

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Ms Barbara Smith
H M Treasury
Financial Services Strategy Team
Room 4/18
1 Horse Guards Road
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Our ref: Consultations HMT

21 June 2006

Dear Ms Smith

Regulatory Reform Order: A Second Consultation on Proposed Changes to the Financial Services and Markets Act 2000 ("FSMA")

This is the Financial Services Consumer Panel's response to HMT's second consultation on changes to FSMA.

In our response to HMT's original consultation (issued in December 2005), we set out our support for the requirement on the FSA to consult publicly on changes it proposes to make to its rules and guidance. We feel that the consultation process provides a much needed set of checks and balances on the regulator's policies and practices. Although generally speaking we would be opposed to the removal of these checks and balances, given the limited circumstances set out in the December Paper, we had no objection to the original proposals. We did, however ask for:-

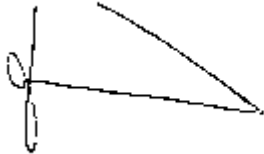
- An indication from the FSA as to what constitutes "minor effect".
- A continuance of the arrangements between the FSA and the Panel to ensure that the Panel is notified in advance of all proposed changes to rules and guidance, whether or not the FSA proposes to consult, and to give the Panel the opportunity to comment on them.

This second safeguard would enable the Panel to comment on the potential consumer impact of proposals and to monitor, on a low key basis, the frequency and nature of cases where the FSA intends to proceed without consultation. This would not place a significant burden on the FSA as it is already the FSA's general practice to offer the Panel early sight of changes it proposes to make.

The proposal to amend FSMA to accommodate these changes has now been removed. The Paper states however that FSMA as drafted already allows the FSA to adopt a 'lighter touch' consultation procedure. In the circumstances we would still

like to see the safeguards we have already called for put in place. We also look forward to discussing with the FSA any new policies or procedures it intends to initiate in order to make use of this existing flexibility of approach.

Yours sincerely

A handwritten signature in black ink, consisting of a vertical line on the left, a horizontal line extending to the right, and a diagonal line connecting the top of the vertical line to the end of the horizontal line.

Chairman
Financial Services Consumer Panel