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Our ref: PR8/MT

Dear Helen

CP05/10* Reviewing the FSA Handbook Money Laundering, Approved Persons, Training and Competence and Conduct of Business**

This is the Consumer Panel's response to CP05/10***. We have focused on the key issues raised from a consumer perspective, rather than dealing with individual questions.

Overview

The Consumer Panel agrees that there is a need for the FSA's requirements on firms – whether principles or rules – to be effective. The Handbook should continue to be reviewed on a regular basis. Better regulation does not necessarily mean less regulation however and we would like to see the FSA considering the focus of the Handbook overall as well as identifying areas where consumer protection should be improved. The inclusion of consumer impact assessments in the Paper is helpful, but we note that the summaries in Chapters 2 ("we do not believe that our proposals would reduce consumer protection ..") and 3 ("consumers are unlikely to face any material loss of protection ..") do not make any reference to possible improvements in levels of consumer protection.

We have no objection to the FSA's move towards increasing reliance on senior management responsibility in principle, but this can only be effective if the FSA takes robust action against individuals when the need arises. There is little evidence that the FSA has had an appetite for such action so far.

Money Laundering Regime

The Panel is aware that consumers who do not hold a passport, driving licence or are not named on a utility bill have had difficulty in fulfilling organisations' identification requirements. We hope that the less rigid approach proposed in the Paper will mean that customers are dealt with in a sensible and sympathetic way.

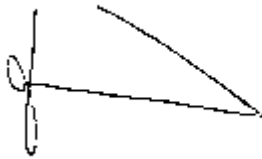
The Guidance to firms contained in the Handbook should make this clear. The Panel also believes that senior management should be responsible for ensuring that this more flexible approach is understood at branch level and wherever firms' staff deal direct with consumers and their representatives.

Approved Persons Regime

The Panel has no objection to the review and simplification of the approved persons regime in principle. We are pleased that the FSA has stated that it does not intend to change the standards of fitness and propriety required of individuals carrying out controlled functions, or to alter the overall scope of controlled functions. We are however concerned about the impact of the proposals on the way in which the FSA enforces its requirements on individuals. There is a significant difference between identifying and dealing with particular rule breaches and concluding that an individual is not a fit and proper person to perform a job. Whilst we agree that senior management should take responsibility for ensuring that employees are fit and proper for the roles that they undertake, we are concerned that in practice it may be difficult to hold individual managers and firms to account.

We agree with the FSA's proposal to delete the sole trader function as sole traders will continue to be vetted by the authorisation process.

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 crossing the horizontal one from the top right towards the center.

John Howard
Chairman, FS Consumer Panel