

17 February 2021

Dear Sir/Madam,

**FCA Markets Practitioner Panel (MPP) formal response to HM Treasury's Future Regulatory Framework (FRF) Review: Consultation.**

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, and the opportunity to contribute to the discussion, the main objective of which should be to ensure that the UK continues to uphold high regulatory standards and remains an attractive market in which to invest post-Brexit. Rather than answering every specific question we have focused on the proposals relating to the role of the statutory panels in the Consultation.

The Panel is broadly supportive of the FSMA-based regulatory model and the proposal for Parliament to delegate the detail of policy making to the regulators. With Parliament setting key objectives and considerations for them, this approach should enable better regulatory outcomes in comparison to a more inflexible, legislative based model.

The Panel understands the wider impetus behind examining the accountability and scrutiny arrangements in relation to the financial services regulators as they are delegated greater regulatory responsibility in the post-Brexit landscape. This desire for increased accountability should not however result in burdensome duplicative oversight with the Panel essentially taking on the role of a second FCA Board.

We believe that the Panel's existing role as a 'critical friend' has fostered an environment where the FCA is able to bring proposals for consideration when policy thinking is at a formative stage. This approach also ensures that consultation with the Panel is not a mere formality but an opportunity for constructive challenge and an open, two-way, exchange of views. Furthermore, the FCA's regular engagement with the Panel during the onset of the Covid-19 pandemic exemplifies how the current relationship model and informal dialogue can contribute to better decision and policymaking in fast-moving situations.

Were the Panel to become a formal component of an oversight structure, with increased transparency of their interactions and the Chair subject to public scrutiny, there is a real risk that this would undermine the frankness of discussions and the collaborative relationship from which the FCA's policymaking currently benefits. Recruitment of prospective Members may in turn become more difficult, because (a) firms may be less likely to allow their staff to serve on the Panels in a voluntary capacity, and (b) the Panels may be seen as less attractive to practitioners as the demands on them become for more than just their industry expertise, with training for a more formal scrutiny role and for public appearances a potential necessity.

We do, however, recognise that there may be ways to cement and build on the Panel's existing role in providing challenge to the FCA including promoting a better public understanding of the role of the Panels more broadly. We continue to emphasise the importance of early engagement, which is essential to effectively harnessing the Panel's expertise and enabling policymakers to understand how policy may impact or be perceived across wholesale markets. We would also like to explore how we might develop our engagement on emerging policy areas such as Fintech, including, where appropriate, how the Panel might draw upon outside expertise further whilst remaining within the bounds of confidentiality.

In addition, Members recognise that the Consultation offers the opportunity to consider if there are alternative ways for them, or other industry representatives, to engage with Parliament and the Treasury, perhaps to provide strategic or technical expertise on specific issues rather than in a more formal scrutiny role. This may involve, for example, representatives from Parliament and Treasury officials discussing relevant issues with the Panel at its meetings, as appropriate. We caution, however, that this should not come at the expense of or conflict with the Panel's overarching purpose to provide input and advice to the FCA's policy and regulatory development process.

On this basis, we encourage the Treasury to consider carefully the implications of its proposals for the current role of the Panels in the regulators' policy-making process.

We look forward to seeing the outputs of the Consultation and continuing engagement on this important topic as the Treasury develops its thinking in more detail.

Yours sincerely,

**Tim Waddell**

Interim Chair, FCA Markets Practitioner Panel