



House of Commons
Treasury Committee

Edinburgh Reforms One Year On: Has Anything Changed?

Second Report of Session 2023–24

*Report, together with formal minutes relating
to the report*

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The Treasury Committee

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1 The Chancellor's Edinburgh Reforms

Remit and approach of the Sub-Committee

1. We set up the Treasury Sub-Committee on Financial Services Regulations (the Sub-Committee) in June 2022 to examine changes to regulations proposed by the Financial Conduct Authority (FCA), the Bank of England, the Prudential Regulation Authority (PRA) or the Payment Systems Regulator (PSR).
2. The Sub-Committee takes a targeted approach to scrutinising proposed regulations put forward by these regulators. It has agreed to consider regulatory proposals which:
 - Have been put forward by a regulator for which the Treasury Committee has oversight responsibility;
 - Are at consultation stage, when the Sub-Committee could best exert influence; and
 - Contain a draft text which has legal effect.
3. The Sub-Committee will continue to meet around once every two months, and publish Reports on an approximately quarterly basis. The Sub-Committee has published three progress reports so far,¹ and has published one report on authorised push payment fraud: “Scam reimbursement: pushing for a better solution”.²

Announcement

4. On 9 December 2022 the Rt Hon. Jeremy Hunt MP, Chancellor of the Exchequer, made a statement announcing a package of measures to reform the UK's financial services rules. Grouped together, these measures were referred to as the Financial Services “Edinburgh Reforms.”³ The Chancellor said he was “setting out a bold collection of reforms taking forward the Government's vision for an open, sustainable, and technologically advanced financial services sector that is globally competitive and acts in the interests of communities and citizens. These reforms will create jobs, support businesses, and power growth across all four nations of the UK.”⁴
5. Alongside the Chancellor's statement to the House, the Treasury website published a complete list of the 31 strands of work that would be taken forward.⁵

1 Tenth Report - [The work of the Sub-Committee on Financial Services Regulations](#), HC952, Fourteenth Report - [The work of the Sub-Committee on Financial Services Regulations](#) HC 952-I, Eighteenth Report - [The work of the Sub-Committee on Financial Services Regulations](#) HC 952-ii

2 Thirteenth report - [Scam reimbursement: pushing for a better solution](#) HC 939

3 [Gov.uk](#), accessed 11 November 2023

4 HC Deb, 9 December 2022, col [26WS](#)

5 HM Treasury, [Financial Services: The Edinburgh Reforms](#), 9 December 2022

2 Progress on reforms

6. During 2023, Parliament passed the Financial Services and Markets Act. The aims of the Act as set out in the Act’s explanatory notes were to:

Revoke retained EU law relating to financial services and enables HM Treasury and the financial services regulators to replace it with legislation designed specifically for UK markets.⁶

The explanatory notes set out—among many other measures—some of the specific reforms that are addressed in the Act including:

- Updating the objectives of the financial services regulators to ensure a greater focus on long-term growth and international competitiveness;
- Bringing stablecoins into the scope of regulation when used as a form of payment reforming the UK’s wholesale capital markets regime;
- Reforming the UK’s wholesale capital markets regime;
- Supporting financial inclusion by ensuring people across the UK can continue to access cash with ease;
- Enabling credit unions to offer more products;
- Introducing a regulatory gateway designed to improve the quality of financial promotions; and
- Enhancing protection for victims of authorised push payment scams.⁷

7. Many of the measures and reforms within the Act are included in the Edinburgh Reforms measures that are described in this Report.

8. On 6 September 2023 the Sub-Committee wrote to the Chancellor requesting an update on each strand of work he considered to be part of his Edinburgh Reforms, asking what progress had been made.⁸ In reply the Chancellor set out a table in which he reiterated the same 31 strands of work, and provided us with an update on each.⁹ **The Sub-Committee thanks the Chancellor for this comprehensive update.**

9. The Chancellor’s letter designated all 31 strands of work as either “Delivered” or “In progress”. The Sub-Committee has considered progress on each of the strands and categorised them as follows:

- Work that the Chancellor deems to have been delivered (within which):
 - Strands of work which are reforms and have been delivered

6 HM Government: [Financial Services and Markets Bill explanatory notes](#), Bill 146

7 HM Government: [Financial Services and Markets Bill explanatory notes](#), Bill 146

8 Letter from Sub-Committee to the Chancellor of the Exchequer relating to progress with Edinburgh Reforms, dated 6 September 2023

9 Letter from the Chancellor of the Exchequer to the Sub-Committee relating to progress with Edinburgh Reforms, dated 6 October 2023

- Reforms which have been delivered which the Sub-Committee has not examined
- Strands of work which are reforms but which the Sub-Committee does not consider to have been delivered
- Strands of work which the Sub-Committee does not consider to be reforms
- Work deemed still to be in progress which the Sub-Committee has examined
- Work deemed still to be in progress which the Sub-Committee has not yet examined

10. An overall summary of each of the reforms is summarised in the following table:

Strand of work	HM Treasury Assessment	Sub-Committee Assessment	
		Is it a genuine reform?	Has it been delivered
Issuing new remit letters for the PRA and FCA with clear, targeted recommendations on growth and international competitiveness	Yes	Yes	Yes
Intending to repeal EU legislation on the European Long-Term Investment Fund (ELTIF), reflecting that the new UK Long-Term Asset Fund (LTAF) provides a better fund structure for the UK market	Yes	Yes	Yes
Consulting on removing burdensome customer information requirements set out in the Payment Accounts Regulations 2015	Yes	Yes	Yes
Bringing forward secondary legislation to implement Wholesale Markets Review reforms	Yes	Yes	Yes
Publishing a response to the consultation on expanding the Investment Manager Exemption to include cryptoassets	Yes	Yes	Yes
Laying regulations in early 2023 to remove well-designed performance fees from the pensions regulatory charge cap	Yes	Yes	Yes
From April 2023, improving the tax rules for Real Estate Investment Trusts	Yes	Yes	Yes
Overhauling the UK's regulation of prospectuses	Yes	Yes	Yes

Strand of work	HM Treasury Assessment	Sub-Committee Assessment	
		Is it a genuine reform?	Has it been delivered
Consulting, in early 2023 on issuing new guidance on Local Government Pension Scheme asset pooling	Yes	Yes	Yes
Launching a Call for Evidence on reforming the Short Selling Regulation	Yes	Yes	No
Commencing a review into reforming the Senior Managers & Certification Regime in Q1 2023	Yes	Yes	No
Consulting in Q1 2023 on bringing Environmental, Social, and Governance ratings providers into the regulatory perimeter	Yes	Yes	No
Consulting on a UK retail central bank digital currency alongside the Bank of England in the coming weeks	Yes	Yes	No
Consulting on Consumer Credit Act Reform	Yes	Yes	No
Committing to having a regime for a UK consolidated tape in place by 2024	Yes	Yes	No
Reforming the Ring-Fencing Regime for Banks	No	Yes	N/A
Reforming the Securitisation Regulation	No	Yes	N/A
Repealing the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, and consulting on a new direction for retail disclosure	No	Yes	N/A
Announcing changes to the Building Societies Act 1986	No	Yes	N/A
Delivering the outcomes of the Secondary Capital Raising Review	No	Yes	N/A
Implementing a Financial Market Infrastructure Sandbox in 2023.	No	Yes	N/A
Working with the regulators and market participants to trial a new class of wholesale market venue which would operate on an intermittent trading basis.	No	Yes	N/A

Strand of work	HM Treasury Assessment	Sub-Committee Assessment	
		Is it a genuine reform?	Has it been delivered
Publishing the plan for repealing and reforming EU law using powers within the Financial Services and Markets (FSM) Bill, building a smarter regulatory framework for the UK	Yes	No	N/A
Publishing a draft Statutory Instrument to demonstrate how the new powers being taken forward in the FSM Bill will be used to ensure that the FCA has sufficient rulemaking powers over its retained EU payments legislation	Yes	No	N/A
Welcoming the PRA consultation on removing rules for the capital deduction of certain non-performing exposures held by banks	Yes	No	N/A
Establishing an Accelerated Settlement Taskforce	Yes	No	N/A
Committing to establish the independent Investment Research Review	Yes	No	N/A
Publishing an updated Green Finance Strategy in early 2023	Yes	No	N/A
Increasing the pace of consolidation in Defined Contribution pension schemes	No	No	N/A
Consulting on reform to the VAT treatment of fund management	No	No	N/A
Committing to work with the FCA to examine the boundary between regulated financial advice and financial guidance	No	No	N/A

11. This report will now consider each of the work strands under those headings in turn.

Work that the Chancellor deems to have been delivered

Strands of work which are reforms and have been delivered

12. The Sub-Committee has taken evidence on the following reforms which have been delivered:

Work flow	Progress
Issuing new remit letters for the PRA ¹⁰ and FCA ¹¹ with clear, targeted recommendations on growth and international competitiveness.	The Government published the remit letters on 9 December 2022, alongside the Edinburgh Reforms announcement.

13. The Sub-Committee took oral evidence on changing the objectives of the regulators to focus more on growth and international competitiveness, as set out in the new remit letters, and later legislated on by the Government. Professor Sir John Vickers, Chair of the Independent Commission on Banking (2010–11), told us he was not in favour of the regulators pursuing international competitiveness:

The legislative proposal is that the financial regulators have an [secondary] objective to advance the competitiveness of the UK economy, particularly in relation to financial services. I doubt that would be a wise path to take, first because the competitiveness which should matter to us all is that of the UK economy as a whole. For that objective, I believe that we need very strong and sound financial institutions. Anything that led to a cutting of corners or relaxation of financial regulation that put that primary objective at risk would, in my view, be a very unfortunate step to take.¹²

Sir John went on to say that he thought that it was unwise and unfortunate that the secondary objective was being legislated for¹³ and that:

The best that the financial regulators can do for the competitiveness of the whole economy is safe and sound financial institutions and well-functioning financial markets. That is already the primary objective of the PRA and the FCA.¹⁴

14. The Sub-Committee also took evidence from Sir Keith Skeoch, Chair, Ring-Fencing and Proprietary Trading Independent Review (2021–22), who was slightly less critical of the secondary objective stating:

I sort of agree with Sir John on the competitiveness point as well. [...] I would be fully supportive of the growth objective. [...] The wording on that is actually a step forward. My specific concern about the competitiveness is, alongside the desire to make the UK more competitive, it is the balance that needs to come with the promotion of financial innovation. I am not against it. These things need to move, but it is the pace at which that financial

10 HM Treasury: [Recommendations for the Prudential Regulation Committee](#), December 2022

11 HM Treasury: [Recommendations for the Financial Conduct Authority](#), December 2022

12 Q5

13 Q6

14 Q6

innovation progresses. When you look back, too much that was adopted too quickly and lightly regulated caused some of the problems of the last 20 or 30 years.¹⁵

15. We also discussed the changes to the regulators' objectives as set out in the new remit letters with the regulators themselves. Sam Woods, Chief Executive of the Prudential Regulation Authority (PRA), told us how the PRA would change as a result of the new secondary objective:

If, as we are expecting, you agree to give us that new secondary objective—by the way, we support it—it is very important that all of our staff understand that Parliament has changed something about what we are meant to do and that we embrace that and take it forward in a positive way. We are very conscious of that.¹⁶

16. Ashley Alder, Chair of the Financial Conduct Authority (FCA), told us it was important that the new competitiveness objective was a secondary objective, and was not its primary focus:

We need to be cognisant of the fact that it is being positioned as a secondary objective, so in other words it does not compromise the primary objectives around consumer protection, market integrity and suchlike.¹⁷

17. **The full Committee has previously concluded in its report on the Future of financial services regulation that “there should be a secondary objective for both the Financial Conduct Authority and the Prudential Regulation Authority to promote long-term economic growth” but that “pursuing international competitiveness in the short term is unlikely to lead to economic growth or international competitiveness in the long term if it is achieved by weakening the UK’s strong regulatory standards.”¹⁸ The Sub-Committee’s opinion is that completing all 31 strands of the Edinburgh Reforms is a vital step towards addressing examples of over-zealous regulation that disadvantage British companies.**

18. **The Sub-Committee agrees with the Treasury that the UK’s regulators should consider economic growth when designing new regulations, and the best way to promote economic growth in the UK is through a strong, well respected, independently regulated, and financially resilient financial services sector.**

Work flow	Progress
Intending to repeal EU legislation on the European Long-Term Investment Fund (ELTIF), reflecting that the new UK Long-Term Asset Fund (LTAF) provides a better fund structure for the UK market.	Commencement Regulations to repeal EU legislation on ELTIF were made on 10 July 2023 as part of the Mansion House package.

15 Q10

16 Oral evidence: [The work of the Prudential Regulation Authority HC 1185](#), 7 March 2023

17 Oral evidence: [Oral evidence: Work of the Financial Conduct, Authority, HC 142](#), 8 March 2023

18 Treasury Committee: [Future of financial services regulation First Report of Session 2022–23](#), 13 June 2022

19. The Sub-Committee wrote to the FCA regarding its proposed new LTAF regulations on 28 October 2022, raising its concerns around the protections that would be in place for retail investors when investing in such assets.¹⁹ In reply, Nikhil Rathi, Chief Executive of the FCA set out the protections that the FCA were putting in place for retail investors. He said that the FCA was not designing this new product to be risk free, and investors would be taking on higher levels of risk, but should be informed when doing so:

To be clear, the provisions [...] and our overall supervisory approach cannot and are not intended to ensure that no investment losses would arise in an LTAF. LTAFs will be risk taking vehicles, and some illiquid assets will be comparatively risky. But our provisions are intended to ensure investors take these risks knowingly, and when they are able to do so.²⁰

20. The FCA notes that part of the protections for consumers during the sale of LTAFs relies on consumers self-declaring as certified high net worth individuals or certified or self-certified sophisticated investors.²¹ In our inquiry on the FCA's regulation of London Capital & Finance plc, we heard concerns about the use of these so called 'exemptions', and in our Report we called for the authorities to consider reform.²²

21. The Sub-Committee has raised concerns with the FCA about the risks to widening retail investment in Long-Term Asset Funds, since they are riskier non-liquid assets. These concerns are in part formed by our work looking into the failure of London Capital and Finance, and the role of promoters in potentially misusing exemptions for high net-worth individuals and so-called sophisticated investors, to garner greater sales. The Sub-Committee continues to have concerns in this area, and therefore about the protections the FCA is, in part, drawing upon for Long-term asset fund sales to a wider range of retail investors.

Work flow	Progress made
Overhauling the UK's regulation of prospectuses.	The Government published a final Statutory Instrument on 11 July 2023 (subject to technical comments) to repeal the EU-retained Prospectus Regulation and implement an entirely new regime for public offers and admissions. These landmark reforms are being taken forward in response to Lord Hill's UK Listing Review. The Government laid the final Statutory Instrument following the Autumn Statement on the 27 November 2023.

22. We took evidence on Lord Hill's UK Listing Review from Julia Hoggett, CEO, London Stock Exchange; Lord Hill of Oareford, Chair, UK Listing Review; Sir Jonathan Symonds, Chair, GlaxoSmithKlein; and Rt Hon Nicholas Lyons, Lord Mayor of London, and former Chair, Phoenix Group. Lord Hill told us he was happy with the Government's response to his review:

All the recommendations were accepted by the Government. I had thought in advance, since we were making recommendations to do with the rules for which the FCA were responsible, that there might be some resistance to reform. There was not at all. The FCA was welcoming of reform. [...] I could

19 [Correspondence from the Interim Chair to the FCA relating to long-term asset funds](#), 28 October 2022

20 [Correspondence from the FCA relating to long-term asset funds](#), 11 November 2022

21 [Correspondence from the FCA relating to long-term asset funds](#), 11 November 2022

22 [Treasury Committee: The Financial Conduct Authority's Regulation of London Capital & Finance plc Fourth Report of Session, HC149 2021-22](#), paras 179-180

not fault the response of the FCA and the Government in terms of how they have approached it and the speed with which they have moved within the constraints that they have.²³

Work flow	Progress made
Consulting in early 2023 on issuing new guidance on Local Government Pension Scheme asset pooling.	<p>The Government launched its consultation on 11 July 2023 as part of the Mansion House package. The consultation will close on 2 October 2023 and following analysis of responses, the Government published its response to the consultation on 22 November 2023, alongside Autumn Statement 2023.</p> <p>The consultation response confirms the proposal to set a March 2025 deadline for the transition of Local Government Pension Scheme assets into pools, sets a direction towards fewer asset pools exceeding £50bn in assets under management, and sets a 10% ambition for investments in private equity.</p>

23. In our July 2023 report on venture capital funding we concluded that we were in favour of pension scheme consolidation where appropriate. Our view has not changed since. We therefore restate our conclusion on pension scheme consolidation in this report:

24. Our evidence suggests that UK pension funds may be an untapped source for a deeper domestic capital market more inclined to risk investment in high-potential businesses. We welcome the Government's announcement of work on pension fund consolidation in the autumn. We will scrutinise the details of those proposals closely. Any change must pay due regard to the balance between risk and reward for pension investors. We encourage the Government to progress this work with urgency.²⁴

Reforms which have been delivered which the Sub-Committee has not examined

25. The Sub-Committee has considered the following reforms, but has not examined them:

Work flow	Progress
Consulting on removing burdensome customer information requirements set out in the Payment Accounts Regulations (PARs) 2015.	<p>The Government published its consultation on 9 December 2022 as part of the Edinburgh Reforms. The consultation closed on 17 February 2023.</p> <p>The Government published its response on 11 July 2023, as part of the Mansion House package.</p> <p>The Government laid a commencement order to repeal this Retained EU Law on 11 July.</p>

23 Oral evidence: [Stock market listings](#), HC 1300, 26 April 2023

24 Treasury Committee: [Venture Capital Nineteenth Report of Session 2022-23](#), HC 134, 24 July 2023

Work flow	Progress
Bringing forward secondary legislation to implement Wholesale Markets Review reforms.	The Markets in Financial Instruments (Investor Reporting) (Amendment) Regulations 2022 removes burdensome EU requirements related to reporting rules and was laid on 9 December 2022. The Financial Services and Markets Act 2000 (Commodity Derivatives and Emission Allowances) Order 2023 removes burdens for firms trading commodity derivatives as an ancillary activity. It was made on 17 May 2023.
From April 2023, improving the tax rules for Real Estate Investment Trusts (REITs).	Legislated via Finance (No.2) Act 2023. The changes came into effect in April 2023.
Publishing a response to the consultation on expanding the Investment Manager Exemption to include cryptoassets.	The Government published its response to the consultation on 9 December 2022. The relevant HMRC regulations were made on 19 December 2022.
Laying regulations in early 2023 to remove well-designed performance fees from the pensions regulatory charge cap.	The Government published a consultation response on 30 January 2023 confirming it intended to enact the regulations by Spring 2023. The Government then laid regulations which came into force on 6 April 2023.

26. The Sub-Committee is satisfied that these reforms have been completed and represent actual reform to UK financial services rules.

27. With regards to Real Estate Investment Trust reform, the Sub-Committee notes that the Treasury’s impact assessment of the measures states “This measure is not expected to have any significant macroeconomic impacts”,²⁵ but would result in a one-off £25m tax cut in 2023–24 for investors in such trusts.²⁶

28. With regards to Cryptoasset Investment Manager Exemption reform, the Sub-Committee notes that the Government’s impact assessment of the measure states there will be no measurable cost or saving from the policy,²⁷ suggesting that the inclusion or exclusion of cryptoassets within the Investment Manager Exemption is not creating a significant barrier to economic growth in this sector.

25 Gov.uk HMRC: [Corporation Tax: Real Estate Investment Trusts \(REITs\)](#), 15 March 2023

26 HM Treasury: [Spring Budget 2023 Policy Costings](#), March 2023

27 Gov.uk: [Expanding the Investment Transactions List for the Investment Management Exemption and other fund tax regimes](#), accessed 3 November 2023

Strands of work which are reforms but which the Sub-Committee does not consider to have been delivered

Work flow	Progress
<p>Launching a Call for Evidence on reforming the Short Selling Regulation.</p>	<p>The Government published its Call for Evidence in December 2022, and its response on 11 July 2023, as part of the Mansion House package.</p> <p>The Government launched its subsequent consultation on aspects of the short selling regime related to sovereign debt and credit default swaps on 11 July 2023, as part of the Mansion House package. The Government published its response at Autumn Statement 2023.</p> <p>The Government published a draft Statutory Instrument and response to the follow-up consultation at Autumn Statement 2023. The Government plans to lay this Statutory Instrument in 2024, subject to Parliamentary time allowing.</p> <p>On 27 November 2023, the Government also laid a separate Statutory Instrument to amend the notification threshold for reporting net short positions to the FCA, as announced at Mansion House.</p>
<p>Commencing a review into reforming the Senior Managers & Certification Regime in Q1 2023.</p>	<p>The Government launched the Call for Evidence on 30 March 2023, alongside FCA/PRA joint discussion paper.</p> <p>The Government is currently assessing the responses alongside the regulators and will outline next steps in due course.</p>
<p>Consulting in Q1 2023 on bringing Environmental, Social, and Governance ratings providers into the regulatory perimeter.</p>	<p>The Government published this consultation on 30 March 2023. It closed on 30 June 2023.</p>
<p>Consulting on a UK retail central bank digital currency (CBDC) alongside the Bank of England in the coming weeks.</p>	<p>The Government launched this consultation on 7 February 2023. It closed on 30 June 2023.</p> <p>Responses are being analysed and next steps will be set out in due course.</p>
<p>Consulting on Consumer Credit Act Reform.</p>	<p>The Government launched its consultation on 9 December 2022 as part of the Edinburgh Reforms.</p> <p>The Government published its response on 11 July 2023 as part of Mansion House.</p> <p>The Government will consult on more detailed proposals in 2024.</p>

Work flow	Progress
Committing to having a regime for a UK consolidated tape in place by 2024.	<p>On 10 July 2023, the Government published Statutory Instrument to implement the commitment to develop a UK consolidated tape, which will bring together market data from multiple platforms into one continuous feed.</p> <p>The Government laid the Data Reporting Services Regulation Statutory Instrument on 27 November.</p>

29. Each of these strands of work could lead to substantial reforms to the UK financial services regulatory landscape. However, in each case the Treasury’s commentary on progress made makes it clear that the work is on-going and has not yet concluded. In each, a Government consultation is either still open or the Government response to the consultation has not yet been published. Only when the policy conclusions from these consultations have been implemented in regulatory rule changes can these be deemed to be financial services reforms that have been delivered.

30. We took evidence on a Central Bank Digital Currency (CBDC) as part of the full Committee’s Crypto-asset inquiry. As part of the inquiry we heard that progress on creating a CBDC would take a very long time. Sir Jon Cunliffe, when he was Deputy Governor for Financial Stability at the Bank of England told us: “We are talking about something that we could not do until the second half of this decade.”²⁸ The Committee’s full conclusions on CBDCs can be found in the second report of its Crypto-asset inquiry.²⁹

31. The Sub-Committee has taken evidence on the reforms to short-selling from Sir Keith Skeoch, who had previously worked in asset management, who told us that he was not in favour of changes to short-selling rules:

It strikes me that [short-selling] is an area where transparency is incredibly important. What we have in place is pretty much fit for purpose, and I would not want to see the public disclosures and the timeliness on short-selling reduced in any way.³⁰

32. The Sub-Committee has taken evidence on Environmental, Social, and Governance (ESG) reforms, which included work on the importance of good quality ESG ratings data. Mark Manning, Technical Specialist for Sustainable Finance and Stewardship, FCA said:

Ultimately, even if we get better information flowing in corporate reports from companies in the real economy, having the data services, the analytics and the ESG ratings delivered in a credible way that commands trust in the market is really important. To that end, we have convened a code of conduct working group to help to build trust in the market for ESG data and rating services.³¹

[...]

28 Treasury Committee Oral evidence: [Crypto-asset industry - HC 615](#), 28 February 2023

29 Treasury Committee: [The digital pound: still a solution in search of a problem?](#) First Report of Session 2023–24, HC215

30 Q10

31 Treasury Sub-Committee on Financial Services Regulations Oral evidence: [Greenwashing: sustainability disclosure requirements](#), HC 1150 22 February 2023 Q75

Sacha Sadan, Director of Environment, Social and Governance, at the FCA told us:

We are trying to make sure there is a global standard or code of conduct on ESG ratings so that it drives convergence, but I cannot say it will go to complete convergence because of the differences in markets and other things. [...] Consumers want this and the regulators are on to this. They are trying to help to define this and create a guardrail so that people can then use their choices to invest in products that do what they want them to do.³²

33. The Sub-Committee wrote to the Chancellor regarding the introduction of a consolidated tape, stating that:

The Sub-Committee is concerned that the Government is encouraging the creation of a monopoly provider of a service, for an area of economic activity in which the regulatory framework already provides an existing route to market. If the market so far has not deemed it worthwhile to supply a consolidated tape, the Sub-Committee is not clear as to why the Government or the FCA should be using their resources to enable the creation of one. If the business case for a consolidated tape is sufficiently strong, the private sector will provide it. The proposals will mandate existing data provider market participants to “provide data to the appointed Consolidated Tape Provider on preferential terms, free of charge and in accordance with existing data quality requirements”. This intervention in the market will force existing participants to provide their intellectual property to a monopoly service provider at a cost to themselves.³³

34. In response the Chancellor wrote:

[a consolidated tape] is intended to improve market efficiency, lower costs for firms and investors, and make the UK markets more attractive and competitive. [...] Like you, the Government preferred allowing market forces to lead to the intended outcome and saw our collective public role as being limited to ensuring the appropriate regulatory framework around this. [...] feedback from the consultation and follow-up engagement with market participants showed the potential limitations of our preferred model. Given the high operational costs of setting up a tape, but the low margins model in which it would operate, the majority of stakeholders argued that a tape would not materialise in an open market competition environment. One might describe this as a market failure”.³⁴

35. The Sub-Committee remains sceptical that a government-approved monopoly for providing data to market participants through a consolidated tape is good for competition. Once a monopoly were granted, the incumbent would have little incentive to reduce costs or to innovate. Given the claimed benefits that a consolidated tape would provide to market participants, and the widespread consensus within the market that these benefits do exist, it is not unreasonable to expect the financial markets of the UK to be able to create their own conditions for such a tape to emerge without the

32 Treasury Sub-Committee on Financial Services Regulations Oral evidence: [Greenwashing: sustainability disclosure requirements](#), HC 1150 22 February 2023 Q89

33 [Letter from the Chair to the Chancellor of the Exchequer relating to a UK consolidated tape](#), 25 July 2023

34 [Letter from the Chancellor of the Exchequer to the Chair relating to a UK consolidated tape](#), 7 August 2023

regulator granting a monopoly. The Sub-Committee's preference would have been that market forces created a consolidated tape, therefore the Government and regulators should continue to monitor the impact on market forces of the new tape.

Strands of work which the Sub-Committee does not consider to be reforms

Work flow	Progress
Publishing the plan for repealing and reforming EU law using powers within Financial Services and Markets Act 2023, building a smarter regulatory framework for the UK.	HMT published a Policy Statement and illustrative Statutory Instrument on 3 December 2022.
Publishing a draft Statutory Instrument to demonstrate how the new powers being taken forward in the Financial Services and Markets Bill will be used to ensure that the Financial Conduct Authority (FCA) has sufficient rulemaking powers over its retained EU payments legislation.	The Government published the draft Statutory Instrument on 4 December 2022. The Government then laid the Statutory Instrument on 12 July 2023, as part of the Mansion House package.
Welcoming the Prudential Regulation Authority (PRA) consultation on removing rules for the capital deduction of certain non-performing exposures held by banks.	The Government welcomed the PRA's consultation alongside the Edinburgh Reforms. The PRA's consultation closed in June 2023, and the Government looks forward to the outcome.
Establishing an Accelerated Settlement Taskforce.	The Government established the taskforce and appointed Charlie Geffen as chair. The Government has asked Charlie Geffen to publish his initial findings by December 2023, and to make recommendations by December 2024.
Committing to establish the independent Investment Research Review.	Rachel Kent published the outcome of her review on 10 July 2023, making a series of recommendations to the Government, FCA and industry. At Mansion House, the Chancellor welcomed her report, and accepted all recommendations made to the Government.
Publishing an updated Green Finance Strategy in early 2023.	The Government published the updated Green Finance Strategy on 30 March 2023.

36. While the Treasury has delivered what it set out to do in these six strands of work, namely publishing documents, welcoming a regulatory consultation, and establishing reviews or taskforces, none of these are in of themselves reforms to the UK's financial services regulations. We do not consider reviews alone to be reforms. They are merely the preparatory work for future potential reforms. We believe the Treasury is incorrect in considering these strands of work as having delivered reforms. Only when the recommendations from these various reviews, taskforces and strategies have been implemented into regulatory rule changes can these be deemed to be financial services reforms that have been delivered.

Work deemed still to be in progress which the Sub-Committee has examined

37. The following strands of work were designated as “in progress” in the Chancellor’s letter, and have been considered by the Sub-Committee:

Work flow	Progress made	Work still required
Reforming the Ring-fencing Regime for Banks.	<p>The Government published a draft Statutory Instrument for consultation on 28 September on a package of reforms to improve the ring-fencing regime. The consultation closed on 26 November.</p> <p>Alongside that, the Government has undertaken a Call for Evidence on aligning the ring-fencing and resolution regimes in the longer term, which concluded on 7 May 2023. The Government published a summary of responses to the Call for Evidence on 28 September.</p>	<p>The Government intends to introduce the Statutory Instrument in early 2024.</p> <p>The Government intends to set out publicly a policy response to the Call for Evidence on aligning the ring-fencing and resolution regimes in the first half of 2024.</p>

38. The Sub-Committee took evidence on the reforms to ring fencing—the regulatory framework operated by the Prudential Regulation Authority which requires UK banks by law to separate core retail banking services from their investment and international banking activities—from Sir Keith Skeoch, Chair, Ring-fencing and Proprietary Trading Independent Review (2021–22); and Professor Sir John Vickers, Chair, Independent Commission on Banking (2010–11). Sir Keith did not recommend the removal of ring-fencing but argued that it should be aligned with the PRA’s resolution regime:

I want to be as clear as I can that the review did not recommend removing the core of ring-fencing. It actually recommended the alignment or integration of the ring-fencing and resolution regimes. One mechanism for bringing them together was: once the Bank of England, PRA or a collection of the authorities had deemed that a bank was resolvable—that is an interesting question in itself—it could be released from some of the bureaucracy that comes with the ring-fencing regime. It should not lead to a diminution of capital. It should not release a large ring-fenced bank from the supplementary capital that it has on the board. It was simply that, because the resolution regime and the ring-fencing regime have taken different approaches to what are seen as critical economic functions, we felt that, for efficiency, it is important that those two regimes come together.³⁵

39. Sir Keith also explained that some of the complaints about ring-fencing that existed had not been borne out in his work:

We found no evidence of ring-fencing creating the so-called trapped reserves, and we felt that quite a lot of it was to do with a combination of the very low interest rates and the surfeit of liquidity and cash that had built up in the system. The one unintended consequence we found was that

because building societies had been constrained in the amount of wholesale deposits they could use to fund mortgages, there was an impact on some of the larger building society business models. I think that has been something that the Edinburgh reforms have looked to address.³⁶

40. Professor Sir John Vickers told the Sub-Committee that he was in favour of ring-fencing, listing its benefits:

Ring-fencing, if it works, brings a number of benefits. It brings a degree of insulation from shocks—global shocks, trading book shocks or whatever. It is a healthier incentive system within institutions, which plays into the very important questions of culture within banks. It assists resolution, which is a point I will come back to. It provides a basis where you could have different capital requirements for UK retail banking and international banking. That would be a list of at least four benefits, of which only one is resolution.³⁷

41. Sir John went on to explain he would not be in favour of the removal of ring fencing, which might become a possibility in the future, based on some of the messaging coming from the Treasury on the matter:

I completely agree that the structural regime, ring-fencing and the resolution regimes need to work together. Given that ring-fencing was put in place before the way resolution has evolved, I am sure that there is some improvement and alignment. I have no problem at all with that. I would worry about this language of resolution regime overtaking ring-fencing. That troubles me, because I think it is very important to keep both elements, plus other things, such as capital requirements.³⁸ [...] In my view, removing ring-fencing would pose a very great risk to financial stability.³⁹ That is not the immediate proposal, but there was something said in Sir Keith's report and also in the Edinburgh reforms package announced by the Government that, while it is worth retaining ring-fencing for now, there might come a day when resolution can do the job instead. That is the wrong approach.⁴⁰

42. Based on the evidence the Sub-Committee has heard, there is the potential for small changes to the ring-fencing framework to improve its interoperability with the PRA's resolution regime, but any longer-term plans to eventually remove the ring-fencing regime entirely should only be entertained once substantial evidence of what benefits this would bring is available.

36 Q22

37 Q20

38 Q30

39 Q32

40 Q33

Work flow	Progress made	Work still required
Reforming the Securitisation Regulation.	<p>The Government published an illustrative draft Statutory Instrument on 9 December 2022 as part of the Edinburgh Reforms, and a near-final Statutory Instrument on 11 July 2023 alongside Mansion House.</p> <p>The PRA and FCA began consulting on securitisation reforms in late July and early August 2023 respectively, and these consultations closed in October 2023.</p> <p>The Government laid a first Statutory Instrument on 27 November 2023 after being announced at Autumn Statement. And the Government plans to lay a second Statutory Instrument in Q2 2024, which will make additional reforms and technical changes.</p>	<p>The Government laid the first Statutory Instrument following the Autumn Statement 2023. A second Statutory Instrument, with additional reforms and technical changes, will be laid in Q2 2024 and the new regime will be implemented in 2024.</p> <p>These Statutory Instruments and regulator rules are expected to be implemented in 2024.</p>

43. The Sub-Committee notes that the PRA's consultation on its reforms to its securitisation rules state that "the proposals [...] would largely preserve current requirements when retained EU law is transferred to the PRA Rulebook.⁴¹ Similarly, the FCA's consultation states that "Our proposals [...] would largely preserve the current requirements."⁴²

44. The Sub-Committee plans to look at the securitisation proposals in more detail in due course.

Work flow	Progress made	Work still required
Announcing changes to the Building Societies Act 1986.	<p>The Government is continuing to progress drafting and laying of legislation to make the announced changes.</p> <p>Baroness Penn issued a Written Ministerial Statement on 21 September 2023 to notify Parliament of the need to use primary as well as secondary legislation to make the announced amendments to the Building Societies Act 1986. This will be taken forward when Parliamentary time allows.</p>	<p>The Government continues to progress the legislation and will set out updated timings in due course.</p>

45. We took evidence from the building societies and mutuals sector in 2021 in which the Committee discussed difficulties facing the industry in raising finance given equity financing was not available to them.⁴³ This inability to raise additional equity easily puts both incumbents and potential new starters at a significant competitive disadvantage to banks. One solution to these concerns was the Mutual Deferred Shares Act 2015 which enabled building societies to raise finance using mutual deferred shares. Martin Shaw, Chief Executive Officer, Association of Financial Mutuals, told us that despite the Act's being passed, "the secondary legislation was not passed because of a contradiction between, in effect, the expectations of how the Act would generate new shareholdings within

41 Prudential Regulation Authority: [CP15/23 – Securitisation: General requirements](#), 27 July 2023

42 Financial Conduct Authority: [CP23/17 Rules relating to Securitisation](#), August 2023

43 Treasury Committee Oral evidence: [The future for Mutuals](#), HC 883, 24 November 2021

mutuals and the expectations HMRC had about the tax treatment of that business.”⁴⁴ He agreed that the concept had been “stymied because nobody had been able to iron out the technicalities.”⁴⁵

46. The continued viability of building societies and mutuals is of high importance to the Committee. A diverse, competitive and vibrant financial services sector is strengthened by the presence of mutuals and building societies.

47. Given that Parliament has expressed its will through the Mutual Deferred Shares Act 2015 that building societies should be able to raise finance through mutually deferred shares, the Committee expects the Government to address the lack of progress made on the secondary implementing legislation as part of its Edinburgh Reforms work in this area.

Work flow	Progress	Work still required
Repealing the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, and consulting on a new direction for retail disclosure.	As part of the Mansion House package, on 10 July 2023, the Government published its response to its consultation which sought views on the Government’s plans to revoke the PRIIPs Regulation and a proposed alternative framework for retail disclosure. The Government published a draft Statutory Instrument which will deliver a new UK retail disclosure framework at Autumn Statement 2023.	The Government published a draft Statutory Instrument at Autumn Statement 2023. The Government will lay the final Statutory Instrument in 2024.

48. We took evidence on PRIIPS as part of our appointment hearing with Ashley Alder, the Chair of the Financial Conduct Authority. Mr Alder told us:

I am aware of the problems with PRIIPs [...] it encourages the sort of disclosure that is too long, and therefore the average consumer will simply not pay any attention, so therefore it does not have any useful beneficial effect. Secondly, and more seriously, it can be misleading; this is the part that we looked at here, which is around projections of future returns.⁴⁶

49. There is consensus among the Treasury, industry, and the Financial Conduct Authority that there are problems within the Packaged Retail and Insurance-based Investment Products (PRIIPS) regime in addition to a wider problem with cost disclosures. Such an example can be found with investment companies, where EU-derived regulation, since removed by the EU and other international jurisdictions, disadvantages these British companies in the global marketplace. The Sub-Committee supports the efforts being made to correct these issues and has written to the Chancellor. We welcome the draft statutory instrument on PRIIPS and look forward to the forthcoming statutory instrument on the Markets in Financial Instruments Directive (MiFID).

44 Treasury Committee Oral evidence: [The future for Mutuals](#), HC 883, 24 November 2021, Q40

45 Treasury Committee Oral evidence: [The future for Mutuals](#), HC 883, 24 November 2021, Q41

46 Oral evidence: [Appointment of Ashley Alder as Chair of the Financial Conduct Authority](#), HC 786, 14 December 2022

Work flow	Progress	Work still required
Increasing the pace of consolidation in Defined Contribution pension schemes.	<p>The Government, FCA and the Pensions Regulator published their consultation response on a new Value for Money (VfM) Framework for DC schemes on 11 July 2023 after Mansion House.</p> <p>On 22 November 2023, alongside Autumn Statement 2023, the FCA and The Pensions Regulator announced next steps towards implementing the VfM framework. The FCA will consult on rules for contract-based schemes in Spring 2024, working closely with the Government and The Pensions Regulator for consistency with the development of legislative requirements for trust-based schemes. In the meantime, actions from the TPR will strengthen their existing supervisory approach.</p>	The VfM framework will require primary legislation and we intend to consult on draft regulations and FCA rules for the detailed requirements.

Work deemed still to be in progress which the Sub-Committee has not examined

50. The following strands of work were designated as “in progress” in the Chancellor’s letter, but to date the Sub-Committee has not yet examined them:

Work flow	Progress	Work still required
Committing to work with the FCA to examine the boundary between regulated financial advice and financial guidance.	<p>The Government and the FCA continue to work together on the review.</p> <p>The FCA published an update on the review on 3 August 2023, which included updated guidance to help firms move closer to the current boundary.</p> <p>Before the end of 2023, the Government and FCA will publish a joint policy paper to summarise potential options for reform and will invite industry to share their views further.</p>	The Government continues to work with the FCA to examine the boundary between advice and guidance. A joint policy paper will be published by the end of 2023 outlining initial options for reform.

Work flow	Progress	Work still required
Delivering the outcomes of the Secondary Capital Raising Review (SCRR).	<p>Mark Austin published the outcome of his review in July 2022, making a series of recommendations to the Government, FCA and to industry.</p> <p>The Government has accepted all the recommendations addressed to it, including the establishment of a new independent Digitisation Taskforce, focusing on dematerialisation of paper share certificates, led by Sir Douglas Flint. Sir Douglas' taskforce published an interim report alongside Mansion House on 10 July 2023. The FCA and the industry-led Pre-Emption Group have both also responded to the recommendations made to them in the SCRR.</p> <p>HMT laid the final Prospectus Statutory Instrument on 27 November, which will give the FCA power to take forward some of the recommendations for them.</p>	The Government intends to deliver on the final remaining measures in the SCRR when parliamentary time allows.
Consulting on reform to the VAT treatment of fund management.	<p>The Government published its consultation on the VAT treatment of fund management response as part of the Edinburgh Reforms.</p> <p>We are currently drafting the summary of responses and will publish this in due course.</p>	Summary of responses to be published in due course.
Implementing a Financial Market Infrastructure Sandbox in 2023.	<p>The Government launched its consultation on the first FMI Sandbox, the 'Digital Securities Sandbox' (DSS), on 11 July 2023. It closed 22 August 2023.</p> <p>HMT published a response to the DSS consultation at Autumn Statement 2023. HMT will lay an Statutory Instrument shortly to set up the legal framework for the DSS later this year.</p>	<p>The Government intends to implement the DSS by the end of 2023.</p> <p>The Government will lay legislation shortly to implement the DSS and deliver this commitment.</p>
Working with the regulators and market participants to trial a new class of wholesale market venue which would operate on an intermittent trading basis.	The Government continues to work closely with the FCA and industry on the development of the Intermittent Trading Venue.	The Government announced at Mansion House that the Intermittent Trading Venue will be up and running before the end of 2024.

External views on the Edinburgh reforms

51. The Sub-Committee asked Sir John Vickers what his impression was of the Edinburgh Reforms package as a whole. He told us he was not convinced they were as far ranging as they had been promoted as being:

I was not entirely sure what to make of the package of Edinburgh reforms. There was quite a lot of fanfare that accompanied the initial announcement, even talk of big bang 2.0, as though this might be a very radical change, possibly even a radical going back on the reforms that were put in place 10 years ago. On closer reading and listening, I am not quite sure that that is what is going on. It remains to be seen.⁴⁷

52. During a recent trip to the United States, we held discussions with representatives from the American financial services regulators, and financial services industry. During these discussions it emerged that there was little to no awareness of the Edinburgh Reforms package of measures in the USA.

3 Overarching Sub-Committee conclusions

53. The Chancellor's Edinburgh Reforms speech made big promises. However, from what has been completed so far, the Sub-Committee is of the view that none of the achievements to date will make a substantial difference to the UK economy.

54. Many of the strands of work included in the Edinburgh Reforms are not reforms, but are more preparatory work for potential reforms in the future and should be treated as such. However, even among the reforms that we agree are genuine changes in regulatory rules, the categorisation of some as reforms to be championed by the Chancellor as significant and worthy of attention is unconvincing. For example, it is not obvious to the Sub-Committee how a small £25 million tax cut such as the reform to Real Estate Investment trusts, or a change to the Investment Manager Exemption to include cryptoassets, which is deemed to have no economic impact, sufficiently meet the Chancellor's description of the Edinburgh Reforms, which he described as "a bold collection of reforms taking forward the Government's vision for an open, sustainable, and technologically advanced financial services sector that is globally competitive and acts in the interests of communities and citizens. These reforms will create jobs, support businesses, and power growth across all four nations of the UK".

55. The Sub-Committee understands and supports the Treasury in carrying out reforms that follow the appropriate processes. Reforms to the financial services rules should be evidence-based, taking into consideration views from both industry and wider society. This engagement takes time and must be done correctly, giving stakeholders sufficient time to consider their responses. Nevertheless, the time taken between the Treasury announcing a policy objective and the implementation of changes to rules has been too long. Often Treasury consultations end, and the next stage of the process stalls at this point, with Treasury responses and next steps taking considerable time.

56. The Treasury's priorities in its financial services reform plan should be reforms that will make the most difference to the UK's economic growth, and reforms that prevent harm to consumers and businesses, making sure they are provided with well-designed, suitable financial products. We call on the Government to take this into account in pursuing plans to reform the financial services sector.

57. The Treasury and the regulators have told us the process of moving the onshored rules into the regulators' rule books will take many years. The regulators and the Treasury must ensure that there is a sustained and focussed pace of change in order to capture the benefits these changes can bring in a timely manner.

58. The Sub-Committee notes the proposed establishment of a Lord's Committee on Financial Service Regulation. While its remit is a matter for the House of Lords, duplication of work should be avoided. The Sub-Committee will continue to carry out its scrutiny of new regulatory consultations as and when they are published. The full Committee will naturally continue to consider the wider context of the regulators work, as it has always done. Consideration of the existing acquis could prove a rich seam of work for the Lord's Committee.

59. **The Financial Services and Markets Act 2023 legislated for the creation of Cost Benefit (CBA) Panels dedicated to supporting the regulators in producing cost benefit analysis for each of their reforms. The Sub-Committee has consistently been of the view that the regulators' cost benefit analysis did not capture the full costs faced by firms, nor did they adequately explain and quantify the benefits of the reforms they were proposing. We will continue to scrutinise the cost benefit analysis of each proposal, and will pay close attention to the impact the CBA panels have, and whether they improve quality of the CBAs that are published in future.**

Conclusions

Progress on reforms

1. The full Committee has previously concluded in its report on the Future of financial services regulation that “there should be a secondary objective for both the Financial Conduct Authority and the Prudential Regulation Authority to promote long-term economic growth” but that “pursuing international competitiveness in the short term is unlikely to lead to economic growth or international competitiveness in the long term if it is achieved by weakening the UK’s strong regulatory standards.” The Sub-Committee’s opinion is that completing all 31 strands of the Edinburgh Reforms is a vital step towards addressing examples of over-zealous regulation that disadvantage British companies. (Paragraph 17)
2. The Sub-Committee agrees with the Treasury that the UK’s regulators should consider economic growth when designing new regulations, and the best way to promote economic growth in the UK is through a strong, well respected, independently regulated, and financially resilient financial services sector. (Paragraph 18)
3. The Sub-Committee has raised concerns with the FCA about the risks to widening retail investment in Long-Term Asset Funds, since they are riskier non-liquid assets. These concerns are in part formed by our work looking into the failure of London Capital and Finance, and the role of promoters in potentially misusing exemptions for high net-worth individuals and so-called sophisticated investors, to garner greater sales. The Sub-Committee continues to have concerns in this area, and therefore about the protections the FCA is, in part, drawing upon for Long-term asset fund sales to a wider range of retail investors. (Paragraph 21)
4. In our July 2023 report on venture capital funding we concluded that we were in favour of pension scheme consolidation where appropriate. Our view has not changed since. We therefore restate our conclusion on pension scheme consolidation in this report: (Paragraph 23)
5. Our evidence suggests that UK pension funds may be an untapped source for a deeper domestic capital market more inclined to risk investment in high-potential businesses. We welcome the Government’s announcement of work on pension fund consolidation in the autumn. We will scrutinise the details of those proposals closely. Any change must pay due regard to the balance between risk and reward for pension investors. We encourage the Government to progress this work with urgency. (Paragraph 24)
6. The Sub-Committee remains sceptical that a government-approved monopoly for providing data to market participants through a consolidated tape is good for competition. Once a monopoly were granted, the incumbent would have little incentive to reduce costs or to innovate. Given the claimed benefits that a consolidated tape would provide to market participants, and the widespread consensus within the market that these benefits do exist, it is not unreasonable to expect the financial markets of the UK to be able to create their own conditions for such a tape to emerge without the regulator granting a monopoly. The Sub-Committee’s preference would

have been that market forces created a consolidated tape, therefore the Government and regulators should continue to monitor the impact on market forces of the new tape. (Paragraph 35)

7. While the Treasury has delivered what it set out to do in these six strands of work, namely publishing documents, welcoming a regulatory consultation, and establishing reviews or taskforces, none of these are in of themselves reforms to the UK's financial services regulations. We do not consider reviews alone to be reforms. They are merely the preparatory work for future potential reforms. We believe the Treasury is incorrect in considering these strands of work as having delivered reforms. Only when the recommendations from these various reviews, taskforces and strategies have been implemented into regulatory rule changes can these be deemed to be financial services reforms that have been delivered. (Paragraph 36)
8. Based on the evidence the Sub-Committee has heard, there is the potential for small changes to the ring-fencing framework to improve its interoperability with the PRA's resolution regime, but any longer-term plans to eventually remove the ring-fencing regime entirely should only be entertained once substantial evidence of what benefits this would bring is available. (Paragraph 42)
9. The continued viability of building societies and mutuals is of high importance to the Committee. A diverse, competitive and vibrant financial services sector is strengthened by the presence of mutuals and building societies. (Paragraph 46)
10. Given that Parliament has expressed its will through the Mutual Deferred Shares Act 2015 that building societies should be able to raise finance through mutually deferred shares, the Committee expects the Government to address the lack of progress made on the secondary implementing legislation as part of its Edinburgh Reforms work in this area. (Paragraph 47)
11. There is consensus among the Treasury, industry, and the Financial Conduct Authority that there are problems within the Packaged Retail and Insurance-based Investment Products (PRIIPS) regime in addition to a wider problem with cost disclosures. Such an example can be found with investment companies, where EU-derived regulation, since removed by the EU and other international jurisdictions, disadvantages these British companies in the global marketplace. The Sub-Committee supports the efforts being made to correct these issues and has written to the Chancellor. We welcome the draft statutory instrument on PRIIPS and look forward to the forthcoming statutory instrument on the Markets in Financial Instruments Directive (MiFID). (Paragraph 49)

Overarching Sub-Committee conclusions

12. The Chancellor's Edinburgh Reforms speech made big promises. However, from what has been completed so far, the Sub-Committee is of the view that none of the achievements to date will make a substantial difference to the UK economy. (Paragraph 53)
13. Many of the strands of work included in the Edinburgh Reforms are not reforms, but are more preparatory work for potential reforms in the future and should be

treated as such. However, even among the reforms that we agree are genuine changes in regulatory rules, the categorisation of some as reforms to be championed by the Chancellor as significant and worthy of attention is unconvincing. For example, it is not obvious to the Sub-Committee how a small £25 million tax cut such as the reform to Real Estate Investment trusts, or a change to the Investment Manager Exemption to include cryptoassets, which is deemed to have no economic impact, sufficiently meet the Chancellor's description of the Edinburgh Reforms, which he described as "a bold collection of reforms taking forward the Government's vision for an open, sustainable, and technologically advanced financial services sector that is globally competitive and acts in the interests of communities and citizens. These reforms will create jobs, support businesses, and power growth across all four nations of the UK". (Paragraph 54)

14. The Sub-Committee understands and supports the Treasury in carrying out reforms that follow the appropriate processes. Reforms to the financial services rules should be evidence-based, taking into consideration views from both industry and wider society. This engagement takes time and must be done correctly, giving stakeholders sufficient time to consider their responses. Nevertheless, the time taken between the Treasury announcing a policy objective and the implementation of changes to rules has been too long. Often Treasury consultations end, and the next stage of the process stalls at this point, with Treasury responses and next steps taking considerable time. (Paragraph 55)
15. The Treasury's priorities in its financial services reform plan should be reforms that will make the most difference to the UK's economic growth, and reforms that prevent harm to consumers and businesses, making sure they are provided with well-designed, suitable financial products. We call on the Government to take this into account in pursuing plans to reform the financial services sector. (Paragraph 56)
16. The Treasury and the regulators have told us the process of moving the onshored rules into the regulators' rule books will take many years. The regulators and the Treasury must ensure that there is a sustained and focussed pace of change in order capture the benefits these changes can bring in a timely manner. (Paragraph 57)
17. The Sub-Committee notes the proposed establishment of a Lord's Committee on Financial Service Regulation. While its remit is a matter for the House of Lords, duplication of work should be avoided. The Sub-Committee will continue to carry out its scrutiny of new regulatory consultations as and when they are published. The full Committee will naturally continue to consider the wider context of the regulators work, as it has always done. Consideration of the existing *acquis* could prove a rich seam of work for the Lord's Committee. (Paragraph 58)
18. The Financial Services and Markets Act 2023 legislated for the creation of Cost Benefit (CBA) Panels dedicated to supporting the regulators in producing cost benefit analysis for each of their reforms. The Sub-Committee has consistently been of the view that the regulators' cost benefit analysis did not capture the full costs faced by firms, nor did they adequately explain and quantify the benefits of the reforms they were proposing. We will continue to scrutinise the cost benefit

analysis of each proposal, and will pay close attention to the impact the CBA panels have, and whether they improve quality of the CBAs that are published in future. (Paragraph 59)

Formal minutes

Tuesday 5 December 2023

Members present:

Harriett Baldwin, in the Chair

Mr John Baron

Danny Kruger

Keir Mather

Anne Marie Morris

Mr John Baron declared the following interest: Chair of Investment Committee of Baron and Grant Investment Management Ltd., a fund management company.

Edinburgh Reforms One Year On: Has Anything Changed?

Draft Report (*Edinburgh Reforms One Year On: Has Anything Changed?*), proposed by the Chair, brought up and read.

Ordered, That the Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 16 read and agreed to.

Paragraph 17 read, as follows:

The full Committee has previously concluded in its report on the Future of financial services regulation that “there should be a secondary objective for both the Financial Conduct Authority and the Prudential Regulation Authority to promote long-term economic growth” but that “pursuing international competitiveness in the short term is unlikely to lead to economic growth or international competitiveness in the long term if it is achieved by weakening the UK’s strong regulatory standards.” This remains our opinion.

Amendment proposed, to leave out from “standards.” to end, and add “but we can also point to examples where overzealous regulation is disadvantaging British companies.”— (Mr John Baron.)

The Committee divided:

Ayes, 1

Mr John Baron

Noes, 3

Danny Kruger

Keir Mather

Anne Marie Morris

Amendment accordingly disagreed to.

Amendment proposed, to leave out from “standards.” to end, and add “The Committee’s opinion is that completing all 31 strands of the Edinburgh reforms is a vital step towards addressing examples of over-zealous regulation that disadvantage British companies.”—(Harriett Baldwin.)

Amendment made.

Paragraph 17, as amended, agreed to.

Paragraph 18 read, as follows:

“The Sub-Committee agrees with the Treasury that the UK’s regulators should consider economic growth when designing new regulations, but that first and foremost, the best way to promote economic growth in the UK is through a strong, well respected, independently regulated, and financially resilient financial services sector.”

Motion made, to leave out Paragraph 18 and insert the following new paragraph:

“The Sub-Committee agrees with the Treasury that the UK’s regulators should consider economic growth when designing new or reassessing existing regulations. The promotion of economic growth and the maintenance of strong, well-respected, independently regulated, and resilient financial services sector should run in tandem – there is little comfort from the stability of the graveyard when it comes to regulation.”—(Mr John Baron.)

Question put, That the new paragraph be read a second time.

The Committee divided:

Ayes, 1	Noes, 3
Mr John Baron	Danny Kruger
	Keir Mather
	Anne Marie Morris

Question accordingly negatived.

Amendment proposed, to leave out from “regulations,” to “the best way” and insert “and”.—(Harriett Baldwin.)

Amendment made.

Paragraph 18, as amended, agreed to.

Paragraphs 19 to 46 read and agreed to.

Paragraph 47 read, amended and agreed to.

Paragraph 48 read and agreed to.

Paragraph 49 read, amended and agreed to.

Paragraphs 50 to 59 read and agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Wednesday 6 December at 2.00pm.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 1 February 2023

Sir Keith Skeoch, Chair, Ring-fencing and Proprietary Trading Independent Review (2021–22); **Professor Sir John Vickers**, Chair, Independent Commission on Banking (2010–11)

[Q1–62](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

TER numbers are generated by the evidence processing system and so may not be complete.

- 1 City of London Corporation ([TER0010](#))
- 2 Finance Innovation Lab ([TER0003](#))
- 3 The Association for Financial Markets in Europe (AFME) ([TER0009](#))
- 4 The Coalition for a Digital Economy (Coadec) ([TER0008](#))
- 5 The Institute for New Economic Thinking at the Martin School, University of Oxford ([TER0002](#))
- 6 The Investment Association ([TER0004](#))
- 7 UK Finance ([TER0005](#))
- 8 UK Sustainable Investment and Finance Association (UKSIF) ([TER0001](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2023–24

Number	Title	Reference
1st	The digital pound: still a solution in search of a problem?	HC 215

Session 2022–23

Number	Title	Reference
1st	Future of financial services regulation	HC 141
2nd	Future Parliamentary scrutiny of financial services regulations	HC 394
3rd	The appointment of Dr Swati Dhingra to the Monetary Policy Committee	HC 460
4th	Jobs, growth and productivity after coronavirus	HC 139
5th	Appointment of Marjorie Ngwenya to the Prudential Regulation Committee	HC 461
6th	Appointment of David Roberts as Chair of Court, Bank of England	HC 784
7th	Re-appointment of Sir Dave Ramsden as Deputy Governor for Markets and Banking, Bank of England	HC 785
8th	Autumn Statement 2022 – Cost of living payments	HC 740
9th	Appointment of Ashley Alder as Chair of the Financial Conduct Authority	HC 786
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