

Annual Public Meeting 2023

Ashley Alder

Good morning, everybody, and welcome to our annual public meeting. I'm Ashley Alder, chair of the FCA, and I'll be hosting this year's event. I joined the FCA's board back in February, and, since then, I and my fellow non-executive directors have been thinking a great deal about the FCA's role amid some significant recent developments, and, not least, the new Financial Services and Markets Act, which became law in June.

In developing our thinking, it's been extremely helpful to listen to different viewpoints in meetings with a wide range of firms and consumer groups, and all of the FCA's panels. And at the risk of oversimplifying a complex landscape, these discussions have highlighted four top line themes. The first of these is about enhancing operational effectiveness across the FCA's frontline work. The second concerns implementation of our new consumer duty, especially in light of the increased cost of living. The third is about how we progress the major regulatory reform agenda now underway. And the fourth, concerns how we should implement our new secondary competitiveness and growth objective.

So, a few remarks on each of these areas, first, the FCA's operational effectiveness. I've heard views from firms about the efficiency of our authorisations, supervision and enforcement work. I've also heard people complain that we don't act quickly enough to prevent frauds and scams, especially when they've seen their investments wiped out, leading to understandable distress.

The FCA cannot and should not promise a zero-failure environment but neither can we be complacent. In this spirit, the board will continue to seek assurances from the executive team on how the FCA will deliver effective regulation across its remit.

This will build on substantial progress made over the last year, for example, we now exceed the majority of service level standards when handling authorisations and, in doing so, we operate a far tougher gateway to deal with problem firms, which is now part of how we seek to prevent harms from happening in the first place. The board will nevertheless continue to focus on improving all aspects of performance, whether in authorisations, or across the FCA's other

core functions. This will include the use of data to better supervise our large population of regulated firms, how to advance tighter policing of financial promotions and how we develop an enforcement plan which targets the bad actors who cause the greatest damage.

The second area concerns implementation of the consumer duty. Now, this is a game-changing flagship reform and, in my view, cements the FCA's reputation as a world leading innovator in pursuing its consumer protection objective. Now, it's still early days, but over the next few months, the board will be looking at how the duty can be used to tackle some of the harms facing consumers and how it can be implemented in a proportionate manner across our large and diverse population of regulated firms. Now, we're especially conscious of the fact that the duty is coming on stream when many people are struggling with their finances amid higher inflation. Our recent actions to tackle low rates paid on savings accounts can be viewed as an early illustration of consumer duty principles in action and there will be more examples to come.

Now, the third area of focus is the regulatory reform program centred on the new Financial Services and Markets Act. Now, it's hard to overstate the significance of this legislation. It enables the FCA to make its own rules to replace a very large volume of retained EU financial services law. It also enhances our external accountability as we pursue a multi-year reform agenda. Now, discussions with stakeholders have centred on policy prioritisation, on whether our newfound ability to be more agile is achievable in light of a more complex accountability system and also on the potential for policy overload for firms when coping with a new regulatory framework. The board will seek to ensure that the FCA's work plan delivers an internationally respected approach to regulation, which also enables us to adapt and keep pace with the changing needs of UK consumers, firms, and markets. And I've made clear in a recent speech that whilst divergence from EU law is inevitable, we won't be pursuing divergence just for the sake of it.

The fourth and final theme concerns our secondary competitiveness objective which also stems from the new legislation. Now, understandably, there's been a great deal of commentary about this. Consumer groups worry that the new objective might dilute consumer protections. Firms

are uncertain about how regulation will positively influence UK competitiveness and productivity. So, for now, just two thoughts on this. First, this secondary objective will not dilute any of our primary objectives centred on consumer protection, market integrity and competition. Each of these underpin the trust and confidence on which the credibility of the UK's financial system rests. There will be no race to the bottom.

Second, the competitiveness objective is linked to an important debate about the future role of the UK's capital markets, and how domestic savings can be mobilised to invest in UK enterprise. Our recent proposals to reform primary equity markets are of relevance here and for a useful overview of some of the difficult issues at stake in this area, I recommend a speech given by Nikhil at the end of March. This touches on the inevitable trade-offs that accompany different societal attitudes to risk tolerance in the financial system.

So, to wrap up, each of the new consumer duty and the regulatory reform agenda signify inflection points for the FCA. Both are of major significance for the organisation, for the firms and markets we regulate and the consumers that we protect. The board will therefore concentrate on strategies to realise the full potential of these changes, whilst continuing to ensure that the FCA delivers value for money across its operations. And, having got to know many people across the organisation, I can see clearly that a public service ethos and a clear sense of mission motivates everything they do. I'm therefore confident that we are well positioned to meet public expectations amid a period of major change. And with that, I'll hand over to Nikhil, before we move to your questions. Nikhil.

Nikhil Rathi

Good morning, and thank you, Ashley, for sharing your thoughts from your first three months as chair of the FCA, as you've been getting to know us all. Over the last three years, we have been becoming a more innovative, a more adaptive, a more assertive regulator, focused on outcomes and publishing metrics so that we can be held to account. Ashley quite rightly talked about the cost of living pressures that consumers have faced, particularly over the last two years, and that's been a very significant focus for us here at the FCA. We put in place

emergency measures to support borrowers in financial difficulty during the pandemic and we are now consulting on making those measures permanent and where we are seeing firms not responding, we are taking action, securing £48 million of redress for 195,000 borrowers this year.

The new consumer duty is a flagship reform and it's already helping us deliver fairer value for consumers and supporting competition. At the start of June, there was only one easy access savings rate available over 4%. This week, you can find 179 such rates, 20 over 5%, and more competition, both in the regular savings market and for fixed term products. We're also taking regulatory action. Over the last week, we have published progress on appointed representatives where we have seen a reduction in complaints. We have published proposals on leaseholder and building insurance to better protect those living in large blocks of flats. And our proposals to ban referral fees for debt packager advice have also come into force.

Investment fraud has been a significant source of concern over recent years with the increased digitalisation of financial services. Working with big tech firms, we have intervened 14 times more in 2022 to bring down 8,500 adverts or have them amended. We expect, this year, that figure will be even higher, particularly as we are dealing with a growth in crypto scams.

We have seen the FSCS levy start to come down, while still dealing with some of the historic issues of compensation coming through the system. That same bold approach also applies to our work in international wholesale markets. Ashley talked about some of the far-reaching reforms we are making to capital markets and the listing regime, balancing the needs of investors who need protection with appropriate access for companies, small and large, to access the capital they need to grow and create jobs. That is part of a very wide-ranging reform agenda across all of our wholesale markets policy.

We can only secure our market integrity objective by working very closely with international partners. We chair or vice chair eight significant international groups, be that on financial technology, sustainability, non-bank finance, and crypto assets. A very significant development this year, joint working with the New York Fed, was the ending of the US dollar LIBOR settings

in June, a multi-year piece of work which occurred smoothly, not least during a period of significant market risk. That market risk is very firmly on our minds. Markets have moved from being used to low rates for a long time, to now considering the proposition of higher interest rates for a significant period of time. That places pressure on valuations of assets, such as in private markets or commercial real estate, and pressure on households, and we'll be very, very firmly focused on monitoring and mitigating those risks.

Our operational effectiveness is absolutely fundamental to being able to deliver a robust financial services industry and one that is competitive. Over the last few years, we have worked and invested in our authorisations platform. In quarter one this year, 97% of our authorisations cases are confirmed within their statutory deadline, just over 94% of our senior manager cases, and the median time for those cases is 40 days. We have done that whilst also toughening up the gateway. Two years ago, one in 14 cases would have been withdrawn or rejected. Last year, that was one in five, and most recently, that's one in four. A more rigorous gateway, also more efficient.

But we're not going to stop there. We have now, this week, launched public testing of a digital form to enable the authorisations process to become even more smooth for firms that are doing the right thing. And that investment in technology and data has been a key focus for us, and will continue to be over the coming year, whether that's using big data sets to tackle sanctions compliance, web scraping to identify fraudulent adverts, predictive analytics, so we can look at complaints data and spot where the biggest risks from firms may be, interrogation of digital evidence at scale using new technology so we can move enforcement cases through our pipeline faster, this will be a big focus for us to deal with the scale of harm ahead of us.

We could not have achieved all of this without the dedicated work of our people. As an organisation, over the last two years, we have grown from around 4,000 colleagues to around 5,000 as we've taken on new responsibilities, including the very significant reform agenda as we have left the European Union. During that period, we have also seen our workforce change. Two years ago, 2.5% of our workforce was based outside London and the South East. By this time next year, that will be 10%, with us having more than doubled our presence in Scotland,

and established a new office in Leeds, particularly attracting skills in the digital and technology sector. We have this month met the 50% target for the Women in Finance Charter. That means, of our senior leaders, around the top 150 people, we have met gender parity, 18 months ahead of the 2025 milestone.

We can now look forward, with this operational platform, with confidence, but also thoughtfulness, towards the agenda ahead of us. We will now play a short video sharing some of the highlights of the last year, and then look forward to answering your questions. Thank you.

Ashley Alder

Welcome back, everybody. Okay, so obviously I want to get to the questions, which is the main point of this meeting today, very quickly. But before I do that, I'm going to introduce firstly the executive directors who are with us today. So, I'm going to start on my far left with Stephen Braviner Roman, who is General Counsel, next to him, Jessica Rusu, who is Chief Data Information and Intelligence Officer, Sheldon Mills, who is Executive Director, Consumers and Competition, and then next to me, Emily Shepperd, Chief Operating Officer and Executive Director, Authorisations. And then, moving to my right, at the far end of the panel here, we have Sheree Howard, who is Executive Director of Risk and Compliance Oversight, then Therese Chambers and Steve Smart, who are Joint Executive Directors of Enforcement and Market Oversight, Sarah Pritchard, Executive Director, Markets and International, and of course, next to me, Nikhil Rathi, who is CEO.

And then, before moving on, I also want to introduce our non-executive directors as well who are with us here today. Liam Coleman, who's chair of our audit committee, Bernadette Conroy, who's chair of our risk committee, Richard Lloyd, who's chair of our policy and rules committee, Alice Maynard, who is chair of our people committee, Sophie Hutcherson, who's chair of our newly established performance committee, and then finally, Aidene Walsh, who's chair of the Payment Systems Regulator.

So, I'm now going to turn to questions. We're going to do this in a format of a mix of pre-submitted and live questions through the next hour and a half or so. And I should just say, if time runs out and we don't get round to all questions, we will be publishing replies to any remaining questions after the session.

So, let's get to the first question, and that's a question for Steve from Philip Baker, and it's this, it's a broad question, but nevertheless an important one, which is all about the progress which is being made to stop and shut down investment scams. So over to you, Steve.

Steve Smart

Thanks, Ashley, and good morning everybody. So, reducing and preventing financial crime is a key strategic priority for the Financial Conduct Authority, and one of the key areas that we'll focus on within that is on investment scams and investment fraud. I should say at the outset though that it's not something which the FCA can do by itself, it very much needs to be a team approach. We are very closely working with regulated firms, with the government, with other regulators, crucially with law enforcement agencies, and particularly with the technology companies, to work together to try and share intelligence, identify the scams, and deal with them as quickly as we can once they're identified.

From an FCA perspective, what are we doing? Well, we're being very robust at our gateway to ensure that the firms that are coming in are meeting our standards for financial crime systems and controls before they're registered. We're very focused on preventing investment fraud at source, so the vast majority of investment fraud originates from online, and so we're very focused on how we stop that at source online. On a daily basis, we've got a process in place now where we scan roughly 100,000 new websites each day looking for investment fraud scams. If we spot them, or when we spot them, we'll look to do two things. One is we will engage with the hosts. We can't force anybody to take them down but we'll engage and ask them to take those sites down. And we will also add the firms to our watch list, the watch list that the consumers can go on and check before they make any investments. In the last year, I think we added nearly 2,000 new firms to the watch list.

We've also been doing a lot of work to remove and amend non-compliant financial promotions. Last year, we amended or removed 8,500. This year, already, we've amended or removed another 6,500. One of the big things we've been doing is, I talked about working with the tech companies to stop scams being promoted, we've now reached a position where we've got a near 100% reduction in illegal paid for adverts on both Google and Bing, which is a huge step forward for us.

We're doing a lot of work to educate consumers and investors through our ScamSmart and InvestSmart campaigns. I won't say any more about that because I'm going to hand to Emily in a minute who will say something about it. And finally, from me, when we do identify investment fraudsters, we take robust enforcement action against them, the individuals who are perpetrating the scams and the frauds. For example, we've recently charged an individual who we allege is responsible for a £1.5 million investment scam. And again, you can see more details of that on our website. That's all I was going to say. Emily, I think you may want to say something about ScamSmart and InvestSmart.

Emily Shepperd

Thanks, yes. So InvestSmart and ScamSmart are key to our delivery here, getting that message out to people so they can really stop and think about what they're doing before investing money, before handing any money over. We're trying all sorts of different ways in order to get that message to different groups of people, including, most recently, an advert in cinemas. So, please watch out for the adverts, watch out for the messages and think before you hand money over.

Ashley Alder

Great, thanks very much. Just a remark from me. I think you can see from those responses to the question how much effort we put across a broad front in order to prevent harm from happening in the first place. It can never be 100%, it can never be zero failure, but nevertheless, I think the work we've been doing has been demonstrably effective. But leaving

aside that, obviously when harm does occur, the ex-post enforcement effort is also incredibly important, particularly from a deterrence perspective.

Now, let's switch gears, I think, a little here to another incredibly important subject, both Nikhil and I referred to this, and this is a question for Sheldon initially.

So, look, we've had quite a few questions asking about the FCA's early insights on the implementation of the consumer duty, and where firms in particular may need to invest even more time and attention than they have to date. So over to you, Sheldon.

Sheldon Mills

Thank you, Ashley. The consumer duty forms part of putting consumer needs first part of our strategy, and we were asked by Parliament to introduce a higher standard of care for consumers, and that's what the consumer duty seeks to do. It's been enforced for existing and new products since July of this year, and there's still a deadline for closed products for July 2024. So the first thing that firms need to do is to continue on that journey of embedding the duty, but also looking towards that deadline for closed products, that's important. My only early reflections on the consumer duty are one of thanks to firms across our regulatory estate. All firms have engaged with the duty, all of our surveys demonstrate that firms, large and small, have engaged with the duty and gone on that journey, so that we can prove outcomes in financial services for consumers.

But there's still more work to do. We are doing work immediately in relation to the duty, it's at the heart of our work to improve outcomes for savers, it's also been at the heart of our work when we've been looking at current accounts and access to those. But we also know that within firms it's important to get two or three things right. Firstly, leadership, this is about a change in mindset within firms, and the best firms have been ones where leaders from the board, and the executive, and throughout the firm, have engaged with the duty, so continuing with that will be important.

The second thing is that the duty seeks to invest in outcomes, so we're seeking to get improved outcomes for consumers. They range in relation to four things. One, that there are

products and services which meet the needs of customers. Two, that customers can get the right support when they need it, and importantly, that consumers get fair value, so there's a good relationship between the cost of providing a service and the value that a consumer gets from it. And what we are asking firms to do is to invest in the data that they collect and analyse in order to continually improve outcomes for customers, and I think that data and metrics journey is a key reflection that we've seen that firms need to continually improve upon.

We're pleased with the progress so far in relation to the duty but as I mentioned, it's not over yet. It's not a once and done. It's now with us in terms of embedding and we still have the July 2024 deadline to ensure that we're meeting the obligations in relation to closed products.

Ashley Alder

Thanks very much Sheldon. And just one follow up remark from me. I've had a bit of an international career to date and in discussions with our counterparts overseas who operate in the area of consumer protection, the regulators, they look to the FCA in this area of consumers as an international leader and in my discussions they're looking very, very carefully at consumer duty as an extremely valuable innovation. So, I wouldn't be surprised as you see similar initiatives happening overseas has happened in relation to senior manager regimes for example, some time ago.

So, now I've got a question here which is, it's a lot more specific, it's quite a long question, but I'm going to read it out in full so we get the full sense of what it's about. It's a question which I'm going to ask Therese to react to initially. It's from Barry Smith and Brenda Blanchford and it's around the complaints involving Blackmore Bonds. And the question is this:

"In the light of FCA failures with LCNF, Blackmore Bonds and others, how safe is the unsophisticated investor in the UK and why does the FCA not recognise that many mini bonds are Ponzi schemes made possible by the complicity of FCA regulated companies?" Now, there's a fair amount to unpack there, but nevertheless, can I put that to Therese initially please?

Therese Chambers

I'll start with some context specifically in relation to Blackmore. Blackmore was not an authorised firm. It offered mini bonds to consumers to finance its property development business. And it's important to remember that the FCA's remit is limited to the way these mini bonds were marketed and the extent to which those marketing communications were clear, fair, and not misleading. And it is also important to think through the different scenarios that may occur here. Now businesses may be frauds, or they may be badly run, or they may be operating in a high-risk sector. We do warn consumers not to invest in unregulated investments. Now the marketing material in relation to the Blackmore Bonds did warn investors that capital was at risk, did warn that the housing market was uncertain and did warn that this was a speculative investment. That said, in our investigation we're exploring all possible angles because we recognise the stress, worry, and concern that this has caused to investors.

Ashley Alder

Thanks very much, Therese. Okay, I am going to turn to Nikhil now. This is a pretty fundamental question and important, which is this: "How does the FCA manage the conflict of interest inherent in being both an industry regulator and a promoter of that industry's competitiveness?" Over to you.

Nikhil Rathi

Thank you. And this was a topic of really significant debate in Parliament over this last year or so, as the Financial Services and Markets Act has been passed. And Parliament reaffirmed that for the FCA, we have core primary objectives of consumer protection, market integrity and competition in the interest of consumers. And then also asked us as a secondary objective to consider international growth of the UK economy and competitiveness, whilst also taking account of international standards. And that hierarchy is important. From our perspective, we would say that delivering on our primary objectives should effectively support growth in the economy. I talked in my remarks about how we balance investor protection and access to capital so that companies can raise the equity they need to grow and create jobs. Our

operational effectiveness in authorisations is critical to ensure that bad actors can't get into the system, but also that firms that are doing the right thing are able to move through quickly and get on with serving their customers.

We also take a leading role in innovation, which again, we don't see as a conflict of interest per se. We want to support innovation as long as there's a good understanding of risk. In fact, just a few weeks ago we hosted the Global Financial Innovation Network. It's 80 regulators around the world to look at innovations that can tackle greenwashing, partnering with financial services firms and other interested parties. We also have already, but expanded under the new arrangements, broader and more expansive accountability mechanisms. We will act and publish our evidence through cost benefit analysis, and there's a new cost benefit analysis panel being established. There'll be reporting from our statutory panels in some cases to Parliament and we also will have more regular engagement with parliament as we go through consultation. The treasury select committee, for example, has established a subcommittee on financial regulation to make sure there's a full elaboration of why we are taking the decisions we're taking and how we're balancing all the different interests that are represented to us.

Ashley Alder

Thanks very much, Nikhil. Okay, so can I turn to Sheldon, an important and this time specific topic and it's a question from Andrew Shaw, Massimo Vascotto and Carmen Vidal and it's a simple one, which is "What is the FCA doing to protect leaseholders in properties affected by cladding?"

Sheldon Mills

We have been working very closely with DLUHC and Michael Gove's department in order to look for an approach to improve the way in which leaseholders are able to access insurance. There are several issues in this market in relation to multi high rise, multi occupancy buildings, all of which predated the Grenfell tragedy but increased in terms of their significance for leaseholders post that Grenfell tragedy, and there are two particular issues. One is the availability of cladding insurance. Pre Grenfell there were about 20 insurers which provided

cladding insurance, post Grenfell and today there are around five insurers and many of them don't write new business, so there's an issue with capacity and supply. The other issue that we've found in this market, which we've looked at very closely is the remuneration levels in relation to insurance. So, as you go through the distribution chain, brokers do a good job of finding, where there's scarce supply, insurance cover for these buildings. But they also apply differential remuneration charges, commission charges in relation to that, and some of those we found are high, ranging up to around 62%.

So, we've taken two or three actions. The first of those is to ensure that when an insurer is providing cover, that lease holders, which are not on the contract, the free holder is on the contract, are able to get information in relation to the cover that they have. And we hope that that transparency will empower those lease holders to understand what the cover is, what the terms of that and place pressure through the supply chain. The second is that we are asking brokers to ensure, and this relates to the consumer duty as well, to ensure that their remuneration levels are fair, and we will take action where we do find brokers not applying the types of fair value assessments that we would expect in these markets.

The third is that we've worked very closely with the insurers to try and pool risk in order to provide insurance cover for parts of the market where that is not available. Particularly for those buildings which are the most compromised and raise the most risk. And working with the Association of British Insurers and also with government, we are seeing good progress in relation to seeing a risk pooling mechanism come through the system and that should support leaseholders. My final point is that we cannot through regulation, make the buildings market work and operate effectively. This is a matter also for government and also for the quality of buildings and the repair of those buildings. But we do stand ready to play our role where we can, to help support leaseholders in these difficult circumstances.

Ashley Alder

Thanks, Sheldon. I think just to follow up on that a little bit, the board, I think, has been very keen to support you and the rest of the team in deploying all the powers we have available to

us to assist lease holders. As you say, we're not the whole answer but I think that's effectively what we've been able to do to date and we will continue to also supervise around that.

Okay. A question for Sheree, from Ludwig Bull, and it's this, "Are there any planned changes to FCA complaints handling guidelines or regulations?", I think that's around complaints in relation to interactions with the FCA and the public. So over to you Sheree.

Sheree Howard

So, in relation to complaints against the regulators, that is the Financial Conduct Authority, the Prudential Regulation Authority and the Bank of England, we are making some changes to the complaints scheme which come into effect for new complaints which are received post the first of November of this year. It's important to start by saying that the changes do not impact the scope or nature of the scheme at all, which is set in legislation in the Financial Services Act from 2012. But the aim of the revised scheme is to provide clarity about what people can expect when they interact with us about a complaint against the regulators. The aim is to be clearer on the outcomes that they can expect. It's more transparent and more user-friendly. We're trying to give a clearer understanding of what might follow in terms of compensatory payments and indeed what they might expect if they are dissatisfied with our response to their complaint and wish to refer the complaint to the complaints commissioner.

We consulted on this scheme in 2020, having considered the feedback and also mechanisms which were introduced as part of the Financial Services and Markets Act earlier this year. We published our policy statement in July of this year and some of the main changes we made as a result of that are, we've introduced flow diagrams to explain how the complaint process works. We've made the language plainer and clearer and hence more accessible. For financial loss compensatory payments, we have sought to be clearer that there are two conditions, that the regulator has to be the sole or primary cause of the loss and has had to have had a clear and significant failure. We also in the consultation outlined the potential for compensatory payments for financial loss to be capped at £10,000 except in exceptional circumstances. But in light of the feedback, we received to the consultation, we removed that cap.

In relation to payments or compensatory payments for non-financial loss. We provided bans and outlines of the types of payments that would be made. In terms of feedback to the consultation, we provided greater explanation on where the payments might fall in light of the types of payments we do pay and we also increased the ranges and heightened the upper limits for those payments. We have also promised to review those limits every two years. Finally, in response to the Financial Services and Market Act changes and the increased accountability measures for the regulators, we've made it clear that from now on the complaints commissioner will be appointed by the Treasury, as opposed to the regulators, on a five-year non-renewable term. And we've also made it clear that in the annual report, in our response to the commissioner's annual report, we'll provide a summary of where we've disagreed with the recommendations.

Ashley Alder

Thanks very much, Sheree. Right okay, so I'm going to turn now to Stephen, and this is around a report in The Times about allegations of intercepting and diversion of whistleblower's emails. So over to you, Stephen.

Stephen Braviner Roman

Thank you, Ashley. Firstly, I should say that whistle blowers are a vital source of information for the FCA, and we treat their information of their contact with the highest degree of care. In relation to interception and redirection of emails, we do not intercept emails, but in common with many organisations we redirect emails coming into the organisation to ensure they are dealt with in the most appropriate way. In one particular case, which I think the article may be alluding to, we've recognised that we made a mistake and we have apologised for that mistake. It's worth noting that the ICO having looked at the matter, has decided to take no further action. So yes, there was one instance of a mistake that we've recognised, but just to reiterate, whistle blowers are a vital source of information for us and I wouldn't want anybody to take from these stories that we deal with their contact with us in anything less than the highest degree of care.

Ashley Alder

Great. Thanks very much for clarifying that, Stephen. I'm going to switch to Nikhil now and the question is fairly straightforward. The topic isn't, I don't think, but nevertheless the question is this: "Does the FCA feel it's time to increase the amount of compensation available from the FSCS, the compensation service and, if so, what would be a more appropriate level?"

Nikhil Rathi

It's a very wide-ranging question and it covers both the level of compensation but also the scope of compensation, and also the speed with which compensation is provided to consumers. A couple of years ago we launched a compensation framework review, which is really a very open discussion to just debate where we should go with the compensation system, looking at what happens in the UK, but also what happens internationally as well, and recognising that the compensation system in the UK is also funded by levies on the industry and that can have a particular impact, particularly as I mentioned in my opening remarks, we've seen over recent years in the area of investment scams and self-invested personal pensions.

We are currently considering that feedback. We've set out what we heard there, and we also are doing some work with the Bank of England and the Treasury in light of the collapse of Silicon Valley Bank to look at not just the compensation level, but also the importance of continuity of access to deposits when a bank fails. And there were clearly lessons to be learned from that experience, as to how to make sure in those kinds of scenarios, firms, businesses, individuals can keep access to their deposits. We've also, in certain specific areas, looked at the scope of compensation. Very recently we closed a consultation on long-term asset funds and whether as these new products which are there to support productive financing of the economy, long-term illiquid assets that may invest in infrastructure or other critical areas for growth in the economy, to what extent the elements of the FSCS should also cover those funds.

Now, we're considering the responses to those consultation documents as well. And one point we have made in the area of crypto assets is that these products are very high risk and as

elements of the crypto complex come into our regulation, most recently in relation to promotions, we have been reinforcing the message that anybody who invests in those products must be ready to lose the money that they put in. And there need to be limits to the availability of compensation for such high risk products too.

Ashley Alder

Thanks very much, Nikhil. Okay, we're going to switch back to questions about the new consumer duty. I'm going to start off with something, I think it kind of reflects what Sheldon had been picking up earlier on, on the implementation or the early implementation of the consumer duty, and it's this: It's a question from Conor McGuire and Jill Hulme, and it's really around following what we are in the early stages of the consumer duty supervision work. "From a supervision perspective, what are the key themes that you've observed, both positive and also in areas where improvements are required." Recognising that this is still pretty early days, so over to you, Sheldon.

Sheldon Mills

Thank you. We have seen big improvements actually in the way that firms are focusing on consumer outcomes, both from the top at a board level and through organisations, and that was one of the key areas that we wanted to see coming out of the duty. In specific terms, though, some of the improvements that we have seen and we would like to see more coming through are firms looking at charges, so additional charges that consumers might not be aware of when they enter into contracts. Looking at fees, reducing those fees. So, we've seen some progress in certain sectors in terms of reducing fees. We have seen a focus on complaints, so firms ensuring that they are responding to complaints and their complaints processes are in place. And we've seen an improvement in firms' understanding of their target markets and their customer bases, and in particular looking at customers with vulnerable characteristics and getting the right forms of data, technological systems to identify those and support those customers. So those are some of the improvements that we've seen.

As I mentioned earlier, the area which all firms will need to improve upon is in that use of data in order to demonstrate the outcomes that you would expect from both the products and services that are supplied, but also the processes and that consumer journey that goes through each of the products and services that they're supplying.

Ashley Alder

Thanks very much, Sheldon. Right, I'm going to go actually back to Nikhil again. This is a broader question, and I hope I pronounce the questioner's name correctly, Kevin Mudie, I think. It's this, "What is the FCA doing to increase the transparency of the FCA?"

Nikhil Rathi

Thank you. Earlier on I talked about the new accountability mechanisms that are now enforced that build on what we have in place already and we're very much embracing those accountability mechanisms. Sheree spoke earlier about the evolution of the complaints scheme as well. What you may also have seen in recent months is a real effort on our part to make sure as we're making significant decisions that we can share and publish the evidence underpinning those decisions. So, for example, at the beginning of August, we published the data on savings rates that we were collecting from nine of the largest financial institutions in the country. Looking at what's happened historically, what's happened in recent months, to underpin our decisions on what action we are taking under the new consumer duty. That evidence base is there for everybody to see and to comment on, and you can expect more of that from us in the coming years, particularly as we intensify our work on cost benefit analysis. We also hope you're seeing more of us getting out and about. We are all, as a team, speaking regularly at events in London and around the country. We're seeking to use media in different ways as well, so we can reach new target audiences. Including as Emily talked about, even advertising in cinema halls to try and get our message out around scams and high-risk investments. We always though welcome feedback and we know that we have some very onerous powers and very significant responsibilities and our accountability and transparency around how we use those powers is really fundamental to our legitimacy. Thank you.

Ashley Alder

Thanks, Nikhil. Now there's been a fair amount of media coverage around car insurance in recent weeks and months. And so, this is a question, it's back to Sheldon on this one. It's from Peter Grimmett. He's saying that his car insurance has gone up nearly 50% in one year and he hasn't made any claims, and that for him it's proved impossible to find anything cheaper. He's saying that the FCA has stopped providers competing for new business by offering cheaper premiums for new customers and that has an effect of pushing prices up for everyone and against those, even those who shop around. So, the simple question: "Is the FCA investigating why there's been such a huge price increase?" And it's a very specific question, but I think a lot of people have been focusing on this across the UK.

Sheldon Mills

Thank you. We acted in relation to insurance in order to remove what had been described as a loyalty penalty. So, this practice of customers who might take out an insurance policy and then remain with their provider for eight, nine, 10 years and that insurance premium would go up and up and up exponentially. When customers, if they took out a new product, the price would be a lot lower. And I think it was appropriate that we acted to tackle that feature of insurance pricing. That's different from what is going on in the market currently in relation to pricing. There are a number of factors which are influencing the price of motor insurance in particular. There's been significant inflation in relation to many of the aspects which go into calculating the cover for motor car insurance. That's the price of repair when people claim on damage to their car or the loss of their car. That's the price of repairing new cars such as vehicles which are made up mainly of significant complex electronics.

There have been issues in relation to the supply of products and components which go into the repair of those cars. So, the costs for insurers of providing insurance cover have gone up. What we are seeking to do is to ensure that in relation to the consumer duty, that firms are passing through those costs in a way which is fair and balanced and appropriate, so that we do get to fair prices for consumers in relation to this really important product of motor insurance.

So, we are monitoring what's happening with prices in relation to insurance, but a lot of the reason for the increase in relation to cover is the cost of inflation on claims and other parts of the business.

Ashley Alder

Thanks very much Sheldon. I think actually, just to pick up on that for a second, I think you can see that right now in the coming months and years, the new consumer duty as a kind of wrapper as to how we approach a whole host of consumer issues is going to be incredibly important. And I think as I mentioned earlier on in the opening, the board of the FCA will be very, very focused as to how this develops and the impact that the consumer duty has for consumers, but also how we manage that and supervise that from a firm perspective.

Right, I'm going to go across to Therese now again, this is about, how can I put it? The Woodford saga. We've had quite a few questions around this, including from Andy Agathangelou of the Transparency Task Force. And this question is from Jacqui Thoms asking, "Are the FCA not looking after the interests of Woodford investors, who you agree are the victims involving the financial services compensation scheme and seeking a restitution order, which will be a better alternative to the proposed scheme of arrangement?" So over to you, Therese.

Therese Chambers

Thank you. So let me start by assuring you that the interests of the Woodford investors are absolutely our top priority in the way that we are handling this matter. There is up to £235 million of redress on offer via the scheme of arrangement that is currently being put to investors, which includes a voluntary contribution from the parent company. And we have said consistently that we think this offers the quickest and best chance to obtain a better outcome than would be available by any other means. And we do encourage investors to consider this proposal seriously. Let me just explain what the alternative would be. Link have made it very, very clear that they will only accept our findings in the context of this scheme of arrangement. So, if the scheme of arrangement does not go through, then Link will challenge our findings.

They will challenge any remedies that we seek to impose, including the possibility of a restitution order. The matter will have to be dealt with via the upper tribunal or via the courts. Any litigation such as that is highly complex, carries a degree of legal risk, takes time and takes money. So, there is an uncertain outcome that is potentially a number of years into the future. We don't think that is the best option for consumers, which is why we suggest that consumers consider the current scheme of arrangement, which will offer redress payments that will start to be made in the earlier part of 2024, that they should consider that option very seriously indeed.

Ashley Alder

Thanks very much, Therese. I hope that was crystal clear and in particular that we've thought through very, very carefully what we consider to be the very best option available in a complex situation. Sorry, I'm going to stick with Therese for the moment. We've received quite a number of questions from the Wellesley Investors Action Group asking if we can provide some information on progress of the enforcement action against Wellesley and such as when it's going to be completed, et cetera. So, Therese, maybe briefly on this?

Therese Chambers

Thank you. So, I'd like to acknowledge the frustration and the stress that is being experienced by the Wellesley investors. Our investigations continue into this complex matter, and you'll appreciate that I'm unable to give you details of what is a current investigative operation that we're conducting, but I would like to give you my assurance that we are conducting a thorough investigation and that our priority is to complete that investigation as soon as we are able.

Ashley Alder

Thanks, Therese. Okay, now I'm going to go back to Nikhil and it's a pretty fundamental question actually. It's from Andy Agathangelou. It's this: "Does the FCA recognise the risk of regulatory capture and if so, what does the FCA do to ensure it does not succumb to it?". I'm very tempted to answer this myself by simply saying we absolutely recognise the risk, all

regulators do, and we spend a lot of time positioning ourselves so that never ever happens, but over to you, Nikhil.

Nikhil Rathi

Well, thanks Ashley. Thank you, Andy, also for the work of the Transparency Task Force and the challenge and scrutiny you give us every year. I think you may, or your colleague may, have asked me a similar question at the annual public meeting last year and Ashley encapsulated it: of course, we recognize this risk, but I think you have a team in front of you here, an executive team that is a very capable, very independent minded executive team.

As Ashley mentioned in his opening remarks, we as an organisation, our colleagues are very focused on our public service mission. The objectives that Parliament has set us in delivering those objectives, we of course have to engage with a very wide range of interested parties. We think very hard about the consumers who are impacted by our work. We want to think about the impact of our work on firms, particularly the tens of thousands of small firms that are working under our supervision and regulation. And, of course, the wide range of partners that we collaborate with, be that government or other regulators.

I spoke earlier about us enhancing transparency, underpinning our decisions and the evidence base underpinning our decisions. That's important not just for us as we make regulation, but actually all parties in the system, be that government or other regulators who make decisions impacting the financial regulatory system. I would also make the point that there are some very big issues facing our country that actually we want to work in partnership with industry on.

On Friday I was in Glasgow, making a speech about financial inclusion and some of the issues that we want to tackle. Some of those issues are best tackled by everybody thinking creatively together as to what the solutions may be. Industry has some opportunities when it comes to the way they communicate. We can think about supporting new innovations and technology to tackle some very important issues for our society. So, I think our approach is one of

independent mindedness, transparency, but also an appropriate degree of partnership as well, so we can deliver our objectives.

Ashley Alder

Great. Thanks very much, Nikhil. Okay. A question which is a fresh subject here and it's around AML-KYC and all of that, and it's a question for Sarah from **Danae Xanthi**, and again it's a broad question, which is: "As regulators, what do we see being the most common issue of non-compliance in the field of anti-money laundering checks and KYC checks and client onboarding?" It's a large subject, but over to you Sarah.

Sarah Pritchard

It is a large subject and obviously with the number of firms that we regulate, we do see differing issues of non-compliance. But that said, there are some clear themes that are common across many firms that we regulate in the retail banking sector, the payments sector and challenger bank sector in particular. So we see weaknesses in governance and oversight. We see some weaknesses in transaction monitoring. We see some weaknesses in customer due diligence and we see critically some firms fail to maintain their systems and controls in a way that reflects their evolving business model.

That said, we see some really good examples of good practice too, and if you take a look at our three-year strategy that we published a year or so ago, you'll see that we have made a commitment as the FCA to share our learnings broadly so that firms and market participants can benefit from our understanding of what good practice looks like as well as poor practice. We've published many findings recently. We've published some findings in relation to sanctions compliance just back in September, and there we've highlighted some of the benefits that technology can bring, but critically we've also highlighted the importance of firms ensuring that their controls are calibrated appropriately and proportionately to their risk profile.

Ashley Alder

Great. Thanks very much. As I said, there's a lot to unpack there, but it's a huge subject around which we devote a lot of work for obvious reasons, not least in the context of a financial crime challenge, which is frankly severe.

Okay. Right, now I really like this question because it opens it out into clearly a cutting-edge topic. It's for Jessica, it's from Hugo Rousseau. It's a broad one, which is: "What's next for AI regulation, particularly as the EU is moving ahead with new legislation and the government's issued a series of principles to regulators." So, tell us all about AI, Jessica.

Jessica Rusu

Thank you very much for the question, Ashley. So, AI, as you mentioned, is a hot topic at the moment, but I'm pleased to say that the FCA has been working on AI and machine learning for quite some time. We started in 2019 with our discussion paper on machine learning, and we have progressed to our discussion paper, which we published last year on AI, and we're pleased to see that firms are considering the adoption of AI and are thinking about the impacts on firms in the financial services industry. And the FCA, as you know, is not a technology regulator, but is supportive of a pro innovation approach that is pragmatic and adaptable because it is a fast-moving area of technology and should be considered in the round alongside other systemic risks and specific risks around critical third parties and big tech firms. So, I'm pleased to say that in the next couple of weeks we will be publishing our feedback statement from the AI discussion paper, so that should be coming out in the next few weeks, and we're also doing an extensive amount of international collaboration on the topic. In addition to that, we are working both at home and abroad, in particular with the DRCF, to support the AI and Digital Sandbox initiative and we'll be leveraging our own FCA Digital Sandbox to support those efforts where we have a vast reserve of synthetic data and other data assets that we can use to support innovation in AI. As Nikhil mentioned earlier, we've recently used the digital sandbox to support some AI testing in the greenwashing tech sprint.

In the run up to the November safety summit, we are collaborating closely with government and the department for science and innovation and technology and preparing for that and reviewing the government's principles. So, I'd say in the round, the FCA has a leading role to play in the regulation of AI in the UK. Thank you.

Ashley Alder

Thanks, Jessica. And as Jessica mentioned, not surprisingly, there's a huge amount of international work and I think picking up on Nikhil's comment around a healthy partnership with our stakeholders, the more that we interact around our feedback statement and the aftermath with our stakeholders is going to be very, very important as to how we develop frameworks around AI and technology. Not least to dig into a question which I personally don't think has really been answered yet, which is location of responsibility when it comes to technology intersecting with financial services as well as issues such as bias, explainability, et cetera, all these are absolutely fundamental in the years ahead.

Right, I want to go to a question, actually back to Nikhil now, and it's an important one and it's an operational one, not only for us but also for our stakeholders. It's about capacity. And the question is this, it's from Michael Nicholls and his question is that there is a tsunami of regulatory change from consumer duty to ESG, financial crime and operational resilience and keeping abreast and implementing all of these changes is a challenge for the industry. How can the FCA keep abreast given well-publicised issues with staff shortages, backlogs, pay pressures, and an industry which is only too happy to take their – that means our - highly skilled staff. So over to you Nikhil, there's basically a capacity issue.

Nikhil Rathi

Thank you, Ashley. And I think the examples that you quote Michael are really interesting examples because when I think about consumer duty, ESG, operational resilience, I don't think we have been recipients of that change. We have been shaping that change both as leaders within the UK and internationally, providing thought leadership, seeking to influence international standards and innovating in the way we are thinking about regulation. And your

point is I think very valid, that creates a heavy load not just for us as an organisation but also for industry too.

We publish the regulatory initiatives grid, which we hope acts as a form of air traffic control across not just the FCA, but our partner regulators as well, so that industry can understand what is coming next. There is a very important question of prioritisation as we bring forward the reforms that are necessary as retained European law moves into the UK rule book and our rule book in particular, that's something we're engaging closely with our board on because we want to make sure that we bring those in in a smooth way that provides clarity but also is manageable for firms as well.

Whilst doing that, we also want to make sure we've got space to innovate. Sarah has led some work in the asset management space, a discussion paper recently, which puts out all the ideas we've received from the investment management industry about areas they'd like to see us reform and innovate. And one of the questions is, of all these ideas, which ones should we prioritise in the context of limited bandwidth? And we're hoping that through that exchange we're able to focus on three or four important priorities for innovation of the future. Delighted to have Therese and Steve in post as well, who are thinking about how we prioritise the enforcement investigation portfolio so we can go after the most important harms that are affecting consumers and affecting the economy.

You ask about our operational load. I gave some data around authorisations earlier, and Emily may be able to speak more to this later, but our caseload has now stabilised. 97% of our cases are delivered within the statutory timetable. We've invested very heavily in our case officer numbers, but also at the same time delivered important reforms and rigor to the gateway.

In terms of our people, we've grown as an organisation from 4,000 to 5,000 colleagues recruited very successfully over the last couple of years, bringing in new skills, not just here in London, but having also personally grown up in the North, quite excited that you'll soon have northern accents on our contact centre talking to members of the public based out of our

Leeds office. Our graduate entry this year was 120 new colleagues joining us out of a pool of 10,000 applicants, many thousand higher than had been the case the year before.

You talk about turnover, this year we would anticipate our turnover is going to be less than 10%, our voluntary turnover, which taking aside the pandemic year where you saw lockdowns, will be one of the lowest we've seen for a number of years. And the recruitment of staff goes both ways. A very significant portion of the 2,000 or so colleagues that have joined our organisation in the last year have come from industry backgrounds as well as from other regulators and other disciplines. And we always think carefully about our pay offer. We do offer one of the best, if not the best pay offer of any public authority and enforcement agency in the country to make sure we can continue to attract these very highly demanded skills. Thank you.

Ashley Alder

Thanks, Nikhil. I think just at this point, I'd like to say a couple of things to pick up on what Nikhil's been saying. The first of which is that I came to the FCA in February this year, and I'm not aware of any other equivalent organisation internationally that is as forward-leaning, as ambitious and is as innovative as the FCA. And I think Nikhil's pointed to some examples of that. That does give rise to a challenge. It gives a rise to a challenge not only for the FCA in positioning that innovation with the industry and with consumers of financial services. It also gives rise to a challenge for firms in absorbing an inevitable pace of change.

And one thing that the board of the FCA is particularly focused on is firstly where we sit in relation to consolidating our staff compliment. And I think we've got to a position now where, although the question was referring I think to a situation that may have been the case some months ago, I think we can see now the organisation has consolidated. And I mentioned in my opening remarks that the public service ethos, the sense of mission around innovation is absolutely palpable within the organisation to me as a relative newcomer.

And the second thing I'd say is that in terms of the reform agenda, as of June, we now have the statutory basis in which to go forward with a very, very significant reform agenda. It's a huge opportunity. It's inevitably a challenge, and again, from a board perspective, getting the

prioritisation of the reforms in place so that they hit the most important, most high impact reforms first, but also make sure that those who have to absorb those reforms react to proposals and also absorb them when they come on stream, are able to cope and we don't stress the system. Basically, we don't stress the system as far as we're concerned and we don't stress the system so far as firms and ultimately consumers are concerned. So it's a really important focus for us.

Okay. So having said that, again, a very specific question. I'm going to go over to Stephen and it's from William Price, and it's simply this: "Can you address the criticisms outlined in Andy Verity's book on LIBOR?"

Stephen Braviner Roman

Certainly. Thank you, Ashley. They are very serious allegations made in the book in relation to the manipulation of the LIBOR rates, allegations that we completely refute. I think more importantly for this audience, it's important for people to realise there's been a huge amount of transparency around this issue going back many, many years. The FSA, which was the authority precursor at the time, conducted a review and published the details of that review in 2013. There have been criminal prosecutions on both this side of the Atlantic and in the US, where material has been disclosed on this issue. And one of the specific allegations to just drill down into it for a moment around a particular telephone conversation between Mark Dearlove and Peter Johnson was specifically referred to in the FSA decision notice, final notice at the time back in 2013. So, a great deal of transparency over these issues has happened for many, many years. And as I say, we completely refute the allegations and the account now given by Mr. Verity.

Ashley Alder

Okay. Thanks very much, Stephen. Okay. A question for Sheree, and it's from Cat Dankos and it's this: "What preparations is the FCA making for the National Audit Office study this winter?"

Sheree Howard

Thank you, Ashley. So we've received the engagement letter from the National Audit Office in June actually, and they started their substantial field work in July. The focus of the review is on our adaptability to regulatory change. In particular, is the FCA taking effective action to meet the challenges and opportunities in light of the key changes to our regulation of the financial services sector. The NAO is looking at this through two lenses: on a strategic level and a range of strategic areas, but also through the lens of the five specific case studies.

To aid this work, we've dedicated a small team to coordinate responses to the NAO's request, but also to maintain regular contact to ensure the efficiency and effectiveness of this review. We've also made relevant senior management available to answer questions from the NAO, but also provide that strategic context as well as answer specific areas around the five case studies. And each request is being supported by an information pack to assist the NAO in its review. As I say, the field work is still underway, and we are expecting the report in December. Thank you.

Ashley Alder

Thanks, Sheree. Okay, right. I'm going to go back to Sheldon now. And we've had several questions about the estate planning group, and under that heading that's the Will Writing Company, the Family Trust Corporation, and the Philips Trust Corporation. And the question's this, I'm going to read out in full because I think it's important to do so: "25% of UK building societies have been involved in the selling of unregulated products of the estate planning group with zero due diligence undertaken, affecting 2,345 families and causing losses totalling an estimated £138 million to elderly and vulnerable clients who have lost ownership of homes through bad advice from building societies. That's the first part. So, some have lost their homes, others are fighting at great expense to regain ownership. And given the scale of this problem and the advanced age of the victims, the question is when will the FCA provide a ruling on whether the building societies involved should compensate victims?"

Sheldon Mills

Well, first I'd like to say that we recognise the challenge facing those families and those individuals in relation to the administration of the Philips Trust Corporation, so we do recognise that this is an urgent and pressing issue for those families. We are aware and looking at a number of building societies who had or have referred customers to the estate planning group, including the Will Writing Company and the Family Trust Corporation for, as Ashley mentioned, will writing and other family trust services. By and large, these referrals themselves are unregulated activities. So, what we are seeking to establish is what actually happened in relation to those referrals with the building societies. That is underway, and we will seek to confirm our position as swiftly as we can.

Ashley Alder

Thanks very much, Sheldon. I'm just going to go to Stephen with this one. It's from Joanne Rossouw and it's about the post office scandal, and it's really around the behaviour of some in-house and external lawyers involved in the post office scandal. And the question around that is, "What is the FCA doing to ensure that the public can have trust and confidence that such behaviour has not and will not mirror such a lack of legal integrity within its own legal departments and appointments?"

Stephen Braviner Roman

Thank you, Ashley. A very important question. I obviously don't want to comment on the post office issue itself, but the issues it's thrown up, I think are something that everybody in a position such as mine, an in-house lawyer, has thought about deeply and done some soul searching to make sure that they could not have found themselves or put themselves into a similar situation.

I think inevitably in these kinds of situations, ultimately, it's about the quality of people, the integrity of individuals, their ability to stand up and to give the advice that needs to be given. That's what all lawyers should do, and ultimately you have to rely on an individual's integrity and the structures within an organisation that allow that culture of challenge and openness. And I believe within the FCA, we have that culture where, as Nikhil was saying earlier on, we

are a number of independently minded executives, that not only goes for how we deal with the risks around regulatory capture and industry capture, but also how we go about challenging ourselves and holding ourselves to account internally about the decisions we make. So I think the integrity of the people and the quality of our internal debate is crucial.

It's also true to say that within the FCA we have some internal checks and balances, which I don't think existed in other organisations, certainly the post office, such as our regulatory decisions committee, which provides an important mechanism to ensure that some of the kinds of issues which are alleged in the post office case could not arise for us. Thank you, Ashley.

Ashley Alder

Thanks very much, Stephen. Okay. I'm going to switch across to Therese. It's a question from Allan White and it says this: "What is being done to protect investors from the consequences of accounting fraud in companies such as Globo and Patisserie Valerie." Over to you, Therese.

Therese Chambers

Thank you. So, obviously no investment is without risk, but investors should be able to rely on honest, clear, and timely reporting from the companies in which they are investing. And where listed companies make material misstatements to conceal fraud, this is serious market abuse, which is one of our key areas of strategic focus. We're not the only game in town. The SFO and the FRC also have remit in many of these cases, but this is an area of priority for us. We have been active in this space. Some examples of our recent action are in relation to Carillion, in relation to Red Centric and in relation to Tesco. And in all of those, we deployed the full range of our powers in this space, civil action, redress for consumers, criminal prosecution.

I'm not going to comment on the detail of specific investigations that we or other agencies have on foot. I would note, however, in relation to Globo, that it is in the public domain that we have civil proceedings on foot seeking compensation. We have criminal prosecution on foot, we have an extant European arrest warrant. We have attempted extradition of the two

principles of the firm. So far that's been denied by the Greek courts, which is an example of some of the barriers that we can face when we are bringing these cases.

Ashley Alder

Thanks very much, Therese. Okay. So, I'm going to switch back to Sheldon now. This is a question from Philip Meadowcroft and it's about the marketing of equity release products. And it's basically whether the FCA is happy about the level of genuine public understanding of the terms and conditions applicable to equity release products.

Sheldon Mills

Thank you. I mean, a short answer would be no. We recently published our latest review of Lifetime Mortgage Advice, lifetime mortgages being one of the main types of equity release products, and we found significant issues with financial promotions and the suitability of advice. As a result of that review, 400 financial promotions were withdrawn or amended, and all the firms in the review have committed to make changes to their sales and advice processes. But I do expect to see improvement quickly in this market.

If we step back a bit from the specific question and think about societal movements, many people, their significant asset is their home. A lot of the value in their home is something that they want to access, but they still wish sometimes to live in that home. So equity release products are a really important part that we'll see continue into the future, so we want firms to make sure that they get the marketing right, make sure that they're incentivising those who are selling those products correctly. And the consumer duty is really relevant here. The important thing with equity release is that you are able to understand the consumer's preferences. So what is the life goal of a consumer at that stage in their life in terms of why it needs that equity release product? What is their financial situation, both of them, their partner and their wider family before they enter into those obligations? So we have set out in our review a whole host of concerns that we have in this market, and we will be monitoring to ensure that the industry looks at those and will be making changes to the way in which it is providing these products and services.

Ashley Alder

Thanks, Sheldon. Can I just follow up on that? You've emphasised again, I think it just points to how important the consumer duty is, around our whole approach to consumer protection and in relation to obviously the question about equity release touches many, many lives. I think the follow-up is, how do you see how we supervise the consumer duty as we move forward with firms? The equity release is a good example, but it's clearly the case that there's a level of expectation as to how we supervise in the months and years ahead.

Sheldon Mills

It's an important question. So, I'd say there are two or three elements of our supervisory practice that you'll see in relation to the consumer duty. The first is, as you've heard, we will continue to look at markets such as equity release, savings and so on, and set out our expectations.

The second is we will look at data. So it's an important part of the FCAs strategy that we become a data led regulator. So you will see us asking for more data, but you will see us using that data more in order to identify where we see harms against the outcomes that are expected from the consumer duty.

And then the third, in relation to both larger firms and some mid-size firms, you'll see proactive one-to-one supervision by our fixed firm supervisors where we are tackling harms in those firms or the opportunity that the consumer duty provides. I think in the latter, what you'll see from us is perhaps more transparency in relation to the outcomes that we see in relation to markets for consumers. You'll see that already coming through. The work that we're doing in relation to savings in our 14 point action plan when we've looked at the savings market, one of the things that we've put forward there is to be transparent about some of the savings rates that we see out there. So that actually people can see the differentials between the offers of firms and they can proactively make their choices as informed consumers.

Ashley Alder

Great. Thanks very much Sheldon on that. It's important. Okay, so I'm now going to turn to Therese again. It's a short question from Mark Bishop and it's this: "Does the FCA accept that it missed opportunities to protect wealth tech customers?"

Therese Chambers

The FCA has a significant operation on foot in relation to wealth tech. We've stopped the firm from doing business. We've appointed special administrators and we have frozen £40 million of Mr. Dance's personal assets. We have a regulatory and a criminal investigation underway. Now, obviously I can't comment in detail on our ongoing investigations, but what I will say is that we are committed to cracking down on authorised firms who use their regulated status to defraud consumers and that is very much at the forefront of our work.

Ashley Alder

Thanks very much. Okay, this is a good question. This is a very broad one and I'm going to hand this over to Nikhil. It's from, I hope again that I pronounce this correctly, Kevin Mudie, I think. "How is the FCA going to become a less bureaucratic and more dynamic organisation?" I think just before going to Nikhil, I think Nikhil has already touched on areas of dynamism in this organisation, which again, certainly on a relative basis when I look at counterpart regulators globally, we're right in the forefront of that level of dynamism and innovation. And we can, again, in responding to questions, I'm sure we'll be getting into more of that. Jessica spoke around AI, but that's not the half of it, but it's a simple question, how do you become less bureaucratic and more dynamic?

Nikhil Rathi

I hope with your help Kevin and with everybody who's participating in this public meeting. There are areas where we have acted very fast. I touched on the fact that using data and technology, we've intervened 14 times more in 2022 on problematic adverts than we did the year before. The number this year will be even larger. When the mortgage charter was established, we acted within a week to enable banks and building societies and other lenders

to participate in that charter. In our authorisations division, our caseload has come down and we're now digitising some of our forms so that we can move more quickly and Emily and her team have also put out detailed information in a number of areas to help firms submit high quality applications in the first place so we can speed these through the system. We want firms that are doing the right thing to have a fast and efficient service. Ashley, at the start of this meeting, introduced a number of our non-executives and he talked about the subcommittees of the board that they are chairing.

And the reason we've established that governance process is because under law a number of decisions have to be made by the board, but we don't want to have to wait for a set piece board meeting to take those decisions through. And so the board has organised itself also to support us to be able to provide the scrutiny, secure the assurance, but also enable decisions to be made efficiently and effectively. But this is a two-way street. We are using data, we're seeking to prioritise and that means we want to move our resources to the areas of the biggest risk. We supervise 50,000 firms and sometimes we have to have a conversation with some firms to say we're actually going to move resources away from your firm to another area of risk because that's where we want to focus our resources. And that might mean a different level of engagement and sometimes firms are uncomfortable with that because they like having their named contact. So, we need to be able to have those conversations openly with industry as well.

Saying all of that, we also have to bear in mind that there are very elaborate accountability mechanisms that the FCA must engage with. Just listening to this conversation this morning, we obviously have our board, we have statutory panels, the National Audit Office, the complaints commissioner, committees like the regulatory decisions committee, the courts, select committees, not just in the House of Commons but also in the House of Lords as well, the Information Commissioner, the Equalities Commission, and of course the powers of the Treasury. So a significant part of my time and actually my executive team's time is spent engaging with all of those accountability mechanisms to explain what we're doing. But that

does require a certain amount of bureaucracy to be able to do that and make sure that we are acting legitimately.

Ashley Alder

Great. Thanks very much, Nikhil. I'm going to go back to Sheldon again and these are questions from Stephen Middleton and Chris Gordon. It's about Ulster Bank and it's asking if we will be providing a moratorium for victims of the Ulster Bank fixed rate loan fraud, what we're going to do to protect those Irish businesses, and is there a review into the sale of fixed rates loans in Ulster Bank underway?

Sheldon Mills

Well, we are aware of and considering the concerns raised by a number of parties in relation to Ulster Bank issues. NatWest Group has shared its intentions with us to carry out a remediation program on Ulster Bank fixed rate loans and that's had considerable media attention and we wait to see the outcome of that. And I can't go much further than that given that we have to undertake our work and understand what has gone on there and wait for NatWest Group's review.

Ashley Alder

Great. Thanks very much, Sheldon. Can I just stick with you for a second? You touched on this earlier on in the broader context of consumer duty but, again, it's something that's attracted a lot of public and actually indeed political attention over the last few months and it's around savings rates and the questioner is asking: Why has my bank still not offered me a competitive rate of savings on my accounts?"

Sheldon Mills

Well, we've worked with the banking industry in order to ensure that they are providing fair value on savings products. I've met personally with the CEOs in order to ensure that they're taking that seriously. We saw a pretty rapid increase in base rates in the past year and of course it takes time for those to flow into the system and both savings rates, mortgage rates

and other rates to settle and for competition to start working. But what we have seen is an increase in easy access saving rates. We have seen competition in easy access savings rates. I think the latest, I won't name the firm, but I think you can get now nearly 7% on easy access savings rates, which you couldn't get a couple of months ago before we started putting pressure on the banks to improve their rates. But what you've also seen, and if there was a message for consumers which comes out of this setting is, do shop around. If you are willing to put your money away even for six months, you can find six months' notice rates north of 5.5% and one year, two-year, three-year, five-year rates up to 6%.

So we are starting to see competition in the savings market, both between the major firms and for other operators, it's important to note, check whether the firm has FSCS protection, but where it does your money is protected even with firms that you might not have heard of before. So, there are options out there for savers, but we do expect from our major banks that they're constantly looking at the value that they provide to customers on their savings rates.

Nikhil Rathi

Could I add Ashley, just on that point, I mean, Kevin Mudie asked me earlier about our dynamism. So on the day that the consumer duty came into force, we also published a 14-point action plan to deliver fair value on savings. And one key component of that, as Sheldon touched on, is banks being proactive, much more proactive in communicating with their customers. We addressed concerns that were raised around data protection and privacy, so we are starting to see that, but I would just reinforce what Sheldon said, please shop around to make sure that competition is working as effectively as possible and we will very much stay on this, holding banks' feet to the fire.

Ashley Alder

Can I just follow up on that because it's important and it's possibly an unfair follow-up. The 14-point action plan was published, clearly savings rates have moved. To what extent do you think that the work put in - putting the consumer duty, the elements of it together from an FCA perspective and then implementing it in the early days and then interacting with firms

around that - made a difference that we wouldn't have been able to make possibly months and years ago?

Nikhil Rathi

Time will tell. Sheldon and I have been raising with banks I think since May last year, the importance of treating savers fairly and we've been raising that publicly and privately. We've always said that we felt the consumer duty would give us a powerful new tool to distinguish between those banks that are actually seeking to do the right thing and those outliers that perhaps have to move faster and have further work to do both in terms of the speed of pass through, but also the way in which they are communicating with their customers.

And I think you've drawn the correlation out there, Ashley, what we have seen is since we have started intensifying that engagement in the run-up to the consumer duty and in the couple of months that have passed since, we have seen a very significant acceleration in pass through a very significant intensification of competition. Indeed, in the data that was published just last Friday from the Bank of England, we have seen the largest move out of non-interest bearing current accounts into other savings accounts, particularly notice accounts. The largest move of £6 billion since those records started being collected in 1997. So, we certainly hope that this is making a significant difference and we've set out the outcomes that we would like to see measured, that reduction in non-interest bearing accounts, the move to savings accounts, the move to notice accounts and the rise in the effective interest rate that savers are getting.

Ashley Alder

Thanks, Nikhil. I think the point about we are shifting explicitly to an outcomes-based approach around the consumer duty is a major change and it's all about impact. Going back to the question around bureaucracy, are we bureaucratic to an extent, and for good reasons we have mechanisms which we need to have in order to interact with a whole host of stakeholders. But nevertheless, from a board perspective, there's focus on positive impact in

the right areas, and using mechanisms or initiatives such as the consumer duty is absolutely central.

Now let me go to question for Sarah, from Alice Greaves: "When do you expect to release guidance on influencers within financial services?" And I guess this raises a broader point about social media, financial services and to an extent consumer vulnerabilities and behaviours in this world of social media interaction.

Sarah Pritchard

Well, look, we all recognise quite how significantly the world around us has changed and social media increasingly used to market financial products to consumers. That's exactly why you see the FCA take through its InvestSmart campaign that Emily referred to earlier. We ourselves have taken to social media as well as to cinemas to use that platform which has a much greater reach particularly to young people to warn people about the dangers of high-risk investments and where to go for further help and guidance. But we recognise our existing social media guidance, which gives guidance on financial promotions, is dated. And so back in July this year, we consulted on updating that guidance so that we can very clearly set out our expectations for how promotions are marketed on social media, and also update that in the context of the consumer duty, which has been talked about a lot during this meeting so far today.

That consultation only closed a few weeks ago, so we're in the process of taking that feedback before we will publish an updated set of guidance. What I would like to say is that whilst we are formulating that guidance, we are not standing still. We have several months ago issued a very simple infographic jointly with the advertising standards authority, directly targeting influencers, finfluencers, so that they are very clear on what the law says around financial promotions and the steps that they need to be careful about in order not to fall foul of the criminal offenses under financial promotions. It's a very simple infographic, it's been well received and that's just an example of some of the work that we're doing alongside updating

our social media guidance to make sure that we are targeting our expectations, we're explaining them clearly and that people know what to look out for on social media.

Ashley Alder

Thanks very much Sarah. I'm going to go back to Sheldon now and it's a question from Emman Finn and it's this, "When will financial services institutions, especially building societies and retail banks start representing Asian and black members on their boards as nothing has changed since the last century?"

Sheldon Mills

Well, I mean it's quite interesting to answer the question as a black man, but I will do so. I mean I think it's quite clear when we look at the statistics both from various reviews and government led reviews, that there are issues in terms of the representation of black and ethnic minority people on boards including financial services boards. Likewise, when we look at the women in finance charter, there are issues in relation to gender parity on boards. And I think it's important to note that, let's say, a societal issue, not one which is just for a regulator, it's one which has a complex range of challenges and potential solutions to it. What's our part in it? Well, just in the past week or so, we have issued our diversity and inclusion policy in relation to financial services firms and what that seeks to do is to use representation and other features to ensure that one has diversity of thought in financial services firms. And having different types of people, whether that's race, which is to the question, whether that's gender and other characteristics, lots of research demonstrates that that can help with tackling groupthink. And we've done that jointly with the Prudential Regulation Authority because both institutions, which are the heart of the financial regulatory system, have seen where groupthink has driven some of the biggest financial challenges that have impacted both the industry but also market stability and the economy, both in the UK and globally, more widely. That policy is there, it's there for firms to pick up. It's not... I want to make a distinction; it's not about telling firms which customers they serve or don't serve. It's about ensuring that within the firm there's a psychologically safe speak up culture and

there's diversity of thought. I hope that in the future this question won't come up at an APM and there will be lots of people who look brown and black on boards across the country.

Ashley Alder

Thanks, Sheldon. Can I just say a word about this. I think it's just picking up and again as from a FCA chair board perspective, I'm picking up on Sheldon's... he's pointing to diversity of thought and avoiding groupthink. And from my perspective, we're a financial regulator and our objectives are very, very, very, very clear about market integrity or about consumer protection and around competition. They're also obviously around limiting risks within the financial system, risks within firms and the way in which those risks can evolve in a negative way. And the point from my perspective is that the diversity and inclusion work that we've been doing, the paper that we issued is very, very focused on the link between our organisation as a financial regulator and the way in which risks are approached and thinking operates within financial services firms. And that's why it's right in our wheelhouse in fact. So, I just actually, I don't want to leave this subject right now. Can I just ask Nikhil maybe to comment on this?

Nikhil Rathi

Absolutely. And I think it is a consultation and so Emman, please engage in the consultation. We want to hear your views; we want to hear the views of the industry. It follows a lot of engagement with the industry over the last couple of years where there's been general support for us in a measured way as regulators engaging on these issues. Ashley and Sheldon have described how we see that as linking to our primary objectives. We also make the point that the UK financial services industry has thrived. You talk about centuries, has thrived over centuries by attracting the best skilled talent and enabling that skilled talent to progress. The data tells us that there are certain groups including women and indeed some minority ethnic staff that are not progressing and not making it through, and that needs to be considered. In the case of gender, we put out the statistics only 12%, according to one survey, of investment portfolio managers in the UK financial services industry are women and they manage on average one third less than male counterparts. Less than 5% of hedge fund managers in the

UK financial services industry are women. We can make that data available. Obviously, it's for firms themselves then to think about what that means for how they're running their businesses.

One other dimension which we touch on in that paper is around non-financial misconduct, which is obviously a sensitive and difficult issue. We have a senior managers regime; we have to approve or keep people approved. When serious allegations emerge or indeed serious criminal convictions, we don't have the choice not to take a view. We have to take a view as to whether we're going to do something about that and allow those people to stay in the system and also consider their integrity or to take action to address their participation in the system, and we have sought in the consultation paper to provide some focused guidance on how we will look at those issues in the future, recognising that this is difficult terrain, involves other parties including the courts. Thank you.

Ashley Alder

Great. Thanks, Nikhil. Okay, I'm going to go to Therese. This is a question from Stephen Kinnock and it's this: "The British Steel Pension Scheme mis-selling scandal has been an absolute disaster for thousands of steelworkers and former steelworkers in my Aberavon constituency and across the UK. What lessons has the FCA learned from this? Does the FCA believe that it has performed well in terms of its duty to safeguard consumer interests? Does it believe that unscrupulous advisors have been adequately held to account and does it believe that those who have been egregiously exploited and ripped off have received adequate redress and compensation in a timely manner?" Look, over to you. Obviously it's an important and very high profile case. So over to you Therese.

Therese Chambers

Thank you, Ashley. So, the harm that has been caused to steel workers in relation to the British Steel affair has been unprecedented and the regulatory response from the FCA has also been unprecedented. This is an exceptional case from whatever perspective you look at it. For the second time in our history, we exercised our statutory powers to set up a consumer

redress scheme that is current and live as I speak, where we expect that over 1,000 consumers should receive redress as a result of our action. This is in addition to £35 million worth of redress, which has already been paid by firms and £69 million worth of redress that has been paid by the FSCS.

We've had 30 investigations, which is an unprecedented enforcement response to an issue of this type. We've made emergency rules to prevent firms from stripping their assets and we faced down a spurious legal challenge that threatened to challenge the basis on which we were acting in relation to the consumer redress scheme. So, there has been a lot of effort, there have been a lot of good outcomes for steelworkers, and as the consumer redress scheme continues to operate, further redress will be paid. We have concluded all of our investigations. We have reached public outcomes in many of them. There have been 15 prohibitions of individuals and the subjects of our investigations have paid £7.2 million in fines and £1.6 million as a contribution to the FSCS and the redress efforts there. Eight people refuse to accept accountability and fight on. So that will take some additional time. That will take some additional time, but we will continue to pursue those individuals and to achieve a just outcome.

Ashley Alder

Thanks very much, Therese. I think, as I said at the beginning, this is a really, really important case. I think the reality, and it's not a pleasant reality, is that some of the behaviours here have been egregious. I think as you heard from Therese, a great deal, a great deal is being done to fix the situation and provide redress, but I think from, again, from my perspective as chair of the board, it points up the challenge we face when dealing with very, very, very many firms, both large and small, as a regulator in order to identify where misconduct exists and particularly the extreme ends of misconduct. It affects real lives, which is what has been happening here and how we deal with this. The reality is it's a major challenge and that a kind of segues into a shorter question, and I'm going to put this to Steve, it's from Peter Kerlake and it's related and the question is: Why is there a lack of enforcement from the FCA when the regulations are being clearly flouted?

Stephen Braviner Roman

Thanks. Well, I would hope from Therese's last answer and some of the answers she's given earlier that people will see there is a real focus on enforcement in the Financial Conduct Authority. We focus a lot of effort and resource on enforcement and that's not just on the enforcement division, the division that myself and Therese jointly run, there are lots of colleagues across the organisation that are engaged in enforcement action. We look to identify the right tool to use at the right time, be that intervening to prevent further harm with colleagues in supervision, cancellation of authorisation with colleagues in authorisations or in the enforcement directive bringing regulatory civil or criminal enforcement action.

I think if you take a look at the annual report for 2022-23, you will see a series of metrics that show the level of some of the enforcement that does go on in the FCA. Just to give you a few figures: in the regulatory space, last year we imposed 24 financial penalties covering roughly £200 million, including three very big and significant fines last December against Santander, TSB and Metro Banks. This year, so far, we've imposed fines of £41.6 million. Again, if you go on the website, you'll see earlier this week we published details of an investigation into an investment brokerage with poor AML controls, which we levied a fine of nearly £36.5 million. Last year there was only one criminal conviction, partly down to a number of postponements by the courts. This year we've already had six criminal convictions with sentences totalling 33 years. In addition, we have a really strong pipeline of criminal cases coming through with 24 individuals due to appear in court over the next two years, so there is a real focus on some of the criminal and financial crime side of it. Those people are going to be facing offenses covering perverting the course of justice, conspiracy to defraud, market manipulation, breaching the general prohibition, insider dealing.

Currently, just to give you an example, as a division, we are running 200 live operations, which have 500 linked cases to them. We work very closely with our colleagues in other

regulatory authorities and in law enforcement to push some of those investigations forward.

So, I think in summary, there is a real focus on enforcement in the FCA.

Ashley Alder

Great, thanks very much. Okay. Right. So, we're coming to the end of this year's annual public meeting. Firstly, obviously, I would like to thank all those who sent in questions before the meeting but also submitted them live today. I personally think that they covered the main issues with which we deal. They certainly identified many of the challenges that we face. I think that we've been very, very clear around our areas of focus, not least the consumer duty, but also the way in which we're approaching innovation, the way in which we're approaching very, very big changes in the way financial services are being delivered and will be delivered over the next few years. And also, very importantly, and I'll just reemphasise this, we are effectively at the beginning stage of a major, major reform program on the back of the legislation passed in the summer. Much will happen in the short term; more will happen in the longer term as well around this. It will make... We're working to make a positive difference in this area so that the rule set, and in particular a shift to an outcomes-based approach, is something that is absolutely fit for UK financial services and consumers as we move forward.

But we will be very, very focused on what happens globally, as Nikhil mentioned earlier on at the very start, we participate very actively and drive change in international standard setting. And we also are fully aware of the fact that other major financial centres around the world are not static in the way in which they look at their own economies, their own ambitions and such like. So, we're very cognizant of that as well in terms of what we do. And finally, we're very cognizant of the pace of change and what that might mean for both firms, consumers and other stakeholders going forward. And we need to manage that very, very carefully, and again, that's a major focus for the board. So I'll leave it there. Thank you everybody for all your questions and we'll end it there and we'll see you next year. Thank you very much.