

Annual Report

2021/22



FCA

Markets
Practitioner Panel

The background is a solid purple color. In the upper half, there are several thin, light purple curved lines that sweep across the frame. Scattered throughout this area are numerous circles of varying sizes, some solid and some with a slight gradient, creating a bokeh-like effect.

Chair's foreword

I am pleased to introduce this report, my first since becoming Chair of the Panel on 1 July 2021.

The FCA has a broad range of issues which sit within its regulatory remit and the decisions it takes on regulatory policy and practice have significant effects on financial markets. While the Panel has an interest across the broad spectrum of the FCA's work, in order to be of greatest value, the Panel has to prioritise and focus on areas where its input can be of most use to the FCA.

In 2021-22, the Panel's work has continued to focus on the future regulatory framework across wholesale sectors and the opportunity for London to remain and advance as a competitive international financial centre. The Panel also discussed the rapid growth of crypto trading, particularly with a view to the challenges posed to investor protection, market integrity and the regulatory perimeter. These and other major discussions are summarised in this report.

In April 2022, the Panel held its annual prioritisation exercise and revised its priorities to focus on the following areas of work in 2022-23:

- Implications of major macroeconomic and geopolitical factors
- The future regulatory regime
- FCA transformation
- Cryptoassets
- ESG
- Diversity and inclusion
- Private markets

The Panel formally responded to FCA and HM Treasury led strategic reviews of the UK's capital markets and welcomed the Future Regulatory Framework (FRF) Review's measures aimed at cementing the Panel's existing role as a 'critical friend' providing valuable constructive challenge to the FCA's formative policy thinking. This approach continues to ensure that consultation with the Panel delivers an open and robust two-way, exchange of views.

The Panel's working relationship with FCA staff, Board and Executive Committee continues to be strong and professional, and it looks forward to its regular engagement with the FCA Chair, CEO and other Board and ExCo Members continuing in 2022-23. I would like to thank FCA staff for the support they have given the Panel over the last year.

The Panel strongly supports the FCA in its work to improve diversity across financial services and help ensure that firms better reflect the society in which they operate. This perspective extends to understanding the need for diversity in all its forms being represented across the Panel itself.

I would like to thank all Panel members for giving their time and sharing their expertise so freely in what has remained a period of significant challenge and change for the financial services industry as well as society at large.

Michael Findlay
Chair, FCA Markets
Practitioner Panel

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Introduction

The Markets Practitioner Panel is a statutory panel of the FCA. It is one of a number of panels that the FCA is required to establish and maintain under the Financial Services and Markets Act 2000 (as amended) and represents the interests of practitioners who are likely to be affected by the exercise of the FCA's functions relating to financial markets. The Panel meets formally six times each year and also holds sub-group meetings on specific topics as required, as well as other strategy meetings.

During the onset of the war in Ukraine, the Panel held more frequent calls to take stock of market developments and the implementation of the sanctions regime.

The Panel benefits from some of its members belonging to other panels as well as there being a number of cross panel sub-group meetings between the MPP, and LAAP, as well as the two Panels submitting joint responses to some of the recent market consultations. It has a constructive working relationship with the FCA Chair and CEO. FCA Executive Committee members attend Panel meetings regularly, and senior representatives from the FCA's Markets and Wholesale Policy, and Markets Oversight teams engage very closely and constructively with the Panel.

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The Future Regulatory Framework

The UK's future regulatory framework continued to be a priority for the Panel.

The Panel reiterated its support for the Treasury's ambitions for London to remain and advance as a thriving and competitive international financial centre and the shift to a proportionate, outcomes-based regulatory framework.

The Panel discussed the need that any new framework be designed for markets which are global in nature with a clear strategic vision in mind. The Panel emphasised that the development of a flexible and forward-thinking regime with its consideration for the attractiveness of the UK as a global trading hub should not risk the upholding of high regulatory standards, supporting liquidity and maintaining market integrity.

The Panel supported the addition of a "secondary" competitiveness objective for the FCA and stressed the importance of establishing sensible and proportionate regulation, prioritising the most pressing market reforms, and recruiting the relevant expertise to operationalise the new regulatory model. The Panel also encouraged the FCA to take a holistic view of all the regulatory change to ensure it fits together well and delivers the right outcomes.

The Panel also supported the proposal for Parliament to delegate the detail of policy making to the regulators and recognised the FRF Review's aim to streamline the regulatory process. The Panel encouraged the Treasury to consider the demands on the regulators and to take a holistic view by setting clearly defined outcomes to guide and promote collaboration and coordination between regulatory and governmental institutions ensuring that the breadth of policy initiatives do not conflict with or offset the benefits of one another.

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Wholesale Markets Strategy

The Panel were encouraged by the framework that the FCA was developing for its strategy for wholesale markets, in particular the focus on outcomes and end-to-end process. The Panel noted that this would be a long-term initiative and that the FCA should introduce short-term tactical metrics alongside more strategic outcome measures.

The Panel supported the launch of the FCA's work on the Wholesale Market Review (WMR), which represents a significant opportunity for the FCA to make pragmatic regulatory changes and enhance the attractiveness of the UK as a global trading hub.

The Panel discussed the disintermediation of traditional market access with the increasing use of technology and the growth of retail investor participation in capital markets. The Panel supported the opening up of markets to retail investors with appropriate controls in place to protect both consumers and market integrity. The Panel also encouraged the FCA to consider the growing interconnectedness between wholesale and retail markets, as well as the interconnectivity between primary and secondary markets as it develops its regulatory strategy.

The Panel will continue to support the FCA's adoption of a balanced and pragmatic approach in assessing the opportunities of possible divergence with international rules, avoiding unnecessary 'gold-plating'.

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Cryptoassets

The Panel discussed the rapid growth of cryptoassets and the complexities associated with bringing the sector within the regulatory perimeter including the need for the Government to consider whether the UK will support use cases for certain cryptoassets.

Whilst the Panel welcomed the FCA's cautious approach and the introduction of restrictions on financial promotions, it recognised that that an increasing number of motivated younger retail investors view cryptoassets as a legitimate part of their personal portfolios. The Panel therefore encouraged the FCA to continue to try to educate investors on the risks involved and issue warnings on the lack of consumer protection in unregulated crypto trading.

The Panel also encouraged the FCA not to adopt a standardised regulatory approach and instead consider the distinctive properties of different types of cryptoassets, particularly given the growing institutional investor interest in crypto as an asset class.

The Panel raised concerns about the heightened risk of misconduct by crypto market participants and the need to consider the regulatory implications of unwelcome behaviour including that the market's future growth does not come at the expense of consumer protection and market integrity.

The Panel will encourage the FCA to continue to engage closely with its overseas counterparts and promote a consistent regulatory approach to prudential and market abuse concerns. The Panel will also continue to support the FCA approach to distinguishing between cryptoassets and the innovative Distributed Ledger Technology (DLT) that underpins them, the advent of which offers the opportunity to upgrade wholesale market infrastructure.

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ESG

The Panel maintained its focus on this sector of strategic importance with the UK well-placed to become a leading centre for sustainable finance.

The Panel welcomed the FCA's efforts in taking a leading role at the international level to drive the development of common global standards for transparency. The development of parallel regulatory frameworks otherwise poses a significant risk to the growth of ESG-aligned capital markets by adding unnecessary complexity and costs.

The Panel also reiterated its support for the FCA's work to promote clear labelling and higher-quality, comparable disclosures that will enable investors to make informed decisions, particularly on innovative 'green products'. This approach would help to address inconsistencies in "green" criteria which have the potential to undermine investor confidence and market integrity by facilitating "greenwashing". The Panel recognised that it was essential for industry to understand and interpret the information provided and be transparent with investors on how and why they were using the 'sustainable' label.

The Panel will support the FCA's aims of funding the transition to net-zero, driving innovation and the sector's overall growth and helping to make the UK the world's leading sustainable finance centre whilst ensuring that any new regulation is introduced in a stepped and proportionate manner.

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FCA Transformation

The Panel continued to support the FCA's work in transforming itself into a more strategic, efficient, technology and data-driven regulator that can effectively meet the challenges of the future. The Panel also welcomed the positive regulatory changes that have been implemented over the last 12 months or so and the overall change agenda that the FCA is pursuing.

The Panel discussed the significant data collection and resourcing implications for both the FCA, and industry as new regulation is developed. The Panel continued to encourage the FCA to focus on assessing the costs of regulation relative to the benefits achieved whilst communicating clearly to firms on the rationale for gathering data and how it is being used effectively. The Panel also discussed how the FCA will measure its progress including what KPIs were being developed to achieve this in a transparent manner.

The Panel will continue to advise the FCA of its views on how best to achieve its transformation objectives whilst it must manage the volume of internal and external change it is taking on.

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7. FCA Strategic Initiatives

The Panel also advised the FCA on strategic initiatives such as the wholesale data market study, diversity and inclusion in financial services, the policy approach to critical third parties and the primary markets effectiveness review, amongst others.

The Panel welcomed the FCA's collaborative and flexible approach to developing its outcomes-based regulatory framework for wholesale markets, particularly given the significant challenges of the current macroeconomic and geopolitical environment.

The Panel restated its view that the FCA should always consider whether UK regulation is targeted and proportionate including the implications for the UK's attractiveness as a global trading and investment hub. The UK and firms operating in its financial markets benefit enormously from well-regulated capital markets being overseen by a world-leading regulatory authority. This environment is essential to supporting the success and growth of the UK as a leading financial centre.

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Panel diversity statement

Panel diversity statement

The FCA has agreed to adopt diversity targets for all the FCA's Independent Panels. These targets reflect those introduced by the FCA in April 2022 for the board and executive management of listed companies:

- At least 40% of each Panel are women
- At least one of the senior positions (Chair, Deputy Chair or equivalent) across the Panels is held by a woman
- At least one member of each Panel is from an ethnic minority background

The FCA has collected information on diversity across all Independent Panels. It is working to improve the data it holds and to be able to provide figures for individual Panels (where relevant) for next year's Annual Reports. Based on the information held as of 31 March 2022, this shows that across all the Panels:

- *36% of all Panel members were women*
- *43% of the senior Panel positions across all Panels were held by women*
- *7% of all Panel members were from a: minority ethnic background*

The Panel supports the FCA in its objective of improving diversity in the appointments it makes to all the independent Panels

Members of FCA Markets Practitioner Panel

(1 April 2021 – 31 March 2022)

Tim Waddell – Interim Chair

(until 31 June 2021)

Vice Chair, Global Corporate and Investment Banking for EMEA, BofA Securities; and member of the Takeover Panel's Code Committee.

Tim Waddell – Interim Chair

(since 1 July 2021)

Non-Executive Chair,
London Stock Exchange plc

Clare Woodman – Deputy Chair

(since 1 February 2021)

Head of EMEA and CEO,
Morgan Stanley & Co. International Plc

Mark Austin

Chair of the FCA's Listing Authority
Advisory Panel
Corporate Partner, Freshfields Bruckhaus
Deringer LLP

Philippe Le Barrois d'Orgeval

CEO, Amundi UK

Marisa Drew

Chief Sustainability Officer
Standard Chartered

Suvro Dutta

Partner, Financial Services, KPMG LLP

Duncan Ford

(until 30 September 2021)

Chief Operating Officer
Marshall Wace LLP

Richard Haas

Member of the Boards of CapeView
Azri Funds

Peter Harrison

(since 1 April 2021)

Group CEO, Schroders

Mark Jones

(since 28 January 2022)

Deputy CEO, Man Group

David Livingstone

(since 1 February 2021)

Chief Executive Officer for Europe,
Middle East and Africa, Citi

Dermot McDonogh

(until 31 December 2021)

EMEA COO and CFO, Goldman
Sachs International

Hannah Meakin

Partner, Norton Rose Fulbright LLP

Stuart Williams

President, ICE Futures Europe,
Intercontinental Exchange

FCA Markets Practitioner Panel

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FCA

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