel transportation	distance-based	665			50	-22 ¹⁴	1,308	1,794	2019/20: 1,308	34% reduction to 869	131	23%
Air- Domestic	domestic flights	distance-based	207			19	-2	403	535	-	-	-	-
Air- Europe	<3,700 Km	distance-based	44			8	0	89	105	-	-	-	-
Air- International	>3,700 Km	distance-based	373			13	-24	764	1,008	-	-	-	-
Rail- Domestic/ Eurostar/ International/ Ferry	national rail, regional and international	distance-based	33			3	0	29	93	-	-	-	-
Car rental and taxi/hire	fossil fuels and electric vehicles	distance-based	0.3			4	4	23	53	-	-	-	-
Personal vehicle mileage	employee refunds	distance-based	8			2	-	-	-	-	-	-	-

11 As defined by the GHG Protocol, Scope 1 covers direct greenhouse emissions from owned or controlled sources, such as gas used onsite. Scope 2 covers indirect emissions from purchased electricity, heating, and cooling by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain, including from suppliers.

12 Renewable electricity (RE). We lease our offices and we have limited control over our energy suppliers. We are committed to switching to certified RE where we purchase electricity directly with the electricity suppliers. Here we refer to our Edinburgh 2 floors office that also represent our Scope 2 GHG emissions.

13 We have assessed the following Scope 3 emissions categories but those are not applicable (n/a) to us:

Category 9: Downstream transport

Category 10: Processing of sold products

Category 11b: Sale of fossil fuels

Category 12: End-of-life treatment of sold products

Category 13: Downstream Leased Assets

Category 14: Franchises

Category 15: Investments.

14 Minus figure due to cancelled travel that was booked in advance.

Financial Conduct Authority

Appendix 4

Metrics										Targets			
GHG emissions (tonnes CO2e) ¹¹	Description	Method	2022/23			2021/22	2020/21	2019/20	2018/19	Baseline	Interim Target	Net-Zero Target	Annual Target Achievement (%)
			London	Edinburgh	Leeds	London/Edinburgh	London			2021/22	2027/28	2044/45	2022/23
Cat. 7: Employee commuting	commuting to offices	distance-based and average-data	1,441			376	-	-	-	-	-	-	-
Cat. 8: Upstream leased assets:	offices utilities: gas, electricity, district network cooling and heating	asset-specific, location-based	377			393	308	387	1,531	33% of suppliers (cumulative) by emissions have SBTs	70% of suppliers (cumulative) by emissions have SBTs	-	31% of suppliers (cumulative) by emissions have SBTs
Renewable electricity ¹⁵	consumption in leased offices	market-based method	0	-	-	0	0	0	0	-	-	-	-
UK electricity grid	consumption in leased offices	location-based	-	14	n/a	27	-	-	-	-	-	-	-
Cooling & Heating via Stratford City District Energy Scheme	consumption in leased offices	asset-specific	357	-	-	362	308	376	1,509	2017/18: 4,439 MRY 2019/20	394	-	6%
Natural gas	consumption in leased offices	average-data	4	1	n/a	4	0.2	11	22	2017/18: 50 MRY 2019/20	9.5	5	47%
Cat. 11: Use of sold products:	use of our services and IS by public ¹⁶	direct use-phase emissions ¹⁷	7			5	-	-	-	-	-	-	-
Cat. 11a: Use of sold products, excluding sale of fossil fuels	use of our services and IS by public	direct use-phase emissions	7			5	-	-	-	-	-	-	-
Optional Cat. 6: Business travel hotel stays	hotel nights incurred during business travel	distance-based	20			5	-	-	-	-	-	-	-
Optional Cat. 7: Employee tele-working	employees working remotely from home	distance-based	698			1,315	-	-	-	-	-	-	-
Total GHG (tonnes CO2e)													
Total scope 1+2			-	13	n/a	9	-	-	-	-	-	-	-
Total required scope 3			29,104			22,863	286	1,695	3,325	22,863	34% reduction to 15,181	90% reduction to 2,286	-35% ¹⁸
Total optional scope 3			718			1,319	-	-	-	-	-	-	-
Total scope 1+2+ required 3			29,117			22,872	-	-	-	-	-	-	-
Carbon credits verified carbon offset purchase			218			-	-	12	-	-	-	2,286	10% ¹⁹ use of carbon offsetting
Total scope 1+2+ required 3 after offsets			28,899			22,863	286	1,683	3,325	-	-	-	-
GHG costs (£'000)													
Business travel transport and hotels costs			1,361			81	7	1,509	1,681				
Carbon credits costs			7			-	-	30 ²⁰	80				
Total costs (£'000)			1,368			81	7	1,539	1,761				

15 REGO-backed power supply guarantees renewable electricity generation. Zero emissions can be claimed by the market-based method.

16 Scope 3 category 11 'Use of sold products' indirect emissions in our value chain are generated from the use of our services such as Supervision Hub calls and Information Systems (IS) by the firms and consumers.

17 Use method refers to the direct use-phase emissions from products that directly consume energy (fuels or electricity) during use.

18 Our Scope 3 emissions have increased this year compared to our baseline FY 2021/22 and we have missed our annual target for Scope 3 emissions reductions by approx. 35%, hence a negative figure. Main sources were an increase of indirect emissions in our supply chain, business travel and commuting to work.

19 The purchase of carbon credits in FY 2022/23 (213 tCO2e) represents approx. 10% of the residual emissions estimated in a net-zero scenario in FY 2044/45 (2,286 tCO2e). The latter residual emissions are calculated at 10% from the total emissions in baseline FY 2021/22.

20 Carbon Reduction Commitment scheme (CRC) ended in 2019.

Sustainable Procurement

Sustainable Procurement 'SDG 12. Ensure sustainable consumption and production patterns' – 'Indicator 12.7.1: Degree of sustainable public procurement policies and action plan implementation'

Policy and guidelines: we updated our environmental policy statement and Supplier Code of Conduct, outlining our expectations of working with suppliers and colleagues to improve sustainability. Together with our Procurement team, we analysed the indirect greenhouse gas emissions impact in our supply chain based on a spend-based method. From this, we have estimated that in 2022/23, suppliers accounting for 31% of the cumulative emissions in our supply chain have already set science-based targets (SBTs).

Tendering: we embedded environmental sustainability in the evaluation criteria and terms and conditions of 3 public tenders that were finalised (in the areas of digital solutions and off-site facilities services). We also started 2 tenders in technology and digital. These will be progressed in the coming year.

Supplier Management Framework: we completed an annual attestation process with our key suppliers on commitments to regulatory compliance and furthering environmental sustainability.

Living Wage: we continued our 'Living Wage Employer' accreditation that applies to FCA and PSR employees and contractors.

Our restaurant and catering services: the restaurant in our London office is operated by a food services and hospitality group awarded the Sustainable Restaurant Association (SRA) Three Star Champion Status. It is accredited with Planet Mark. It is also certified with ISO 14001 for operating an environmental management system in catering contract management. This year, the restaurant has started a carbon footprint labelling system (A to E) which is calculated for the menu dishes. This is displayed to inform our employees' food choices every day. Additional sustainability credentials included the following:

The restaurant ensures food diversity and offers plant-based menu options daily.

- 100% of fish is sourced from sustainable lists endorsed by the Sustainable Restaurant Association (SRA), the Marine Conservation Society and the Marine Stewardship Council.
- Fairtrade coffee is sourced from a single-origin Nicaraguan community cooperative.
- Eco-cleaning products are used to reduce the impact on water from cleaning chemicals.
- Reusable cups and food containers are sold as an alternative to single-use packaging.

Sustainable Construction

We have recently refurbished our office in Edinburgh. The selection and contracting process for the main contracting parties was through the Crown Commercial Services RM6088 Framework for 'Construction Works and Associated Services'. Sustainability processes were set in this framework for suppliers to adhere to. Alongside the sustainability requirements within the framework, we have applied environmental best practices by optimising the use of resources and minimising waste. In the refurbishment works carried out, we re-used existing suspended ceilings and carpets, re-used furniture and IT equipment from our London office and installed electric heating sources.

Biodiversity

Sustainable Procurement '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'

Throughout the past year, we engaged with local NGOs in London to identify biodiversity opportunities. We also proposed installing nesting boxes for swifts at our London office building to support this red-listed species. However, our feasibility test determined that the proposal wasn't feasible due to limitations posed by building management systems.

We recognise the importance of enhancing biodiversity. Given our current capabilities and the limitations of our building systems, we are considering alternative strategies to achieve this goal. We remain committed to exploring new opportunities for enhancing our environmental performance in meaningful ways.



12 Endeavour Square London E20 1JN
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk
All rights reserved

E02910351
978-1-5286-4109-8