

Financial Services Bill

AMENDMENTS
TO BE MOVED
IN GRAND COMMITTEE

Before Clause 1

BARONESS NEVILLE-ROLFE

Insert the following new Clause—

“Competitiveness as an objective of the FCA and PRA

- (1) The Financial Services and Markets Act 2000 is amended as follows.
- (2) In section 1B (the FCA’s general duties)—
 - (a) in subsection (3), at the end insert—

“(d) the competitiveness objective (see section 1EA).”;
 - (b) in subsection (4), after “the integrity objective” insert “or the competitiveness objective”.
- (3) After section 1E (the competition objective), insert—

“1EA The competitiveness objective
The competitiveness objective is: within the UK financial system, promoting efficiency, competitiveness, and the interests of business based in the United Kingdom, or owned in the United Kingdom.”
- (4) After section 2C (insurance objective), insert—

“2CA The competitiveness objective
In discharging its general functions, the PRA must have the objective of promoting—
 - (a) efficiency,
 - (b) competitiveness, and
 - (c) the interests of business based in the United Kingdom, or owned in the United Kingdom.”

Insert the following new Clause—

“Competitiveness as an objective of the Bank of England

In Part 4 of the Bank of England Act 1998, after section 43 insert the following new section—

“43A Competitiveness objective

Before Clause 1 - continued

In discharging its functions related to financial conduct and prudential regulation, the Bank must have the objective of promoting, within the UK financial system—

- (a) efficiency,
- (b) competitiveness, and
- (c) the interests of business based in the United Kingdom, or owned in the United Kingdom.””

After Clause 5

LORD OATES
BARONESS KRAMER

Insert the following new Clause—

“Risk weight: existing fossil fuel exposure

In setting the capital requirements of an institution, the Prudential Regulation Authority must apply a risk weight of 150% to exposures associated with the funding of existing fossil fuel production and exploitation.”

Member’s explanatory statement

The purpose of this amendment is to ensure that the 150% risk weight required under article 128 of CRR2 for “items associated with particularly high risk” is applied to exposures of an institution to existing fossil fuel production and exploitation.

Insert the following new Clause—

“Risk weight: funding of new fossil fuel exploration

In setting the capital requirements of an institution, the Prudential Regulation Authority must apply a risk weight of 1250% to exposures associated with the funding of new fossil fuel exploration, production and exploitation.”

Member’s explanatory statement

The purpose of this amendment is to apply a 1250% risk weight to exposure to new fossil fuel exploration, production and exploitation, implying 100% equity funding and reflecting the fact that such activity is likely to result in a loss of capital as the world moves to net zero. The amendment replicates the approach taken in Article 89 of CRR in calculating the capital requirements of holding companies.

After Clause 40

LORD TUNNICLIFFE
LORD EATWELL

Insert the following new Clause—

“International collaboration on financial services matters

- (1) Within 6 months of the day on which this Act is passed, the Treasury must lay before Parliament a document outlining the priorities of Her Majesty’s Government as a participant in international discussions on the direction and detail of financial services regulation.

After Clause 40 - continued

- (2) The document under subsection (1) must include the position of Her Majesty's Government in relation to—
- (a) the adoption and enhancement of requirements on public country-by-country reporting of revenue and tax payments by jurisdiction,
 - (b) the coordination of regulatory efforts to tackle financial crime and its facilitation, and
 - (c) any other matters the Treasury deems appropriate,
- insofar as international action on these matters would impact on the carrying out of regulated activities in the United Kingdom.”

Member's explanatory statement

This probing amendment seeks to understand the position of Her Majesty's Government on a range of financial services matters currently being discussed at the international level. It would require publication of a document setting out the Government's position on issues such as country-by-country reporting, as such issues relate to the carrying out of regulated financial services activities in the UK.

BARONESS NEVILLE-ROLFE

Insert the following new Clause—

“Impact assessments

- (1) Regulations made under this Act, and under any regulation-making powers inserted by this Act into any other Act, may not come into force until the Secretary of State has laid an impact assessment of each regulation before each House of Parliament.
- (2) Rules made by the FCA or the PRA under rule-making powers given to the FCA or the PRA by this Act, and under any rule-making powers inserted by this Act into any other Act, must be published on the website of the FCA or PRA (as appropriate) at least 30 days before they are due to take effect, together with an impact assessment of the rules.
- (3) In this section, “impact assessment” means an analysis of the costs and benefits of the proposed change, compared to the existing position and other options considered, including the expected impact on UK businesses and the UK economy.”

Insert the following new Clause—

“Requirement to report to Parliament on impact on businesses

The Secretary of State must publish an annual report on the impact of measures taken by the FCA, PRA and the Government to regulate financial services, particularly on small business, innovation and competitiveness.”

After Clause 40 - continued

LORD HODGSON OF ASTLEY ABBOTTS

Insert the following new Clause –

“Regulatory cooperation with the European Union

- (1) Within the period of two months beginning with the day on which this Act is passed, the Treasury must prepare and publish a report on progress towards agreeing a memorandum of understanding for regulatory cooperation in financial services with the European Union.
- (2) This report should include –
 - (a) an update on the status of negotiations,
 - (b) a statement on areas where agreement has been reached,
 - (c) areas where further negotiation is required, and
 - (d) a proposed timetable for implementation of areas of agreement.
- (3) The report must also include –
 - (a) an update on progress towards achieving regulatory equivalence for UK financial services firms operating within the European Union,
 - (b) the equivalence assessments that have been granted to UK based businesses, and
 - (c) a statement on where equivalence recognition has not been granted.”

Member’s explanatory statement

This new Clause would require a report to be published on progress towards, or completion of, a Memorandum of Understanding with the European Union on regulatory cooperation measures envisaged by the Trade and Cooperation Agreement between the UK and EU and to provide an update on equivalence recognition for UK financial services firms.

Insert the following new Clause –

“Recognition of nature of financial products and clients within the regulatory framework

- (1) When making rules using their powers under the Financial Services and Markets Act 2000, the Prudential Regulation Authority and Financial Conduct Authority must structure these rules to recognise different types of financial service businesses, taking into account the nature and risk of the products or services they provide and the level of sophistication of the client receiving those products or services, while maintaining high market standards overall.
- (2) In structuring these rules they must have regard to –
 - (a) the nature of the product or service being provided and the level of risk involved,
 - (b) the level of risk involved to UK customers,
 - (c) whether the product or service is provided to a “retail client” or a “professional client”,
 - (d) whether the client engages professional advisers who are supervised and regulated by either the Prudential Regulation Authority or Financial Conduct Authority,

After Clause 40 - continued

- (e) the overall impact on UK financial stability of providing that product or service.
- (3) For the purposes of this section, a “professional client” means a person or entity that falls within COBS 3.5 *Professional clients*, FCA Handbook, and a “retail client” means a client who is not a professional client.

Member’s explanatory statement

This new Clause would require both regulators to consider the nature of the product or service being provided by a financial services provider, the level of risk within that product for UK customers and the nature and level of sophistication of the client receiving those products and services, when developing regulatory rules pertaining to those products or services.

LORD SIKKA

Insert the following new Clause –

“FCA duty to make a statement about ministerial directions on investigations

- (1) The Financial Services and Markets Act 2000 is amended as follows.
- (2) After section 1T (right to obtain documents and information) insert –

“1U Duty to make a statement about ministerial directions on investigations

Where a Minister directs, comments on, or intervenes with an FCA investigation into wrongdoing or malpractice by a company, the FCA must make a public statement about the nature of any such intervention.””

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10 February 2021
