

## Inside FCA Podcast: Interview with Nikhil Rathi on the Business Plan and transformation objectives

**OI:** Hello and welcome to the Inside FCA Podcast, I'm Ozge Ibrahim, and today I'll be speaking to the FCA's Chief Executive, Nikhil Rathi, at an important time for the organisation as it takes big steps towards its transformation agenda. I'll be finding out more about the plans and Nikhil's vision for the FCA at this time of great economic uncertainty.

Welcome Nikhil.

In the recently released Business Plan, and in your speech on transformation, you've set out quite an ambitious roadmap for the FCA. Why do you think this is necessary at this time?

**NR:** We're currently in a world which is changing incredibly fast – technology is moving rapidly, and we've seen that during the pandemic. The growth of online consumer activity has increased very dramatically. We have major external trends too; the transition to a net zero economy, and in the case of the UK we are also changing our regulatory framework or in effect re-writing our regulatory framework after the UK has left the European Union. These are all really big changes that require us to adjust as a regulator and transform the way we operate, using data and technology very differently to the way we have done in the past, to be able to deal with these modern challenges. Also, there are reviews that have been done about the way the FCA has operated in the past and there are a number of lessons coming out of those reviews that we want to learn from, and we want to respond to.

**OI:** You've called for the FCA to more assertive and to test its powers to the limit. What do you think this will look like in practice and how would you like the FCA to achieve this?

**NR:** Markets are moving very fast these days, and we've seen also in the consumer arena and in online area the speed at which frauds can be perpetrated and consumers can lose money, and therefore being able to act in a quick manner, in an agile manner, is very important and therefore we want to use our intervention powers in an effective way to protect consumers and ensure market integrity. So, what does mean in practice?

That will mean you will see us stepping in earlier and taking action earlier where we believe firms are not cooperating as effectively as we want would want them to in tackling the harm we are seeing. And we think that the majority of firms will support this because it's in the interest of the whole industry and in the markets that bad actors are dealt with as decisively as possible.

**OI:** You've said the perimeter the FCA operates in wouldn't necessarily stop it from intervening, as it might have done in the past. Can you give any examples of how things could change in this respect and the impact it could have?

**NR:** So, for example, there's a very important bill going through parliament at the moment, the Online Safety Bill which is seeking to legislate to protect consumers from the wide range of online harms they may encounter. We're very keen for investment fraud, economic harm, to be included in that bill, in particular as it relates to online advertising and we've been very clear publicly about that, so that as parliament considers this legislation and they can consider whether they wish to amend this. And in that regard, both the Treasury Select Committee, and The Work and Pensions Select Committee have supported this proposal. It will now be a matter for parliament and Government to decide whether to pass the amendment that would enable this to happen. We think it would play a decisive role in helping us to protect consumers from online harm, and particularly those scams that target vulnerable consumers and cause them to lose significant parts of their life savings.

**OI:** You've just mentioned some partnerships there and fraud is also something you've recently talked about as being tackled with partners. Can you give us some key partnerships you think the FCA is going to have to develop further and why?

**NR:** One of the things about the range of objectives we have and the issues we're dealing with is the issues are complex, and will often require multiple parties to be engaged to really tackle the problem. So, we work very closely with our colleagues at the Prudential Regulation Authority and the Bank of England, with many dual regulated firms. We work with the pension's regulator. We work with what's called the Digital Regulator's Corporation Forum, so with Ofcom, with the Competition Markets Authority, with the Information Commissions Office to work together in the UK to see how we can engage in the fast, developing digital markets and how we can engage with the big tech companies.

We work in the National Economic Crime Centre with a number of parties including law and enforcement agencies, Police, the Serious Fraud Office, and of course internationally those partnerships are fundamental to us both with our EU colleagues, US and any other jurisdictions around the world. We are working hard in the International Forum for Securities Regulators, IOSCO, on global sustainability standards so that we can all work together to develop common frameworks for disclosure when it comes to climate risk. That's important because the markets are operating in our cross-border and the issue we're dealing with is a global challenge, not just a national one.

- OI:** And what will this new way of functioning potentially mean for both firms and consumers? What would you like it to look like?
- NR:** What I would like is to be very focused on the problem at hand and thinking about what are the tools that we have that can help us solve the issue, be it our Supervision tools like policy intervention and Enforcement intervention, clear or more direct communications or working collaboratively with a partner. And I think that should mean that firms and consumers should see us communicating differently, communicating more directly, intervening earlier and being more assertive, including taking legal cases and taking legal challenges and legal risks than we may have done historically.
- OI:** Moving away from recent announcements, it's fair to say you haven't shied away from big public jobs - whether that's leading the FCA, running London's Stock Exchange or spearheading Treasury's response to the banking crisis of 2007 and 2008. What attracted you to these roles and to public service?
- NR:** The FCA in particular has a very powerful purpose. We're serving millions of consumers at a very challenging time coming out of the pandemic, and also supporting businesses across the economy as the economy recovers and seeks to create jobs and growth. And the ability to work in an organisation with fantastic people like in the FCA and also, with partners across the UK and across the world, is immensely exciting and I think we can be incredibly proud of the work that we do. And that's what's appealed to me coming to join the FCA at this moment of really significant change, and that's building on previous experiences in the past in other organisations where there have been other similar challenges which enable those institutions to make a difference, and I can play a part in that.

- OI:** What did you learn from those previous positions that helped prepare you for this role, do you think?
- NR:** I think what's incredibly important is for us to articulate a clear vision for the FCA, and that's important for any organisation where you're leading. To make sure that we're clear in where we want to go, clear about what we need to do to get there and how we can work together in terms of our people and our partners to deliver that vision. It's also incredibly important to always be open minded and think creatively about how we can do things differently. In our case now, in the FCA, how can we use data and technology in a very different way to become a very different regulator for the future. And we also have a very important mission to ensure we are accountable to and to be transparent and accessible for those who scrutinise us because that's an important part of our legitimacy as well.
- OI:** I mentioned the previous financial crisis - do you see parallels between that period and the decisive decade as it's been called - with significant economic shifts sped up by the impact of the pandemic - which we're entering into now?
- NR:** I think there's been some parallels in the last year in terms of the extraordinary volatility in markets and the role of the financial sector in supporting the economy to recover from those crises. But in some respect, what we've been through over the last year and what is ahead of us is even more significant than the global financial crisis in 2008/2009, which was originating in the financial sector. Here, what we've seen is an economy wide, worldwide emergency, and the range of things we are going to be dealing with in the future - as I mentioned climate change, technological change, the changes after Brexit - those are all very big challenges in and of themselves and all coming together at the same time makes for a really challenging period, but also a period where there could be huge opportunities ahead if we get the decisions right.
- OI:** And you've just talked about the various challenges and the FCA obviously being a complex organisation, what are your guiding principles as an organisational leader right now?
- NR:** I think what's incredibly important is to recognise the many achievements of the FCA over many years, but particularly during the pandemic and articulate just how impactful that can be when we get our decisions right. I think that's important for our colleagues to feel proud, but also for the external world to see the FCA can make a significant difference.

And the other thing I'd say is we want to be open to feedback and to challenge and to listen and learn, and those are going to be very important guiding principles for us in the coming period. In my speech I talked about us being more innovative, being more assertive, more adaptive and you will see those things come through in the work we do in the coming years as well.

**OI:** Nikhil, you've spoken about diversity and inclusion as a challenge, what changes do you want to see and how is the FCA leading by example?

**NR:** I'd like the FCA to be a diverse, inclusive, modern regulator where colleagues from all backgrounds, all characteristics can fulfil their potential and feel able to succeed in our organisation. That's incredibly important because we are the regulator for the whole of the United Kingdom - diverse mindsets, diverse thinking ensures better output, better performance. We avoid group think and we will better serve the consumers whose interest we're here to protect. We also through doing that, can set a strong example for the wider financial services industry, for example, the Women Finance Charter which is something we've signed up to along with a number of financial services firms sets a target of 50% senior leadership to be female by 2025. We are now on track to deliver that target, and we have targets in other areas too, including on ethnicity as well. And we also want to see how we can use our powers more effectively to incentive the right behaviour amongst firms, because we do think that diverse institutions, inclusive institutions, where people feel safe to speak up, can effectively manage risk and learn from lessons of past experiences where risk has not been managed as it should have been. To that end, we've published recently a discussion paper with our colleagues at the Bank of England setting out some ideas as to how we can use regulatory tools to support this agenda and this work.

**OI:** And there are a number of other challenges for you and the FCA such as consumer protection, Fintech, sustainability to name a few. What do you see as the most immediate one, particularly in light of the uncertainties brought about by the coronavirus pandemic?

**NR:** The pandemic caused considerable strain to household finances across the country and our research shows that there are over 4 million more vulnerable people coming out of this pandemic whose lives have been impacted by what has happened. And in this coming period, as hopefully the economy recovers - and there are some positive signs there - protecting those consumers, supporting the economy to succeed coming out of the pandemic, will be our priority.

And that matters in terms of the work we are doing on proposing new consumer duty, so that firms think about consumers throughout the life cycle of the development and the product and also the distribution of the product, to some other reforms we are making to markets to enable capital to be raised more efficiently, so that firms can grow and create jobs.

**OI:** Finally, the last time we spoke you had just taken over as Chief Executive and said you had spent much of your time listening to businesses and consumers. What is the most important thing you've learned during this time?

**NR:** I would say that the experience I've had in the time I've been in post, the nine months or so, is the sheer diversity of firms and consumers that we interact with, and the pace with which change is impacting them. And as we are seeking to develop regulation that embraces those changes and opportunities, we need to make sure that those who are perhaps not included in mainstream financial services can continue to be able to access the financial services they need to go about their everyday lives.

**OI:** And what would you like your legacy to be based on this knowledge, and the transformation agenda we've discussed?

**NR:** I'd like the FCA to continue to be a purposeful organisation. One that is transformed in terms of the way we use data and technology that attracts and continues to attract the best professionals to join our organisation, and seen, as I said when we launched the business plan, seen as innovative, adaptive, assertive, delivering in the interest of markets and consumers.

**OI:** Thank you for sharing your thoughts and ideas with me today, Nikhil. You can find out more about the transformation agenda and the recently published business plan and speech available on the FCA website. For now, stay safe, and join us again soon for the next Inside FCA Podcast.

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