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Treasury Committee

Financial Services Bill

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Report, together with formal minutes

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Summary

The Financial Services Bill will radically change the structure of financial regulation in the UK. It is the most important regulatory reform of financial services ever undertaken and is part of a global effort to provide financial stability for the future. For the UK, though, the reforms are particularly important. It is crucial to get these regulations right. Mistakes would have a very deleterious effect on jobs, consumers and economic growth.

These reforms are not the whole picture. The Government has decided to separate out wider financial services regulation from implementation of the recommendations of the Independent Commission on Banking. These will now be considered in a separate Bill.

The Treasury Committee has closely scrutinised the Government's reform of financial regulation since the original proposals were published in 2010. The Committee took the decision not to try to rewrite the Government's plans, but to work with, and improve, the framework it proposed—notwithstanding its weaknesses.

The Government has responded to some of the recommendations made by the Treasury Committee and the Joint Committee on the draft Bill. But although the Bill is in better shape, it is still, in places, defective.

The Treasury Committee has taken the unusual step of issuing a Report to inform the House of Lords of its view of the Bill's defects and what should be done to remedy them.

Conclusions and recommendations

Introduction

1. It now falls to the House of Lords to take the time to improve the Financial Services Bill. We set out below our recommendations as to the changes that we believe are still needed. The House of Lords will now scrutinise the Financial Services Bill. We hope that this Report is helpful to the House of Lords in forming a view as to what should be insisted upon. (Paragraph 13)

Bank of England

2. We note that the Government believes that in general, the governance of the Bank should primarily be a matter for the Bank itself. We disagree. The Government, accountable to Parliament, is the only shareholder of the Bank of England, and many of the Bank of England's responsibilities and functions are defined in legislation. Therefore the Government, accountable to Parliament, is responsible for the structure of the governance of the Bank, the crucial aspects of which should not be delegated. (Paragraph 20)

3. The recommendations of the Treasury Committee have been designed to ensure that the Court of the Bank of England can operate, as far as possible, according to corporate governance best practice. It will not be able fully to replicate the functions of a private sector board, however, given the exclusive policy responsibility given by statute to the MPC and the FPC, rather than to the Court. (Paragraph 22)

4. In the debate on the Report stage of the Financial Services Bill, undertakings were provided by the Financial Secretary to the Treasury. First, the Minister stated that he wishes to see proper records of the Court's meetings published. Secondly, on retrospective reviews, the Minister agreed to reflect on whether the duty of the Court to conduct retrospective reviews of Bank performance should be on the face of the Bill. (Paragraph 23)

5. We continue to recommend that the duty to undertake such reviews should be a statutory one. The duty should cover all areas of the Bank's activity, including the merits of policy. They should be published not less than a year after the period to be reviewed. We hope that this view will commend itself to the House of Lords. (Paragraph 24)

6. There was insufficient time for the House of Commons to debate whether the Treasury Committee should have a veto over the appointment of the Governor of the Bank of England. We hope that the House of Lords will remedy this defect. (Paragraph 28)

7. The Treasury Committee continues to recommend that, when public funds are at risk, the Chancellor of the Exchequer should be given a general power to direct the Bank of England, rather than the circumscribed powers provided in the Financial Services Bill. While the specific powers in the Bill may cover most events currently foreseeable, the legislation will need to stand the test of time. A future crisis, many

years hence, may require tools not currently considered appropriate, such as those given to the FPC, nor even yet developed. (Paragraph 34)

8. We continue to recommend that the secondary legislation giving effect to the macroprudential tools receive enhanced parliamentary scrutiny, given the potential impact of the tools on the economy and the public. We note that at the Report stage of the Financial Services Bill the suggestion of a super-affirmative procedure was not ruled out by the Minister. We hope that the House of Lords will seek to implement this proposal. (Paragraph 36)

9. The Treasury Committee remains concerned about the risk of groupthink within either the FPC or the MPC where Bank executives are in the majority. We recommend that external members should be in the majority on these Committees. This could be achieved either by adding external members, or by reducing the number of Bank executives that sit on either Committee. (Paragraph 41)

10. The Financial Services Bill does not require HM Treasury and the Financial Policy Committee to agree on a set of indicators for Financial Stability. We have received assurances that such indicators will be available. We recommend that such a requirement be on the face of the Bill. We do not recommend specific indicators. Primary legislation should contain a more general requirement that the FPC and HM Treasury agree on a set of such indicators. (Paragraph 44)

Financial Conduct Authority

11. The Treasury Committee continues to believe that a convincing case for a strategic objective has yet to be made. As we have said previously, the revised strategic objective is largely embodied in the current operational objectives. The Government argues that the strategic objective—"ensuring that relevant markets function well"—will focus the new regulatory culture of the FCA. On the contrary, we believe the strategic objective risks diverting the FCA's focus. Without it, the FCA would be able to concentrate on a single set of objectives. (Paragraph 55)

12. The Government's original aim when framing the FCA's objectives was simplicity and clarity. There is a risk that this will be lost in the plethora of strategic and operational objectives sitting alongside a number of duties and 'have regard' requirements. Such a framework could create confusion. It seems that the Government itself is confused. At the very least it is uncertain whether the strategic objective is a supplement to the operational objectives or a check and a balance to them. It is unlikely to be able to be both. To this end, we hope that the House of Lords will remedy this. (Paragraph 56)

13. It remains our view that competitive markets need both freedom to exit and freedom to enter. The Bill contains no proposal for specific objectives related to competition for the Prudential Regulation Authority. We recommend that the House of Lords consider amending the Bill to make competition an objective of the Prudential Regulation Authority. (Paragraph 57)

14. It is widely argued that accountability mechanisms for the FSA have been seriously defective. Our recommendations therefore require statutory force. (Paragraph 59)

15. The Government has stated that it will look again at whether there is a way of requiring the FCA in legislation to publish board minutes while not setting a precedent on the degree of intervention in how boards function. The Treasury Committee welcomes the Government's willingness to re-examine this issue in the House of Lords. (Paragraph 61)

16. The Financial Services Bill should be amended to ensure that Parliament, through the Treasury Committee, may request retrospective reviews of the FCA's work. We reiterate the argument previously made that the ability of Parliament, through the Treasury Committee, to require reviews would provide an important check and balance on a Government or a regulator which might have an interest in not pursuing a certain inquiry, even when such an inquiry would clearly be in the public interest. The Committee's recommendation is an essential part of arrangements to arrive at adequate parliamentary scrutiny. Parliament should not be forced to rely on improvised and ad hoc arrangements between the Treasury Committee and the Financial Conduct Authority to deliver the necessary accountability such as was put together only after pressure from Parliament in the case of RBS. The Public Bill Committee in the House of Commons did not have enough time adequately to consider this. (Paragraph 63)

17. The Government has failed to provide an adequate explanation as to the unsuitability of a pre-appointment hearing for the Chief Executive of the FCA. We do not accept its assertion that the appointment is too market-sensitive for such a procedure. We continue to believe that a pre-appointment hearing is appropriate for the CEO of the FCA. Parliamentary scrutiny through a pre-appointment hearing will bolster the legitimacy of the appointment. (Paragraph 65)

18. The issue of the PRA veto over the FCA received insufficient attention in Public Bill Committee in the House of Commons. This is regrettable because the Government has yet to make an adequate case for the veto. Furthermore, it has yet to demonstrate to our satisfaction that, if a veto is to be granted, the veto should be given to the PRA rather than the FPC. (Paragraph 69)

19. We continue to believe that periodic review of the costs and benefits of financial regulations, once implemented, is required. Such reviews require a statutory base. (Paragraph 72)

1 Introduction

Purpose of this Report

1. The Financial Services Bill has concluded its passage through the House of Commons and is now with the Lords. The Treasury Committee of the House of Commons has examined many of the proposals embodied in the Bill over the past two years. It publishes this Report in order to inform the House of Lords about the principal areas of the Bill where the Committee believes amendment is required.

The Government's proposals and Treasury Committee scrutiny

2. The Financial Services Bill contains proposals for reform of the regulation of financial services in the UK following the financial crisis of 2007–2008. They were first set out in July 2010, when the Treasury published a consultation document, *A new approach to financial regulation: judgement, focus and stability*. The Government proposed doing away with the Tripartite system created by the Financial Services and Markets Act 2000 (FSMA), by which the Treasury, the Bank of England, and the Financial Services Authority worked together on systemic risk on the basis of a Memorandum of Understanding. The Tripartite system failed in the run up to and during the financial crisis of 2007–08.[1]

3. To replace it, and other aspects of the structures created by FSMA, the Government proposed giving the Bank of England powers over macroprudential regulation through a newly established Financial Policy Committee (FPC), and creating a new prudential regulator (the Prudential Regulation Authority or PRA) as a subsidiary of the Bank of England responsible for supervising the safety and soundness of certain individual financial firms (deposit takers, insurers and a small number of significant investment firms). A new Financial Conduct Authority (FCA) would address conduct in financial markets, alongside the prudential regulation of firms not prudentially regulated by the PRA.

4. The Treasury Committee carried out an initial examination of these proposals in 2010–11.[2] It found that the accountability mechanisms of the new regulatory architecture were defective. The Committee said that it would return to the proposals in more detail in future Reports.

5. The Committee has published four further reports on the proposals now contained in the Financial Services Bill. These have focused on the accountability of the Bank of England under the new regulatory structure, and on the functions and accountability of the

1 Fifth Report from the Treasury Committee of Session 2007–08, *The Run on the Rock* HC56–1; FSA, *The Turner Review: A regulatory response to the global banking crisis,* March 2009;Bank of England, Tripartite lessons from Northern Rock: Bank of England input into the Chancellor's review, December 2007 (http://www.parliament.uk/documents/commons-committees/treasury/CorrespondencewithCourtfinal.pdf); HM Treasury, *Review of HM Treasury's management response to the financial crisis,* March 2012

2 Seventh Report of Session 2010–12, *Financial Regulation: a preliminary consideration of the Government's proposals*, HC 430–1

proposed Financial Conduct Authority.[3] The principal findings of the Committee are discussed in the rest of this Report.

6. In addition, the Chairman of the Committee, and Members from all parties represented on the Committee, proposed a New Clause at Report stage in the Commons on 23 April 2012. This focused on key recommendations of the Committee: that the Court of the Bank of England—its nearest equivalent to a Board—should have a duty to conduct retrospective reviews of the Bank's performance, and should publish its minutes. On the basis of a Government commitment that it wanted to see the Court's minutes published, and a Government undertaking to return to the question of such retrospective reviews in the House of Lords, the Chairman of the Committee withdrew the New Clause. These matters are discussed further below.

Government handling of the Bill

Timetable and Bill structure

7. The Government originally intended that the primary legislation to implement its proposals would be passed within two years of July 2010 and be introduced in mid-2011. In the event, the Bill was published on 26 January 2012, but the Government still envisaged it passing in less than a year:

> The Government is firmly committed to securing the passage of the Bill by the end of 2012, so that the changes can be implemented early in 2013.[4]

8. The Treasury Committee said in February 2011 that "There are already some signs that the Government may be proceeding with undue haste". It recommended that "The Government needs to take the time required to get its reform of financial regulation right." It also suggested that a complete new Bill might be better than the substantial amendment of the existing Financial Services and Markets Act.[5] This was also the view of the Governor of the Bank of England when he gave evidence to the Committee in June 2011. He said that by having an amending Bill rather than a fresh replacement Bill:

> We are losing the simplicity and the ability to have a cleaner debate about the new framework. Certainly the Government rejected our request to have a new Bill and the argument that they gave, understandably, was that at the cost of some complexity we could ensure that all the provisions that were appropriate could be put into an

3 Twenty-first Report of Session 2010–12, *Accountability of the Bank of England*, HC 874; Twenty-sixth Report of Session 2010–12, *Financial Conduct Authority,* HC 1574; Twenty-seventh Report of Session 2010–12, *Accountability of the Bank of England: Response from the Bank of England to the Twenty-first Report from the Committee*, HC 1769; Twenty-eight Report of Session 2010–12, *Financial Conduct Authority: Report on the Government Response,* HC 1857

4 HM Treasury, A new approach to financial regulation: securing stability, protecting consumers, January 2012, Cm 8268, para 1.33

5 HC 430–1, paras 18 and 25

> amended FSMA and it would be a faster way of doing it. I think we have seen the complexity. I am not quite sure whether we have avoided delay.[6]

9. The Bill was subject to pre-legislative scrutiny by a Joint Committee of both Houses in autumn 2011, whose Report agreed with a large number of the conclusions of the Treasury Committee.[7]

Inadequate time for scrutiny

10. Scrutiny of the Bill in Committee in the House of Commons has been substantially less than that for FSMA, and some clauses of the Bill were not debated. In the House of Commons the Public Bill Committee held 16 sittings under the Programme Motion agreed by the House, and sat for a total of 43 hours 28 minutes. The Financial Services and Markets Bill Standing Committee in the 1998–99 and 1999–2000 Sessions, by contrast, had a total of 35 sittings lasting 89 hours and 59 minutes.

11. When time ran out at the end of the Financial Services Bill's final programmed sitting in Public Bill Committee on 22 March 2012, Clauses 80 to 103, and Schedules 17 to 21, had to be agreed to without debate. The Government originally scheduled a single day for Report stage of the Bill. After a request from the Chairman of the Treasury Committee, among others, this was later augmented by a further three hours on a second day. On the first day of Report stage, two groups of amendments, on corporate responsibility and promotion of mutuals, were not reached. In addition, time constraints on the first day of Report stage meant that not all of the amendments that were debated received a detailed reply from the minister.

12. We said last year that the Government needed to take the time to get its proposals right. Both in Public Bill Committee and at Report stage, the House of Commons has not had adequate time to consider the Bill, a consequence of the Government's self-imposed commitment to legislate by the end of 2012.

13. **It now falls to the House of Lords to take the time to improve the Financial Services Bill. We set out below our recommendations as to the changes that we believe are still needed. The House of Lords will now scrutinise the Financial Services Bill. We hope that this Report is helpful to the House of Lords in forming a view as to what should be insisted upon.**

6 HC 874, Qq 372–3

7 Joint Committee on the draft Financial Services Bill, Session 2010–12, *Draft Financial Services Bill*

2 Bank of England

The accountability and corporate governance of the Bank of England

14. The Financial Services Bill as currently drafted will see a concentration of regulatory responsibility at the Bank of England, with the creation of the Financial Policy Committee and the Prudential Regulation Authority. A concern of the Treasury Committee has been to ensure that adequate internal checks and balances exist on the powers of the Bank. The current Bank's corporate governance is well short of would be expected in a modern institution, whether public or commercial. This is especially important given that vitally important decisions made by the Bank's executives, especially during times of financial instability, may not reasonably be made public and therefore be immediately available for scrutiny.

15. Stronger public and parliamentary accountability is also required. The macroprudential tools to be given the Financial Policy Committee of the Bank of England will have a direct impact on people living in the United Kingdom, and appropriate transparency is necessary.

16. To enhance the Bank of England's corporate governance, and provide for a stronger internal oversight body, the Treasury Committee made several recommendations in its Report on the Accountability of the Bank of England. In summary, we recommended that:

- the governing body of the Bank (Court) change its name to the 'Supervisory Board of the Bank of England', and that whatever name was ultimately chosen, we strongly recommended that the term "Court" be abolished;[8]
- when the Supervisory Board considers the Bank's annual budget, it should be responsible for coming to an explicit view about both the level of, and changes to the allocation of, resources for all areas of activity, including the macroprudential and monetary areas of work. It should provide public explanations of those decisions;[9]
- that in addition to experience in running large organisations and financial institutions membership of the new Supervisory Board have expertise in prudential policy;[10]
- that the Chairman of the new Supervisory Board have considerable experience of prudential or financial issues;[11]
- the new Supervisory Board be reduced from a membership of twelve to one of eight, comprising the Governor, the two Deputy Governors, an external Chairman, and four other external members;[12]

8 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 41

9 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 44

10 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 50

11 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 52

12 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 54

- the new Supervisory Board's minutes be published to a timetable similar to that of the MPC, subject to any specific concerns of confidentiality which the Chairman of the Supervisory Board should raise with the Chairman of the Treasury Committee; [13]

- the Bank strengthen the staff support for the new Supervisory Board by a dedicated, high quality staff containing the skills and experience needed to fulfil its oversight functions. While serving the Supervisory Board they would be accountable to the Chairman of the Board, including for performance management purposes;[14]

- Board members be authorised to see all of the papers considered by the MPC and FPC, to ensure informed monitoring of processes and management is possible by the Supervisory Board; [15]

- the new Supervisory Board be responsible for responding to requests to the Bank for factual information from the Treasury Committee and the Treasury. It should also monitor the regular disclosure and publication of statistics and information relevant to the monetary, financial stability and prudential fields, though such decisions should, in the first instance, be a matter for the Bank executives, and [16]

- Most importantly, the new Supervisory Board should conduct ex-post reviews of the Bank's performance in the prudential and monetary policy fields normally not less than a year after the period to be reviewed. This would be consistent with avoiding second guessing at the time of the policy decision. The reviews should among other things enable lessons for the future to be learnt. There should be no presumption that the commissioning of a review implied that the episode or function in question had been badly managed: successes and failures should be reviewed alike. It would be a matter for the Board itself to determine when and how such reviews would be conducted, and into which issues. There should be the presumption that ex-post reviews would be published, except where confidentiality needed to be maintained, in which case it might be desirable for either a redacted version to be published or for publication to be delayed. On such occasions, the Chairman of the Treasury Committee should be shown an unredacted version of the findings with an explanation of the reasons for non-publication. The date of publication should then be reviewed periodically until such a time as full publication would not endanger confidentiality or financial stability.[17]

17. Our position was supported by the Joint Committee on the draft Financial Services Bill, who concluded that:

13 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 67

14 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 71

15 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 84

16 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 88

17 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, paras 81–82

> The evidence we received in the course of our inquiry indicated that the House of Commons Treasury Committee was right to conclude that the governance structures within the Bank need considerable strengthening. [...] We support the idea that the Court should be replaced by a Supervisory Board with expert members some of whom should have experience in prudential policy. The new Supervisory Board would be empowered to scrutinise work of its sub-committees and conduct retrospective reviews of decisions taken by the FPC. The reforms in the draft Bill give the Bank significant new powers in macro—and micro-prudential policy. These powers must be paired with reforms to ensure that clear accountability processes are in place.[18]

In its original evidence to the Treasury Committee, prior to the publication of our Report in to the accountability of the Bank of England, the Court responded negatively to these suggestions. For example, the Governor stated that:

> I think you would recognise—as you did in your report earlier this year—that we have a very good track record of transparency on the MPC and we fully intend to carry that over to the FPC and the PRA, so on policy that is not Court's role.[19]

18. However after the publication of our Report, and the Joint Committee's, the Court of the Bank of England in a paper in January 2012 changed its position somewhat and suggested the creation of an Oversight Committee. It summarised this new Committee as follows:

> • The new responsibilities for the Bank of England in the area of financial stability will need to be accompanied by new accountability mechanisms. As with the mechanisms for monetary policy, at the centre of these should be direct accountability to parliament through the Treasury Committee.
>
> • Building on the recommendations of the Treasury and Joint Committees, we propose that this is supplemented by establishing an Oversight Committee, with direct access to the policymaking processes and papers in the Bank, and formed of non-executive directors.
>
> • The role of this Committee should be to assess whether the processes employed in making financial stability policy decisions have considered a full range of options and have taken reasonable account of the relevant information, analysis (including of the lessons from the past), differing views amongst policymakers, and challenges from outside the Bank.
>
> • The Oversight Committee should also commission reviews from experts outside the Bank of the performance of the Bank's financial stability policymakers. These

18 Joint Committee on the draft Financial Services Bill, Session 2010–12, *Draft Financial Services Bill*, HC 1447, para 309

19 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874,Q 378

> reviews would recommend lessons for them. And the Oversight Committee would assess the Bank's response to those recommendations.[20]

We welcomed the Governor's flexibility as to the remit of the proposed Oversight Committee, as he said that it could also include monetary policy. We however urged that such a Committee should also examine the work of the Prudential Regulation Authority.[21] But the Court disagreed with our recommendations on reducing the size of the Court, and presented no firm view on renaming the Court.[22] The Government rejected changing the name or size of the Court.[23]

19. In our Response to the Court's paper, we argued that the authority of any Oversight Committee will depend on its statutory remit far more than its structure or membership. We summarised the inadequacy of the Court and the Governor's approach, as follows:

> Parliament's practical ability to hold the Bank to account will rest, to a substantial degree, on the extent to which the Court develops into a proper board, with adequate scrutiny and review powers. Court lacks much of what is required under present arrangements. The Oversight Committee, as proposed in the Court's memorandum, does not plug that gap. The Oversight Committee's role, as proposed by the Court, would be so heavily circumscribed that it could not be relied upon to provide adequate scrutiny. It is unrealistic to suppose that an oversight body could plausibly be expected to commission an external review of a policy decision without assessing the substance. Nor could such a body be expected to avoid engaging with the implications of the policy conclusions of that external study.
>
> We are unconvinced by the Court's argument that internal review of policy, as distinct from process, is undesirable in principle. On the contrary, internal review is essential. Most public and private institutions have the capability and self-confidence to debate and review policy internally without damage to the institution concerned. We do not exclude a role for external review; it should occur when the Bank does not itself have the skills to conduct such a review, or for other reasons thinks that an external review would be better than an internal one. We reiterate our view that the body commissioning internal and external reviews should be adequately resourced and staffed within the Bank.[24]

Following these further recommendations, the Government stated that:

20 Treasury Committee, Twenty-seventh Report of Session 2010–12, *Accountability of the Bank of England: Response from the Court of the Bank*, HC 1769,Appendix, Key points, p15

21 Treasury Committee, Twenty-seventh Report of Session 2010–12, *Accountability of the Bank of England: Response from the Court of the Bank*, HC 1769, para 17

22 Treasury Committee, Twenty-seventh Report of Session 2010–12, *Accountability of the Bank of England: Response from the Court of the Bank*, HC 1769, appendix paras 35–38

23 HM Treasury, A new approach to financial regulation: securing stability, protecting consumers, January 2012, Cm 8268, paras B.4,B.7

24 Treasury Committee, Twenty-seventh Report of Session 2010–12, *Accountability of the Bank of England: Response from the Court of the Bank*, HC 1769, paras 18–19

> On 23 January the TSC published a response to Court's proposals, in which it notes the importance of internal policy reviews, in addition to external assessments. The Chancellor has therefore agreed with the Governor and the Chair of Court that the oversight body will also be expected to commission retrospective internal reviews from the Bank's policymakers of policy-making and implementation performance– for example from the FPC, or from other parts of the Bank with responsibilities relevant to financial stability, such as infrastructure regulation or bank resolution. The oversight body will be responsible for setting the terms of reference of the reviews and ensuring that they are conducted properly and effectively, for publishing their findings and for ensuring that the conclusions are followed up.[25]

20. The Government response also noted that it was not "at this time, minded to pursue the more radical changes to Bank of England governance recommended by the TSC, including the replacement of Court with a supervisory board. In general, the Government considers that the governance of the Bank should primarily be a matter for the Bank itself."[26] The Court's concessions of January 2012 do not plug the accountability gap. Nor is the Government's approach to establishing a framework of accountability satisfactory. **We note that the Government believes that in general, the governance of the Bank should primarily be a matter for the Bank itself. We disagree. The Government, accountable to Parliament, is the only shareholder of the Bank of England, and many of the Bank of England's responsibilities and functions are defined in legislation. Therefore the Government, accountable to Parliament, is responsible for the structure of the governance of the Bank, the crucial aspects of which should not be delegated.**

21. In a further effort to improve the Bill in respect to accountability, the Chairman and Members of all parties represented on the Committee tabled a New Clause at the Report stage of the Financial Services Bill. This provided a duty on the Court to conduct retrospective reviews and to publish its minutes, where reasonable. The New Clause was as follows:

> New Clause 1
>
> *RETROSPECTIVE REVIEWS OF BANK PERFORMANCE BY COURT OF DIRECTORS AND PUBLICATION OF COURT MINUTES*
>
> '(1) Section 2 of the Bank of England Act 1998 (Functions of court of directors) is amended as follows.
>
> (2) After subsection (5) add—
>
> "(6) The court shall conduct retrospective reviews of the performance of the Bank with respect to its functions and objectives.

25 HM Treasury, A new approach to financial regulation: securing stability, protecting consumers, January 2012, Cm 8268, para B.13

26 HM Treasury, A new approach to financial regulation: securing stability, protecting consumers, January 2012, Cm 8268, para B.2

(7) The court shall determine the particular matters to be reviewed under subsection (6).

(8) The court must publish a report on each review carried out under subsections (6) and (7) unless the court decides that all or part of such a report should not be published for reasons of confidentiality or because it would endanger financial stability.

(9) When all or part of a report of a review is not published under the provisions of subsection (8), the court must—

(a) publish as much as possible of the report,

(b) send a copy of the full report to the Chairman of the Treasury Committee of the House of Commons or, in exceptional circumstances, inform the Chairman of the Treasury Committee of the reasons for not sending it, and

(c) publish the report or part of the report as soon as possible after the court decides that the considerations in subsection (8) no longer apply.

(10) After each meeting of the court, the Bank shall publish minutes of the meeting before the end of the period of two weeks beginning with the day of the meeting.

(11) Subsection (10) shall not apply to minutes of any proceedings where the court has decided that publication should be delayed for reasons of confidentiality or because publication would endanger financial stability.

(12) Where any part of the court's minutes is not published under the provisions of subsection (11), the Chairman of the court shall inform the Chairman of the Treasury Committee of the House of Commons of the reasons.

(13) Any part of the minutes of a meeting of the court must be published as soon as the court has decided that the considerations in subsection (11) no longer apply.".'.

In response to this New Clause, the Financial Secretary to the Treasury gave undertakings at the Report stage of the Financial Services Bill:

Mr Hoban: [...] I come now to the matters at the heart of new clause 1 tabled by my hon. Friend the Member for Chichester (Mr Tyrie) and his colleagues from the Treasury Committee. I agree entirely that the robustness of the Bank of England's governance arrangements is vital.

Hon. Members on both sides of the House have been absolutely right to point out that it is even more important given the expanded responsibilities provided to the Bank of England under the legislation. There is a consensus that the governance of the Bank needs to be strengthened in order better to equip it for these new roles. The court will need to adapt and evolve in order to operate as an effective governing body, able to oversee the Bank in transition and in steady state, ensuring that the Bank is adequately resourced to meet its new responsibilities, offering challenge to the Bank's executive and supporting accountability to Parliament. With that in mind, a set of proposals has already been put forward by the Bank of England to help address these concerns.

Last year the Treasury Committee published an in-depth and thoughtful report into the accountability of the Bank. In response to that, the court of the Bank of England set out some positive and constructive proposals to strengthen its oversight of the Bank's financial stability activities and to enhance accountability. Central to the court's proposals is the creation of a new oversight committee for financial stability, a sub-committee of the court that will be responsible for overseeing the entirety of the Bank's financial stability activities. This wholly non-executive committee will have access to the meetings and papers of the Bank's policy-making committees, including the FPC, and will be able both to review the internal decision-making processes leading to policy outcomes and to commission periodic reviews of policy-making performance from expert external authorities. These reports will be published, unless publication would be contrary to the public interest. We welcome the court's proposals.

My hon. Friend the Member for Chichester, in his remarks welcoming the court's response to the Treasury Committee's recommendations, recognised that there has been change, but he also outlined a number of areas in a report published on 23 January and argued that the court's proposals did not go far enough, particularly with regard to the policy reviews. Recognising this, the Chancellor agreed with the Governor and the chair of the court that the new oversight body will be expected to commission retrospective internal reviews from the Bank's policy makers of their own policy making and implementation performance. I think that the Bank has made some progress, but my hon. Friend raised the important question of whether the oversight arrangements should be set out in primary legislation in the Bill.

My hon. Friend the Member for Chichester also mentioned publication of the court's minutes. The Bank has committed to publishing what it terms a record of future court meetings. It is worth pointing out that the FPC also produces what it calls a record of its meetings, which is a very full account of the debates that go on in the FPC, and we will expect a similar process to be undertaken for the court's meetings. Let me be clear: I believe that there is a clear need for the Bank's accountability arrangements to be strengthened through the publication of the court's minutes and the enhanced scrutiny of the court's work, although I believe that the changes announced by the Bank help address the concerns raised by my hon. Friend and the Treasury Committee. He made some powerful arguments that have been echoed by other members of the Committee, and we will consider further whether these arrangements should be put in the Bill. We will reflect on these matters and reconsider them when the Bill goes to the other place. I hope that that helps to reassure the House on how seriously we take these matters and our willingness to listen and respond to the concerns raised by Members during the debate, particularly the contributions made by my hon. Friend and others.

Chris Leslie: I just want to be clear about what the Minister is saying. Is he saying that when the Bill comes before the other place for consideration he will accept retrospective reviews and publication of minutes or that he will simply consider it?

Mr Hoban: We are clear that we want to see the court's minutes published, which I think is absolutely vital, and that we want to see those retrospective reviews in place. The questions my hon. Friend the Member for Chichester has asked are whether we have gone far enough, whether the proposals should be in the Bill or whether we should just accept the proposal put forward by the court. Tonight I have committed to listening to those arguments—he made a powerful speech—and returning to the issue when the Bill goes to the other place.

Mr Tyrie: Will the Minister clarify a couple more points? First, when he says that he is committed to the publication of the court's minutes, does he mean the publication of the full minutes or only a summary record of them, which it appears is what was proposed before. Secondly, he thoughtfully suggested that the non-executives of the Bank should commission internal reviews. Will they also be permitted to look at, assess and comment on the merits of the material they receive?

Mr Hoban: I think that it is important that the court's non-executives perform a full role in scrutinising the Bank's activities. They need to be able to look at the output of those reviews, consider them and express their views on them. On the issue of minutes, I will not say that we are getting into a semantic debate, because that would be unfair. What we want to do is ensure that a proper record of the court's meetings is published. I am not sure that the minutes should necessarily be verbatim, reporting every word that everyone has said, but they should certainly be a very good summary, catching the thought processes that took place in the court and the issues that were debated and discussed, so that Parliament and stakeholders can hold the Bank to account for the way in which it has used its powers not just when it comes to the Financial Policy Committee, but in other areas. I hope that that gives my hon. Friend the reassurance he looks for on our commitment to transparency and on ensuring that we do all we can to strengthen the transparency arrangements of the Bank of England.[27]

Based on the undertakings given by the Minister, the Chairman of the Treasury Committee withdrew the new clause. The spirit of this new clause remains to be translated into statute in the Lords.

22. **The recommendations of the Treasury Committee have been designed to ensure that the Court of the Bank of England can operate, as far as possible, according to corporate governance best practice. It will not be able fully to replicate the functions of a private sector board, however, given the exclusive policy responsibility given by statute to the MPC and the FPC, rather than to the Court.**

27 HC Deb, 23 April 2012, cols 765–767

23. **In the debate on the Report stage of the Financial Services Bill, undertakings were provided by the Financial Secretary to the Treasury. First, the Minister stated that he wishes to see proper records of the Court's meetings published. Secondly, on retrospective reviews, the Minister agreed to reflect on whether the duty of the Court to conduct retrospective reviews of Bank performance should be on the face of the Bill.**

24. **We continue to recommend that the duty to undertake such reviews should be a statutory one. The duty should cover all areas of the Bank's activity, including the merits of policy. They should be published not less than a year after the period to be reviewed. We hope that this view will commend itself to the House of Lords.**

The office of the Governor of the Bank of England

25. The concentration of power at the Bank of England forseen by the Financial Services Bill places the Governor of the Bank at the centre of the financial system. Our Report into the Accountability of the Bank of England made several recommendations to ensure the independence and stability of the position of Governor.

26. In order to safeguard his or her independence, we recommended that the Treasury Committee be given "a statutory power of veto over the appointment and dismissal of the Governor of the Bank of England," similar to the power given to the Treasury Committee over the appointment of the Chair of the Office for Budget Responsibility.[28] In its response to our Report, the Government argued against our recommendation:

> The Government believes the independence of the Governor of the Bank of England is vital, and is confident that this independence is safeguarded via existing mechanisms, such as his appointment by the Queen. The Bank of England and the Office for Budget Responsibility perform materially different roles. The Bank of England undertakes policy actions that directly affect markets and, as such, appointments to the Bank's executive or policy committees are market sensitive. This market sensitivity makes these roles unsuitable for pre-appointment vetting. The Government hopes that the TSC will continue to hold pre-commencement hearings for the members of the Bank's policy committees, which include the Governor and Deputy Governors.[29]

27. An amendment which would have achieved the aim of the Treasury Committee holding a veto over the appointment of the Governor of the Bank of England was tabled and debated at Report stage of the Financial Services Bill, but time prevented the Minister making any detailed reply to the points raised.[30]

28 Treasury Committee, Twenty-first Report of Session 2010–12*, Accountability of the Bank of England,* HC 874, para 148

29 HM Treasury, A new approach to financial regulation: securing stability, protecting consumers, January 2012, Cm 8268, para B.30

30 HC Deb, 23 April 2012, col 767

28. **There was insufficient time for the House of Commons to debate whether the Treasury Committee should have a veto over the appointment of the Governor of the Bank of England. We hope that the House of Lords will remedy this defect.**

29. There has been movement by the Government on the length of term the Governor of the Bank of England should serve. Under the current Bank of England Act, the Governor of the Bank of England may serve two five year terms.[31] However, following a recommendation from this Committee, the Government has agreed that the Governor of the Bank of England should serve for a single, non-renewable, eight-year term.[32]

Chancellor's power of direction

30. The Treasury Committee Report on the Accountability of the Bank of England recommended that the Chancellor, in view of his or her ultimate responsibility for the use of public funds, should have a general power of direction over the Bank of England when there is a material risk to those funds. Our recommendation was as follows:

> [...] the Chancellor be given statutory responsibility for a crisis after the formal notification by the Bank of a material risk to public funds. This should automatically trigger a discrete power for the Chancellor to direct the Bank, separate from the general power under the 1946 Act. The Chancellor might choose not to direct the Bank in such a crisis, but once the notification of material risk had been given, the Chancellor should be regarded as fully responsible and accountable to Parliament for its handling. Any use by the Chancellor of the power of direction should be made public unless the Chancellor considers it against the public interest to disclose it. Notification of such an event should be made to the Chairman of the Treasury Committee.[33]

31. In its response, the Court of the Bank of England accepted the need for the Chancellor to have a power of direction when public funds are at risk, but thought that it should be limited only to certain instruments available to the Bank, rather than a more general power of direction in a crisis that the Treasury Committee recommended. The Court's proposal was as follows:

> The third principle is that the Chancellor should have a power to direct the crisis management operations of the Bank. That power should be triggered when there is a material risk to public funds and the Chancellor, having consulted the Governor, is satisfied that there is a serious threat to financial stability. The power of direction

31 Bank of England Act 1998, Schedule 1

32 HM Treasury, A new approach to financial regulation: securing stability, protecting consumers, January 2012, Cm 8268, para B.29

33 Treasury Committee, Twenty-first Report of Session 2010–12*, Accountability of the Bank of England,* HC 874, para 169

> should cover the instruments of crisis management available to the Bank, and Parliament should be notified of any use of the power.[34]

32. The Treasury Committee however disagreed with the Court's suggestion, and recommended that the "Legislation should also define the scope of the power of direction. Court's suggestions are too circumscribed. The extent of the Chancellor's authority should not, in a crisis, be restricted to certain instruments of crisis management. He or she must have a general power to direct the Bank when public funds are at risk".[35]

33. The Government has not, however, accepted the Treasury Committee's recommendation, and the power of direction granted to the Chancellor in the Financial Services Bill is restricted to certain areas:

> (2) The Treasury may give a direction to the Bank of England relating to one or more of the following—
>
> (a) the provision by the Bank to one or more financial institutions of financial assistance other than ordinary market assistance offered by the Bank on its usual terms,
>
> (b) the exercise by the Bank of any of the stabilisation powers, as defined by section 1(4) of the Banking Act 2009, or
>
> (c) the exercise by the Bank of its powers under Part 3 of that Act (bank administration).[36]

34. **The Treasury Committee continues to recommend that, when public funds are at risk, the Chancellor of the Exchequer should be given a general power to direct the Bank of England, rather than the circumscribed powers provided in the Financial Services Bill. While the specific powers in the Bill may cover most events currently foreseeable, the legislation will need to stand the test of time. A future crisis, many years hence, may require tools not currently considered appropriate, such as those given to the FPC, nor even yet developed.**

Financial Policy Committee and the Monetary Policy Committee

Stronger parliamentary scrutiny of the macroprudential tools

35. Under the reforms contained in the Financial Services Bill, the Financial Policy Committee will be given certain powers of direction via secondary legislation laid by the Treasury. These powers of direction are sometimes referred to as the macroprudential

34 Treasury Committee, Twenty-seventh Report of Session 2010–12, *Accountability of the Bank of England: Response from the Court of the Bank*, HC 1769, Appendix para 31

35 Treasury Committee, Twenty-seventh Report of Session 2010–12, *Accountability of the Bank of England: Response from the Court of the Bank*, HC 1769, para 32

36 Financial Services Bill, cl. 57

tools. The interim Financial Policy Committee has advised that the statutory FPC should have the powers of Direction over:

- the countercyclical capital buffer;
- sectoral capital requirements, and
- a leverage ratio.[37]

These putative tools would have a direct impact on both UK financial institutions, and the customers of those institutions, whether individuals or businesses. Given this, in the Treasury Committee's Report on the Accountability of the Bank of England, we recommended that:

> The macro-prudential measures set out in secondary legislation will be of great importance and potential scope, and will give the FPC great powers. Parliamentary control and scrutiny of these measures are vital before such powers are granted. As the legislation stands, their approval by the House of Commons requires only a 90 minute debate in a General Committee and a decision without debate in the House. We recommend that the Government amend the draft legislation to require that debates on orders prescribing macro-prudential measures be held on the floor of the House and not be subject to the 90 minute restriction. Furthermore, the House would benefit from prior scrutiny of such orders by this Committee. We recommend that the Government provide us with the proposed text of the draft orders at least two months before they are laid before the House in order to allow us to report to the House on their merits.[38]

In its response, the Government noted that:

> The Government believes that Parliamentary scrutiny of prospective macro-prudential tools is important. However, it is for Parliament itself to decide the length of, and venues for, its debates. The Statutory Instruments that will establish the FPC's tools will be subject to affirmative procedure. The Government will also consult publicly on its proposals for the FPC's initial set of policy tools.[39]

The Joint Committee on the draft Financial Services Bill also agreed with us that "there should be a system of enhanced parliamentary scrutiny of these important tools".[40] They recommended that:

> The macro-prudential tools to be used by the FPC are of considerable importance. Some of the tools being considered will have a direct effect on the economic circumstances of constituents. Parliament must have an opportunity properly to

37 Bank of England, Letter from the Governor to the Chancellor, 22 March 2012

38 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 119

39 HM Treasury, A new approach to financial regulation: securing stability, protecting consumers, January 2012, Cm 8268, para B.24

40 Joint Committee on the draft Financial Services Bill, Session 2010–12, *Draft Financial Services Bill*, HC 1447, Para 313

> scrutinise these powers. On the other hand there must be flexibility to grant the FPC new tools quickly in rare and urgent circumstances. In non-urgent cases we recommend that the tools be subject to an enhanced affirmative procedure similar to that set out in Section 11 of the Public Bodies Act 2011. This would provide for consideration by the relevant select committees in both Houses and where appropriate would place a duty on the Treasury to consider those committees' recommendations before laying the final instrument.[41]

In response to the Joint Committee's Report, the Government stated that:

> The Government agrees that proper Parliamentary scrutiny of prospective macro-prudential tools is important. The Bill already provides for macro-prudential tools to be subject to the affirmative procedure giving Parliament an appropriate level of scrutiny. In addition, the Government will consult publicly on its proposals for the FPC's initial set of policy tools. The Government believes that the enhanced affirmative procedure would not be appropriate for the FPC's toolkit, as even in non-urgent cases, enhanced affirmative procedure could cause excessive delay in updating and amending the FPC's powers.[42]

At Report stage, a further amendment to the Financial Services Bill was tabled to try to achieve a greater level of parliamentary scrutiny of the macroprudential tools via a super-affirmative procedure. This proposal would have given effect to the Treasury Committee's earlier recommendation for enhanced parliamentary scrutiny of such powers. Erskine May describes the procedure as follows:

> The super-affirmative procedure has been implemented in enactments where an exceptionally high degree of scrutiny is thought appropriate. [...] It provides both Houses with opportunities to comment on proposals for secondary legislation and to recommend amendments before orders for affirmative approval are brought forward in their final form. [43]

Discussing this amendment, and in particular the suggestion that the macroprudential tools should be agreed by a super-affirmative procedure, the Financial Secretary to the Treasury said that:

> We need to ensure that the right scrutiny arrangements are in place, but we also need to recognise that the super-affirmative procedure can create delays, because there are times when if the House is in recess the clock stops, so there is a challenge there. In addition, a blanket adoption of a super-affirmative procedure may mean that even minor technical changes are subject to quite a lengthy process. The point that I would take from this debate is that we need to ensure that proper parliamentary scrutiny of these measures is in place, and that there is proper consultation with the

41 Joint Committee on the draft Financial Services Bill, Session 2010–12, *Draft Financial Services Bill*, HC 1447, para 315

42 HM Treasury, A new approach to financial regulation: securing stability, protecting consumers, January 2012, Cm 8268, para A.64

43 Erskine May, 24th Edition, p 677

> public and a proper assessment of the economic impact of these macro-prudential tools on the wider economy. I hope that the Government's position is clear. I am not ruling out the proposal. There are some issues with it, but we are committed to ensuring that the right procedures are in place to ensure proper parliamentary scrutiny.[44]

36. **We continue to recommend that the secondary legislation giving effect to the macroprudential tools receive enhanced parliamentary scrutiny, given the potential impact of the tools on the economy and the public. We note that at the Report stage of the Financial Services Bill the suggestion of a super-affirmative procedure was not ruled out by the Minister. We hope that the House of Lords will seek to implement this proposal.**

Majority of external members

Table 1: Voting members of the MPC and FPC

	Current Monetary Policy Committee (9 voting members)	Future Financial Policy Committee (11 voting members)
Internal (To the Bank of England)	**5 members**	**6 Members**
	Sir Mervyn King, Governor Charles Bean, Deputy Governor Paul Tucker, Deputy Governor Spencer Dale, Executive Director, Monetary Analysis and Chief Economist Paul Fisher, Executive Director, Markets	Governor of the Bank 3 Deputy Governors of the Bank 2 members appointed by the Governor of the Bank after consultation with the Chancellor of the Exchequer
External	**4 Members**	**5 Members**
	Ben Broadbent David Miles Adam Posen Martin Weale	Chief Executive of the FCA 4 members appointed by the Chancellor of the Exchequer

Notes: Current MPC membership. FPC membership as set out in the Financial Services Bill

37. As Table 1 shows, both the Monetary Policy Committee and the future Financial Policy Committee have a majority of internal Bank of England employees. The Treasury Committee has been concerned about the risk of 'groupthink' within these decision-making Committees. External members can act to counter that risk. We therefore recommended that "Whatever the precise numbers, the external members of both the FPC and MPC should be in the majority".[45] The Joint Committee on the draft Financial Services

44 HC Deb, 23 April 2012, col 765

45 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 103

Bill also recommended that the draft Bill should be amended so that "there are a majority of non-executives on the FPC".[46]

38. Both the Bank of England and the Government rejected these proposals. The response of the Court to our proposal was that:

> Decisions about the relative numbers of internal and external members of the MPC and FPC are ultimately for Parliament. But we are not persuaded that having a majority of external members, as proposed by the Treasury Committee, is either necessary or desirable. Neither internal members nor external members vote as a block. Sustained dissent has come from internal as well as external members. And diluting internal membership to the point where the Committees could not be presented as distinctively Bank Committees would undermine the Government's purpose of asking the Bank to undertake these activities in the first place.[47]

The Government argued that:

> The Government believes that the current membership arrangements of the Bank's policy committees are appropriate and provide the best balance between Bank expertise and external challenge.[48]

39. One of the arguments adduced against our proposal was that extra external members would increase the number of members of the FPC, already large at 11 voting members, a view expressed to us by the Governor.[49] However, in our further Report on the Court's response, we argued that the number of Bank executives on the FPC could be reduced instead.[50]

40. In the Public Bill Committee a proposed amendment suggested creating a majority of external members on the FPC by adding two more external members. In response the Financial Secretary to the Treasury, alongside arguing that the resultant Committee would, made the following arguments:

> The 6:5 ratio that we have [on the future Financial Policy Committee] mirrors closely the ratio on the Monetary Policy Committee, where the ratio is five Bank people and four externals. I think that we would all agree that the MPC model has worked well and is much admired not just in the UK, but around the world. I see no reason to fix something that plainly is not broken.[51]

He went on:

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46 Joint Committee on the draft Financial Services Bill, Session 2010–12, *Draft Financial Services Bill*, HC 1447, para 325

47 Treasury Committee, Twenty-seventh Report of Session 2010–12, *Accountability of the Bank of England: Response from the Court of the Bank*, HC 1769, Appendix para 50

48 HM Treasury, A new approach to financial regulation: securing stability, protecting consumers, January 2012, Cm 8268, para B.17

49 HC (2010–12) 1753, Qq 113, 119

50 Treasury Committee, Twenty-seventh Report of Session 2010–12, *Accountability of the Bank of England: Response from the Court of the Bank*, HC 1769, para 37

51 PBC (Bill 278) 2010–12, Financial Services Bill, 23 February 2012, col 84

> It goes back to the issue about responsibility. We are placing primary responsibility for financial stability with the Bank of England—including the responsibilities being given to the FPC—because we think that it is the right body, in terms of its expertise and its position in the financial system, to take on that role and to make the judgments that it entails. We intend that the Bank will be held fully accountable, including by the House, for fulfilling those responsibilities and making those judgments.[52]

41. **The Treasury Committee remains concerned about the risk of groupthink within either the FPC or the MPC where Bank executives are in the majority. We recommend that external members should be in the majority on these Committees. This could be achieved either by adding external members, or by reducing the number of Bank executives that sit on either Committee.**

Financial Stability indicators

42. The remit for monetary policy is set against a single, measureable target: the rate of inflation. This allows for easy external determination of whether the Monetary Policy Committee is achieving the target set by the Government. The Treasury Committee recognised the difficulty of finding an indicator, or set of indicators, for the Financial Policy Committee. Nevertheless, we saw merit in amending the Bill to ensure that a set of statistics be available to help external bodies, including the Treasury Committee, to assess the performance of the Financial Policy Committee. Our recommendation was that:

> HMT give guidance under Clause 3 of the draft Bill to the Bank of England to adopt indicators for gauging financial stability. The selected range of indicators must be flexible and under constant challenge and review, not only by Parliament, Government and the Bank of England, but also by others such as financial industry practitioners, the media, academia and the public. The indicators should be published so that the performance in maintaining financial stability may be monitored and so that it can be held accountable for that performance. The FPC should report against these criteria at regular intervals.[53]

The recommendation of the Joint Committee was that:

> The FPC should begin work towards developing indicators of financial stability in dialogue with the Treasury. They should be published and the FPC should report against them. The set of indicators should be flexible and subject to regular review.[54]

43. In its response to our Report, while the Court was supportive of the use of indicators of financial stability by the FPC, it warned against placing them in legislation:

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52 PBC (Bill 278) 2010–12, Financial Services Bill, 23 February 2012, col 85

53 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 114

54 Joint Committee on the draft Financial Services Bill, Session 2010–12, *Draft Financial Services Bill*, HC 1447, para 54

> We agree too on the merits of the FPC setting out the indicators it will use to gauge financial stability. The Governor wrote to the Treasury Committee setting out his preliminary thoughts on a suitable list on 10 August 2011 and these data are now routinely provided to the Treasury Committee ahead of evidence sessions. As the Governor noted, the precise nature of a more formal set of indicators, and their role in the policy process, will require careful thought, since there would clearly be risks in 'hard wiring' an excessively narrow set of measures into legislation. The FPC has already begun to set out its quantitative analysis in some detail in its FSR, the latest of which was published on 1 December 2011. The FSR will, we believe, provide an important tool for holding the FPC accountable, as the Inflation Report has for the MPC. But the FPC can, and should, go further in setting out its view on the most important indicators of financial stability, and we expect it to revert to the Treasury Committee on this issue in due course.[55]

In its response to our Report, the Government noted that:

> The Government believes that openness and transparency are important to secure public understanding of macro-prudential policy. The Bank has made clear in its response to the TSC's report into Bank accountability that the FPC will regularly publish, and report against, indicators of financial stability. The Bank and FSA published a joint paper on 20 December 2011 that discussed potential indicators for gauging financial stability. If necessary, as part of its annual remit to the FPC the Treasury will be able to make recommendations about additional indicators that it feels the FPC should consider.[56]

44. **The Financial Services Bill does not require HM Treasury and the Financial Policy Committee to agree on a set of indicators for Financial Stability. We have received assurances that such indicators will be available. We recommend that such a requirement be on the face of the Bill. We do not recommend specific indicators. Primary legislation should contain a more general requirement that the FPC and HM Treasury agree on a set of such indicators.**

Power to meet jointly

45. The Treasury Committee has raised the potential for conflict between the Financial Policy Committee and the Monetary Policy Committee. We therefore recommended that "the legislation should provide for a joint meeting of the MPC and the FPC to take place if that is deemed by the Governor, after discussion with the Chairman of the Supervisory Board, to be the best way to resolve a significant conflict".[57] Dr Wadhwani, a former external member of the MPC, in evidence to us, wanted to go further and create a joint

55 Treasury Committee, Twenty-seventh Report of Session 2010–12, *Accountability of the Bank of England: Response from the Court of the Bank*, HC 1769, Appendix para 42

56 HM Treasury, A new approach to financial regulation: securing stability, protecting consumers, January 2012, Cm 8268, para B.26

57 Treasury Committee, Twenty-first Report of Session 2010–12, *Accountability of the Bank of England,* HC 874, para 129

committee to perform both roles.[58] We did not try in our Report fundamentally to alter the approach of the Government, but tried to make its proposed process more workable.

46. In its response to our Report, the Court of the Bank of England resisted our recommendation, stating that:

> We do not believe that it is necessary or desirable to make statutory provision for a joint meeting of MPC and FPC. Although of course an informal meeting of this kind is always open to the two Committees, a formal meeting would be large and unwieldy, and would not have well-defined rules of procedure. But we do agree with the recommendation of the Treasury Committee that, in the very unlikely event of a conflict arising, the Governor should consult the Chairman of Court about the process to be followed to deal with it.[59]

However, the Treasury in its response appeared more forthcoming:

> The FPC and MPC will complement each other's policy aims and so are unlikely to come into conflict. The positive impacts of this match will be enhanced by the significant degree of cross membership between the two committees. Nevertheless, in order to provide for all eventualities, the Government has added provisions to the Financial Services Bill that will enable a joint meeting between the two committees if they believe it appropriate.[60]

The provisions added in the Financial Services Bill allow for either the MPC or the FPC to invite "other persons to attend, or to attend and speak at, any meeting of the Committee".[61]

FPC response to HMT remit

47. The draft Financial Services Bill provided a power to the Treasury to make recommendations, in writing, to the FPC on:

> (a) matters that the Committee should regard as relevant to the Committee's understanding of the Bank's Financial Stability Objective;
>
> (b) the responsibility of the Committee in relation to the achievement of that objective, and
>
> (c) matters to which the Committee should have regard in exercising its functions.[62]

58 Treasury Committee, Twenty-first Report of Session 2010–12*, Accountability of the Bank of England,* HC 874, Ev 102

59 Treasury Committee, Twenty-seventh Report of Session 2010–12, *Accountability of the Bank of England: Response from the Court of the Bank*, HC 1769, Appendix para 46

60 HM Treasury, A new approach to financial regulation: securing stability, protecting consumers, January 2012, Cm 8268, para B.26

61 Financial Services Bill, Schedule 2

62 Draft Financial Services Bill, cl. 3(1)

48. However since these are only recommendations, they may be rejected by the FPC. While supporting the notion that the FPC could reject such guidance, we made the following recommendation on assuring the transparency of the process:

> In order to maintain the independence of the Bank, we support the ability of the FPC to reject any guidance which it regards as inappropriate. However, the ability for the Treasury to influence the interpretation of the financial stability objective is an important one, given the present lack of a definition of financial stability, and therefore if the FPC rejects guidance it should have the opportunity to explain its reasoning in writing to both the Treasury and the Treasury Committee.[63]

In its response, the Government then accepted our recommendation:

> the Government agrees that where the FPC does not agree with the Treasury's recommendations, it should make its concerns public and explain why it does not intend to act in accordance with those recommendations. The Bill has therefore been amended to require the FPC to respond publicly to the Treasury's remit, setting out how it intends to comply with the recommendations and, where appropriate, setting out its reasons why it does not intent to act in accordance with the remit.[64]

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63 Treasury Committee, Twenty-first Report of Session 2010–12*, Accountability of the Bank of England,* HC 874, para 113

64 HM Treasury, A new approach to financial regulation: securing stability, protecting consumers, January 2012, Cm 8268, para B.20

3 Financial Conduct Authority

The FCA's strategic and operational objectives

49. The design of the FCA's objectives has altered considerably from the Government's original July 2010 proposal for the establishment of a conduct regulator with a single primary objective of "ensuring confidence in financial services and markets, with a particular focus on protecting consumers and ensuring market integrity", balanced by a set of statutory secondary objectives.[65]

50. The Government has recast the FCA's objectives. The draft bill proposed giving the FCA a single strategic objective of protecting and enhancing confidence in the UK financial system which sat alongside three operational objectives:

- Securing an appropriate degree of protection for consumers;
- Protecting and enhancing the integrity of the UK financial system, and
- Promoting efficiency and choice in the market for certain types of services.[66]

51. The Treasury Committee has subjected the design of the FCA's objectives to considerable scrutiny. We concluded that competition must be at the heart of the new regulatory regime. In our Report on the Financial Conduct Authority we said that:

> Competition should be central to the culture of the FCA. This is not for competition's own sake, but because effective competition benefits consumers.

We therefore recommended that this would best be achieved by giving the FCA an additional primary objective "to promote effective competition for the benefit of consumers". [67] This was in accordance with the substance of the recommendation of the Joint Committee on this matter.[68]

52. For this reason we welcomed the Government's decision to recast in the Bill as presented to the House of Commons, the FCA's former efficiency and choice operational objective to "promoting effective competition in the interests of consumers". The Bill also retained a competition duty on the FCA, namely that it should:

> so far as is compatible with acting in a way which advances the consumer protection objective or the integrity objective, discharge its general functions in a way which promotes effective competition in the interests of consumers.[69]

65 HM Treasury, *A new approach to financial regulation: judgement, focus and stability,* CM 7874, June 2010, p 32, para 4.6–4.8

66 HM Treasury, *A new approach to financial regulation: the blueprint for reform,* CM 8083, June 2010, p 28–29

67 Treasury Committee, Twenty-sixth Report of Session 2010–12, *Financial Conduct Authority,* HC 1574, para 28

68 Joint Committee on the draft financial services bill, Session 2010–12, draft financial services bill, HC 1447, para 103

69 Financial Services Bill, clause 5

53. The Committee also welcomed the Government's decision to amend the strategic objective set out in the draft bill to "ensuring that relevant markets function well", which the Committee saw as a significant improvement on the proposal in the draft bill. However, we have repeatedly said that the objectives of the FCA should be framed with a view to ensuring simplicity and clarity. The so-called strategic objective adds nothing to the operational objectives, but may create scope for the operational objectives to be trumped. That is why we urged the Government to re-examine the need for a strategic objective. We argued that the revised strategic objective was already embodied in the revised operational objectives and that an umbrella objective sitting above three operational objectives and a number of duties risked creating confusion. Furthermore, we argued that "the absence of a further strategic objective would avoid the problems inherent in creating a complex hierarchy of purposes and would more closely reflect the Government's original aim of simplicity".[70]

54. The Government rejected our recommendation. In its response to our Report it argued that:

> the strategic objective has a valuable role in supplementing the operational objectives. It provides a single, albeit high level, 'umbrella' objective or 'mission statement' for the FCA.
>
> As such the Government believes it serves a useful purpose in focusing the new regulatory culture of the FCA. In addition, it operates as a check and balance on the operational objectives and helps to ensure that the FCA does not pursue any single operational objective in a manner that undermines the functioning of the market.[71]

In our Report on the Government response we reiterated our call for the Government to reconsider its position:

> On the one hand the Government argues the strategic objective merely supplements the operational objectives. On the other hand it argues the strategic objective will act as "a check and a balance" on the operational objectives. The stance therefore appears contradictory. Furthermore, the Government also appears confused as to whether it is a strategic objective or a "mission statement", which are not the same thing. A "mission statement" has no place in primary legislation. At best the supplementary objective adds nothing. It may be harmful. Multiple tiers of objective risk adding to complexity and diffusing the focus within the FCA. It will not assist in "focusing the regulatory culture of the FCA" and could have the opposite effect.[72]

70 Treasury Committee, Twenty-sixth Report of Session 2010–12, *Financial Conduct Authority,* HC 1574, para 34

71 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, Appendix para 5–6

72 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, para 4

The Minister restated the need for a strategic objective when the issue was discussed in the Public Bill Committee. He gave an example of where he thought a strategic objective sitting alongside the three operational objectives would be necessary:

> It would be perfectly possible for the FCA to look at its consumer protection objective and advance it to such a stage where it removes all risk for consumers. However, that would lead to an outcome in which markets do not function well in meeting either the needs of consumers or helping to design and provide appropriate products for consumers. There needs to be a balance in the pursuit of the operational objectives, and that check is provided by the strategic objective.[73]

55. **The Treasury Committee continues to believe that a convincing case for a strategic objective has yet to be made. As we have said previously, the revised strategic objective is largely embodied in the current operational objectives. The Government argues that the strategic objective—"ensuring that relevant markets function well"—will focus the new regulatory culture of the FCA. On the contrary, we believe the strategic objective risks diverting the FCA's focus. Without it, the FCA would be able to concentrate on a single set of objectives.**

56. **The Government's original aim when framing the FCA's objectives was simplicity and clarity. There is a risk that this will be lost in the plethora of strategic and operational objectives sitting alongside a number of duties and 'have regard' requirements. Such a framework could create confusion. It seems that the Government itself is confused. At the very least it is uncertain whether the strategic objective is a supplement to the operational objectives or a check and a balance to them. It is unlikely to be able to be both. To this end, we hope that the House of Lords will remedy this.**

Prudential Regulation Authority and competition

57. In our preliminary consideration of the Government's proposals, we concluded that:

> We agree that regulatory success does not and should not mean that no firm will fail. The Prudential Regulation Authority's aim should be, not to prevent firm failure, but to protect taxpayers and the wider economy from the consequences of such failure. Hector Sants' suggestion that the PRA will have a low tolerance for the failure of high impact firms is a source of concern. The assumption that certain firms cannot be allowed to fail results in market distortion, entrenches the market power of large incumbents and thereby stifles competition. That lack of market discipline may, over the long term, itself engender systemic instability. Although there may be combinations of circumstances in which individual firms require support to limit systemic risk, we reiterate our predecessor Committee's recommendation that no firm should be too important to fail. Competitive markets need both freedom to exit and freedom to enter.[74]

73 PBC Bill 278) 2010–12, Financial Services Bill

74 Treasury Committee, Seventh Report of Session 2010–12, *Financial Regulation: a preliminary consideration of the Government's proposals*, HC 430–1, para 92

The Government's response was as follows:

> The Government agrees that no firm should be too important to fail, and is committed to embedding this approach in the legislation. The PRA's objectives have been designed to achieve this. While the regulator will have an important role in promoting the soundness of firms that it regulates, its duty will also be to ensure that the cost and disruption arising from a potential firm failure is minimised. This limb of the PRA's objective makes clear that, to strengthen market discipline and avoid moral hazard, the regulatory system should allow firms to fail. In support of this, the PRA's supervisory approach will have a greater focus on the resolvability of firms, in order to ensure that failures occur in an orderly manner and that systemic impact is minimised.[75]

It remains our view that competitive markets need both freedom to exit and freedom to enter. The Bill contains no proposal for specific objectives related to competition for the Prudential Regulation Authority. We recommend that the House of Lords consider amending the Bill to make competition an objective of the Prudential Regulation Authority.

Accountability of the FCA

58. The Committee's report on the Financial Conduct Authority proposed a number of measures to strengthen the accountability framework within which the FCA will operate:

- That the board of the FCA publish full minutes of each meeting;
- That the legislation provide that the FCA Board be responsible for responding to requests for factual information and papers from Parliament;
- That the legislation provide that Parliament through the Treasury Committee, may request retrospective reviews of the FCA's work, and
- That the legislation provide that the Chief Executive of the FCA be subject to pre-appointment scrutiny by the Treasury Committee.[76]

59. The Government response to our report appeared largely unsympathetic to our recommendations. It merely said that accountability mechanisms for the FCA "should be at least as rigorous as those placed on the FSA".[77] **It is widely argued that accountability mechanisms for the FSA have been seriously defective. Our recommendations therefore require statutory force.**

75 Treasury Committee, Fifth Special Report of Session 2010–12, *Financial Regulation: A preliminary consideration of the Government's proposals: Government Response to the Seventh Report from the Committee*, HC 958, Appendix para 27

76 Treasury Committee, Twenty-sixth Report of Session 2010–12, *Financial Conduct Authority,* HC 1574, para 80

77 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, Appendix para 24

60. With respect to our specific proposals in this area, the Government rejected the argument that legislation set out the need to publish full minutes of meetings. It argued that that publication of Board minutes was a matter for the Board of the FCA.[78] In our response to the Government we emphasised our disagreement on this point. We again argued that:

> Placing this requirement in legislation would signal the Government's determination to ensure a more transparent conduct regulator than has been the case in the past. There is precedent for a statutory requirement on bodies to publish minutes of their meetings. The Bank of England Act 1998 states that the Bank "shall publish minutes of the [MPC] meeting before the end of the period of 6 weeks beginning with the day of the meeting".[79]

In Public Bill Committee the Minister repeated the Government's argument that it was "a matter for the FCA board to decide what it publishes". He did, however, state that he had "no objection in principle to saying that it should publish these documents". When asked whether he would reconsider his decision, the Minster said he would "certainly think about it", but reiterated his concern at "going down the route of being prescriptive about how a board will function". The Minister argued that the key consideration would be:

> whether there is a way of including the measure without setting a precedent on the degree of intervention in how boards function, which would be unhelpful.[80]

61. **The Government has stated that it will look again at whether there is a way of requiring the FCA in legislation to publish board minutes while not setting a precedent on the degree of intervention in how boards function. The Treasury Committee welcomes the Government's willingness to re-examine this issue in the House of Lords.**

62. The Government also rejected the Committee's recommendation that Parliament, through the Treasury Committee, may request retrospective reviews of the FCA's work, and that this be given statutory force. It argued that such a requirement "is clearly an executive responsibility".[81] In our Report on the Government's response we said we were unconvinced by this argument. As evidence for our view we cited the example of the FSA's initial decision to produce only a one page report on the failures at RBS. A full and detailed report was obtained only after sustained Treasury Select Committee and public pressure to do so.[82] The statutory accountability structures should be robust enough to render such exchanges and pressure unnecessary.

78 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, Appendix para 25

79 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, Appendix para 9

80 PBC (Bill 278) 2010–12, Financial Services Bill

81 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, Appendix para 28

82 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, para 11

63. **The Financial Services Bill should be amended to ensure that Parliament, through the Treasury Committee, may request retrospective reviews of the FCA's work. We reiterate the argument previously made that the ability of Parliament, through the Treasury Committee, to require reviews would provide an important check and balance on a Government or a regulator which might have an interest in not pursuing a certain inquiry, even when such an inquiry would clearly be in the public interest. The Committee's recommendation is an essential part of arrangements to arrive at adequate parliamentary scrutiny. Parliament should not be forced to rely on improvised and ad hoc arrangements between the Treasury Committee and the Financial Conduct Authority to deliver the necessary accountability such as was put together only after pressure from Parliament in the case of RBS. The Public Bill Committee in the House of Commons did not have enough time adequately to consider this.**

64. The Government also rejected the Committee's proposal that legislation provide that the Chief Executive of the FCA be subject to pre-appointment scrutiny by the Treasury Committee. The Government said that it agreed "that the FCA Chief Executive should be subject to a hearing before the Treasury Committee", but argued that this should take the form of "a pre-commencement hearing rather than a pre-appointment hearing". It argued that this was necessary because it was a "market-sensitive appointment" similar to "appointees to the Monetary Policy Committee of the Bank of England and the FSA Chair".[83] We responded by saying that "the Government has not supported its assertion with any further explanation, nor have we seen one in evidence".[84]

65. **The Government has failed to provide an adequate explanation as to the unsuitability of a pre-appointment hearing for the Chief Executive of the FCA. We do not accept its assertion that the appointment is too market-sensitive for such a procedure. We continue to believe that a pre-appointment hearing is appropriate for the CEO of the FCA. Parliamentary scrutiny through a pre-appointment hearing will bolster the legitimacy of the appointment.**

PRA veto over the FCA

66. The Government has proposed giving the PRA a veto over the FCA where, in the opinion of the PRA, an action by the FCA may either threaten the stability of the UK financial system or result in the failure of a PRA-authorised person in a way that would adversely affect the UK financial system. The Treasury Committee's Report on the FCA argued that the case for the PRA to hold a veto over the FCA's powers had yet to be made. Furthermore we argued that, if the Government persisted with veto powers in this area, such a power should be granted to the FPC rather than the PRA.[85] This would be

83 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, Appendix para 26

84 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, para 10

85 Treasury Committee, Twenty-sixth Report of Session 2010–12, *Financial Conduct Authority,* HC 1574, para 95–97

appropriate given the Government's contention that the veto should be exercised "where the PRA believes that an FCA action would result in a PRA-authorised person failing in a way that would adversely the financial system, or would threaten financial stability". The maintenance of financial stability is, of course, the responsibility of the Financial Policy Committee.

67. The Government rejected the Committee's argument in its response to our Report, arguing that it had constructed a high threshold for the use of the veto as well as accountability mechanisms for its use and, as a result, "expects the veto to be used in exceptional circumstances".[86] The Committee accepted that the veto is only likely to be used in exceptional circumstances, but thought that the Government had missed the key point:

> the issue of principle of a PRA veto over FCA actions is not dependent upon how often the veto is exercised. The Committee still considers that the veto should be granted to the FPC rather than to the PRA. If the Government were to proceed with the introduction of a veto power for the PRA it should be subject to a statutory requirement for retrospective review at a later date.[87]

68. The Minister, in Public Bill Committee, again rejected the idea that granting the veto to the FPC would be more appropriate:

> I do not believe that the FPC is the right body to exercise a veto. It will not have a detailed knowledge of the circumstances of individual firms unless it replicates the micro-prudential activities of the PRA, and that would not be a great idea.[88]

69. **The issue of the PRA veto over the FCA received insufficient attention in Public Bill Committee in the House of Commons. This is regrettable because the Government has yet to make an adequate case for the veto. Furthermore, it has yet to demonstrate to our satisfaction that, if a veto is to be granted, the veto should be given to the PRA rather than the FPC.**

Cost benefit analysis of financial regulation

70. The Treasury Committee has received much evidence from the financial services sector expressing concern about the mounting cost of financial services regulation. Many have questioned whether the benefits of many new regulations outweigh the costs. For this reason, in our report on the Financial Conduct Authority, we recommended that, once the new regulatory architecture of the FCA was established, the PRA and FCA should revisit the tools they use to examine the costs and benefits of regulation with a fundamental review. The Committee called on the Government to include in the Bill requirements for

86 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, Appendix para 36

87 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, para 14

88 PBC (Bill 278) 2010–12, Financial Services Bill

far more extensive cost-benefit analysis and consultation with firms, representative bodies and panels prior to the introduction of the new regime.[89]

71. The Government responded positively to parts of our recommendation in this area and we described it as "a step forward".[90] It said that it would encourage the FCA to consider the Committee's recommendations in this area carefully in its work on setting up the new regulators. The Government also said that it had amended the cost benefit requirements in the bill "so that regulators will be required in future to provide an analysis of costs and benefits and estimates of both costs and benefits where it is reasonably possible to do so."[91] However, we responded by saying that neither statement provided adequate assurance of an improvement in current inadequate practice:

> further explanation is needed to show how these changes will result in a more robust cost-benefit analysis of financial regulation ... periodic review of the costs and benefits of financial regulations, once implemented, is also required. The implementation of regulation tends to add to the burden over time, rendering the initial assessment of its putative impact of little value. Such periodic reviews require a statutory base.[92]

72. **We continue to believe that periodic review of the costs and benefits of financial regulations, once implemented, is required. Such reviews require a statutory base.**

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89 Treasury Committee, Twenty-sixth Report of Session 2010–12, *Financial Conduct Authority,* HC 1574, para 124

90 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, para 16

91 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, Appendix para 49

92 Treasury Committee, Twenty-eighth Report of Session 2010–12, *Financial Conduct Authority: Report on the Government response,* HC 1857, para 16

Formal Minutes

Wednesday 23 May 2012

Members present:

Mr Andrew Tyrie, in the Chair

Mark Garnier
Stewart Hosie
Andrea Leadsom
Mr Andrew Love
John Mann
Rt Hon Pat McFadden
Teresa Pearce
John Thurso

Draft Report (*Financial Services Bill*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 72 read and agreed to.

Summary agreed to.

Resolved, That the Report be the First 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.

[Adjourned till Tuesday 12 June at 9.45 am

List of Reports from the Committee during the current Parliament

Session 2010–12

First Report	June 2010 Budget	HC 350
Second Report	Appointment of Dr Martin Weale to the Monetary Policy Committee of the Bank of England	HC 475
Third Report	Appointment of Robert Chote as Chair of the Office for Budget Responsibility	HC 476
Fourth Report	Office for Budget Responsibility	HC 385
Fifth Report	Appointments to the Budget Responsibility Committee	HC 545
Sixth Report	Spending Review 2010	HC 544
Seventh Report	Financial Regulation: a preliminary consideration of the Government's proposals	HC 430
Eighth Report	Principles of tax policy	HC 753
Ninth Report	Competition and Choice in Retail Banking	HC 612
Tenth Report	Budget 2011	HC 897
Eleventh Report	Finance (No.3) Bill	HC 497
Twelfth Report	Appointment of Dr Ben Broadbent to the monetary Policy Committee of the Bank of England	HC 1051
Thirteenth Report	Appointment of Dr Donald Kohn to the interim Financial Policy Committee	HC 1052
Fourteenth Report	Appointments of Michael Cohrs and Alastair Clark to the interim Financial Policy Committee	HC 1125
Fifteenth Report	Retail Distribution Review	HC 857
Sixteenth Report	Administration and effectiveness of HM Revenue and Customs	HC 731
Seventeenth Report	Private Finance Initiative	HC 1146
Eighteenth Report	The future of cheques	HC 1147
Nineteenth Report	Independent Commission on Banking	HC 1069
Twentieth Report	Retail Distribution Review: Government and FSA Responses	HC 1533
Twenty-first Report	Accountability of the Bank of England	HC 874
Twenty-second Report	Appointment of Robert Jenkins to the interim Financial Policy Committee	HC 1575
Twenty-third Report	The future of cheques: Government and Payments Council Responses	HC 1645
Twenty-fourth Report	Appointments to the Office of Tax Simplification	HC 1637
Twenty-fifth Report	Private Finance Initiative: Government, OBR and NAO Responses	HC 1725
Twenty-sixth Report	Financial Conduct Authority	HC 1574
Twenty-seventh Report	Accountability of the Bank of England: Response from the Court of the Bank	HC 1769
Twenty-eighth Report	Financial Conduct Authority: Report on the Governments Response	HC 1857
Twenty-ninth Report	Closing the tax gap: HMRC's record at ensuring tax compliance	HC 1371
Thirtieth Report	Budget 2012	HC 1901