

**Is it possible to serve more than one master:  
regulatory issues when there are multiple  
supervisory mechanisms**

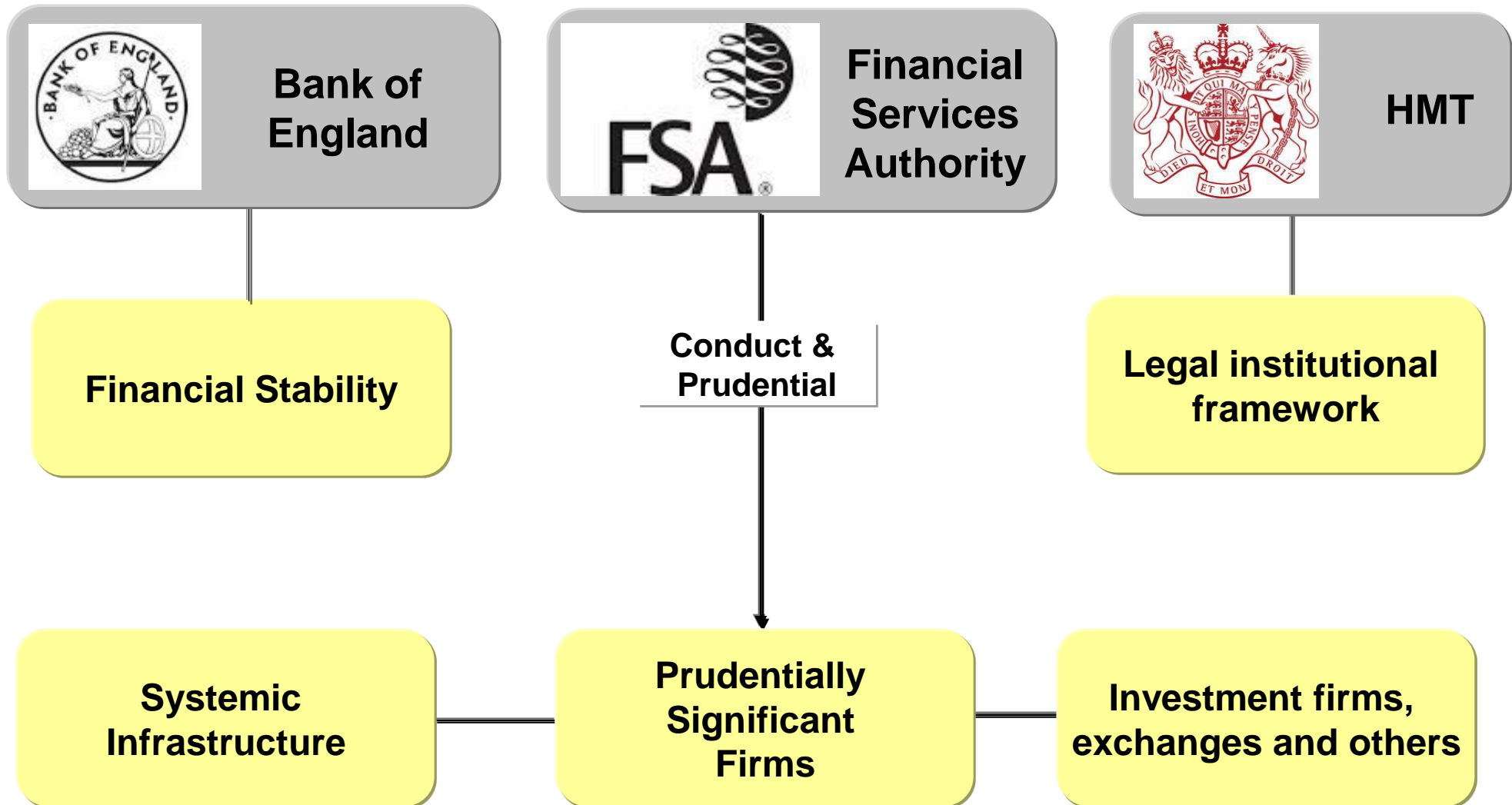
**The new financial regulation landscape**

**Stephen Smith**

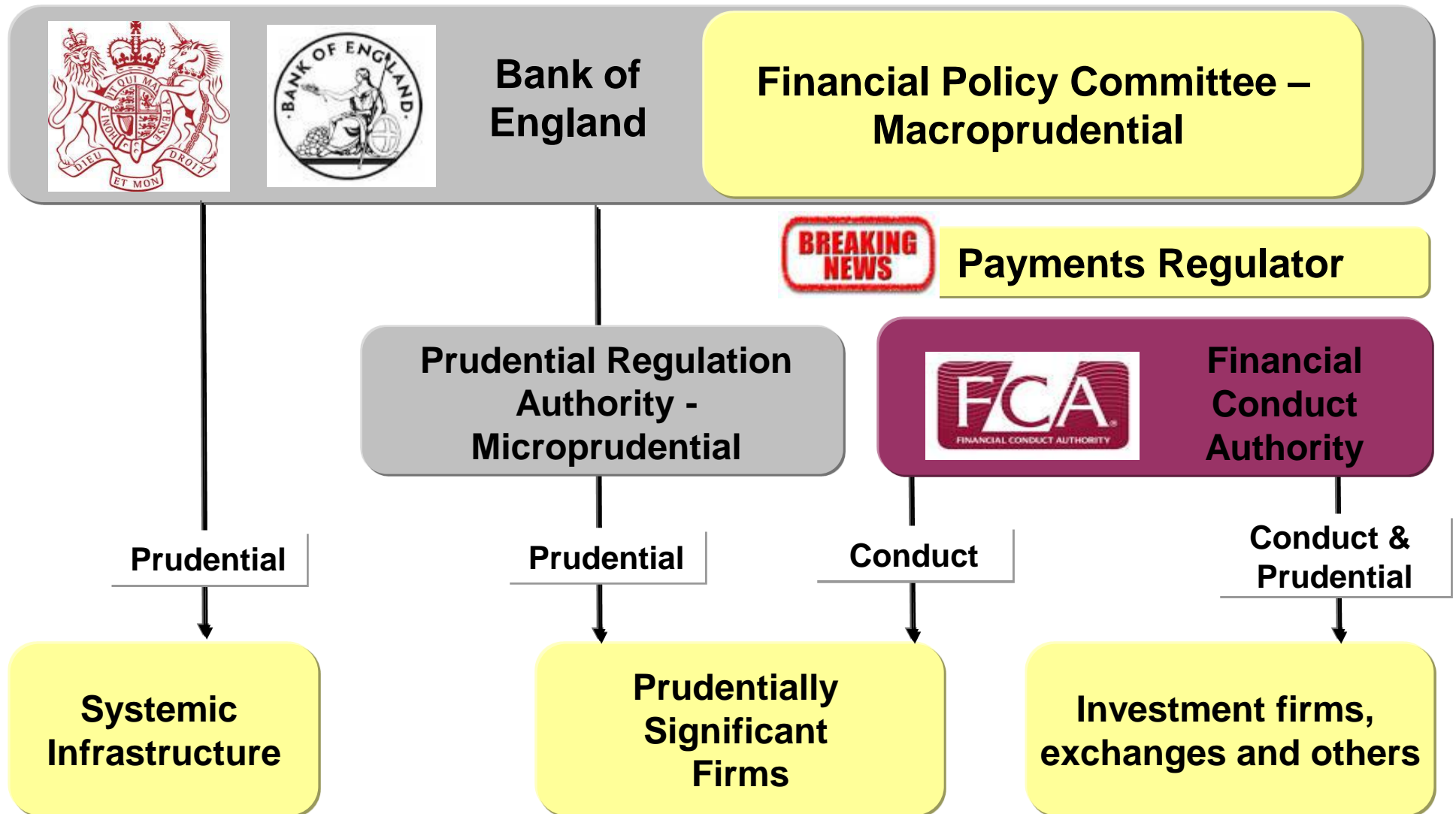
*Director, Retail Competition and Regulatory Strategy  
Lloyds Banking Group*

*Council Member, Regulatory Policy Institute*

# The Tripartite System – ‘Out with the old’



# The new regulatory architecture – ‘in with the new’



# FCA 's powers against firms and individuals are stronger than those of any other sector regulator



**Financial  
Conduct  
Authority**

**Approved  
Persons**

**Rulebooks**

**License  
firms**



**Competition and Conduct  
Regulator**

**Market  
Investigation**

**Rule  
Writing**

**Firm specific  
supervision**

**Price  
Capping**

**Redress  
Schemes**

**Product  
Intervention**

**Financial  
penalties**

**Materially different appeal mechanism to other regulators – Upper Tribunal  
No concurrent Competition Act/Enterprise Act powers – referral to OFT**

# A powerful new conduct regulator with strong competition objective – but not an economic regulator?



**Financial  
Conduct  
Authority**

**New  
Payments  
Regulator**

**Protect  
Consumers**

**Ensure system  
works for  
benefit of  
end users?**

**Maintain competitive  
markets and promote  
effective competition**

**Enhance integrity of  
the  
financial system**

**Promote new/existing  
payments systems,  
facilitate  
competition?**

**Ensure stable  
reliable and efficient  
payment system?**

**FCA is not an economic regulator: no competition powers/appeal to CC/CAT  
Payments regulator is so concurrent powers and appeal to CC/CAT**

# Tensions in the FCA's objectives and approach?

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## Competition

Low barriers to entry

Innovation

Trialling of products

Trialling of Business models?

v

## Supervision/Conduct

Business model review

Strategy Supervision

Rule Writing

Product Intervention

Access

Exit of firms, failures normal and necessary in competitive markets

# But who really regulates, who sets the rules and who makes the big decisions?

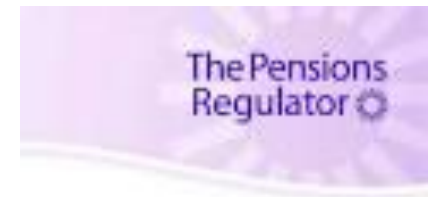
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**Payments  
Regulator**

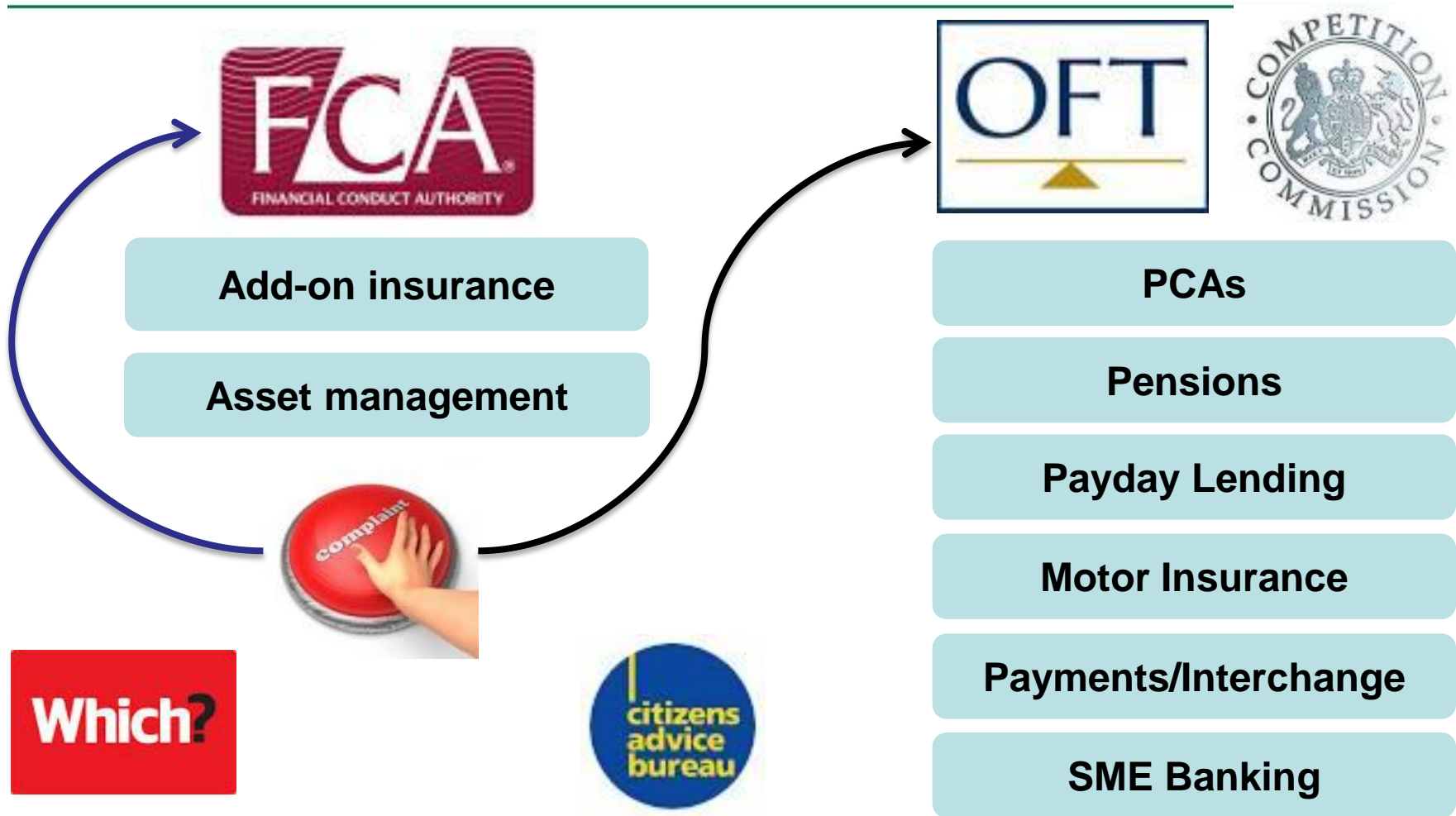


**Financial  
Conduct  
Authority**



**And who ensures consistency?**

# Who really leads on competition?



**CMA retains merger, market reference and Competition Act powers and consumer groups can make super complaints to the FCA and the OFT...**



# Why is FS different to other sectors demanding more powers (but not concurrency) and different appeal mechanisms?



**Price controls**



**Individuals**



**Firm specific supervision**



**Redress schemes**



**Financial penalties**



**Rule writing**



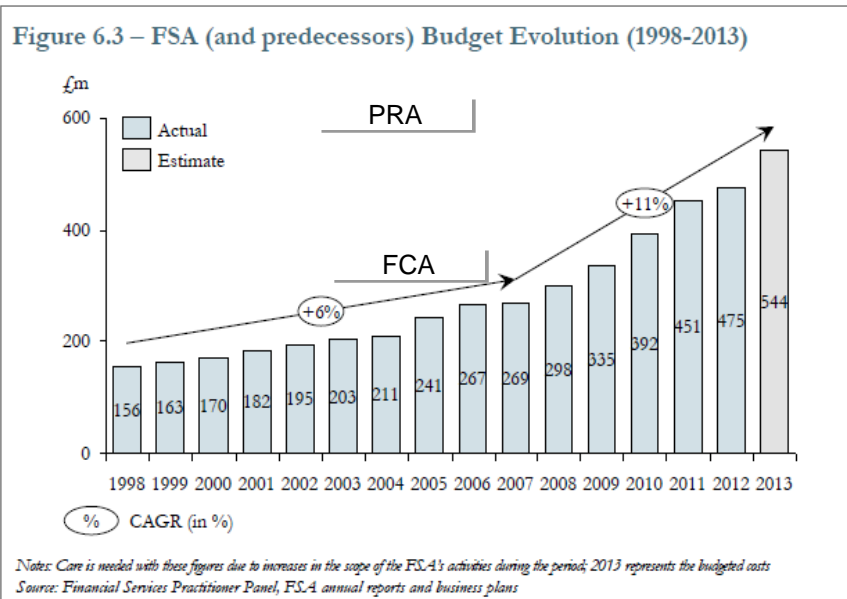
**Direct product intervention**



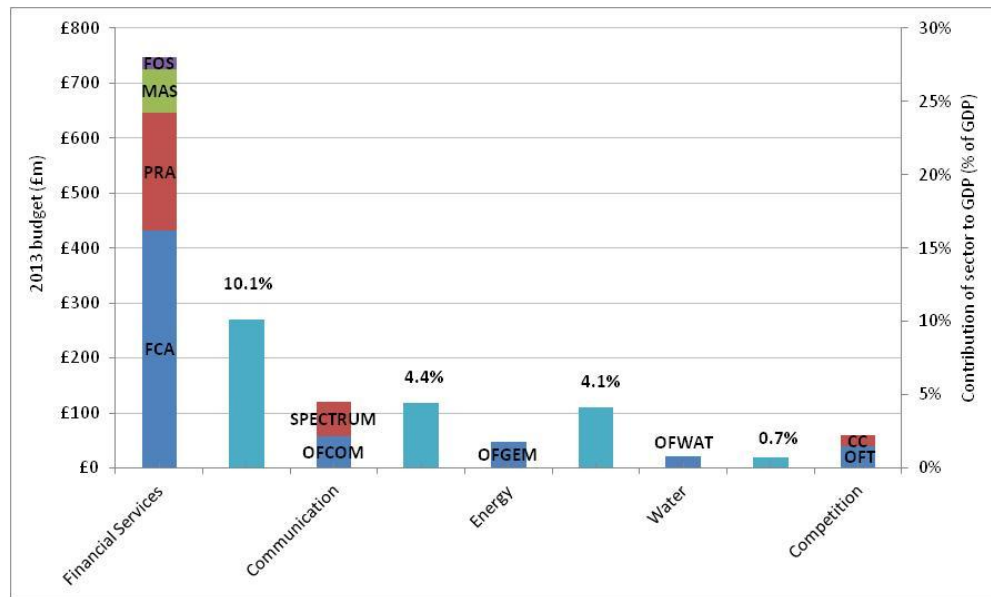
COMPETITION APPEAL TRIBUNAL



# Are public policy objectives/regulation proportionate? – The absolute and relative cost of financial services regulation

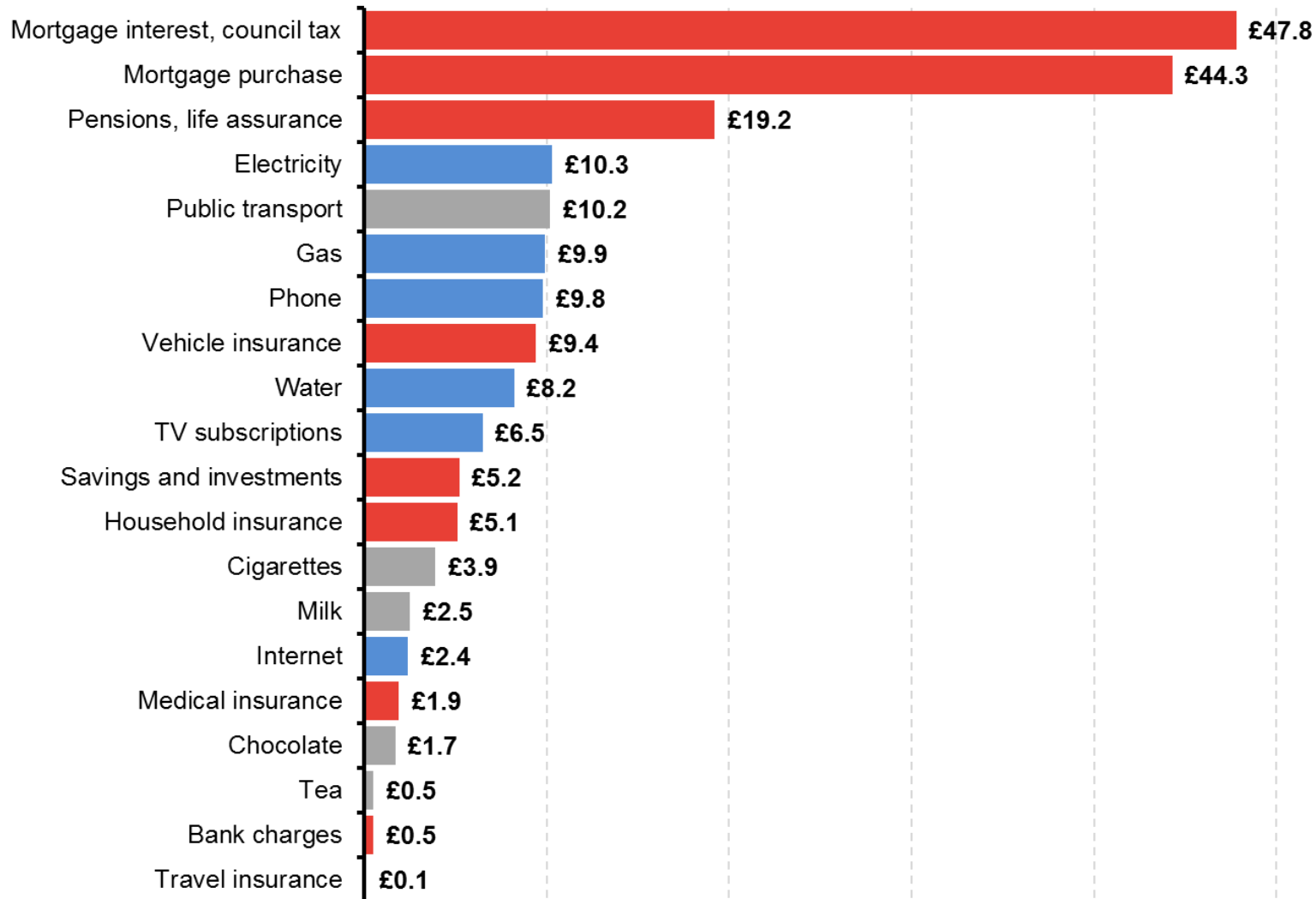


Source: Salz Review



Direct regulatory costs v sector size

# Are public policy objectives/regulation proportionate – the customer lens?



Source: ONS, Family Spending 2012, Table A11

# Conclusions

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- ❑ **The new regime has some in-built tensions**
- ❑ **FCA – an economic regulator in all but name?**
- ❑ **FCA has much stronger powers than sector regulators...**
- ❑ **...apart from competition (where it has one of the strongest duties)**
- ❑ **so multiple regulators (CMA, FCA, Payments, Pensions, FOS) with overlapping duties/remits**
- **Financial services is a special case in the eyes of policy makers:**
  - **is it for consumers?**
  - **is this necessary and/or proportionate?**