

Draft Memorandum of Understanding on international organisations¹

This is the Financial Services Consumer Panel's comments on the draft Memorandum of Understanding (MOU) on International Organisations.

Overview

In its evidence to the Pre-Legislative Bill Committee, the Panel expressed its concerns that the twin peak structure does not fit well with the European structure, where all three supervisory authorities (ESAs) have responsibility for both prudential and conduct of business issues. The Panel proposed a possible solution to this issue of a joint European/international team operating and communicating with both the FCA and PRA. There is a precedent for such a structure at European level, where directorates-general have been split in the past, and we believe that the new regulators could learn from these experiences.

We were encouraged by clause 62(5)b in the Financial Services Bill for a committee for the purposes of co-ordinating the exercise of the FCA and PRA's relevant functions relating to international organisations, and by clause 62(5)(d) and (e) which require the international memorandum of understanding to make provision for the procedures to be followed by the UK authorities in agreeing consistent objectives and the details of how the authorities will consult on such issues.

However, we are disappointed at the lack of detail in the subsequent Memorandum of Understanding, and such details as have been given indicate a worrying lack of coordination, particularly in two important areas.

The International Coordination Committee (ICC)

1. *Membership and attendance*

It is proposed that the ICC should consist of officials from the UK authorities, and be chaired by a representative of HM Treasury. We are happy that, as far as this goes, it appears to be the appropriate structure. We are also pleased to see the flexibility to invite representatives of other bodies to attend its meetings. Throughout the debate on the Financial Services Bill we have raised concerns that the consumer voice is not adequately represented, particularly at the PRA, and would therefore propose that the Panel should be one of these other bodies in order to make appropriate representations.

It is not clear either from the Bill or the MOU what level of seniority the members of the ICC will represent. We suggest there is a need for two levels of co-ordination; strategic and tactical. If the ICC is to function at a strategic level, the membership needs to be sufficiently senior to be able to make the appropriate decisions. However, there does need to be a structure below the ICC level which coordinates on tactical and 'business as usual' issues.

2. *Frequency of meetings*

¹ <http://www.official-documents.gov.uk/document/cm82/8268/8268.pdf> , Annex F, page 117

The MOU suggests the ICC should meet 'once a quarter or more often as necessary'. While quarterly meetings may be sufficient for strategic level decisions, we are concerned that there will be a need, on a day to day basis, for communication between the relevant departments within the FCA and PRA.

The principles in the MOU state that 'the UK authorities, at all levels of negotiation, should keep the other relevant UK authorities informed in relation to matters that impinge on their respective responsibilities'. If this is to be achieved, particularly given the volume of work under consideration at EU level in the near future there must be adequate communication channels between those working at policy level. This was the reasoning behind our proposals for a joint European/international policy department, and we still regard this as a valid suggestion. Work at EU level requires coordination on a day-to-day basis, and it would be detrimental to the interests of the UK to split the expertise and experience of the current teams in the FSA working on international issues.

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