

Financial Conduct Authority to be denied extra powers

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The Financial Conduct Authority feels its hands may be tied by its so-called regulatory perimeter

The government has rejected a plan to give the City watchdog greater powers despite a string of scandals that have exposed the limits of the regulator's influence.

The Financial Conduct Authority is facing growing scrutiny of its so-called regulatory perimeter, which defines the scope of the watchdog's purview.

The influential Commons Treasury committee in August suggested that the regulator be granted formal powers so that it can recommend to the government changes to its perimeter, to make it easier for the authority to intervene to protect investors and businesses from unregulated activities.

However, the committee disclosed yesterday that the government had rejected the proposal because it believes that decisions about the perimeter should stay with ministers.

Catherine McKinnell, the Labour MP and interim chairwoman of the committee, said the government's response was "disappointing".

The collapse of the minibond firm London Capital & Finance in January was the latest controversy to shine a spotlight on the authority's powers and areas where regulations are unclear.

London Capital & Finance was authorised by the regulator to promote financial products, even though the minibonds were unregulated and high-risk. It had raised £237 million by selling the debt securities to 11,600 private investors, who now face heavy losses.

The regulator's bosses have themselves admitted the complicated nature of the perimeter has led to confusion.

Charles Randell, chairman of the FCA, said the perimeter's complexity was such that it was "not clear to consumers where they leave protection and where they remain within it". He warned that there were "bad people who wish to exploit those grey areas".

The perimeter is set by the Treasury. Ms McKinnell said that giving the authority the formal power to recommend changes would provide "greater transparency to the process".

However, the government said it did not "see the case" for overhauling the way the perimeter is set. It also cautioned against another proposal by MPs that the government should consider whether the FCA is given the power to order unregulated firms to hand over data about their activities.

The government warned that this "would add significantly to the FCA's supervisory responsibilities and have resource implications, carrying the risk that the FCA's ability to supervise authorised firms is reduced".

The furore over London Capital & Finance has already prompted the government to undertake a review of minibonds and the rules governing financial promotions. It told the committee it would "announce the outcome of this work as soon as possible".

Fifteenth Special Report

On 2 August 2019, the Treasury Committee published its Thirty-Fifth Report of Session 2017–19, [*The work of the Financial Conduct Authority: the perimeter of regulation*](#) (HC 2594). On 1 October 2019 we received the Government Response to the Report, which is appended below.

<https://publications.parliament.uk/pa/cm201719/cmselect/cmtreasy/2674/2674.pdf>