



HOUSE OF LORDS

Industry and Regulators Committee
Economic Affairs Committee

House of Lords

London

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X October 2022

Nikhil Rathi
Chief Executive Officer, Financial Conduct Authority
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

Dear Nikhil,

In light of the Bank of England's unprecedented £65bn bond-buying programme, we recently wrote to the Governor of the Bank of England, Andrew Bailey, and the Chief Executive of The Pensions Regulator, Charles Counsell. As Chairs of Committees whose role is to scrutinise regulators, we wanted to understand how the Bank of England and The Pensions Regulator have monitored the risk of the use of derivatives by defined benefit pension schemes.

The responses, which we have attached, highlight the role that the Financial Conduct Authority plays in this space as the regulator of pension investment managers. I am therefore writing to ask for more information about how you oversee liability-driven investment funds, and particularly how you oversee fund managers.

We also noted in a letter from Sir Jon Cunliffe, Deputy Governor of the Bank of England for Financial Stability, to Mel Stride MP, Chair of the Treasury Select Committee, that he states the Bank of England, The Pensions Regulator, and the Financial Conduct Authority are all working "to ensure LDI funds are better prepared for future stresses given the current volatility in the market."¹ Please could you provide further information about what work you are doing to ensure this.

Additionally, one of your operational objectives is to protect consumers. As the collapse of defined benefit pension funds would harm consumers, could you outline what steps you have taken in recent years to minimise the risk to consumers with defined benefit pensions from the companies you regulate, including liability-driven investment funds?

We would be grateful if you could respond to the above questions in writing as soon as possible.

¹ [Letter from Sir Jon Cunliffe, Deputy Governor of Financial Stability at the Bank of England, to Mel Stride MP, Chair of the Treasury Select Committee, 5 October 2022.](#)

Yours sincerely,

A handwritten signature in black ink, appearing to read "Chris Hollick", with a large, stylized flourish underneath.

Lord Hollick
Chair of the Industry and Regulators
Committee

A handwritten signature in black ink, appearing to read "Geoff Bridges", written in a cursive style.

Lord Bridges of Headley
Chair of the Economic Affairs Committee