

Prioritization key for UK financial-services reforms implementation, regulator says

12 Dec 2023 | 17:35 GMT | **Insight**

By [Abhishek Kumar](#)

Prioritization is key to successfully implementing the UK's proposed financial services reforms, the sector watchdog cautioned today, stressing that businesses and consumer groups had voiced concerns of overload from the pace of change. Speaking at a hearing of Parliament's Treasury Committee today, FCA chair Ashley Alder and chief executive Nikhil Rathī detailed the regulator's work on reforms and a number of priority changes.

Prioritization is key to successfully implementing the UK's proposed financial services reforms, the sector watchdog cautioned today, stressing that businesses and consumer groups had voiced concerns of overload from the pace of change.

"The sheer volume of this combination of reform around repealing EU law and replacing it with our own rules plus the Edinburgh Reforms, the sheer volume is enormous in reality," the Financial Conduct Authority's board chairman, Ashley Alder, told lawmakers.

The Edinburgh Reforms are part of a wide-ranging government plan of post-Brexit changes. Unveiled last year (see [here](#)), they are aimed at diverging from EU laws, with several suggested tweaks, including to the bank ring-fencing regime, Solvency II insurance rules, the prospectus and securitization regimes (see [here](#)) and new sectoral legislation (see [here](#)).

Speaking at a hearing of Parliament's Treasury Committee today, Alder said the FCA was progressing reforms at an appropriate pace and noted that the policy and rules sub-committee was studying the plans to identify priorities. A lawmakers' report last week criticized the finance ministry for slow implementation of the reforms.

On the secondary objective proposed for the financial regulator of "ensuring competitiveness," in particular metrics on it published last week, Alder said the discussion extends to an overall view of the FCA's proportionality in regulation and its operational effectiveness in authorizing firms.

"The broader point I would make is the way in which the organization works is continually changing. We are particularly focused on the way in which we operate both efficiently and effectively," Alder said.

In an example of improving operational effectiveness, he cited the FCA's enforcement division looking at its speed, triaging of cases, and closer coordination with the supervision division.

On authorization of firms, the regulator's chief executive, Nikhil Rathī, said 97 percent of the FCA's authorizations now meet statutory timelines.

"We've done that alongside toughening the gateway so two years ago, one in 14 cases would be refused or withdrawn," he said. "Now it's one in four, and that's been a conscious approach to make sure we've got a rigorous gateway to prevent bad actors getting in in the first place."

On the implementation of the regulator's "consumer duty" in July — where it is tasked with ensuring that firms act in consumers' best interests — Rathī said the FCA would take a proportionate approach to allow the new duty to settle in and take enforcement action only in cases of egregious harm, rather than for every technical breach.

Calling it a cross-cutting intervention, Rathī said the consumer duty underpinned other significant work. "The FCA can make some far-reaching changes to solve what has been a very intractable problem for the country by leaning on the consumer duty while doing it," he said.

He gave an example of regulating AI in financial services by leaning on the consumer duty for clearer outcomes.

"The consumer duty signifies a large change in approach for the FCA," Alder added, calling it a big test for the watchdog. "The broad strategic approach is that it should encourage better strategic outcomes in the interest of consumers and

firms and fewer cases that call for redress", he said.

Related Portfolio(s):

[Financial Services - Regulation - Financial Services and Markets Bill \(UK\)](#)

Areas of Interest: Sector Regulation

Industries: Banking & Finance

Geographies: Europe, Northern Europe, United Kingdom