

UK Financial Regulation Shakeup Consultation Begins

On 26 July 2010 the UK government published a consultation paper “A New Approach to Financial Regulation” outlining the proposed reforms to the UK’s regulatory framework to avoid another financial meltdown.

More detailed consultation and draft legislation is expected to be published in early 2011 with the new laws themselves proposed to be enacted in 2012 in what represents the biggest shakeup in UK financial regulation in a decade.

By way of background, the UK’s old regime, the widely discredited ‘tripartite’ regulatory system, consisted of three authorities – the Bank of England, the Financial Services Authority (FSA), and the Treasury. No single regulator was responsible for monitoring the system as a whole.

Under the proposals the government will create a new Financial Policy Committee (FPC) in the Bank of England, with primary statutory responsibility for maintaining financial stability.

Broadly, operational responsibility for prudential regulation of regulated financial services firms is to transfer from the FSA to a new subsidiary of the Bank of England (the Prudential Regulation Authority or PRA).

Finally, regulation of conduct within the financial system, including the conduct of firms towards their retail customers, and the conduct of participants in wholesale financial markets will be carried out by a dedicated, specialist body the Consumer Protection and Markets Authority (CPMA). Its primary statutory responsibility being to promote confidence in financial services and markets.

The consultation closes on 18 October 2010. Notwithstanding this consultation, the proposals are still at an early stage and in some ways this consultation is a disappointing document. In some key areas there are more questions than answers and it is not clear how the new setup will impact businesses operationally. The draft legislation, which may answer some of these questions, is expected to be published early next year. A link to the full report can be found [here](#).

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