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Reform and regulation

The Government's approach to financial service regulation



The Coalition Government believes that the current system of financial regulation is no longer suitable and needs to be replaced with a framework that promotes responsible and sustainable banking.

In his first Mansion House speech, Chancellor George Osborne set out the Coalition Government's plans to reform financial services following the financial crisis.

The old Tripartite regime will be abolished and the Financial Services Authority (FSA) will cease to exist in its current form. The Government will legislate to create a new Prudential Regulatory Authority (PRA), which will operate as a subsidiary of the Bank of England. The PRA will be solely responsible for the day-to-day prudential supervision of financial institutions.

A new Financial Policy Committee (FPC) will be established at the Bank of England. The committee will be able to look across the economy at the macroeconomic and financial issues that may threaten stability and address the risks it identifies. The FPC will be chaired by the Governor of the Bank of England and made up of independent members.

In addition, a new Consumer Protection and Markets Authority (CPMA) will also be established, with responsibility for the conduct of all financial services firms. This will create a single, strong conduct regulator for both retail and wholesale firms.

Sir John Vickers has agreed to chair a new Independent Commission on Banking. Four commissioners - Martin Taylor, Claire Spottiswoode, Martin Wolf and Bill Winters, will support Sir John. The independent commission will investigate how to:

- reduce systemic risk in the banking sector, exploring the risk posed by banks of different size, scale and function;
 - mitigate moral hazard in the banking system;
 - reduce the likelihood and impact of firm failure;
 - promote competition in both retail and investment banking whilst ensuring the needs of customers are addressed; and
 - consider the extent to which large banks gain a competitive advantage from being perceived to be too big to fail.
- **Independent Commission on Banking**

For more detail, see the **Chancellor's Mansion House speech**.

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