



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Nikhil Rathi
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

17 December 2020

Dear Nikhil,

FCA'S TRANSFORMATION PROGRAMME

Thank you for our recent discussions on your plans for a Transformation Programme as part of the next phase of FCA reform. I welcome the ambitious and wide-ranging package of reforms that you have set out, building on the FCA's continuous programme of change over recent years.

I have today laid before Parliament Dame Elizabeth Gloster's investigation into the FCA's supervision and regulation of London Capital and Finance (LCF). As you know, Dame Elizabeth's report concludes that the FCA did not effectively supervise and regulate LCF during the relevant period.

Dame Elizabeth makes nine recommendations for the FCA, focusing on how the FCA should improve their internal authorisation and supervision processes, including through ensuring that its training and culture enable the FCA to holistically consider an authorised firm's activity.


I welcome the FCA's apology to LCF bondholders and their commitment to implement all of Dame Elizabeth's recommendations in full, and I recognise the important role that the Transformation Programme will play in addressing the concerns raised.

I know that the FCA's Board and Audit and Risk Committees will be responsible for overseeing the implementation of the recommendations and you will provide public updates as part of your annual report and at six-monthly intervals.

In addition, and given the significance of Dame Elizabeth's findings, I would be grateful if you could provide regular, formal updates on progress as part of our ongoing engagement. We are due to hold a Perimeter Meeting in January and we have agreed that you will provide your first update on the Transformation Programme in April. This should reflect the update that you will be providing the

FCA Board and, to the extent possible, it would be helpful for this to cover the progress of implementing the recommendations, anticipated delivery dates, delivery risks and details of any interim measures implemented to address the issues ahead of the completion of the Programme, and any other aspects you consider relevant.

I would be grateful if you could confirm your agreement to this approach.

A handwritten signature in black ink, reading "John P. Glen" with a stylized flourish underneath.

JOHN GLEN