



HOUSE OF LORDS
Committee Office

House of Lords
London
SW1A 0PW

Tel: 020 7219 5358
Fax: 020 7219 4931
economicaffairs@parliament.uk
www.parliament.uk/lords

Andrew Bailey
Governor of the Bank of England
Bank of England
Threadneedle Street
London
EC2R 8AH

26 July 2023

Dear Andrew,

Thank you once again for taking the time to appear before the Economic Affairs Committee on Tuesday 13 June.

The Financial Services and Markets Act (FSMA) 2023 received Royal Assent on 29 June. We note that it further increases the Bank's responsibilities in the areas of regulation and supervision. The Act affords the Treasury the power to designate certain financial entities as "critical" which therefore places them under the oversight of the Bank of England. The Bank's Prudential Regulation Authority (PRA) is required to directly oversee critical services, make rules, gather information and take limited enforcement actions. The Bank is also given power to set regulatory requirements for two types of systemically important FMIs – CCPs (central counterparties) and CSDs (Central Securities Depositories), both of which previously sat outside of the core FSMA authorisation regime.

FSMA 2023 creates a new Statutory Committee: the Financial Market Infrastructure Committee (FMIC) and introduces a new secondary objective for the Bank to facilitate innovation in the provision of FMI services. FSMA 2023 also introduces new secondary objectives for the PRA to facilitate growth and international competitiveness of the UK economy. The Act also extends to the FMIC regulatory principles that the Bank must 'have regard to' and adds a new net zero regulatory principle for the PRA and FCA.

As you are aware, our ongoing inquiry into the operational independence of the Bank has received evidence on its expanding remit and questioned whether it is being asked to do too much. Could you provide detail on how the Bank is planning to 1) implement its new responsibilities, 2) manage the balance of these additional responsibilities provided by the FSMA 2023 with its other secondary and primary objectives, and 3) develop a transparent and efficient decision-making structure to reflect the addition of the new Financial Market Infrastructure Committee?



HOUSE OF LORDS
Committee Office

House of Lords
London
SW1A 0PW

Tel: 020 7219 5358
Fax: 020 7219 4931
economicaffairs@parliament.uk
www.parliament.uk/lords

We note that you mentioned in your oral evidence on 13 June that the addition of numerous 'have regards' to the Bank's remit "makes policy-making more complicated".¹ Do you anticipate further challenges as a result of these additional responsibilities?

We would be grateful for a response by 25 August.

Best wishes,

Lord Bridges of Headley MBE
Chair of the Economic Affairs Committee

¹ Andrew Bailey, [Q143](#)