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Public Bill Committee

FINANCIAL SERVICES AND MARKETS BILL

Fifth Sitting

Thursday 27 October 2022

(Morning)

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not later than

Monday 31 October 2022

The Committee consisted of the following Members:

Chairs: Mr Virendra Sharma, † Dame Maria Miller

† Bacon, Gareth *(Orpington)* (Con)
Bailey, Shaun *(West Bromwich West)* (Con)
† Davies, Gareth *(Grantham and Stamford)* (Con)
† Davies, Dr James *(Vale of Clwyd)* (Con)
Docherty-Hughes, Martin *(West Dunbartonshire)* (SNP)
† Eagle, Dame Angela *(Wallasey)* (Lab)
Grant, Peter *(Glenrothes)* (SNP)
† Griffith, Andrew *(Arundel and South Downs)* (Con)
† Hammond, Stephen *(Wimbledon)* (Con)
† Hardy, Emma *(Kingston upon Hull West and Hessle)* (Lab)
† Hart, Sally-Ann *(Hastings and Rye)* (Con)
† McDonagh, Siobhain *(Mitcham and Morden)* (Lab)
† Mak, Alan *(Havant)* (Con)
† Morrissey, Joy *(Beaconsfield)* (Con)
† Siddiq, Tulip *(Hampstead and Kilburn)* (Lab)
† Tracey, Craig *(North Warwickshire)* (Con)
† Twist, Liz *(Blaydon)* (Lab)

Bradley Albrow, Simon Armitage, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 27 October 2022

(Morning)

[Dame Maria Miller *in the Chair*]

Financial Services and Markets Bill

Clause 21

Digital settlement assets

Question proposed, That the clause stand part of the Bill.

11.30 am

The Chair: With this it will be convenient to discuss the following:

That schedule 6 be the Sixth schedule to the Bill.

Clause 22 stand part.

The Financial Secretary to the Treasury (Andrew Griffith): Good morning, Dame Maria. It is a pleasure to serve under your chairmanship once again. I thank all hon. Members who are with us again today.

The Government believe that certain cryptoassets and distributed ledger technology could drive transformational changes in financial markets, offering consumers new ways to transact and invest, and that such technology could pose risks to consumers and financial stability. The Bill therefore allows the Government to bring digital settlement assets inside the regulatory perimeter.

In the first instance, the Government are focusing on fiat currency-backed stablecoins used primarily for payment. These are a type of digital settlement asset that could develop into a widespread means of payment and potentially deliver efficiencies in payments. Clause 21 extends the scope of payment systems legislation so that digital settlement asset payment systems and service providers are subject to regulation by the Bank of England and the Payment Systems Regulator.

Today, the Bank of England regulates systemic payment systems and service providers to those systems, where the Treasury makes an order recognising a particular payment system. That is subject to a high bar. Among other criteria, the Treasury must be satisfied that a system's potential failure may cause disruption to the stability of the financial system.

Clause 21 also extends the scope of the Financial Services (Banking Reform) Act 2013 to ensure that relevant digital settlement asset payment systems are subject to regulation by the Payment Systems Regulator. That will help to protect user interests, promote competition and encourage innovation.

The changes made by clause 21 and schedule 6 will ensure that digital settlement asset payment systems and service providers are regulated to the same high standards as traditional payment systems.

Clause 22 allows the Government to bring digital settlement assets into the UK regulatory perimeter where they are used for payments. Secondary legislation under this clause could give the regulators powers over payment systems and service providers in order to mitigate conduct, prudential and market integrity risks. It could also allow the regulators to place requirements on firms in relation to appropriate backing assets and capital requirements to manage potential stability risks.

Given the nascent and rapidly evolving nature of the cryptoasset market, these provisions give the Treasury powers to amend the definition of "digital settlement asset" through secondary legislation. That is necessary to ensure that regulation can keep pace with the fast-moving nature of the market. The affirmative procedure will apply to any statutory instrument that seeks to amend the definition.

Clause 22 will also allow the Government to apply existing administration or insolvency regimes to digital settlement asset systemic payment systems and service providers to manage potential failures. The clause therefore provides the Government with the necessary powers to ensure that our legislative approach to digital settlement assets is flexible and responsive, and fosters competition and innovation in this fast-evolving sector. I recommend that the clauses and schedule stand part of the Bill.

Tulip Siddiq (Hampstead and Kilburn) (Lab): It is a pleasure to see the Minister still in his place. I speak to clauses 21 and 22 and schedule 6 together.

Properly regulated innovations that have emerged in the crypto space, such as distributed ledger technology, have the potential to transform our economy and the financial services sector. As the Minister will know, many innovative companies are embracing different forms of blockchain to improve transparency in finance and create high-skilled, high-productivity jobs across the UK. However, I draw his attention to the recent collapse in the value of cryptoassets, including several stablecoins, which has put millions of pounds of UK consumer savings at risk. I am sure he is aware that the crypto trading platform Gemini estimated that as many as one in five people in the UK could have lost money in the crash. Do the Government agree with Gemini's estimate? If so, does the Minister agree that the recent crisis in crypto markets demonstrates that so-called stablecoins are not necessarily stable, and that their instability can pose a significant risk to the public? How did the recent collapse in the value of cryptocurrencies inform the Treasury's approach to clauses 21 and 22?

The Opposition have yet to be convinced that Ministers have acknowledged the scale of the threat that cryptoassets can pose to consumers and our constituents. In our Public Bill Committee evidence session, Adam Jackson of Innovate Finance, which is the trade body for UK fintech businesses, pointed out that the Bill has failed to set out how regulated stablecoins will interact with a future central bank digital currency. Can the Minister shed some light on that interaction? I also hope he can explain why the Government have opted to bring only stablecoins within the regulation. I am sure he is aware that the EU has just agreed to a comprehensive regime for regulating crypto exchanges and cryptoassets more broadly, and Joe Biden has said that he is looking to do something similar, but the UK will not even be consulting on a comprehensive regime until later this year. Does the Minister agree that this risks leaving our country behind in the fintech and blockchain race?

Even more importantly, does the Minister agree that in the absence of a comprehensive regulatory regime, the UK risks becoming a centre for illicit finance and crypto activity? I looked at the analysis from Chainalysis—a global leader in blockchain research—which pointed out that cryptocurrency-based crime, such as terrorist financing, money laundering, fraud and scams, hit an all-time high in 2021, with illicit finance in the UK estimated to be worth more than £500 million. In the absence of a comprehensive regulatory regime, how do the Government think they are going to protect our consumers from such threats?

Will the Minister shed a bit more light on his strategy? Does he believe that the definition of "digital settlement assets" in clauses 21 and 22 is broad enough for regulations on a wide range of cryptocurrencies, other cryptoassets and crypto exchanges? Finally, on pacing this work, I want to know his intention. How long will the public and the fintech sector have to wait until the regulators are given the power that they need to regulate the types of cryptoassets that I have referred to?

Andrew Griffith: I thank the hon. Lady for her comments. In truth, I agree with the assessment that she has set out. The approach taken in the Bill is to start with stablecoins and those that are most likely to be used as a means of settlement. That is what the Government are taking powers for in the Bill. As she says, we have committed to come back and consult on the issue before the end of the year. The nights are getting darker, so she will not have long to wait.

I am mindful of the opportunities and threats that the hon. Lady set out well when citing the evidence that the Committee heard, and it is my intention that the Government now move at a greater pace than is currently provided for in the Bill, which has been in gestation for some time. We will come forward with the consultation, which will happen before Parliament rises for Christmas. It will be a really good opportunity for us to continue to discuss how we can address some of the issues.

The reason we have started with stablecoins is that there are challenges in bringing them into regulation for the first time. The hon. Lady would not want us to rush, because by bringing them into the regulatory perimeter, we confer a status on them that may lead to some of the consumer harms she mentioned. The Government's position is to start with the most stable, least volatile coins, which are likely to be used by intermediaries as settlement currencies, and then to go forward and consult from there.

I think I have addressed most of the hon. Lady's comments. I do not disagree with her about the scale of the threat. There are other measures, including those that regulate the online promotion of cryptoassets, that will help to protect consumers who suffer harm.

Dame Angela Eagle (Wallasey) (Lab): Will the Minister give us a little more flavour on how he sees the evolution of this area? Does the clause give him enough powers to go with that evolution, or will we need to legislate again as the landscape changes? It is clear that we have to avoid the potential harm of allowing consumers to think that all digital coins are somehow the same. We know what Bitcoin is, and do not need to spend much time talking about it. We would not want to give people the impression that it is safe to indulge in investing in it.

At the same time, both sides of the Committee realise that digital payment systems and coins are a huge and rapidly developing area that national Governments must get a grip on. That is why we all welcome the fact that the Bank of England is looking at launching its own non-fungible token, or whatever we want to call it. We have to keep a very close eye and watch this space to see how it evolves. Will the Minister give us an impression of whether the clause is evolutionary enough for his purposes in that rapidly changing environment? Might he want to change it through some later piece of legislation?

Finally, we all know how much energy is used in the creation of Bitcoin. I confess myself ignorant about whether the creation of other non-fungible tokens is as energy intensive as the creation of Bitcoin. Perhaps the Minister can enlighten us. There is a green side to the issue as well.

Emma Hardy (Kingston upon Hull West and Hessle) (Lab): My point is further to those made by my hon. Friends the Members for Hampstead and Kilburn, and for Wallasey. My hon. Friend the Member for Wallasey asked whether the definition was evolutionary enough, and I want to pin down the Minister's response. Does he believe that the definition of "digital settlement assets" is broad enough to allow for regulation to cover the wide range of cryptocurrency, other cryptoassets and exchanges?

Andrew Griffith: I thank hon. Members for their contributions. As currently envisaged, the definition successfully encompasses what it intends to today. The definition starts with the most safe, least volatile domain, which is the use of digital settlement assets. The Bill confers secondary powers, which are subject to the affirmative procedure, that allow the definition to change elastically over time. It is right that Parliament should have the opportunity to look at such changes. That achieves the balance that Members on both sides of the Committee seek. It does not rush headlong to confer legitimacy.

The hon. Member for Wallasey rightly raised the point about the energy used. The truth is that we do not know, but we all suspect that the activity is highly energy intensive. Partly due to the lack of regulation, there is no real data other than anecdotes that one hears that suggest the process is very intensive—even getting into whole percentages of world energy consumption, according to some anecdotes. That is the process of mining that things like Bitcoin and Ethereum are associated with.

11.45 am

A stablecoin issued by a central bank or another asset-backed vehicle would not necessarily have the attribute of mining, but I think both sides of the Committee should approach the issue with humility, because we are at the start of a potentially profound journey of change. On both sides, we wish tentatively to seize those opportunities and not, as the hon. Member for Hampstead and Kilburn said, fall behind the markets, but also to proceed cautiously. I think the clause and this aspect of the Bill achieve that purpose.

Tulip Siddiq: The Minister has talked about regulated stablecoins, but I did not get an answer to my question about how they will interact with the central bank digital currency that we know is very much on the horizon. Have the Government thought about that?

Andrew Griffith: Stablecoins and central bank currencies are both new forms of money. They differ in the issuer: a central bank versus a private issuer. It is likely that a central bank digital currency would simply exist and be regulated alongside that. This is an area where the Government's thinking continues to evolve. It is something that we will do in conjunction with the Bank of England, and therefore the hon. Lady will appreciate that I would not make commitments unilaterally, but we have committed to publishing a consultation later this year. The Government's stance can fairly be described as forward leaning in this space, but there is more work to do. It is not a trivial exercise to create a new central bank digital currency. My own hope is that it is a "when", not an "if", but the hon. Lady will indulge me if I say, "Let's wait for the joint Government and Bank of England consultation," which she will not have to wait that many weeks for.

Question put and agreed to.

Clause 21 accordingly ordered to stand part of the Bill.

Schedule 6 agreed to.

Clause 22 ordered to stand part of the Bill.

Clause 23

Implementation of mutual recognition agreements

Question proposed, That the clause stand part of the Bill.

Andrew Griffith: Having left the EU, we have a unique opportunity to take the approach to the UK regulatory framework that most suits our markets. The Financial Services and Markets Bill is delivering on that and will support efforts to build on our historic strengths as a global financial centre. That includes developing our relationships with jurisdictions around the world, attracting investment and increasing opportunities for cross-border trade.

Mutual recognition agreements are one of the tools that the Treasury has to support the openness of the UK's international financial services, alongside free trade agreements, financial dialogues and equivalence regimes. MRAs are international agreements that provide for recognition that the UK and another country have equivalent laws and practices in relation to particular areas of financial services and markets regulation. They are designed to reduce barriers to trade and market access between the UK and other countries. The UK is currently negotiating its first financial services mutual recognition agreement, with Switzerland.

Giving effect to MRAs, including the agreement being negotiated with Switzerland, is likely to require amendments to domestic regulation. Clause 23 therefore enables changes to be made through secondary legislation to give effect to that agreement and future financial services MRAs. That secondary legislation will be subject to the affirmative procedure, to ensure parliamentary scrutiny of the proposed changes. That will be in addition to the parliamentary scrutiny of the mutual recognition agreement that Members will be familiar with under the Constitutional Reform and Governance Act 2010, known as CRaG. Parliament will, therefore—I am anticipating questions that hon. Members may raise—be able to scrutinise MRAs in the usual way before this power is used to implement the ratified agreements.

Clause 23 can be used only to implement MRAs relating to financial services, not to make broader changes to legislation or to implement any other form of international agreement. Each financial services MRA will be different, but it is anticipated that clause 23 will allow the Treasury to confer the necessary powers or impose duties on the financial services regulators to give effect to the MRA. That could include a duty to make rules on a particular matter—for example, rules governing cross-border provision of particular financial services by overseas firms.

The clause requires the Treasury to consult the relevant regulator before imposing any duties. In financial services regulation, market access between the UK and other jurisdictions is generally delivered through the UK's equivalence framework for financial services, and the mechanisms under that framework are primarily found in retained EU law and based on the EU model of equivalence. The MRAs negotiated by the Government may in some cases go further than, or simply function differently from, those equivalent mechanisms. The clause therefore includes the power to modify the application of existing equivalence mechanisms, or to create new mechanisms to reflect what has been agreed in the relevant MRA.

Together, those provisions ensure that the UK can negotiate and deliver ambitious MRAs and implement the agreements in a timely manner that maintains the UK's credibility in negotiating future MRAs. I therefore recommend that the clause stand part of the Bill.

Tulip Siddiq: We support clause 23, but how does the Minister think it will help the UK to secure international trade agreements that are favourable to the UK's financial services sector? I ask because the Government have made very little progress on securing trade deals for the City, including with the EU, which remains, as I am sure he will agree, one of our most important export markets.

We completely recognise that regulatory divergence with the EU on areas such as fintech and Solvency II will help boost our competitiveness on the world stage. However, we cannot ignore the fact that Europe will always remain an important market for our financial services sector. Last year, exports of financial services to the EU were worth more than £20 billion—I am sure that the Minister knows that—which was 33% of all UK financial services exports. I have been speaking to the sector and it is disappointed that the Government have so far failed to finalise a memorandum of understanding on regulatory corporation, or to negotiate mutual recognition with the EU of professional qualifications for our service sectors. I want to hear more about that from the Minister.

Since 2018, the value of UK financial services exports to the EU has fallen by 19% in cash terms, and very little progress has been made in securing trade deals around the world for our financial services. Will the Minister tell us how the clause will help secure important agreements with the EU? I also want to hear more from him about how he hopes it will turn around the Government's record on boosting financial services exports.

Dame Angela Eagle: I want to focus on parliamentary scrutiny of these changes. They are quite technical, but they could be very important, including for consumers.

If we do not get them right, they could have unintended consequences for financial stability and so on, because of the range of agreements under discussion. One assumes that those negotiating the agreements have a reasonable model of what they want to achieve, but that will also be the case for those with whom we are negotiating. The context is about gaining an advantage in the international competition for financial services. Indeed, both Front Benchers have hinted at that. If we are looking for a competitive advantage and growth, that kind of struggle for an advantage has obvious implications.

Until we left the EU, much of the negotiation on the financial directives that were promulgated went on within the European Commission. The UK had a great deal of influence over how those directives were negotiated, but it did not always win out; for example, the markets in financial instruments directive was a cause of some consternation for our financial services, because it did not fit with our kind of plan. We were always the country with the largest financial services sector, and were mostly likely to be impacted by agreements and compromises that did not clearly represent our best interests. We can now hope to move back towards that position, if we can come to an agreement. However, as my hon. Friend the Member for Hampstead and Kilburn said, we are constrained by the fact that a great deal of our financial services activity happened within the EU. I suspect that the divergence is likely to become greater over time. What does the Minister think would constitute a timely attempt by Government to ensure proper parliamentary scrutiny of these things? Aside, that is, from Parliament potentially debating 50 pages of extremely technical statutory instruments.

We know that the Treasury Committee will have a say, but some of the changes negotiated in these agreements with other countries may have important impacts on consumer rights, and larger number of Members of Parliament might want a say on them. Perhaps the Minister could say how he envisages the process going forward. I presume we will have some agreements—there has been a slow start. How can Parliament keep an appropriate eye on the philosophy behind the agreements, and the way in which they are going, as we diverge more from our closest partner?

Emma Hardy: I want to probe the Minister a little further. Obviously, it is a huge disappointment that we do not yet have a memorandum of understanding with the EU. Will the Minister indicate when we will have one?

Andrew Griffith: The hon. Member for Hampstead and Kilburn is right about the significance of the European Union member states as trading partners for our financial services. It remains the Government's intention to form the closest possible relationship with those partners, and to help our financial services businesses access those markets in the most frictionless way. Both sides will have to be involved in reaching any agreement. I do not want to stray too far off the point, Dame Maria, but yesterday I met my German counterpart; Germany is probably the state with the biggest market for financial services. I hope the Committee will take that as a statement of our intent to negotiate as many agreements as possible, whether at national or EU level.

As I said, it is not the Government's position to diverge for divergence's sake. The hon. Members for Hampstead and Kilburn, and for Wallasey, accurately identified some of the provisions on which there may be opportunities to diverge, based simply on a different fact pattern in our financial services industries.

12 noon

Emma Hardy: It is positive news that the Minister has met his German counterparts. Could he give any indication of the progress made towards a memorandum of understanding, and of when we might see one with the EU?

Andrew Griffith: The hon. Lady will forgive me, but I cannot give an indication of timing. However, I will undertake to engage with the Treasury Committee, whose acting Chair is with us today, as we go through that process. To speak to the point made by the hon. Member for Wallasey, we have a diligent Treasury Committee that exercises oversight of this area. I consider it unlikely that we will suddenly procure an MRA that blindsides that Committee, and I certainly undertake to keep it informed, so that the detailed parliamentary scrutiny provided for in the Bill is adequately exercised.

Dame Angela Eagle: I thank the Minister for giving way. Flattery will, of course, get him everywhere. Given the nature of that complex negotiation, might it be possible for him to undertake to give the Treasury Committee a heads-up on progress before agreements are made, so that we can try to ensure that we can encompass appropriate consideration in our heavy workload?

Andrew Griffith: I will not fully bind the Government on that, but the hon. Lady makes a reasonable point. These are not matters of overly partisan division between us, and it would certainly be our intention to do that, so that the scrutiny under CraG, and the scrutiny required by the affirmative procedure, can be carried out, and so that the right resources can be dedicated to it.

The hon. Member for Wallasey talked about these MRAs being a struggle for advantage. There is that element to them, but another key element is that they are mutual. It is certainly not the Government's position that they are a zero-sum game. The objective is to procure such agreements with as many different jurisdictions as possible, so that, as the hon. Member for Hampstead and Kilburn mentioned, we can grow our sector and boost exports of not just financial services but related professional services, which the UK is extremely fortunate to have.

Question put and agreed to.

Clause 23 accordingly ordered to stand part of the Bill.

The Chair: We now come to amendments 43 and 45, in the name of Peter Grant. Would any member of the Committee like to move them? If not, we will move on to amendment 46.

Clause 24

Competitiveness and growth objective

Stephen Hammond (Wimbledon) (Con): I beg to move amendment 46, in clause 24, page 37, line 13, leave out "facilitating" and insert "promoting".

The Chair: With this it will be convenient to discuss the following:

Amendment 47, in clause 24, page 37, line 31, leave out "facilitating" and insert "promoting".

Clause stand part.

Stephen Hammond: It is a pleasure to see you in the Chair, Dame Maria, and to serve under your chairmanship. I would again guide the Committee to my entry in the Register of Members' Financial Interests.

For many of us, chapter 3 of the Bill is hugely important because it looks at the accountability of regulators. As the Bill could hugely increase their powers, the themes that many of us explored during the evidence session—of transparency, accountability and proportionality—are fundamental. Clause 24 deals with the secondary objective. Regulation and regulatory culture are some of the biggest factors affecting the competitiveness and attractiveness of a jurisdiction.

This is not about a race to the bottom. Any jurisdiction that is not well respected and well regulated, with tough regulation and an independent regulator, will fail on the international stage. It is about ensuring the regulator's accountability, particularly for the objective. We heard evidence from major City trade organisations last week, and Emma Reynolds from TheCityUK said to us:

"it is important that the regulators are not marking their own homework"—[*Official Report, Financial Services and Markets Public Bill Committee,* 19 October 2022; c. 18, Q28.]

Charlotte Clark from the Association of British Insurers made a similar point.

It is clear that there is a track record, but we must make sure that the regulators stay on track and are held to their duty regarding the new secondary objective. Amendments 46 and 47, which are fairly simple, would change "facilitating" to "promoting". Facilitating almost implies letting something happen, perhaps through disregard. There should be active promotion of the secondary objective to remain internationally competitive. Internationally, we would not be alone in taking such action. The Swiss Financial Market Supervisory Authority is required to take particular account of the effect that regulation has on competition, innovation and the international competitiveness of Switzerland. There is a very similar objective for the Monetary Authority of Singapore, and no one anywhere will suggest that those are not well regulated, competitive international markets.

London trade bodies, such as the London Market Group, suggest that in the UK, some regulatory costs are up to 14 times what they are in other places around the world. When we look at the one-size-fits-all approach sometimes taken by the Financial Conduct Authority, it is clear that a distinction needs to be drawn. If we are not careful, the objective could be subsumed in others and forgotten. If we want London to be the global financial centre, we should have regard to the secondary objective. I want the Bill to set out more clearly regulators' accountability for this objective, the intention, and regulators' role regarding the objective.

Craig Tracey (North Warwickshire) (Con): As ever, it is a pleasure to serve under your chairmanship, Dame Maria. I refer to my interest, which I declared at the start of Committee proceedings. I welcome the Bill, and particularly clause 24 because of its competitiveness duty, for which I have campaigned for quite some time. I would prefer it to be a primary objective, and perhaps the Minister will look into that, but if we keep it in its current form, then we have to go further for it to be meaningful. There must be proper metrics to ensure that the regulator follows up on it. For that reason, I support the amendments put forward by my hon. Friend the Member for Wimbledon.

In the evidence sessions, I was surprised to hear that the FCA was not aware of any other regulator that had a competitiveness duty. That is quite worrying. It seemed slightly detached from what our competitors are doing. We need to ensure that the FCA is pressed hard on this issue, and that there is a clear, stated objective for them to promote competitiveness in the industry. To be clear, this is not at all about lowering standards. The FCA said in its evidence that it considers jurisdictions such as Hong Kong, Japan, Singapore and Australia to be robust financial centres. They all have a competitiveness duty, so a duty of that kind can be beneficial.

Let me put this into context by giving the example of insurance-linked securities. The FCA created regulations regarding them, which Singapore then lifted—took and used. Because of Singapore's competitiveness duty, we lost one firm midway through the process. In the same timeframe, 15 firms have been regulated there, against five in this country. The estimated loss is around $700 million. That is money out of our economy that could come our way with just this simple change.

There is a similar story on captives. We do not have any set up here. The reason cited is over-burdensome regulation. The industry agrees that there needs to be regulation, but it needs to be proportionate, and we need to ensure that it does not block investment in this country. I hope the Minister will consider the amendments and see what can be done to strengthen the measures.

Dame Angela Eagle: I approve completely of having a competitiveness and effective competition analysis duty being attached to the regulators, and for them to report on it annually, which would allow us to see how much they are taking account of it. I would also like them to be thinking about financial inclusion, but that comes later in our proceedings.

Will the Minister tease out a little for the Committee how he thinks the regulator can go about discharging that duty safely? We have seen some of the carnage caused by bad regulation in the energy sector, where a superficial view of competition has led to problems in that market, with companies collapsing. There is an obsession with the idea that competition is about the number of firms, whether or not they are sound. If something similar were to happen in this context, it could be even more serious and even more costly. I broadly support the aims of clause 24, but would welcome the Minister's thoughts on how the problems and the bad effects in the energy market caused by the regulator's misguided attempts to prove that there was competition—the trap of thinking that competition is just about the number of firms—can be avoided in this context.

Tulip Siddiq: I will speak to clause 24. I was going to speak to amendment 43, but it has not been moved.

We strongly welcome clause 24. We are completely committed to supporting the City to retain its competitiveness on the world stage and we support the new secondary objective for regulators to consider competitiveness and growth. However, I hope the Minister will agree that financial stability and consumer protection must always remain the priority for our regulators. Any compromise on those important objectives would be self-defeating. The competitiveness and global reputation of the City depends on the UK's reputation for strong regulatory standards.

Although supporting the financial services sector to thrive and grow will be key to delivering the tax receipts that we need to fund public services, it will not be enough. To get the economy growing, the Minister knows that we need to harness the power of the City to drive growth in every part of the economy and the country. The financial services sector will have to play an important role in driving our transition to a low-carbon economy and creating the green jobs and businesses of the future. Perhaps the most interesting part of the new secondary objective is how our regulatory system can incentivise medium and long-term growth beyond the financial services sector in the wider economy.

12.15 pm

I want to talk about the legislation. Regulators are currently mandated to report progress against their objectives to the Treasury via their annual reports, but I want the Minister to set out how regulators will be held to account specifically on how they have considered medium and long-term growth in the so-called real economy. What metrics does the Minister anticipate will be used to assess such progress or lack of progress? The hon. Member for Wimbledon referred to TheCityUK, which called in its written evidence to the Committee for the elected Government and parliamentarians to be given greater powers in the Bill to require regulators to report their performance against specific criteria and metrics. That could include—this is my example, not that of TheCityUK—metrics on how the PRA and FCA's regulatory activity has considered the need for sustainable investment in the UK economy in sectors beyond the financial sector. Has the Minister considered TheCityUK's suggestion, and does he believe it could be an effective way to hold regulators to account on their objective to consider medium and long-term growth in the UK economy?

Andrew Griffith: I thank my hon. Friends the Members for Wimbledon and for North Warwickshire for raising some important matters, and those on the Opposition Front Bench for their support for clause 24. They clearly speak with a great deal of authority from their own experience, and the Government will take away their points and consider them further. Let me describe the clause, and then I will try to come back to the points that have been made.

The Bill asserts our domestic model of financial services regulation, whereby the Government and Parliament set a policy framework within which the regulators are generally responsible for setting the detailed rules. It is therefore necessary to ensure that the regulators' objectives, as set out in the Financial Services and Markets Act 2000, are appropriate, given their expanded responsibility and the UK's position outside the EU. The Government believe that the regulators' current objectives set broadly the right strategic considerations, but we also consider it right that the regulators' objectives reflect the need to support the growth and international competitiveness of the UK economy, particularly the financial services sector. I welcome Members' support for that.

The clause introduces new secondary objectives for the FCA and PRA in relation to growth and competitiveness. The new objectives will require the FCA and PRA to act in a way that, subject to aligning with relevant international standards, facilitates the international competitiveness of the UK economy, including the financial services sector, and its growth in the medium to long term. For the FCA, that objective will be secondary to its strategic objective to ensure that markets function well—I believe the hon. Member for Wallasey mentioned the importance of that, which is clearly paramount—and to its three operational objectives, which sit below the strategic objective, to ensure that consumers receive appropriate protection, to protect and enhance the integrity of the financial system, and to promote effective competition. Again, the hon. Member for Wallasey mentioned financial inclusion, and we will talk about that when we debate later clauses. For the PRA, the growth and competitiveness objective will be secondary to the PRA's general objective to ensure that UK firms remain safe and sound, and to its insurance-specific objective to contribute to the securing of an appropriate degree of protection for those who are or may become policyholders.

The new objectives do not require or authorise the FCA or PRA to take any action inconsistent with the existing objectives. I will come back to the hon. Member for Wallasey on that, but they are subordinate objectives and secondary to their financial stability and prudential objectives, which they talk about. The new objectives will give the regulators a legal basis for advancing growth and international competitiveness for the first time. It does not go quite as far as my hon. Friends the Members for Wimbledon and for North Warwickshire have suggested in the amendment. Nevertheless, it is a significant enhancement in that respect on the status quo. As they said, it moves us in line with other international jurisdictions. That is a balanced approach. By making those objectives secondary, we are nevertheless giving the regulators an unambiguous hierarchy of objectives that prioritises safety and soundness, and market integrity. I therefore commend clause 24 to the Committee.

Amendments 46 and 47 seek to amend the new secondary objectives and require the regulators to promote, rather than facilitate, the international competitiveness of the UK economy and its growth in the medium to long term. The wording of the objectives in clause 24 aligns with the PRA's existing secondary objective, which is to facilitate effective competition. The vast majority of respondents to the November 2021 future regulatory framework review consultation supported the Government's proposal to introduce new secondary objectives for the FCA and the PRA to facilitate growth and competitiveness.

[Andrew Griffith]

I reassure my hon. Friends about the importance of the Government's plans on growth and competitiveness. We expect that there will be a step change in the regulators' approach to the issue that will be similar to the change that took place following the introduction of the PRA's secondary competition objective in 2014, which led to a significant number of new policies to facilitate effective competition. I therefore ask my hon. Friend the Member for Wimbledon to withdraw the amendment.

In responding to the hon. Member for Wallasey, I will not assume to myself a degree of expertise about the energy market or any failings in that market. However, I completely agree about the need to avoid an overly binary or unbalanced approach to competition in any market. I think we all agree that we need to get the right balance. On how the regulators can safely advance the objectives, my response is as follows: with a balanced approach; with the right level and volume of resources, in terms of both the quality of expertise and the people they attract and retain; and with good governance. The hon. Lady herself, like all Members of Parliament, is also part of the regulators' governance model.

Tulip Siddiq: The Minister sounds like he is closing his speech, and I have not heard what he thinks about TheCityUK's suggestion of asking regulators to report their performance against criteria and metrics. Before he finishes, will he give us his opinion?

Andrew Griffith: The hon. Lady is right to pull me up on my failure to address her point, although later clauses and amendments also address it. I am familiar with TheCityUK's proposal, and the Government are prepared to look at that area. She gave an example of the regulators helping the real economy through sustainable investments, and potentially reporting some metrics against that. That is worthy of consideration.

Stephen Hammond: I should have said at the beginning that I warmly welcome clause 24. The purpose of the amendments was to tease out the Minister's exact thoughts. I was pleased to hear that he thinks there is regulatory step forward. I was also pleased to hear that the Government may look again at some of the wording in chapter 3. Will he meet me and colleagues, perhaps next week, or some time in the future? With that, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 24 ordered to stand part of the Bill.

Clause 25

Regulatory principles: net zero emissions target

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to discuss clause 26 stand part.

Andrew Griffith: I will speak to clauses 25 and 26 in order. As I set out in previous comments, the Government remain committed to reaching net zero greenhouse gas emissions by 2050, as set out in section 1 of the Climate Change Act 2008. Clause 25 reflects the Government's commitment by introducing a new regulatory principle for the FCA and the PRA to contribute towards achieving compliance with the net zero emissions target. FSMA 2000 sets out eight regulatory principles that the FCA and the PRA must have regard to when discharging their functions. These existing principles aim to promote regulatory good practice across the regulators' policy-making. The principle in section 3B(1)(c) of FSMA 2000 requires the FCA and the PRA to have regard to the desirability of sustainable growth in the United Kingdom economy in the medium or long term.

The November 2021 future regulatory framework review consultation proposed amending the sustainable growth principle to explicitly incorporate the UK's statutory climate target. Following feedback to the consultation, and given that the Bill introduces new secondary objectives for the FCA and the PRA to facilitate international competitiveness and growth in the medium to long term, clause 25 removes the sustainable growth principle for the FCA and the PRA to avoid unnecessary duplication.

Clause 25 replaces the sustainable growth principle with a new regulatory principle to require the FCA and PRA to have regard to the need to contribute towards achieving compliance with section 1 of the Climate Change Act 2008. This new regulatory principle will cement the Government's long-term commitment to transform the economy in line with our net zero strategy and vision to make the UK a net zero financial centre by ensuring that the FCA and the PRA must have regard to these considerations when discharging their functions. A similar requirement will be introduced for the Bank of England and the Payment Systems Regulator, which we will cover in more detail later.

Clause 26 makes consequential amendments to FSMA 2000 to take account of the new regulatory principle in clause 25, and the new growth and competitiveness objective for the FCA and PRA in clause 24. Clause 26 also requires the FCA and PRA to explain how they have advanced the new growth and competitiveness objectives, as well as their existing statutory objectives, in their annual reports to the Treasury, which are laid before Parliament. This requirement aligns with the PRA's current reporting requirement for its secondary competition objective. I therefore commend clauses 25 and 26 to the Committee.

Emma Hardy: I have not tabled an amendment to the clause, but the Minister will be aware that on Second Reading there was a huge amount of support across the House for strengthening these proposals on net zero and nature. I hope we will see some movement on these issues as the Bill progresses through Parliament.

I want to start by saying why net zero and nature matter and looking at the situation in France and Germany. The German regulator already has a sustainability objective, with a focus on combatting greenwashing. The French regulator already looks at overseeing the quality of information and has set up the Climate and Sustainable Finance Commission. I want the Minister to note that our competitors are already moving ahead in this area.

One thing that came out of the written evidence, which I have just been re-reading, was the need for net zero transition plans and the establishment of a transition plan taskforce. The Minister has not really mentioned that. The purpose of the transition plan taskforce was to look at a gold standard for climate transition plans, but it is not stipulated in the Bill that companies will be expected to develop these and move them forward.

Disappointingly, although the Bill talks about net zero, it says nothing about nature. I wish I could recall who from the Bank of England came to give evidence to the Treasury Committee, but it was incredibly interesting to hear that, in looking at the risks to our country and our future financial sustainability, it is starting to look at the risk to nature and what the decline in nature will cost us all. We have heard much about climate change and the obvious risks it poses to our country and our financial sector, but people are starting internationally to look at the impact that a decline in nature has on our economic wellbeing. Again, nature is not mentioned in the Bill at all.

12.30 pm

I raise this not because it is woolly and we like nature—although I do like nature—but because there is an impact on our economy. I think that needs to be addressed. As I said, there is a lot of support for that. There are huge opportunities too. We need only look at the problems our country has had over the past 12 years with low growth, and at the current economic situation and the decisions the Chancellor of the Exchequer will have to make. Surely something that would boost our economy, which looking at net zero and nature has the potential to do, should be taken more seriously by the Government.

Fifteen years ago, Sir Nicholas Stern described climate change as "the biggest market failure" we have ever seen. If we do not address nature now, we will be having the same conversation in 15 years about why we did not take the opportunity of this Bill to address it seriously. As I said, I have not tabled amendments at this point, but there is always Report stage if we do not feel that these issues are being taken seriously enough by the Government.

Craig Tracey: I will speak specifically to clause 26. It is really welcome that this measure has been brought forward, but I have a big worry that the wording of the clause is open to interpretation. I have therefore tabled a new clause that we will get to later. The main change is to amend the wording in the clause that the regulator has complied with the competitiveness duty, "in its opinion". I think that is quite worrying. There is a worry that it will turn into a tick-box exercise. As Emma Reynolds from TheCityUK pointed out, there is concern that the regulator will end up marking its own homework. The regulator was not even aware that other jurisdictions had international competitiveness duties.

We should also find it concerning that Charlotte Clark from the ABI said in her evidence that she could not recall a new insurance company being set up in this country in the last 10 to 15 years, yet they are being set up in other countries, including in the EU—countries with which we have equivalence. The main reasons seem to be the time that it takes to get regulated and the cost. As my hon. Friend the Member for Wimbledon said, in some instances it is up to 14 times more expensive to get regulated here than in similar jurisdictions that are similarly robust.

I therefore think that the provision needs to be much tighter and to have some proper key performance indicators and metrics. It was good to hear the FCA say that it was looking at those, but we need to set them out clearly. The types of thing that could be in there are an understanding of who is leaving the country for other regimes and why; rule monitoring and evaluation; the level of duplication in the rulebook; the speed and responsiveness of the regulator; and our success in attracting new applicants. As I said, I have a new clause, which we will come to at the end, but it would be great if I could meet the Minister beforehand to talk this through and to see whether it can be incorporated into the Government's thinking.

Dame Angela Eagle: Again, there is largely agreement about the aims of clauses 25 and 26. We are on the cusp of a complete transformation in the way our economies have to work. Sometimes, I think we do not quite understand the extent of the transformation that will be needed and the speed at which it will have to be done, given that we are so behind in our attempts to reach net zero and avoid catastrophic climate change. It really is the last few hours, in terms of the biodiversity and climate stability of the Earth, for us to be able to do this.

The scale of the required transformation is mind-boggling. Virtually every piece of infrastructure in existence in our society will have to be transformed. That will have to be done through public-private partnerships, investment to lead the market in areas where there is market failure and investment in innovation in financial services to help to provide that investment, but also through proper regulation, which is what these clauses are about. All those things have to be done in a timely way to create the circumstances for realising all the capital investment potential that will be needed to make this change happen, especially in established economies with old infrastructures, which are often the largest emitters of carbon, as it happens. All of that has to be done virtually in parallel, so that we can try to reach these important targets.

It is very important that, through these clauses, the Government have agreed to incorporate the legislative target of reaching net zero by 2050 into this part of financial services law. However, they have amended it by replacing what was there before—the "have regard to sustainable growth"—with the target. Is that the right way to go about it? By getting rid of that "have regard", do we lose an opportunity to make progress, rather than just focusing on a future output? That is not a philosophical question; it is a practical one. Why have the Government decided to replace the "have regard", rather than enhance it? Will the Minister reassure us that, in the context of having to retool the way we do almost everything in all our infrastructure, we could not have gone with both? Will there be the potential for people to think, "We'll put everything off until closer to 2050," because the "have regard" has been replaced with an end-date output target? Can the Minister justify why the Government thought that was the best approach?

When regulation is being refocused on net zero, there will be those who wish to greenwash what they are doing—I will use that phrase; the Minister understands what it means—in order to continue to attract investment and piggyback on the good will of people who wish this change to happen when, in the case of those companies, it is not happening. I suspect there is a little bit of that going on at the moment. How does the Minister envisage

[Dame Angela Eagle]

enforcement mechanisms and proper regulation being put in place to ensure that greenwashing is not going on everywhere? Such greenwashing would move us away from meeting the target. Not only would it be to the detriment of consumer interests; it would squeeze out more genuine activities, firms and investment if it were allowed to be too prevalent.

Stephen Hammond: I am not sure whether I am supposed to, Dame Maria, but I refer the Committee to my entry in the Register of Members' Financial Interests.

Like many Members, I welcome the thrust of clause 25 and think it is important that we are setting the principle of net zero in legislation. However, I agree with my hon. Friend the Member for North Warwickshire. Clause 26 amends FSMA 2000 in relation to the content of the annual report. I will not go through all the arguments that we may well make when my hon. Friend's new clause is debated, but I want to register with the Minister my concern about the phrase "in its opinion". There is a reputational risk for the regulator, as much as for anyone else, if someone were to examine it later. I will not detain the Committee any longer, but I will want to speak to this point quite extensively when my hon. Friend's new clause comes up.

I ask the Minister to look at the phraseology and consider whether it is appropriate. As we have all said in Committee, during the evidence sessions and in widespread discussion of the Bill, the need for clear metrics, regulatory transparency and regulatory accountability is key. That is one of the things we have all welcomed in the Bill.

Tulip Siddiq: We welcome clause 25 and the new regulatory principles for the FCA and the PRA, which will require the regulators, when discharging their general functions, to have regard to the need to contribute towards compliance with the Climate Change Act 2008—legislation that, I remind the Minister, was brought in by a Labour Government.

However, we think that the Bill lacks ambition on green finance. The Government promised much more radical action. We were promised that the UK would become the world's first net zero financial centre, but we are falling behind global competitors. In the evidence session, William Wright, the managing director of the New Financial think-tank, stated that the UK is a long way behind the EU on both the share and the penetration of green finance in capital markets. Research by the think-tank has suggested that green finance penetration in the UK is at half the level of the EU and roughly where the EU was four years ago.

I will discuss what the Opposition would like to see in the Bill on green finance when we discuss new clause 9. For now, will the Minister set out what assessment he has made of the impact that clause 25 will have on investment decisions and other financial service activities in the sector?

In the evidence session, William Wright suggested that there is "a disconnect" between the Government's stated position that the UK is already a global leader in green finance and the ambition for the UK to become the leading international green finance centre. Does the Minister really believe that the provisions in clause 25 are sufficient to close that gap? How much further will the Government go on this agenda? Does the Minister think we have been as ambitious as possible in the Bill, considering that the problem is on our doorstep and is so important for future generations?

Andrew Griffith: A lot of valuable points have been raised by Members on both sides of the Committee. This is the right moment for colleagues to make those points, and I hope it is acceptable to the Committee if I take some of those points away and follow up with further information later, rather than dismissing them trivially here.

The hon. Member for Kingston upon Hull West and Hessle raised something that is close to many of our hearts: nature. She is quite right that the Bill is focused on net zero and climate. She is absolutely right that we cannot achieve our climate goals without acknowledging the vital role of nature. That should concern us all, as it is part of the carbon ecosystem. I will take her points away to see whether there is anything else that can be done. I hope she will accept that the datasets and the maturity with which some aspects can be measured are not as sophisticated as in the science of climate change. That might be one impediment to the Government moving forward and baking it into statute, but I will take it away and follow up with the hon. Lady.

The hon. Member for Wallasey is absolutely right about the transformative scale of moving to a low-carbon economy. It will change every single aspect of how we generate energy, the activities we engage in, the homes we live in and our financial centre. We are at one on that. I believe that the wording of the clause and the replacement of the "have regard" achieves that objective, combined with the legislative commitment—by the Labour Government, if the hon. Member for Hampstead and Kilburn so wishes—that is being incorporated into the duty by reference. It does do that. There is an ambition there, and we should seek to satisfy it.

12.45 pm

I heard my hon. Friends the Members for North Warwickshire and for Wimbledon; it is, of course, right that nobody should mark their own homework. I will meet my hon. Friend the Member for North Warwickshire to discuss his new clause. Again, I will take that away and see if there are ways to incorporate it on Report.

Having taken a very consensual approach, I take deep issue with what the hon. Member for Hampstead and Kilburn said about our credentials as Europe's leading—if not the world-leading—centre of green finance. Rather than take up the Committee's time this morning, I will write to the hon. Lady and set out what I believe to be the true position, because we do have a proud record. While there is always more to do, I do not think that we should talk ourselves down on that.

Tulip Siddiq: Obviously I do not want to offend the Minister, but I point him to the facts. I would like to hear what he has to say in response to the evidence given by William Wright, who, I would point out, is not a Labour MP but is independent. The think-tank's research found that green finance penetration in the UK is at half the level of the EU, and roughly where the EU was four years ago. When the Minister writes to me, will he point me to specific evidence that contradicts what we heard in the evidence session?

Andrew Griffith: I will. I look forward to writing to the hon. Lady to set out my case.

The hon. Member for Kingston upon Hull West and Hessle mentioned transition plans. Our progress on those is absolutely on track and I look forward to that being another area in which the UK is leading.

Question put and agreed to.

Clause 25 accordingly ordered to stand part of the Bill.

Clause 26 ordered to stand part of the Bill.

Clause 27

Review of rules

Question proposed, That the clause stand part of the Bill.

Andrew Griffith: Clause 27 inserts four new sections into FSMA 2000 to ensure that the FCA and the PRA review their rules regularly, so that they remain fit for purpose. It is important for the FCA and the PRA to regularly review their rules after implementation to ensure that they remain appropriate and continue to have the desired effect.

Regular reviews improve ongoing policy development by providing the evidence to make better decisions and helping to develop a better understanding of what works, for whom and when. There is currently no formal requirement for the PRA or the FCA to conduct reviews of their existing rules. Proposed new section 3RA will introduce a requirement for the two regulators to keep their rules under review. There are a range of approaches for assessing the effect of rules, from monitoring a set of indicators to an in-depth assessment of the effect of a rule from both a qualitative and quantitative standpoint.

The Government expect that, under this new requirement, the regulator will decide on the most appropriate approach on a case-by-case basis. The requirement to keep their rules under review should lead to a more systematic approach by the FCA and the PRA, in turn improving regulation, as any ineffective or outdated rules will be removed or revised more consistently.

Alongside that requirement, proposed new section 3RB requires the regulators to publish a statement of policy on how they intend to conduct rule reviews. That will provide clarity and transparency for stakeholders on how and when rules are reviewed, thereby increasing confidence in the regulation of financial services. Under these new requirements, how and when the two regulators review their rules to assess whether they function as intended will be an operational decision for the regulators.

In addition to the new legislative requirements, the regulators have confirmed that they will consult publicly on the statement of policy to ensure that stakeholders have an opportunity to contribute views as the regulators consider their approach.

I reiterate that, as set out in the Government response to the November 2021 FRF review consultation, and in response to calls from industry, the FCA and the PRA have committed to ensuring that there are clear and appropriate channels through which industry and other stakeholders can raise concerns about rules. Those channels will be set out in policy statements in due course. However, without further provision, there will be no formal mechanism for the Treasury to require the regulators to conduct reviews of their existing rules.

As the FCA and the PRA take on increased regulatory policy-making responsibilities following the implementation of the FRF review, there may be occasions when the Treasury considers that it in the public interest for the regulators to review their rules—for example, when there has been a significant change in market conditions or other evidence suggests that the relevant rules are no longer acting as intended.

Proposed new section 3RC of FSMA provides for more effective regulation by allowing the Treasury to direct the regulator to review its rules when the Treasury considers that to be in the public interest. Proposed new section 3RD requires the regulator to report on the outcome of the review and the Treasury to lay that report before Parliament. Any reviews initiated under the power will be conducted by the regulator or, where appropriate, an independent person. The regulator will be responsible for deciding what action to take, if any, in response to any recommendations arising from the review. This measure offers a new avenue for challenge of the regulators' rule making, where that is required, while maintaining their operational independence.

Respondents to the November 2021 FRF review consultation felt that there should be further measures on accountability, although there was no consensus on what they should be. The Government considered the responses and decided that, while we must still uphold our commitment to independent regulation, the accountability framework needs further strengthening, so on Second Reading the Government announced our intention to bring forward an intervention power to enable the Treasury to direct the regulator to make, amend or revoke rules when there are matters of significant public interest. The Government will provide a further update on that power in due course. With that in mind, I recommend that the clause stand part of the Bill.

Dame Angela Eagle: I have a few questions. The measure is sensible, but at the same time, it can be read as being quite sinister. Perhaps it depends on how the power will be used. The past is not filled with massive numbers of examples of the regulator falling out with the Treasury or the Bank of England, so the measure seems rather like a sledgehammer to crack a nut. The powers are to be used in exceptional circumstances, but those circumstances are not really defined; the Minister's comment on that would be interesting.

If the measure is a sledgehammer to crack a nut, does it risk giving the impression that regulation in this country is not independent and can be overridden when that suits a Government, rather than when that is in the public interest? Might this compromise outsiders' views of how our system is regulated? In other words, the cost-benefit analysis of whether the measure is an appropriate reaction might be in the balance. Will the Minister say a little more about how he perceives the power being used and what "exceptional circumstances" are?

We would still like to see what the intervention power that the Minister keeps talking about would actually look like. He has not come forward with the wording of it. Today, we will be halfway through the Committee proceedings on the Bill, and past the time when it may be relevant. Will he bring that wording back on Report, or will we see it while we are still in Committee?

Tulip Siddiq: We support the powers granted to the Treasury in clause 27 to require the regulator to conduct reviews of existing rules. We think that is a proportionate and sensible approach. We agree that mechanisms should be available to allow Ministers to ask a regulator to think again about a rule that may not be working in the public interest. However, while it is important that regulators are held to account, does the Minister agree that the operational independence of regulators must be paramount? Does he therefore agree that, with the powers to direct rule making already included in the Bill, a so-called intervention power would be unnecessary and dangerous?

During the evidence session, the deputy governor of the Bank of England, Sir Jon Cunliffe, said that an "intervention power" risked undermining perceptions of the central bank's 25-year-long independence. He warned that, in turn, it would undermine the global reputation of our financial services sector. Even though the Minister was there, I will quote him:

> "That credibility of the institutional framework is very important to the competitiveness"—[*Official Report, Financial Services and Markets Public Bill Committee,* 19 October 2022; c. 39, Q76.]

of the UK. Martin Taylor, a former Bank of England regulator and chief executive of Barclays said that, while it would not necessarily turn us into "Argentina or Turkey overnight", that would be the direction of travel if such a power were introduced. I ask the Minister once again, echoing what my hon. Friend the Member for Wallasey said: why does he believe that the powers in clause 27 are not sufficient, and why do the Government continue to ignore the advice of the Bank of England?

Andrew Griffith: We have debated this matter under a number of clauses already. My commitment to table the draft wording of the proposed intervention power during this Committee remains. That remains the intention. I do not accept the characterisation of a sledgehammer and a nut. What we are doing in the whole of the Bill is giving vast new powers to the regulators that were previously held and exercised, with potential oversight and intervention, from Brussels. We are bringing that into the UK rulebook. The proposed power here, and any proposed intervention power, is a proportionate response to the significant expansion in regulations of financial services, which touch and are capable of touching every aspect of human life in this country.

It is important that we give the Government of the day, subject to Parliament, that failsafe ability. It may one day even be the hon. Member for Hampstead and Kilburn who is exercising that power, and she may be grateful for the foresight of this Committee in providing that, with the caveat that this is clearly anchored in the public interest. That is a well-understood concept. I do not want to rehearse all the points that the Committee heard from witnesses, but it is the Government's view that this power is necessary. To the extent that we seek to go forward with what is called the public interest intervention power, beyond merely directing regulators to look again at rules, we should discuss that again in the context of what the checks and balances on that would be.

Tulip Siddiq: I am not sure, but I think the Minister was advocating for a general election; I am not putting words in his mouth. I understand what he is saying, but we asked the witnesses to come and give evidence for a reason, so he needs to respond to the concerns of those witnesses, who were clearly concerned about this intervention power. Those two key witnesses said they were worried about undermining the independence of the Bank of England. What is the Minister's opinion about that?

Andrew Griffith: The Treasury has consulted widely on the future regulatory framework. One of the key points made by all the industry participants, very few of whom were part of the witness sessions—although we did hear from two particular witnesses, we did not hear the same volume of responses as in past consultations—was that industry is firmly of the mind that this is proportionate and potentially required.

I will clarify a couple of things for the Committee, because these matters are often misunderstood. First, we have operationally independent regulators. That is absolutely right, and no one is seeking to interfere in the findings of any particular regulatory review with respect to an industry participant. Secondly, none of this speaks to the scope of the Monetary Policy Committee. Sometimes the debate is couched in terms of monetary policy independence. What we are actually talking about is the regulatory rulebook. There are large public policy considerations for the insurance industry, for example, and in relation to consumer duty matters, such as access to cash and consumer protection, which we will debate in later sittings. Those are all matters that the Government consider and will continue to consider, notwithstanding the evidence given in that witness session. That is the right, proportionate response.

I should clarify that the hon. Member for Hampstead and Kilburn will get her general election in due course, but I fear she will have some time to wait.

Question put and agreed to.

Clause 27 accordingly ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned.—*(Joy Morrissey.)*

1.1pm

Adjourned till this day at Two o'clock.