

Future Regulatory Framework Review
Financial Services Strategy
HM Treasury
1 Horse Guards Road
SW1A 2HQ



9 February 2022

Dear Sir/Madam,

FCA Markets Practitioner Panel (MPP) formal response to HM Treasury’s Future Regulatory Framework (FRF) Review: Proposals for Reform.

The FCA Markets Practitioner Panel (MPP) is an independent statutory panel that the FCA is required to establish and maintain under FSMA. It advises the FCA on policy issues, regulatory proposals and other strategic matters that are likely to affect wholesale financial markets. Panel members are senior practitioners across wholesale markets and are appointed by the FCA Board for their industry experience rather than as representatives of any individual firm.

We welcome the publication of the Consultation, the main objective of which we believe should be to ensure that the UK remains and advances as a thriving and competitive international financial centre post-Brexit.

We welcome the opportunity to contribute to this discussion. Rather than answering every specific question we have grouped our views according to the relevant sub-headings in the Consultation.

Overall approach

The Panel continues to broadly support the shift to a proportionate outcomes-based regulatory framework and reiterates that any new framework for financial services regulation needs to be designed for markets which are global in nature with a clear strategic vision in mind. 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.

Whilst we also support the proposal for Parliament to delegate the detail of policy making to the regulators and recognise the Review’s aim to streamline the regulatory process, the cumulative volume of onshored legislation requiring review will likely consume significant capacity and pose acute resourcing challenges for the FCA and industry. We strongly encourage the Treasury to consider the demands on the regulators as they prioritise the most pressing market reforms and recruit the relevant expertise required to operationalise the new regulatory model.

The Statutory Objectives and Principles

The Panel supports the addition of a “secondary” competitiveness objective for the FCA along with the embedding of principles supporting sustainable growth and the transition to net-zero. We note that in some areas, competitiveness might mean more regulation rather than less and would stress the importance of establishing sensible and proportionate regulation. There is also a need for the Treasury to take a holistic view by setting clearly defined outcomes to guide and promote collaboration between regulatory institutions ensuring that the breadth of policy initiatives do not conflict with or offset the benefits of one another.

Strengthening the role of the statutory panels

The Panel welcomes the measures aimed at cementing the Panel's existing role as a 'critical friend' providing constructive challenge to the FCA's formative policy thinking, rather than as part of the formal accountability structure. This early engagement remains essential to effectively harnessing the Panel's expertise and enabling policymakers to understand how policy may impact or be perceived across wholesale markets.

We are pleased that the Treasury has recognised that confidentiality is important if we are to have a robust working relationship built on an open, and two-way, exchange of views, but we agree that requiring the regulators to publish information on regulatory engagement with the Panels in a more consistent way will also help promote a better public understanding of their role.

We will continue to work with the FCA on the Panel appointment process and its efforts to improve the diversity of representation on the Panel and recognise the impetus behind ensuring that our membership better reflects the markets which we represent and wider society at large.

We look forward to seeing the outputs of the Consultation and continuing engagement on this important topic as the Treasury outlines the next steps.

Yours sincerely,

Michael Findlay

Chair, FCA Markets Practitioner Panel