



Annual Report 2004/5

“We work, from our position within the FSA, to ensure that the interests of smaller financial services firms and their critical importance to a healthy, successful and vibrant marketplace are properly reflected in the development and application of FSA policy and operation

In particular, we will monitor how FSA regulation is affecting smaller firms, and challenge proposals that may have a disproportionate impact on them. Wherever possible we will work together with the FSA to eliminate provisions that would discourage enterprise, innovation and competition in the smaller firms sector”

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Chairman's Introduction

It gives me great pleasure to introduce the Panel's Annual Report for 2004/5, following my first year as Chairman. I and my Deputy Chairman, Mark Rothery, have had an interesting year, in particular, dealing with the vast number of new smaller firms which have come under statutory regulation as a result of the inclusion of mortgage and general insurance business. Throughout, we have had the enormous support and benefit of the Panel members and those within the FSA with whom we have worked closely in achieving, where possible, proportionate, good and sensible regulation for smaller firms. We do, however, recognise that the FSA must work within a legislative framework and in line with its strategic aims to maintain efficient markets, improve its business capability and effectiveness, and help retail customers achieve a fair deal.

The work of the Panel is important and often complex. Many of the matters it has to deal with are of a specialist technical nature, while others have more widespread and potentially wide ranging effects for the whole regulated community and, in particular, smaller businesses.

Since the appointment of Callum McCarthy and John Tiner and the reorganisation of the FSA and its Board, there has been a marked drive towards making the FSA easier to deal with for smaller businesses; and this has been observed by the Panel. This does not mean to say that we have reached a level of satisfaction in everything that the FSA does or is proposing to do in relation to smaller businesses, but it is clearly a move in the right direction.

We believe the Panel has been able to make a significant difference on behalf of smaller businesses but there is still much to do and we will continue to work collaboratively with the FSA and through the Financial Services Practitioner Panel to achieve this.

Although the Panel does not have a statutory basis in the same way as the Practitioner Panel or the Financial Services Consumer Panel, we see ourselves as performing a no less important role. The FSA aims to treat and engage with us on the same basis as the other panels, and to permit us equal access to its Board and senior management.

The Practitioner Panel survey (on which there is more detail later in this Report) highlighted a number of disturbing matters in relation to smaller businesses, and the Panel was pleased that the FSA has acknowledged these concerns and put forward proposals to tackle them. The debate will continue as to whether these measures will prove sufficient, but whatever view practitioners may take, they represent a clear statement-of-intent and foundation on which to build for the future and towards a better financial services industry.



Increasingly, regulation is being implemented in the United Kingdom not at the simple behest of the Government or the FSA but by the European Union. We have urged the FSA to ensure that, as far as possible, there is a level playing field between different EU States although, to some extent, given that smaller businesses typically operate only in the domestic arena, this is less important.

What is more significant for smaller businesses is the breadth and burden of regulation, and this is an area where the FSA is sometimes only a part player. We have, therefore, also opened up a dialogue with HM Treasury to ensure that they are well versed on small business issues, both generally and in the context to their proximity to the EU decision-making processes.

Again, as noted in the Report, we are concerned at the lack of visibility of the Panel and its work throughout the financial services industry, and we have taken steps this year to attempt to raise our profile. This has involved meeting with professional and trade associations, and will also include a presentation at the forthcoming FSA Annual Public Meeting. We are conscious that we need to do more, especially as much of the good work that we carry out for the smaller businesses community is at an early stage where it is not always obvious publicly that the Panel has been engaged on a particular issue. Instead, the point has often been successfully and logically argued in private.

The Panel has also expressed concern about whether the word “small” in our name – which does not carry any rigid definition – is itself a possible barrier to firms’ affiliation with us and our work. So, in order to provide greater flexibility in that regard, the FSA has agreed to the Panel’s recommendation to change our name to – the Smaller Businesses Practitioner Panel.

Smaller businesses are vitally important to the success of the financial services industry and, within the regulated community, they represent the vast majority – by number – of businesses. The Panel is committed to ensuring that this community is able to flourish and cope with regulation, and that regulation is applied in a consistent and risk-based way.

I hope you will read this Report and that it provides some interesting insight into the activities and views of the Panel. The Panel now has its own website and I, the Panel and the Independent Panels Secretariat provided by the FSA, are always willing to hear from smaller businesses either directly or through their trade associations.

Finally, I would like to take this opportunity to thank publicly those Panel members that have stepped down during the course of 2004/5 for their efforts and commitment – Michael Quicke, Gavin Tisshaw and Graham Doswell. In addition, Roger Sanders, a founding member and (along with Michael Quicke) the former co-chair of the Panel, left us at the end of May 2005 in favour of a position on the FOS Board – he goes with our appreciation and good wishes.

Ruthven Gemmell
Chairman
June 2005



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