



HOUSE OF LORDS

Liaison Committee

---

6th Report of Session 2022–23

# **A committee on financial services regulation**

---

Ordered to be printed 26 October 2023 and published 15 November 2023

---

Published by the Authority of the House of Lords

HL Paper 267

### *Liaison Committee*

The Liaison Committee is appointed by the House of Lords to advise the House on the resources required for select committee work and to allocate resources between select committees; to review the select committee work of the House; to consider requests for Special Inquiry Committees and report to the House with recommendations; to ensure effective co-ordination between the two Houses; and to consider the availability of members to serve on committees.

### *Membership*

The Members of the Liaison Committee are:

<a href="#">Lord Bach</a>	<a href="#">Earl Howe</a>
<a href="#">Lord Bichard</a>	<a href="#">Earl of Kinnoull</a>
<a href="#">Lord Blencathra</a>	<a href="#">Baroness Scott of Needham Market</a>
<a href="#">Lord Collins of Highbury</a>	<a href="#">Lord Taylor of Holbeach</a>
<a href="#">Lord Gardiner of Kimble</a> (Chair)	<a href="#">Baroness Walmsley</a>
<a href="#">Lord Haskel</a>	

### *Declaration of interests*

See Appendix 1.

A full list of Members' interests can be found in the Register of Lords' Interests:  
<https://members.parliament.uk/members/lords/interests/register-of-lords-interests>

### *Publications*

All publications of the Committee are available at:  
<https://www.parliament.uk/lords-liaison>

### *Parliament Live*

Live coverage of debates and public sessions of the Committee's meetings are available at:  
<https://www.parliamentlive.tv>

### *Further information*

Further information about the House of Lords and its Committees, including guidance to witnesses, details of current inquiries and forthcoming meetings is available at:  
<https://www.parliament.uk/business/lords>

### *Committee staff*

Staff who worked on this report were Heather Fuller (Committee Operations Officer), Hannah Murdoch (Research Assistant), Stuart Stoner (Clerk) and Jake Vaughan (Clerk).

### *Contact details*

All correspondence should be addressed to the Liaison Committee, Committee Office, House of Lords, London SW1A 0PW. Telephone 020 7219 3130. Email [hlliaisoncmttee@parliament.uk](mailto:hlliaisoncmttee@parliament.uk)

## CONTENTS

---

	<i>Page</i>
Introduction	3
Scrutiny of financial services regulatory consultations	4
Scrutiny of financial services regulation generally	4
Relationship with existing committees	5
House of Lords Committees	5
House of Commons Committees	5
The duration of a new committee	5
Resourcing	6
Recommendation	6
<b>Appendix 1: List of Members and declarations of interest</b>	<b>7</b>
<b>Appendix 2: Letters between the House of Commons and House of Lords regarding financial services regulation</b>	<b>8</b>



# A committee on financial services regulation

## Introduction

1. A new framework for financial services regulation has been created following the transfer of responsibility for large parts of financial services regulation from the European Union back to the UK, consequent on the UK's departure from the EU. The Government and financial services regulators have begun the process of making changes, including through the Financial Services and Markets Act 2023, which repeals retained EU law for financial services. These developments have underlined the importance of parliamentary scrutiny of the regulation of financial services.
2. The Financial Services and Markets Act 2023 provides for select committees in each House (or a joint committee) to scrutinise consultations issued by regulators of financial services:
  - the Financial Conduct Authority;<sup>1</sup>
  - the Prudential Regulation Authority;<sup>2</sup>
  - the Payment Systems Regulator;<sup>3</sup>
  - the Bank of England (in respect of rules relating to central counterparties and central securities depositories).<sup>4</sup>
3. The Act's provisions for select committee scrutiny were amended and enhanced through amendments moved by the Government at report stage in the House of Lords<sup>5</sup>, following debate at Committee stage on amendments moved by Lord Forsyth of Drumlean (former Chair of the Economic Affairs Committee) and others, with support being expressed by a range of Members from across the House.<sup>6</sup>
4. Given the importance of financial services for the operation of the UK economy, there is a pressing need for enhanced scrutiny not only of individual consultations, but also of financial services regulation generally. It is particularly important to take account of the evolution of the regulatory framework following UK withdrawal from the EU. Consequentially, this report recommends the appointment of a new committee on financial services regulation.

---

1 See [section 38\(2\)](#) of the Financial Services and Markets Act 2023, which inserts new paragraphs 28 and 29 into Part 4 of Schedule 1ZA to the Financial Services and Markets Act 2000. Section 38 came into force on 29 August 2023.

2 See [section 38\(3\)](#) of the Financial Services and Markets Act 2023, which inserts new paragraphs 36 and 37 into Part 4 of Schedule 1ZB to the Financial Services and Markets Act 2000.

3 See [paragraph 13 of Schedule 7](#) to the Financial Services and Markets Act 2023, which inserts new paragraphs 14A and 14B into Schedule 4 to the Financial Services (Banking Reform) Act 2013. Schedule 7 came into force on 29 August 2023.

4 See [section 50\(14\)](#) of the Financial Services and Markets Act 2023. The section inserts new paragraph 33B into Schedule 17A to the Financial Services and Markets Act 2000, which in turn applies to the Bank of England the provisions of the Financial Services and Markets Act 2023 governing the Prudential Regulation Authority's responsibilities to consult with Parliamentary Committees (paragraphs 36 and 37 of Schedule 1ZB to FSMA 2023).

5 HL Deb, 8 June 2023, [cols 1634–1642](#)

6 HL Deb, 20 February 2023, [cols 397GC–405GC](#)

### Scrutiny of financial services regulatory consultations

5. Before making any rules (or, in the case of the Payment Systems Regulator, “generally applicable requirements”), each of the financial services regulators must publish a draft of the rules/requirements and issue a consultation on it, alongside various explanatory material. A consultation will also be launched when a regulator publishes a proposal about other exercises of its functions.
6. Under the terms of the Financial Services and Markets Act 2023, the regulator must then notify the chair of each relevant select committee that a consultation has been issued, drawing attention to certain matters. The committees concerned are the House of Commons Treasury Committee and any committee designated by the House of Lords for these purposes and which notifies the regulator that it has been so designated.
7. Each such committee may make representations to the regulator in response to the consultation. The regulator must then provide the chair of the committee with a written response to its representations.
8. It is difficult to state precisely the volume of consultations that will be subject to parliamentary scrutiny. Since 2017, the number of formal consultations published by the regulators collectively has ranged from 56 to 90 each year. It is estimated there will in future be an average of around 70 to 100 formal consultations per year, although the regulators also publish other documents that may be of interest to a new committee.<sup>7</sup> Consultations tend to be issued at fairly regular intervals, rather than in batches. However, it is possible that there will be a peak over the next year or two as post-Brexit proposals are brought forward. There may therefore be periods when the volume of consultations is somewhat higher than usual.
9. Typically consultations are open for three months, although this varies: some urgent or less contentious consultations may have a shorter consultation period, while some larger or more significant ones have a longer consultation period.

### Scrutiny of financial services regulation generally

10. Given the significance of financial services to the functioning of the UK economy, it is important to view individual consultations in the wider context of financial services regulation. In addition to scrutinising specific consultations, there is a strong case for empowering a new committee to consider the regulation of financial services generally. This would enable it to undertake horizon-scanning of forthcoming consultations, scrutinise financial regulations after they come into force (thereby enabling a committee, *inter alia*, to look at any consultations or regulations which predated its appointment), scrutinise the work of the regulators (including through regular engagement with them), and carry out thematic inquiries.

---

<sup>7</sup> The regulators draw a distinction between consultations published under the Act and other consultations. They also publish documents other than formal consultations which may sometimes have a consultation element or otherwise be of interest to a new committee, such as policy statements or market reviews.

## Relationship with existing committees

### *House of Lords Committees*

11. In considering the scrutiny of financial services regulation, and ensuring there will be a complementary approach across the range of Lords committee activity, we benefited from the advice of the Chair of the House of Lords Economic Affairs Committee, Lord Bridges of Headley, and the Chair of the House of Lords Industry and Regulators Committee, Lord Hollick.
12. There is potential for a new committee's work to overlap with the work of existing committees, including the Economic Affairs and Industry and Regulators Committees.
13. One option could be for this work to be undertaken by a sub-committee of an existing committee. However, we have concluded that the case is stronger for a new freestanding committee, to enable a clear and dedicated focus on financial services regulation and to provide a committee with a distinct identity. As with the working relationships between existing select committees, dialogue between the respective staff and chairs can ensure that the work of each committee is complementary rather than duplicative.

### *House of Commons Committees*

14. In June 2022 the House of Commons Treasury Committee established a Sub-Committee on Financial Services Regulations.<sup>8</sup> That sub-committee has been scrutinising consultations since then and continues to do so under the terms of the Financial Services and Markets Act 2023.
15. While some overlap between the work of the new Lords committee and its Commons counterpart is inevitable, it would be desirable to avoid exact duplication and instead aim for complementarity. There are several ways this could be achieved, including making effective use of the different styles of scrutiny in the two Houses, giving the Lords committee a wider remit as set out in paragraph 10, and ensuring regular dialogue between the respective chairs and staff. It is also possible for a committee or sub-committee of one House to meet concurrently with a committee or sub-committee of the other House.<sup>9</sup>
16. The Financial Services and Markets Act 2023 also allows for scrutiny by a joint committee. The Chair of the Liaison Committee wrote to his House of Commons counterpart, Sir Bernard Jenkin MP, on 14 July 2023 to enquire about establishing a joint committee. Sir Bernard replied on 19 September to indicate that the House of Commons preferred separate committees of the two Houses working with one another where appropriate, while retaining their individual roles within each House.<sup>10</sup>

### **The duration of a new committee**

17. The 2023 Act does not provide an end point for the consultation scrutiny arrangements. Furthermore, given its importance to the functioning of the UK economy, there is a strong case for ongoing scrutiny of financial services

---

8 Treasury Committee, *Future Parliamentary scrutiny of financial services regulations* (Second Report, Session 2022–23, HC 394)

9 Treasury Committee, *Future Parliamentary scrutiny of financial services regulations* (Second Report, Session 2022–23, HC 394), para 27

10 See Appendix 2.

regulation generally. It would therefore be appropriate for the new committee to be added to the list of sessional committees in standing order 63. This would mean it continues from one session to the next and may meet in a new session ahead of its formal reappointment.

### **Resourcing**

18. A new committee will undertake detailed technical work, scrutinising voluminous and dense documentation, alongside thematic policy-focused work. Additional specialist and focused resource is therefore required to undertake this work.

### **Recommendation**

19. *There is a need for a committee with sufficient resource to scrutinise financial services regulatory consultations, and financial services regulation generally.*
20. *We therefore recommend the establishment of a new, freestanding sessional committee to scrutinise consultations under the Financial Services and Markets Act 2023. We also recommend that the new committee's remit should extend to considering the regulation of financial services generally.*



## APPENDIX 1: LIST OF MEMBERS AND DECLARATIONS OF INTEREST

---

### Members

Lord Bach  
 Lord Bichard  
 Lord Blencathra  
 Lord Collins of Highbury  
 Lord Gardiner of Kimble  
 Lord Haskel  
 Earl Howe  
 Earl of Kinnoull  
 Baroness Scott of Needham Market  
 Lord Taylor of Holbeach  
 Baroness Walmsley

### Declarations of interest

Lord Bach  
*No relevant interests to declare*

Lord Bichard  
*My wife, Dame Gillian Guy, is the independent assessor for the Financial Services Ombudsman*

Lord Blencathra  
*No relevant interests to declare*

Lord Collins of Highbury  
*No interests declared*

Lord Gardiner of Kimble  
*No relevant interests to declare*

Lord Haskel  
*No relevant interests to declare*

Earl Howe  
*No relevant interests to declare*

Earl of Kinnoull  
*Director, Alpha Insurance Analysts Limited, Archimedes Partners Limited (holding company for Alpha) and Archimedes Partners Trustees Limited (dormant)*  
*Shareholdings in Hiscox Ltd, Schroders plc and Resolution Underwriting Holdings Limited*

Baroness Scott of Needham Market  
*No relevant interests to declare*

Lord Taylor of Holbeach  
*No relevant interests to declare*

Baroness Walmsley  
*No relevant interests to declare*

A full list of members' interests can be found in the Register of Lords' Interests: <https://members.parliament.uk/members/lords/interests/register-of-lords-interests>

## APPENDIX 2: LETTERS BETWEEN THE HOUSE OF COMMONS AND HOUSE OF LORDS REGARDING FINANCIAL SERVICES REGULATION

---

**Letter from Lord Gardiner of Kimble, Chair of the House of Lords Liaison Committee to Sir Bernard Jenkin MP, Chair of the House of Commons Liaison Committee**

14 July 2023

Dear Sir Bernard

### **Financial Services and Markets Act 2023:**

#### **Proposal for Joint Committee scrutiny of financial services regulation**

I am writing in connection with the provision made in the Financial Services and Markets Act 2023 for select committee scrutiny of consultations undertaken by financial services regulators.

On introduction, the Bill provided for relevant consultations to be sent to the Treasury Committee of the House of Commons, and for the relevant regulator to respond in writing to any representations made by Parliamentary Committees.

As you will be aware, during its passage through the Lords this House agreed amendments tabled by His Majesty's Government, extending references to the Treasury Committee of the House of Commons also to include a select committee of the House of Lords, and/or a Joint Committee charged with this responsibility by both Houses. These amendments were agreed by the Commons and now form part of the Act which received Royal Assent on 29 June.

The debates on the Bill in both Houses have made clear how important it is for the United Kingdom that the regulatory regime being put in place by the financial services regulators is appropriately scrutinised by Parliament, and not left to the regulatory bodies themselves.

Now that the legislation has received Royal Assent, I am writing to confirm that this House intends to establish and properly resource Committee scrutiny of financial services regulation, as envisaged by the Act. If there is appetite in the House of Commons to establish such work on a joint basis, around a Joint Committee, please let me know. Our officials could work together on suitable proposals, working closely of course with the existing committees and key members in each House. I would also be happy to organise a meeting to discuss how this important work could be taken forward.

In principle, there are clearly some advantages to a Joint Committee. Amongst other things it would allow Parliament to speak with one voice, and to combine and share resources.

That said, I recognise that our two Houses are at different stages in this area, and that the Treasury Committee has already established the Sub-Committee on Financial Services Regulation which is doing good work. If we do proceed on the basis of two separate Committees, one in each House, I know we will want to work to ensure that their work is complementary not duplicative.

I am copying this letter to the Chair of the House of Commons Treasury Committee, the Lord President and Leader of the House of Commons, the Lord Privy Seal and Leader of the House of Lords, and the Chairs of the House of Lords Select Committees on Economic Affairs, and Industry & Regulators. I have also asked for this letter to be published on my Committee's web page.

Lord Gardiner of Kimble

Senior Deputy Speaker

**Letter from Sir Bernard Jenkin MP, Chair of the House of Commons Liaison Committee to Lord Gardiner of Kimble, Chair of the House of Lords Liaison Committee**

19 September 2023

Dear Lord Gardiner,

Thank you for your letter of 14 July about scrutiny of financial services regulation. I am grateful for the information about the Lords proposed approach following the passage of the Financial Services and Markets Act.

As you identify in your letter, the two Houses currently have different views about the benefits of establishing a Joint Committee to undertake the functions set out in the Act. I have spoken to the Chair of the Commons Treasury Committee and while we wholeheartedly endorse your views about the importance of the two Houses taking a complementary approach to scrutiny in this area, the Treasury Committee feel that this can be most effectively achieved by the Treasury sub-Committee on Financial Services Regulation and the new Committee to be established by the House of Lords working with one another where appropriate while retaining their individual roles within each House.

I know that officials on the Treasury Committee would be very happy to engage with officials in the Lords to facilitate an effective cooperation between the two Committees.

Sir Bernard Jenkin MP

Chair of the Committee