



All Party Parliamentary Group on

Insurance &

Financial Services

News Bulletin

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Immediate focus is on the regulatory shake-up

THE PROPOSED SHAKE-UP of the UK's financial services regulatory system is going to be the key focus for the group either side of the summer recess.

Having heard from the British Insurance Brokers' Association and the British Bankers Association at its initial meeting, last week the group met the Association of British Insurers and the IFS School of Finance to hear their views on the future of regulation.

The ABI said that one of the key challenges for the new regime, especially the Bank of England, would be to develop systems of macro and micro supervision that "link prudential concerns with the potential impact of systemic risks without adding layers of regulation". It highlighted the need for clarity in the roles of the different elements in the system with the regulation of markets lying with the Consumer Protection and Markets Agency while systemic risk is passed to the Bank of England: "We need to be aware that the way markets operate can

sometimes have a systemic effect and be clear on how the responsibility for that will be managed".

Of specific concern to the insurance industry as the roles of the new bodies are fleshed out will be the need for collective redress (for instance as with payment protection insurance) to be dealt with by the regulator and not passed to the Financial Ombudsman Service which should focus on individual redress. This was in danger of creating significant costs burdens for the industry if the current trend is continued in the new regime, argued the ABI.

The Retail Distribution Review was the focus of the IFS School of Finance's submission. While broadly supportive of the RDR, it highlighted some serious concerns with the proposal which, it warned, would turn professional bodies into "pseudo-regulators", in turn overseen by the FSA.

Next week the group will be meeting the Financial Services Authority.

Jonathan Evans meets the Incisive Media editors

JONATHAN EVANS, the recently elected chairman of the group, held a round table discussion with a team of editors from Incisive Media's key financial titles, including *Post*, *Insurance Age*, *Professional Broking*, *Risk*, and *IFAOnline*.

The discussion ranged across the key issues facing the financial services sector with regulatory reform to the fore. He stressed the need for the UK to engage with the international debate on regulatory reform while it restructures its own system: "We will see significantly more European activity in the financial market post-crisis. It will be a much more activist regime".

He welcomed the reforms that have been outlined by the coalition government: "There was a lack of clarity in the



Evans sets out the group's view on key issues while David Worsfold looks on

tripartite structure and this was a key cause of the failure to identify systemic risk adequately". He didn't condemn the whole system, however: "Most in Parliament think that the continuity offered by Hector Sants is beneficial", he said.

Officer line-up is completed as new members join the group

THE LINE-UP of officers for the new Parliament was completed when Lord (David) Lipsey was elected as one of the group's joint honorary secretaries.

With Baroness (Muriel) Turner standing down as a deputy chairman of the group having served in that role since its inception in 1991, it was felt important to have a Labour peer among the officers. Lord Lipsey is a former journalist and served as a member of the Royal Commission on Long Term Care as well as chairing the Financial Services Consumer Panel.

Among the recent recruits to the group are the Liberal Democrats' business spokesman John Thurso (Caithness, Sutherland and Easter Ross), who is also a member of the Treasury Select Committee, and new Conservative MPs Andrea Leadsom (South Northamptonshire) and Heather Wheeler (Derbyshire South). Both have experience in the financial services sector and Mrs Wheeler qualified as an ACII.

Chairman: Jonathan Evans MP

Deputy Chairmen: Andy Love MP, Lord Hunt of Wirral, Lord Newby

Hon Secs: Tracey Crouch MP, Lord Lipsey

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