

Financial Services Authority

Mid-year report of the FSA Small Business Practitioner Panel

November 2003



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Annex A: Membership of the Small Business Practitioner Panel

Annex B: Terms of reference for the Small Business Practitioner Panel

This paper for the FSA Board reports on the work of the FSA Small Business Practitioner Panel since the publication of its fourth Annual Report in June 2003.

We are continuing to review many of the issues that we highlighted to the Board earlier this year and, in addition, the Panel wishes to flag several emerging issues that we have on our agenda. The report also summarises the responses the Panel has made to FSA consultation papers over the last six months.

Michael Quicke & Roger Sanders OBE
Joint Chairmen
FSA Small Business Practitioner Panel
November 2003

1 Introduction

This is the mid-year report of the FSA Small Business Practitioner Panel (the Panel) to the Board of the FSA.

The Panel was set up by the FSA in 1999 to represent the views of small regulated firms. Its membership is drawn from small financial services firms across all sectors, and so it is well placed to offer input and views on the impact and effect of regulatory policy (and other relevant issues) on smaller firms. The membership and terms of reference are included as annexes to this report.

The Board most recently heard of the work of the Panel when its fourth Annual Report was presented to them earlier this year, in May (and published in June). This report comments on the work of the Panel since that date, and draws the attention of the Board to the ongoing impact of regulatory policy and practice on smaller financial services firms. It also outlines several other issues of note.

This is also the Panel's first formal communication with the FSA Board since the appointments of Callum McCarthy as the FSA's Chairman and John Tiner as its Chief Executive. The Panel wishes Callum and John every success in their new roles and looks forward to fostering a strong and open relationship with them. This will help ensure that the Panel continues to make a valuable and positive contribution to the policies and performance of the FSA in relation to small firms.

Finally in this section, the Panel would like to make a comment about the composition of the FSA Board. Given that most firms regulated (or soon to be regulated) by the FSA are small, we feel that it is important that there is appropriate representation at the highest level of the FSA. This is so the proportionality of individual proposals, and regulatory impact on small firms generally, can be properly and critically assessed. We feel that this would be best achieved if one or more Board members had direct experience of the small firms sector. We understand of course that FSA Board appointments are the responsibility of HM Treasury (HMT), and we have recently written to HMT along these lines. However, if the Board itself supports this view, and a mechanism for doing so exists, we would also ask the FSA to make representations to HMT in the context of any future Board appointments.

2 Issues arising from the Panel's Annual Report 2002/3

When the Panel presented its fourth Annual Report earlier this year, it was encouraged by the extent to which the Board was aware of the issues affecting small firms. It was suggested at that time that the Panel (through its chairmen) should continue its dialogue with the FSA executive on issues arising from the Annual Report and on small business aspects generally.

Since then, and in addition to the Panel's regular diet of business, two meetings have been held with the FSA senior executive; one with a team led by John Tiner and one with Chairco itself. The Panel would like to thank those that attended these meetings – the sessions were very constructive. In particular, the Panel was encouraged by the FSA's preparedness to listen to its views and seek constructive ways of addressing the issues of greatest concern.

Following the meeting with Chairco, the Panel prepared and circulated a note that set out the key points arising. It is intended that this note will help the Panel to monitor how the FSA is tackling its concerns and measure progress for the next Annual Report, due to be published in May 2004. Here is a summary of the key points contained in that note (some of which overlap or are otherwise connected), for the benefit of the Board:

- There remains a need to reduce the pace, detail and burden of regulatory change wherever possible. The Panel asks the FSA to consider how the overall impact of regulation on small firms (rather than the impact of individual proposals) might be assessed. The Panel does not believe that the recent research on the costs of compliance was sufficiently based on the experiences of small firms. Further, the need or desirability for change might be better received (or at least, accepted) by small firms if the FSA gave greater emphasis to the origin of the proposals in question (for example, those resulting from EU or government initiatives);

- There is a need to continue to improve the ease-of-use of the FSA Handbook of rules and guidance. This could be done by developing (whether on the FSA's own account or in consultation with the trade associations) a search facility, sector guides/sourcebooks and other navigability aids. And considering, where appropriate, separating rules from guidance;
- The Panel would like to see an improvement in the reliability and timeliness of individual guidance provided to firms by the FSA, and that the availability of this facility was promoted to small firms. As you will appreciate, most small firms may not have access to specialist compliance resource or expertise, and are often reliant on assistance from the FSA. While accepting that the FSA should not be used as a 'first resort' for this purpose, the Panel nevertheless believes that the FSA should stand ready to support small firms in this way;
- There is a need to improve the engagement of small firms in FSA decision-making, for example, the wider use of industry roadshows or webcasts (whether in support of a particular consultation/issue or otherwise) with the possibility of interactive voting. It is also important that comments raised by the industry in such fora are properly recorded and formally considered;
- The consultation procedures need to be better explained to small firms. In particular, the FSA needs to make sure firms understand that it is not necessary to respond to each and every question or in a prescribed format – the Panel is assured that the FSA considers all and any responses. A system whereby the relevance to small firms (or certain sectors) of particular consultations was sign-posted would also be welcomed;
- The Panel believes that it is important to clarify the use of guidance in the Handbook. The industry should be informed that (if our understanding is correct) Handbook guidance is often written with the interests and needs of small firms in mind, in order to help them to interpret and apply the rules. At the same time, the FSA must ensure that guidance is not interpreted or enforced by FSA supervisors as a best practice benchmark, but is applied with suitable flexibility and proportionality in light of the market position of small firms;
- The Panel would urge the FSA to reduce the application of super-equivalence wherever possible, unless there is a clear and identifiable justification or risk to consumers or the FSA's statutory objectives. This is of course particularly relevant on EU matters;
- Also, the Panel asks the FSA to consider developing further the use of minimum thresholds below which it might be appropriate to modify or dis-apply the application of certain rules for small firms.

A number of the issues set out above were previously raised with the FSA in the context of the survey of regulated firms undertaken by the Financial Services Practitioner Panel, published in late 2002. And we are pleased to note that progress has already been made in certain areas; for example, the recently issued roadmap to consultation papers and the improved accessibility of the Handbook.

However, the Panel feels that there remains much more to be done and, to that end, was greatly encouraged to hear John Tiner's comments in his inaugural speech as the FSA's Chief Executive. In particular, the aim to produce much fewer (by half, over the next year), and shorter consultation documents. And mention of an extensive review of the construction, user-friendliness and provisions of the Handbook. He also undertook to make the FSA more focused on implementation and delivery, and become an easier organisation to do business with – small firms will welcome this news, as does the Panel itself.

Of course, the key to continued progress will be to turn the positive statements into concrete actions. The Panel will monitor and members will use their own day-to-day experiences to see whether improvements are being made. But it is also hoped that the 2004 bi-annual survey of regulated firms by the Financial Services Practitioner Panel might provide a tangible and timely opportunity to gauge progress in various areas of the FSA's performance. Michael Quicke is to serve on the working group for the day-to-day management of the survey work. The Panel hopes his presence will ensure that the Small Business Practitioner Panel will, among other things, be more closely involved than before on the content and format of the industry questionnaire.

3 Other issues

Reforming polarisation and Sandler

The Panel continues to follow development of the proposals for depolarisation. We understand that the FSA has been working with the independent and tied sectors of the industry in the process of developing the new menu provisions, and that consumer testing is also planned. The Panel will wish to respond formally to the upcoming menu consultation, and awaits with interest the FSA's analysis of and reaction to the responses received (including the Panel's own) to CP166.

There also remain misgivings about the proposed Sandler regime generally, as was recently remarked on at the FSA Annual Open Meeting by the chairmen of the Financial Services Practitioner and Consumer Panels, and in subsequent press releases. The Panel shares these concerns and will monitor developments in this area closely. There are real doubts that a completely harmonious system of regulated products and simplified regulation can be delivered whilst achieving an appropriate level of incentive for small providers and advisers, and the necessary degree of consumer protection. Putting aside for the purposes of this report the concerns of advisers and consumers, it is unlikely to be viable in the first instance for small providers (for example, many friendly societies) to manufacture, administer and distribute Sandler products to their intended audience; that is, those on modest incomes. The charging structure that is currently proposed is simply too restrictive. In these times of financial exclusion and the savings gap, this would deny access to the very consumers that the intended regime hopes to encourage.

We also have concerns about the overlap of these various retail sector developments. The Panel is assured that the FSA is fully aware of the need to co-ordinate this work and to make clear to the industry how the various strands fit together. This will enable small firms to understand the overall impact and effect, and make adequate preparatory arrangements.

The future regulation of mortgage advice and general insurance intermediation

The Panel has submitted full and detailed responses to the recent series of consultations relating to the impending regulation of mortgage and general insurance intermediation. The Panel is grateful in particular to the two members who were appointed in late 2002 specifically for their experience and expertise in these fields. It is accepted that this is a significant area of work for the FSA, with a large proportion of firms in both sectors being small businesses. Therefore it is something that has featured (and will continue to feature) prominently on the Panel's agenda.

Broadly, the Panel welcomes the manner in which the FSA (through the High Street Firms Division) continues to listen and react positively to the views and concerns of the mortgage and general insurance sectors while formulating the forthcoming regulatory regimes. Insofar as they have been subject to formal consultation and feedback, the Panel considers that the policy decisions published to date by the FSA have been generally proportionate and are likely – on the whole – to be favourably received by the sectors in question.

It is extremely important that firms which will become subject to regulation by the FSA make proper and timely preparation for the authorisation process and their subsequent ongoing regulatory obligations. The FSA's communications strategy concerning high street firms will be a major factor in ensuring that the necessary messages are heard and understood by all those firms affected. We know that the FSA is working hard to ensure that this strategy is successful. The Panel enjoys an open and constructive relationship with the High Street Firms Division, and it will continue to offer whatever support and advice might be appropriate in this regard.

Capital adequacy

The Panel's concerns about the application of capital adequacy standards to small firms have not lessened. The two main areas of concern remain how the FSA uses its discretion in the implementation of EU directives, and the way in which the FSA generally applies capital adequacy standards. There are several proposals currently on the table which are likely to result in a direct requirement to hold more capital. If small firms are required to hold proportionately more capital than are larger firms, this will affect their ability to compete.

Financial Ombudsman Service

The Panel acknowledges that the FSA itself does not have primary responsibility for certain elements of the day-to-day management and operation of the Financial Ombudsman Service (FOS). However, there are a number of issues concerning its arrangements that the Panel would like to share with the Board, and urge it to exert whatever influence it can over these matters within the scope of its jurisdiction.

The Panel enjoys regular visits from FOS staff, in particular, Walter Merricks, the Chief Ombudsman. And it welcomes the positive spirit in which these discussions are held. To allow the Panel the time to deal adequately with the important issues relating to the FOS, it has recently established a sub-group of members that will meet Walter and other FOS staff on a more frequent and focused basis (this includes a planned visit of the full Panel to the FOS shop floor).

Firstly, the Panel understands that the FOS is reviewing its fee charging structure. This is welcome news. In particular, the Panel understands that the FOS is considering how fees (whether as a factor of the annual fee and/or case fee) might be weighted so as to bite harder on those firms that receive more complaints. That is, those firms that are more frequent users of the FOS service. The Panel is particularly attracted to the notion of a case fee not being imposed until (say) the third complaint made against the firm in question (i.e. that the first two complaints be covered by the annual fee and are otherwise 'free'). The Panel believes this proposal will feature in the formal consultation on funding, and that it and would be well received by smaller firms.

There may well be persuasive reasons why it would not be appropriate only to charge a case fee where a complaint was found against a firm. There may also be arguments why imposing a fee in certain circumstances on complainants may not be an option (as a function of FSMA, as currently drafted). However, we feel that these propositions (along with any other potential modifications) might at the least also benefit from a full public debate.

The matter of case fees is also relevant in the context of the FOS handling of new enquiries. This is because it is very important that a robust system is in place for filtering out complaints which are clearly frivolous or vexatious (or might be best referred back to the firm) before a case fee is levied. This is a particular concern for general insurance intermediaries. It is feared that their clients might invoke their FOS rights simply because they are there (and free of charge). However, during a recent visit by members of the Panel's sub-group to the FOS's offices, these concerns were somewhat eased having spent some time with the new complaints team (including listening in on a number of telephone conversations with potential complainants). But the FOS must remain vigilant here.

The fact that there is no formal right of appeal for firms against FOS decisions is also something that causes small firms concern. The Panel welcomes the fact that this will be an area that is considered as part of the HMT N2+2 review. Even so, the Panel would encourage the FOS to raise awareness of the various checks, balances and safeguards (including the role and remit of the Independent Assessor) that already exist within its processes for reaching fair, reasonable and timely judgements on individual cases. A greater understanding of this by the regulated community might well provide a degree of reassurance of fair process and reduce any uninformed criticism.

Finally, we would also urge the FOS to provide the industry with better feedback generally on its treatment and application of precedents.

Professional Indemnity Insurance (PII)

The position of the PII market remains of particular concern to the Panel. As noted previously, this appears to be attributable to several factors. These include the general economic and market conditions and the growth in demand for compensation both generally and in certain high-profile areas of activity (for example, endowments and split capital trusts). This has resulted in more expensive PII, and in some cases a lack of availability for small firms.

The Panel welcomes the steps that the FSA is taking to make its rules in this area more flexible and to help improve underwriting capacity in the market (including the recent authorisation of two captive insurers). However, it is still important in the short term that the FSA is pragmatic when it comes to deciding what (if any) action should be taken against those in contravention of the requirements.

The Panel has also recently responded to CP193 on PII. While in principle the trade-off between capital and PII has several advantages for small firms in the current climate, we are concerned about whether the proposed levels of policy excess and resources are pitched correctly and are otherwise reasonable in the context of small firms. And if the relationship, as set out, between turnover and sum assured is proportionate. The Panel also raised issues about the intention to require non-regulated business also to be covered by a firm's PII policy. Finally, the Panel highlighted the prospect of an uneven playing field resulting from the respective draft provisions of the IMD and the ISD, and would urge the FSA to do whatever was possible to avoid or mitigate this undesirable outcome.

Profile and effectiveness of the Panel

An area of the FSA website dedicated to the Panel is currently under development. The Panel hopes that this will provide a useful insight for stakeholders into its objectives and views on certain matters, and enable small firms to bring their general concerns to its attention. We have also recently written an article that was published (and well received) in several trade publications and targeted at the mortgage and general insurance sectors. The Panel intends to consider how a tool of this nature might be used to good effect more often, along with the use of focused press releases.

Finally, the Panel is also undertaking some work on its effectiveness generally, and how this might be measured and – where appropriate – improved upon. In particular, we plan to canvas views on the Panel from selected FSA staff and Panel members themselves (with also the possibility of a survey of a sample of small firms). The aim is to report back to the Board on this work in the next annual report in May 2004.

Recent developments

Within the last few days, there have been two pieces of news that the Panel considers appropriate to refer to briefly in this report.

Firstly, an announcement has now been made by HMT concerning the scope of and timetable for the review of FSMA/FSA two years on, known as the N2+2 review. The Panel was pre-consulted on this several months ago and welcomes the fact that many of the issues that it raised with HMT at that time have been taken on board. The Panel will monitor the progress of the review with interest, and look to contribute to the process where appropriate.

Secondly, the Panel also welcomes the recently announced changes to the FSA's organisational structure. In particular, the creation of a single area dedicated to the regulation of most small firms. This should have a number of benefits going forward and help make the FSA easier for small firms to do business with. The Panel would of course be keen to discuss with the FSA the intended organisation of this area at an appropriate time.

4 Summary of responses to FSA consultation papers

This section summarises all the formal responses made by the Panel since its Annual Report of May 2003. The Panel also considers and comments on many items from the FSA at the pre-consultation and feedback stages. However, we do not set out publicly the detail of these discussions and the views that we provide, in order to preserve confidentiality and the open (and constructive) relationship with FSA staff that the Panel currently enjoys. In any event, the Panel's feelings generally on a number of the key issues for small firms are of course set out elsewhere in this report.

<i>Topic</i>	<i>Main points</i>
CP180: Fees for mortgage firms and insurance intermediaries	The Panel generally agreed with the proposals, including the incentive/discount system for early and electronic applications (although an effective communication program was crucial to this). That said, it was suggested that the definition of 'annual income' should be subject to further consideration and/or greater clarity. It was also advocated that the proposed fee bands be more staggered, and that an additional band be introduced for those firms with a particularly modest turnover, to ensure that there was a fair distribution of costs. It was unclear to the Panel how the total funding figure would be assessed as reasonable and be subject to proper audit.

<i>Topic</i>	<i>Main points</i>
CP181: Implementation of the Solvency 1 Directives	The main issues raised in the Panel's response related to the desire for the FSA to take maximum advantage of the permitted transitional provisions, both generally and in respect of the discounting rule. However, the Panel did not favour the waiver option as a means of achieving this.
CP186: Mortgage regulation	The Panel submitted a comprehensive response to this complex and voluminous paper. This included a number of issues and concerns surrounding the detailed draft rules. On a general point, the Panel was unclear the extent to which the FSA had truly taken into account the position of small firms and the effect that the (financial and other) burdens of the proposed requirements would have on them.
CP187: Insurance selling and administration and other miscellaneous amendments	The Panel's full response to CP187 supported and welcomed many of the FSA's proposals. However, among other things, it was important that the FSA kept the pre-sale disclosure rules as simple and practical as possible or there would be a risk of unnecessary delays to the sales process (and potential consumer detriment). For various reasons, the Panel also questioned the appropriateness and justification of applying the proposed cancellation provisions. While supporting the concept of a single dispute resolution mechanism, the Panel outlined a number of reservations about the operation and processes of the FOS (which are set out in more detail elsewhere in this report).

Topic	Main points
CP189: Basel and EU Capital Adequacy Standards	<p>It was the Panel's view that the majority of small firms (being ultimately unable to meet the advanced requirements) would adopt the standardised approach. So, early notice of the treatment and provisions of this would be particularly important. The FSA also needed to consider carefully and justify any proposed areas of super-equivalence. This should include any impact on international competitiveness (for example, in relation to the apparent preference for applying the risk weighting of exposures on the basis of a firm's individual credit rating, as opposed to the rating of the sovereign).</p>
CP191: Miscellaneous amendments	<p>The Panel responded to Chapter 8 of this paper, expressing concerns that by reducing the frequency of regulatory returns made by Credit Unions, the risk was increased of the FSA not being made fully and promptly aware of material information (especially given the apparent lack of accuracy in information provided currently by many Credit Unions). This could have consumer protection implications and a damaging effect on market confidence and the sector's reputation. In the context of the above concerns, the Panel also raised the general point that it was important that the FSA reviewed carefully and critically individual items to ensure their appropriateness for inclusion in low-profile 'miscellaneous' consultation papers.</p>

<i>Topic</i>	<i>Main points</i>
CP193: PII for personal investment firms	<p>The Panel made some general observations about the cost and purpose/benefit of PII cover. Particular concerns were expressed about whether the proposed levels of policy excess and capital resources were pitched correctly and reasonably for small firms, and on the apparently disproportionate relationship between turnover and sum assured. Issues were also raised about the intention to require non-regulated business to be covered by a firm's PII policy. Finally, the Panel highlighted the undesirable prospect of an uneven playing field resulting from the respective provisions of the IMD and the ISD.</p>

5 Background to the Panel

The Panel currently comprises 12 members covering a broad range of small businesses operating in retail financial services. The current membership includes representatives of credit unions, friendly societies, sole practitioners and independent financial advisers, as well as smaller banks, building societies, insurance companies, professional regulated firms, derivatives and securities houses. A list of current members is at Annex A and the Panel's terms of reference are at Annex B. The Panel is currently in the process of appointing a representative from the fund management sector, the term of office of the previous incumbent on the Panel having recently expired. It is also seeking to strengthen and broaden its base of expertise in the general insurance area by inviting nominations to represent the 'secondary' market in this sector – that is, those for whom regulated activities may not be their primary purpose or nature of business.

Michael Quicke and Roger Sanders OBE are the joint chairmen of the Panel. They also represent the interests of small businesses as ex officio members of the Financial Services Practitioner Panel, which has statutory status under the Financial Services and Markets Act 2000.

The Panel continues to enjoy the support of the FSA and appreciates the time taken by FSA staff in explaining policy proposals and developments and in listening to the Panel's views. The Panel is also particularly grateful to our administrative and policy support staff, who play a vital 'behind the scenes' role in helping ensure that its work is conducted smoothly and professionally.

Michael Quicke and Roger Sanders OBE
Joint Chairmen
FSA Small Business Practitioner Panel
November 2003

Membership of the Small Business Practitioner Panel

Michael Quicke Joint Chairman	Banking and investment management: Group Chief Executive, Leopold Joseph, Private Bankers.
Roger Sanders OBE Joint Chairman	Independent financial advice – employee benefits consultants: Principal, Roger Sanders Associates. Director of Rasmala Investments (UK) Ltd; Former member of the Board of the PIA. Deputy Chairman of the Association of Independent Financial Advisers.
Rod Ashley	Credit union: General Manager, Scotwest Credit Union. Awarded a Young Credit Union Professional scholarship in 2002 by the World Council of Credit Unions.
Stephen Atkins	Mortgage broker: Compliance Director, Mortgage Next; Director of The Association of Mortgage Intermediaries, a Divisional Board of AIFA.
Simon Bolam	General insurance intermediation: Principal, E.H. Ranson & Co; Chair of the General Insurance Standards Council (GISC) Smaller Practitioners' Committee and member of the Board of GISC; Chair of the Chartered Insurance Institute Audit Committee; Past President of the Chartered Insurance Institute (CII) and Past Chairman of British Insurance Brokers Association (BIBA).

Graham Doswell	<p>Insurance company:</p> <p>Managing Director, Ecclesiastical Insurance Group; member of the Board of the Association of British Insurers.</p>
Ruthven Gemmell	<p>Investment management and solicitors, accountants and actuaries:</p> <p>Partner, Murray Beith Murray WS. Member of The Council of the Law Society of Scotland and Chairman of its Investor Protection Committee; Member of the Financial Services Committee of the Law Society of England and Wales</p>
Philip Ireland	<p>Stockbroking and investment management:</p> <p>Director, TD Waterhouse Investor Services; Managing Director TD Waterhouse Bank NV</p>
Ian Jolliffe (until July 2003)	<p>Unit trust managers:</p> <p>Managing Director Exeter Fund Managers Limited. Member of the Board of IMA. Former Deputy Chairman of AUTIF</p>
Mark Rothery	<p>Friendly society:</p> <p>Chief Executive, Ancient Order of Foresters Friendly Society Limited; Member of the Board of the Association of Friendly Societies (AFS); Chairman of the Legislation sub-committee of the AFS.</p>
Chris Thompson	<p>Derivatives firm:</p> <p>Director, Berkeley Futures Limited</p>
Neville Thompson	<p>Building society:</p> <p>Chief Executive, Earl Shilton Building Society; Chairman of the Midlands & West Association of Building Societies; Director of the Financial Services National Training Organisation</p>
Gavin Tisshaw	<p>Independent financial advice – corporate and personal financial planning:</p> <p>Chairman, Executive Advisory Services Limited; Director and Past-President of the Life Insurance Association.</p>

Terms of reference for the Small Business Practitioner Panel

1. To consider from a small business perspective, and to advise the FSA, on the cost and practicability implications for small businesses of:
 - the overall impact of regulation and its potentially disproportionate impact on small businesses;
 - the implementation and development of the FSA Handbook of rules and guidance, and proposals for changes to rules and guidance;
 - proposals contained in FSA consultation and discussion papers;
 - the FSA's implementation and continuing development of its policy and procedures in the following areas
 - authorising firms and approving employees, including grandfathering provisions
 - supervision, and the effect of the implementation of the risk assessment framework and consequent move away from front line contact with small firms.
 - enforcement and disciplinary processes
 - the level of FSA fees and their distribution across types of firm and 'fee blocks', paying particular regard to the impact on small firms
 - training and competence requirements
 - cost-benefit analysis, research and performance measurement
 - the policies and procedures for handling consumer complaints (the Financial Ombudsman Service) and compensation (the Financial Services Compensation Scheme) and the FSA's input to developing strategy in these areas.
 - FSA's theme related work.
 - any other aspects of the FSA's operations and functions which are of particular significance to small businesses.

2. To advise the FSA on emerging regulatory, consumer protection, public awareness and industry structure issues which the Panel considers to be of special significance to small businesses.
3. To consider and make recommendations on any matters referred to the Panel by the FSA, or by the Practitioner Panel or Consumer Panel.
4. To report annually to the FSA Board on the work of the Panel, at the May Board meeting, and to present a written interim report in November.

Relationships with other bodies

1. The Chairmen of the SBPP to attend Practitioner Panel meetings as ex-officio members and to provide the Practitioner Panel with updates on issues specifically affecting small firms as appropriate.
2. The Panel to meet informally with the Consumer Panel to discuss issues of mutual interest at least once a year.
3. The Panel to meet with the Complaints Commissioner, Chairman of the RDC, representatives from FOS and FSCS as necessary to discuss relevant topics.
4. Members of the Panel will keep in regular contact with their relevant trade bodies.
5. Members will communicate to the Panel relevant issues of concern from their relevant trade or professional bodies and also raise issues of concern to smaller firms with their trade or professional bodies, having regard to the confidentiality of issues raised at Panel meetings.

Membership

- 1 Representatives to be drawn from small businesses from across the spectrum of activities regulated by the FSA.
- 2 FSA will appoint members and seek nominations for membership from any relevant trade and professional bodies.
- 3 The Chairman/Chairmen of the Panel to be selected from amongst its membership by FSA, subject to the Panel's agreement. The Chairman, or joint Chairmen, will normally serve a three year term, having been a member of the Panel for at least a year prior to appointment as Chairman.
- 4 All Panel members to serve for a three year term, which can be renewed with the support of the Chairman/Chairmen. Shorter terms may be agreed between FSA and individual Panel members as appropriate.

- 5 If Panel members wish to retire during their term, the relevant trade or professional body to be asked to put forward two names from whom a replacement can be selected by the Panel. The individual can then serve a full three-year term.
- 6 The Director of High Street Firms' Division at the FSA to attend meetings as a matter of course, together with other members of the FSA as appropriate for particular agenda items.
- 7 The Panel to be supported by a Secretariat, comprising the Secretary, a member of staff providing policy support and an administrator.

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