

UK Financial Services and Markets Bill: Another brick in the (Brexit) wall?

Hey You. Not in an *Ibiza bar* or tanning yourself in *San Tropez* yet? Me neither, so no *wish you were here* from me (yet). Given it's parliamentary recess and if, like me, you are *biding your time* but feeling *comfortably numb* by the *brain damage* that is the Conservative party leadership contest, here's a light-hearted analysis of the recently published [Financial Services and Markets Bill](#) with a Pink Floyd twist.

Her Majesty's Government (HMG) introduced the Bill to the UK Parliament on 20 July. *So Wot's...Uh the deal?* Well, a cornerstone of the Bill, according to UK officials, is a desire in maintaining and enhancing high regulatory standards. With this Bill, HMG has *high hopes* for the UK to *eclipse* its rivals and retain its role as a leading global financial centre, believing stability and soundness is central to this.

The Bill enacts the UK's '[Future Regulatory Framework Review](#)', repealing retained EU law on financial services and replacing it with an approach to regulation bespoke for the UK. In one sense, this marks *another brick in the wall* for Brexit and with it, there is no *coming back to life*, no *take it back* to a time as it was *when you're in* the EU. In fact, the approach HMG is proposing more closely resembles the US rule-making process, where agencies have sweeping power to regulate in a more bottom-up way, rather than the EU's more centralised, political, top-down process.

The Bill largely delegates setting regulatory standards to experts and independent regulators, providing flexibility to respond to changing market conditions and emerging risks. It also includes oversight by Parliament and HMG and strengthens the regulators' engagement with industry stakeholders, a welcome nod to the importance that we all *keep talking*. Industry largely supports the proposed delegation however there remain fears that accountability and oversight may be too weak, limiting legislator's democratic scrutiny over unelected officials (and industry opportunities to lobby).

From an international perspective, the Bill introduces new secondary statutory objectives for the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) to provide for attention to growth and international competitiveness. This objective is subject to alignment with international standards: to avoid divergent *us and them* outcomes. The Bill also enables implementation of mutual recognition agreements, which *echoes* the UK-Switzerland MRA currently under negotiation. UK headquartered banks will welcome this additional statutory requirement, even if they remain queasy that the PRA will take a more conservative stance when implementing international prudential rules (Basel 3.1) than in the more politicised [EU banking package](#).

In substance the Bill covers several broad FS policy areas including:

Capital Markets - Some of the outcomes of the [Wholesale Market Review](#) will be implemented via the Bill whilst others, such as the UK's prospectus regime proposed via the [UK's Listing Review](#), will, with *time*, be able to be adopted via the future regulatory framework process described above.

Financial market infrastructure and insurance – the Bill gives regulators greater powers to manage financial distress in insurers and central counterparties, designed to avoid *run like hell* outcomes. It remains to be seen what impact diverging UK/EU regulatory regimes would have when it comes to the thorny political area of clearing and settlement once [equivalence of UK CCPs under the EU's EMIR regime](#) expires in 2025.

Crypto – After the *sorrow* caused by recent market turmoil, which left many *lost for words*, the Bill brings stablecoins used as payments into the regulatory perimeter and establishes a regulatory sandbox for financial market infrastructure. This will enable *fearless* firms to experiment with DLT technology. Again, quite how the UK's future regime will converge/diverge from the [EU's DLT pilot regime](#) as well as [recently agreed MiCA Regulation](#) remains to be seen.

Financial inclusions and consumer protection - The Bill protects access to cash via *in the flesh* withdrawal and deposit facilities, ensuring vulnerable people can get their *money*. Financial promotion will be strengthened – *it's never too late* - and the Bill empowers Payment Systems Regulator to reimburse victims of push payment fraud.

In terms of next steps, given *nobody is home*, second reading will take place after MPs return from their *marooned* summer recess. A tentative timetable for *the final cut* of the Bill (Royal Assent) is April-May next year. The repeal of retained EU law will not take effect automatically, HMT will decide via secondary legislation, in conjunction with regulators, to make appropriate rules in the same place. This process is expected to take several years to be fully operational.

Right, I know you are saying *don't leave me* now but enough of the *ebb and flow* of financial services regulation. It's time for me to *breathe* before going into *interstellar overdrive* and packing the family suitcases *on the run*. I'm off to find the *fat old sun* and *have a cigar*. Bonnes vacances!