

Telephone: 020 7066 9346  
Local fax: 020 7066 9728  
Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)

Nigel Sherwin  
Institutional Business Policy  
Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London, E14 5HS

07 August 2006

Dear Mr Sherwin

## **CP 06/9\*\*\* Organisational Systems and Controls**

This is the Consumer Panel's response to CP 06/9\*\*\* - Organisational Systems and Controls.

We are generally supportive of the overall direction proposed in the Paper, but we have focused our response on the proposals in Chapter 9 relating to conflicts of interest.

### **Definition of conflicts of interest**

We support the proposition that conflicts of interest should be clearly defined and find the examples cited very helpful. It is however important that the examples are kept up to date in the light of experience and changes in the market – we would like to see the FSA providing information on a regular basis so that firms and consumers can be clear about where possible conflicts of interest arise.

### **Disclosure of conflicts of interest as an instrument of consumer protection**

We strongly support the general analysis here, and specifically the conclusion that, for many ordinary consumers, disclosure alone will not be enough to ensure adequate protection. Few consumers will be familiar with the issue and still fewer will be able to work out for themselves what the risks are and what to do if conflicts of interest are indicated. The identification of a conflict of interest affecting ordinary consumers should as a matter of course trigger risk mitigation measures within the firm – including, if appropriate, such measures as modifying remuneration arrangements or even declining to take on certain categories of business. Again, a steady flow of examples from the FSA, possibly linked in with the wider Treating Customers Fairly initiative, will help to identify suitable behaviours over time.

## **Super-equivalence**

We support the super equivalence measures proposed in the Paper which should help to avoid seemingly arbitrary distinctions between the handling of business within MiFID scope and other investment business outside it. From the consumer point of view, however, the boundary does not stop there – conflicts of interest are just as much a risk in areas such as insurance and mortgages, and we urge the FSA to proceed without delay in reviewing the relevant areas of the Handbook as suggested in paragraph 9.20 of the Paper.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'J. Howard', written in a cursive style.

John Howard  
Chairman