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HOUSE OF COMMONS
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GENERAL COMMITTEES

Public Bill Committee

FINANCIAL SERVICES AND MARKETS BILL

Fourth Sitting

Tuesday 25 October 2022

(Afternoon)

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not later than

Saturday 29 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 *(Financial Secretary to the Treasury)*
† 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

Tuesday 25 October 2022

(Afternoon)

[Dame Maria Miller *in the Chair*]

Financial Services and Markets Bill

2 pm

The Chair: Before we continue with consideration of the Bill, I have a correction to announce to an earlier Division result. In this morning's sitting, the Committee divided on amendment 44. The result of the Division was incorrectly announced as two Ayes and 11 Noes. The Noes were, in fact, 10. Apologies for that. Although it does not change the substantive outcome of the Division, I wanted to notify the Committee. The correction will be reflected in the *Official Report*.

Clause 8

Designated Activities

The Financial Secretary to the Treasury (Andrew Griffith): I beg to move amendment 22, in clause 8, page 7, line 7, at end insert—

"(7) The financial instruments, financial products and financial investments mentioned in subsection (3)(b) may include cryptoassets."

This amendment clarifies that cryptoassets may be regulated using the new power in Part 5A of the Financial Services and Markets Act 2000 (designated activities) which is inserted by clause 8 of the Bill. The new provision relies on the definition of cryptoasset inserted by NC14.

The Chair: With this it will be convenient to discuss Government new clause 14—*Cryptoassets.*

Andrew Griffith: It is a pleasure to serve under your chairmanship, Dame Maria. Cryptoassets and blockchain could have a profound impact across all forms of the financial services sector. We are still on the cusp of this breakthrough technology, and its uses are continuing to evolve. Clauses 21, 22 and schedule 6 will enable the Treasury to establish an effective regulatory regime for digital settlement assets. Those include cryptoassets referred to as stablecoins. The Committee will consider those clauses in a later session.

Following engagement with industry, the Government recognise the need to move ahead with regulating a broader set of crypto activities beyond stablecoins; that includes activities relating to the trading and investment of cryptoassets such as Bitcoin and Ethereum. Through the Bill, we want to ensure that HM Treasury has the necessary powers to deliver that. The Government believe that creating an effective comprehensive regulatory framework for cryptoassets has the potential to unlock innovation in the UK's crypto sector and to boost growth.

Martin Docherty-Hughes (West Dunbartonshire) (SNP): What do the Government mean by "innovation" in a piece of legislation? I wonder why such a term is used, because it is so broad. What does the Minister actually mean?

Andrew Griffith: If the hon. Gentleman will let me continue, I can offer some clarification. It is vital that the Government have the flexibility to develop a world-leading regime for cryptoassets in an agile way. The innovation itself comes from emerging new technologies or new uses for those technologies. The role of the Government and the Treasury in this respect will be to create regulatory frameworks that enable their safe deployment, which I hope all Members of the House agree with. Together, amendment 22 and new clause 14 will ensure that that happens.

Dame Angela Eagle (Wallasey) (Lab): The Minister is quite right that all Governments have to think about how to deal with the emergence of cryptocurrencies, but using that phrase is a bit like using the phrase "genetically modified". We would certainly want any coin that the Bank of England decided to back to be treated very differently from Bitcoin. Could the Minister say a bit more about how regulating for a piece of electronic money backed by the Bank of England would be different from regulating in a way that would make Bitcoin seem almost reasonable? We know that it is a gigantic gamble that no one in their right mind would want to invest in.

Andrew Griffith: I am cautious of time; this issue would be apt for a debate in itself rather than being discussed as part of the Bill's technical clauses. Aspects of Bitcoin are already within the perimeter of the regulatory regime. As I said at the beginning of my remarks, that is an emerging area. The hon. Member for Wallasey is quite right that there are trade-offs, and we want to protect consumers while not shutting the regulatory regime off from an emerging set of technologies.

Martin Docherty-Hughes *rose—*

Andrew Griffith: I give way again, but I do not want to turn this into a debate about the underlying societal challenges of an emerging technology; I want us to confine ourselves as much as possible to the Bill.

Martin Docherty-Hughes: I am grateful to the Minister. I disagree that crypto is emerging; it has been around for quite a long time. In terms of parity of regulation and consumers, there are also the producers. It seems that there would be a halo effect: for example, larger companies would control stablecoin, but small or medium-sized companies that could produce stablecoin might be excluded. Will the Minister assure us of the Government's intention to create equity in the stablecoin market?

Andrew Griffith: It is certainly not the Government's intention to create anything other than opportunities for different participants to emerge and bring forward products in the sector. Those could include stablecoins, which are asset-backed cryptoassets. Over time, they could include central bank-issued currencies. The

Government have indicated a desire to explore that, but have not yet confirmed that the Bank of England or the Treasury intend to issue.

Of course, we must ensure that products already out there being advertised to our consumers are appropriately regulated within the regulatory perimeter. We are not preferring or advantaging one or other part of that, but without the amendment and new clause we would not be able to bring forward the appropriate regulations, which the regulators will consult on with industry in due course. I hope that clarifies the Government's thinking. Outwith the Committee, it will be appropriate in due course for the Government to update their set of policy objectives for this space. The subject that we are discussing today is somewhat narrower; it is just the remit of the Bill.

Amendment 22 clarifies that cryptoassets are within scope of the designated activities regime introduced by clause 8. We talked earlier about the designated activities regime—the DAR. By bringing cryptoassets within its perimeter for the first time, some of the societal outcomes and concerns that hon. Members have raised can be addressed. If we do not bring them within the perimeter, those concerns cannot be addressed.

New clause 14 clarifies that cryptoassets could be brought within the scope of the existing provisions of the Financial Services and Markets Act 2000 relating to the regulated activities order. The substance is that cryptoassets will be treated like other forms of financial asset: not preferred, but brought within the scope of regulation for the first time. That is the aim of the new clause. It will ensure that the Treasury is equipped to respond to developments in the crypto sector more quickly and deliver regulation in an agile, risk-based way that is consistent with our approach to the broader financial services sector.

The Treasury will consult on its approach with industry and stakeholders ahead of using the powers, to ensure that the framework reflects the unique features, benefits and risks posed by crypto activities. I think that is the assurance that hon. Members seek: that the Government will consult before seeking to use the powers. Any secondary legislation made to bring new cryptoasset activities into the regulatory perimeter would be subject to the affirmative procedure, so each House will have an opportunity to debate the legislation. That gives Parliament the appropriate oversight.

Tulip Siddiq (Hampstead and Kilburn) (Lab): We welcome Government amendment 22 and Government new clause 14, which we recognise would extend financial protection to cryptoassets. It is a welcome and important move that will help to prevent high-risk cryptoassets from being falsely advertised to the public.

Does the Minister believe that the definition of cryptoassets is broad enough to capture financial promotions of as yet non-existent cryptoassets? I also wanted to ask him how the broad-ranging definition of "crypto" used in clause 8 takes account of the fact that the Bill only brings stablecoins into payment regulation.

Martin Docherty-Hughes: I draw the Minister and his Department's attention to the work of Dr Robert Herian, who is one of the primary academics on regulation. I am mindful that he says it is the technology that underpins stablecoin and other related cryptoassets that we seek to regulate through the legislation. I welcome that—it is a step forward—but he has also said that the technology

"may offer an opportunity to recalibrate the powerplay between those who would engage in aggressive tax strategies and planning, and those charged with regulating them".

Can the Minister advise Members whether he believes that this approach to stablecoin and future innovative technologies, which are already there, will enable a recalibration, so that finance is not utilised in some type of tax dodge? Could he reinforce that point? Every time we hear a discussion about stablecoin and cryptoassets, there is a certain element of finance that I do not think anyone here would really support.

Andrew Griffith: On the question posed by the hon. Member for Hampstead and Kilburn, I do believe that the definition is broad enough. If there are specific concerns or use cases that the hon. Member feels are not encompassed, I am happy to take that back offline or to write to her with advice. The intention is clearly to allow sufficient flexibility to broaden the perimeter.

I am not fully familiar with the works that the hon. Member for West Dunbartonshire talks about, but I am happy to become more familiar with them over time. It is clearly not part of the Government's intention to legitimise what would not otherwise be legitimate or to create the opportunity for issuers to evade responsibility to society. That is not the Government's aim and objective.

Amendment 22 agreed to.

Peter Grant (Glenrothes) (SNP): I beg to move amendment 35, in clause 8, page 9, line 25, at end insert—

"(ba) in cases where the regulations make provision for liability, make provision for nominated representatives of organisations against whom liability has been found to be held personally liable for actions undertaken in relation to carrying out a designated activity,".

This amendment would allow for nominated representatives to be held personally liable for the carrying out of a designated activity when an organisation has been found liable.

This is another amendment that attempts to improve the protection of consumers, small investors and others who in the past have been far too easy prey for unscrupulous company directors and other people in charge of companies. In a number of the recent financial services scams, we have seen that even once the investigatory regulatory process has been completed, which in itself can take five, even 10 years, any attempt to recover money from where it should be recovered from—the pockets of criminals—is frustrated by the fact that the companies at the centre of the scam have at best no money left in their books. Most of the time, they have been placed into liquidation long ago.

Part of that liquidation process is always moving the money into other companies, very often hidden in offshore anonymous companies owned by the exact same person. Effectively, the person who works the scam takes steps to get their money well out of the reach of the UK regulators and enforcers long before the liability of the company is established. Amendment 35 seeks not to require but to allow the designated activity regulations in specific circumstances to make regulations that say, "There will be occasions when individuals who have carried out the misconduct will be held personally liable

[Peter Grant]

to people who have suffered." That means that those who have been scammed in a way that is not covered by the financial services compensation scheme at least have a chance of getting their money back. Possibly more importantly, the amendment would be a further deterrent to those who would carry out such scams, because it will at least partially close down the option of their hiding their ill-gotten gains in a different company, where they are no longer within reach of the regulator.

I appreciate that anything that starts to blur the distinction between a shareholder, a director and the legal personality that is a limited company should be used with caution. I fully understand why, in UK law, a company is its own person with its own legal identity, but there are times when we cannot allow the director of a company to hide behind that—times when natural justice says that if we know who is responsible for people losing their money, and know that they have buckets full of money sitting in a company somewhere, it is perfectly reasonable to say to them, "We will have that money to compensate the people you scammed."

The victims of Blackmore Bond will never see their money again. I understand that one of its directors is now bankrupt, but the other definitely is not. Most of the victims of Safe Hands Plans will probably not see their money again. Remember, its director bought the company at a time when he knew that it would have to wind up in a year or two; we have to ask why he was so keen to buy it. He is not a poor person; he is extremely wealthy. He just managed to move his money out of that company and into others.

Clearly, the amendment could not be retrospective, but if it was agreed to, it would mean that if any person tried the same dodge in future, their victims could, in court, try to get their money back from the person who stole from them, rather than from the company, which will often no longer exist.

Dame Angela Eagle: I do not want to row in behind the hon. Member and support absolutely everything that he says on his amendment, but I know what he is trying to do: to put something in statute that would solve the problem of fraud, which is more and more prevalent in our financial system, especially in and around the perimeter that we have been talking about. There can be questions about whether a person is inside or outside the perimeter, or whether a bit of their company is inside and a bit outside. That kind of fraudulent hiding behind being regulated when the things being sold are outwith the perimeter does fool a lot of people, and a lot of money is scammed out of our constituents' bank accounts in that way. Does the Minister have any observations on how we could—

2.17 pm

Sitting suspended for a Division in the House.

2.32 pm

On resuming—

Dame Angela Eagle: Before we were so rudely interrupted, I was saying that, although I do not support the detail of the amendment, it is a hook on which to hang the sheer frustration that many of our constituents feel about a system in which vast amounts of money are scammed. Some of those who have benefited are in plain sight, often with their ill-gotten gains, while our constituents have had their life savings wiped out. It seems that the law can do nothing to touch these people, and I share our constituents' frustration.

We will get on to fraud and other issues later in the Bill, but I understand and respect the creativity of the hon. Member for Glenrothes in using the amendment to raise them now. In replying to the debate, will the Minister say how the Government think we could massively improve the attack on fraud in our financial system, because it is increasing rapidly? The risks for those who perpetrate fraud are tiny, but the rewards are huge, and that is surely driving the ongoing attacks on the life savings of many of our constituents. That makes engaging with financial services—buying and selling, and buying products from the system—difficult and potentially dangerous, and it puts many people off trying to make the provision for themselves that we would normally want them to make.

Shaun Bailey (West Bromwich West) (Con): I, too, support the intentions behind the amendment from the hon. Member for Glenrothes, which were very well articulated by the hon. Member for Wallasey. We often see these people swanning around the place with their ill-gotten gains, while many of our constituents have been on the receiving end of a scam. Even when there has been some form of regulatory investigation, some people do not feel that justice has been done. The amendment tries to make tangible something that may appear quite abstract to our constituents. I support the amendment's aim but, to follow one of the Committee's themes, perhaps this is not quite the place for it.

That said, I echo the request for reassurances from the Minister on how we will construct a regulatory regime that makes our constituents feel that there is a degree of responsibility. As Members on both sides of the Committee have said, many of our constituents, particularly those who have been victims of fraud and scams, feel that although the letter of the regulatory system may have been followed, justice has not been done. As we consider the Bill, we need to keep that at the forefront of our mind. I can get on board with the intentions behind amendment 35, but we have to first consider its practical effects. I hope that in his summing up, the Minister will give the Treasury's thinking on this issue.

Tulip Siddiq: Later, I will come to my amendment on the Bill's fraud provisions, but I want to express my support for the intentions behind amendment 35. Does the Minister oppose in principle the idea of nominated representatives being held liable for the carrying out of a designated activity when an organisation has been found liable?

Andrew Griffith: I thank my hon. Friend the Member for West Bromwich West for his reasoned response; I make common cause with him. The issue of liability compensation vexes the sector, and a huge number of regulatory interventions and compensation schemes are concerned with that. I say to all hon. Members that the battle against fraud and for recompense goes much

wider than the Bill. It includes the Government's fraud strategy, our endeavours on economic crime and the activities of various regulators, but I associate myself with colleagues' remarks.

It is said that hard cases make bad law, and regrettably the Government feel that the amendment cannot be supported. We need to be conscious that limited liability is an important principle in UK law. Measures elsewhere in the Bill—we will come to them later in our discussions on clause 8—allow the Treasury to make regulations concerning liability and compensation in relation to designated activities. That goes some way to answering the question raised by the hon. Member for Hampstead and Kilburn. In principle, the Government are absolutely on the side of victims; sometimes it is just a question of bringing forward the appropriate regulations that will not have unintended consequences.

Given the breadth and variety of activities that can fall within the designated activities regime, we need a tailored supervision and enforcement framework for each type of activity, rather than over-generalising. The Treasury can use powers in the DAR to design and create separate supervision and enforcement frameworks.

Proposed new section 71P, which will be inserted into the Financial Services and Markets Act 2000 by clause 8, allows the Treasury to make regulations concerning liability and compensation in relation to designated activities. That means that the Treasury can make provision in secondary legislation for the Financial Conduct Authority to hold liable individuals—this answers the question—working for a company that is carrying out designated activity, where appropriate. We support that in principle, but it is for the FCA to bring forward the regulations for a particular type of activity.

Proposed new section 71Q to FSMA provides that designated activity regulations—

The Chair: Order. The Minister might want to pause his comments on clause 8 and focus for the moment on amendment 35. We will come to clause 8 stand part shortly.

Andrew Griffith: Thank you, Dame Maria. You are right: many of these matters fall within the domain of clause 8, which we shall discuss shortly.

Peter Grant: I thank Members on both sides of the Committee who have supported the intention behind the amendment. As I said in my opening remarks, I accept that it does not sit particularly comfortably in a financial services Bill under the Treasury, because the Treasury is not usually responsible for the general regulation of businesses. Nor does it sit comfortably in the Economic Crime and Corporate Transparency Bill, which I understand is shared between the Department for Business, Energy and Industrial Strategy and the Home Office. BEIS, through Companies House, is not responsible for the regulation of financial services and will not be responsible for the regulation of designated activities. Nobody is entirely responsible, and that is the problem.

To those who say, "Yes, we agree with you, but this is not the time," I say, "If not us, then who, and if not now, then when?". Tomorrow, some of our constituents will be scammed, and more will be scammed the next day. Every day that we delay, waiting for the Government to introduce the perfect clause that has no unintended consequences, causes unintended consequences for our constituents. I accept that the amendment might have unintended consequences, but the Government's inexcusable delay in closing the loopholes once and for all has already led to unintended consequences. I intend to press the amendment to a vote for that reason.

Question put, That the amendment be made.

The Committee divided: Ayes 2, Noes 10.

Division No. 2]

AYES

Docherty-Hughes, Martin	Grant, Peter

NOES

Bacon, Gareth	Hammond, Stephen
Bailey, Shaun	Hart, Sally-Ann
Davies, Gareth	Mak, Alan
Davies, Dr James	Morrissey, Joy
Griffith, Andrew	Tracey, Craig

Question accordingly negatived.

Peter Grant: I beg to move amendment 36, in clause 8, page 10, leave out lines 22 to 27.

This amendment would remove the Treasury's proposed power to make regulations which modify legislation of the Welsh Senedd, Scottish Parliament or Northern Ireland Assembly for purposes connected with the regulation of designated activities.

The Chair: With this it will be convenient to discuss amendment 37, in clause 8, page 11, line 38, leave out from the first "Parliament" to the end of line 40.

See the explanatory statement for Amendment 36.

Peter Grant: The amendment can be summed up in four words: "Hands aff oor Parliament", whether that Parliament is the national Parliament of Scotland, Senedd Cymru or the Northern Ireland Assembly. Those who claim to respect the devolution settlement cannot do so with any credibility if they continue to give power to Ministers of the reserved Parliament to override decisions of the democratically elected national Parliaments of three of the four equal-partner nations in the Union. This is a power grab of the kind we have already seen in other EU withdrawal legislation. Some of those power grabs will now happen, because the House has voted for them, but that does not make them right or any less of an outrage against democracy. Amendment 36 must be agreed to for the Committee to be able to hold its head up in public and say, "We support democracy and we respect the devolution settlement."

Amendment 37, although not technically a consequential amendment, is as close to one as makes no difference, because the wording that it would delete on page 11 would no longer be relevant if we agreed to amendment 36. It is my intention to press amendment 36 to a vote.

Emma Hardy (Kingston upon Hull West and Hessle) (Lab): I hope that when the Minister responds to the debate on the clause, he will cover proposed new section 71R of FSMA 2000 before reaching the point mentioned by the hon. Member for Glenrothes. Subsection (1) of the new section is a Henry VIII power that allows the Treasury to amend legislation, including primary legislation.

[Emma Hardy]

Will the Minister outline when, why and how the Government intend to use those Henry VIII powers, and what safeguards we have in the Bill against their abuse?

2.45 pm

Andrew Griffith: I hope that we can dispense with the amendments quickly. They are meant simply to prevent the Government from making amendments to devolved legislation. The clause deals with matters that are reserved to the UK Government. We consider new section 71R in clause 8 as an essential power that gives the Treasury the ability to ensure that legislation works consistently and effectively when changes are brought about by virtue of the DAR. It also permits the Treasury to amend legislation made by the devolved legislations. The position of the hon. Member for Glenrothes on that is clear, but it is not shared by the Government. Although we do not expect to amend legislation from the devolved Administrations, this is a precautionary power.

Let me reply to the hon. Member for Kingston upon Hull West and Hessle. There is no current legislation that we expect to be amended in such a way, but it is possible that legislation made by the devolved Administrations has some references buried within it to aspects of financial services and markets legislation, which is why the power is needed. There is precedent for that approach. Section 144F of FSMA contains a similar power that can be used for legislation made by the devolved Administrations. I hope that that reassures the hon. Member for Glenrothes—although I fear it does not—and ask him to withdraw his amendment.

Emma Hardy: I fear that the Minister did not fully address my point, which is that the clause contains Henry VIII powers. I do not think he clearly outlined exactly when those powers would be used. He has mentioned that there are similar powers in a different piece of legislation, but has not said specifically when the Government would use these incredibly powerful Henry VIII powers to overrule primary legislation.

The Chair: Does the Minister want to respond?

Andrew Griffith *indicated dissent.*

Peter Grant: I hope that the record of the sitting will clearly indicate that the Minister was given the chance to reply to the hon. Lady's question—twice, in fact—but chose not to.

It is a fundamental principle of the devolved settlement that the Conservative party insists that it wants to protect that if a decision is made by a devolved Parliament under its devolved powers, nobody should have the right to overturn or amend that decision other than that Parliament. The Minister has said that he is not aware of any circumstances when he would want to use the power, so why not wait until the circumstance arises? Why not speak to the devolved Parliaments then—or, indeed, why have the Government not spoken to them already—to say that devolved legislation is causing problems, and to ask whether they can agree, cross-party and cross-nation, to change it, rather than pushing aside the devolved nations and the devolution settlement, and imposing rules on our people against the devolution settlement? Let us not forget that 75% of our people voted for the establishment of the Scottish Parliament.

I do not agree with everything Senedd Cymru does. It is not my party that is in government in Wales; it will never be my party that is in government in Northern Ireland. I will not agree with everything they do, but I utterly respect the rights of those Parliaments to legislate in the best interests of their people. If the Minister is saying that he does not think that he will be able to trust the devolved Parliaments to make a sensible decision if and when that becomes necessary, we have a big problem.

Martin Docherty-Hughes: My hon. Friend talks about not trusting the Scottish, Welsh or Northern Ireland Government. Any legislation brought forward in those places receives the attention of senior legal advice, whether that be from the Lord Advocate or from others in the devolved Administrations. The amendment defends the legitimacy and independence of the legal advice given by senior legal officers to devolved Administrations.

Peter Grant: My hon. Friend makes a valid point. It is sometimes forgotten that the devolved Parliaments have a number of checks in place to prevent them from attempting to legislate on things that are clearly beyond their powers, and there is a clear example of that happening at the moment, but there is no statutory or constitutional check on this place's ability to push aside the devolution settlement to legislate on matters that are clearly devolved. That is simply not acceptable. Remember, we were talking about what the Government still call the most powerful devolved Parliament in the world. How can it be anywhere near being that if the Parliament that devolved powers to it can grab those powers back at the drop of a hat or the stroke of a pen? I will not withdraw the amendment. Every time I see such a power grab in legislation, I will speak against it, stand against it, and vote against it.

Question put, That the amendment be made.

The Committee divided: Ayes 2, Noes 10.

Division No. 3]

AYES

Docherty-Hughes, Martin	Grant, Peter

NOES

Bacon, Gareth	Hammond, Stephen
Bailey, Shaun	Hart, Sally-Ann
Davies, Gareth	Mak, Alan
Davies, Dr James	Morrissey, Joy
Griffith, Andrew	Tracey, Craig

Question accordingly negatived.

The Chair: Given that amendment 36 has fallen, may I encourage the hon. Member for Glenrothes not to press amendment 37, which is similar?

Peter Grant: It does not make a lot of sense to press amendment 37 now that amendment 36 has gone. In fact, arguably, on its own, amendment 37 would weaken the position of the devolved Governments, so I will not press it.

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

The Chair: With this it will be convenient to discuss that schedule 3 be the Third schedule to the Bill.

Andrew Griffith: Clause 8 inserts a new regulatory regime into FSMA called the designated assets regime. I feel that it is already becoming an old friend; we have referred to it a number of times this sitting. Once retained EU law relating to financial services is revoked, the UK's regulatory framework must be capable of regulating activities that are currently subject to retained EU law in a proportionate manner suited to UK markets. Under the FSMA model, firms must be authorised in order to conduct regulated activities. The Treasury determines, with Parliament's consent, which activities are regulated by adding them to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, the RAO. The type of activities in the RAO are those carried out by banks, and by insurance and investment firms, such as accepting deposits or offering investment services. Authorised firms are regulated as a whole entity. That means that regulators can make rules relating not only to the regulated activity, but to the wider activities of the firm.

Where retained EU law relates to activities covered by the RAO, the regulators already have sufficient powers under FSMA to replace any rules as appropriate. However, there are activities regulated under provisions in retained EU law that are quite different. For example, in retained EU law, there are rules relating to entering into certain types of derivatives contracts. A car manufacturer may enter into a metals derivative contract to protect itself from price fluctuations in the metal that it requires for manufacturing. It would be hugely disproportionate to regulate the car manufacturer entering into that contract in the same way as a bank that offers current accounts or mortgages to customers. However, there is no mechanism in FSMA for regulating these activities in a proportionate way. That is why the Bill introduces the DAR. Under the DAR, the Treasury can designate these activities and make regulations in relation to them, or prohibit them where appropriate.

The Government expect that activities will be designated for regulation under the DAR through the affirmative procedure in the vast majority of cases. However, there is an exemption where, for reasons of urgency, the Treasury must act quickly. The Government are content that this is the appropriate procedure. It is similar to the procedure for adding activities to the RAO. The FCA is already responsible for ensuring compliance with the rules set out in retained EU law, and the clause will ensure that the FCA can also determine what rules are appropriate in future. As the DAR will be a new part of FSMA, the FCA will be required to exercise its responsibilities under the DAR in line with its statutory objectives, which include the new growth and competitiveness objective. The FCA will need to be able to supervise and enforce designated activity regulations and rules.

Emma Hardy: I refer the Minister back to a point I made about the DAR and the response to the consultation by His Majesty's Treasury. Some of the respondents asked for clarity on exactly what activities would be regulated by the DAR. Can the Minister provide that in writing during today's sitting, or bring further details to another sitting?

Andrew Griffith: I will do my very best to respond to that question. It is a point of detail. Today we are putting frameworks in place to try to legislate for as many outcomes as possible. By definition, that means that there is not a definitive list, but I will write to the hon. Lady and share the letter with the Committee.

To that point, given the breadth and variety of activities that may be designated under the DAR, a tailored supervision and enforcement framework will be needed for each one. We all recognise that we might want to regulate insurance in a different way from investment banking.

Proposed new section 71Q of FSMA therefore gives the Treasury the power to confer appropriate powers on the FCA for the purpose of supervising and enforcing regulations and rules relating to designated activities. Some activities that the Treasury may designate already have criminal offences attached to them under FSMA—for example, part 6 of FSMA contains two offences related to the offering of securities. Proposed new section 71Q will allow HM Treasury to maintain an existing criminal offence of offering securities and to modify it, including by adjusting the scope of the offence to reflect the scope of the new designated activity. I imagine from comments made that that would get broad support.

The Government will be able to apply and modify only criminal offences that already exist in FSMA. The provisions will not enable the Treasury to create a wholly new criminal offence relating to this activity. Schedule 3 sets out proposed new schedule 6B to FSMA. The schedule is inserted by clause 8 and lists examples of the types of activity that the Treasury may designate using the power introduced by clause 8. That may be the source of my response to the hon. Member for Kingston upon Hull West and Hessle. At this stage, schedule 3 is indicative only. The Government intend that a number of market activities currently regulated under retained EU law will be designated for inclusion in DAR. It is anticipated that a wider range of activities will be designated in future to ensure that the regime supports an agile and proportionate approach in the UK.

Martin Docherty-Hughes: Will the Minister help with a quick clarification on proposed new section 71Q? It refers to "conferring powers of entry". Would that be on His Majesty's Revenue and Customs? It has UK-wide powers of entry. Does that refer solely and wholly to HMRC, or does it refer to others who might require entry under the legislation?

Andrew Griffith: I will write to the hon. Gentleman to confirm that. It is important that our model of financial services regulation be responsive to emerging opportunities and challenges, and that includes those that can be regulated in future but are as yet unknown. Hon. Members can understand the thrust of what we are trying to do through clause 8 and schedule 3.

3 pm

Tulip Siddiq: Am I right in thinking that new section 71R gives the Treasury powers to introduce criminal sanctions without reference to Parliament? Does the Minister think it is right to side-step Parliament in this way?

Andrew Griffith: That is not the intent of the Bill. Its intent is essentially to future-proof existing criminal law under FSMA, but to modify its scope as new activities fall within the designated regime.

Question put and agreed to.

Clause 8, as amended, accordingly ordered to stand part of the Bill.

Schedule 3 agreed to.

Clause 9

RULES RELATING TO CENTRAL COUNTERPARTIES AND CENTRAL SECURITIES DEPOSITORIES

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

The Chair: With this it will be convenient to consider clauses 10 to 12 stand part.

Andrew Griffith: Retained EU law contains frameworks to regulate a number of entities that facilitate the proper functioning of financial markets. These entities are collectively referred to as financial market infrastructure, or FMI.

FMI helps to maintain stability in the financial services sector and performs critical functions that help make markets safer and more efficient. To establish a comprehensive FSMA model, the regulators will need the power, when retained EU law is revoked, to make rules to appropriately supervise and oversee FMI. That is provided for in the clauses that we are considering.

Clause 9 gives the Bank of England, which I will refer to as the Bank, a general rule-making power over central counterparties and central securities depositories, or CCPs and CSDs. CCPs sit between two parties to a trade and ensure that if either firm defaults on its obligations, the CCP can fulfil the firm's trade. This reduces the possibility of contagion to the wider financial system. CSDs settle securities trades—that is, they complete the trade by transferring ownership of the assets, such as shares or bonds, between two parties.

The clause delegates the setting of regulatory standards to the Bank as the expert, operationally independent regulator. That is in line with the overall approach taken to the financial services regulators in the Bill. With the new rule-making powers provided for in the clause, the Bank will be able to adapt the regulatory regime in an agile and responsive way—for example, to take account of changing market conditions, address emerging risks or facilitate innovation. This will be accompanied by appropriate accountability arrangements that will apply to the Bank when it is exercising these new powers; we will discuss those when we get to new clauses 43 to 45.

The clause also enables the Bank to apply some or all of the domestic rulebook to overseas CCPs that are systemically important to the UK.

Peter Grant: Can the Minister give us an indication of whether there are existing institutions that he believes would be regarded as CCPs that are systemically important to this country? Apart from the obvious factor of the amount of business that a body does with the UK, what other factors will be taken into account when deciding whether to designate an institution in that way?

Andrew Griffith: That is a matter on which we would consult and be advised by the Bank. The Bank is the body with the expertise in this space. It would not be appropriate to try to pre-empt its views. This is an emerging area, and we have to be cognisant of how global clearing houses are developing. The UK hosts a number of the most systemic, but that market share cannot always be assured. This provision allows the regulation to follow the market share, or indeed follow the emergence of new CCPs and new clearing houses. The provision reforms the overseas framework so that the Bank has the power to apply domestic rules to CSDs and non-systemic CCPs as well.

Clause 10 provides the Bank of England with the power to direct individual CCPs and CSDs, requiring them to take action to comply with their obligations or to protect financial stability. Using this power, the Bank may either impose a new requirement or vary or cancel an existing one. The power is equivalent to those that the FCA and the Prudential Regulation Authority have under FSMA in relation to authorised firms, and it contains the same procedural safeguards. That includes, for example, a right of appeal.

Clause 12 ensures that the Bank's regulation of CCPs and CSDs is undertaken in a way that is consistent with the wider financial services regulatory framework under FSMA. It does this by restricting the general power of direction, which the Treasury currently has over the Bank, to provide that it does not apply to its regulation of CCPs and CSDs. That is in line with the existing exemption that covers the exercise by the Bank of its functions as the prudential regulatory authority, in line with the PRA's position as an independent regulator.

Turning to clause 11, the FCA is responsible for the supervision of certain other entities that help underpin the proper functioning of markets. Clause 11 gives the FCA general rule-making powers over two types of entity: data reporting service providers and recognised investment exchanges. Recognised investment exchanges are bodies such as the London stock exchange that are recognised by the FCA to facilitate the buying and selling of financial instruments and so help drive investment. Data reporting service providers make trade information public to help market participants make informed investment decisions. They also ensure that the FCA has the information it needs to monitor financial markets and protect against insider dealing and other forms of market abuse.

Despite their importance, both data reporting service providers and recognised investment exchanges currently sit outside the core FSMA regime, as they are largely regulated under retained EU law. To ensure that the FCA has sufficient powers to effectively regulate these entities once retained EU law is repealed, clause 11 brings them into the FSMA framework, in line with the approach taken for CCPs and CSDs in clause 9.

Tulip Siddiq: On clause 9, how does the Minister think third country central counterparties and CSDs will be adequately assessed by the Bank of England for the risks they pose to the UK's financial stability?

I also have questions on clause 12. I am not sure if the Minister wants to answer those now or to come back to them.

The Chair: I suggest that you make all your comments and then we invite the Minister to respond to all of them at the end.

Tulip Siddiq: We support clause 12, which will empower the Treasury to give directions to the Bank where it considers it necessary in the public interest. Does the Minister not agree that such a mechanism is sufficient to direct the Bank of England when the Treasury believes it needs to do so in the public interest? Does he therefore feel that a so-called intervention power is necessary?

In our evidence sessions, which the Minister and other Members were at, we heard very clearly from the deputy governor of the Bank of England and the former chief executive of Barclays that a future intervention power would endanger financial stability and undermine the independence of the Bank of England. There were stark warnings from our witnesses. Does the Minister agree that it would be reckless to ignore that advice from the experts?

Emma Hardy: I want to add to the points made by my hon. Friend on our concerns around clause 12 and the independence of the Bank of England, given that the Treasury has such significant powers over it. I refer the Minister back to the evidence given by Sheldon Mills from the FCA. He said:

"I have worked in regimes with public interest tests. I ran the mergers division at the Office of Fair Trading and the Competition and Markets Authority, and my learning from that is that, if put in place, such a test should be used exceptionally and with care, and that there should be specificity about the matters of public interest—in this case, financial services—on which it would be used."—[*Official Report, Financial Services and Markets Public Bill Committee,* 19 October 2022; c. 7, Q3.]

That is the FCA asking for specificity—it is easy for them to say—on exactly when the power would be used and when it would not be used.

Victoria Saporta from the PRA stated:

"A formulation whereby the Government can force or direct us to make or amend rules that we have already made, and that fall squarely within the statutory objectives that Parliament has given us, may be perceived as undermining operational independence and all the benefits that I talked about earlier."—[*Official Report, Financial Services and Markets Public Bill Committee,* 19 October 2022; c. 7, Q3.]

Those were really stark warnings from two of our key witnesses from the FCA and PRA, talking about the difficulties they had with this specific clause and how this could be seen as undermining their independence.

Martin Taylor went further in his evidence, when I questioned him on these intervention powers. He said:

"One of the problems that led to the recent turmoil—a very English description of what has just happened—was that the Prime Minister and the former Chancellor chose not to subject the mini-Budget to the scrutiny of the Office for Budget Responsibility."

He continued:

"However, international investors looking at London will have noted this and it has a bad smell, if I can put it that way."

Later, he said:

"If you were in Singapore or New York, you might be more tempted to do that than you would have been a month ago. We should not do anything else to make this worse. Everything is being done by the new Chancellor to steady the ship…but moves like this proposed measure just go in entirely the wrong direction as far as I am concerned. I think it is very dangerous."—[*Official Report, Financial Services and Markets Public Bill Committee,* 19 October 2022; c. 76, Q149.]

Every single witness seemed to talk about the concerns they have over the level of intervention the Treasury could have over the Bank of England. I would like to hear reassurances from the Minister that he has been talking to the FCA, the other regulators and the markets about this. What reassurance can he give us that this is not HMT trying to again overrule our independent regulators?

Peter Grant: Again, I fully understand the intention behind these clauses and I am not minded to move against them, but I am a bit concerned by some of the interplay between the clauses. I asked the Minister what factors he thought might be taken into account in determining that a CCP is actually a systemic third country CCP, rather than an unsystemic one.

The Bill, on lines 39 to 42 on page 13, suggests that a systemic third country CCP is

"any third country central counterparty that the Bank has determined is systemically important, or is likely to become systemically important, to the financial stability of the United Kingdom."

The word "systemically" is doing quite a lot of work in that definition. As far as I know, there is no definition of "systemically" in this Bill, or indeed anywhere else, so I am concerned about whether the wording of the clause is tight enough that everybody, including the Bank of England, knows exactly when it can use these powers and when it cannot.

That is important because of the difference that being designated a systemic third country CCP makes. Under proposed new section 300G to the Financial Services and Markets Act, the Bank of England can exercise most of the powers

"only by the application of corresponding rules",

according to proposed subsection (1)(a). However, proposed subsection (1)(b) says

"except in the case of systemic third country CCPs…only so far as authorised by regulations made by the Treasury."

That seems to mean that if the Bank of England forms the view that it is dealing with a systemically important CCP, it is free to act in a way that is not explicitly permitted by Treasury regulations, whereas if the Bank decides that it is not systemically important, the ability to act becomes more restricted.

3.15 pm

That is fair enough, until we remember that as far as we know, the Government still intend to bring in a new clause that would allow them to exercise as yet undisclosed powers to call in, revoke or overturn decisions by regulators. Are we therefore in danger of creating a position where, according to the letter of the Bill that I just read out, the Bank of England has the final decision on what is systemically important and what is not? By making that designation, the Bank acquires greater powers to act, without being specifically permitted to do so by the Treasury. However, the Treasury can overturn that, so what is the point of allowing the Bank to—in certain cases—exercise its powers without explicit regulations from the Treasury, if the Treasury can effectively overturn that anyway? There seems to be a potential contradiction there. If we think that the Bank of England is so important for maintaining financial stability that it sometimes must have the power to act without specific

regulations from the Treasury, surely to goodness we will not bring in a new clause that allows the Treasury to overturn that.

I have only one other query on these clauses. Does the Minister envisage that CCPs and CSDs that are active in the UK but based overseas will be subject to a different regulatory regime to those based in the UK, or is the expectation that everybody plays by the same rules? That is not particularly clear.

Related to that, will the Minister confirm that where a CCP is based will be a factor in assessing whether it is a systemic third country CCP? Some CCPs will be based in places where we are completely comfortable with the domestic regulation, and some will be some based in places where we are not comfortable with the domestic regulation. Worryingly, there may be some based in jurisdictions where the Government think the standard of financial regulation is okay, but the rest of us think it is far short of okay. What difference, if any, will the geographical location of a jurisdiction where the CCP or CSD is based make to the way that the Treasury expects the Bank of England to act in regulating it?

Dame Angela Eagle: My questions seek some reassurance from the Minister, since I think these clauses are broadly welcome and, indeed, vital in the context of the Bill. One would not want to have this system without giving extra powers to the Bank, the Prudential Regulation Authority and the Treasury.

Problems in some of these markets can erupt suddenly and pose substantial, systemic problems. We saw it happen just a couple of weeks ago in the pensions industry with the sudden increase in gilt prices, which suddenly made a lot of the investment strategies of our defined benefit pension fund managers quite perilous. We can all commend the Bank and the regulatory authorities for taking action to try to stabilise the situation with liquidity in the pension funds. I am sure that all of us want to be content that the structures in place for dealing with these kinds of eruptions will be as implied in these three clauses.

Given the extra powers for the regulatory authorities in the Bill, will the Minister give the Committee some comfort about the extra resources that will be made available to the regulators for their extra oversight? The Bill implies that there is much more work for regulators to do across the piece, and it is very important in the vast majority of cases. I worry that they will not be given enough resource to keep a proper eye on the very fast-moving, complex, interactive system that they will be charged with regulating, keeping an eye on and, if required, intervening in, for reasons of contagion or systemic threats to that very interrelated system. If they do not catch that early enough, we know where it can end. I would appreciate some comfort from the Minister, if he can provide it, on the resourcing implications of the powers. Is he satisfied that the resources are there to do the job adequately and properly?

Andrew Griffith: I will try to respond to all the points in turn. First, in answer to the hon. Member for Kingston upon Hull West and Hessle, clause 12 is not an intervention power. It clarifies that the power to direct is effectively removed in respect of the new regulations around CCPs. In many ways, it will give the Bank of England the independence and autonomy that the witnesses she cited sought, although in a more general context. There is a separate point, which is probably not in order for today, about the intervention power, as and when that is tabled. However, that is not the purpose of clause 12, which is a clarifying point in respect of the Bank of England.

The hon. Member for Wallasey raised the issue of resources. The Bill gives the regulators, including the Bank, powers to fund themselves using a levy. That is a stronger financial position than they are in today. The hon. Member knows that I am relatively new—that could change during the sittings of this Committee—but in all my interactions with the regulators, they have expressed themselves satisfied with the resources available to them, but we must be collectively careful about the burdens that we place on them and ensure that those are appropriate.

On the question of what is systemic and whether it is right to regulate overseas CCPs and CSDs, the thrust of what the Bill tries to achieve, and the broad thrust of the debate, is that those are precisely matters that should be decided by the operationally independent regulators in this domain. Although I and others may have views, it will be for the Bank to use its new powers—as now, and as in other domains that are in scope—in consultation with the Treasury, Parliament and others.

Peter Grant: To clarify, if the Bill is enacted as it stands, does the Bank have the option to create a different regulatory regime for overseas parties than it has for those that are based in the UK, or is the intention that the same set of rules will apply regardless of where the organisation is based?

Andrew Griffith: If an organisation is overseas, the approach will be that the Bank, in using those powers, will defer to the overseas regulator where that is appropriate, as it does now. I would not want us to fetter the Bank. It is for the Bank to lay out how it proposes to use the powers that the Bill enables, so as to be able to make the appropriate regulation that it feels comfortable with. I think we can all agree that this is a prudent enhancement of its powers. It broadens their scope, and allows the Bank to follow the risks to this country in a CCP, wherever those may lead it.

Question put and agreed to.

Clause 9 accordingly ordered to stand part of the Bill.

Clauses 10 to 12 ordered to stand part of the Bill.

The Chair: Before we come to the next group, could I ask the Parliamentary Private Secretary to remove the brown paper bag? It is not appropriate to have our lunch out on the side.

Clause 13

TESTING OF FMI TECHNOLOGIES OR PRACTICES

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

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

That schedule 4 be the Fourth schedule to the Bill.

Amendment 38, in clause 14, page 19, line 35, at end insert—

"(d) the views of the appropriate regulator in response to the consultation mentioned in subsection (5)."

This amendment would ensure that the views of the relevant regulator are included in any Treasury reports on FMI sandbox arrangements.

Clauses 14 to 17 stand part.

Andrew Griffith: Clauses 13 to 17, along with schedule 4, enable the Treasury to set up financial market infrastructure sandboxes. One of the objectives of the Bill is to harness the opportunities of innovative technologies that could disrupt financial services. This is especially important for FMIs, which play an important role in providing the networks and services that underpin financial markets. However, there are currently barriers and ambiguities in legislation that prevent firms from using certain new technologies in FMIs or that prevent the benefit of new technologies from being fully realised.

An FMI sandbox is a safe testing environment that will help address this issue by providing temporary modifications to legislation to participating firms where existing legislation does not accommodate a new technology or practice. Those firms can then test and adopt innovative new FMI propositions while being subject to restrictions on their activities and close oversight from regulators. The provision in these clauses will allow the Treasury to set up FMI sandboxes, and I will now set out what each clause does specifically.

Clause 13 will allow the Treasury to set up an FMI sandbox via a negative statutory instrument that will set out the type of firms that are allowed to participate in a sandbox, the activities they can conduct, the temporary modifications to legislation that will be applied to participants, and the duration of the sandbox. Schedule 4 includes an illustrative list of provisions that could be included in a statutory instrument setting up an FMI sandbox, in order to provide guidance regarding how the powers are intended to be used.

To facilitate parliamentary scrutiny, clause 14 requires the Treasury to prepare and publish a report to be laid before Parliament on the arrangements for each FMI sandbox that is created under clause 13, having consulted the regulators. This will include an assessment of the effectiveness and/or efficiency of the FMI sandbox and how the Treasury intends to make permanent changes to the legislation.

Amendment 38 would explicitly require the Treasury to publish the detailed views given by the FCA and the Bank in response to the consultation. The Treasury is committed to ensuring that the regulator's views are fully taken into account and represented fairly when any permanent changes are intended to be made to legislation. However, it is essential that during this engagement, regulators are able to express their views candidly, particularly about specific participants, and share commercially or market-sensitive information. It would not be appropriate for that to be published. I therefore hope that the hon. Members for Glenrothes and for West Dunbartonshire will not press their amendment to a vote.

Clause 15 will allow the Treasury to make permanent changes to the relevant legislation based on the outcomes of a sandbox on an ongoing basis. Clause 17 sets out the relevant legislation in more detail. As an FMI sandbox will be designed to test the right regulatory approach to new technologies, clause 15 enables the Treasury to legislate to set different requirements from those within the sandbox. This will ensure that if risks or unintended consequences are identified during the sandbox, these can be appropriately reflected in ongoing legislative changes. Where the Treasury proposes amending primary legislation, the Bill requires that the affirmative procedure is used. Where the legislation being amended is not itself primary, a negative procedure will be used instead. This is to ensure that Parliament gives the greatest scrutiny to the legislative changes that are the most significant—in other words, those that fall within primary legislation.

Clause 16 is intended to enable the Treasury to confer powers on the regulators as part of any statutory instrument setting up a sandbox, so that they are able to operate a sandbox effectively. It also sets out who the Treasury needs to consult before exercising the powers in clauses 13 and 15.

Finally, clause 17 sets out how the various terms and concepts used in the FMI sandbox clauses are to be interpreted. It includes a list of legislation that the Treasury is able to temporarily modify for firms participating in a sandbox, which provides an important constraint on the scope of the Treasury's powers in relation to the FMI sandbox in the Bill. The Treasury is able to add to the list of legislation via a statutory instrument by using the affirmative procedure to ensure parliamentary scrutiny if the Treasury wishes to bring further legislation into the scope of a sandbox. To summarise, the measure will be a hugely valuable way for financial markets to innovate and enable industry regulators and the Government to learn and change in response to practical experience. For those reasons, I recommend that clauses 13 to 17, and schedule 4, stand part of the Bill.

3.30 pm

Tulip Siddiq: We strongly support the clauses. A sandbox for financial markets infrastructure will support innovations in the fintech sector, such as developments in blockchain, which has the potential to boost the transparency and productivity of the UK's financial services. Could he please explain, however, whether clause 13 gives sufficient flexibility for the sandboxes to be used to support innovation in a wide range of financial technologies? The Bill says that sandboxing testing will occur "for a limited period". Will the Minister further define that and set out the minimum timescales that he believes are necessary to adequately test a new innovation in financial technology?

On clause 14 and the reports on FMI sandboxes, which criteria will be used in the reporting of sandboxes, so that Parliament can transparently assess their effectiveness in safely supporting innovation? On clause 16, which sets out that prior to conferring such a power, HM Treasury must consult "the appropriate regulators" or such persons that it considers appropriate. Will the Minister please share his understanding of the definition of "consultation"? Which stakeholders would have to be consulted, and what is the estimated timeframe for such a consultation?

Clause 17 provides the Treasury with a power to amend the list of relevant enactments by way of the affirmative statutory instrument procedure. Will the

[Tulip Siddiq]

Minister elaborate on how he sees that working in practice? Would every individual amendment to the list of relevant enactments be brought before the House for scrutiny? I presume so, but I want to have that on the record.

Shaun Bailey: The provisions in clauses 13 to 17 are incredibly welcome, because we are dealing with a financial services landscape that is constantly innovating and changing. I should declare that prior to becoming a Member of Parliament, I worked for the legal team at a major big seven bank and saw these developments as part of my role there. The provisions are very important because they will ensure that, as the fintech sector continues to develop and the regulatory framework continues to advance and change, they can do so within the perimeters of the sandbox arrangement introduced by the Government.

I particularly welcome the clause 16 provisions on consulting regulators, and the fact that there is going to be a discourse with them. We cannot cut regulators out of the conversation. The clauses do not seek to do that, but the hon. Member for Hampstead and Kilburn was right to raise queries. We need a bit more clarity on what the consultation will look like. I fully appreciate that it is not always possible to give instant clarity when introducing primary legislation, but it will clearly be incumbent on the Treasury to ensure that, as the process progresses, His Majesty's Government are as transparent as possible about what the consultation will look like.

We should remind ourselves that the practical application of the clauses will change and develop as the landscape itself develops, because that is the subject matter that we are dealing with. On clause 16, with respect to the development and work with regulators, I urge my hon. Friend the Minister not to forget the important role that lawtech plays in the regulation and monitoring of a lot of the instruments that will be part of the sandbox regime. It is often not talked about, but fintech and lawtech work hand in hand, side by side, particularly in this financial services sector.

I support the clauses; they are the right thing to do. As hon. Members on both sides of the Committee have articulated, they allow not only the financial services sector to innovate and develop, but the regulation to be developed in tandem with them. I would, however, welcome clarity from my hon. Friend the Minister on the what the practical applications will look like, particularly as we build that framework.

Martin Docherty-Hughes: I do not want to be the fly in the ointment, but I would like some assurances from the Minister about the FMI sandboxes. The Clifford Chance briefing notes that

"the FSMA Bill permits HM Treasury to allow broad participation in FMI sandboxes which in practice could include FMI providers, and participants in these systems as well as, conceivably, unregulated service providers such as technology companies and any other person that HM Treasury specifies."

I am looking for an assurance from the Minister and his civil service team on the notion of unregulated service providers having access to the FMI sandbox. It seems that the EU pilot regime is far more limited in its multilateral trading facilities and securities settlement systems, and that it makes no mention of recognised investment exchanges or any other persons. It is not, therefore, making itself a hostage to fortune with its pilot system. Could the Minister and his team provide reassurance on the broad scope of innovation that they seem to be going for?

Dame Angela Eagle: I find myself rising to try to elaborate on the important points that have been made. I do not think that anyone would argue against the need to think very carefully about how to pilot—or sandbox, to use the jargon—the very rapid development and potential of what is happening. It is also important in the context of financial market infrastructure.

Certain infrastructures in our financial system are really old. One need only consider how long it took to get the bank clearing process vaguely up to date to understand the importance of modernising infrastructures. I do not think that anyone would object to an attempt to come up with a structure that tests activities, which is what these clauses do.

The Minister, however, has not provided any detail on issues such as risk mitigation; whether parallel sandboxes involving similar infrastructures will be developed, almost in competition with each other; whether this will happen in just one area; or how the powers will be used to test whether potential infrastructures might be worth using. Could he add a little more colour to how he sees those things happening? How big will the sandboxes be? How long will they be allowed to continue? The Minister is grinning because this is the kind of detail that an enabling Bill does not contain, but it might be quite important.

Testing regimes in other areas are sometimes very limited. I would be worried if we had an unlimited testing system running for a long period, allowing unregulated organisations in, perhaps running in parallel with each other. If that is what the Minister is suggesting, I would be worried. If he is suggesting something much more minor and limited, to see whether the technology works and whether people can interact with it to redesign the way in which websites work, I would be less worried.

Martin Docherty-Hughes: I am delighted that the hon. Lady has allowed me to intervene. The technology is not new, and that is what concerns me in relation to a lot of the debate on the Bill. There is nothing new under the sun about a lot of the technology, which underpins sandboxes, cryptocurrency and so on, that we are talking about. It just seems that a lot of the terminology takes over the substance of the issue that we are discussing.

Dame Angela Eagle: That is true. Blockchain has certainly been around for quite a while. Its use has implications for transparency and for the levels of employment that there might be in the old, more bureaucratic banks.

What would be the use of artificial intelligence in trying to decide how automated these things could become? Would there be worries about over-automation? How would that be looked at in terms of regulation? How open are we going to be about the way in which AI is applied and how it might evolve in ways that might embed discrimination such that we get a system where certain people may be discriminated against and excluded? There are a range of issues that need to be tested in

these kinds of environments. It is hard to do that under a negative resolution procedure. I take the Minister's point, however, about affirmative resolutions. If one of these things worked during the trial period, was issued and became permanent, it is important, as the Minister has said, that any changes are subject to affirmative regulation.

There are a whole load of black boxes in the Bill that we might need to debate further. Could the Minister give us more colour on whether there will be parallel sandboxes, on transparency on what will be used and how it will be compiled, and on how large the sandboxes will be in terms of money on the exchanges or turnover, or however he wants to put it. Then we could consider whether risk is being mitigated and how we can develop a system using trundling and analogue legislation, if I may put it that way, in an environment where innovation is digital and rapid.

I understand what the Minister is trying to do, but this Parliament must still be aware that we need to be on top of the detail of this Bill, rather than just passing shells of enabling legislation that do not give us enough of a handle on what is intended.

Peter Grant: Thank you, Dame Maria, for clarifying earlier that we are talking about sandboxes, not sandwich boxes. Some Members seem to have been a bit confused about that. I am intrigued by the use of the term "sandbox". To me, a sandbox can be a road safety feature: it is literally a gravel or sand pit on a bad bend in the road to allow someone who loses control to get off the road safely. Alternatively, a sandbox is something that any cat owner will be familiar with. I am genuinely intrigued as to which of those metaphors somebody thought was appropriate for what we are discussing.

The principle behind these measures is absolutely sound. By this time next year, new practices in financial services will have evolved that none of us can begin to imagine just now. That is how things are moving. I take the point made by my hon. Friend the Member for West Dunbartonshire that the technology itself has not significantly changed—it is certainly not new—but the way in which people will use the technology is. The kinds of products that people will start to devise may well mean that existing regulatory practices need to be changed very quickly. The idea of being allowed to pilot something that is genuinely new in a safe space before letting it loose on the wider world is absolutely correct in my view. However, the devil, of course, is in the detail.

I am a bit concerned that the first in this group of clauses says that the purpose of the sandbox will be to test

"for a limited period, the efficiency or effectiveness of the carrying on of FMI activities".

It does not say that one of the purposes is to test the effectiveness of any regulation that may go with it, which concerns me. Obviously, if someone knows that the activity they are carrying out in a sandbox will be looked at very carefully, they are going to behave themselves. How can we be sure that as well as being effective, it will work for the purposes of the providers? How do we know that the regulation that goes with it will also be effective? Again, that has to be effective as soon as the thing goes live. We cannot wait and regulate it effectively a few weeks later, because it will be far too late by then.

3.45 pm

I hear the Minister's comments on amendment 38. That is not my reading of its wording; it certainly was not intended, and I would not interpret it as saying that the precise wording that the regulator sent back to the Treasury has to be replicated in its entirety. If that is genuinely the only issue, I am minded to withdraw the amendment and bring it back with a slightly different wording at a later stage. If we did not put that in, think of where it would leave us: with the possibility that we could be asked to agree to the extension or the permanent implementation of a set of financial practices when we would not get to see what the regulator thinks of them during the test period. The Treasury would, but it would not have to pay any attention to them.

There have been instances recently where other Government Departments have completely ignored the strongly declared views of regulators elsewhere. We could have a position where the regulator says to the Treasury, "We don't think we can regulate this properly just now," and for its own reasons the Treasury decides to go ahead. We, as Members of Parliament, would be given the opportunity to vote on an affirmative motion, but we would not be told what the regulator is saying. I know that we will get assurances from the Minister that that would never happen, but if the law allows it to happen, my concern is that sooner or later it will. I will not push amendment 38 to a vote today, but I hope that something similar that deals with the concerns raised by the Minister and clarifies the wording will be brought forward; otherwise, the affirmative procedure does not carry the reassurance that it needs to.

I have a couple of queries on other parts of the clauses. Clause 15 appears to say that, having gone through the process of setting up a sandbox, the Treasury can decide to implement it wholesale without waiting for the end of the pilot process. Why would someone set up a pilot process to test something if they then needed the power to implement it wholesale without necessarily waiting for the end of the pilot? If that is not the intention behind the wording of the clause, I am sure the Minister will put me right. I am never happy, as I have mentioned, with the likes of clause 15(4), which allows regulations to be made that change primary legislation to an Act of Parliament. I can take a bit of comfort from the fact that this case is covered by the affirmative rather than the negative procedure. If Members do not have full information on how the pilot was assessed, they will not be able to make an informed decision on whether to support a vote under the affirmative procedure; if it is not an informed decision, it is unlikely to be a good decision.

Following those remarks, I will not ask the Committee to divide on any of the clauses. I have concerns about the wording of some of them, and I hope that in not pressing amendment 38 the Minister might see fit to bring in something similar that achieves his intent a bit more clearly at a later stage in the passage of the Bill.

Emma Hardy: In relation to the sandboxes, and particularly in relation to clause 14, I draw hon. Members' attention to the written evidence submitted by Spotlight on Corruption—in particular, if anyone wants to read along with me, paragraph 12. The recommendation from Spotlight on Corruption is that the Government should update their regulatory impact assessment

[Emma Hardy]

"to ensure that an analysis of the economic crime risks is included as part of the evidence base in each assessment."

That seems incredibly good and sensible advice. As part of the way someone assesses how effective these sandboxes are, they could look at the potential economic crime risks. Spotlight on Corruption goes on to say that the RIAs should

"include a standalone '*economic crime risks associated with this intervention*' section based on both quantitative and qualitative indicators. It should also include an assessment of the costs/benefits, and wider impacts as well as establishing how the Treasury intends to monitor and evaluate risks after the regulations come into place."

If we are going to produce a report on how effective this measure is, one of the key things that I think we can all agree on is the need to look at economic crime. Although I have not tabled an amendment to that effect today, I hope that the Minister will look at the issue seriously and perhaps it is something we can return to on Report.

Andrew Griffith: I thank the hon. Member for Hampstead and Kilburn for her party's support for these measures, which I hope will be a useful addition to the financial services industry.

I will try to answer some of the questions. By their very nature, there is a discomforting element to trying to create safe spaces for innovation. Let me reassure the Committee that all the existing safeguards, whether they relate to economic crime or to consumer protection duties, relate to any changes that are, as it were, released into the wild after the period of experimentation. There is no attempt to create a back door or any diminution in the high quality of financial regulation throughout.

The overall level of scrutiny for this House was raised by the hon. Member for Wallasey. The statutory instrument would be laid in respect of each potential use of the sandbox. It would not be right for me to fetter whether that will be used in serial or in parallel, so we have to contemplate that there could be multiple sandboxes operating in some really quite separate domains at any one point in time. I do not think that would be a bad thing. In many ways, the test of this legislation's success is that the sandbox is indeed used, and within that process we should contemplate that many of those pilots should fail, just as many should succeed; that is the nature of risk and innovation.

That statutory instrument would set out what categories are in scope of the sandbox, what sort of securities or products are included within it, traded or settled, the platform involved and what limitations there would be. There was a question about the minimum period of time. That would all be laid out in response to the individual applicant to use the sandbox, so that would be determined, and it would be reviewed by the regulators as part of the process of the Treasury laying the statutory instrument. It could well include any additional regulatory oversight, and the important issue of economic crime and prevention. However, to be clear, that is not the Government's intention, nor would it be looked on favourably if anyone attempted to use that to create back doors for economic crime. The level of scrutiny of any pilot in a sandbox is generally higher than the level of scrutiny intervention from regulators in general.

Emma Hardy: I do not think that the evidence submitted by Spotlight on Corruption in any way implied that it would be the Government's intention for these sandboxes to bring about economic crime. However, I think we all accept that economic crime is on the rise. Spotlight on Corruption specifically asks for it to be stipulated that the associated economic crime risks are looked at as part of the report into sandboxes. I would be grateful if the Minister could take that point away to consider further.

Andrew Griffith: I am very happy to take that point away and, if appropriate, I will write to the hon. Lady in response. The construct of regulation in this space is that we have a level of trust in our operationally independent regulators, and prevention of crime and of harm to consumers is at the core of the regulatory structure. She should have some comfort that that issue would not be overlooked.

I will try to give a little bit of colour regarding the intention to use the sandbox. It is the Government's intention that the sandboxes be used rapidly after Royal Assent; indeed, consultations on the matter have already indicated a strong appetite for things such as the use of distributed ledger technology, both for settlement and for other aspects of the financial regime. Those things would be seen by the Government as an enhancement in many respects—whether dealing with settlement risk, credit risk or the speed of transactions. That is an example of the sort of use case that we would expect to be brought forward.

We talked about the regulatory outcome. The relationship with regulators was one of the first points raised. The Bill contains a provision to ensure that the regulators' views are taken into account. The regulators will, de facto, have a very strong level of scope. Although we would not want to cut off participants by virtue of not being authorised—that would be to cut ourselves off from a source of potential innovation—it is expected that any participant would have had interaction with the regulators prior to entering a sandbox. As some hon. Members know, the regulators interact intensively with bodies such as the Treasury Committee, which we would expect to have a heightened level of interest in these matters.

Question put and agreed to.

Clause 13 accordingly ordered to stand part of the Bill.

Schedule 4 agreed to.

Clauses 14 to 17 ordered to stand part of the Bill.

Clause 18

CRITICAL THIRD PARTIES: DESIGNATION AND POWERS

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

The Chair: With this it will be convenient to discuss clause 19 stand part.

Andrew Griffith: Financial services firms increasingly rely on a small number of critical third parties to provide services, such as cloud computing providers. Although outsourcing can have many benefits, the growing dependence of financial services firms on this small pool of critical third parties also carries risks. A failure or disruption at a critical third party could have systemic impacts affecting market confidence and threatening the stability of our financial system. To mitigate that

risk, the Bill grants the financial regulators powers to oversee the services that critical third parties supply to the financial sector.

Clause 18 gives the Treasury the power to designate a third party to the finance sector as critical, bringing the services provided by that third party into the regulator's oversight. Only third parties whose failure could have a systemic impact on the sector can be designated in that way. Designations will be done in consultation with the regulators, taking into account a clear set of criteria. The first is materiality—that is, how important the services are to the delivery of essential services, such as making payments. The second is concentration—the number and type of firms that rely on that provider. The clause provides the FCA, the PRA and the Bank of England with new rule-making powers to ensure the resilience of services provided by critical third parties. The regulators have published a discussion paper setting out how they may use the powers.

Clause 18 also grants the regulators a power of direction and targeted enforcement powers. As an ultimate sanction, the financial regulators may prevent or limit a critical third party from providing services to the financial services sector. Clause 19 then makes the necessary consequential changes to FSMA to ensure that the regime functions properly, in particular in relation to the Bank of England's ability to make rules. This approach is flexible and proportionate, addressing the systemic risk posed by outsourcing to keep the UK's financial system safe, while targeting only the services that critical third parties provide to the finance sector. I therefore recommend that clauses 18 and 19 stand part of the Bill.

Tulip Siddiq: On clause 18, could the Minister set out the range of disciplinary powers that the Bank of England, the FCA and the PRA have at their disposal short of preventing a critical third party from providing new or current services to the financial services sectors? I want some reassurance from him that the clause will not produce an all or nothing approach.

4 pm

Peter Grant: Again, I do not oppose the clauses, but I do have a couple of questions. First, the Minister pointed out that the ultimate sanction that the regulator can take is to prevent somebody from carrying out the actions of a critical third party. However, given that it becomes a critical third party because the system would collapse without it, is that not the nuclear button that can never be used? Simply trying to enforce the protective regulation could cause more damage than allowing the issue to continue. I understand that it is a difficult issue to square, but is there any proposal to, for example, introduce new criminal offences? Rather than being placed in a position where we would have to damage a system in order to protect it, are there proposals at least to give the option of taking criminal action against the individuals concerned?

I understand why the Bill does not go into detail about the kind of directions and requirements that might be appropriate, but will the Minister reassure us that there is no intention to use the powers to restrict the rights of people working for critical third parties to take industrial action, should they consider it to be important? That would take us into a completely different area of legislation, but the Bill does not say that the Government cannot do that. I would appreciate an assurance from the Minister that that will not happen as a result of the Bill.

Finally, proposed new section 312N refers to immunity. Certainly we must ensure that, if an organisation acts in accordance with the requirements of the regulator, they cannot be sued simply for doing what they were required to do. Is there a potential issue that they could be sued by an overseas party in an overseas court? Has the Minister considered how we might prevent that from becoming an issue? Clearly, this Parliament cannot legislate to give anybody immunity from being sued elsewhere, and there are people who will tout around the jurisdictions all over the world to find somewhere they can lodge a legal action. Is the Minister concerned that the inability to give international immunity might mean that some of the provisions become less effective than we might have hoped?

Andrew Griffith: Let me try to answer hon. Members' questions. Nothing in the clause restricts people's ability to take industrial action. That is not in scope. The powers are not anticipated as analogous to existing ones elsewhere, and the provision is not intended to be all or nothing. The powers are in essence an extension of scope into this domain and would relate to activities such as reviewing the senior manager regime, the ability to compel the requirement of information and looking at things such as resilience. They are not designed to be binary in that respect.

The hon. Member for Glenrothes made a point about the fact that the functions have been designated as critical, but that does not necessarily mean that they are monopolistic. With respect, while that is an important consideration, which we would expect the Bank, in this case, to take into consideration, it is also perfectly possible that, in the case of cloud providers, for example, a number of providers offer identical services. If one was not able to demonstrate a degree of resilience but another was, it would be possible to direct that one ceases to be used without causing the sort of systemic risk that the Bill seeks to prevent. I will write to the hon. Member in respect of what is a complex question about international immunity in law. I hope that he will respect the fact that I should not answer that on my feet this afternoon.

Question put and agreed to.

Clause 18 accordingly ordered to stand part of the Bill.

Clause 19 ordered to stand part of the Bill.

Clause 20

Financial promotion

Peter Grant: I beg to move amendment 39, in clause 20, page 31, line 37, at end insert—

"(1A) Where the content of a communication for the purposes of section 21 has not in the first instance been approved by an authorised person, approval by another authorised person may only be sought the FCA's approval for the other authorised person to do so being provided in writing.".

This amendment would prevent operators from "shopping around" for approval from an authorised person where one authorised person has not given approval, unless the Financial Conduct Authority permits this.

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

Clause stand part.

That schedule 5 be the Fifth schedule to the Bill.

Peter Grant: The amendment is quite simple. I understand the reason behind the concept of the authorised person. The Financial Conduct Authority will never have the resources or capacity to authorise every single financial promotion that somebody wants to publish, so that role needs to be outsourced. My concern is that, in some of the scams that my constituents have fallen victim to, the authorised person has sometimes been a key part of the web of deceit and concealment that has been laid for my constituents and others to fall into. Very often, when it all goes wrong, we find that the authorised person who approved the financial promotion has gone out of business themselves, so there is nobody left to take responsibility.

I am concerned that something that I have seen happen in a small number of cases might become more common. If someone takes a financial promotion that is clearly not compliant with legislation to an authorised person, the authorised person might well say, "No, I am not going to authorise it." There is nothing to stop the person from then shopping around and finding someone who will agree to approve the promotion on their behalf. Because these promotions are so common, and because there are so many of them being authorised and then issued, it is very difficult for the regulator or anyone else to pick up on the ones that should not have got through. We are relying on the integrity of the authorised person.

The intention behind the amendment is to ensure that, regardless of which authorised person someone goes to, they get a consistent answer—either yes or no. If one authorised person refused to give approval for a promotion, it could then be approved only with the consent of the Financial Conduct Authority. I am not sure that I am minded to press the amendment to a vote, but I hope that the Minister will be sympathetic to the intention behind it. If he feels that the amendment is not necessary, or that its purpose could be achieved by a better route, I would be quite happy to hear his reasons.

Tulip Siddiq: We welcome clause 20, which we recognise would introduce tighter controls on those who approve financial promotions for others, to ensure that consumers are better protected. How does the Minister foresee the clause facilitating improved approver expertise, due diligence and challenges in exercising appropriate regulatory oversight?

Dame Angela Eagle: Obviously this is an extremely important part of the Bill because it creates a regulatory gateway for financial promotions. We know from what the FCA has reported that there is an issue with misleading financial promotions. We all know it from our constituency casework; we know it from some of the scandals that have been carried out successfully.

Part of the trouble is the closeness to the perimeter of regulation. A firm can have part of itself in the perimeter, while other parts are outside the perimeter, but in the promotions, it gives the impression that all the firm is regulated and all of what it is doing is within the perimeter, while advertising in a very misleading way things that are actually unregulated and therefore much riskier. We know that a lot of scams have happened that way. The way in which the FCA tries to deal with this situation is like trying to hold back the tide. The fact that so many of the promotions that it has managed to get a handle on—4,226 of them—have been withdrawn or amended to make them less misleading demonstrates that the FCA is doing its best. However, members of the Committee know that there is a constant battle with scammers, who constantly change how they present information to consumers and potential consumers through an ever-increasing number of gateways, even on things like TikTok. It is difficult for any regulator to get a handle on that, so anything that helps to battle the problem more effectively will be welcomed by all of us.

Will the Minister explain in more detail why he thinks that this is the right way to proceed, and how effective he thinks the powers in clause 20 will be in tackling the problem? We know—I think we will come on to this later in our proceedings—that cracking down on fraud more effectively will also be important. With the financial promotions and unauthorised third parties that deal with granting permissions, we know that the current regime can cause problems. We know that it is failing and that the FCA cannot be expected to do all this work with the resources it has, so will the Minister go into detail about how effective he thinks the measures will be, and say how he will be assessing this approach's effectiveness? Clearly we want a reduction in the amount of scamming and fraud, and the number of promotions that are misleading or downright lie about the nature of the products they are pushing, so I will be interested to hear how the Minister sees clause 20 as the solution to this difficult problem.

Andrew Griffith: I thank the hon. Member for Glenrothes for raising the issue, which I understand is of concern to Members on both sides of the Committee. I also thank him for indicating that he will not press the amendment to a vote. I think the reason for that is that clause 20 is a genuine enhancement of the regulatory infrastructure. It creates a new, two-tier regulatory structure that speaks directly to the issue of those who have been authorising harmful financial promotions. It does so by introducing a new assessment by the FCA that requires that they be assessed as fit to do so. I will come on to what that could look like in a moment.

We understand what financial promotions are. They are inducements or invitations to engage in investment activity in its broadest form.

Peter Grant: The Minister says that we all understand what financial promotions are, but do we really? Is the existing definition agile enough? One of the dodgy directors I mentioned earlier has now set himself up on TikTok as a lifestyle guru. Everybody knows he is doing this to groom people. He will say to someone, "I've got this brilliant investment plan that nobody else knows about. Why don't you do it?" Does that sort of thing count as a financial promotion or not? Quite clearly it is an inducement and an attempt to get someone to sign up to an investment that may or may not be legitimate.

Andrew Griffith: I am not familiar with the precise incident that the hon. Gentleman talks about. We have to reflect that there will be a continuum from someone being a lifestyle guru to someone promoting a financial

product. Our job as legislators is to understand where those cliff edges lie and to bring forward procedures that mean that the scope is laid in the right place, so that cliff edges are legislated for appropriately.

4.15 pm

The clause creates a new regulatory gateway specifically for such firms. A measure of success, which the hon. Member for Wallasey challenged us on, would be fewer firms engaging in that activity because of the presence of the regulatory gateway and the higher threshold, given the past challenges in this space. The Financial Conduct Authority will bring forward the detail of what the regulatory gateway will look like. I understand that it has committed to consult on that before the end of 2022—before the end of this year—and I am sure we that will all be interested in seeing that. I expect that the consultation period will conclude before the Bill reaches Royal Assent, and that will put us all in a good position. I hope that the hon. Lady will bear with us as the FCA brings forward more details.

As I have touched on several times today, the Bill is incredibly important. The clause is an enhancement of the regulation of promotions. It is not a panacea. The fight against financial crime—whether fraud or other activities—has been characterised as, to a degree, an exercise in whacking moles. My understanding is that the regulator feels competent and that it has the right resources, but we recognise that this is a quest that we will always be engaged in.

The Government are engaged in other endeavours, including removing the exemption for online platforms in respect of financial promotions. As so many of the problems we face originate online, that will be a valuable extension. Some online service providers have already upped their game. I hope that we see much more significant progress, given some of the regulation.

On the detailed application of the regulatory gateway set out in the clause and in schedule 5, the Government want consumers to be provided with clear and accurate information that allows them to make appropriate decisions based on their individual circumstances. That is what the clause is designed to do, so I recommend that it should stand part of the Bill.

Schedule 5 amends FSMA simply to ensure the effective implementation and operation of the regulatory gateway. It expands the FSMA definition of "regulated financial services" to include inducements to engage in investment activity, bringing the full range of financial promotion activity within the scope of the FCA's general duties. In effect, the schedule makes provision to apply existing offences within FSMA to the approval of financial promotions, and applies other relevant parts of FSMA to ensure that the FCA can effectively oversee the gateway. In short, it expands the scope of existing legislation to include more activities, and creates a two-tier authorisation structure.

Peter Grant: I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 20 ordered to stand part of the Bill.

Schedule 5 agreed to.

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

4.19 pm

Adjourned till Thursday 27 October at half-past Eleven o'clock.

Written evidence reported to the House

FSMB32 Mark Versey, CEO, Aviva Investors, Claire Hawkins, Director of Corporate Affairs, Phoenix, Emma Wall, Head of Investment Analysis, Hargreaves Lansdown, Bruce Duguid, Head of Stewardship, Equity Ownership Services, Federated Hermes, Gemma Corrigan, Head of Policy and ESG Integration, Federated Hermes Limited, Romi Savova, CEO, PensionBee, Laura Chappell, CEO, Brunel Pension Partnership, Mike Williams Holiday, CEO, Aegon UK, Alex Perry, CEO, BUPA Insurance, Paul Bucksey, CIO Smart Pension, Ben Pollard, CEO Cushon, Oliver Prill, CEO, Tide, and Chris Martin, Chair Pace (Coop Pension Scheme) (joint submission)

FSMB33 Open Finance Association (OFA)

FSMB34 Euroclear Group

FSMB35 Aviva

FSMB36 Building Societies Association (BSA)

FSMB37 NCR

FSMB38 Electronic Money Association

FSMB39 London Metal Exchange Group (LMEG)

FSMB40 The Investment Association

FSMB41 Insurtech UK

FSMB42 TheCityUK