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By e-mail

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Subject: Modernising our supervisory model

Dear Chief Executive Officer,

This is an end of year update to explain how we have been delivering against one of the key commitments in our strategy – to be a smarter regulator. Alongside this I also wanted to share our progress report, sent this week to the Prime Minister, which explains how we have delivered against the near 50 growth commitments we set out in January.

As you know, our new strategy (published in March) sets out our four key priorities for the next 5 years: supporting growth, fighting crime, helping consumers to navigate their financial lives and being a smarter regulator.

Part of the work that we have been doing to act more smartly is reforming the way that we supervise. We want to be predictable, purposeful and proportionate. This reform builds on the strong improvements we have made to our **authorisations services**, where we now meet statutory deadlines in 99.5% of applications with more ambitious targets in place from early next year. And the changes we have made in our **enforcement practice** – completing fewer but more strategic investigations more quickly, to deliver impactful deterrence.

Our focus now is on improving the supervision model.

Reforming our supervision model

Our supervisory approach has historically been to maintain close and ongoing supervision with the largest firms (c60-70) and to monitor harm thematically across the rest (c38,000) and respond when harm occurs.

Under our last strategy, we invested in our data capabilities and infrastructure. We have increasingly taken a data-led approach to supervision, enabling us to react more quickly when we see harm.

We are now updating our supervision model to become more predictable, purposeful and proportionate in our regulatory approach.

We will:

- Focus on **fewer, higher impact priorities, setting these out predictably, once a year**.
  We have already acted. We no longer set out our supervisory priorities through 40+ ad hoc Dear CEO letters. Going forwards (except for urgent situations where swift communication may be needed) we intend to set out our supervisory priorities on an annual basis through the publication of 10 market reports.

  We are currently piloting the format of these new reports in some markets and will look to publish the reports in full in March/April next year.

- **Increase the number of firms with whom we have contact**.
  We will change the current model that designates a small number of fixed firms who have their own dedicated supervisory team. We aim to increase the number of firms who have a dedicated contact so that firms have better managed access to us and so they can share market insights and intelligence. We will begin to move to this new approach through 2026.

- **Apply a more proportionate approach to ongoing supervision for those firms who have a dedicated supervision team.**
  Instead of an always on, continuous supervisory work programme, we will set more proportionate work programmes based on risk. We will be sharing more of our assessments of risks that we see across the market and risks we see in your individual firm, so that you can proactively remediate and address, rather than us always intensively supervising. This way, we can dial up (or down) our supervisory activity in line with firm risks. For some firms we have already moved to this approach; for others, we will begin to shift to this approach through 2026.

- **Make it easier to find the information you need**.
  We've already archived out of date supervisory information from our website, retiring 1,800 web pages and 80% of our historic multi-firm and thematic reviews. We've also improved our Handbook website, making it more accessible and machine readable.

We are transforming the way that we work, through technology, so we can streamline our internal processing of casework, in some cases reducing the time spent from 4 hours to 6 minutes. This means we can maximise value, freeing up our supervisory resources to more quickly deal with the most harmful cases.

How you can help us

As we become a smarter regulator and reform our supervisory model, your feedback is vital. We welcome feedback as we reform so that our supervisory model supports our new outcomes-focused approach to regulation and our strategy.

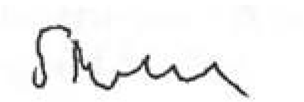
Our reforms are about the striking the right balance – where we find misconduct or breaches of our rules, we will continue to ask probing questions and have difficult conversations with firms. We will continue to need data so that we can identify harm and act. But we want to support open, meaningful and impactful supervisory relationships to help us deliver against our strategy- which aims to deepen trust, rebalance risk, support growth and improve lives.

Simon Walls, David Geale and I are eager to hear from you about how the FCA engages with your firm – in particular, if you have any feedback we should consider as we seek to modernise our supervisory model.

On a daily basis, please also do not hesitate to reach out to the relevant director for your firm – our directors have broad strategic responsibility for supervision and policy for their sector, and I know that they are always available and willing to discuss any thoughts or concerns you may have.

From all of us at the FCA, we wish you, and your colleagues, a very happy holiday season.

Yours sincerely,



Sarah Pritchard

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