

# Annual Report

2022/23



FCA

Markets  
Practitioner Panel

# Chair's foreword

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

The FCA has a vast regulatory remit, and the Panel has an interest across a broad spectrum of the FCA's work. In 2022-23, the Panel's work has continued to focus on many of the themes of the previous year, as the future regulatory framework across wholesale sectors developed, and reforms to enhance the UK framework to support its position as an international financial centre evolved. Crypto assets continued to feature in our discussions, particularly on the necessity for an international approach to regulation, and the risks posed to retail investors. Throughout the period, we devoted a significant amount of time to the consideration of risks within markets as the environment remained volatile, particularly the impact of much higher interest rates. These and other major discussions are summarised in this report.

In April 2023, the Panel held its annual prioritisation exercise and revised its priorities to focus on the following areas of work in 2023-24:

- Private markets
- Changes in the cost of capital
- Execution of the FCA's Strategy
- The future regulatory regime
- ESG

The Panel has an excellent working relationship with FCA staff, Board and Executive Committee, and it looks forward to its regular engagement with the FCA Chair, CEO and other Board and ExCo Members continuing in 2023/2024. I would like to thank FCA staff for the support they have given the Panel over the last year.

The Panel is a firm supporter of 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

# 1

## 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. The Panel benefits from some of its members belonging

to other panels, and from participating in cross-panel subgroup meetings with members of the Listings Authority Advisory Panel. During the year, the Panel responded jointly, with the Listings Authority Advisory Panel (LAAP) to the FCA's DP 22/2 on Primary Markets Effectiveness Review and continued to engage with the FCA on this topic as the FCA considered feedback and further refined their proposals. This engagement will continue over the next year as the reforms take shape and further consultations are issued.

# 2

## Implications of major macroeconomic and geopolitical factors

Market risks and issues were a regular topic of discussion throughout the period. Markets continued to face a tumultuous geopolitical and macroeconomic environment and we stressed that as firms navigated the breadth of interlinked risks including weak growth and inflation, there was a pressing need for a collaborative and coordinated approach between regulatory and governmental authorities at the domestic and international level to minimise operational disruption, complexity – including unnecessary gold plating – and costs. This approach would help to ensure that the UK remained and advanced as a competitive international financial centre with a pragmatic and agile outcomes-based regulatory regime.

In Q4 of 2022, our focus was on market volatility in the UK gilts market and we discussed the impacts on defined benefit (DB) pension funds that used liability driven investment (LDI) strategies. We shared our ongoing concerns about poor levels of understanding of leverage in these portfolios and on the longer-term outlook for DB funds which suffer from a lack of investment in growth assets. We encouraged the FCA to work with the Pensions Regulator on trying to address the structural barriers that inhibit these funds from taking a different approach in how they allocate capital.

We shared our experiences with the FCA, highlighting that there were remaining stresses in the system and pockets of risk in capital markets, particularly in more esoteric assets. We cautioned that there may be longer-term impact on markets because of prolonged periods of inflationary pressure with consumers potentially decreasing their pension contributions and investments, defaulting on their debts, and making increasingly speculative crypto trades as witnessed during the pandemic.

We cautioned the FCA of the need to remain alert to the challenges posed to market stability and liquidity if investor confidence weakens further, and a greater aversion to risk leads to significant re-pricing and repositioning in global financial markets. We encouraged the FCA to continue to engage closely with government and other stakeholders as it assesses and considers its response to these developments.

# 3

## The future regulatory regime

We have grouped a number of policy developments under this heading, and we continued to voice our concerns about the volume of regulatory reforms underway. Following the publication of the Edinburgh reforms in December 2022, we have seen the pipeline of regulatory reforms grow, and we stood ready to provide targeted feedback on where we thought existing regimes are working well, as well as where there was opportunity to make precise and focused amendments.

The Panel reiterated that any new regulatory framework needs to be designed on a global scale with a clear strategic vision in mind. We stressed the need to focus on smarter regulations, not de-regulation. We noted during our discussions of the FCA's implementation of the Future Regulatory Framework (FRF) the need to prioritise simplification, and create an easily navigable regime, given how complex the current regulatory landscape is to understand. In the short-term, complexity is likely to increase and we strongly recommended that the FCA and HM Treasury develop a plan to clearly communicate to industry their approach to file transfers and their end state vision of the framework.

We emphasised the need for careful prioritisation of the FCA's commitments. We commended the ambition in the FCA's Discussion Paper (DP) on Asset Management this year and were pleased to see explicit recognition of the balance between reform of rules to create a more competitive environment versus the impacts to cross-border activities and the international recognition of the UCITS brand. However, we emphasised

that reform could be disruptive, and in some cases, on balance may not bring sufficient benefits to customers or firms to warrant the efforts. Likewise, alignment or divergence from EU standards needed to be carefully considered, alongside international frameworks and standards. We were pleased to see these concerns reflected in the DP, with the FCA highlighting the need for consideration of the balance between potential efficiencies of a more unified rulebook versus the cost of amending established frameworks.

We considered the new Consumer Duty's emphasis on 'outcomes'-based regulation to be a valid approach but noted the challenges for FCA and industry in the implementation timeline and the importance of guidance and proactive discussions with industry. We also raised concerns about the impact of the Duty on efforts to further open up retail investor access to public capital markets, particularly in treating all consumers the same. A balance needs to be struck between ensuring vulnerable consumers are protected and realising the opportunity to facilitate the equitable participation of the wider population of retail investors at the ground level in IPOs and secondary markets. We recognise that this approach must be underpinned by an appropriate level of sell-side disclosure and education for consumers on the risks involved – with an emphasis on self-responsibility for investment decisions.

# 4

## FCA transformation

The Panel provided strong support for on the FCA's wider data strategy with the objective of harnessing data much more effectively to target resources more closely on the largest potential sources of harm and to focus on outcomes rather than process. We were very encouraged by the FCA's consideration of whether the amount and complexity of data that it collects can be reduced and rendered proportionate – especially for smaller firms – without compromising regulatory objectives and ensuring that staff can continue to apply judgement to data that is being used to analyse and supervise firms.

We continued to stress the importance of the FCA maintaining open and early communication with industry to explain why its needs new data – this approach can lead to more positive engagement with industry. Following the collapse of Silicon Valley Bank, (SVB) and the swift and decisive action taken by the FCA, we were encouraged to hear how the advanced data capture and harnessing capabilities were used to support the response and suggested the FCA communicate more widely on the management of this difficult event to resolution

# 5

## Cryptoassets

We were pleased to see the FCA take a proactive outreach to help to address several concurrent challenges, clarifying the regulatory perimeter, improving retail investors understanding of the limited regulatory protections in place around crypto trading, and the swift supervisory actions taken on crypto ATMs this year. We stressed the need for cooperation on international standards, to ensure that operators and providers do not simply remove themselves from scope, citing the agile nature of the asset class, and to mitigate against fragmentation. We are therefore pleased at the level of engagement the FCA reports to have with its regulatory peers on the international stage. The regulatory framework will take time to develop and will continue to be a focus topic for the Panel for the coming year.



# 6

## ESG

In our regular discussions of the FCA's work on ESG we reiterated our strong support for the FCA's international leadership, and the benefits to firms and the regulator in promoting consistent global standards and avoiding 'gold-plating'. We felt there was a risk of confusion for firms operating across multiple jurisdictions with the adoption of a divergent approach.

We supported the FCA's intentions to address greenwashing but expressed concerns about the FCA's sustainable disclosure requirements and investment labels consultation proposals. We had reservations on the complexity and cost of the prospective labelling regime and the difficulties of interpreting the proposed labels. We considered these factors as limiting the likely benefits. We encouraged the FCA to continue to focus its efforts on providing clarity around definitions, noting the difficulties of adding labels to existing funds structures, and promoting common global standards. We were and continue to be of the firm opinion that a proportionate, outcomes-based regime that does not restrict the flow of capital will better enable the UK to attract global liquidity and continue to benefit from the wealth of its market expertise.



# 7

## Capital Market Reforms and UK Competitiveness

We regularly engaged in discussions on the Prospectus Review, Listing Review and the Wholesale Markets Review over the period, all areas of significant interest for the Panel. We welcomed the acceleration of wholesale and primary markets reforms both of which need to develop at pace in order to reduce unnecessary complexities and create a more streamlined framework, if the UK is to continue to compete as a global capital market. However, the Panel strongly agrees that the UK should not compromise its high regulatory standards or market integrity. This is key to making our markets attractive.

Linked to reducing complexity was our emphasis on the need to consider the international positioning and relevance of the FCA's reform agenda. Our view is that the FCA should clearly articulate the ideal end-state for UK's capital markets, ideally in collaboration with other domestic regulators but also continue to focus on exporting thought leadership and consulting with the international investor base to better understand the UK's positioning as a global trading hub.



# 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 and are as follows:

- 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

Against these targets, we can report that as of 31 March 2023<sup>1</sup>:

- 33% of the Markets Practitioner Panel are women.
- Across all the Independent Panels, the target for at least one senior position to be held by a woman is exceeded.
- 4 out of 5 Independent Panels meet the target that at least one member is from an ethnic minority background

The Panel supports the FCA in its objectives of improving diversity in the appointments it makes to all the Independent Panels.

<sup>1</sup> These figures are based on the data disclosed. Disclosure of diversity information is voluntary. Data is reported across all Panels where disclosure on an individual Panel basis would lead to the release of personally identifiable information.

# Members of FCA Markets Practitioner Panel

(1 April 2022 – 31 March 2023)

## Michael Findlay – Chair

Non-Executive Chair,  
London Stock Exchange plc

## Clare Woodman – Deputy Chair

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

## Richard Haas

Member of the Boards of CapeView  
Azri Funds

## Peter Harrison

Group CEO, Schroders

## Mark Jones

Deputy CEO, Man Group

## David Livingstone

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

## Hannah Meakin

Partner, Norton Rose Fulbright LLP

## **FCA Markets Practitioner Panel**

Financial Conduct Authority

12 Endeavour Square

London E20 1JN

Tel: +44(0)20 7066 1000

Email: [MPP@fca.org.uk](mailto:MPP@fca.org.uk)

Website: [www.fca-mpp.org.uk](http://www.fca-mpp.org.uk)

**FCA**

**Markets  
Practitioner Panel**

