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Dear Rob

The new regulatory reporting environment – DP12

I am responding on behalf of the Consumer Panel to DP12.

May I firstly say how pleased we are to see that the FSA is ranking the identification of the information needs of consumers (or their advisers) alongside its own information needs for supervisory purposes. We agree that the information firms are required to provide to the FSA should be part of this total need. We also support what is said in paragraphs 3.4 and 3.5 of the DP vis-à-vis the characteristics of each financial sector being reflected in the information that is made available to consumers and the emphasis placed on the provision of better quality information (rather than simply providing more information).

I will turn now to the specific questions raised in Chapter 3 of the DP (we have no comments on the questions in Chapter 4):-

Q1 What do you consider might be a suitable structure for defining reporting requirements? For example, a regime based on legal entities as at present, one based on permissions or by product/activities or a combination of both?

From a consumer perspective, it would be beneficial to have access to data presented on both a legal entity and a product/activity basis. Accordingly, it would seem appropriate to structure reporting requirements accordingly.

Q2 Do you consider that we can make more use of the information that a firm uses to manage its own risks? Do you have any examples which are relevant?

Our sense is that the FSA could make more use of information used by firms to manage their own risks. However, the firms themselves will be best placed to answer this and to provide examples.

Q3 Do you agree that we should design a new baseline framework for all firms based as far as possible on what is already done for internal management purposes or where applicable group accounting purposes?

Insofar as it provides adequate information for regulatory purposes and better information about firms for consumers, this would seem to be a sensible approach.

Q4 Can we distinguish between data required routinely; that required on request and that required by a trigger event? For example through exception?

From a consumer's viewpoint, the objective should be to achieve a routine supply of specified data on firms supplemented, as appropriate, by additional information when there are problems in a firm about which consumers need to be informed (eg Equitable Life). We recognise that, in some problem cases, it could be damaging to a firm and to consumers to make certain information public. However, as we said in our Annual Report, we believe that the presumption should be to inform consumers unless there is a good reason not to, when the onus should be on the FSA to make a positive case (internally, but according to agreed criteria) for information not being made public.

Q5 Should we rely more on derived data such as ratios rather than input data, providing the firm maintains a record of how the ratios were derived? This could be investigated through case specific reporting if needed, for example by skilled persons reports.

See answer to question 8.

Q6 Can we rely more on developments in business reporting and technology more generally, for example through the use of XML standards?

No comment.

Q7 What sort of information do consumers (and their advisers) and market participants want to have disclosed? For example, are there key performance indicators or areas that are currently not publicly disclosed which consumers need? Examples might include number of customer complaints, commission rates or compliance breaches of firms. Are there areas currently disclosed that add little value?

When deciding whether to undertake a particular transaction or open an account, one of the first pieces of information that a consumer would like to be able to assess is the financial strength of the firm they are proposing to deal with. The Panel would therefore like to see a measure of financial strength added to the FSA's comparative tables. Information about the nature of a firm's assets might also be useful in this connection in that it would enable consumers to identify any particular concentrations and to assess for themselves the risks associated with them.

Having satisfied themselves as to the financial strength of a firm, consumers will want to be assured that its management and systems/controls are of the quality they are seeking. In this respect, the information about firms and individuals available to

consumers via the Register will be important. Consumers will be very interested in seeing details of any enforcement action taken against firms or individuals. However, perhaps the most informative indicator of this will be data on complaints, which the FSA will be collecting and which we would like to see published on an individual firm basis.

Having carried out an assessment of a firm's financial well-being, the quality of its management and the efficiency of its systems and controls, the consumer wants to know more about its expertise in the particular sector in which they are proposing to conduct business (eg insurance, banking, securities etc). How big are they in that sector? What range of products do they offer? Where does their particular expertise (if any) lie? Information on the range of activities a firm is involved in and quantitative figures to illustrate its share of the overall market would be extremely useful inputs to the decision-making process. Information on charges and commission rates will also be important in helping a consumer decide what is best for them.

We acknowledge that some of this information is already in the public domain. However, we think it would help consumers immensely if the FSA could consolidate the information in the form of a comparative table to enable comparisons to be made reasonably easily.

Q8 What sort of format would be useful for disclosure of industry-wide information? For example, would summarised/simplified information, such as ratios, be adequate or is more precise detailed information required?

Consumers need to be able to understand readily the information made available to them. For this reason, if ratios are provided – and we accept that, in some areas (eg capital adequacy), they are likely to be more helpful to consumers than the underlying information – they should be accompanied by a clear explanation of what they represent and how they might be interpreted.

Q9 Are there any other factors that should be taken into account when considering consumer needs?

An important factor to bear in mind when considering this question is that consumers are not necessarily aware of linkages between individual legal entities. They are unlikely to have readily available access to Group structures in the same way that regulators do. With cross-border activity likely to grow and an increasing amount of business being conducted over the Internet, it will become even more important for consumers to be able to identify firms that are part of the same group.

Similarly, the assiduous consumer will want information on the complaints regime and the compensation arrangements that would apply should he (or she) proceed with the 'deal' they are contemplating. Is there access to FOS (or a similar organisation) in the case of complaints and is there a Compensation Scheme to bail them out in the event of default?

Q10 Should firms be given more access to information collected by us, such as aggregate data on a market-wide basis, to increase transparency and allow them to benchmark themselves?

Yes; this ought to be of benefit to firms and consumers alike.

Q11 Do you think transaction reporting (for example to identify market wide data on who is selling what products to which customers) is a feasible way of monitoring regulated firms?

I am sure that transaction reporting would be invaluable to the regulator. It would also provide some very useful information for consumers in that it would enable them to assess the extent to which they were an outlier (or not as the case may be) in trading with a particular firm in a given product.

Q12 Do you agree that firms should provide more information, on a private basis, on market intelligence? What practical difficulties would need to be addressed in order to facilitate gathering of such intelligence?

Yes. Indeed, we are surprised that such a framework does not exist already. We would have expected the relationship between line supervisors and regulated firms to provide the framework for this.

Q13 Do you think that systems changes can be distinguished between presentation/disclosure and underlying transaction engine issues in the way we envisage?

We have no comments on this question which is, I think, directed at the industry.

Q14 Of the data you currently report to the regulator, are there some areas where you would view external assurance as an unnecessary burden? Is there information not currently subject to external assurance that should be?

Again, we have no comments.

Q15 Does information given to the regulator or disclosed to the public need to have a high level of external assurance provided by auditors and actuaries or is board/management internal assurance enough?

Consumers need to be sure that the information they are given is accurate. For this reason, we are naturally inclined to favour the additional level of assurance provided by external auditors and actuaries. However, we would not wish such a requirement to have an adverse effect on the timeliness of the availability of information. Moreover, we agree that the board and senior management of a firm need to take responsibility for information provided to the regulator or placed on the public record.

Q16 Do you have any views on the timing, frequency and accessibility of information about regulated firms?

Obviously, from a consumer's perspective, it is important that the information they have access to is as up-to-date as possible. Where a series of data is concerned, it would seem reasonable to expect this to be updated monthly in arrears (particularly if, as one suspects, much of the information is monitored by firms on a monthly basis anyway).

Yours sincerely,



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