

## REGULATORY INTELLIGENCE

## MPs publish correspondence showing FCA supportive of formal power to redraw perimeter

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The Financial Conduct Authority (FCA) wants a formal power to request the UK government to move the regulatory perimeter, according to correspondence released by members of parliament.

The government refused to give the FCA a statutory right to request changes to the regulatory perimeter in its formal response to the Treasury Select Committee's report on policing the perimeter, last week.

"Disappointingly, yet perhaps unsurprisingly, the government rejected our recommendation, opting instead to keep the opaque system as it is. The independent FCA, on the other hand, shares our view, rather than the government's, that a more formal or structured approach would provide greater transparency to the process," said Catherine McKinnell (Lab) acting chair of the committee.

The committee was asked to release the regulator's response to its report by Jim Shannon (DUP) a member of the All-Party Parliamentary Group for Fair Business Banking (APPGFBB).

In it, Andrew Bailey, chief executive of the FCA, made clear he would welcome a "legislative opportunity" to bring transparency to the regulator's discussions about the perimeter with the Treasury.

"We share the committee's view that there could be a more structured and transparent approach for identifying and engaging with [HM Treasury] on perimeter changes. This could allow for a regular opportunity to consider what activities are covered by regulation, and enhance transparency surrounding changes to the FCA regulatory perimeter," Bailey said in his letter to the committee, dated October 14.

### Lack of protection for SMEs

Shannon's interest in the regulatory perimeter stems from longstanding discussions with Bailey about small-and-medium-sized businesses (SMEs), hundreds of whom have found themselves without protection because the loans they took out with their banks were unregulated.

As the FCA [report](#) into the Royal Bank of Scotland's Global Restructuring Group made clear, the regulator felt it had no power to hold the bank to account for mistreating its customers because the products involved were unregulated.

The FCA produced its first annual report on issues with the regulatory perimeter, in June, after the idea was first muted by John Mann (Lab) at a Treasury Committee hearing with Bailey in October 2017. The government does not however have to respond publicly to the report, which is why the committee has recommended giving the FCA a statutory power to request change. A statutory right to request compels a public response from government.

"My past experience of the [Financial Reporting Council] and some others reinforce that regulators should have a transparent means of conveying to the public where they think regulation needs to change. It is of course for lawmakers to change the law, but there should be transparency over what regulators believe needs changing," Shannon said in an emailed statement.

The APPGFBB supports giving the FCA formal powers to change the perimeter.

"If the FCA identifies that changes to the regulatory perimeter are required to protect consumers and SMEs, then they should be provided with a formal means of reporting this to the Treasury. The current opaque and inconsistent situation has led to confusion and detriment to business and consumers and Treasury must carefully reconsider the clear recommendations of the committee," Kevin Hollinrake, its chair, said in an emailed statement.

