House of Commons

Treasury Committee

Oral evidence: Future of Financial Services, HC 147

Monday 25 October 2021

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Watch the meeting

Members present: Mel Stride (Chair); Anthony Browne; Gareth Davies; Julie Marson; Alison Thewliss.

Questions 283 - 339

Witnesses

I: Anne Boden, Chief Executive Officer, Starling Bank; John Collins, Chief Legal and Regulatory Officer, Santander UK; Matthew Conway, Director for Strategy and Policy, UK Finance; David Livingstone, Chief Executive Officer, Europe, Middle East and Africa, Citi; Nigel Terrington, Chief Executive Officer, Paragon Banking Group.

Examination of Witnesses

Witnesses: Anne Boden, John Collins, Matthew Conway, David Livingstone and Nigel Terrington.

Q283 **Chair:** Good afternoon and welcome to this Treasury Committee evidence session as part of our inquiry into the future of financial services. We are very pleased to be joined by five witnesses this afternoon. Can I thank you all at the outset for agreeing to a postponement of this session, which we moved from last Monday, when it was originally intended to be held, due to the tragic situation of the death of Sir David Amess? Thank you very much for that.

Could I ask the members of the panel just to very briefly introduce themselves to the Committee? I am going to start with Nigel, who joins us remotely, because he has very kindly agreed to join us, even though he is on vacation at the moment. Thank you, in particular, Nigel, for rescheduling and being with us today, but could you introduce yourself briefly, please, to the Committee?

Nigel Terrington: Good afternoon. My name is Nigel Terrington. I am chief executive of Paragon Banking Group. We are a domestically focused specialist lender. We are active in the residential property market. We also finance SMEs, including for housebuilding. In addition to that, I am a board member of UK Finance and was previously chairman of the CML.

John Collins: I am John Collins. I am the chief legal and regulatory officer of Santander UK. I also have a role as chairman of UK Finance's economic crime committee.

Matthew Conway: I am Matthew Conway. I am the director of strategy and policy at UK Finance, the trade association for the banking and finance sector.

Chair: And Anne—I heard you talking on the "Today" programme this morning about your appearance today. Well done—it was a good plug.

Anne Boden: Thank you. I am Anne Boden. I am the CEO and founder of Starling Bank, which is a new digital bank. We now have 2.5 million customers in the UK. I am also a director of UK Finance.

David Livingstone: I am David Livingstone. I am the chief executive officer of Citi, the international wholesale and consumer bank. We operate in the UK primarily as a wholesale organisation, but we do have a limited consumer presence as well.

Q284 **Chair:** Welcome to everybody. The first question is to all of you, so do not feel shy about jumping in first. It is a big, wide-ranging question. Now that we have left the EU, what areas of regulation should we be looking at? There could be specific regulations where you would like to see some significant change.

Anne Boden: First, we need to simplify it, so that we can understand what is going on. I am really excited about being able to talk about these issues, because, as a new, growing bank, every day we are faced with the issue of trying to find out what the rules are. They are in so many different places and there are so many different things we have to consider, so we would very much like simplification.

We would like the thresholds to be simplified. Somebody once quoted that there are 54 different thresholds. These are values where, if you tip over, new rules apply, across the regulatory framework.

As Starling Bank, we also really believe in "same regulation, same risk". At the moment, we have many organisations sitting outside the perimeter that have slightly different regulatory obligations. I talk about "buy now, pay later", about cryptocurrencies and about e-money licences. We have many consumers who believe that they are protected with an e-money licence in the same way as they are protected by having their current account with a bank.

From Starling's point of view, it is very much about simplification, so that we do not spend lots of money, as an industry as a whole, consulting with lawyers to help us interpret these rules.

Q285 **Chair:** Could you give us an example of the 54 different thresholds? Could you give us a flavour of where you are impacted by this?

Anne Boden: Certain thresholds kick on. MREL kicks in at £15 billion and ring-fencing at £50 billion. There are certain other thresholds where the remuneration code kicks in. You are constantly having to check where you are against these various regulations. We want proportionate regulation but, at the moment, it is just a little too complicated. I do not think that the intention is that the rules are secret, but sometimes we really find it quite difficult to figure out what we need to do. Simplification and a lack of conflicting rules in different regulations would really help.

Q286 **Chair:** What would an example of conflicting regulation be?

Anne Boden: An example would be where, in some areas, we are told that competition is the most important and, in another area, it is all about stability. For those sorts of things, where we would look in different places, different things are important.

Q287 **Chair:** Thank you. Who else would like to come in on which regulations and which areas?

David Livingstone: I would give a broad answer, which is that leaving the EU provides the chance to look at all areas of regulation, including its objectives and efficacy.

To give you a specific example, in the area of wholesale markets and, indeed, in the secondary markets, there were some intentions within the EU's MiFID regulation, which is now part of UK law, directed at trying to improve information and transparency for sophisticated clients as they transact securities, derivatives and so on.

To give you two examples that we believe should be looked at very closely, one is the share trading obligation, which is a very geographically focused obligation that says that particular shares need to be traded at a physical venue inside the EU. That has a detriment to best execution, which is another objective for clients. It is well intended but the operation is ineffective and counter to a more important principle, which is best execution, finding the best venue and liquidity.

Another example of a similar nature is the pre-trade transparency rules, also under MiFID, which are directed towards giving clients exposure to the bid/offer spread before they trade. It is absolutely perfectly intended, but, unfortunately, is too detailed and has the effect of reducing liquidity in markets, because, with a lot of the underlying trades—particularly derivative trades—that they are trying to cover, pre-trade transparency takes people out of the market, because there are different credit and other treatments by individual clients.

Those may be quite technical but they are things that do have an impact, particularly for the UK, on trading in the UK and the depth of the markets and liquidity here. They would be two areas that we have recommended to the regulators and Government to review.

Q288 **Chair:** Thank you, David. Could you give us some sense of the value of those two issues being addressed? It begs the question of how you address them, I guess, but are these very big things that, if sorted out in the way that you might like them to be, would have a very significant impact on our competitiveness and on the sector?

David Livingstone: Yes, they are, and not just the financial value underpinning it, but also making sure that you continue to attract clients to UK forums—in particular, the clearing and trading forums—and that they do not migrate elsewhere, based on an obligation that, as I said, is not really achieving what it was intended to do. It is a very detailed, specific area of intervention in secondary markets.

John Collins: From Santander's perspective, we do not necessarily see the immediate focus on post-Brexit reform of the regime we have inherited from the EU. As a European bank, we are keen to maintain alignment where that makes sense, so that we can service our European customers inbound into the UK, and from the UK into the EU, but we recognise that there will be opportunities to diverge and, where they make sense, we should take them, because the United Kingdom now has the ability to be nimble versus reaching consensus with 27 others. We welcome the wholesale markets review and look forward to seeing the outcome of that, because experts and policymakers will be considering that.

As for the areas where we are currently focused as a UK ring-fenced bank, we have experienced nearly three years of the ring-fencing regime, so we are quite interested in certain specifics about how that regime operates today. Keith Skeoch chaired the commission reviewing it, so we are interested to hear the output of that commission.

We are also interested in financial crime reform. With my UK Finance hat on, it is a topic close to my heart. I mean that in the context of trying to better improve the system's ability to fight the bad guys, because we have a major problem in this country.

Q289 **Chair:** Could you give me three things that Government should do to meet that objective of better fighting economic crime?

John Collins: We need to improve the ability of the private sector to share private to private, and public sector to private, information and intelligence. We are working closely with the strong team at the Home Office that was set up to promulgate a consultation on changes to the law. We are working with a sandpit, with the support of ICO, to try to test the art of the possible within the current legislative regime.

The second is reform of the money laundering regulations, which the Treasury is running a consultation on at present. It is really focused on whether we can refine the system so that it can properly focus on the threat and be nimble in order that we can expend the resource on where the real threats are.

The third is looking for the opportunity in the Online Safety Bill to broaden out and not just look at private use, but try to look at expanding the scope to bring in the fintechs and platforms, and to give them an accountability for the risks that they are introducing into the system.

Chair: Yes, by way of online advertising, for example.

John Collins: Yes. Different statistics get quoted, but somewhere between 30% and 90% of the frauds originating and passing through the banking systems are originating on platforms where scam adverts are being placed.

Q290 **Chair:** Sorry, I slightly interrupted your flow on the more general question about regulators. Was there anything else you wanted to add?

John Collins: No, that is fine. The first one was ring-fencing, which I am happy to provide examples of, if you wish. The general regulatory flow and the supervision of the regulatory system is an area of some focus for us. We welcome the regulatory initiatives forum and grid and we are looking forward to the third stage of the consultation from the Treasury on how the system can better function.

Nigel Terrington: The EU model was very much a centralised construct based out of Brussels and was trying to operate across the whole of the membership of the European Union. Sometimes, you end up almost operating at the lowest common denominator, so what works in Germany may not necessarily be relevant or appropriate in the UK.

We should now be looking at moving across the powers that existed in Brussels to the regulators, with appropriate oversight from Parliament, and looking at those rules and laws, to ensure that they are appropriate to the UK.

An example here would be a product we offer, which is that we finance landlords. Across Europe, this is done in very different ways, with very different methodologies, but there was a one-size-fits-all consideration being given to what the appropriate risk assessment was, as in the risk weighting and, therefore, the capital that you would hold against it.

In the UK, it is a product that is very well understood. There is lots of data and analysis. It is around a £250 billion market. Because of that, the UK regulator has a very good understanding of the relevant risks that are involved. As a consequence, though, they should ensure that they set the risk weights that are appropriate to the financing of properties for rent against the risks that you can measure. If you go back and look at the product that we have had since the financial crisis, we have averaged one 12th of one basis point per annum of bad debts.

The danger is that the European Union could have adopted the Basel rules, which would potentially have imposed a risk weighting around three times the size of a residential mortgage, whereas the evidence on the risk metrics suggests that that is not warranted. There is a real, living example of ensuring that there is a proper, localised understanding of the assets that are being measured for risk on a bank’s balance sheet.

The other is very relevant, which is Basel 3.1. This is the final stage of the Basel rules changes from after the financial crisis. The thing here that we see is that there is the potential for rules to be applied using, say, the historic valuation of a property. You could have a 25-year mortgage but, under the proposed rules, you might have to use the value of the property potentially up to 25 years ago as the basis for determining the current loan-to-value, which is clearly a key measure of risk. There is evidence there that points to either overstating the risk that exists on a bank’s balance sheet or being unable to measure appropriately.

There is an example where the Bank of England or the PRA should be able to adopt some local measurement that does not get drawn against whatever the European Union could have decided.

Q291 **Chair:** I am going to come to Matthew now and throw in one additional question. When we spoke to Lloyd’s about deregulation, they made a point that, in the short to medium term, it might have a number of associated costs that might outweigh the benefits, because you have to analyse what all these changes mean, to restructure yourselves and your products, and heaven knows what else. Is that a danger?

Matthew Conway: Behind all the specific areas of reform that my colleagues have suggested—and John alluded to the Treasury's future regulatory framework review and the overall architecture for regulation, which is still predicated on the Financial Services and Markets Act 2000, with about a dozen UK Acts and dozens of pieces of European legislation stacked on top of that edifice—we have the opportunity to wrap back to a regulatory framework that delivers the purposes of any regulatory framework, which is a stable, predictable environment in which firms can invest and provide the services and goods that consumers want and, in the context of financial services, one that supports the UK as an international financial centre. We would regard that as a three-legged stool and, if you take any one of these legs away, the whole thing falls over. That is the point of the metaphor.

Part of it is the framework: what are the rules that regulators operate by? We want to see a consistent framework across all the financial services regulators. The Treasury's consultations to date have focused on the Prudential Regulation Authority and the Financial Conduct Authority, but there are the Payment Systems Regulator, the Pensions Regulator and the bits of the Bank of England that are not the PRA. You cannot have different regulatory frameworks for different bits of the regulatory framework. That makes no sense whatsoever. We want to see that consistency of application, and competitiveness and proportionality, hard wired into that as the bedrock of the framework.

There is then how regulators act within that. They need to be more open about how they balance the objectives that they have. Those objectives should not all pull in the same direction all the time; there should be tensions between them. It is the regulator's job to decide whether competition is more important than consumer protection in any one context, but what they need to do is explain that.

As Anne said, it would be good to see greater application of "same activity, same risk, same regulation". Most of the British population knows that there is a watershed at 9 pm when you are watching live TV. It does not matter whether you are watching satellite, online or, heaven forbid, still terrestrial television. If you are watching live television at 9 pm, there is a watershed. As a consumer, you should not need to know whether two things that look the same have a different regulatory treatment, so we need more of that.

To pick up your point, Chair, the regulators need to do a better job of cost-benefit analysis and post-implementation review in this increasingly complicated world, where they will have more discretion in the future. They need to do a better job of demonstrating not just that the approach they are taking has benefits that outweigh the costs, but that the approaches they did not take were not as effective as the one they did take.

The final leg, and the one that the Treasury maybe did not pay quite as much attention to as we had wished, is accountability. You have had lots of conversations about parliamentary scrutiny. That is very important; I will not say anything more about it. There are two other points that we have made. First, the Financial Ombudsman Service seems to be operating on a broader basis than Parliament ever intended it to as an alternative dispute resolution scheme. It takes decisions that have wider implications, which, to us, does not seem quite right.

Finally on accountability, it is patently clear that judicial review does not work in financial services, and not just in the UK. We have looked at this and it would appear that the supervisory relationship between financial services regulators and firms, which you do not get between Ofcom and telecoms companies, or between Ofgem and energy companies, makes it very difficult for a financial services firm that has the regulator sitting in its boardroom to take a regulator to court because it thinks it has made a bad rule. Somehow we need that accountability of regulators when it comes to rulemaking and, if the answer is not JR, it needs to be something else.

As I said, if you take any one of those legs away, if you have a poor framework or if regulators are not operating within the framework or not accountable, the whole thing falls over. That is the construct of the framework as a whole that we would like see emerging from the Treasury's review.

Q292 **Gareth Davies:** I am going to ask a series of questions about international trade and competitiveness. Matthew, we have had a number of trade agreements that have been signed since we left the European Union, not least with Australia, for example. There has been a distinct lack of services provisions within those trade agreements, especially for financial services. To what extent is that an area of concern or disappointment for the industry?

Matthew Conway: It is not a concern or a disappointment because we do not regard free trade agreements as the high watermark in financial services. Most of the rules, arrangements and agreements that matter should be behind the scenes. They should be regulator to regulator. What really matters is regulatory co-ordination and co-operation, and appropriate deferment to each other's rules, where that is appropriate. All of that is much better sorted out by financial services regulators behind the scenes. We have said publicly that what we want to see from the Government and the regulators is a regulatory diplomacy approach, where the FCA and the Bank in particular play a much more vocal role in doing all that stuff.

What FTAs can do afterwards is come along, sweep that up, formalise it and make it solid. In the terms of the UK and New Zealand trade agreement that was announced last week, we see commitments about not having unnecessary data localisation, allowing offshoring of back office functions and things like that. That is a good thing to include in an

FTA, but it is probably right that the FTA comes along and embeds what has already been agreed and put in place at a more detailed level by financial services regulators.

Q293 **Gareth Davies:** I clearly hear what you say about regulator to regulator, and that is probably the place to start. David, do you feel that there is enough co-operation between regulators? As relates to expanding trade, is this on the radar of the FCA? Is it as committed as perhaps the UK Government are to expanding financial services trade?

David Livingstone: The answer to your first question is that it is critically important that international co-operation between regulators moves to the next level. Now that the UK is separate from the EU regulatory regime, that is one of the critical opportunities to take advantage of now. In particular, the reason for that is to maintain the smooth, frictionless flow of global capital, which can continue only if there is international regulatory co-operation.

That is what has built, frankly, the success of the UK as an international financial services market over the last three and a half decades at least that I have been working in it, but also over many more decades. That co-operation must continue. We have seen some divergence and there is opportunity for positive divergence, but there is also the need to have greater co-operation through Basel, IOSCO, the Financial Standards Board and so on. We would be very strong supporters of that, while making sure that it was focused internationally and towards open markets, not protectionism.

To your second question, I agree with the comments that Matthew just made on the role of free trade agreements, but I would not lose sight of the fact that the underlying economic activity is what will drive financial services activity as well as specific provisions that go to financial services, be they, for example, funds management or cross-border investment, which can be specific items facilitated in a free trade agreement.

I would pick up on data. Data moving freely across borders, with the right protections in place for consumers and institutions, is critical to the ability not just to keep KYC, AML and all those things up to date but to manage risk in all of its guises, and so there must be appropriate focus on data flow in a free trade agreement.

To your last question, I would say that the regulators are focused on it because they have a new-found freedom with the Government to be able to work on exactly the provisions in free trade agreements in the future.

Nigel Terrington: I have a point about general competitiveness. Anne will be acutely aware that a lot of the new banks that have come into the UK, along with other financial institutions, have needed to grow quickly as well as to raise capital at various points in their life as they expand. A matter that will hold that growth back is that you have to make the businesses attractive for the investment community. Something that is very much to the front of our mind is that there is a huge barrier to growth within the UK.

The PRA has been very successful in authorising 28 new banks since the financial crisis, which are small banks, but they are competing very much against themselves. As you then progress, expand and grow, you move into this mid-tier, where the threat is that you have a much increased burden of regulation and, in addition, one particular aspect, which is MREL. The costs of MREL can be significant and onerous on the ability for a bank to turn itself from de novo into being able to generate a decent profit and capital for its investors. The problem is that it will act as a detractor for the investment community to want to support banks as they grow from small to mid-tier and, hopefully, beyond.

Q294 **Gareth Davies:** Can I ask the whole panel where you think we are able to win on the international stage when it comes to UK financial services? What is our greatest strength in terms of the capabilities that we have in this country? As a second part, where can we win most in terms of expanding our trading relationships geographically?

Anne Boden: I will start by talking about the fact that, when I entered the industry many years ago, we had some of the biggest banks in the world and very powerful international organisations. We have come full circle and are now leading the world in financial technology—yes, we are. The UK—London—is leading the world in financial services regulation as well as financial services delivery organisations. We need to grasp that lead and maintain it. Starling has 2.5 million customers. One day, we could be as big as the banks on the panel with me today. We very much hope to be so, but at the moment we are coming up against these thresholds and hitting our heads against things whereby, if you go through a particular threshold, you need to raise more capital. If you go through another threshold, you need to be part of a particular regime.

We are doing that on the basis of people outside the perimeter not being regulated to the same extent as banks. We at Starling have chosen to be a bank. We believe in good regulation that protects consumers. We believe that people's deposits should be covered by the Financial Services Compensation Scheme. We believe that good regulation is important. However, because we are a bank, we are being regulated to a different extent than if we were outside that perimeter.

If we fix some of these things and we make the UK a level playing field, with the same regulation applied to the same sort of risk, if we regulate activities and we are careful about these thresholds, there is no reason why banks such as Starling cannot grow and provide financial services and jobs in a really great industry. We employ 1,600 people in the UK; we have hired 500 people over the last year. This is a great industry and we have the opportunity to make it the leading industry for the UK and internationally.

Q295 **Gareth Davies:** David, you have a global perspective at Citi.

David Livingstone: If I start with the things that make financial services in the UK competitive, one is the rule of law and the choice of law. English law is the global commercial law; people choose to have their contracts written under it. It is the time zone. It is an inherently outcomes-based regulatory system. It has been altered by being part of the EU but, in essence, that is the approach taken by the regulators. It is open markets and open access to international and domestic players and competition. It is talent, both domestic and international, and the education and university system, technology and many things that contribute to that.

The opportunity is to identify each one of those items and how they can be built on. There may be things, such as time zone, that we do not do anything about. Talent, the openness of markets and international regulatory engagement are essential to maintaining the leading position that the UK already has.

In finishing, I would say that, while I may be the only wholesale bank represented today, all the activities that we undertake ultimately benefit the consumer and other banks—particularly retail and domestically focused banks—in risk management, liquidity management and pricing, because banks are some of our largest customers, as well as other corporate, sovereign and individual clients. All those macro improvements are ultimately felt in the competitiveness, quality and safety of the services provided domestically to consumers in the UK.

Q296 **Gareth Davies:** I am going to move on to the next section in a second, but is there anything that has not been mentioned that other panellists think we should be focusing on in terms of expanding our trade?

John Collins: Much has been well said by David and others, but perhaps, in addition to the rule of law, we could emphasise the quality of our regulatory standards, how we built them and the impact that they have had internationally over the last 10 years, and work to preserve them as we look to grow out into frontier markets. In addition to regulatory diplomacy, there is a need for ideological diplomacy, and the Chancellor set it out well in his Mansion House speech, in that there are nuances as to how we should engage the world. We have to decide where we belong ideologically—the US, China or Asia-Pacific—and make our own decisions about where we want to sit in those trading blocs.

Q297 **Gareth Davies:** I am going to shift gears to central bank digital currencies, and digital currencies more broadly. I do not mind who goes first, but do you see central bank digital currencies as a risk or as an opportunity to your operations?

Anne Boden: I am on the engagement forum with the Bank of England on this topic. We almost have to embrace change and new business models; otherwise we become irrelevant. The central bank digital currency initiative could result in all the balances disappearing from the current accounts of high street banks and moving across to the Bank of

England, where individuals would have an account. In that scenario, I very much hope that banks like Starling would be providing the digital wallets and technology to go along with that.

However, it would be a big change in business model. It would challenge the current revenue streams of most banks and I am not certain whether the outcome would be better for consumers. However, the whole world is likely to be considering these sorts of initiatives and we have to embrace them rather than fight them. These initiatives will be tried out throughout the world and I very much hope that the Bank of England is at the forefront of working out how these things work rather than trying to prevent progress.

John Collins: There is both risk and opportunity in all things where there is innovation. Equally, if the central banks do not step in and try to bring order, we have the commercial operators, with the coin issuers and exchanges, where we see benefits to the technology in terms of audit trails and risk management, but we also see significant cashing out from a financial crime perspective through the private crypto exchanges and significant scam origination around the private exchanges.

For the central bank to be forward thinking is the right thing to do. The questions are where you start. Do you start only on the wholesale side? I agree with Anne that you need to think through levels of risk if you are going to go to the retail side, including the pools of liquidity that the current ring-fenced banks rely upon in order to run their operations. There are significant challenges and there is, not least in this country of freedoms, the civil liberties side to think about, because a retail central bank currency would require an e-ID system, and we know from experience with the Identity Cards Act 2006 that there are real issues with those kinds of databases and implementation.

There are real opportunities and we should be forward thinking, but it should be thoughtful and not rushed. There will be a very significant cost to building the infrastructure, if we decide to go ahead, so it needs to be properly assessed.

Q298 **Gareth Davies:** On the crime aspect, how big a deal are crypto assets for exacerbating criminal transactions? How will central bank digital currencies tackle that?

John Collins: Putting aside the scams that are criminals pretending to be crypto, within the system the most obvious stat that I can call upon is that the DCPCU, which is the cards unit that the industry works with the police on, has found a very high—as in plus-80%—level of criminals arrested with crypto wallets on their phones. They are using them as part of the mechanism to layer, disguise and then cash out, and it is a very significant problem at the moment. Some of the more constructive exchanges are engaging in conversations with us and those in the public sector to talk about how they can improve their controls. Some of the less co-operative are not, because they are interested in upscaling rather than managing the risk.

Anne Boden: Could I say something about financial crime, crypto and the unexpected consequences of opening up some of our systems? We have talked about the Online Safety Bill. The whole industry—the financial services industry, the regulators, the police and everybody—wants the Online Safety Bill to include financial scam ads. The only people who do not agree with that at present are the tech companies. Every day, I see pitiful stories of people losing money because they have seen something advertised on a social media platform and they send their money through the faster payments system. It goes out through the system and, in many cases, it goes into a crypto exchange of some sort.

We have connected crypto exchanges to our faster payments systems. The payment systems, 10 or 20 years ago, were quite closed. They were banks talking to banks. I am all for competition and, as a new bank, I believe in opening things out, but we have connected people who have lower standards to these payment schemes. When they connect in, it is the weakest link, and that is where the fraudulent money and crime money is going. We are convinced as an industry that we need to do something about this.

Q299 **Gareth Davies:** Let me just ask about that, if I can. My understanding is that crypto asset organisations have to register with but are not authorised by the FCA. The FCA does not have any consumer protection powers over crypto firms, in my understanding. Does that needs changing? Would you look to the FCA to change that? Does somebody else want to come in?

David Livingstone: Before I answer the question directly, I will go back one step. It is useful to make a distinction. There is the distributed ledger technology, which is facilitating particular opportunities that can be utilised or exploited, in either the regulated or the unregulated sphere. I agree with the comments that Anne and others have made on the risk not just to individuals, such as financial crime and bad outcomes, but to financial stability. If the cryptocurrency world—and they are not necessarily cryptocurrency assets but cryptocurrencies; there is a distinction—becomes too large a proportion of the system, it can lead to stability risks, as Sir Jon Cunliffe raised in his speech just the other day.

Moving back to your core question on central bank digital currency, the consultation paper published by the Bank of England was lacking in terms of exactly what problem it is trying to solve. In the UK, payments reform, access to speed, safety and certainty, and immediate crediting to accounts exist already. Exactly what is the problem or the lack of access in the banking system that the central bank-issued digital currency, retail or wholesale, is trying to solve? It would be more beneficial to spend time on evaluating that.

The second dimension is bringing in scope and making sure that there is not a huge, unregulated part of the sector with the criminal and other implications growing, which could cause stability issues.

Q300 **Julie Marson:** Welcome, everyone, today and thank you for being here. I am going to talk about innovation and how we support and enhance it in the UK banking industry. Before I get to that, can I just pick up Nigel's comments about MREL regulations? You have signed a letter to the Chair about that topic. From what you were saying earlier, I take it that your critique is that the MREL regulations as structured currently are a drag on firms' growth. Is that fair? If that is the case, in the way they are structured, you could put in a different, lower regulatory limit, for example. Is that just putting off the same structure until a bit later when firms have grown? What would your solution be to the issue that you have raised?

Nigel Terrington: You are correct in that I chaired a group of 11 mid-tier banks that engaged with the Bank of England and the Treasury as part of its recent review of MREL. MREL was a regime that was set up a while back as a consequence of the financial crisis. Essentially, it said that any bank that was deemed to be of significant size or risk to the economy, or provided critical functions, should have enhanced capital. It doubled the size of its core capital.

If you look across the world, you have America, where that threshold applies only to globally significant firms, so around $250 billion. In Europe, that threshold is around €100 billion. In the UK, the entry point is £15 billion. You can immediately see the distortion that exists there. The issue is that, as I said earlier, the PRA has authorised lots of new banks and, as they grow, once they get to this £15 billion threshold, the risk is that they trip into the MREL regime.

The consequence of that is that you end up having to issue potentially double the size of your capital base in the form of long-term debt to the debt capital markets that probably do not even recognise your name. You may not have an established credit rating and you will certainly not have much liquidity in the bond issues that you issue. As a consequence, you may struggle to issue the debt or end up paying a premium price for it.

To date, there has been over £200 billion of MREL debt issued, 98% of which has been done by global significant banks or UK-based, domestic significant banks, so all the big banks in the UK. Only 2%, or seven transactions in total, have been done by small banks. They range from 3% to 9.5% as a cost. The cost of that is a big drag on a bank's ability to generate earnings and profitability, and, therefore, its ability to retain capital to support future lending.

We did some work with EY. We asked them how much this reduces lending capacity over a five-year period from the banking market to support SMEs and consumers, and it was £42 billion. It is equivalent to the CBILS regime that was launched during the pandemic, so you can see that it challenges our ability to be competitive and to grow. It is definitely a barrier to growth.

At its heart, though, is to ask what the issue is. Let me first say that the engagement with the Bank of England and the Treasury has been very good. They have listened and have come back with some proposals to give you a longer period in which to raise the debt and to be more transparent about when you will enter the regime, but the key point has been ignored, which is that we are still facing the entry point of £15 billion compared to much larger sums in other countries.

The key reason is not so much the Bank of England but the Treasury's risk appetite here. If you go back and listen to Sir Dave Ramsden's evidence that he gave to this Committee on 8 September, he pointed out that the decision around why the threshold was where it was had to do with the Treasury's risk appetite. Behind that is the way that the Financial Services Compensation Scheme was constructed in the UK. I do not know whether you want to go into that, but I think you need to overhaul the Financial Services Compensation Scheme in order to create a better framework for the Treasury to take on an appropriate level of risk appetite to deal with this situation.

Q301 **Julie Marson:** That is really interesting. Thank you, Nigel. I am going to turn to Anne, because you co-signed that letter as well. Is your view roughly aligned with Nigel's?

Anne Boden: Absolutely, we have a situation where, for example, in the States, you would have the equivalent of MREL only if you were an international bank. Europe chose to implement it in such a way that it meant that domestic banks also get caught by it. We have an implementation that is not fit for purpose. There are consultations out there at the moment that are trying to make things better, but it is a real cap. Starling has no intention of staying under £15 billion of assets, but some banks will decide that they do not want to grow because, if they grew above this threshold, they would have to raise too much debt and they would find it difficult to do. Why would we artificially put a cap on certain banks growing, especially since we have put so much effort into creating a more competitive environment?

Q302 **Julie Marson:** What about the internal ratings-based models? By their very definition, they disadvantage firms with less of a history. How much of an issue is that?

Anne Boden: It means that banks need to go after and lend in areas that are peripheral rather than core, because they do not have their own models, and those models take years to develop. The regulator is very strict on getting you through that process. We all talk among ourselves about how long it takes, how difficult it is and the obstacles that are put in the way of getting your own models, but until you get those models you cannot compete head on with the big banks. You cannot lend in prime residential, because you do not have those things in place. Until you change that, you are going to have the new and the so-called second-tier banks. I hate being called a second-tier bank, but we are on the periphery rather than being able to change and give a better service to consumers.

I founded Starling in 2014, because I thought that we needed something that was fairer to consumers, but we are being artificially kept out of the main lending market, since we cannot prove that our models work.

Q303 **Julie Marson:** That is really interesting. I will stay with you because I want to talk about innovation. When you set up Starling, what were the biggest challenges that you faced? When you answer that, I wonder if you can put it in the perspective of saying whether it would be easier or harder to found Starling now.

Anne Boden: I started Starling in 2014. At the time, the FSA came up with a new process for authorising banks. Until then, you had to have all your systems developed before you could get a banking licence, and you could not raise any money to develop all your systems unless you had a licence. It was Catch-22. In 2013, the FSA changed the rules to a two-phase process, which meant that people like me and my team could come to market with a new proposition. Until then, you had to be a billionaire or a big bank in order to start a bank. It was impossible.

Raising money was incredibly difficult. The plan was a bit audacious. We were going to be a bank that was fair to customers and had new technology, and we were going to take market share from the big banks. Nobody believed us, and neither did the regulator. However, the process meant that they had to keep on meeting with us until we raised the money.

We were the new banks going through. It was a bit of a novelty: we have never done this before but we are going to try if it works. It is incredibly difficult to raise money. It took two years for me to raise money. Even now, people look at us and go, "But surely you have had to raise all this MREL debt and you can no longer passport into other countries". We have the advantage of being very good at technology. We have the advantage of having a new way of relating with customers, where we do not have to tempt them with £100 here or £100 there. People believe that we are doing the right thing and, therefore, our cost of customer acquisition is very low. The cost of servicing customers is very low because we have the best technology. We are doing that in the UK, with everything onshored and nothing offshored, and with people, skills and resource in the UK.

People quite like that and have bought into it. That is why the biggest pleasure I have is when I know very well that, as Starling, we have raised everybody's act every time I am driving on the motorway and there is a billboard on the side of the road that advertises a feature that we launched two years ago. Competition raises everybody's game, and that is what is important.

Q304 **Julie Marson:** That is very interesting, thank you. Perhaps I can widen that and ask you to talk generally about what the biggest barriers to innovation are. We have heard what Anne said from her experience.

John Collins: For us, as a ring-fenced bank with a Spanish parent, there are a couple of more connoisseur points on ring-fencing that are barriers to innovation. One is that we are not allowed to own small, minority interests in start-up fintechs, which we think we should be able to do in order to co-create and look for the product developments that will improve consumer outcomes. We also are restricted on how we engage with our parent entity and its power and innovation. There is a degree of complexity, which I do not want to bore you with now, about how we engage with our parent and restrictions upon which entities within the group we can engage with. They are really quite strong examples of where there are fetters for us.

On the flip, the UK has a good track record of innovation on many fronts, including things like faster payments, but we have to get better at looking at the downstream impact. If we look at fraud, everybody asks, "Why is the UK the world centre of fraud for consumers at present?" It is partly because of faster payments, partly because of the English language being used by criminal gangs and partly because we are highly digitalised. Our success is also our failure, if we do not get the protections in the system.

Open banking has been slow but is a good example of banks and fintechs getting together and working out where the opportunity is for the consumer in the future. We need to focus on doubling down, with the infrastructure now in place, and proving the use case, not pursuing all the connoisseurs' points and the smaller scenarios right now, Open banking cannot be limited as it is at the moment to the CMA9. The system needs to open up so that all participants share data to the maximum benefit of the consumer, so that we can all participate on a level playing field.

The points that Anne touched on in relation to activity-based regulation are potential barriers but also enablers. If we zoom out and say that consumers should understand what they are getting, and if we use the payments example, at the moment lots of consumers do not understand that, if they use a credit card, they get section 75 protection if the goods do not arrive or are faulty. They do not get that if they go through an intermediary, and they are basic things. We have an environment where there is positive encouragement with the FCA sandpit and others available to us to innovate, including with the Information Commissioner, but there are significant barriers that we would like to see removed.

Matthew Conway: As a general comment, John is right that, in recent years, the public sector regulators have created the environment in which innovation and competition can flow. I want to be very careful there, because, as a former regulator and civil servant, I am always slightly nervous about public servants being given the direct duty to innovate. Innovation is typically what the private sector does. I will just mention

DeLorean, which some of us will remember. We have lots of innovation, whether in payments or in fintech. As Anne said, why would you be in San Francisco when you could be in Shoreditch?

The big success, as John has alluded to, is the one that is often mentioned: the FCA sandbox. What is that? It is an environment in which the full weight of regulation does not apply from day one, and you are given the opportunity to try to make your product work in a way that then enables you to let it loose on the broader market.

In all of this, there is just a small risk that, in pursuing innovation, we lose sight of the fact that innovation, like competition, is a means to an end. Anybody with a teenage son who wants the next iPhone only two months after he got the last one will say, "It is great but it does not do anything different from the last one". Innovation has to serve a purpose and, as a rule, it is the private sector that innovates. Where the public sector can create the conditions and then get out of the way at a general level, those are good things.

Anne Boden: Could I say something about open banking? If the big banks said this, it would be seen as being big banks trying to have a go at fintech. Since Starling is a new bank and a fintech, and we are into technology, this will go down the right way, hopefully. Open banking has not been a success, for several reasons. We need to look at where it came from.

Open banking was part of the payment services directives coming out of Europe. It was a great idea for customers to be able to move their data around. The Competition and Markets Authority was constantly looking at ways of opening up the current account market, because of the concentration of current accounts with the big banks, and could not think of any other remedies: what are we going to do to do this? We have done all these other things and nothing has really worked.

It grasped open banking as a way of doing that: would it not be great if customers could take their data from bank to bank? That would encourage people to switch banks. It does not. Customers are not influenced to switch banks because they can take their data with them. They switch banks because they want a better service and are prepared to lose one bank and go to another. That is why people join Starling.

Then we have the second issue of people thinking that there would be lots of businesses set up to use this open banking data. Yes, there are rafts of fintech companies set up to use this data, but nobody had a business model, because nobody is prepared to pay for that data. The consumer does not want to pay an additional fee to a fintech so that they can consolidate that data. Above all of that, the implementations of open banking that we have are clunky. You would not want to use them.

I would be very careful, and we cannot just keeping pushing on at this because we think it is going to get us somewhere. Sometimes, you have to realise that it is not solving the problem and that other things are more capable of encouraging customers to switch. More people switched to Starling in the last quarter than to any other bank. Switching is just one thing that makes the market competitive, and open banking is a lesson in us trying to make something work when, halfway through the project, we realised it was not going to work.

David Livingstone: Innovation comes in many forms. It comes from challenger banks, fintechs and new entrants, which are all very positive. What facilitates it ultimately is technology and looking at processes and improving customer service, but, as both Anne and Nigel have mentioned, it needs capital. Therefore, access to capital for financial services innovation and, I would argue, for any sector, is a central deciding factor in whether that innovation will be supported and, ultimately, successful.

There are proposals under the wholesale markets review and the listings review, which are directed exactly to making the UK—and particularly London—an easier place to form capital, debt and equity, and we are highly supportive of these regimes and looking at things like dual classes of shares, minimum listing requirements or historic financial disclosure to close that gap between development capital and where it is accessed. It does exist in the world, so why should it not be easier to form that type of capital in the UK? We would stress that those are critical for supporting innovation.

Addressing Nigel's point, even if the thresholds move, emergent competitors ultimately need to be able to sell their story and to find capital in the most cost-effective way. It is not just for equity capital but also for MREL that we can see these benefits.

Q305 **Julie Marson:** That is very helpful. Thank you. Nigel, we covered a lot of ground there, but would you like to add anything to any of that?

Nigel Terrington: One of the things is that the major banks in this country have a significant structural and competitive advantage that gives them a very significant benefit when it comes to the competition. There are £863 billion of balances on deposit—not current account balances—with major banks in the UK, where the interest rate is going to be less than 25 basis points. I would guess it is going to be very close to zero. If you compare that to market rates available from the mid-tier banks, all covered by the Financial Services Compensation Scheme, they will be anything from 50 to 60 basis points right the way up to well into the 1% level.

Why do people leave money on deposit with a bank when they know they can get a better rate elsewhere? It is inertia. It has existed for as long as banks have existed. The technology changes and the open banking rules were meant to help break that down. I agree with the points raised earlier. So far, 3 million people have used open banking, but it is a drop in the ocean by comparison to what is needed. What we really need in the UK is a deposit marketplace.

We take deposits from deposit platforms like Hargreaves Lansdown. What happens there is you sign up with Hargreaves Lansdown, go through all your financial crime requirements, and establish it and do it once. You have an ability to then move your deposits from Paragon to, say, Coventry Building Society, to another building society or to Shawbrook Bank, and it is done seamlessly and digitally. Therefore, you have a very smooth, simple process where inertia no longer exists.

You now need, through open banking, to create a market-wide deposit marketplace that, as we dream of and as the Competition and Markets Authority wants, enables the seamless and frictionless movement of cash between one bank and another. It really has such a benefit. Think about the value to the consumer that is left on the table by £863 billion of deposits that simply do not get a proper return. It is of such significance and scale, and really needs to be addressed.

Chair: We might be sticking with open banking for a little bit but we are going to go to Anthony.

Q306 **Anthony Browne:** I am going to ask a range of questions about a range of things, but open banking will be one of them. I should declare that, when I was chief executive of the British Bankers' Association, the people behind the table were my members, and Matthew Conway used to work for me.

I just want to pick up on a few things, and then I will have questions about open banking, as well as the senior managers regime and the bonus cap. I thought I would end with that, which will be exciting. First of all, I want to pick up something that John from Santander said. David, you voiced your concern about pre-trade transparency rules under MiFID II, and said that the reforms in wholesale markets would benefit Citi. John, you rather played it down. Presumably, as an EU-headquartered bank, you would be under EU regulations such as MIFID II, irrespective of what happens in UK regulation. Is that right?

John Collins: Yes for inbound, but both regimes need to be responsive, so we have to deal with both. The more aligned they are, the easier and the less friction there is.

Q307 **Anthony Browne:** I understand the cross-border point, but your operations in the UK will still be, to some extent, regulated by EU regulations because you are an EU-headquartered bank.

John Collins: They will be, but the branch where we have transferred the wholesale market activity to also has to be authorised and overseen by the PRA.

Q308 **Anthony Browne:** Yes, which is not true of Citi.

David Livingstone: We will operate under both. As a global bank, we are operating under the EU frameworks.

Q309 **Anthony Browne:** Yes, but your operations in London will not be under EU regulations.

David Livingstone: Correct.

Q310 **Anthony Browne:** There could be a slightly unlevel playing field there, presumably, for some transactions if we change our regulations here and the EU does not.

We talked about Brexit earlier. Many of the American banks, but not Citi, gave money to the remain campaign because they were so worried about Brexit, for entirely understandable reasons. I am just wondering, now that it has happened and we know that we do not have a deal, what your view is of how it has impacted your business in the UK and the competitiveness of London as an international finance centre. This question is for Citi, really, although Santander will have an interest as well.

David Livingstone: As a bit of background, like many, we have run, for a number of decades, our EMEA time zone, and our major international finance centre outside the United States has been in London. In relation to Brexit, we already had a European banking entity, which, essentially, we have been able to augment in order to address some of the requirements to service EU clients and products from within the European Union. That is an important but relatively limited part of our activity. The impact on our activities in London, which services not just the UK and the eurozone but a large part of our activities globally, has been relatively limited. Indeed from a balance sheet and headcount perspective, we are larger now than we were before Brexit.

Anthony Browne: Really? You have added jobs rather than lost jobs.

David Livingstone: Absolutely.

Q311 **Anthony Browne:** That is good news for London. John, how has Santander been affected by Brexit?

John Collins: In addition to ring-fencing and having to move our investment-banking business into a separate legal entity, we have seen migration—

Anthony Browne: In terms of ring-fencing.

John Collins: Yes, in terms of structural reforms—

Anthony Browne: Which was nothing to do with Brexit.

John Collins: In relation to Brexit, we have seen migration of some of the derivative and capital markets activity back to Madrid. Some of that is driven by regulation and some by efficiency. We have not seen a mass migration of jobs, but we have seen, in recent days, the European authorities commenting that they are going to put pressure on the back-to-back booking models to push more risk and control resource into the EU and out of London, so we are still watching this space to some degree.

Q312 **Anthony Browne:** It will all depend on what the EU does with its regulation.

I will come back to open banking now, which is the area I am meant to ask about. Anne, you described it as a huge disappointment, and I know that there were very high hopes at one point that did not last very long, for all the reasons you have mentioned. The Government have a review out about open banking. Are there any changes that could make it more important in terms of encouraging competition in the market? The reasons you gave are pretty condemning: that people do not care about their data but about the value proposition of a new bank.

Anne Boden: There are three things that you have to consider. First of all, you have to start off with whether people really want their data. People want better service, not their data.

There was a whole thing about starting all these fintech companies using the data. You can start with some seed funding but you cannot raise the next round because there is no revenue model.

The third thing that is quite interesting—and this is very much what the Europeans talk about—is the PISP idea, whereby open banking or its implementation as a payment instructor becomes the third scheme. You have Mastercard and Visa, but you need an alternative way of making payments; open banking could be that. There is an instruction coming from this entity to debit your account and make a payment elsewhere, and that payment goes through faster payments.

That is still in its implementation stages, with people thinking it through, but that really does not work because it has the same sort of implications as a scheme that does not have consumer protection against it. If you think about how payments work, they must come with consumer protection; otherwise it is very dangerous. You had credit cards with section 75 and debit cards with chargebacks. With faster payments, if something goes wrong, there is no insurance for customers. The same thing would apply if you started using faster payments as a payment mechanism to debit one bank account and pass it to another. We are all desperately trying to find a way of using this technology. It is very difficult.

Q313 **Anthony Browne:** One of the proposals in the open banking review is to stop the requirement for reauthentication after 90 days, because there is a huge drop-off in customers using that. Would that make a difference? Nigel, I do not know whether you have an interest in this as well.

Nigel Terrington: If you were asked to redo all your direct debits and standing orders every 90 days, you would regard that as a bit of a strange process and system. Here, to reauthenticate your open banking access every 90 days seems to me to be a bit of a nonsense, and one that could be far more easily fixed.

There is also just a massive education programme where consumers and small businesses simply do not appreciate or understand the benefits that it can bring. To bring it back to my favourite subject of trying to get more competition into the UK, the people who have no vested interest in wanting to try to make this happen are the clearers. They would much rather keep their customers securely within their four walls and not have them being poached by Anne, or anyone else for that matter.

It would be beholden upon the Government to force the education through the clearing banks to their customers, to show them what can be done and what is possible through new technology. Those would be the two main things I would want to see: change the authentication process and increase the education through the clearing banks to their customers.

Q314 **Anthony Browne:** John, as one of the big five banks, do you have a vested interest in trying to stop open banking and to thwart it from stealing your customers?

John Collins: We like to think that there are four big banks, with us as a scale challenger.

Anthony Browne: If you look at the market share of mortgages, you are one of the biggest.

John Collins: Nine banks have funded open banking. A lot of money has been spent. The infrastructure is there. I agree with Anne and others that, currently, it has not delivered the volume of activity that might have been expected, but some of the savings aggregation activity has increased. Some of the corporates using it are able to aggregate data from multiple accounts to their accountants, and it helps them with efficiencies in their business, so the use cases are there. That is why I said earlier that perhaps a pause is needed. Charlotte Crosswell is coming in now as the new open banking implementation trustee and she can reflect, as should the CMA, on the learnings from the way that the first stage was implemented, and try to improve and refine rather than rushing into bringing lots more scenarios in.

To Nigel's point and not to break the harmony in the panel, the clearers are not trying to defend anything. We only ask that the data be shared openly across all participants in the system to maximise the potential productivity and opportunity for consumers. It is also a matter of trust and education, and I agree with Nigel on that. We have banners on our website encouraging people to consider using open banking, and maybe one of the things that Charlotte can reflect on is how it is positioned with the consumer and encouraging people to believe—and we have to work out the authentication—that it is safe. If they do not believe that it is safe, and if they believe that fraudsters are going to manipulate them, maybe it is not going to have the momentum that it should have.

Q315 **Anthony Browne:** Where do you stand on 90-day authentication?

John Collins: With my economic crime committee hat on, I would retain it for now. If the system is proven to be safe and the view is that the data is safe, maybe in time we can. At the moment, I am cautious about any point of weakness that might introduce risk into the system, given the complexity and sophistication of some of these criminals.

Anthony Browne: We have a clear difference of interests there.

Anne Boden: As far as the 90 days are concerned, we hate them. It slows people down and they drop out of the process. However, the reason for the 90 days is people sign up to new apps and forget that they have them. People need to recognise that these services exist and have access to their data. The 90 days comes from a good place but it does make all these services very clunky.

Q316 **Anthony Browne:** On financial crime—this is targeted at John but probably the others as well—you touched on this earlier but one of the other things we are looking at is the Online Harms Bill. We had Google, Facebook and Amazon here earlier. Generally but not always, banks compensate victims of fraud, unless the customer was negligent or broke their terms and conditions. If the banks make mistakes, you would absolutely compensate them, but if it is a grey area, as most of it is, and nobody really was at fault you compensate anyway.

Social media companies advertise fraud quite extensively. We had a letter from the FCA saying that 50% of fraud was promoted through social media advertising, and I have also heard the figure of up to 90% that you mentioned earlier, John. They do not compensate anyone but they are profiting from fraud. Should they also compensate customers for fraud? How should that work to the benefit of customers, rather than it just being a financial transfer from Google and Facebook to the banks?

John Collins: I will give a short answer. Anne has past experience in this work as well, so she may well have another answer. The key thing is to get all actors in the system to work together to work out where the points of weakness are and where the risk of harm is, to apportion that accountability for the different activities that we are all promoting or responsible for, and to act collectively to reduce the points of introduction of risk. That is the problem at the moment.

The telco activity today that was announced in terms of stopping the fronting of UK numbers from abroad is great stuff. The telcos are showing some accountability. SIM providers need to do the same with SIM boxes. Platforms need to do the same. Somebody within the regulatory environment and Government needs to lead on an ecosystem, and we can decide who gets what risk when there is loss, but the primary thing is to protect the consumer from loss and to protect confidence in the system.

Q317 **Anthony Browne:** At the moment, it is self-funding. The push payment code funds £50 million a year compensation for customers, which is funded by the banks, but it is voluntary rather than regulatory. Are you saying that social media companies and telcos should be brought into the push payment code, given that you are all bringing risk into the system and are all involved with it in some way? Should it be across all sectors?

John Collins: There needs to be a different contribution model. The code was well intended, and intended to respond to a threat, but it has proved very difficult to administer and not all financial institutions are participating in it. It requires an overhaul and will benefit from the fraud taskforce review.

Anthony Browne: It would have to be Government leading on it, from what you said a second ago.

Anne Boden: We currently have a situation where a fraudster could advertise and pay a social media company to host and show an ad to people who are looking for investments.

The social media company takes money from a fraudster to show ads to people who are looking for ways of investing their pension. That particular individual then pays away £50,000 or £100,000 to an entity—the fraudster—and, if it is determined that nobody was at fault and there was no blame, the banking industry has to make that customer good. Starling has signed up to that scheme. The social media companies are taking absolutely no responsibility and, to make things worse, they are taking fees from the fraudsters and then charging the consumer and watchdog organisations to show their own ads.

Anthony Browne: They are compensated for that, but yes.

Anne Boden: If various organisations want to run ads on social media to say, "Watch out for the fraudsters", the social media companies are charging for that as well.

Q318 **Anthony Browne:** Would having the social media companies pay compensation towards the fraud under a shared model, as you have suggested, change their attitude towards the fraud that happens, because it then becomes a cost that they would want to reduce, or would it be such little money that it would not matter to them?

Anne Boden: We should try. We have a very uneven system at present. On a daily basis, I read emails and cases of people who have been defrauded in this environment, and it is pitiful. People are losing their life savings. We must do something about it. We cannot let it continue the way it is at the moment. What we are asking for is that ads of this sort should be included in the Online Safety Bill. It is very easy to do. Everybody agrees that it should be in the Online Safety Bill. The only people who disagree are the social media companies themselves. Somehow we seem to be letting it happen. We need to do something in order to prevent people losing their life savings.

Q319 **Anthony Browne:** Google has recently decided, after some public pressure, to accept adverts for financial services only from FCA-regulated firms. Will that make any difference or will the fraudsters, who, as you know, are imaginative and creative people, find ways around it?

Anne Boden: It is a start, but at the moment certain firms are not checking anything. They take an ad, do not check it and put it up there. It is from somebody advertising, "Give us all your money and you will get a great rate".

John Collins: It will make a difference, but as I have said in the past, at the Government's Economic Crime Strategic Board, these criminals have deep resources. They have some of the brightest grads and are very innovative in a bad way. They keep finding weaknesses in the system, so the key thing is that all system actors need to be accountable and within a regulatory perimeter of some sort, and to deliver protection for consumers.

The good thing is that the Economic Crime Strategic Board that the Home Secretary and the Chancellor lead on is focused on this. There is a lot of activity between the public and private sectors, and recognition that this is now an unacceptable threat to the UK system. I sit in meetings with some of my colleague banks with much more international footprints than me, because I sit inside a UK bank only, and they are telling me that instances of fraud in the UK are 60% to 70% of their global losses for fraud. We are being targeted as a country for the reasons that I mentioned earlier.

Q320 **Anthony Browne:** That is amazing. I want to move on to the senior managers regime, as I warned you. It was suggested by the Parliamentary Commission on Banking Standards and then introduced throughout the banking and asset management industry. There have been no prosecutions or enforcements under it, which has led to critics saying that it has no impact, whereas the regulator is saying that it shows how effective it has been in changing the culture. I am just interested in your view on it. I know that the banking industry did not like it, because I was on the banking industry's side then, but Citi was very impacted by it.

David Livingstone: Indeed. As an accountability regime, it led the world not only in time, being introduced in March 2016, but also in concept and response. The lack of prosecutions really is not the measure that should be utilised for its effectiveness, which has been that it did change structures, behaviour and accountability within activities.

I am the most senior manager for Citi in the UK, among my other roles, and it definitely has teeth and accountability for not only how I operate but how the collection of senior managers and all the people who support them operate. The frameworks, the delegations and the statements of responsibilities are real. Indeed, we have just completed our most recent audit of the effectiveness internally of the senior managers regime, so we think it works and it has had the intended consequence of accountability.

It has also had the unintended consequence of having, within the United Kingdom, many of our activities participate collectively, in a way that they had not done previously, so we are a strong proponent and supporter of the regime.

Q321 **Anthony Browne:** Nigel, as a smaller challenger bank, you had to abide by the regime as well, but it has a slightly bigger impact proportionately for you. How do you feel the senior managers regime has been working out?

Nigel Terrington: It took a little bit of getting used to, but that was more to do with the administrative aspects of ensuring that we complied with all the regulations and going through all the fit and proper tests on a fairly regular basis. The one thing I would say is that the concept is great. There is no problem of the regulator wanting to have someone denoted as the accountable executive or individual within a bank. It does cause people to sharpen their attention when they realise some of the consequences. At a concept level, it is fine.

We have 56 individuals out of around 1,500 employees who are subject to the regime. Some of them, because they attend or are members of a committee somewhere, fall within the regime. I look at them and think that I would not necessarily regard them as a senior manager within the organisation, to the extent that they are not part of the board or of exco. They are very much more middle ranking managers than that, and maybe the breadth of the regime picks up a few people who I am not sure were necessarily intended. Concept-wise, I am happy with it and it is the right thing for people to subscribe to.

Q322 **Anthony Browne:** My last question is on the bonus cap, which was introduced by the EU, against very strong British resistance. George Osborne, when he was Chancellor, forced himself to be outvoted 27 to one at the ECON committee to have it on the record that the UK was against it. The Bank of England was very against it as well. We are not in the EU anymore and the UK could theoretically get rid of the bonus cap. I do not think that the Government have a huge amount of appetite for it. As an investment banker, David, you are more impacted by it than, I suspect, Anne. Starling is not impacted at all, is it?

Anne Boden: We do not have bonuses.

Q323 **Anthony Browne:** At Citi, how has the bonus cap affected your operations in the UK? Has it made it less competitive and would you like to see it gone?

David Livingstone: We have been operating under the bonus cap regime in the EU and the UK for a number of years now. We have the systems in place to comply with it and, therefore, we also have the experience of competing for talent. To your question of whether we are seeking reform of that, no. We do not think it is a high regulatory priority at the moment.

Q324 **Anthony Browne:** Matthew, on behalf of the banking sector, I read in the papers that the banking sector has been pushing to get rid of the bonus cap. Is that true?

Matthew Conway: On behalf of the banking sector, I can echo exactly what David said, which is that none of our members is pressuring us to take this forward as a priority. We are not taking it forward. In three years, I have not had one discussion about it.

Q325 **Anthony Browne:** That is slightly surprising. John, you are not massively affected by it at Santander, I guess, but you might be partially affected.

John Collins: The group is affected by it also on the investment banking side.

Anthony Browne: Yes, on the EU side.

John Collins: Again, we do not see it as a current issue. The market has adjusted. We know why there is a packet of measures, along with the other remuneration rules and including the senior managers and certification regime, to drive out bad behaviour and change culture. We think that the market has adjusted, accepting those constraints. Banks can compete for talent in our pool on an equal footing and always have the opportunity to offer fixed as a component of total compensation packages if they feel they need to compete.

Anthony Browne: We will not go around that argument again that we had at the time, but thank you all very much.

Q326 **Alison Thewliss:** I have some questions around the effectiveness of regulation. I just wanted to pick up on the point that you made, John, about losses and fraud. I would say that 60% to 70% is an absolutely astonishing figure. Do you regard this as a failure of regulators or enforcement or of the law just not being where it should be?

John Collins: It is a combination of factors. Because we were early digital adopters and it accelerated during Covid, because we were early adopters of faster payments, and because English is an international business language, those advantages also create a vulnerability. It is a combination of the need for better prevention and, as I mentioned earlier, the need to better analyse this innovation's downside risk when you introduce it, and faster payments in particular. It is a system issue in that we did not have anyone sitting outside the system and looking.

We can see all the points of vulnerability. We can work with law enforcement, police forces and the NCA to work out what our strategies are for proactively deterring, detecting, disrupting and educating people about these risks, because some of the most tragic stories that Anne just referred to are very simple social engineering scams. They are just lonely people who are manipulated and, once they have been manipulated, it is very easy to get them to send their money. It bounces and then it is gone.

I agree that all actors in the system have to be accountable for trying to drive out the risk, but banks have a role to play. We cannot afford to be nesting the real accounts that are sometimes used to bounce money out. It is a combination of factors but, with the benefit of hindsight, we should have had more control around faster payments, and there is clearly a need for public and private co-operation to improve.

I recognise the work that the Home Office has been doing with the industry over the last couple of years to try to improve the overall co-ordination, and the intelligence and information-sharing piece is a key part. We can see only bits at the moment. If we could put the jigsaw together and see the pattern, we would be much more effective in detecting and disrupting the criminals.

Q327 **Alison Thewliss:** Is there a point at which that level of losses becomes a disincentive to doing business here?

John Collins: Yes, absolutely there is. I have heard a number of institutions commenting on whether they can afford to run their business models as they are currently built and whether they may have to move to a model where they add to their account terms a requirement to carry insurance and these types of things. I am not saying that anyone is mandating it, but there is a significant loss and it is a drag on profitability, and so it is an issue that needs to be a top priority. Within the Government's economic crime plan, it is a top priority.

Q328 **Alison Thewliss:** That might be something that we want more information on from you later rather than today, but that was very interesting indeed.

David, Citi operates all around the world. How would you rate the UK's regulatory framework and the performance of UK regulators compared to international peers? You talked earlier about how the UK is positioned in various ways, but it would be useful to see that point of comparison to other countries.

David Livingstone: There are various elements in which the UK can demonstrate that it is very strong. The twin peaks model works, I am talking about the PRA and the FCA, recognising that there are other regulators, as mentioned before. It is a strength to have that separate focus on the separate collection of regulatory priorities.

In general terms, it is the openness. Consultation is incredibly important, not just with the industry but the consultation that happens between regulators, Treasury and Government. The key factor is independence. The trust that goes with the fact that UK regulators have the freedom within their mandate and within the law to set some of their priorities and the regulations that they oversee is what attracts international business and capital to this country.

If I look around the world, the best regulators in the world copy that model, and some of those that do not copy it suffer, because they do have that lack of trust in the independence of the regulatory regime from Government and from politics.

If there was an area where there could be continued and maybe heightened focus, I would look at a market like Singapore, which has very strong prudential conduct and securities regulation, but also has a business development side to the Monetary Authority of Singapore’s mandate, which goes to the competitiveness of the system and so on. That is one example of a dimension to look around the world and ask what could be the areas of business development and competition that fall within the remit of regulators, recognising Matthew’s earlier point that it is really for the private sector to deliver that but for the regulators to facilitate the regime that supports it.

Q329 **Alison Thewliss:** Do you feel that the regulators have a good understanding of the needs of your business?

David Livingstone: They do. We have the opportunity to raise issues that are challenging us. To give an example, Anne talked in her opening comments about simplification. One area where regulatory burden has increased, perhaps haphazardly, with good intention, is regulatory reporting. We have very significant burdens of reporting, which is appropriate but is now overlapping. We have hundreds of fields of individual bits of information that we need to report on in multiple forums, and so there is an opportunity there to look at simplification and a single point of data capture and transfer to the regulatory system. That would relieve a very significant burden.

Q330 **Alison Thewliss:** In terms of the regulators having the right people on board, in our oral evidence session back in September we heard from witnesses that it is important to attract the right people into regulation and that paying those people adequately is part of that as well, because there are lots of other fields where those folk could go and use their talents, and perhaps be better rewarded. Since that point, there were press reports earlier this month about pay cuts at the FCA. I want to open this up to the panel and ask whether there is a risk that drives for cost efficiency at regulators could have an impact on the quality of staff they are able to recruit and keep?

John Collins: Yes, it is a risk. You need talent in your regulators. We need to be open-minded, as other leading financial centres are, to people moving from regulators into banks and back again, because there is a better knowledge base. There is a real risk, if we do not have regulators staffed at the right levels, that they cannot discharge their statutory duties and that our relationships with them are much more clunky and less effective. The regulators should be funded to ensure that they can attract and nourish talent.

Q331 **Alison Thewliss:** Matthew, you are nodding.

Matthew Conway: I entirely agree with that and have nothing to add, really.

Q332 **Alison Thewliss:** I wanted to ask John and Matthew whether the regulators are using the cost-benefit analysis effectively to help them make better decisions or is there a risk that it has just become a tick-box kind of exercise?

Matthew Conway: If you look across not financial services regulators but regulators in the UK, there is no consistency to the statutory frameworks. I used to work at Ofcom; I know Ofcom very well. In financial services, there just is not quite the same level of statutory rigour required of the financial services regulators that Ofcom is subject to. It is not entirely obvious why that would be, but there is not. As a regulator, you follow what statute requires you to do, and why would you do something above and beyond that? In part, there is a statutory issue. We wonder why it is that all regulators are not held to the same standard in what they do.

To an uncomfortable extent in financial services—and I alluded to this—a proposal comes forward and you get the cost-benefit analysis that says, "As far as this option is concerned, the benefits exceed the costs. Tick—this is the right thing to do". What we do not see is, "Here are the five things we could have done, costs and benefits. This is the one that was the best of them". It is just interesting that Ofcom has this statutory duty and other regulators do not.

We often do not see the full range that starts from "do nothing". Doing nothing is always a regulatory option, and the risk of making things worse by intervening is absolutely something that a responsible regulator should be alive to. There is also an interesting bit in the middle about the use of co-regulation and self-regulation. To what extent can regulators, where incentives are aligned, rely on the private sector to come together to do the right things? You cannot rely on self-regulation where there is a market failure. Perhaps in APP scams, we have seen a heroic attempt by the market to deal with market failure, which, by definition, cannot happen.

There is also the idea that you can find bodies to do a job. As long as they do it well, the regulator can oversee and check that things are going well, and not intervene. Cinema ratings are a good example. They fall within Ofcom's remit, but Ofcom does not do cinema ratings. That concept does not seem to be picked up very often in financial services. What we would like to see is not a cottage industry in cost-benefit analysis, but proper consideration of the options and a demonstration that the one you picked is the right thing to do, not just in its own right but out of all the options that were available to you.

Q333 **Alison Thewliss:** That is interesting. To take that a bit further and talk about how risk averse regulators are, there was some reporting over the summer that the FCA said that it is willing to take legal risk when its actions are intended to prevent imminent consumer harm. Is that the right position to take or does that step out of the roles that it has?

Matthew Conway: Risk-averse regulators lead to risk-averse firms. If you do not get the balance of risk reward right in a regulatory framework, it is ultimately consumers who benefit. If firms are not prepared to take the risks to invest in the products and services that consumers want, those things just do not materialise. That is a balance.

John Collins: Did you mean that the consumer loses, not benefits?

Matthew Conway: That is what I meant. That is a tricky balance, and often, from the public sector's perspective, it is asymmetric. What reward do you get as a regulator for taking a slightly risky decision that goes well versus what opprobrium you attract as a regulator if you take a slightly risky decision that goes very badly wrong? A system that drives risk out in a world where risk is inherent, as long as people understand the risks they are taking and the rewards are commensurate, is a good balance. An overly risky regulatory system is not ultimately in the interests of consumers.

Alison Thewliss: I have not brought you in, Nigel, but is there anything that you would like to add on this?

Nigel Terrington: A specific point is the consistency of application of the competition objective across the regulatory world. The PRA has a secondary competition objective. The primary objective is the safety and soundness of the financial system. A topic that we have already touched on is MREL, which is not governed or run by the PRA but by the resolution authority. The resolution authority is a different arm of the Bank of England but is not subject to any competition objectives.

You have a situation where the PRA produced revised rules around the leverage ratio, which created a threshold of £50 billion before those rules would apply. In its document, it cited that one of the reasons it raised that was the cost burden that the leverage ratio could bring to the mid-tier banking sector and the consequences that that would bring of reduced capital and an inability to lend. Almost within a month of that, the resolution authority, which does not have a competition objective, produced a similar document around the MREL regime, but decided to keep the thresholds at £15 billion to £25 billion pounds. I am not sure that there is a coincidence around the fact that the competition objective does not vest with the resolution authority.

Matthew Conway: I started off by saying that we want a consistent regulatory model across the financial services regulators. That is a prime example of where it does not seem to make sense that the same organisation has different objectives, for no good reason.

Q334 **Alison Thewliss:** There is talk about new objectives as well, and some have suggested competitiveness, competition or economic growth. How, in your view, can these all be held together in one place and come up with something that makes sense?

Matthew Conway: We have thought long and hard about this. I speak as somebody who used to have an international competitiveness objective at the old Office of Telecommunications, so I know what it is like to try to deliver it. We have a lot of sympathy with regulators when they ask, "How can competitiveness possibly be something that you trade off for consumer protection, for competition or for financial stability?" We have a lot of sympathy with that.

At the same time, regulators, while being operationally independent, cannot be hermetically sealed from the consequences of the UK leaving the European Union and of the need for us to make the most of our competitive advantages in the world. The way that we have suggested striking the balance is not to have competitiveness as a primary objective for the regulators but, as Nigel talked about in the context of the PRA and competition as a secondary objective, for competitiveness to be a secondary objective.

In pursuing competition, consumer protection and financial stability, when you have a choice, do the thing that promotes competitiveness. Not only is that a really good principle but we can point to the Financial Services Act 2021, which contains two specific examples of where, when the PRA and FCA are making rules, they are now required to have regard to the impact of those rules on that attractiveness of the UK as a place in which and from which to do business. We would say that, if Parliament extended that concept to the whole of financial services regulation, that would strike the balance very nicely indeed.

David Livingstone: I fully support what Matthew just said.

Q335 **Alison Thewliss:** You mentioned earlier the balance between competition and stability as well. I just wonder whether you thought that these competing objectives would affect your business.

Anne Boden: We have a situation where different regulators have very different views on the world. The Payment Services Regulator wants to open it up and be very competitive, so that all these firms can compete. The FCA and the FOS are saying that, if anything goes wrong in that environment, the banks are accountable. Somehow, we have to figure out what the overarching objectives are. It is more than just stability versus competition.

In 2013, the FSA changed the rules that allowed banks like Starling to raise money to come to market, which increased competition, but it also increased other things in the environment. Just because you make the environment more competitive, it does not mean that you take safety out of that environment.

The regulators do a good job. I am really concerned at the moment about what is going to happen in taking those 40 files and transferring them into all the rulebooks. My greatest fear is that it will take too long. When it takes a long time, people are very reluctant to admit that they have made a mistake and do something different. Starling is all about being agile. We try something with customers and, if they do not like it, we try something different.

We need the same mindset from the regulators. They are going to get things wrong. It is not going to work and there are not going to be the armies of support teams and all the scrutiny that the EU had. The way we do things in the UK is going to be different. The consequences are that they go and make mistakes and, therefore, we have to have a mechanism for unravelling it and making it better, because nobody does it right first time.

Matthew Conway: That mechanism is, sadly, not judicial review.

Q336 **Alison Thewliss:** It would be nice if people did it right first time. Perhaps we should aim for that. I just wanted to ask you very briefly if you had any thoughts on the "have regard" to climate change and what that might mean for your business.

David Livingstone: From a group perspective, there are the things that we can do as an individual organisation, including a commitment to net zero carbon emissions by 2050, which we stated earlier this year. Of more relevance here in relation to future regulation is an identification of what the risks are for the stability of the system and for participants in the system—not just the potential physical risks that come from climate change but the policy risks of the implementation of the energy transition, because that is unlikely to be smooth and linear, and how finance is not only attracted to the newer technologies but also supports those industries and sectors that need to transition from current energy sources to new ones. That is unlikely to take a short time; it is going to take, as the net zero commitment contemplates, a couple of decades.

What are the regulations that support that transition and do not impose a burden on financial services organisations to accept an immediate policy implication, such that their client base, and particularly whom they fund—whether directly off their balance sheets or in the capital markets—can keep up with that timing? That is the detailed work that needs to be done in addition to the framing of what might be the climate risks and, therefore, the reporting, the risk management systems, the identification that we know is coming, and the metrics, and over what time period that fundamental transition is imminent.

Anne Boden: That is very much the macro scene and what is happening on the global economic scene. What I am really concerned about are consumers. Everybody is very enthusiastic about doing our bit to make sure that we protect the planet, but I am really concerned that, unless we really look out for it, we are going to have consumers who are hoodwinked and sold products that are inappropriate.

When these sorts of things come out, the scammers come out as well. Organisations that do not have the ethical standards start selling home improvement loans. We have the £5,000 voucher to get your heat pump, and I am convinced that, in the next couple of weeks, there will be lots of firms out there saying, "Yes, it costs you £13,000. This is how you make the difference." That is where we have consumer harm and we have to be on the lookout to make sure that consumers are not exploited.

Nigel Terrington: On the climate change point, I would break this up into two components. The first is your own emissions, and those are very much within your power to deal with. For a bank, the second is the funded emissions, which are by far the most significant and the greatest, and the ones that we have least control over. The UK banking sector provides a lot of finance to the UK housing market, and we are yet to see the details but there is the potential for things like EPC measurements being required by a certain timescale. If you have to go through that process, the mechanism, I slightly fear, is that the banks will be used as the conduit in order to impose that responsibility on consumers by saying, "You cannot get a mortgage unless you have an EPC rating of X. You cannot finance and build a house unless you have an EPC rating of Y".

This construct is the potential for using the banks as a bit of a whipping boy to get consumers to bring their properties up to standard. The problem is the timescale over which that expectation may be set, because we estimate that over 60% of all UK housing stock is below an EPC rating of C, which is the level they need to be brought up to. There is simply not enough time, money or engineers capable of doing that work in any reasonable timescale. My plea would be to be careful with what you try to impose on the banking sector to deliver, where it is not within its control.

Alison Thewliss: Thank you. That is an interesting point.

John Collins: I agree with everything that has been said. Similar to Nigel, my focus on this is the risk of social exclusion and creating mortgage prisoners in low-quality housing right now or rental prisoners who cannot afford to get on the ladder because of the increased costs of housing.

Alison Thewliss: That is a good point. Thank you very much.

Q337 **Chair:** I am just going to ask a final question. Nigel, you mentioned the FSCS and that you thought there should be some changes there in order for banking to be competitive. What do you, as witnesses, think about the way in which our regulators and the FSCS are funded? Is the way that

that works appropriate?

Nigel Terrington: We have done quite a bit of work on this because we think it feeds through and contributes towards the MREL regime being the way it is. First of all, the FSCS is not a straightforward depository insurance scheme like you would find in other countries. It is cross industry, so it covers credit unions, investment firms, insurance companies, debt management firms and, of course, banks. The important bit is that there is no pre-funding in place. If you look at what is in the FSCS kitty, it is not very much at all, and so, if there is a claim, it has to be done ex post. The claim goes in and there are some resources there, but they then have to draw from the banking sector and the other firms that contribute to that, effectively in arrears.

The consequence is that, if there is a failure of a firm that is a bit more substantial than the credit unions that do fall over from time to time, it is an immediate burden that is placed on the Treasury to fund it. Because the FSCS has no funding of its own, it will draw money under the national loans fund, which is, essentially, the Treasury, and then, in arrears, seek to cover the losses through the banking sector up to an annual cap of £1.5 billion.

If there are losses above £1.5 billion in any given year, the fund cannot claim that from the banking sector. The consequence is that the Treasury, perhaps not surprisingly, says, "My risk appetite for taking a risk on banks that are a little bit bigger than very small is not that great", because it suddenly realises that it would be writing the ticket and that the exposure of the public purse, therefore, is greater.

We think that that helps drive the decision why the Treasury's risk appetite, as handed down to the Bank of England, causes MREL to be set at £15 billion. Compare that to the much bigger figure in the United States, where they have a well-funded depository insurance scheme, and across Europe, where they also have a much better-funded depository scheme. They all have much higher limits. My view is that the Treasury needs to have a very good look at what the Financial Services Compensation Scheme does and how it works, and perhaps the unintended consequences.

The issue is that, because there is no pre-funded pot of money, it passes that insurance responsibility to the banking sector to hold MREL. In effect, each bank's MREL is its own form of compensation scheme, because it will be the first pound of losses that get applied rather than going to the fund. The consequence of that is simply that we all end up having to issue MREL debt at a significant cost, rather than having a properly funded Financial Services Compensation Scheme.

From analysis work that we have done with EY, we estimate that, if we were issuing MREL debt today and what we think the equivalent fund would have to be to create a better pre-funded scheme, the cost to us would be one quarter of the interest bill that the MREL cost would bring.

Apply that across the whole of the mid-tier sector and you suddenly find that there is a highly inefficient depository insurance structure that exists in the UK, which is costing the banking sector more in its capital requirements and, therefore, less money can be lent to SMEs.

Q338 **Chair:** Nigel, thank you very much. That is very interesting. In essence, would you say, crudely speaking, that, if you removed the cap of £1.5 billion, that problem would be far less acute or are you suggesting different ways of funding?

Nigel Terrington: No. The reason that there is a £1.5 billion cap is that, if you imagine that there was a very substantial loss and the FSCS then went to the banking sector and said, "We need £50 billion from you", it could damage the banks significantly as a sector and even create potential solvency issues. That £1.5 billion cap is deliberately there, probably requested by the PRA, to ensure that there is no contagion risk that runs to the banking sector as a whole.

Q339 **Chair:** But you do think that there should be some mechanism for funding the FSCS that does not see the Bank and the Treasury on the hook to the extent that you perceive them to be at the moment, which, in turn, is generating these threshold and MREL issues that you are concerned about.

Nigel Terrington: It is absolutely right that the public purse should not be exposed to losses within the banking sector, as took place 13 years ago. However, there is a better way of structuring the FSCS to avoid that, which is to ensure that there is a fund that is built up over a number of years and is, therefore, pre-funded to cover the losses in that scheme. It is exactly what the World Bank and the IMF have suggested is the more appropriate way of funding a depository insurance scheme.

Chair: That is very helpful. Thank you. That brings us to the end, so thank you very much indeed to all our witnesses for appearing before us today. We have had a very wide-ranging discussion about some extremely important and very big decisions that Government and the regulators are going to have to take going forward. On regulation, the general point about complexity and simplification has been well made.

I was quite interested in the comments about how the various options for different regulatory changes are brought forward and analysed, and have been shown to be robust. We have talked about MREL thresholds, ring-fencing, MiFID, the FSCS, with quite an interesting discussion just now, the FOS and the implications of its decisions for regulation, international trade, digital currencies, open banking, economic crime and even climate change, so we have covered quite a lot today. Thank you very much indeed for appearing before us. It has been very helpful.