

## REGULATORY INTELLIGENCE

## FCA Business Plan: firms should expect assertive supervision, enforcement on financial crime as 2022-2025 strategy enters final year

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The UK Financial Conduct Authority (FCA) is entering the final year of its [2022-2025 strategy](#), which features a commitment to be more innovative, assertive and adaptable. Its [2024/25 Business Plan](#) outlines how the regulator intends to fulfil that promise in the next 12 months.

### What is the Business Plan, and how does it tie into the 2022-2025 strategy?

The FCA launched its current three-year strategy in April 2022, outlining its expectations for regulated firms and the outcomes it aimed to deliver. The strategy reflected the FCA's continuing quest to become a more confident, data-led regulator. The onus is, therefore, on the FCA to demonstrate how, over the next 12 months, it will achieve the goals it set three years ago.

### Challenges

While the FCA has stated that the economic and geopolitical environment is less volatile than it has been in previous years, it nonetheless identified several risk areas requiring particular attention.

Persistent inflation and higher interest rates pose the most prominent threat to stability for consumers, businesses and the UK's position in the global economy. General geopolitical risks remain high, so the FCA must be prepared to address severe disruptions.

The 2024/2025 Business Plan featured a larger budget of £755 million, reflecting an Annual Funding Requirement increase of 10.7%. That is higher than the 8.5% rise seen in 2023/24 and the 4.3% from 2022/23. Further details will be provided in the FCA's annual fee rates consultation paper anticipated in April 2024.

### Focus areas

The FCA highlighted consumer protection and market integrity as key focus areas for the coming year. Data analytics and technology investments are core pillars supporting those priorities.

Promoting effective competition is also a focus area for the FCA, both for UK-based consumers and for the UK itself on the international market. To advance these goals, significant resources are needed, and the FCA continues to expand its workforce, aiming to surpass 5,000 staff by the end of March 2024. "Operational resilience" was also flagged to ensure the FCA had the capacity to respond effectively to unexpected events.

### Commitments

The Business Plan addressed all 13 commitments made by the FCA in its strategy. Commitments were grouped into three themes: reducing and preventing serious harm, setting and testing higher standards and promoting competition and positive change. This year, the FCA said it will pay granular attention to mitigating financial crime, prioritising consumer interests and strengthening UK competitiveness in wholesale markets.

Nearly half of the 13 commitments relate to harm reduction, particularly in terms of financial crime and market abuse.

### Mitigating financial crime

The FCA lists three outcomes it aims to achieve: slowing the growth of investment fraud and push-payment scams, reducing money laundering by regulated firms and improving the supervisory effectiveness of professional oversight bodies.

The plan references two UK financial crime strategy documents published in 2023, namely the government's [Economic Crime Plan 2 2023-2026](#) and its [Fraud Strategy](#). Both papers asserted the government's commitment to combat fraud in the UK, with the latter specifically noting push-payment fraud.

The Business Plan's reference to money laundering and professional oversight bodies may foreshadow upcoming reforms to the UK's anti-money laundering framework. In June 2023, HM Treasury consulted on AML reforms, including potential consolidation of professional supervisory sectors, and is expected to publish decisions and implementation considerations by Q2 2024.

The FCA has supported the replacement of professional service supervisors with a single body.



The Economic Crime Plan includes the milestone, "develop a strategy for how to address financial crime regarding environmental, social and governance issues," which is marked for action by the FCA in Q4 2024. ESG initiatives flagged in the Business Plan include integrating sustainability labelling and the anti-greenwashing rule.

This will be of significant interest to firms required to disclose ESG efforts. Between November 2023 and January 2024, the FCA held a consultation on guidance for the anti-greenwashing rule, which states that all sustainability claims made by authorised firms about their products must be fair, clear and not misleading. The finalised guidance is due to be published imminently.

### **Market abuse**

The Business Plan also flags cross-asset-class market abuse as a focus. Such abuse occurs when traders attempt to influence the value of a similar or related asset on a different venue. It is sophisticated and difficult to identify.

Cryptoassets continue to be a significant focus for the FCA. In addition to its work on promotions and AML supervision of cryptoasset firms, the FCA will introduce a proportionate market abuse regime for cryptoassets.

In October 2023, HM Treasury said that this regime would reflect elements of the Market Abuse Regulation for financial instruments and would apply to all persons committing market abuse on a cryptoasset admitted (or requested to be admitted) to trade on a UK trading venue.

### **Assertive supervision and enforcement action**

For a plan released in the final year of a three-year strategy, the Business Plan emphasises ongoing and completed work over future initiatives. Firms are likely to experience assertive supervision and enforcement in the FCA's stated focus areas, this year, particularly money laundering. Firms would be well-advised to ensure their systems and controls are enhanced accordingly in advance of any potential regulatory scrutiny.

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