FINANCIAL
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Secondary International Competitiveness and Growth Objective report 2023/24

In fulfilment of Financial Services and Markets Act 2023 s.26

Financial Conduct Authority

Secondary International Competitiveness and Growth Objective report 2023/24

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Contents

1. The first year of the secondary objective 7
2. CEO's Foreword 8
3. Putting competitiveness and growth at the heart of the FCA 10
4. Helping financial services firms to succeed 11
5. Enabling financial services to faciliate the competitiveness and growth of the UK economy 14
6. Supporting and driving innovation 17
7. Enhancing trust and reducing the costs of harm and market instability 18
8. Pursuing a proportionate approach to minimise impact on growth 20
9. Annex 1: How any rules and guidance made have advanced our operational and secondary objectives from the inception of the objective to the end of FY 2023/24 21

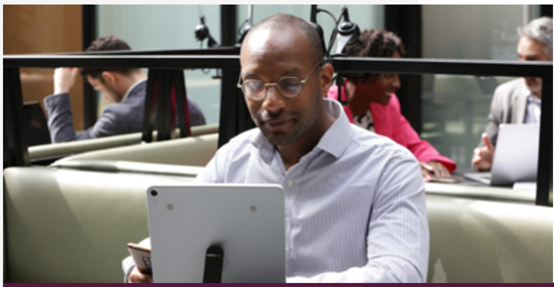
The first year of the secondary objective

Our regulation is the foundation for sustainable economic growth

- Clean, trusted and stable markets mean consumers and businesses have the confidence to spend, save, invest and innovate.
- The financial and professional services industry contributed a record £110.2bn to the public purse in 2023. This is 12.3% of total UK tax receipts.
- We are on track to locate around 10% of our workforce outside London and the South East compared to 2.5% 3 years ago.
- The UK remains the world's preferred regulatory regime for financial services, and London the world's second leading financial centre, closing the gap with New York, with Edinburgh and Glasgow also rising up the rankings.
- With partners, we are stepping up to reduce the damage to growth and competitiveness from fraud, scams and financial crime.
- Prevented significant harm with a now falling level of compensation and FSCS levy, limiting the overall cost of regulation.
- Over 70% of firms agree we enhance the UK's reputation as a financial centre.

We have proposed ambitious reforms to unlock growth and make sure the UK remains an attractive place do business. Reforms that seek to:

- Encourage companies to **list and scale** on UK markets, while promoting more opportunities for investors and rebalancing risk appetite with greater investor responsibility.
- Unlock financing opportunities by changing our rules on **securitisations**.
- Enhance private firms' access to scale-up capital through the Private Intermittent Securities and Capital Exchange System (**PISCES**).
- Give **asset managers** greater freedom in how they **pay for research**, cementing the UK's position as the world's second largest asset management hub.



Over **70%** of firms agree we enhance the UK's reputation as a financial centre.

The first year of the secondary objective

We’ve always championed innovation and are accelerating our support for new technologies

London is **the 2nd largest fintech hub** – the UK continues to attract more fintech investment than anywhere else in Europe.·

We are supporting the next wave of innovation. The digital sandbox is now permanently open and our new **digital securities sandbox** will drive the adoption of new technologies for trading and settling assets like bonds and equities.

Sandbox cohort firms were 50% more likely to raise funding, and on average raised 15% more than a matched set of control firms.

We are working with industry to explore potential uses of fund tokenisation which could make collective investment schemes more efficient.

We have improved our own performance, including to get firms and individuals authorised and approved more quickly.

We’ve significantly reduced the length of time it takes to become authorised or approved. Today, over 98% of authorisation cases are assessed within statutory deadlines.

We’re digitising our operations including transforming our Authorisations forms.

We’ve enhanced our support for young and fast-growing firms both at the gateway and after authorisation.

We launched PASS, our dedicated Pre-application Support Service for overseas wholesale markets firms wishing to expand into the UK.

We have fully embraced our secondary international competitiveness and growth objective, embedding it into our processes, policy-making and culture.

All consultations and policy and guidance documents clearly articulate how we have applied the SICGO for public scrutiny and we have built it into our Cost Benefit Analyses.

For every £1 spent running the FCA in the last 3 years, we estimate £14 of benefits.

We will continue to build on the foundations laid this year to make sure our regulation is effective, proportionate, and drives higher productivity.

We are publishing a set of metrics for our objective benchmarked as world leading in terms of transparency.

The UK is a leading global financial centre, attracting more foreign investment in financial services than anywhere else in Europe in 2023, and first in the net value of financial services we export.

CEO's Foreword

The financial services sector is the engine of a country's economy. When successful, it delivers for businesses and people, providing finance to tackle challenges big and small. A strong financial services sector can facilitate economic growth, while a failing system can undermine a nation's economy.

As regulator of such a vital sector for our country's prosperity, we are firmly committed to advancing the new objective set for us by Parliament in 2023 to facilitate the international competitiveness of the UK economy and its growth in the medium to long term. We want to ensure that consumers of financial services are appropriately protected, that markets work well and effective competition exists, while allowing firms to compete, innovate, invest and grow.

We start from a strong place. The UK is a leading global financial centre, attracting more foreign investment in financial services than anywhere else in Europe in 2023, and first in the net value of financial services we export. We offer the world's preferred regulatory regime for financial services. We are the largest centre for international bond issuance, foreign exchange trading and cross-border banking. The UK's asset management, hedge fund and private equity sectors continue to be the largest in Europe, alongside our insurance and long-term savings market. We have continued to play a leadership role on sustainability disclosures to underpin the UK's position as a centre for green and transition finance.

London ranks as the world's second financial centre, closing in on first place New York in 2023 and stretching the gap on its nearest rival Singapore. Edinburgh and Glasgow rose in the rankings, a signal of the breadth and depth of the UK's financial services sector.

So we can be confident. But we must not be complacent. That's why at the FCA we are transforming the service we offer to firms – over 98% of applications for authorisation are now handled within the statutory deadline. We're implementing technological solutions to collect the data we need in a way that is easier for businesses and we're spurring innovation by launching new services.

We're making our markets more internationally competitive to underpin growth in the whole economy: introducing bold

Over 98% of applications for authorisation are now handled within the statutory deadline

new rules to encourage more firms to list here, simplifying rules on securitisations to increase sources of financing and setting out a framework to drive better value for money in pensions.

And we are currently using our existing framework to avoid creating new barriers to growth, for example, using the outcomes-based Consumer Duty to deliver the right customer outcomes when firms deploy artificial intelligence, rather than rushing to write new rules that aren't fit for future growth in the use of AI.

To go further, alongside this report, we are announcing a Call for Input to hear from stakeholders where changes to our Handbook could make the most difference.

Underpinning all this is the need for trust and confidence in the financial services sector. We are striving to increase that by ensuring that those who cause harm pay, by slowing the growth of financial crime and by improving the quality of financial promotions and the financial advice on offer. We are pleased that the FSCS levy, considered by some firms as a 'barrier to growth', has fallen to a 10-year low.

We will do all we can, but sustainable long-term growth relies on an ecosystem. We need a collaborative mindset between government, Parliament, industry and regulators, focused on a long-term vision, not short-term tactics.

And we need a mature debate about the risk appetite in our society: let us not be so afraid of failure that we stifle innovation. And we can only do so alongside those who hold the many other levers underpinning international competitiveness and growth such as tax, skills and physical and digital infrastructure.

It's less than a year since Parliament mandated us to facilitate growth and international competitiveness in the medium to long term in a manner that does not undermine our primary objectives. It is therefore too early to establish if we are succeeding. But I am confident that we have identified the right priorities and are making the right investments to support the UK's competitiveness and economic growth.

Nikhil Rathi, Chief Executive

Introduction

Since August 2023, we have been tasked by Parliament with facilitating the international competitiveness of the UK economy and its growth in the medium to long term.

This goal is secondary to our primary operational objectives, also mandated by Parliament, to protect consumers appropriately from bad conduct, protect the integrity of the UK financial system, and promote effective competition in the interest of consumers.

Growth should be in the interests of consumers as well as businesses and we should not act in a way which benefits short-term growth and competitiveness at the cost of long-term prosperity.

As the regulator of a sector which, together with related professional services, contributed £110.2bn to the public purse and employed over 2.4 million people in 2023, we recognise the pivotal role we can play in helping that sector to succeed, and in turn the wider economy.

Parliament has also been clear that the growth and competitiveness objective is subject to alignment with international standards and that we must only pursue the objective so far as reasonably possible when we exercise our general functions, like making rules and guidance. The objective doesn't apply to individual authorisation, supervision or enforcement decisions.

In reality, we have been facilitating the competitiveness and growth of the UK economy long before Parliament mandated it. As the regulator of a sector which, together with related professional services, contributed £110.2bn to the public purse and employed over 2.4 million people in 2023, we recognise the pivotal role we can play in helping that sector to succeed, and in turn the wider economy.

That's why, over the last 2 years of our 2022-25 strategy, we have focused on improving our performance and achieving our strategic goals of reducing harm, setting higher standards and promoting positive change. This report sets out how, in the last year, we have:

- put the UK's international competitiveness and economic growth at the heart of the FCA
- helped financial services firms to succeed, including by improving the way we operate and setting international standards
- prioritised work which helps the financial services sector to facilitate UK economic growth and competitiveness
- supported and driven innovation
- fostered trust in the financial services sector and reduced the costs of harm and firm failure
- acted proportionately to achieve our primary objectives while not impeding growth

Putting competitiveness and growth at the heart of the FCA

We recognise that to achieve our secondary objective, it is vital to get our own capability, capacity and culture right.

Capability

We have improved the capability across the FCA. It is widely acknowledged that the FCA has built significant capability in recent years, bringing in a wide range of colleagues with industry experience as well as other specialist skills.

Over 1,300 colleagues in the most relevant areas have completed an e-learning course on the secondary objective, and across the FCA our people have participated in over 15 in-house workshops and 3 external speaker events to deepen their knowledge.

This has ensured that colleagues across the FCA understand the scope and importance of the new objective, including colleagues in policy where the objective has the most impact.

The training has centred on the 7 drivers of productivity framework, developed through economic research, which recognises the levers we can pull to both improve the productivity of financial services firms and create the right conditions for those firms and others in the wider economy to innovate and invest in pursuit of a more productive, open and competitive economy. This framework is the basis of a practical guide, available to all colleagues, which sets out a consistent approach to implementing the new objective.

Driver	Contribution to growth and competitiveness
FCA operational efficiency	Increasing the speed and efficiency of the FCA's decision-making and administrative procedures, while maintaining high standards, makes doing business in the UK easier.
Proportionate regulation	Any regulatory costs or restrictions on firms are proportionate to the expected wider economic benefits.
Trust and reputation	A strong reputation encourages investment and confidence to do business in the UK. Greater trust from consumers encourages take-up of appropriate financial services products and services, underpinning growth.
Innovation	The commercial application and flow of ideas through innovation is key to long-term productivity, growth and international competitiveness.
Effective competition	Effective competition lowers prices, increases quality, leads to greater product variety, and drives innovation and efficiency.

Driver	Contribution to growth and competitiveness
Market stability	Market stability protects investors and consumers and builds confidence in UK financial markets and institutions.
International markets	Playing a leading role in setting international standards and enhancing the attractiveness of UK markets supports our position as a world-leading place to invest and for businesses to raise capital.

Capacity

We have invested in our capacity: establishing a dedicated unit tasked with partnering with different teams across the FCA to identify and consider the potential impact of different policy options on economic growth and international competitiveness.

In 2023-2024 we also prioritised investment into areas which would support growth, namely the UK's new regulatory framework post-Brexit, strengthening the UK's position in global wholesale markets, and reducing and preventing financial crime which undermines growth and the reputation of the UK financial services industry. This sat alongside prioritised effort to improve consumer protection and support those most struggling with the increased cost of living.

Culture

Increased capacity and capability will only succeed if we have the right mindset across the FCA, from our Board down.

That's why any policy papers that go to our Board or Executive Committee must now set out the impact of any proposals on the secondary objective. When we go out for consultation on policy, we clearly explain how we have applied the SICGO for public scrutiny and feedback.

It's also why we are committed to strengthening the work we do to analyse the costs and benefits of any new rule. We updated our approach to CBA in February 2024. The CBA Panel was established in June 2024 to advise us on our CBAs and provide further external independent scrutiny to our CBA processes.

Relevant data on policy and regulatory impact can be found here.

We will continue to embed the secondary objective through ongoing training, research and engagement with our stakeholders, including through the Call for Input on reforming our Handbook.

In 2023-2024 we also prioritised investment into areas which would support growth, namely the UK's new regulatory framework post-Brexit, strengthening the UK's position in global wholesale markets, and reducing and preventing financial crime which undermines growth and the reputation of the UK financial services industry.

Helping financial services firms to succeed

We have improved the service we offer the firms we regulate.

A world-leading sector needs a world-leading regulator delivering operational excellence every day, supporting firms' productivity and boosting the ease and attractiveness of doing business in the UK.

Improving the FCA's operational efficiency

Increasing the speed and efficiency of the FCA's decision-making and administrative procedures, while maintaining high standards, is essential to make it more attractive to set up and run a business in the UK.

We determined around 28,000 applications to our authorisations service last year. This may be a new firm requiring authorisation for the first time, an existing firm seeking permission to take on new business or a request to approve a new senior manager. In the final quarter of 2023/2024 over 98% of applications across all our metric areas were determined within the statutory deadline and the majority significantly ahead of the deadline.

The majority of applicants for Senior Manager approvals (91.9%) and around half of applicants for New Firm Authorisations (49.3%) are successful, with most applications that are not approved being withdrawn rather than refused. By reducing backlogs in assessing senior manager applications, performance has improved from 92.5% of cases determined within our statutory service standard to 98.7%.

We have achieved these improvements while maintaining high standards for those firms we authorise, helping to protect consumers, the integrity of markets and reduce long-term harm to the economy from rogue firms. The deterrent effect of our authorisation activities through preventing material harm (eg monetary losses) and wellbeing harm to consumers is valued between £866m and £1.4bn a year. We proactively issue guidance in areas where we see poor applications or low success rates so that the industry is well informed about our expectations and best practices.

We determined around 28,000 applications to our authorisations service last year

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98%

of applications across all our metric areas were determined within the statutory deadline and the majority significantly ahead of the deadline.

More firms cancelled their authorisation than the number of new firms that applied for authorisation in 2023/4. Some of these decisions can be attributed to firms choosing not to maintain their FCA authorisation following Brexit, as 31 December 2023 was the deadline for such firms being able to use temporary permissions. In line with our strategy, we have also increased our proactive work to remove problem firms, prompting a significant number of voluntary cancellations. Challenges posed by the wider economic environment have also had an impact.

Relevant data on authorisations and operational efficiency can be found here.

Labour mobility

Together with the Prudential Regulation Authority (PRA), we removed a potential barrier to labour mobility by removing the bonus cap in our requirements for remuneration in banks, building societies, and PRA-designated investment firms. This provides firms with greater flexibility to offer reward packages that can attract talent into the UK financial services sector and supports the ongoing attractiveness of the UK as a place to do business. We have retained those parts of the remuneration framework which support the sound management of these firms.

Data

We are committed to being a data-led regulator, taking decisions based on evidence. We are also improving how we collect this data to make it cheaper for firms to provide.

Most firms in our latest FCA Practitioner Panel Survey tell us that they have the resources to respond to our data requests and think that we give them enough time. But we recognise that larger firms with dedicated supervisors where we require more data tend to disagree. We are changing to address this.

We are working with the Bank of England to adopt common standards, modernise reporting instructions and integrate reporting, enabling us to get the data we need at a lower overall cost to industry. This will help to address feedback that sometimes we ask for data that could be acquired from other sources.

We will pilot a framework for decommissioning regulatory data collections that are no longer required. This will be followed by a progressive review and retirement of redundant returns.

We are also implementing technological solutions. For example, we are updating authorisation application forms to make it quicker and easier for firms to complete applications while helping us capture information we need. We are also mobilising a proof of concept for a machine-readable version of a subset of our Handbook rules.

Relevant data on data collection can be found here.

Since launch, our dedicated service for newly authorised firms has now **helped over 450 businesses to meet regulatory obligations** more efficiently and effectively as they grow.

New entrants and high growth firms

We want to support new firms to meet our standards, so they can enter or grow in the UK, whether they are home grown start-ups or from overseas.

Since launch, our dedicated service for newly authorised firms has now helped over 450 businesses to meet regulatory obligations more efficiently and effectively as they grow. The positive productivity outcomes we have seen from firms in the scheme include a reduction in queries and 99% of firms submitting regulatory returns on time.

We have also launched a dedicated support service for wholesale markets, whether that be overseas firms seeking to expand into the UK or firms already operating here but wanting to expand out of London into other parts of the UK. This helps to support the economic growth of different cities and regions. The service includes pre-application meetings with our case officers and events that can be run within firms to explain the wholesale authorisation process.

Where possible, we join forces with our regulatory partners. For example, we have worked with the PRA to make it easier for new entrants to access the insurance market - reducing overlaps in our respective assessments and making our processes more efficient. We have also published details of a mobilisation stage that lowers barriers for new entrants to the insurance market, which will come into effect by 31 December 2024.

Setting international standards

Consistent global standards lower compliance costs for internationally active firms through interoperability, market access, and a level playing field.

We are a leading actor in setting international standards. We led the development of the IOSCO Crypto and Digital Assets Recommendations, providing a baseline of regulation for cryptoassets around the world. There has also been significant work to develop international standards for stablecoins through the Financial Stability Board, Committee on Payments and Market Infrastructures and Board of IOSCO. We continue to work closely with the Treasury in designing the future regulatory regime for cryptoassets and stablecoins in the UK.

We want the UK to continue to be the leading centre for sustainable finance and harness the economic opportunities of the transition to net zero. Our Sustainability Disclosure Requirements and labelling regime help consumers to choose sustainable investment products with reliable information. We helped facilitate the development of an industry-led voluntary Code of Conduct for ESG data and ratings providers, published at the end of 2023. It is intended to be internationally interoperable and we have seen Hong Kong closely aligning their Code, which has been consulted on. Improving the integrity of the UK sustainable finance market should encourage more firms to develop and market sustainable investment products which, in turn, may increase the size and liquidity of the UK market.

Enabling financial services to faciliate the competitiveness and growth of the UK economy

The financial services sector can help to facilitate economic growth not simply by becoming more productive itself, but also by supporting the provision of capital, credit, insurance and other services to the wider economy. Consequently, the way we regulate wholesale and retail investment markets in particular has a direct impact on economic growth and affects the UK's competitiveness as a global financial centre. While making policy well and measuring its impact takes time, we expect the policy foundations we have laid this year in partnership with others to contribute to meaningful results in the near future.

Tailoring rules to UK markets

Over the last year, we worked with Government to repeal assimilated EU law and replace it with rules tailored for UK markets through the Smarter Regulatory Framework (SRF). We are sequencing this major programme with the Treasury and others, mindful of the impact on firms. We are communicating the timing of this through the Regulatory Initiatives Grid.

The programme is underpinned by a set of principles: to consolidate requirements as far as possible; to use our current Handbook structure; to rely on existing requirements in our Handbook and consider if assimilated law could be repealed without replacement; to rely on outcomes rather than prescriptive requirements where appropriate; and to reduce complexity. We have implemented a number of key cross-cutting reforms (such as removing the bonus cap), and also made some rule simplifications (such as changes in securitisation rules).

FSMA 2023 also introduced new means to ensure our rules are effective and proportionate. We have developed, consulted on and published our final Rule Review Framework, which is a new approach to monitoring the effectiveness of our rules. It enables us to use data and feedback to identify and act when rules are not working as they should.

> **We want the UK to continue to be the leading centre for sustainable finance and harness the economic opportunities of the transition to net zero.**

We have introduced a simplified listing regime with a single listing category and a greater focus on disclosure over prescriptive rules to improve the attractiveness of UK equity markets.

We are helping to develop an innovative new secondary market (PISCES) using a financial market infrastructure sandbox that will allow private companies to scale and grow.

Strengthening wholesale markets

Wholesale financial markets enable companies, public sector organisations, governments and financial institutions to raise short-term finance and long-term capital to invest, undertake domestic and international trade, and manage financial and other risks. UK financial services have a unique position as a ‘full-service’ global wholesale market, with an integrated deep and broad ecosystem of expertise across banking, insurance, investment, accounting, legal services and related services. We have a burgeoning fintech sector with our financial services ecosystem benefitting from being located alongside a leading tech ecosystem and world-leading universities.

In the last year alone, we have progressed significant reforms to enable wholesale markets to better drive growth and maintain their international competitiveness:

- **Listings regime:** We introduced a simplified listing regime with a single listing category and a greater focus on disclosure over prescriptive rules to improve the attractiveness of UK equity markets. This significantly rebalances the burden of regulation to the benefit of listed companies and investors who are willing to set their own risk appetite and terms of engagement.
- **Public offers and admission to trading:** In parallel, we have engaged extensively, and are consulting, on how to address disproportionate requirements on issuers raising capital under inherited EU rules on prospectuses and public offers.
- **Investment research:** We have proposed plans to introduce more options on how to pay for investment research. Greater choice could help boost competition and make it easier to buy research across borders.
- **Intermittent trading of private company shares:** We have progressed work to develop an innovative new secondary market (PISCES) using a financial market infrastructure sandbox that will allow private companies to scale and grow.
- **Digital securities sandbox:** We are working with the Bank of England to open applications during 2024 to a new sandbox which will allow firms to test new technologies such as distributed ledger technology to undertake the activities traditionally associated with Central Securities Depositories and Trading Venues. By making existing processes faster and cheaper, the adoption of these technologies could, if successfully implemented, lead to material savings across markets and their users.
- **Consolidated tape for bonds:** We aim to promote cheaper, higher quality and more accessible market data by facilitating the creation of a consolidated tape for bonds. We have set out our final policy and expect a provider to commence operation in 2025.
- **Securitisation:** In November 2024 we will implement changes to remove unnecessary barriers to issuing and investing in securitisations which enable additional access to capital, as well as a more diversified portfolio of assets for investors. We have introduced more proportionate information requirements for institutional investors’ due diligence requirements and we have made our rules clearer which should reduce compliance costs.

- **Derivatives:** We have consulted on proposals to make our commodity derivatives regime more proportionate and effective, such as by applying robust requirements to a narrower set of critical commodity derivatives.
- **Transparency:** We have consulted on the bond and derivative transparency regime, aiming to increase transparency at a lower compliance cost to trading venues and investment firms.

Asset management

We are considering how to modernise the regime for asset management to improve outcomes for UK markets and consumers and to support the UK's position as a world-leading centre for asset management.

We have authorised 4 long-term asset funds as of the end of March 2024 which facilitate investment in long-term, illiquid assets which are important for supporting economic growth, including venture capital, private equity, private debt, real estate and infrastructure.

We are operationalising the overseas funds regime which will allow certain retail investment funds established outside the UK to be promoted in the UK, including to retail clients. This will support greater competition in the sector and more choice for investors.

We are working to identify how asset management firms could take advantage of distributed ledger technology and related innovations to drive efficiency and competitiveness. We have been working with industry on a blueprint for fund tokenisation that firms can adopt under our existing framework, and on a vision for how blockchain technology will transform the asset management industry.

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Pensions

We plan to consult on rules for a new value for money framework for DC workplace pensions. Schemes will be required to test their propositions against others in the market to ensure they deliver long-term value for savers, including those with the scale to invest in diversified investment strategies. Pension schemes are significant investors in capital markets and their pursuit of long-term value matters to the overall financial ecosystem.

Retail investors

We set out forbearance measures to make it easier for investment companies to explain their costs and charges accurately to help consumers make better informed investment decisions. We look forward to the Government and Parliament providing us with the powers to enact wider reforms to the retail disclosure regime.

We have also issued a discussion paper on the Advice Guidance Boundary Review to design a regulatory system where commercially-viable models of advice and support can emerge so consumers can make more effective financial decisions to invest and save with the right level of risk for them.

Small Business lending

We are investigating the practice of regulated lending for lenders requiring personal guarantees for business loans following a super-complaint by the Federation of Small Businesses, which suggests these practices may be constraining small business investment and growth as well as causing distress to small business owners.

Market studies and anti-competitive behaviour investigations

We announced a package of remedies to improve competition in the Credit Information Market, that should help enable economic transactions to take place more efficiently and promote innovation. Our enforcement work on cartels and other anti-competitive behaviour promotes effective competition and strengthens our competitiveness.

Supporting and driving innovation

Innovation is a major contributor to economic growth and we are committed to maintaining our strong track record of helping firms to launch innovative financial products and services.

Our innovation services support firms at any stage of maturity, from initial idea and proof of concept up to obtaining authorisation and scaling up in the market. We also want to understand how and when our regulation can impede responsible innovation, so that it evolves with financial services, rather than holding them back.

We offer 4 different services to support innovation, with a new ‘front door’ launched in 2023 to help innovators understand which service will best meet their needs and to provide answers to common questions.

In the last year we received over 100 applications to our Innovation Pathways service, helping innovative firms to navigate regulation with case officers who can provide clarity on whether firms require authorisation and offer a tailored, supported authorisation process if firms do require permissions. We also had 43 applications to our regulatory sandbox programme which allows firms to test innovative products and services in a live but controlled environment. Firms testing under the regulatory sandbox included: regtech firms helping firms comply with a new crypto-related requirement; and an incumbent firm testing an algorithm-based digital advice journey to make investment advice more widely available and increase take-up of suitable investments.

Our standards are high to maximise the benefits from these programmes. We only accept the applications that meet our eligibility criteria of being genuinely innovative, benefiting consumers, being ready for support and needing support.

Firms which participate in our sandbox are 50% more likely to raise funding, and on average raised 15% more than a set of control firms. 73% of recent applicants surveyed cited their engagement with us as a significant positive step in developing their business models. More than 110 global regulatory peers have now adopted the sandbox model, helping establish the UK as the leading pro-innovation jurisdiction.

Building on this, we established a permanent digital sandbox in August 2023 to facilitate the development and launch of cutting-edge solutions within the financial services industry. This service offers participants access to GDPR-compliant data in a secure environment, mentorship from industry experts and access to the fintech community to help enable experimentation and scaling for proofs of concept.

Firms which participate in our sandbox are 50% more likely to raise funding, and on average raised 15% more than a set of control firms.

We ran 3 TechSprints in 2023/4 covering greenwashing, the Consumer Duty and how we could use the financial services register to help consumers make more informed financial decisions. The Global Financial Innovation Network (GFIN) Global Greenwashing TechSprint was a world first, bringing together 13 firms and 15 regulators to explore solutions to verify sustainability claims and monitor greenwashing.

More than half of the previous Small and Medium Enterprise participants in the digital sandbox pilots and TechSprints made positive developments including launching new products, securing funding and partnerships, or receiving industry awards or recognition.

The Global Financial Innovation Network (GFIN) Global Greenwashing TechSprint was a world first, bringing together 13 firms and 15 regulators to explore solutions to verify sustainability claims and monitor greenwashing.

We're also horizon scanning for future opportunities. Our Synthetic Data Expert Group is helping develop a comprehensive understanding of the opportunities synthetic data has for accelerating innovation in financial services, and we have pioneered research on quantum security for the financial sector. We continue to build an in-depth understanding of how AI is being deployed in UK financial markets while monitoring it within our existing regulatory framework. This approach ensures that any potential future regulatory interventions are not only effective but also proportionate and pro-innovation.

We are part of the Digital Regulation Cooperation Forum (DRCF), which brings together 4 UK regulators to ensure a greater level of cooperation in digital regulation. We are jointly piloting a multi-agency advice service, the AI and digital Hub, aimed at enabling innovators to engage with at least 2 DRCF regulators simultaneously.

Relevant data on digital and innovation can be found here.

Enhancing trust and reducing the costs of harm and market instability

Financial crime, fraud and disorderly firm failure are a drain on growth and competitiveness. Tackling these are priorities and fundamental to the delivery of our primary objectives as well. Without appropriate protection, some financial products could detract from overall economic growth either by undermining trust in financial services and deterring customers, or by worsening the economic position of some of the most vulnerable people in our country, for example through unaffordable credit. Our Consumer Duty is the bedrock for promoting greater trust in retail markets, making sure authorised firms strive to focus on good outcomes for consumers.

Preventing financial crime

Cutting crime and protecting our national security supports the UK's legitimate economic growth and competitiveness. One of the biggest levers available in the fight against fraud, and wider financial crime, is prevention. You can find out more about our progress on delivering on our commitment to reduce and prevent financial crime here.

Financial promotions

We want to stop consumers being misled by financial promotions and then suffering unexpected financial losses and losing trust in financial services.

After implementing the new approver gateway, we are making sure financial promotions by unauthorised persons can only be approved by authorised firms that we have assessed to hold the necessary knowledge and expertise to do so. As social media becomes an increasingly central part of firms' marketing strategies, we have updated our guidance for financial promotions on social media, including guidance for influencers to make sure they communicate to their followers in the right way.

Redress

Our strategy aims to stabilise and reduce the Financial Services Compensation Scheme (FSCS) Compensation levy, reducing the costs for firms to fund payments to the FSCS. The FSCS compensation costs levy has reduced from £625m in 2022/23 to £270m in 2023/24 and £265m in 2024/25, the lowest for 10 years. We have also seen a decrease in compensation costs and the number of new claims coming to the FSCS alongside increased recoveries by the FSCS from failed firms, representing lower levels of harm crystallising and more of the redress being paid by polluting firms where harm is occurring.

We want to ensure that the firms that generate redress costs are better able to meet them without recourse to the FSCS and that should a firm fail there is more capital for FSCS recoveries. In short, we want polluters to pay, reducing the costs of compensation for the majority of well-run and compliant firms. We have consulted on proposals to require Personal Investment Firms to set aside capital for potential redress liabilities at an early stage and we aim to set out the final policy before the end of the year.

The FSCS compensation costs **levy has reduced from £625m** in 2022/23 to **£270m** in 2023/24 and **£265m** in 2024/25, the lowest for 10 years.

Stability and resilience

Stable markets and a resilient financial system are critical to medium to long term economic growth and support the confidence to invest. Breakdowns in financial stability at times of financial crisis are disruptive and inflict high costs on society, the wider economy and trust in financial markets.

We have consulted on proposals to enhance the resilience of UK Money Market Funds (MMFs) by increasing the minimum proportion of highly liquid assets they have to hold. MMFs holding higher levels of liquid assets can withstand more redemptions in severe stresses before they are forced to sell assets at fire sale prices or be suspended – either occurrence can threaten good investor outcomes and wider market stability. Our proposals are consistent with internationally agreed standards.

Stable markets and a resilient financial system are critical to medium to long term economic growth and support the confidence to invest.

We have consulted on new rules designed to reduce systemic risk to the UK financial system from critical third parties (CTPs) designated as providing material services to firms or financial market infrastructure. Disruption to or failure of a CTP's material services could threaten the stability of, or confidence in, the UK financial system. We are working to help ensure firms invest in and build their operational resilience to meet the standards required under the rules that will be fully implemented in March 2025. This mitigates risk of instability in the financial system at times of operational disruption.

Pursuing a proportionate approach to minimise impact on growth

Sometimes the decisions we take not to do something or to do it differently can help to advance our secondary objective as much as headline-grabbing reforms, but the former rarely garner attention.

For example, in the last year we:

- Set out forbearance measures to give investment companies greater ability to explain their costs and charges to help consumers make better-informed investment decisions.
- Have been clear that, at this stage, we consider that our existing regulatory frameworks allow firms to use artificial intelligence in a safe and responsible way, rather than needing new rules. And we set this out in our AI update. We do so, while closely monitoring the adoption of AI in UK financial markets in collaboration with partner regulators.
- Focused on using the Consumer Duty to drive more effective competition in the savings market and boost the value of consumers' assets rather than additional specific rules for a Single Easy Access Rate.
- Communicated clearly to firms that we would take a proportionate approach to supervision and enforcement of the Consumer Duty. This recognised that this was substantial reform for the industry and we would give them time to adjust rather than enforcing immediately against technical breaches.
- 'Lifted and shifted' the Insurance Distribution Directive into our Handbook to reduce change costs and minimise disruption.
- Agreed to removing burdensome customer information requirements related to personal bank accounts that were previously part of the Payment Accounts Regulations.
- Issued a call for input alongside this report seeking views on where changes to our Handbook would have the most impact.

Issued a call for input alongside this report seeking views on where changes to our handbook would have the most impact.

Annex 1

How any rules and guidance made have advanced our operational and secondary objectives from the inception of the objective to the end of FY 2023/24

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Remuneration: Ratio between fixed and variable components of total remuneration (PS23/15 – PRA PS9/23)	Joint rule changes with the PRA to remove the existing limits on the ratio between fixed and variable components of total remuneration ('the bonus cap').	The changes advance competition as firms could, for example, compete for and attract new talent sooner. UK firms could also be able to compete more effectively when doing business in other jurisdictions where there is no bonus cap. The changes advance the FCA's integrity and consumer protection objectives, as firms having the flexibility to restructure pay should allow for a greater proportion of total pay to be subject to incentive setting tools within the remuneration framework. This could contribute to a better alignment of incentives and financial rewards with principles of effective risk management, good conduct, and the long-term interests of the firms. This is also likely to foster better market conduct and prudent risk management, thereby discouraging behaviours that can lead to misconduct and poor customer outcomes and improving the safety and soundness of dual-regulated firms and the wider financial system.	A bonus cap is not routinely imposed in other leading international financial centres outside the EU. The bonus cap has been identified as a factor in limiting labour mobility and the flexibility for firms to achieve a better alignment of incentives and financial rewards with principles of effective risk management and the long-term interest of the firms. The policy facilitates the secondary objective by removing this barrier in the UK.	Proportionate regulation Effective competition International markets

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Remuneration: enhancing proportionality for small firms (PS23/17) Consequential amendments to existing non-Handbook guidance to reflect the rule changes in PS23/17: Dual-regulated firms Remuneration Code (SYSC 19D) (FG23/4) General Guidance on Proportionality (FG23/5) General guidance on the application of ex-post risk adjustment to variable remuneration (FG23/6)	Changes to proportionality thresholds and exempting firms meeting the updated thresholds from the requirements relating to malus and clawback.	Changes should increase competition in the interests of consumers by introducing a more proportionate regime for smaller, less complex, dual-regulated firms, and allowing a greater number of firms to benefit from this approach. This could encourage firms to grow or enter new business lines, and improve the ability for firms to attract and retain highly qualified individuals. The changes support our objective of enhancing the integrity of the UK financial system, by ensuring dual-regulated firms continue to establish, implement and maintain remuneration policies and practices that are consistent with, and promote, effective risk management and healthy cultures.	Changes provide increased flexibility for dual-regulated firms meeting the amended thresholds to apply the remuneration framework in a way that is more proportionate to the risks they pose to consumers and the market. In time, for firms who meet the amended thresholds, this could increase their ability to attract new staff, compete and grow in the market, and ultimately enhance competition in UK markets and increase the UK's attractiveness as a place to do business.	Proportionate regulation Effective competition International markets

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Sustainability Disclosure Requirements (SDR) and investment labels (PS23/16)	A package of measures, including an anti-greenwashing rule for all authorised firms, 4 investment labels, new rules and guidance for firms naming and marketing investment funds based on their sustainability characteristics, and disclosure requirements.	The changes should help to protect consumers by equipping them with information to navigate the market for sustainable investments and identify products that meet their needs and preferences, as well as reducing the risk of greenwashing. The changes should promote market integrity by helping the flow of consistent information along the investment chain, increasing transparency in the market. The changes should promote competition in the interests of consumers, as the labels and consumer-facing disclosures should help consumers to compare products more effectively and efficiently.	The measures should enable investors to have greater confidence in identifying sustainable investment products and making informed decisions. This should boost trust and confidence in the UK sustainable finance market. Improving the integrity of the UK sustainable finance market should also encourage more firms to develop and market sustainable investment products which, in turn, may increase the size and liquidity of the UK market – thereby promoting innovation, lowering costs and increasing productivity. The regime is designed to be internationally interoperable.	Trust and reputation Innovation Effective competition International markets
Smarter Regulatory Framework: The Insurance Distribution Directive Feedback to CP23/19 and Final Rules (PS23/18)	Replacing the Insurance Distribution Directive (IDD) delegated regulations with Handbook rules and guidance.	The rules ensure an appropriate degree of consumer protection by maintaining consistency of the regulatory regime and ensuring consumers continue to be protected in the current way. The rules support the integrity of the insurance market and the UK financial system, by maintaining consistency of the regulatory regime.	The rules do not introduce new requirements on firms, nor remove existing requirements. This provides continuity of the proportionate regulatory regime applying to insurance activities in the UK. The consequential amendments and drafting style edits ensured clarity and consistency with the wider Handbook.	Proportionate regulation Market stability

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Rules and guidance made under 'Consultation on payments to data providers and DRSP forms including Policy Statement for the framework for UK consolidated tape (CP23/15)' (CP23/33)	Our policy statement sets out our policy on the UK consolidated tape framework for bonds, including rules and guidance in the FCA Handbook on the bond consolidated tape.	The framework enhances consumers' interests by promoting greater participation in financial markets through a clearer understanding of liquidity, putting downward pressure on the price of market data and offering clearer licensing terms. The framework might help with the resiliency of markets by allowing the market to adapt more easily in circumstances in which a significant trading venue suffers an outage, by aiding price formation through a clear, consistent picture of liquidity in markets. The framework should encourage competition for the provision of market data: (i) between the chosen consolidated tape provider and existing data vendors for provision of aggregated trade data; and (ii) for the market during the consolidated tape provider tender process.	Setting up the consolidated tape could lead to sister companies of the consolidated tape provider, data providers, and market data vendors competing to differentiate their data aggregation products and services. Enhanced competition should benefit consumers by increasing the variety of data products they have access to and reducing their prices. In turn, this should increase the relative competitiveness of the UK's trade data products and services.	Effective competition Innovation Proportionate regulation
Introducing a gateway for firms who approve financial promotions (PS23/13)	The policy creates a regulatory gateway for all authorised persons who wish to approve financial promotions for unauthorised persons (s21 approvers).	Our rules advance our consumer protection objective by reducing and preventing harm to consumers from non-compliant financial promotions and buying products that are unsuitable for their circumstances. Poor quality financial promotions can also undermine confidence in UK financial markets and affect the soundness, stability and resilience of the UK financial system. Raising the standard of financial promotions and enabling consumers to make better informed decisions also creates an environment within which competition can best function.	Our rules are designed to set and test higher standards to meet the intention of the amendment to s21 of FSMA 2000 to create a s21 gateway legislated for in 2023. Our rules seek to secure better outcomes for consumers by ensuring financial promotions clearly set out the risks of financial products within a proportionate regime for approvers. Misleading financial promotions could ultimately hinder medium to long-term economic growth if consumers lose money they didn't expect to or lose trust in the UK's financial services sector.	Trust and Reputation

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Finalised guidance on financial promotions on social media (FG24/1)	Our guidance clarifies our expectations of firms and others, such as influencers, communicating financial promotions on social media.	This guidance advances our objectives of securing an appropriate degree of protection for consumers. By updating our expectations, we aim to promote better compliance by market participants who promote financial products and services, meaning consumers should be better informed and aware of the risks involved with these products and services.	Our updated Guidance will promote compliance by market participants with the relevant rules when communicating with consumers via social media platforms. When consumers are equipped with appropriate information about the benefits and risks involved in investing, they can make effective decisions aligned with their needs and risk profile, which helps to reduce unexpected losses and/or loss of trust in financial services.	Trust and Reputation
Finalised non-handbook guidance on Cryptoasset Financial Promotions (FG23/3)	Our finalised guidance supports the rules on financial promotions for cryptoassets and focuses on consumer protection measures. It clarifies our expectations of firms, helping to support better compliance with our rules.	The guidance aims to reduce consumer harm by clarifying our expectations of firms; helping to support better compliance with our rules and deliver better overall consumer outcomes.	Clearer and fairer financial promotions will enable consumers to be better informed to make appropriate decisions aligned with their needs and risk profile. In turn, this should reduce the instances of loss of trust in financial services caused by consumers not fully understanding the risks when purchasing cryptoassets.	Trust and Reputation

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Multiple occupancy building insurance feedback to CP23/8 and final rules (PS23/14)	New disclosure rules for multiple occupancy building insurance to improve transparency for leaseholders and make it easier for them to challenge poor practices. Changes to extend protections under existing FCA rules – for example ICOBS customer's best interests rule and insurance product governance rules (PROD 4) – for policy stakeholders including residential leaseholders.	Our rules advance our consumer protection objective including by aiming to ensure firms act honestly, fairly, and professionally in the best interests of this wider group of consumers. They will need to ensure their relevant communications are clear, remuneration practices do not conflict with stakeholder interests and expressly demonstrate how their products provide fair value. We expect our disclosure rules will enhance competition in the interests of consumers by making it easier for leaseholders to understand and challenge insurance costs passed onto them, resulting in greater competitive pressure leading to better value products.	By requiring firms to ensure their products are consistent with the needs of policy stakeholders and provide fair value to them, we expect to provide appropriate consumer protection and promote fairer and more effective competition in the interest of consumers. Improving transparency and empowering leaseholders and other stakeholders to identify and challenge poor practices may also increase trust. By advancing fairer competition and trust, and potentially influencing pricing, innovation and product variety, we promote sustainable economic growth.	Trust and Reputation Effective Competition

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Temporary changes to handling rules for motor finance complaints (PS24/1)	Our rules: • Pause, for 37 weeks the requirement on firms to provide a final response to a complaint about motor finance agreements with a discretionary commission arrangement (DCA) within 8 weeks of receiving the complaint. • Extend the time consumers have to refer DCA complaints to the Financial Ombudsman from 6 to 15 months, if the firm sent its final response to the complaint within the period specified in the rules.	We made different rules for DCA complaints because of the potential large scale of individual complaints in this area. On the evidence we have seen, we are concerned about the risk of increased complaints leading to disorderly, inconsistent and inefficient outcomes for consumers, firms and the market. Such outcomes would undermine our objectives under FSMA to provide an appropriate degree of protection to consumers, promote competition in consumers' interests, and to protect and enhance market integrity. This was due to the combination of the current complaint handling time limits in our rules and the trend of firms rejecting almost all DCA complaints they have received because they dispute that they have caused harm to consumers.	Our rules are aimed at giving the FCA time to undertake diagnostic work to give us a clear view on whether large numbers of consumers are owed redress and whether an alternative approach is needed to resolve complaints in an orderly, consistent and efficient manner following decisions by the Financial Ombudsman Service about the historical use of discretionary commission models in the motor finance market. The 37 week pause to our requirement on firms to close DCA complaints within 8 weeks will allow us to consider the best approach to resolving the issues raised by the complaints (including potential redress) while mitigating against any short-term effects on firms that an increased number of consumer complaints may bring.	Proportionate Regulation Trust and Reputation
Regulations made pursuant to Quarterly Consultation Paper No. 41 (CP23/18)				

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Changes to the employers' liability insurance rules to simplify the employee reference numbers (ERNs) matching requirements	Amends ICOBS 8 Annex 1 so that employers' liability insurers which meet a set of conditions will no longer be required to exercise their best endeavours to obtain and provide ERNs to a tracing office.	The changes advance our market integrity objective by providing a proportionate regime in relation to employers' liability products to ensure ERN data that must be published on the employee liability register is easier to obtain and more reliable. They also advance our consumer protection objective as the data now obtained by the Employers' Liability Tracing Office (ELTO) will likely be more accurate, making it easier for claimants to search and trace historic policies. Finally, they provide a level playing field between employers' liability insurance manufacturers, advancing our competition objective.	The changes remove requirements that often duplicated processes and costs, leading to a more proportionate and less prescriptive regime for insurers.	Proportionate Regulation
Changes to SUP 12.4.10AR to clarify its interaction with MIPRU 3.2	The changes amend SUP 12.4.10AR to bring it in line with the Professional Indemnity Insurance requirements in MIPRU 3.2	Our proposals advance our consumer protection objective by clarifying who should obtain PII for the activities of ARs that carry out an MCD credit intermediation activity and ensure principal firms are clear on their obligation to obtain and maintain PII cover in line with our expectations.	The clarification removes ambiguity in the requirement without bringing material costs to firms or consumers.	Trust and Reputation Proportionate Regulation
Regulations made pursuant to Quarterly Consultation No. 42 (CP23/25)				

Rules/Guidance made	Description	Links to our operational objectives	Links to our secondary international competitiveness and growth objective	Related drivers of productivity
Making references to enactments in Handbook rules ambulatory	We have used our new power under s137T(aa) FSMA 2000, inserted by section 66 of FSMA 2023, to amend Chapter 2.2 of the General Provisions manual to make all references to enactments in the Handbook rules (including Glossary terms where they are used by rules) ambulatory in nature except where there is a contrary indication. The change means that amendments to enactments will flow automatically through to Handbook rules.	Our proposed amendments advance our market integrity objective by making it easier to interpret the FCA Handbook, therefore ensuring that firms can more easily comply with their obligations.	Our changes will help simplify the regulatory regime for firms, making it easier to interpret the Handbook and comply with our obligations.	Trust and Reputation FCA Operational Efficiency
Fees instruments FCA 2024/8 and FCA 2024/9 from Autumn fees policy consultation CP23/22 and CP24/3 Chapter 2	Our fee-raising proposals set out how we proposed to recover our costs in carrying out our responsibilities under FSMA and associated legislation.	Our fees rules are not intended in themselves to advance our objectives, but the fees we collect fund the work we do to further them. These proposals therefore indirectly advance all of our objectives (strategic, operational and secondary).	Our fees rules are not intended in themselves to advance our objectives, but the fees we collect fund the work we do to further them. These proposals therefore indirectly advance all of our objectives (strategic, operational and secondary).	Not applicable

Technical Standards made	Description	Impact on our primary operational objectives	Impact on secondary objective	Related drivers of productivity
FCA Standards Instrument: The Technical Standards (Bilateral Margining) Instruments 2023 (FCA 2023/44)	Amendments to the Binding Technical Standards (BTS) 2016/2251 extending the temporary exemptions for single-stock equity options and index options from the UK bilateral margining requirements until 4 January 2026	These amendments will meet the objective of protecting and enhancing the integrity of UK financial markets by striking a proportionate balance between ensuring the safety and soundness of firms and maintaining alignment with other jurisdictions while the PRA and FCA undertake deeper analysis to develop the optimal end-state framework for the treatment of these products in the UK	The temporary extension to the exemption maintains a level playing field with other major jurisdictions, and promotes market stability while the PRA and the FCA collect more information to determine the optimal end-state framework	Proportionate regulation Market stability International markets

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Annex 2

Secondary International Competitiveness and Growth Objective Metrics

We are committed to publishing metrics that demonstrate the impact of our work. In our statement on the secondary objective we welcomed increased accountability and transparency on how we are delivering the objective through metrics, and set out our intention to update our existing Outcomes and Metrics framework to take the new objective into account.

Following the Treasury's call for proposals on measuring the success of our secondary objective, we agreed to publish a set of metrics which we have supplemented with further metrics from our existing framework where they can contribute to a more complete picture of our impact on growth and competitiveness.

Our SICGO metrics

Our SICGO metrics are split into four themes:

- **Authorisations and Operational Efficiency** which provides detailed figures on our authorisations activities, including the number of new authorisations for each sector and the number of individuals in scope of the Senior Manager and Certification Regime. Other figures provide an insight into our internal processes including our responses to pre-vetting listed issuers' documents and our staff turnover.
- **Policy and Regulatory Impact** which captures the wider impact of our work on consumers, the firms we regulate, the UK financial system and the UK economy.
- **Data collection** which represents the first time we have released significant detail on the volume of our data requests to industry, and how long we give firms to respond. This theme also includes survey data that captures firms' sentiments towards our data collection activities.
- **Digital and Innovation** which provides detail on applications to our innovation pathways and regulatory sandbox, including a breakdown of applicants by sector and technology used, as well as common reasons applications are refused.

Theme 1: Authorisations and Operational efficiency

Metric Tag	Source	Metric
OE-M01	FCA Data	Total number of authorisations (determinations for CiC, approvals for SMs) approved broken down by firm/sector type for: i) New firm authorisations ii) Variation of permissions (VoP) iii) Change in control (CiC) iv) Senior managers (SM)

2023/24 Values

No. Approved Authorisations/Determinations

Sector	New Firms	VoP	CiC	SM
Credit and Lending	603	318	197	1,169
Payment Services/E-Money	39	5	106	5
Banking	3	43	16	366
Insurance	148	169	335	1,697
Consumer Investments	74	316	328	1,089
Crypto (5MLD)	6	n/a	n/a	n/a
3/4MLD	150	n/a	n/a	n/a
Wholesale	149	278	269	2,001
Total	**1,172**	**1,129**	**1,251**	**6,327**

Note: Crypto firms are not authorised as other firms are. They apply to be registered under the 5th Money Laundering Directive (5MLD), the same applies to firms applying to be registered under the 3rd and 4th Money Laundering Directives (3/4MLD).

Metric Tag

OE-M02

Source

FCA Data

Metric

Total number of withdrawals, refusals and rejections for new firm authorisations, and reasons for refusal, broken down by sector

2023/24 Values

New Firms – Withdrawals/Refusals

Sector	Withdrawals	Refusals	Rejections
Credit and Lending	400	18	322
Payment Services/E-Money	172	0	10
Banking	2	0	0
Insurance	26	1	0
Consumer Investments	52	0	22
Crypto (5MLD)	30	0	6
3/4MLD	71	0	13
Wholesale	56	0	5
Total	**809**	**19**	**378**

Applications are rejected if they don't contain the minimum information we ask for. If you are considering applying you can check what you need to provide.

13 of the refusals were because firms stopped responding to us about their application. The remaining 6 refusals were because applicants were unable to address our concerns about:

- in 2 cases, their ability to meet the effective supervision threshold condition
- in another 2 cases, the competence, capacity, or fitness of their Senior Managers
- in 1 case, the systems and controls they planned to use to operate their business
- in another case, their ability to deliver the Consumer Support outcome of the consumer duty.

Most refusals are published on our website.

Find out more about why applications for authorisation may be withdrawn, refused or rejected.

Metric Tag	Source	Metric	2023/24 Values
OE-M03	FCA Data	Total number of withdrawals, refusals and rejections for approvals under Senior Managers Regime with reasons for refusal.	Total number of SM withdrawals: **430** Number of SM refusals: **2** Number of SM rejections: **129** View Senior Manager refusal notices, including reasons for refusal.
OE-M04	FCA Data	Total number of individuals within scope of SMCR – broken down by SM and CR	Total number of unique individuals (unique IRNs) on the Register with at least one approved Senior Manager function (as at 31 March 2024): **62,953** Total number of unique individuals (unique IRNs) on the Register with at least one approved Certified Function (as at 31 March 2024): **168,115** Individuals may be on the register for active SM and Certified Functions at the same time, in which case they will be included in both figures. CR here refers to the Certification Regime. Unlike under the Senior Managers Regime, we do not approve staff carrying out Certified Functions. Firms need to check and certify that these individuals are fit and proper themselves.

Metric Tag

OE-M05

Source

FCA Authorisations Operating Service Metrics

Metric

Quartiles for time taken to complete determinations for i) New firms ii) Variation of permissions iii) Change in Control iv) Senior Managers

Q4 2023/24 – Determination times (days)

This metric is updated quarterly

2023/24 Values

Activity	Lower Quartile	Median	Upper Quartile	Statutory Deadline
New firm authorisations	63	111	199	Within 180 days of receiving a complete application or 365 days of receiving an incomplete application.
Variation of permissions	31	67	131	Within 180 days of receiving a complete application or 365 days of receiving an incomplete application.
Change in control	24	50	83	Within 60 working days* of acknowledgement of receipt (s189(1))
Senior manager approval	27	41	63	Within 90 days

*Clarification on Change in Control

The statutory deadline is 60 working days (at least 84 calendar days) after receiving a 'complete' notification. We can pause the process once during that period, for a maximum of 30 days, to request further information from the applicant. The days reported in the lower quartile, median and upper quartile are not working days, but the total number of calendar days between receipt of a notification, complete or not, and our determination to allow easier comparability with the other rows.

Where we receive an incomplete notification, the elapsed period between receipt and determination will include the period in which we are seeking, or waiting to receive, the missing information.

<table>
<tr><th>Metric Tag</th><th>Source</th><th>Metric</th><th>2023/24 Values</th></tr>
<tr><td>OE-M06</td><td>FCA operating metrics</td><td>Proportion of cases meeting voluntary Listing Transaction service standards</td><td>Listing Transactions voluntary standards met:
<table>
<tr><th rowspan="2">Issuer Type</th><th rowspan="2">Voluntary Standard</th><th colspan="2">Year</th></tr>
<tr><th>2022/23</th><th>2023/24</th></tr>
<tr><td rowspan="2">New Issuer</td><td>Comment on initial proof of a document submitted for pre-vetting within 10 working days</td><td>95.0%</td><td>97.4%</td></tr>
<tr><td>Comment on subsequent proof of a document submitted for pre-vetting within 5 working days</td><td>97.4%</td><td>99.6%</td></tr>
<tr><td rowspan="2">Existing Issuer</td><td>Comment on initial proof of a document submitted for pre-vetting within 5 working days</td><td>97.0%</td><td>99.8%</td></tr>
<tr><td>Comment on subsequent proof of a document submitted for pre-vetting within 3 working days</td><td>97.2%</td><td>99.3%</td></tr>
<tr><td>Other</td><td>Provide a substantive reply to other queries received in writing within 5 working days</td><td>98.7%</td><td>100.0%</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><th>Metric Tag</th><th>Source</th><th>Metric</th><th>2023/24 Values</th></tr>
<tr>
<td>OE-M07</td>
<td>FCA Data</td>
<td>Number of new entrants, exits from UK market, for each sector</td>
<td>
<p>Total cancellation cases approved (proxy for firm exits): 5,140</p>
<p>Cancellations can't be split by sector as firms often operate in multiple sectors and may cancel all permissions at the same time.</p>
<p>New Firm Authorisations (proxy for new entrants)</p>
<table>
<tr><th>Sector</th><th>New Firms</th></tr>
<tr><td>Credit and Lending</td><td>603</td></tr>
<tr><td>Payment Services/E-Money</td><td>39</td></tr>
<tr><td>Banking</td><td>3</td></tr>
<tr><td>Insurance</td><td>148</td></tr>
<tr><td>Consumer Investments</td><td>74</td></tr>
<tr><td>Crypto (5MLD)</td><td>6</td></tr>
<tr><td>3/4 MLD</td><td>150</td></tr>
<tr><td>Wholesale</td><td>149</td></tr>
<tr><td>Total</td><td>1,172</td></tr>
</table>
</td>
</tr>
<tr>
<td>OE-M08</td>
<td>FCA transaction data and prices from data vendors</td>
<td>Increase in market cleanliness – decrease in the values of our market cleanliness statistics.</td>
<td>
<p>Market Cleanliness (MC) statistics: We are currently reviewing our methodology, latest figure will be published later in 2024.</p>
<p>Abnormal Trading Volume Ratio (ATV): 6% (2023), 8% (2022) – Improved</p>
<p>Potentially Anomalous Trading Ratio (PATR): 3% (2023), 5% (2022) – Improved</p>
</td>
</tr>
</table>

Metric Tag

OE-M09

Source

FCA and Practitioner Panel Survey

Metric

Overall satisfaction of firms based on interactions with FCA and satisfaction based on FCA communications

Fixed firms are a small population of firms that require the highest level of supervisory attention. These firms are allocated a named individual supervisor. (47 respondents in 23/24)

Flexible firms are supervised proactively. These firms use the FCA Supervision Hub as their first point of contact. (6,561 respondents in 23/24)

2023/24 Values

Taking into account all of your firm's dealings with the FCA, how satisfied are you with the relationship? (Score out of 10)

	Fixed Firms		Flexible Firms	
Satisfaction Score	2022/23	2023/24	2022/23	2023/24
Satisfied (≥7)	65%	84%	70%	74%
Mixed (4-6)	32%	16%	25%	22%
Dissatisfied (≤3)	3%	0%	6%	4%

Overall, the FCA's communications to my firm are:

Clear

	Fixed Firms		Flexible Firms	
Response	2022/23	2023/24	2022/23	2023/24
Strongly Agree/Agree	85%	83%	69%	73%
Neither Agree or Disagree	10%	15%	19%	17%
Strongly Disagree/ Disagree	5%	2%	12%	10%

Consistent

	Fixed Firms		Flexible Firms	
Response	2022/23	2023/24	2022/23	2023/24
Strongly Agree/Agree	70%	74%	73%	78%
Neither Agree or Disagree	22%	18%	20%	17%
Strongly Disagree/ Disagree	8%	8%	7%	5%

Relevant

	Fixed Firms	Flexible Firms
Response	2023/24	2023/24
Strongly Agree/Agree	77%	69%
Neither Agree/Disagree	23%	22%
Strongly Disagree/ Disagree	0%	9%

In previous surveys we asked firms whether they thought communications were relevant: to a great extent, to some extent, not very much, not at all, or don't know. In 2022/23, 98% of fixed firms and 89% of flexible firms agreed that communications were relevant to a great/some extent.

Metric Tag	Source	Metric
OE-M10	FCA Data	FTE Staff Number by division (e.g. authorisations & enforcement), and aggregate turnover

2023/24 Values

FCA Staff Numbers – Full-time equivalent (FTE)

Division	2022/23 Total	2023/24 Total
Supervision, Policy and Competition	1,272	1,522
Authorisations	643	729
Enforcement and Market Oversight	621	669
Sub-total	2,535	2,920
Operations	571	665
Other Support Divisions	296	421
Data Technology and Innovation	403	528
Secondment, Parental Leave and Long-term Sick	228	189
Total	**4,033**	**4,723**

Aggregate FCA Group (Including PSR) employee turnover totalled **9.9%** for 23/24 (including ending of fixed term contracts, summer interns and other involuntary turnover). Voluntary turnover was 7.2% for 23/24 which was lowest since the FCA was established other than during the year of the pandemic.

What the metric values tell us

Getting our processes right is key for both growth and competitiveness. The efficiency and effectiveness of our internal processes and communications impact on the firms and individuals that interact with us, and our Authorisation processes are the gateway for firms seeking to enter the UK's financial services sector. Our Authorisations Division determined a large number of cases in the last year (OE-M01 to OE-M03). Most applicants for Senior Manager approvals, 91.9% (6327/6888) and around half of applicants for New Firm Authorisations, 49.3% (1172/2378) are successful. Most of the applications that are not approved are withdrawn rather than refused. Find out more in our guidance on every type of firm authorisation.

We are meeting statutory deadlines for most New Firm Authorisation, Variation of Permission, Change in Control and Senior Manager approval cases (OE-M05). We set ambitious targets for meeting these deadlines, as can be seen in our quarterly Authorisations Operating Service Metrics. Any area of authorisations that meets deadlines in less than 90% of cases is red rated and a green rating requires statutory deadlines to be met in over 98% of cases. We assess 98% of authorisation cases within statutory deadlines.

We meet almost 100% of voluntary internal turnaround targets for pre-vetting documents submitted by listed issuers, unlisted issuers and new applicants (OE-M06).

The most reliable proxy for new firm entry available to us based on internal data is the number of New Firm Authorisations in each sector (OE-M07) over the reporting period. This figure excludes appointed representatives (ARs), from whom we receive notifications rather than authorisation applications. The new firm entry figure includes existing firms that set up a new subsidiary before transferring existing operations and any firms authorised because of the FCA's perimeter expanding.

Metric OE-M07 also shows the number of cancellations approved over the financial year (as a proxy for firm exits). This figure is significantly larger than the number of firms authorised over the last year. However, not all cancellations are due to firms deciding to exit the market. We will cancel the permissions of firms that are not complying with our minimum requirements or are not actively using their permissions. The number of cancellations over the last year has been particularly affected by:

- firms that chose not to maintain their UK authorisation as a result of our withdrawal from the EU (the 31 December 2023 was the last date firms in the Temporary Permissions Regime could remain authorised)
- an increase in proactive work to remove problem firms (which prompted a significant number of voluntary cancellations)
- challenges posed by the wider economic environment.

While we can't split the cancellation figure by sector, a significant proportion (around 70%) of the firms cancelling last year were in the Retail Lending sector (for example, consumer credit firms). Many of these firms were likely using these permissions on an additional basis.

There is also an improvement in market cleanliness in 2023 compared with 2022 (OE-M08), although year to year changes may not reflect significant trends.

There are high levels of firm satisfaction across our direct interactions with firms, and in our firm-facing communications, with a significant proportion of firms agreeing that our communications are clear, consistent and relevant (OE-M09).

Our full-time equivalent (FTE) staff number grew from 4,033 in 2022/23 to 4,723 in 2023/24, with the overall turnover rate falling to 9.9% from 17.5% in 2022/23, including ending of fixed term contracts, summer interns and other involuntary turnover (OE-M10). Voluntary turnover was 7.2% for 23/24 which was lowest since the FCA was established other than during the year of the pandemic. The increase in FTE-equivalent headcount was consistent across divisions, with an increase of 19% for frontline divisions (Supervision, Policy and Competition, Authorisations, and Enforcement) and 21% for support divisions. The increase in staff numbers across the board was largely driven by an increase in the FTE resource assigned to our priority commitments, while the increase in Operations specifically was the result of contractors being converted to permanent resources which led to greater efficiencies and cost savings.

Theme 2: Policy and Regulatory Impact

Metric Tag	Source	Metric	2023/24 Values
RI-M01	FCA Cost Benefit Analyses	Total value of the Equivalent Annual Net Direct Cost to Business across all CBAs for Policy Statements published in the previous year	Total EANDCB value: **£73.8 million** (FY 2023/24)
RI-M02	FCA Positive Impact report	Aggregate benefits from our policy work	At least **£8.3 billion** in annual benefits (3-year annual average, April 2020-March 2023)
RI-M03	FCA Financial Lives Survey	The proportion of consumers who have confidence in the UK financial services industry	2023 – **43%** of consumers (34% vulnerable consumers, 50% not vulnerable consumers) 2022 – **41%** of consumers (33% vulnerable consumers, 49% not vulnerable consumers)

<table>
<tr><th>Metric Tag</th><th>Source</th><th>Metric</th><th>2023/24 Values</th></tr>
<tr>
<td>RI-M04</td>
<td>FCA and Practitioner Panel Survey</td>
<td>The proportion of firms confident that the FCA's oversight protects and enhances the integrity of the UK financial system</td>
<td>Percentage of Wholesale Firms agreeing that they are confident the FCA's oversight delivers on its 'Protecting and enhancing the integrity of the UK financial system' objective.
<table>
<tr><th>Response</th><th>2022/23</th><th>2023/24</th></tr>
<tr><td>Very Confident/Confident</td><td>89%</td><td>89%</td></tr>
<tr><td>Not very/at all Confident</td><td>10%</td><td>9%</td></tr>
<tr><td>Don't know</td><td>1%</td><td>1%</td></tr>
</table>
Percentages are rounded to the nearest whole number</td>
</tr>
<tr>
<td>RI-M05</td>
<td>Z/Yen</td>
<td>UK cities' positions on the Global Financial Centres Index (GFCI) (Z/Yen)

+ Change from previous ranking (6 months prior)</td>
<td>GFCI 35 Rankings (March 2024):

London – 2nd (=)
Edinburgh – 33rd (↑1)
Glasgow – 42nd (↑9)

The GFCI is calculated based on 145 instrumental factors, including quantitative measures provided by the World Bank, the Organisation for Economic Co-operation and Development (OECD), and the United Nations. These instrumental factors are then combined with assessments of the perceived competitiveness of financial sectors by respondents to the GFCI online questionnaire.</td>
</tr>
</table>

Metric Tag	Source	Metric
RI-M06	FCA and Practitioner Panel Survey	Satisfaction on proportionality, effectiveness, and how regulator actions affect attractiveness of UK

2023/24 Values

Overall, from your firm's perspective, how effective has the FCA been in regulating the financial services industry in the last year? (Score out of 10)

	Fixed Firms		Flexible Firms	
Score	2022/23	2023/24	2022/23	2023/24
Effective (≥7)	65%	84%	65%	70%
Mixed (4-6)	30%	16%	27%	24%
Not Effective (≤3)	5%	0%	8%	5%

The work of the FCA enhances the reputation of the UK as a financial centre

	Fixed Firms		Flexible Firms	
Response	2022/23	2023/24	2022/23	2023/24
Strongly Agree/Agree	78%	84%	71%	73%
Neither Agree or Disagree	10%	7%	20%	19%
Strongly Disagree/Disagree	12%	9%	7%	6%
Don't know	0%	0%	1%	1%

The FCA acts proportionately, so that the costs imposed on firms are proportionate to the benefits gained

	Fixed Firms		Flexible Firms	
Response	2022/23	2023/24	2022/23	2023/24
Strongly Agree/Agree	33%	34%	36%	42%
Neither Agree or Disagree	28%	29%	32%	30%
Strongly Disagree/Disagree	38%	37%	30%	25%
Don't know	0%	0%	2%	3%

Alongside its primary strategic and operational objectives, the FCA has a secondary international competitiveness and growth objective (SICGO).

How confident are you that the FCA's oversight of the industry delivers on this objective?

Response	Fixed Firms 2023/24	Flexible Firms 2023/24
Very Confident/Confident	29%	58%
Not very/at all Confident	47%	24%
Don't know	24%	19%

How well would you say your firm understands what the FCA is trying to achieve through the secondary international competitiveness and growth objective (SICGO)?

Response	Fixed Firms 2023/24	Flexible Firms 2023/24
Very/Fairly well	64%	44%
Not very/at all well	32%	40%
Don't know	5%	15%

(Percentages are rounded to the nearest whole number)

<table>
<tr><th>Metric Tag</th><th>Source</th><th>Metric</th><th>2023/24 Values</th></tr>
<tr><td>RI-M07</td><td>UK Official List</td><td>Number of listed entities on UK exchanges
(Total + change in period)</td><td>
<table>
<tr><th></th><th>March 2023</th><th>September 2023</th><th>March 2024</th></tr>
<tr><td></td><td>879 listed issuers</td><td>842 listed issuers</td><td>814 listed issuers</td></tr>
<tr><td>Change in period →</td><td></td><td>-37</td><td>-28</td></tr>
</table>
Figures include all equity related listings on the UK Official List, including standard listed companies listing shares, standard listed companies issuing global depositary receipts, and premium listed companies.</td></tr>
<tr><td>RI-M08</td><td>Regulatory Initiatives Grid</td><td>'Dashboard' showing which stage of consultation or implementation initiatives are at.</td><td>This information is in the Regulatory Initiatives Forum Grid (the Grid). The Grid sets out the regulatory pipeline to help stakeholders plan for initiatives that may have an operational impact on them. It is published twice a year by the Financial Services Regulatory Initiatives Forum. The Forum is made up of several UK authorities including the FCA and Bank/PRA, with the Treasury attending as an observer member.
The latest version of the Grid was planned for release in May 2024 but was delayed due to the 2024 UK General Election.</td></tr>
</table>

What the metric values tell us

In the financial year 2023/24, we published 18 Policy Statements, 12 of which featured Cost Benefit Analyses (CBAs), with 9 containing quantifiable estimates. To calculate the Equivalent Annualised Net Direct Cost to Business (EANDCB), we first sum up the discounted value of the stream of net direct costs which accrue over the appraisal period to reach the present value of the net direct costs (Chapter 5 in how we analyse the costs and benefits of our policies 2024 details how we classify direct impacts). We then convert this into an equivalent annual figure by dividing by an annuity rate.

In our latest analysis, Positive Impact 2024, we estimate the average annual benefits resulting from a subset of rules we introduced between April 2020 and March 2023 was at least of £8.3 billion. The benefits from our latest analysis total an annual quantified positive impact of £14 for every pound spent on running the FCA in this period.

This metric is not directly comparable with the EANDCB as they cover different timeframes and policies. The aggregate benefits report the annual average of benefits from policy intervention for the period April 2020 to March 2023 while the EANDCB is calculated for the period April 2023 to March 2024. However, we expect each policy to generate net benefits as we set out in individual CBAs.

Metric RI-M05 shows the latest rankings for London, Edinburgh and Glasgow on Z/Yen's Global Financial Centres Index. London ranks 2nd worldwide for the Human Capital, Infrastructure and Reputational & General areas, and third for Business Environment and Financial Sector Development. London also ranks second worldwide in the Banking, Investment Management, Government & Regulatory, Finance, and Fintech sectors. Glasgow's change in rank compared to the previous report was one of the most significant increases seen in Western Europe.

Over 80% of fixed firms, and almost three-quarters of flexible firms, agree that our work enhances the reputation of the UK as a financial centre (RI-M06), which is key for international competitiveness.

There have been small improvements in the number of consumers saying they have confidence in the UK financial system (RI-M03).

Firms are less likely to agree that we act proportionately (RI-M06). Fixed firms are more confident that they understand what the FCA is trying to achieve through the objective than flexible firms are. But they are less confident that our oversight achieves the objective's aims. The objective had been in place for less than 6 months at the time of the FCA and Practitioner Panel survey so we expect to build on wider understanding of the objective over the year. This includes through this year's first SICGO report, which details how we have embedded the objective into our processes and culture. These changes should lead to greater confidence in our ability to deliver on the objective in future.

The FCA owns the UK Official List (RI-M07), which is updated at regular intervals throughout each working day. For RI-M07, we report the total number of equity related listings on the main UK Official List as of the end of the 2023/24 financial year and for the previous two 6-monthly periods. We will update this metric every 6 months.

Theme 3: Data Collection

Metric Tag	Source	Metric
DC-M01	FCA Data	Number of data requests and time given to firms to respond with breakdown (Mean and 95th percentile in days)

2023/24 Values

Type of request (Ad-hoc and RegData)	No. of templates	Mean time given to respond (days)	95th percentile time given to respond (days)
One-off and other	82	42	67
Weekly	1	7	7
Monthly	33	20	36
Quarterly	81	35	44
Half-yearly	46	43	47
Annual	60	70	121
Total	**303**	**49**	**93**

Firm type	Number of firms	Total number of data requests	Average number of requests per firm	Average number of days to respond	95th percentile
Fixed	299	15,343	51	42	102
Flexible	40,031	554,911	14	49	93
Other	3,776	13,447	4	34	60

The above tables show data collected using RegData (our platform for gathering regulatory data from firms) and, ad-hoc data and information requests. We use this data to support our everyday activities, including firm supervision. RegData returns are based on requirements from our rulebook and use standard templates that firms are expected to fill in and return to us at a set frequency throughout the year. Ad-hoc requests are usually one-off voluntary requests, or requests made using our information gathering powers, sent to a sample of firms using an online survey platform to enable us to quickly monitor emerging issues and risks or where our need for the data is time limited.

For simplicity, RegData returns and ad-hoc surveys are both referred to as templates in this metric. For example, FIN074, a RegData report for firms liable to pay the Economic Crime Levy, would be counted as one template in the 'annual' row of the first table. An ad-hoc request asking a sample of consumer finance firms to provide detail on the number of customers impacted by an emerging issue would be counted as one template in the 'one-off and other' row.

While the majority of ad-hoc requests are one-off, some repeat requests are sent to firms. For this reason, not all ad-hoc requests are categorised as one-off templates. Similarly, the same RegData template might be sent at different frequencies to different firms, for example a template that firms are usually expected to return quarterly might be requested on a six-monthly basis from smaller firms. The same template would then be included in both the quarterly and half-yearly rows. As a result, the total templates figure is not an exact count of the different types of template we have used in the reporting period.

The second table shows the volume of data requests sent out in the last year. Most of our data requests are made using RegData, following a consistent schedule that is predictable for both firms and supervisors. Ad hoc requests make up less than 2% of all requests by volume despite accounting for the majority of one-off templates.

The 'number of fixed firms' figure was calculated using firm reference numbers (FRNs). If a fixed firm holds multiple FRNs, then it will be counted multiple times in this figure. For example, a large firm made up of multiple authorised legal entities holding different regulatory permissions will return separate quarterly RegData responses for each relevant legal entity. A single quarterly return for a fixed firm with three FRNs could therefore account for up to twelve data requests across the year.

'Other' firms include registered firms such as exchanges and payments/e-money firms as well as firms whose status has changed since reporting.

Metric Tag	Source	Metric
DC-M02	FCA and Practitioner Panel Survey	Satisfaction of firms based on data request processes

2023/24 Values

To what extent do you agree or disagree:

The FCA gives my firm enough time to compile the data/ information that they request?

	Fixed Firms		Flexible Firms	
Response	2022/23	2023/24	2022/23	2023/24
Strongly Agree/Agree	53%	29%	78%	75%
Neither Agree or Disagree	23%	21%	13%	15%
Strongly Disagree/ Disagree	23%	50%	8%	10%
Don't know	0%	1%	1%	1%

My firm has sufficient resources to respond to FCA data/ information requests?

	Fixed Firms		Flexible Firms	
Response	2022/23	2023/24	2022/23	2023/24
Strongly Agree/Agree	62%	77%	83%	80%
Neither Agree or Disagree	27%	17%	11%	13%
Strongly Disagree/ Disagree	12%	6%	5%	6%
Don't know	0%	0%	<1%	1%

The FCA only asks for data/information about my firm that they cannot get from other sources?

	Fixed Firms		Flexible Firms	
Response	2022/23	2023/24	2022/23	2023/24
Strongly Agree/Agree	35%	45%	50%	52%

	Fixed Firms		Flexible Firms	
Response	2022/23	2023/24	2022/23	2023/24
Neither Agree or Disagree	38%	28%	28%	27%
Strongly Disagree/ Disagree	18%	22%	12%	13%
Don't know	8%	5%	10%	9%

What the metric values tell us

This is the first time we have released this level of detail on our regular and ad-hoc requests for data from firms (DC-M01). RegData represents most of the data we collect. It includes all the forms that firms complete to ensure we can effectively supervise financial services. When we need to collect ad-hoc data from firms, for example because we are investigating an emerging issue in a particular market, the requests are subject to an internal data governance process that ensures the request will not cause undue burden on firms and is proportionate to the harm it is intended to prevent. The timescales given to firms to respond to our requests balance both the urgency with which we need the data, how complex the data request is and how soon firms are able to respond.

Firms have a mixed view of the time given to respond to our data requests and their necessity given alternative data sources (DC-M02). Flexible firms are more likely to agree that they have sufficient time to respond to data requests than fixed firms. The benefit to firms of later response deadlines must always be weighed against the urgency with which we need the data to inform our interventions.

Theme 4: Digital and Innovation

Metric Tag	Source	Metric	2023/24 Values
DI-M01	FCA Data	No. of applications for the FCA sandbox/innovation pathway by sector and innovation focus.	**Total Application Numbers (2023/24 FY)** **146** for Regulatory Sandbox and Innovation Pathways. *Consisting of:* **103** to the Innovation Pathways **43** to the Regulatory Sandbox Applications by Sector

Across both services

Top 4 Sectors	% of Applications
Payments & Digital Assets	23%
Cross-sector	21%
Consumer Investments	18%
Wholesale Financial Markets	13%

Innovation Pathways

Top 4 Sectors	% of Applications
Consumer Investments	21%
Cross-sector	20%
Payments & Digital Assets	17%
Consumer Finance	13%

Regulatory Sandbox

Top 4 Sectors	% of Applications
Payments & Digital Assets	35%
Cross-sector	21%
Wholesale Financial Markets	19%
Consumer Investments	9%

Applications by technology

- DLT/Blockchain technology – **19%** of all applications,
- mobile application and web platforms – **18%**
- artificial intelligence and machine learning – **17%**
- API and non-technology-driven innovation – **13%**

Metric Tag	Source	Metric	2023/24 Values
DI-M02	FCA Data	Rejection rationale/ eligibility criteria applicants are failing to meet to enter innovation programmes	**29%** of applications assessed during the period were accepted for full support. **71%** of applications were declined for full support. More than **two thirds** of declined applications failed to meet 2 or more of our eligibility criteria: • **70%** did not meet the Need for Support criterion. To be eligible for support, firms must be able to describe why they need it. For example, if firms have questions where it is unclear how our rules apply to an innovative business model. • **48%** did not meet the Genuine Innovation criterion. While we take a broad view of innovation, we expect firms to set out how their proposal is innovative and how it compares to alternatives in the market. • **48%** did not meet the Consumer Benefit criterion by not showing how their proposal helps consumers (either individuals or businesses), or how they will protect consumers from risks the proposition poses. • **45%** of declined applications did not meet the Readiness criterion. Reasons include having a proposal that is not clearly defined or not developed enough for us to provide realistic support, or firms not carrying out the required background research and making a good faith attempt to understand their regulatory obligations before requesting support.
DI-M03	FCA SICGO Report	Account of new regulatory initiatives which are designed to foster innovation and qualitative commentary on outcomes of the regulatory sandbox programme, including pathways to authorisation where relevant	An account is provided in the body of this report.

What the metric values tell us

Our digital and innovation metrics show our continued commitment to support innovation in the financial sector, with firms continuing to express significant interest in and engagement with our innovation services. Firms from a variety of sectors apply to use our services, with a mixture of cutting-edge technologies utilised (DI-M01). We have criteria in place to ensure the firms we approve are the applicants that can best benefit from our assistance and are putting forward genuinely innovative products and ideas.

Detail on key initiatives aimed at facilitating innovation and the outcomes of our sandbox programmes can be found in the body of this report.