

**MEMO# 30572**

February 9, 2017

## **ICI Global Submits Letter on FCA's Mission Statement**

[30572] February 9, 2017 TO: ICI Members

ICI Global Members SUBJECTS: International/Global RE: ICI Global Submits Letter on FCA's Mission Statement

Recently, ICI Global submitted a letter to the UK Financial Conduct Authority (“FCA”) in response to their Our future Mission (“Mission”) statement.[\[1\]](#) The letter applauds the FCA for its efforts in developing the Mission, which generally envisions a thoughtful and balanced approach to regulation. A copy of our comment letter is attached and a brief summary follows below.

### **The FCA’s Approach to Regulation**

As the comment letter observes, FCA regulatory decisions impact regulated funds, the markets in which they invest, and the broader UK financial system in which they operate. For ICI Global members (and regulated entities generally), knowing how the FCA intends to approach its decision making, as well as the regulatory philosophy that will guide those decisions, provides some degree of predictability, both in terms of process and potential outcomes. The letter conveys strong agreement with particular aspects of the Mission, including:

- the “principles of good regulation” that the FCA intends to apply in all of its work;
- the FCA’s understanding that while effective regulation can help create a more competitive and innovative financial services market, regulatory requirements ultimately impose costs on consumers;
- the FCA’s observations that a well-functioning market is not one where consumers never lose and regulated firms never fail, but rather one that ensures firms exit the market in an orderly way that minimizes any associated disruption and harm to consumers; and
- the FCA’s pledge to keep its regulatory scheme apace with industry developments by reviewing its Handbook and regulations to determine which rules need revision or replacement.

### **Role of the FCA in Systemic Risk Regulation**

The Mission does not discuss the FCA’s role in systemic risk policymaking with implications for the firms and markets that it regulates or the FCA’s involvement with, and contributions to, the UK Financial Policy Committee (“FPC”). Our letter states that it is imperative for the FCA to bring its perspective and expertise to bear in the work of the FPC. Doing so will help

to ensure that the FPC's views and decisions are reflective of the diverse UK financial system and not just its banking sector. The letter urges the FCA to participate in the FPC to the fullest possible extent, including by advocating for the appointment of external members with capital markets expertise. It further states that this commitment needs to be featured prominently in the Mission, along with a discussion of how the FCA expects to contribute to the work of the FPC.

### **Involvement of the FCA in Other Policymaking Bodies**

ICI Global believes that the FCA's regulatory approach, and its deep understanding of the capital markets and their participants, would be beneficial in guiding other policymaking efforts of import to regulated funds and their investors. Our letter cites two work streams as examples of efforts in which we encourage the FCA's full engagement: (1) consideration by the International Organization of Securities Commissions of FSB recommendations to address perceived "structural vulnerabilities" in asset management; and (2) work under the direction of the European Banking Authority to develop a new prudential regime for EU investment firms. The letter recommends that the Mission reflect an FCA commitment to involvement in EU and international policymaking bodies whose work will impact FCA-regulated entities.

### **Use of Competition Policy Tools**

ICI Global's letter urges the FCA to use its competition policy tools judiciously, given the relative interconnectedness of UK financial markets with those in Europe and beyond. It notes that addressing (or even identifying) problems in the UK marketplace must be approached carefully so as to avoid triggering any distortion in the operation of financial markets more broadly. Further, our letter encourages the FCA, in any of its market examinations, to regularly solicit public feedback from market participants and other stakeholders, and to take that input into account when drawing final conclusions and appropriate policy responses.

### **Looking Ahead**

Our letter concludes with two, forward-looking suggestions for the FCA. First, we recommend that the FCA calibrate its regulatory activity in light of the challenges that Brexit will pose for regulated firms. Such calibration should aim to ensure that any transitions necessitated by Brexit (including those that will affect regulated funds and their investors) are orderly and do not undermine the FCA's regulatory objectives of protecting consumers, protecting the integrity of UK markets and enhancing competition. Second, we recommend that the FCA continually monitor the pace of regulatory change so that firms have time to adapt to significant new regulatory obligations (or to the market or other impact on their businesses brought about by regulatory change).

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[Attachment](#)

## endnotes

[1] Financial Conduct Authority, Our future Mission (Oct. 2016), *available at* <https://www.fca.org.uk/publication/corporate/our-future-mission.pdf>.

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