

Treasury Committee

Oral evidence: Reappointment of Nikhil Rathi as Chief Executive of the Financial Conduct Authority, HC 912

Tuesday 10 June 2025

Ordered by the House of Commons to be published on 10 June 2025.

[Watch the meeting](#)

Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Rachel Blake; Chris Coghlan; Bobby Dean; John Grady; Dame Siobhain McDonagh; Yuan Yang.

Questions 1-18

Witnesses

[I](#): Nikhil Rathi, Chief Executive, Financial Conduct Authority.

Examination of witnesses

Witnesses: Nikhil Rathi.

Q1 **Chair:** Welcome back to the Treasury Committee on Tuesday 10 June 2025. We are finishing today's two sessions with an important reappointment hearing for Nikhil Rathi, whom the Chancellor is reappointing as chief executive of the Financial Conduct Authority. The Committee has no veto, but our comments are, we hope, taken on board by the Treasury, and we will produce a short report outlining our thoughts after this short session.

Before we go into that, Mr Rathi, in our previous session, you and Dame Siobhain had an exchange about motor finance. I think you said you had some further information that could shed light on that subject.

Nikhil Rathi: Thank you, Chair. In the previous session, Dame Siobhain asked me about a redress panel and who we had engaged with, and I am now able to answer her. We have been engaging with a range of stakeholders, albeit not through a formal, statutory panel. We invited 90 firms and trade bodies to attend a meeting on how we might approach a redress scheme; 50 attended. We invited 10 consumer groups; six attended. The aim was to start getting views on how this might work, subject to the Supreme Court judgment. I am happy to send the Committee a list of invitees and attendees, for your information.

Chair: Dame Siobhain, are you content?

Dame Siobhain McDonagh: Yes.

Q2 **Chair:** Thank you and whichever clever people in your team pulled that information out, Mr Rathi. It is always best to have it in real time where we can.

Thank you for your completed questionnaire. It is always helpful to hear the inner thoughts of senior people like you. One obvious thing jumps out at me. We ask whether you intend to serve the full term for which you are reappointed. For anyone watching, that is five years; this is an appointment of two five-year terms, and one of the longest in the public sector. You do not actually answer that question. You talk about being fully invested and proud of the FCA's new five-year strategy, and looking forward to leading its delivery. Would you like to amplify that?

Nikhil Rathi: I appreciate the relationship I have with the Committee, so I am really proud to be reappointed. I think that is the first time that has happened for the chief executive. Five years is a novel experience; 10 years would be extremely novel. I certainly intend to be here for several more years, and I expect in a few years' time, no doubt, to be talking to my board and the Chancellor to check whether this is all working for everybody and to see how it is going. I say I am invested in the strategy, and I absolutely am, as I hope you saw in the accountability hearing we just had. I am very proud of what we have achieved at the FCA and want to continue delivering.

Q3 **Chair:** We will take the answer as it is. I note there are some big jobs coming up in the next two or three years in the sector, for which your name is likely to be in the frame, but we will not embarrass you further by probing that.

There is another obvious thing about the FCA in recent years. We have had a change of Government, but even before that, there was a secondary objective on growth and extra responsibilities for you to deal with, such as the Payment Systems Regulator coming in, buy now pay later and the advice/guidance boundary—I am just listing some of the things we have already discussed and will again in future sessions. Is the FCA getting too big to manage? How will you approach that?

Nikhil Rathi: I don't think we are getting too big to manage. The nature of the industry we are regulating is changing incredibly fast, whether that is through technology, the pace at which money and markets move, or the range of actors that now interact with wholesale firms and, indeed, consumers. That is why we have invested heavily in our technology infrastructure, so that we can scale and take in those new responsibilities.

This does mean that I will want to lead the organisation in a different way in the years ahead. One of the steps we are taking, which I will announce formally later this morning, is to formally appoint a deputy chief executive—Sarah Pritchard, who is a superbly talented executive director with market experience, consumer experience and international

experience—so that we have the right leadership bandwidth at the top of the organisation to lead on that expanding array of responsibilities.

I expect that range of responsibilities also to become more intense, particularly in the area of financial crime, which Mr Grady probed earlier. We want to make sure we have the right leadership capability to deal with that.

Q4 **Chair:** Thank you for letting us know that. How will you and Ms Pritchard divide the responsibilities?

Nikhil Rathi: We are making the announcement today. We will now discuss with our executive and director teams—our top 50 colleagues—the right approach to the split between myself and Sarah, and we will set out our plans in mid-July. We want to make sure that doing this does not create an extra layer of decision making, which will just cause frustration for everybody.

On the range of responsibilities—you talked about some of them—we see as part of our competitiveness and growth mandate a real desire for all the agencies in the UK to put their best foot forward for the UK internationally. That international representation responsibility will be important; I want to lean into that, and so does Sarah. That is time intensive, and we will think about how to manage that between us.

Q5 **Chair:** My next obvious question is about whether there will be responsibilities for which she will be accountable. The accounting officer remains the chief executive, so some things will always come your way, but do you envisage Ms Pritchard being in front of this Committee, explaining and defending positions and decisions on her areas of responsibility?

Nikhil Rathi: With the Committee's permission, yes. Dame Harriett often talks about the thickness of my binder, so perhaps I can have one that is less thick if I have a colleague with me—if you are willing to accept that.

Q6 **Chair:** We look forward to meeting Ms Pritchard properly and having a conversation with her. Is that appointment effective immediately, from today?

Nikhil Rathi: Yes.

Q7 **Chair:** Okay. Thank you very much.

With all of this, whether or not you are sharing the load with the board and your new deputy chief executive, you still have to set the prioritisation of the very many issues on your agenda. You have the new Government leaning into the growth agenda, as you say, and you mentioned earlier that financial crime was at the top of the work programme, but can you tell us what your other priorities are as you go into your next five-year term?

Nikhil Rathi: We engaged very extensively on developing our five-year strategy. We agreed to focus on four areas in particular: first, growth and



competitiveness; secondly, helping consumers to navigate their financial lives and all the issues we talked about in the last session, including pensions, advice/guidance, and financial inclusion; thirdly, financial crime; and fourthly, and critical to all of the above, being a smart and more efficient regulator. We have made significant progress in terms of digitisation—digitising some of our forms and using technology at scale—but the frontiers of technology are moving incredibly fast, and that requires us to think about our platform, our capability, and our ability to change and to adopt new technology fast. I think that will be a critical component of our work in the next few years.

- Q8 Chair:** Obviously, as a regulator you do not expect to be loved by all the people you regulate, but when I meet fintechs in my constituency—obviously, as I am in Shoreditch, that has happened—they are pretty critical of slowness and lack of understanding, and sometimes vitriolic in what they say about the FCA. Do you have any messages about how you are going to help challenger banks and fintechs to progress? On the positive side, they could be at the cutting edge of innovation, although there are obvious potential downsides. What is your message to them as you approach the next term?

Nikhil Rath: I spoke at FinTech Week and did a breakfast with the Unicorn Council, which is some of the largest fintechs. You can look at what they said publicly after that—I think they said there was a very constructive and engaging discussion. We have moved significantly faster on authorisations to process them quickly. You asked me about the scale-ups and our high growth oversight scheme. We are the second-largest centre for fintech in the world, after the United States, and on some of the numbers bigger than our nearest European counterparts combined in terms of the scale of fintech activity and innovation. We want to keep that going.

We are going to lead on open finance to drive that forward, further and faster. There is some tension between the incumbent banks and the big tech firms about what fintechs want, so there are some choices and trade-offs to be made.

- Q9 Chair:** What does success look like? Where do you want to be in five years' time?

Nikhil Rath: I would like us to be the regulatory environment of choice for firms that wish to undertake responsible innovation, and for people to feel they get speed, clarity and certainty from us. We are always going to be a high-standard jurisdiction. Some of the sharpest criticism we have received, as Dame Harriett alluded to earlier, is from crypto firms, who fall within the fintech bracket.

We were not being anti-innovation by refusing, or not approving, 85% of the applications for AML registration; in our objective view, they did not meet the standards set out in law. We have a job to do. We did a lot of work with firms to say, "This is how you can get to those standards," and we have seen a significant improvement in the approval rate. We also

prevented certain firms that failed catastrophically in some of our competitor jurisdictions from entering the market.

This is an important component on which the scrutiny of this Committee is incredibly valuable. There sometimes can be very strong political desire to accelerate approvals of certain types of company. Previously, Prime Ministers have been very keen on particular sectors. We want to embrace that and engage with it—I am engaging very closely with the Government—but we also need to make sure we are able to maintain a level playing field with high standards of integrity.

Q10 Dame Harriett Baldwin: I would like to address the elephant in the room. Clearly, Mr Rathí, you are one of the outstanding public civil servants of your generation, and you have a good 20-year career ahead of you. It is well known in the public domain that you went for the Cabinet Secretary job. The worst thing that could happen in terms of your so far stellar career is that something really goes wrong on your watch at the FCA. You would be in front of this Committee, and we would be asking you awkward questions about how on earth you let that through. You mentioned risk aversion in the previous session. Isn't the actual, fundamental root of risk aversion your risk aversion, because you are thinking about the rest of your career?

Nikhil Rathí: I am thinking about the job that you have given us and our statutory objectives. That is the position I have taken all the way through my tenure so far at the FCA. That means having an open conversation about risk.

When we put through the most far-reaching set of listing reforms for decades, from start to finish I was very transparent with this Committee and stakeholders that we can see significant benefits—we may be able to enable transactions to happen that would not otherwise happen—but that one or two things will go wrong as a result because we are adjusting the investor protections. Since those listing changes came into force, we have allowed through 23 more M&A transactions, which have not required shareholder approval but would have otherwise. That has not been universally welcomed by all investors, but it has enabled UK companies to be somewhat more competitive on the global stage.

I value enormously my engagement with this Committee. I think its scrutiny is imperative for our independence and for the legitimacy with which we exercise our powers. That is why I have been so repetitive about trying to have an open discussion about these risk conversations, whether it is on mortgages, money laundering or capital markets reforms. If we can achieve that, I hope that whenever something does happen—of course, you should hold our feet to the fire if we fail operationally—we have a more rounded discussion about the choices that led to some of the decisions.

Q11 Dame Harriett Baldwin: May I talk about one more operational thing? You announced yesterday that Nvidia is working with you on artificial intelligence. That is in the sandbox, I assume.

Nikhil Rathi: That's right, yes.

- Q12 **Dame Harriett Baldwin:** I have had feedback from probably some of the same people who have spoken to the Chair, and they have talked about their concerns. They are putting their most precious thing—their intellectual property—into the sandbox, and they don't feel that it is necessarily safe or secure there, or even impervious to cyber-attack. I just wonder what your thoughts are on that.

Nikhil Rathi: A couple of weeks ago, I hosted a roundtable with the Information Commissioner on AI and the regulatory framework, because we were hearing feedback from trade bodies that firms are being cautious or are worried about regulation. Actually, what came out of that conversation was not anything about regulation per se—or the rules, whether the GDPR rules or our rules. What came out of it was risk appetite, and this intellectual property question came through as one of those questions. Another thing that came out was, "Look, do our customers even want these products? Is there going to be any demand?" The third thing that came through was skills and capabilities.

The biggest programme of spend that we invest in in our change and technology programme is our cyber-security, so we keep seeking to improve that posture. There will be different forms of service that we provide. Some will be firm-specific, where we don't share anything, and others will be like the sprint that we did on advice guidance, when we brought a number of firms around the table to debate the possible customer journeys. We give firms choice. What you tend to find, though, is that the largest firms are the ones more capable of keeping things to themselves. We really have to think hard through how to ensure that smaller firms also feel that they can access the testing and other support that we provide.

Dame Harriett Baldwin: I am a big fan of the sandbox. I just wanted to share that feedback.

Nikhil Rathi: Thank you, and thank you for your kind words.

- Q13 **John Grady:** In your response to the questionnaire, you talk about "risks to international cohesion and co-operation from a more fractured geopolitical landscape". You then go on to talk about the "increasing sophistication" of organised criminal gangs. Then you go on to note that this risks the "loss of trust in markets" and that that would impact the "confidence to invest and do business". I think we would agree that actually, past a certain point, trust is the most important commodity in any market.

Focusing on what we have been discussing today, one of your four pillars, moving forward, is crime. From this breakdown in relations internationally, this turbulence that we have at the moment, is there a risk to the key steps that you need to take in order to address financial crime, which harms my constituents and those of each and every Member in the country—for example, extradition and enforcement rules, recovering money and so on?



Nikhil Rathi: Yes, there is a clear risk, which is why I wanted to cite it in my questionnaire response to the Committee. First, let me start with the positives, then I will talk about the risks. One of the things that I have observed in the securities regulators' environment is how we are all broadening our work on financial crime—whether that is scams and frauds, or anti-money laundering. There is a new anti-money laundering network, which we are very active in, in IOSCO, which is the international securities co-operative group. We were right at the heart of the global day of action on finfluencers, because these serious organised criminal gangs do not care whether they are defrauding someone in Canada, Italy, France or the UK. They are just operating globally. We cannot deal with that on our own; we need to work with our partners around the world.

When it comes to securities market data, we are the most proactive sharer of regulatory data of all regulators in a similar position in the world, because of the hub nature of the UK market. At the same time, I think it is clear that there are some geopolitical tensions, and those will potentially manifest themselves. They haven't done so yet, I would say, to a significant degree. However, they do risk manifesting themselves in terms of the sharing of data, different approaches to data protection, a trend towards data localisation—that is, keeping things within the boundaries of particular jurisdictions, even though financial flows are cross-border—and extradition. We have had cases in which we have not been able to access witnesses or extradite people who have been on the run from the UK for crimes committed in the UK. That is always a challenge. We have also had to drop cases, in certain instances, because it was no longer productive for us to seek to pursue them.

Q14 John Grady: In relation to those states from which you are not necessarily getting the requisite amount of international co-operation, would you be prepared to call that out publicly, or privately to the Committee? The most concerning thing is if there are people who we cannot extradite to face trial—or, for that matter, if we cannot secure the co-operation of witnesses.

Nikhil Rathi: As part of the IOSCO framework, we chair the multilateral MOU revision group, which is a very technical term, but basically, it is the memorandum of understanding between all the major securities regulators around the world, which underpins our co-operation. We have a ladder of intervention there, where ultimately the IOSCO board can, if we need to, call out a particular authority for not co-operating. I think that would be the route we would go down. We have these multilateral systems in place, and we would use them if we felt concerned about lack of co-operation in the securities regulator space.

What is a challenge for us is that we have criminal powers here, as the FCA. A lot of our counterpart authorities do not, so they have other agencies. There are different rules around compelling witnesses, self-incrimination and, of course, extradition. I think that we would want to talk to the Government before we call out a particular jurisdiction, because these things can have ramifications for international relations. Some of

these cases do become public through the court system, though, and if that happens, I am happy to let the Committee know.

- Q15 **John Grady:** I have one last question, on a slightly different topic. You have emphasised the importance of providing risk metrics to frame appropriate risk taking. On financial stability, what risk metrics do you think would be most effective for identifying systemic vulnerabilities and informing macroprudential policy?

Nikhil Rathi: There are some core metrics around the number of bank failures, and the scale of those failures. Those are things that the Bank of England monitors. I think that the broader point about market risks links to our need to have data. Let me give you an example. Hedge funds are now prolific participants in sovereign debt markets around the world. In the year to date, around 27% of the dealer-to-client flow in sovereign debt markets will be hedge funds. That was probably about 17% a few years ago.

What is critical for us to understand, particularly with events like those in April, is the data. We get data on transactions, on derivatives and on repo, but sometimes that is lagging, and we want to be able to understand that data and surface whether there are correlated strategies being undertaken—if there is leverage being used that we think, in a stress scenario, might lead to a disorderly unwinding of that leverage.

I think it is about analysing those types of metrics—not overinterpreting and jumping to a panicked risk assessment, but understanding what might happen in stress scenarios. We played a significant role in the system-wide exploratory exercise run by the FPC in the Bank of England to help illuminate some of these questions.

- Q16 **Chair:** Going back to your questionnaire and picking up a little on what Dame Harriett raised, you are quite clear, and have said it to this Committee before, about embracing your new secondary international competitiveness and growth objective, but you then go on to caveat a lot about the discussion that we have had a number of times about balancing your primary objective with your secondary objective. As you have reminded us, we are the politicians who will come to you with every difficult case where someone has lost out because of a riskier approach.

You say here, “I would like to achieve more on advancing this risk debate in my second term.” Is there anything you would like to expand on? You are now firmly in—you have been reappointed—so you have nothing to lose in talking truth to power. I am sensing that you have some concerns about diving into the growth agenda because of the risks that that leads to for consumers. I just wondered whether you would like to expand on that.

Nikhil Rathi: That is a very tempting invitation, speaking truth to power, but—

Chair: We hope you are here to do that, aren't you?



HOUSE OF COMMONS

Nikhil Rathi: I am enthusiastic about embracing our secondary objective. The Government have had a very clear direction, and it is important that we, as the largest economic regulator, align with that. We want to do that in a way that is open and surfaces these discussions. I think that this Committee in particular has created a space for us to have those discussions. I am very appreciative of that, and I hope that that can continue.

Where would I like to take this further? Data and technology will transform this industry and transform our society. You have asked me about sandboxes in innovation; we want to be pro-innovation and tech-positive, and to allow innovation in, but not everything is going to work. How do we explain that to our citizens, when we have allowed in some form of new application—whether it is a new chatbot or some form of automated decisioning—that does not work out? It will not always be the case that it was the wrong decision to allow the innovation to be piloted, because the potential benefits of it could be significant.

We talked about the digital advice journey and targeted support. There is potential there for us to provide better support for the critical mass of consumers in our society who are not able, or not willing, to pay the amount they would currently need to pay. That will potentially mean, though, that a portion of your constituents are not going to get the personalised and customised advice that they would get today, and it might not mean that they get the optimal outcome. It is that trade-off between the system-wide benefit and the potential individual or concentrated social loss that I would like to advance in this discussion with you. Obviously we have to take decisions, but we are accountable to you for those decisions, and understanding how you will think about that as a Committee is very relevant for us.

I think that the motor finance case will be another example of that, because we have this tension of—subject to whatever the Supreme Court says—how we ensure that consumers are treated fairly for what happened in the past, while also recognising that millions of people need this market in the future and that we need to make sure it keeps functioning. How do we strike that right balance?

Q17 **Chair:** I think that is a debate we will continue to have. In answer to question 8, you say: “Stability of objectives now is paramount to avoid risks to execution and our ability to support, at pace, the growth mission.” One of the challenges here is that a Government comes in, and whichever Government it is there is a bonfire of regulators—or regulations. They talk about removing regulation, but as we have heard from various financial institutions, that can also be an upheaval; adding or taking away changes the landscape. Where is your balance on that, because that certainty for businesses is very important, while you are also trying to embrace innovation and look at that balance of risk?

Nikhil Rathi: My answer on this to the Committee has been consistent over the years: of course I respect that Government and Parliament make the decision around the framework, the objectives and the allocation of

our responsibilities. What I would say about the FCA is that we have been on a journey.

Chair: Everyone is on a journey—it is one of our bingo words.

Nikhil Rathi: Dame Siobhain has been with us for the last few years on that journey in transforming the organisation. I feel we can be proud of what we have achieved. We still have work to do. Not everything works perfectly, and I want to keep accelerating our operational improvements. We are aligned on the growth and competitiveness mission. We are having this open debate around risk. The biggest issue that I see for us is execution. The point that I am making in my questionnaire is that, now that we are aligned, stability will enable us to go hard after execution on digital infrastructure, on all the reforms that we have just talked about, and on keeping the acceleration of our technology transformation within the organisation.

The United Kingdom has a very powerful opportunity right now. This is, as Mr Grady said, a very fractured world geopolitically. We have good relationships, as we have seen recently with the trade agreements with the United States, the EU, India and possibly others to come. We have a leadership role as a financial centre. If we are aligned, and have institutional stability, that could be powerfully attractive for businesses to come and locate here, grow here, and employ people here. Perhaps in our adversarial public discourse we have tended in times gone by to spend quite a bit of time on institutional shifts and changes. All I am saying is that maybe now is the time to focus really heavily, collectively, on execution.

Q18 **Chair:** So execution, but with all these changes you are going to have to make sure that you are managing the expectations of emerging and existing businesses that you are regulating, so that they do not have to chop and change. Do you think that your communications are clear and good enough, and that you are working at the right pace for businesses that are looking and waiting for your decisions? We could talk about Safe Hands, or buy now pay later—all the things you are having to lean into. You are embracing new things. You are having to change the rules on things for all the reasons we have discussed. Are you alert to the challenges that that can cause the businesses that you regulate?

Nikhil Rathi: Absolutely, and we have very different types of businesses. We have 42,000 firms. Some are some of the largest firms in the world, and some are sole traders or small firms, so we have to make sure that our communications work for that broad constituency. One of the pieces of feedback that we received was on the sheer thicket of communications that we have on supervision. At the end of April, we retired all but, I think, nine of our pre-'22 supervisory communications, which predated our last strategy—just to say that they were historic. They are still public—people can still see them—but we are no longer relying on those. We are relying on the communications since 2022.



HOUSE OF COMMONS

We have been engaging very differently. For example, on the insurance consultation that we launched recently, our insurance team did regional roadshows right around the country. Yes, of course we see the large firms through traditional supervisory engagement, but they made themselves available to all the smaller firms and brokers around the country. That consultation appears to have been well received as well. We have just launched our My FCA portal—you are probably not going to download it on your phones—to enable firms to get their own digital individualised and customised portal so that they can see what the tailored communications for their firm will be, so that they do not have to plough through our website. They can look at the stuff that is most relevant to them. That has received particularly good feedback from smaller firms.

Chair: Thank you very much. There is so much more that we could go into, but we had you in front of us in today's previous session. We are looking forward to seeing you now four times a year. It seems that the Treasury Committee suggests an extra meeting and you appoint a deputy chief executive. I am sure those things are not directly connected. We will look forward to engaging with the new leadership arrangements.

We will have a brief discussion now—you are very welcome to wait outside—and then we will produce a brief report on your reappointment, and our views on that as a Committee. Thank you very much indeed.