What the FCA's 2021/22 Business Plan means for your firm

November 2021
At EY, we are focused on building a stronger, fairer and more sustainable financial services industry. The strength of our EY teams lies in the proven power of our people and technology, and the way they converge to reframe the future. This is how EY professionals are helping to build long-term service for financial services clients.

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Foreword

This year’s Business Plan is significant, covering the organisation’s own transformation, reform of regulation in the wholesale space and a continued focus on retail protections. The plan articulates a fundamental shift in how the Financial Conduct Authority (FCA) operates, acknowledging profound forces changing the nature of financial services, including the pandemic, technology, EU withdrawal and the need for a sustainable economy.

In response, the FCA is seeking to drive a substantial transformation programme to become more innovative, assertive and adaptive. Building on developments over the last few years, it is looking to become a data-led, proactive and forward-looking regulator; one that prioritises the use of data and technology, asserts itself more by testing the limits of its own powers, and adjusts its approach on an ongoing basis. In addition, the FCA has a suite of new executive directors, new operational locations and is merging its supervision, policy and competition departments. As a result of this redesign, the FCA aims to better deliver on its objectives of consumer protection and competition.

With its transformation agenda as a foundation, the plan sets out the FCA’s ambitions for the year ahead, acknowledging the increased flexibility to tailor its rules following the UK’s exit from the EU, in particular, to enhance the competitiveness of the UK and to ensure the UK helps set and develop international standards. Much of this is centred on the wholesale space. In the retail space, there is a continued focus on consumer protection particularly the Duty of Care – which could be the biggest domestic change in regulation in a decade. With the operating mechanisms of the FCA being redesigned, reassuringly its business priorities are more of an evolution. Several new measures have been announced in the Business Plan, but the themes are not new. For firms, the plan provides a clear roadmap of where the FCA will be focusing its resources over the coming year.

EY teams response to the Business Plan focuses on what the FCA will prioritise in its supervision of the market, and what firms must consider in the next year to remain on top of the regulatory agenda. However as will be noted throughout, the FCA’s own transformational journey will influence the topics it focuses on in the market and its methods of supervision.
Foreword

Our top priorities for firms include:

1. **Understand and plan for a new Consumer Duty.** For example, take a customer lens to assessing product lifecycles and customer journeys to understand whether they lead to poor behavioural practices which could impact customers and the actual customers experience.

2. **If you are an Investment firm, ensure you have the data gathering capabilities in place** to comply with the Investment Firms Prudential Regime (IFPR) from 1 January 2022 and an understanding of the requirements of the new Internal Capital and Risk Assessment (ICARA) process.

3. **Complete an Operational Resilience self-assessment** and obtain board sign off on the tolerances, remediation plans and actions to improve the resilience of your operations.

4. **Understand your current state in relation to your diversity and inclusion journey** by creating a population of usable and insightful diversity and inclusion data with measurable metrics.

5. **Review ESG product governance procedures** to ensure that any products that make Environmental Social Governance (ESG) or sustainability-related claims ‘do what they say on the tin’ and the related marketing and disclosures enable consumers to make informed judgment about their merits, both at the point of sale and on an ongoing basis.

6. **Articulate a holistic approach to fraud prevention and detection** which should include proactive surveillance to identify emerging fraud typologies as well as actions taken to educate and protect customers. Robust controls at customer onboarding and ongoing staff training on fraud risks should also be part of this approach.

**Overarching priorities**

Amidst the change, the FCA remains focused on familiar priorities across markets that have been elevated during the pandemic, including operational resilience and fraud strategy. Further focus on financial resilience and resolution will also drive greater data-driven scrutiny from the FCA of solo regulated firms and their liquidity, capital and reserves.

The new priority of diversity and inclusion and acknowledgement of its link to regulatory requirements and better financial performance, is a significant step. The regulator’s data collection pilot to develop associated diversity and inclusion metrics should also be welcomed by financial services firms, who will benefit from strong engagement as the proposals are developed.

As expected, the FCA’s priorities around ESG have advanced further, with a focus on climate and sustainability related disclosures, data, governance and mitigating consumer harm from greenwashing. As regulation in this area is increasing, firms can expect a greater spotlight on new ESG risks and how they relate to existing regulatory requirements.

“If, as expected, the FCA confirms the creation of a 12th Principle — it will be one of the biggest and most fundamental changes in regulation for over a decade.

Simon Turner
Regulatory & Risk Partner
Ernst & Young LLP
Consumer priorities

The Business Plan promises a continuation of the FCA’s work on consumer decision making, credit markets, safe and accessible payments and fair value in a digital age.

However, arguably, the headline of the plan is the FCA’s proposal for Consumer Duty. Post consultation and implementation, this will set much higher expectations of firms around culture and conduct to ensure customers’ interests are at the centre of the business. A Consumer Duty will stimulate a thorough review of the customer experience and product offerings across the product lifecycle, equipping companies with information on opportunities to improve customer offerings and service. The potential formalisation of Consumer Duty into a twelfth principle, with supporting rules and guidance could facilitate FCA enforcement on anything negatively impacting customer outcomes.

Market priorities

Market integrity rightly remains the overarching priority for wholesale markets, with the FCA looking to reinforce markets effectiveness.

Leaving the EU is driving a review of rules in the primary and secondary markets, including the review of the Listing Rules and adjustments to MiFID II, designed to support investors and companies with a more tailored UK approach. An orderly LIBOR transition remains a priority, as does the prevention of financial crime and market abuse.

Non-bank finance and asset management will see a focus on clear and fair marketing, particularly around ESG, and establishing the right framework for long term asset funds. Asset managers can also expect further scrutiny of their liquidity in relation to their financial resilience.

Conclusion

The Business Plan significantly emphasises the FCA’s own transformation and additionally suggests that its drive to become more innovative, assertive and adaptive extends to the changes it would like to make in the financial services industry. The desire to use data and technology to enhance supervision and drive forward regulatory detection and enforcement is not only welcomed from an efficiency and effectiveness point of view, but is needed to combat the speed at which scams and fraud develop in the digital world.

On the industry front, the need to look through the customer lens across all business operations is apparent now, more than ever before, and the Consumer Duty will give the FCA wider remit to tackle this. In addition to the consumer, society as a whole must also be at the forefront of business plans and governance with ESG and diversity and inclusion becoming core objectives through the plan.

Leaving the EU has given the UK Government and regulators an opportunity to tailor the regulatory framework to better reflect the UK market. The FCA appears committed to remaining at the forefront of the development and consolidation of international regulation whilst continuing to actively work with the Government to develop the new chapter for UK financial services.
Consumer priorities

The FCA’s four 2020 priorities are re-emphasised in this year’s Business Plan and are joined by the emergence of Consumer Duty as a key new priority.

Notably, each priority listed in this section is intrinsically linked to the FCA’s desire to reduce the potential exploitation of consumer behaviour by firms, against the customer’s best interests.

1. Enabling consumers to make effective investment decisions | page 4
2. Ensuring credit markets work well | page 5
3. Making payments safe and accessible | page 6
4. Delivering fair value in a digital age | page 7
5. Consumer Duty | page 8

The increased prevalence of cryptocurrency and Buy Now Pay Later (BNPL) products are ensuring certain demographics of consumers are taking on more risk than seen previously. The FCA acknowledges the shifting financial environment necessitates innovation and changes to the way it regulates, and firms can expect the FCA to instigate reforms that require necessitated regulatory change and innovation related to each of these priorities.

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1. Research Note: Cryptoasset consumer research 2021, FCA, 17 June 2021
2. The FCA’s Woolard Review examined the unsecured credit market and whether new products and services, e.g. buy now pay later models of purchasing warrant additional regulation. It highlighted that more regulation is needed and a greater emphasis must be placed by the FCA and Government to create a holistic approach to build a better credit information market to the benefit of consumers and lenders.
Priority One: Enabling consumers to make effective investment decisions

Preventing harm in the consumer investment market remains a priority for the FCA, as it should also for firms. Harm can occur more rapidly in the digital environment and consumers are currently more likely to seek higher yields from risky and often unsuitable investments because of low interest rates and increased uncertainty. As firms increasingly serve consumers through digital channels, the regulator will also work to support those who are digitally excluded.

The FCA has intervened to address harm from high-risk investments. It has recently prohibited the sale, marketing and distribution of crypto-derivatives to retail consumers and has banned the mass-marketing of speculative illiquid securities (SIS) to retail investors. In addition, its new investment harm campaign helps consumers make better investment decisions. Over 2.3 million UK customers have purchased cryptoassets, and over 78% of adults have heard of them, according to recent research. The FCA highlights the potential use of these assets in financial crime and their high volatility as major risk factors; however, it also highlights potential use cases for crypto assets particularly stablecoins, in making payments efficiently.

Financial promotions are an important area of focus for FCA supervisory activities because scams and promotions for high-risk investments may more readily lead to consumer harm. Following its Call for Input (CFI) on Consumer Investments, the FCA set out its proposals to strengthen financial promotion rules and enhance the classification of high-risk investments, segmenting the high-risk market and strengthening the responsibilities of firms that approve financial promotions.

Priority Two: Ensuring credit markets work well

Understandably, the primary focus for the FCA over the last 18 months has been supporting mortgage and unsecured credit customers through the pandemic via a range of support schemes. The FCA intends to continue monitoring firms support and treatment of impacted customers over the coming year; however, it is also clear that the FCA is now in a position to return to some of its previously postponed review.

Having postponed plans to evaluate the fairness of charging for arranged and unarranged overdrafts, this is back on the agenda along with plans to improve the use and quality of credit information, especially for those in high levels of debt. The need for fair treatment of borrowers in financial difficulty due to the economic environment and withdrawal of furlough is highlighted and is also likely to see political scrutiny. Deferred payment credit being brought within the regulatory perimeter, as recommended in the Woolard Review is expected, with the FCA developing their approach to an authorisation gateway and related supervision in anticipation. These measures point to the FCA wanting consumers to have greater control over their debt and firms to provide curated support to prevent serious consumer harm.

High-cost credit is also in the spotlight, with the FCA recognising the need for the promotion and increase of legal alternatives to high-cost credit, to create a more ethical and sustainable market. Additionally there is increased focus on the provision of ‘high quality’ debt advice to over-indebted customers, especially against the backdrop of the pandemic. To further protect those in financially vulnerable positions, 2022 will see further consultation on Deferred Payment Credit (Buy Now Pay Later) being brought within regulation.
Consumer priorities

Priority Three: Making payments safe and accessible

This year, the FCA will continue its focus on payments, and particularly on the rapid evolvement of digitisation and technology, the fight against payment fraud, access to payment services (including access to cash) and financial resiliency.

At the end of July, the FCA and Payment Systems Regulator (PSR) jointly published an assessment of the UK’s access-to-cash infrastructure, including the impact of the pandemic and noted the importance of providing support to those consumers who can be transitioned to digital and other alternative ways of making payments. The FCA Business Plan is clear in the need to protect cash access for five million customers that need it. The implications of this are most likely to be felt within retail branch rationalisation programmes, with the FCA taking a stronger view on the potential impact to customers of further branch closures.

Payment services and e-money firms can expect a supervisory focus on their financial resiliency and financial resources and should also expect future policy reform and recommendations on payments and e-money, following last year’s review by HM Treasury on the UK payments landscape.

Hamish Thomas
Priority Four: Delivering fair value in a digital age

The fact that this is a key focus in the FCA Business Plan for the second year in a row provides a clear message on the FCA's higher expectations for firms to deliver fair value in an ever-evolving digital world. The FCA wants consumers to have a choice of quality products that not only meet their needs but also afford them the ability to make informed decisions about the financial services and products they use.

In order to achieve these outcomes, the FCA will be taking on a range of measures across sectors to ensure that products are delivering fair value, as well as continuing to assess the effects of digitisation on competition in financial services markets. Furthermore, the newly proposed Consumer Duty will further emphasise the need for fair value outcomes to customers. The plan highlights improvements to General Insurance pricing practices as an example, with new pricing rules expected to come into effect on the 1 January, other sectors should expect similar reviews in the future.

Sajedah Karim
Consumer priorities

Priority Five: The new Consumer Duty

Consumer Duty is highlighted as the new consumer priority, evidencing the FCA’s intent for a “paradigm shift” in their expectations of firms in retail markets rather than an incremental change in regulation. If, as expected, the FCA confirms the creation of a 12th Principle — it will be one of the biggest and most fundamental changes in regulation for over a decade. Unlike other areas of regulation, the FCA is under obligation from Parliament to make rules by August 2022. Firms will therefore have to prepare now, despite uncertainty to be ready.

A survey during EY recent FCA Business Plan webcast¹, asked risk and regulatory professionals what impact Consumer Duty would have on their firm. Results indicate that 53% of professionals predict a significant or fairly significant impact, while 47% assumed low or no impact due to current alignment, demonstrating a significant divergence of opinion among the industry.

What is the Consumer Duty consultation?

A new Consumer Duty is an integral part of the FCA’s transformation programme and will be linked to other regulatory initiatives such as the FCA’s three-year Consumer Investment Strategy, which is due to be published shortly and will include how the FCA aims to tackle firms and individuals who cause consumer harm.

The Consumer Duty would set clearer and higher standards for the culture of firms and the conduct the FCA expects of them, requiring firms to put consumers at the heart of their businesses, offer products and services that are fit for purpose and which they know represent fair value and focus on the actual outcomes consumers experience. The FCA’s proposals extend to firms that are involved in the manufacture or supply of products and services to retail clients, even if they do not have a direct relationship with the end customer.

The package of proposed regulatory measures comprises:

- A new Consumer Principle that provides an overarching standard of conduct
- Cross-cutting rules which develop the overarching expectations for common themes that apply across all areas of firm conduct
- A suite of rules and guidance setting more detailed expectations for firm conduct for 4 specific outcomes representing the key elements of the firm-consumer relationship.

The Consumer Duty is intended to push firms to put themselves in the customer’s shoes and recognise the asymmetric information between firms and customers. Driving out ‘sludge practices’, which negatively impact consumer behaviour and/or make it harder for them to make decisions or execute required services that are in their own best interests is a key objective of the consumer service outcome.

A ‘race to the top’ regarding good practice is envisaged, but it is not clear on the time horizon against which the duty will be assessed for a customer. Balancing customer outcomes and appropriate fair value and pricing outcomes may create a potential conflict which firms will need to address in order to evidence their strategies, business models and the associated products and services that are resulting in fair outcomes for customers.

The consultation paper is clear that the FCA believes its proposals will require firms to get ‘it right in the first place’ and to continually self-assess to justify the appropriateness of their business models and their treatment of customers.

Comment is also sought on introducing a Private Right of Action for breaches of FCA Principles, and the FCA recognises there will be split opinion. On one hand, it is contrary to the expansion of Financial Ombudsman Service

¹ EY FCA Business Plan Webcast, held 27 July 2021 – Data taken from a poll of over 330 senior management from across 136 financial services firms with business interests and/or presence in the UK market
eligibility in 2020, which sought to reduce the need and cost of litigating disputes. On the other hand, legislation that allows court action requires firms to raise the bar. The rules, guidance and principles must be met to avoid risk of action. Ambiguity in the short term would be expected while case law is established.

What does this mean for firms?

- **Firms need to start to get ready now.** New rules in August 2022 will be here sooner than most other major changes. Firms should assess their gaps and areas of weakness.

- **Demonstrate a change in behaviour,** as is made clear by the Business Plan and CP21/13; avoid poor practice going forward, rather than solely relying on remediation. Success for this duty will be that the ethos and practices within a firm clearly consider customer outcomes.

- **Consider the role of technology as key to this new duty.** Firms will need to use data to understand their customer and show how they have considered the customer’s perspective. Artificial intelligence (AI), machine learning and effective and efficient technological support for agents will be key to a successful delivery of appropriate outcomes and appropriate products. Adoption of such technologies must mitigate the potential conduct risks in their usage (such as built in bias) as highlighted in the Turing Institute Report.

- **Assess your product lifecycles** and customer journeys to understand how the product actually performs through its lifecycle. Firms should also actively assess the value of their products and services through their life through ongoing monitoring and whether they lead to poor behavioural practices which could impact customers.

- **Consider the design of products and customer journeys,** which should be designed with customer organisations, third party suppliers and distributors, and actual customers to understand how they experience their products.

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**How big an impact do you think the Consumer Duty proposals will have on your firm?**

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<thead>
<tr>
<th>Impact Description</th>
<th>Total votes %</th>
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<tbody>
<tr>
<td>Significant impact to embed it throughout our firm</td>
<td>21%</td>
</tr>
<tr>
<td>Fairly significant impact as some areas of our business will require a fundamental review</td>
<td>32%</td>
</tr>
<tr>
<td>Low impact as most areas of our business are already aligned to the proposals</td>
<td>42%</td>
</tr>
<tr>
<td>No impact as all areas of our business are already consistent with the proposals</td>
<td>5%</td>
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Source: EY FCS Business Plan Webcast, 27 July 2021

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Heather Alleyne
Market priorities

The Business Plan splits wholesale markets into a separate section of cross-sector markets. In EY’s response, we have chosen to combine the two, for ease of access to information, and because of some of the FCA’s wholesale market priorities are relevant to other sectors, for instance the LIBOR transition also affects retain lenders.

In terms of market-wide priorities, The FCA’s EU withdrawal and wider international work priority from last year’s Business Plan has developed into a focus on international market access, equivalence and trade, and a review of FCA rules in primary and secondary markets. As globalisation of the financial services industry increases, the need for national regulators to play a further role in international cooperation has been recognised by the FCA as a priority in their own internal transformation. This emphasis on broadening the FCA’s horizons beyond the current periphery is likely to feed-back down into firms.

Other changes include the previous climate change priority broadening into ESG, and furthermore fraud strategy has been highlighted as a separate priority to financial crime. Whilst innovation and technology are no longer called out as a priority by the FCA, they have certainly been weaved into other sections of the plan, particularly the role that technology can have in promoting ESG integrity and overcoming industry-wide challenges in sustainable finance.

Operational resilience remains a cross-market priority as firms now begin to implement the new requirements outlined in the March policy statement. In our recent EY Business Plan webcast, 37% of respondents stated operational resilience as the single largest factor that keeps people awake at night. This is not surprising, given the instant impact and stress that COVID-19 and Brexit has put on businesses in the last year. However, in second place, 25% of respondents cited enabling a sustainable future, illustrating the growing impact societal factors are having on business.

The two new priorities this year of diversity and inclusion (D&I) and financial resilience and resolution, were interestingly the least worrisome for firms, however perhaps this is a reflection of the freshness of these topics to the regulatory agenda. Firms can expect more pressure from the regulator in these areas next year.

The increased focus on Appointed Representatives illustrates the FCA’s focus on ensuring firms retain accountability for the lifecycle of products and services, even when sold, distributed or bought in from third parties. Consumer Duty legislation will support this through the focus on outcomes regardless of third party involvement. Firms can expect additional guidance on these issues.
Considering the FCA's cross-sector priorities, which of the following keeps you awake at night the most?

<table>
<thead>
<tr>
<th>Priority</th>
<th>Total votes</th>
</tr>
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<tbody>
<tr>
<td>Fraud</td>
<td>19%</td>
</tr>
<tr>
<td>Financial resilience and resolution</td>
<td>11%</td>
</tr>
<tr>
<td>Operational resilience</td>
<td>37%</td>
</tr>
<tr>
<td>Improving diversity and inclusion</td>
<td>8%</td>
</tr>
<tr>
<td>Enabling a more sustainable future</td>
<td>25%</td>
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Source: EY FCA Business Plan Webcast, 27 July 2021

In this section, we discuss the priorities above and more in greater detail:

1. **LIBOR transition** | page 12
2. **Market abuse and financial crime** | page 13
3. **Fraud strategy** | page 14
4. **Financial resilience and resolution** | page 16
5. **Operational resilience** | page 17
6. **D&I** | page 18
7. **ESG** | page 20
Market priorities

Priority One: LIBOR transition

The FCA has again called out the London Interbank Offer Rate (LIBOR) as a wholesale market priority and is consulting on how it will use the new powers from the Financial Services Act to support an orderly transition. The FCA is consulting on publication of yen and GBP synthetic LIBOR for a period of time.

The FCA will continue to encourage market participants to move business formerly concentrated on LIBOR to SONIA (Sterling Overnight Interbank Average Rate) and other risk-free rates (RFRs) and will monitor progress against milestones for adoption of RFRs in new products.

The FCA expects banks to treat clients fairly during LIBOR transition. Clients should received adequate information and time to make informed decisions. As legacy LIBOR contract volumes remain high across products, banks will need to ensure they have a robust plan to address challenges such as operational capacity, multiple transition methodologies and booking model decisions.

In the same way, firms must ensure where they hold loans or other products with LIBOR references they are actively engaging with their counterparty banks, and understand the legal, tax and accounting implications to take their chosen transition through internal governance.

What does this mean for firms?

- **Engage with consumers to transition legacy facilities**, given the expected increase in transition activity in the second of half 2021 – delaying engagement increases the risk of a disorderly transition and potentially unfavourable customer outcomes.

- **Engage with counterparties** where the firm itself holds a product with a LIBOR impact to ensure the transition is smooth.

- **Understand legal, tax and accounting implications** to ensure the transition goes through internal governance.

- **Have a communications strategy** for further stages of communications with undecided clients and dealing with clients with exceptions to policy in a fair manner.

- **Assess operational readiness** of systems and processes to deal with expected volumes and plan for adequate manual or IT solutions.

- **Analyse which transactions will be allowed to use synthetic LIBOR** and plan for when that is no longer available. They need to understand financial and non-financial impacts.

- **Help ensure there are robust disclosure controls** and conduct a detailed hedge accounting impact analysis. Manage the loan modification process in a controlled manner.

- **Manage potential increase of liquidity risk and Risk Weighted Assets (RWA)** driven by new capital add-ons to capture the liquidity risk (associated with new RFRs as well as declining liquidity in LIBOR transactions) and backfilling of RFR timeseries.
Priority Two: Market abuse and financial crime

The FCA continues to focus on financial crime with this year’s business plan specifically highlighting the importance of controls for preventing market abuse.

With market integrity being one of the FCA’s three operational objectives, it is no surprise that the cleanliness of markets continues to be a top priority. The FCA will continue to assess Suspicious Transaction and Order Reports (STORs), focusing on the quality of STORs across different firms, venues and asset classes.

The FCA will also continue to conduct its own market surveillance using order book data provided by UK trading venues as well as publish its annual market cleanliness report, to identify suspected market manipulation. The FCA have recently introduced a new market cleanliness measure and may continue to explore new measures that are meaningful.

Through its Market Watch publications, the FCA has highlighted the risks posed by the pandemic to firms’ capabilities in carrying out effective market surveillance. The increased volatility naturally leads to an increased motivation and opportunity to commit market abuse. The FCA have also expressed its view that the risk from misconduct or market abuse may be heightened by homeworking through an increased use of unmonitored communication applications. The FCA expects firms to have proactively reviewed their policies and procedures and to have a rigorous monitoring regime where in-scope activities may be conducted outside the controlled office environment.

Additionally, the FCA will track the number of supervisory cases, monitoring for any patterns of fraud or financial crime, as well as investigate the intelligence gathered both internally and externally including from whistle-blowers.

What does this mean for firms?

- **Analyse available data and intelligence** in STORs, customer complaints and whistleblower/speak-up reports to identify trends and intelligence which will inform emerging financial crime or market abuse threats.

- **Review governance framework and management oversight of the surveillance** function to ensure operational challenges of remote working conditions are reflected. Where required, policies, procedures and training processes should be updated with communications to emphasis employee obligations.

- **Review and refresh the risk assessment** based on changing market conditions, market profile and the existing controls in place to identify gaps under the ‘new normal’ working arrangements as potentially weaker supervisions (e.g., mobile phone bans on the trading floor) become less effective.

- **Carry out a review of scenarios, scenario logic and scenario parameter thresholds** to identify priorities for change management in line with changing market conditions and to ensure appropriately calibrated surveillance systems to monitor all business risks are in place.
Market priorities

Priority Three: Fraud strategy

Fraud's designation as a cross-market priority should not be surprising given the increase in many types of fraud during the pandemic. The FCA calls fraud as being amongst ‘the most harmful behaviour’ and it can certainly be devastating to victims and cause consumers to lose confidence in the integrity of the financial markets.

Action Fraud reported that 413,553 incidents of fraud were made between April 2020 and March 2021 – up 33% year-on-year. More than £2.3bn was lost by those victims. There are a wide range of fraudulent schemes included in these statistics but two have notably increased in the last year:

- **Authorised push payment (APP) fraud** – occurs when a customer moves funds to a fraudster based on a deception of identity, UK Finance reported in its “Fraud the Facts 2021” that UK Finance members reported 149,946 incidents of APP scams in 2020 with gross losses totalling £479 million.

- **Investment fraud** – when fraudsters deceive potential investors into making investments based on false information – either about the return on the investment or fabricating an entirely fictitious company or fund.

Types of fraud that will likely be of most interest to the FCA will be those where there is a customer detriment, loss or threatens market integrity, given the FCA’s other priorities. The FCA has stated that its aim is to use its authority and influence to work with partners to drive down the incidence and impact of fraud. For instance, the FCA launched its ScamSmart campaign in 2017 to raise awareness of investment and pension scams. Furthermore, the FCA has stated its intention to work closely the Home Office, the National Economic Crime Centre and law enforcement agencies to identify ways to disrupt fraudsters targeting the UK.

What does this mean for firms?

- **Articulate a holistic approach to fraud prevention and detection** which should include proactive surveillance to identify emerging fraud typologies as well as actions taken to educate and protect customers. Robust controls at customer onboarding and ongoing staff training on fraud risks and typologies should also be part of this approach.

- **(Re)consider your customer journeys** – when a customer is a victim of fraud, they are likely to contact their bank or insurer to look for an avenue to recover those funds. Firms should consider how they will support those customers, especially those deemed to be vulnerable. Given the focus on Customer Duty, the customer journey when fraud occurs is just as important as onboarding and other points in the journey.

- **Use data and intelligence to identify emerging fraud threats** – every firm has a role to play in detecting, preventing and reporting fraud. The more aware the financial services sector is of the threats, the better and faster it can respond to those threats. The FCA along with law enforcement and the National Economic Crime Centre will need insights and information from financial firms in their efforts to combat fraud and shut down organised fraud rings.
Priority Four: Financial resilience and resolution

The Business Plan calls out that firms prudential requirements, in their current state, do not always link to the potential harm to the customers and markets they serve. The FCA will be placing greater focus on financial resiliency regulation given the pandemic’s potential to incite firms to fail. In response to this, the FCA will introduce the new prudential regime for investment firms, the Investment Firm Prudential Regime (IFPR); this will take effect on 1 January 2022 and apply to UK firms authorised under MiFID. The new regime will focus on the business activities firms undertake, with the objective of streamlining and simplifying prudential requirements for investment firms. Regulatory reporting requirements will be simpler than those currently in place under the Capital Requirements Directive IV (CRDIV) and Capital Requirements Regulation (CRR), but firms will need to ensure they can gather the required data.

While certain principles remain the same, the new IFPR regime is an important shift into how the FCA expects firms to consider the risks from their business. If firms’ current risk identification process is robust, the new risk categorisation should not lead to new risks being identified, but rather to risks being re-categorised.

Firms should understand as soon as possible how the new rules-based requirements will apply to their business, and the information required to calculate them. While certain of the risks currently considered in Pillar 1 under the CRDIV/CRR regime are no longer included in the IFPR rules-based assessment, they will need to be considered as part of the risk-based assessment in the Internal Capital and Risk Assessment (ICARA).

What does this mean for customers?

The new regime will place more focus on the services provided by investment firms to customers. The FCA is requiring firms to look at the risks from their business activities and determine the harm that such activities can cause to clients, markets and the firm itself.

The objective is to ensure firms have effective controls and adequate financial resources to survive the economic cycle, and to wind down in an orderly manner. This will reduce the harm that a stress event or wind-down will have on consumers.

What does this mean for firms?

Over the coming months, it will be key for firms to ensure that they:

- Put data-gathering capabilities in place to calculate the new rules-based capital requirements (K-factors).
- Adapt their risk management framework to align with the new risk-to-client, risk-to-firm and risk-to-market categorisation.
- Understand the requirements of the new ICARA process including how to consider the effectiveness of the control environment when assessing adequate financial resources.
- Consider the impact of the new liquidity requirements including both the rules-based and risk-based requirements.
- Undertake wind-down planning at legal entity level.
- Complete an assessment of the group structure (where applicable) in light of the prudential consolidation requirements under the IFPR.
- Review their remuneration structure so it aligns with the new requirements in the IFPR.
Market priorities

Priority Five: Operational resilience

COVID-19 pandemic presented the largest unplanned test to operational resilience for a generation. Firms must now respond to a planned legislation change as the FCA requires supervised firms to comply with the new operational resilience rules (as set out in PS21/3) by 31 March 2022.

Following this deadline, firms have three years to implement and complete remediation programmes and must introduce annual reviews of their resilience activities and self-assessments.

The FCA is forcing organisations to take an external harm lens to the resilience of their services. This means that consumers should be better protected during any disruptions and should never be intolerably harmed. This is further reinforced by the FCA’s emphasis on Consumer Duty as a new principle.

While this is a fundamental shift in the way operational resilience is viewed and managed within organisations, most of the information should already exist to be leveraged and consolidated. However, meeting the required changes will require careful planning and execution.

What does this mean for firms?

- Engage with the board early: it is critical they understand what’s required of them and the judgement that they are required to make.
- Embed a programme and culture of resilience, as after March 2025, capabilities and processes need to be in ‘business as usual’ mode with a continued annual activity. Your change programme needs to ensure operational readiness in advance of March 2025.
- Identify a list of your important business services which could cause intolerable levels of harm to clients or pose a risk to the soundness, stability or resilience of the UK financial system or the orderly operation of the financial markets.
- Set impact tolerance for when intolerable harm would occur and test responses, to ensure the business services can be recovered in time.
- Complete a self-assessment and obtain board sign-off on the tolerances, remediation plans and actions to improve resilience.
What the FCA’s 2021/22 Business Plan means for your firm
Priority Six: Diversity and inclusion

The FCA considers diversity and inclusion to be a regulatory issue and a key priority, as firms which represent the society they serve will support the design of financial services and products that improve consumer outcomes. The Business Plan makes it clear that the FCA takes diversity and inclusion seriously and ‘expects regulated firms and market participants to do the same’.

The FCA wants a resilient financial services sector which brings together and responds to different perspectives, so concerns are raised, and decisions challenged effectively.

A diverse and inclusive culture:
- Enables staff to speak up and allows conduct risks to be managed
- Reduces groupthink
- Encourages debate and innovation
- Improves outcomes for consumers

Diversity and inclusion is also critical to the FCA’s work on culture and governance, particularly for boards and senior management, and closely linked to existing work around the treatment of consumers, including vulnerable customers and the FCA’s proposed new consumer duty.

In addition to a commitment to improve their own diversity, the FCA will be working to drive stronger outcomes across the industry as a whole, including:
- Regulated firms and listed companies having more diverse representation at all levels.
- Regulated firms and listed companies fostering cultures that are inclusive so that staff can share their diverse experiences and backgrounds.
- Firms designing and delivering products that reflect the diverse needs of consumers, offer fair value and are delivered in a fair and accessible way.

To support these outcomes, the FCA will be issuing a one off, voluntary pilot data survey in the autumn. The pilot will seek to, among other things, understand what categories of data firms currently collect on diversity and inclusion in relation to staff, understand firms’ strategies and plans to collect D&I data in the future (including potential challenges and barriers faced) and more deeply understand the levels of diversity within firms to inform future policy development. The exercise will also inform the development of any future regular data collection.

The recently published joint FCA, PRA and Bank of England Discussion Paper (DP21/2) on D&I is designed to start a discussion on possible policy changes to help drive change. The FCA is also consulting, in CP21/24, on diversity and inclusion on company boards and executive committees.
What does this mean for firms?

- **Understand your current state** in relation to diversity and inclusion. Create a population of usable and insightful D&I data and measurable metrics. Firms may face challenges in gaining such data from their employees and should consider engaging transparently with employee networks to drive a data collection exercise. Reflect on your current collation of data for gender pay gap reporting and any ethnic pay gap reporting that would help kickstart this process.

- **Draft ambitious targets on diversity and inclusion** and define a clear strategy to achieve these. Link each stage to your D&I metrics to track the journey. Consider the use of external frameworks such as the National Equality Standards to assist in the metrics firms may wish to collate and track. This has the added benefit of also allowing for benchmarking across firms.

- **Disclose targets to establish accountability** and support cultural change and inclusive leadership. The early involvement of corporate communication teams as well as the Remuneration Committee would be important to address these disclosures.

- **Review succession.** The FCA has discussed setting targets for representative boards to reflect underrepresented demographics. Reflect your ambitions through improved board succession planning as the FCA also discusses in recent discussion paper.

- **Educate and communicate with your staff.** Most people are now fluent in having gender conversations but still shy away from ethnicity, sexuality, race or other protected characteristics. Educate staff to be more fluent and comfortable in having suitable conversations and understanding the nuances of the words and phrases. Empower staff to feel more comfortable having discussions and challenging poor behaviour when they see it.

- **Maintain the focus.** Review the FCA’s consultations relating to diversity and inclusion, understand what the proposals would mean for your firm and join the discussions. Revisit your firm’s ambitions, strategy, metrics and data periodically to ensure alignment with new expectations or requirements and consider what actions you could take to lead, rather than follow, on this important societal and regulatory issue.
Market priorities

Priority Seven: Environmental, Social and Governance (ESG)

This year, the FCA will be focussing on enhancing its regulatory framework and suitability-related disclosure requirements to encourage a market-based transition to a net-zero economy.

While some of the FCA's priorities are linked to UK Government initiatives, such as the development of a new sustainable investment label, linked to the UK Green Taxonomy being developed by HM Treasury, the FCA is also broadening and coordinating its regulatory focus on ESG. From an internal perspective the Chancellor's March 2020 remit letter specified that the FCA should consider the Government's net-zero commitments when working to advance their objectives and perform their functions as a regulator. The FCA has also appointed its first director of ESG to develop and advocate for the FCA's approach to domestic and international sustainable finance.

Looking beyond the regulator, these changes will have profound impacts across the financial industry, which is rapidly trying to coherently respond to the new challenges. At our recent EY FCA Business Plan webcast, 62% of respondents indicated that the formulation of an ESG strategy is work in progress or not yet complete, demonstrating the industry's nascency in this field.

From a conduct perspective, the FCA is seeking to promote trust in sustainable finance related investment products. The avoidance of the risk of greenwashing remains a priority, and the immediate focus will be to protect consumers from misleading marketing and disclosures related to ESG and sustainable finance related products. The FCA will continue to clarify its expectations through both the supervisory and authorisation processes, as illustrated by the 'Dear Chair' letter on Authorised ESG & Sustainable Investment Funds: improving quality and clarity', which was published subsequent to the Business Plan.

Firms which manufacture or sell products that make ESG or sustainability-related claims should expect an increase in regulatory scrutiny when it comes to the FCA's expectations regarding existing Conduct of Business requirements. The outcomes sought include:

- High-quality climate-and sustainability-related disclosures to support accurate market pricing, help sustainable investments decisions and drive fair value.
- Promoting trust and protecting consumers from misleading marketing and disclosure around ESG-related products.
- Evidencing fit-for-purpose governance of ESG opportunities and risks.
- Fostering active investor stewardship in support of a market-led transition to a more sustainable future.
- Accelerating innovation and technology in sustainable finance, to bring about change and overcome industry-wide challenges.

The FCA is supporting the Government's 2019 Green Finance Strategy and consulting on new disclosure rules for asset managers, life insurers and FCA-regulated pension schemes linked to the Task Force on Climate-related Financial Disclosure (TCFD) recommendations and recommended disclosures and the extension of the TCFD-aligned Listing Rule for premium listed commercial companies to issuers of standard listed equity shares. The FCA is also working with the UK Government and international partners to promote standardisation of wider ESG-related disclosures by listed companies and regulated firms and engaging with the International Financial Reporting Standards Foundation (IFRS) in relation to the development of a global sustainable reporting standard.
The FCA will monitor the exercise of investor stewardship by institutional investors, including voting at AGMs, and continue to gather market intelligence to gauge how well firms are supported by service providers, such as ESG ratings providers. Lastly, the FCA is encouraging innovation in sustainable finance through TechSprints, the FCA’s Digital Sandbox and through the Kalifa Review’s recommendation for a Regulatory Scalebox.

What does this mean for firms?

- **Monitor the roll-out of mandatory TCFD disclosure requirements**: the FCA is consulting on the proposed extension of the new TCFD Listing Rule to issuers of standard listed equity shares (for accounting periods beginning on or after 1 January 2022) and proposals for enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers.

- **Review product governance procedures** to ensure that any products that make ESG or sustainability-related claims ‘do what they say on the tin’ and the related marketing and disclosures enable consumers to make informed judgements about their merits, both at the point of sale and on an ongoing basis.

- **Validate any reliance on third party ESG data or ratings providers**: understand how the data is sourced and derived (including the relevant methodologies), consider the implications of any gaps and limitations, and ensure they are providing transparency for investors (including interpretation, relevant methodologies and limitations).

- **Continually develop ESG capabilities**: both to maximise opportunities and mitigate risks in line with the FCA’s expectations and regulatory requirements and to reflect good-practice guidance from the Climate Financial Risk Forum.

With financial services and markets having a central role in the transition to a low-carbon economy, the next five years are likely to present a steep learning curve to regulators and the industry alike, as financial services respond to the challenges and address consumer demand for the ESG-related investment products that will help finance the transition.
With the pandemic still ongoing, the regulator is rightly continuing to keep a close eye on ensuring the provision of affordable credit and providing outcomes to customers impacted by the recent economic turmoil. In addition, it is good to see that they are also now able to take forward some of their other high priority items with a keen sense for ensuring the supply of fair and affordable credit.

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Jenny Clayton

Retail banking and lending

Retail banking

The rapid advancement in technology has seen more people than ever conduct their banking activities online and through digital services. Adoption among previously cautious groups has been accelerated during the pandemic as access to traditional banking services, particularly through physical networks, was restricted, and it is likely that much of this adoption will become a permanent change in behaviour. Key FCA customer-facing priority areas in investment, credit and payments align with strong technology solutions that support efficient and effective processes. Firms should examine the applicability of available technology tools as the FCA is likely to challenge firms who ignore technologies proven to support favourable customer outcomes.

Against this background, however, there remains a significant segment of the population, particularly those who are vulnerable, digitally excluded and business customers, that will continue to require physical access to the banking system for a range of services including withdrawing and depositing cash.

What does this mean for retail banks?

- Continue to meet the needs of all customers while moving to a digital future will remain a key priority for firms and navigating the transition will be a key challenge.
Consider how each customer group can continue to access the range of banking services they require in the shorter term while continuing to invest in the opportunities provided by technology and through initiatives such as open banking. Firms will need to demonstrate how these topics are being incorporated into their overall strategy and decision-making and in particular how they have ensured the needs of key customer groups will continue to be met.

Consider the impact of consumer duty as it will be profound. Fundamentally banks must be able to evidence an appropriate level of scrutiny over all customer touch points throughout a customer’s product lifecycle. Increased focus on customer outcomes means that product design, pricing and servicing will need to be looked at holistically and monitored within and outside the organisation, where required.

Retail lending firms
We have covered the impacts on consumer lending in our credit market focus area.

In addition, open banking presents yet unrealised opportunities to undertake more real-time affordability assessments, and we can expect a continued focus on the identification and assessment of potentially harmful practices for vulnerable customers, particularly as we see the withdrawal pandemic stimulus measures.

Younger consumer groups are increasingly attracted by Buy Now Pay Later (BNPL) credit products which, in the absence of credit referencing, could easily result in mounting unaffordable debt. The FCA has pledged to regulate this market, and we can expect a tougher approach to the regulation of these firms.

What does this mean for lending firms?

- **Adapt and innovate.** With most consumer credit now purchased online, firms should place themselves in customers’ shoes, thinking about what can go wrong, and experiment with digital outcome testing techniques including running potential harm hypotheses across their data.

- **Employ effective real-time monitoring** to enable firms to proactively spot the big issues and apply appropriate intervention to prevent customer harm. Similar techniques can be used for identifying harm for borrowers in financial difficulty.

- **Consider reviewing your existing debt advice practices** particularly as the regulator is planning to consult on policy changes on debt advice before the end of 2021.

- **For the BNPL market – prepare yourself for further regulation.** The more established credit providers are already considering how to maintain market share – joining forces may be a good option.
The investment management sector will strongly feel the impact of the FCA focus outlined in its Business Plan. Fund value, consumer outcomes and fund liquidity risk management are singled out as key areas. However, firms should also be prepared for hard work needed to meet the FCA’s stated plans for operational resilience, ESG and product disclosures, and market integrity.

**Asset management**

The increased FCA focus on fair value for investors, consumer duty, customer centricity and ESG disclosures will continue to shape the thinking, governance and actions of the asset management sector.

With the rise in ESG investing, the FCA is aiming to ensure that there is a high quality of related disclosures to support accurate market pricing. In particular, it will increase its supervisory focus on whether firms present the ESG properties of the funds in a fair and not misleading way. Although this represents a huge opportunity for firms, there are also associated conduct, reputation and financial risks from failures to address the many governance, process, control and data challenges involved in embedding ESG.

The FCA has been clear on its higher expectations in fund value assessments and attestations and will continue to

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*Uner Nabi*
identify funds that are outliers to their peers, particularly in respect of fees, and will expect that firms design products that reflect the diverse needs of consumers.

The LIBOR transition for many is entering its final months, and the FCA is keen to ensure that the UK market completes an orderly transition away from LIBOR. For asset managers, the results from the consultation on synthetic LIBOR, which are expected in Q4 2021, will be important given the increasing risk that certain LIBOR exposures will not have been transitioned by the end of the year.

This year, the FCA has turned its attention to liquidity risk management within open-ended funds. While consultation papers have focused on a new long-term asset fund and the potential for notice periods within property funds to address structural liquidity mismatch (between the liquidity that these funds offer their investors and the time it takes to buy or sell property assets), work with the Bank of England and international standard setting bodies has identified a potential need for a framework for liquidity classification in funds, as well as recommended amendments to the regulatory framework for money market funds.

What this means for your firm

- **Consider the complexity of ESG reporting requirements** across different jurisdictions in which you distribute products, the data requirements needed, and managing the risk of ‘greenwashing’, to effectively achieve this firms require an integrated end-to-end ESG implementation approach.

- **Focus on how you ensure value for investors** and what makes your proposition attractive and distinct for them. This is demonstrable with clear product value statements, clear information regarding investor costs and having strong board governance, with consumer centricity.

- **Consider your LIBOR transition plans a priority**, firms must plan to transition to Alternative Reference Rates by the end of the year, and will need to factor third-party dependencies, operational readiness and testing strategies into these plans.

- **Implement rule changes relating to Liquidity Risk Management**. The FCA has advised on a range of measures firms must take if notice periods are introduced to property funds and have stated they will provide firms with ample time.

- **Invest in data and technology** to manage compliance obligations effectively, given the FCA sees data collection and analysis as key to its supervision to detect and prevent risks of consumer harm.
The FCA recognises industry-wide challenges due to COVID-19, as well as a focus on market integrity, the criticality in wholesale of interacting with other markets and regulators and the opportunities with enhanced technologies — firms should consolidate the changes they have made and build towards a more stable and connected future.

Kara Cauter

Wholesale

Given its marked continued focus on market stability and cleanliness, it is not surprising that the FCA notes a number of KPIs for wholesale firms, including volume of STORs produced. Greater scrutiny will be placed on outcomes for end customers and markets, including whether sufficient information is provided for them to make informed decisions, and the fair value for consumers particularly where potential for losses is high.

The FCA continues to focus on market integrity particularly in respect of trade transparency rules in securities and derivatives markets and is working with HM Treasury to review UK wholesale market regulation. However, given the global nature of the wholesale markets, the FCA is committed to ongoing cross-border collaboration with national and international authorities and the Business Plan highlights the importance of international cooperation with global standard-setting bodies and where the FCA’s work on market integrity dovetails with the financial stability mandate of central banks and the Financial Stability Board.

The FCA recognises the efforts made by firms to maintain an effective control environment during the pandemic. However, with the shift to remote working, surveillance has presented a challenge. Operational resilience remains a key focus area, particularly considering potential for further waves of COVID-19 and associated localised lockdowns.
The FCA’s ongoing focus to secure good outcomes for all consumers has been reinforced. In signalling an intent to be an assertive, interventionalist and data-led regulator marks a material change in how firms will be regulated, at a time of significant change.

Eamon McGinnity

On market abuse, expect a focus on asset classes other than equities, monitoring clients as well as traders, targeted risk assessment, and further scrutiny on the crossover between market abuse surveillance and AML transaction monitoring.

This Business Plan signifies a change in focus to the ‘new normal’ – rather than needing to rapidly adapt, firms are now able to plan for the future. Consumers should notice little change in their experience as a direct result of this Business Plan; instead, they might expect levels of service to return to that of pre-COVID-19, albeit likely with fewer in-person meetings.

What does this mean for firms?

- Identify areas where different jurisdictions regulatory approach converges to drive efficiencies and reduce costs. Cross-border firms may, by their nature, be regulated in different ways on the same topics in different jurisdictions. For instance, LIBOR is seeing this at present, with differences between UK and US legislation.

- Prepare for increased volumes of data requests from the FCA in respect of their market conduct – to ensure you are able to respond in a timely manner to these requests.

- Invest and build strong control frameworks in post-COVID-19 environment, as firms will be expected to uphold the same compliance standards while staff work in a hybrid manner as they were pre-COVID-19. Investment will be necessary to adopt forward-thinking control solutions.

- Deploy enhanced technology in a range of risk management applications, for instance advanced conduct analytics may reduce volumes of false positive alerts or allow firms to predict risks and breaches before they occur.

Insurance

General insurance

The continuation in the FCA priorities and the identified cross-market themes align well to insurers’ own areas of focus. The most material change highlighted in the FCA Business Plan that impacts the insurance market (other than their own transformation) relates to consumer duty.

The FCA’s ongoing focus to secure good outcomes for all consumers has been reinforced. In signalling an intent to be an assertive, interventionalist and data-led regulator marks a material change in how firms will be regulated, at a time of significant change.
Insurance firms and distributors will be required to evidence that all reasonable measures have been taken to avoid causing foreseeable harm, and that acting in the best interests of the customer they deliver products and services fit for purpose enabling well-informed decisions to be made.

Elsewhere with the Business Plan, the drive to heighten data collection, analysis and supervisory interventions is signalled, as the regulatory focus shifts from a principle-based approach to one of outcome testing and evidential methodology. This puts pressure on firms’ corporate governance and change framework to perform effectively, at a time when pace of change has never been faster. Insurers will be closely observing how this practically impacts the FCA’s supervision in practice, particularly given the challenges of implementing pricing remedies and value measures requirements.

The FCA emphasis on culture has been clear for many years, and this plan continues that focus. Firms and distributors may have to re-examine their cultural approach not only towards customers and non-financial conduct but also in how they embrace diversity and inclusion and, more broadly, their purpose as part of their ESG agenda.

Collectively, the plan broadly marks a continuation of regulatory themes which may offer firms some comfort. However, the regulator has also signalled an intent to be more assertive and take interventions sooner while underlining its commitment to changing how it supervises the market. Firms should be wary of complacency, given the emphasis on making sure the market delivers good customer outcomes.

What does this mean for firms?

- **Seriously consider the breadth and depth of regulatory change** — adopting the broadest customer and product landscape lens is sensible.

- **Justify your commercially focussed approaches** — in the evolving world of fair value, this is more important than ever; premium finance, admin fees, and profit share arrangements will benefit from scrutiny.

- **Evaluate your governance, compliance and oversight framework** — operating a cost-effective, well-trodden (but an increasingly narrow and manual relative to expanding expectations) governance, oversight and compliance framework is no longer an option.

- **Create products that represent a cross-sector of customers**. Diverse and ever-changing consumer and market demands are the new norm and providing reasonably priced solutions are crucial to maintain and grow market-share. Subscription-based propositions and longer-term commitments are likely to be appealing to consumers putting them centre of control.

- **Create or evaluate your strategic plans for digitisation** to ensure they are robust and innovative enough to win the attention of consumers, shareholders and competitors.
What does this mean for firms?

- **Expect the FCA to continue to focus on value for money** and for the FCA to continue to look at whether changes introduced by the Retirement Outcomes Review are working. This commitment to ongoing monitoring and refinement of practices in a retirement landscape that is complex and still fairly new post the protection of pension freedoms.

- **Defined Benefit (DB) transfers will continue to be on the agenda** for the next year; this should protect more customers from giving up valuable but underappreciated benefits, however this could also make it harder for customers to find an advisor when a transfer could be the right option. Firms should be wary of this.

- **Monitor and keep pace with FS wide developments** such as ESG and operational resilience.

- **Prepare for a fast-moving regulatory environment** – the FCA seek to deliver the benefits of digitisation, pensions dashboards and the open finance agenda over the next few years.

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**Life and pensions**

The FCA’s Business Plan proposals for the pensions sector represent a continuation of several existing themes. At the forefront is a commitment ensuring good outcomes and value for money for consumers through ensuring they have access to high-quality default funds and the guidance and advice needed to make informed choices. This is backed by a new evidence-based review of how best to drive value for money, to be run jointly with The Pensions Regulator. This continues their ongoing work on ensuring comparability across all sorts of pensions, with the focus for this year shifting to non-workplace pensions. Meanwhile, for those shifting into retirement, the effectiveness of the rules on retirement outcomes will be reviewed and the nudge to make use of PensionWise strengthened.

The FCA continues its work to improve pensions and recently published finalised guidance for advising on defined benefit pension transfers and has a specialist team that focuses on pension harm to consumers. A ‘Consumer Investment Co-ordination Group’ with the Financial Services Compensation Scheme (FSCS), Financial Ombudsman Service (FOS) and the Money and Pensions Service (MaPS) is being created to gather sharp practices and better target interventions. In addition, it will begin a review on the scope and coverage of FSCS compensation for aspects of its rules and specific regulated activities.
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