

# THE FINANCIAL SERVICES PRACTITIONER PANEL

**PRESS RELEASE**  
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## **INDUSTRY REPORT ON THE FSA'S REGULATORY PERFORMANCE**

The Financial Services Practitioner Panel (the Panel) has today published the findings of its third survey of the FSA's regulatory performance. Over 3,000 firms responded to the survey, which aims to gauge the industry's view of its regulator. The report looks at how these views have changed in the two years since the last survey was conducted in 2002.

Jonathan Bloomer, Chairman of the Panel, said: "The survey raises a number of issues regarding the industry's perception of its regulator. While some encouraging signs emerged from its findings, there is clearly still much room for improvement. The Panel has identified a number of priorities and the FSA must now reflect on these and decide how it is going to work with the industry to address them.

"The Panel welcomes the improvements the FSA has made in recent times, including the reduction in the number of Consultation Papers issued during 2004 and the work it has done, and continues to do, to make the Handbook easier to use. We also welcome the greater reliance on market-led solutions, a more careful and pragmatic approach to the application of EU directives and the work to enhance the overall capability and approach of FSA staff. We are pleased that the FSA has agreed to work with the Practitioner Panel to commission an independent piece of work on the costs of compliance."

Key findings include:

### **Attitudes to regulation**

The industry recognises the benefits of strong regulation and is keen to work together with the FSA, seeing the move to an integrated, single regulator as a positive step. However, it believes that the current regulatory system places too great a burden on firms, is harmful to the development of new products and services and is therefore working to the detriment of consumers. Smaller firms in particular feel that the regulator gives little consideration to the impact of policy development and regulation on their businesses.

### **Cost of compliance**

The cost of compliance is seen as possibly the single largest issue. Generally, firms complain about the level of investment required to ensure they are compliant and are concerned that these costs are likely to increase still further in the future. Unsurprisingly, this is particularly keenly felt by smaller firms. It is also felt that these costs will result in reduced consumer choice and have a negative impact on the UK's international competitiveness.

## **Performance against objectives**

The industry is supportive of the FSA's efforts to reduce financial crime and to secure the right degree of protection for consumers, but feels that the FSA has become too focused on consumer protection, to the detriment of its other objectives. It also feels that the FSA is doing less to meet its objectives of maintaining confidence in and promoting understanding of the UK financial system.

## **New FSA structure**

There is broad support for placing emphasis on the implementation of policy rather than on the development of new policies. However, while credit is given to the FSA for trying to improve its understanding of the businesses it regulates, there is still concern regarding the consistency of its approach in this regard. In addition, there is considerable frustration with what firms perceive to be the varying standard of the FSA's staff, particularly in relation to supervision and the provision of guidance. The FSA's Handbook, while improved in the last year, is still considered unclear and difficult to use.

## **International issues**

There is widespread feeling that the FSA does not give sufficient priority to international issues and, as a consequence, does not take a lead on matters concerning international regulation but rather responds to them. Its implementation of EU directives is often seen as over-zealous.

## **Improvement in relationship with FSA**

Overall satisfaction with the FSA had increased slightly over the last two years, with 22 pc of firms agreeing that their relationship had improved, while only 8 pc thought it had deteriorated. However, any actions that the FSA takes to improve its relationship with firms may well struggle to have a significant impact on overall satisfaction while the majority of practitioners expect compliance costs to rise inexorably.

## **NOTES FOR EDITORS**

1. The survey was commissioned by the Practitioner Panel and carried out by NOP Financial between June and September 2004. A total of 6,507 firms were selected to take part from across the industry, of which 3,117 responded to the survey – a response rate of 48 pc.
2. The Practitioner Panel was established in November 1998, comprising senior figures from a cross-section of the financial services industry, to provide a high-level body available for consultation on policy by the FSA and able to communicate to the FSA views and concerns of the regulated industries. It has a statutory basis under Section 9 of the Financial Services and Markets Act 2000. Further information on the role and work of the Panel, and details of its members, is available on its website: [www.fs-pp.org.uk](http://www.fs-pp.org.uk).
3. The members of the Panel are: Jonathan Bloomer, Group Chief Executive, Prudential plc (Chairman); Roy Leighton, UK Chairman, CALYON (Deputy Chairman); Alan

Ainsworth, Deputy Chairman, Threadneedle Asset Management Ltd.; Luqman Arnold, Abbey National plc; Matthew Bullock, Group Chief Executive, Norwich and Peterborough Building Society; Clara Furse, Chief Executive, London Stock Exchange; Douglas Gardner, Chief Executive, AWD plc; Ruthven Gemmill, Partner, Murray Beith Murray (Chairman of the Small Business Practitioner Panel); David Hardy, Chief Executive, London Clearing House; Nick Prettejohn, Chief Executive, Lloyd's of London; David Verey, Chairman, Blackstone Group, UK; Alan Yarrow, Vice Chairman, Dresdner Kleinwort Wasserstein; Andrew Ross, Chief Executive, Cazenove Fund Management; Russell Collins, Head of Deloitte UK National Financial Services Practice.

4. A full copy of the survey report can be downloaded from the Panel's website – [www.fs-pp.org.uk](http://www.fs-pp.org.uk). A copy of the Executive Summary is appended to this release.

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