



**Smaller Businesses
Practitioner Panel**

Financial Services Authority

Annual Report 2009/10

Chairman's Foreword



Throughout my career I have been involved in a wide range of differing activities in the financial services sector with most of my efforts being focussed towards the promotion and protection of smaller businesses. However, never before have I been privileged to work with such a professional team of highly successful practitioners who commit an enormous amount of their time in support of the work undertaken by the Smaller Businesses Practitioner Panel (SBPP).

Smaller financial services businesses, accounting for over 90% of all regulated firms, play a vital role in providing local access to high quality financial services products throughout the UK; and they also contribute greatly to the economy and provide significant levels of highly skilled employment.

It is, therefore, reassuring as we slowly move out of recession, to witness the resilience and determination shown by so many smaller businesses, who have successfully survived some of the most challenging trading conditions in living memory: indeed many seem to be emerging from the recession in a fitter and more focussed manner.

This report highlights the work undertaken by the SBPP, with strong support and encouragement from the FSA and the Trade Bodies, as it seeks to represent the regulatory interests of smaller businesses during this period of unprecedented turmoil in the financial services marketplace.

There is no doubt that we have had a very busy year: but I feel it has been successful.

As a Panel we fully recognise that we will never achieve everything that we would want, in support of the 16,000 or so smaller businesses we represent: but from the willingness by which the FSA now so readily engages with us, I am increasingly confident that we do make a real difference.

If, having read our report, you would like to communicate with us then we can easily be contacted through our new website – www.sbpp.co.uk

I hope you find the Panel's Annual Report for 2009/10 interesting and informative.

A handwritten signature in black ink, appearing to read 'S. Bolam', written over a horizontal line.

Simon Bolam
Panel Chairman
June 2010

Introduction

The Smaller Businesses Practitioner Panel (SBPP) was established by the Financial Services Authority (FSA) in 1999 to represent the views and interests of smaller regulated firms.



As the SBPP did not exist when the Financial Services and Markets Act came into force, it does not hold the same “statutory” status as the Practitioner and Consumer Panels: nonetheless the SBPP is provided with the same facilities and support by the FSA. In numerical terms, the Panel represents over 90% of all regulated firms.

The Panel was extremely grateful to Hector Sants for supporting the proposal that it be granted “statutory” status in recognition of its work, as part of the recent Financial Services Bill: sadly, through the lack of Parliamentary time to ensure the safe passage of the Bill before the General Election, this proposal together with others were dropped from the Bill with appropriate apologies from the Treasury.

Membership of the Panel, consisting of 12 active practitioners, is drawn from smaller firms operating across the main sectors of the regulated community. With smaller banks, insurance companies and building societies tending to be larger entities than most operating in the credit union and intermediary markets, the Panel enjoys the many challenges of managing a wide variety of issues as they impact right across the various sectors of the regulated community.

The Chairman of the SBPP also sits on the Financial Services Practitioner Panel. This close working relationship, supported by the same Secretariat, ensures the overall interests of all regulated firms, whether large or small, are appropriately co-ordinated in a bid to achieve the best outcomes for all practitioners.

The primary aim of the Panel is to ensure that the interests of smaller regulated firms are properly and proportionately reflected in the policies of the FSA. The SBPP believes such action is vital to ensure that smaller businesses, who contribute so significantly to the economy of the country, can continue their historic role of providing easy access to high quality financial services products throughout all parts of the UK.

One of the main objectives of the Panel is to seek to engage with the FSA at the very earliest point when new regulatory initiatives are being conceived. The SBPP strongly believes that practitioner input at this early stage is far more likely to produce positive results rather than waiting until consultation papers are produced.

To achieve its overall objectives the Panel meets monthly (other than in August). In addition, sub-groups and individual members frequently meet with FSA staff to discuss specific sectoral issues.

The Chairman of the SBPP holds regular bilateral meetings with the Chief Executive, Managing Director of Supervision and the Director of the Small Firms & Contact Division. Additionally the Panel greatly welcomes the periodic lunch meetings with the

FSA Chairman, supported by Non-Executive Directors. Every effort is made by the SBPP to communicate with all interested parties.

Finally, one of the most significant achievements of the year has been the establishment of new and close links with the Consumer Panel; with a representative from each Panel now routinely attending each other's Panel meetings. This, as far as the SBPP is concerned, has brought some extremely valuable input to many of the issues under discussion. This subject will be addressed in greater detail later in this report.

This report now provides an overview of the main issues on which we have engaged with the FSA over the year from April 2009 to the end of March 2010.

The overall system of financial regulation

The two fundamental issues concerning the SBPP are the burden and costs of regulation in so far as they impact upon smaller businesses.

One of our most important responsibilities is, therefore, to look at how the FSA approaches the regulation of smaller firms overall, and to work to ensure that the burden of regulation is proportionate and does not, in the current economic climate, unfairly impact upon smaller "low risk" businesses that did not contribute to the recent financial crisis. The Panel, therefore, strongly challenges any question of "read across", from some of the more robust regulation designed to deal with the financial crisis, to areas where there is no evidence that firms have acted inappropriately.

FSA Business Plan

We continue to remind the FSA that the overall cost of regulation is a subject of very considerable concern to smaller businesses.

We, therefore, greatly appreciated the invitation from the Chief Executive to outline the Panel's views as to the priorities it would like to see as part of the FSA Business Plan. This initiative, which of course also involved the other Panels, reflects the welcome manner in which the FSA increasingly seeks to involve the three Independent Panels as part of its strategic thinking.

From the range of views, expressed by the Panel, the two most important are as follows:

- The need to reduce the number of regulatory initiatives and to focus on areas where there is apparent detriment.
- New and ongoing projects should be based upon 'must do' rather than 'nice to do'.

We were therefore pleased to see that the Business Plan for 2010/11 to 2012/13 very largely accepted these key points but also helpfully included a list of de-prioritised initiatives that have been taken out of plans for 2010/11.



As already highlighted the subject of “read across” represents an area of significant interest to the Panel. We have, therefore, expressed our concern about the increasing references to potential “read across” – between different sectors and between large and small firms. We continue to stress that, just because a new regulatory initiative has worked in one area of the industry, this does not mean it should be applied to other areas without a compelling regulatory reason (as opposed to tidy administrative conveniences). For example, there have been particular concerns over the last year that the added regulatory measures to deal with the banking crisis should not be applied to other sectors of the industry that did not contribute to the market failure. Equally such added regulation, which may be appropriate to the larger banks, should not unfairly be applied right across that sector resulting in a disproportionate and adverse impact upon the smaller deposit takers.

As part of the FSA’s increasing engagement with the Independent Panels, the SBPP greatly welcomes the recent invitation from the Chief Executive to formalise its strategic objectives and priorities for the next three years. The intention is that such input would be built into the FSA’s future Business Plans from next year onwards.

Use of cost benefit analysis

We have asked the FSA to review its use of cost benefit analysis (CBA) in developing new regulation.

There is a perception in the Panel that the results of CBAs will only be used when they support the FSA’s arguments, but when the CBA runs counter to what the FSA has planned to do, it will be overridden or ignored. This is often perceived as being unfair and potentially wasting a considerable amount of money. There are also examples of CBAs not being used when the FSA is introducing a change that has major cost implications for the industry but does not involve a rule change. The most significant example of this has been the FSA’s introduction of the Treating Customers Fairly workstream.

Structure of the FSA

The recent changes to split the FSA’s operational structure between “Supervision” and “Risk” has had little impact upon the smaller firms’ sector.

However, we are pleased that responsibility for small firms has been retained within the Smaller Firms and Contact Division. The Panel greatly values its constructive working relationship with the Smaller Firms Division and is grateful to its Director for the detailed update which is presented at each of our monthly meetings. This subject is outlined in greater detail, later in this report, under the heading of “Working with the FSA”.

The establishment of the Conduct Risk Division is a welcome development. As a result a member of the Division routinely attends our monthly meetings. This enables a useful exchange of market information, between practitioners and the FSA, as both parties seek to identify and react to emerging market issues that could potentially result in market failures with consequent consumer detriment.

FSA Board

The announcement in March that HM Treasury had appointed Amanda Davidson, with extensive experience in the IFA sector, to the FSA Board was very welcome.

However, with over 90% of all regulated firms falling with the definition of being “smaller”, it has been of considerable concern to the Panel that the number of Non-Executive Directors, with current and hands-on experience of the particular issues as they affect smaller firms has, in recent years, been limited to one. This seems totally disproportionate. On the other hand, the Panel recognises the genuine difficulties faced by both the FSA and the Treasury in identifying suitable individuals with the time and appropriate expertise to fulfil the overall responsibilities expected from a Non-Executive Director in the current challenging circumstances.

Future of the FSA

The Panel has significant concerns as to the likely impact upon smaller businesses of the Conservative Party’s proposals, for the future regulation of the financial services sector, as outlined in its Policy White Paper entitled “From Crisis to Confidence: Plan for Sound Banking.” Indeed, although smaller businesses represent such a large proportion of the total number of regulated firms, there were only two relatively brief references to them in the White Paper.

Since the publication of the White Paper the SBPP Chairman and Deputy Chairman met Mark Hoban MP and Shadow Treasury Minister in October in what turned out to be a largely unsuccessful attempt to gain more details of the Conservative Party’s intentions in relation to smaller businesses. Nonetheless the meeting gave the Panel the opportunity to explain the objectives of the Panel together with the main regulatory issues facing our very large and diverse community.

In particular the Panel is concerned that the proposals will result in:

- added costs with some smaller firms being required to deal with both the Bank of England and the Consumer Protection Agency;
- possible duplication between the two agencies particularly as far as supervision is concerned; and
- disproportionately higher levels of prudential regulation falling particularly upon smaller banks, building societies and insurers.

In summary the Panel believes that the current FSA model works well; having improved very significantly following the lessons learnt from the recent financial crisis.

Regulatory Fees for Smaller Firms

The Panel has continued to focus its attention on ensuring that the FSA appreciates that fee increases, at the very high levels imposed in recent years, are simply unsustainable to smaller businesses operating in areas that have not contributed to the recent financial crisis.

After strong representations to the FSA, the Panel welcomed the recommendations in the recent Consultation Paper (CP09/26 “Regulatory Fees and Levies”) outlining a fairer and much more transparent manner in which regulatory fees will in future be divided between the various fee blocks.

Although the new proposals see the minimum fee for the smallest businesses, with only a very few exceptions, rising to £1,000, this figure now much more fairly represents the true costs incurred by the FSA to regulate these businesses who had previously benefitted from a cross-subsidy from the other firms in their fee block. The Panel also supported the removal of “tapering”, which effectively gave financial advantages to larger businesses at the expense of smaller ones.

Inevitably such changes produce both winners and losers with, in this instance, the majority of smaller and mid-sized intermediary firms receiving the greatest benefits.

However welcome the proposals contained in CP09/26 were viewed, the Panel remains very concerned about the size of the FSA’s budget which it claims is necessary to fund its statutory objectives in the current marketplace. Although the Panel very much welcomes the open manner in which the FSA engages with it, as part of the establishment of the Business Plan, which in turn determines the budget, it remains extremely difficult for the Panel to make any form of informed judgment as to whether or not the resultant high fees offer best value for money.

In addition, we have strongly encouraged the FSA to fight for a fair financial contribution from the Government towards funding the new Consumer Financial Education Body (CFEB) as set out in the Financial Services Bill. Unfortunately, during the current economic climate there is a real risk that the Government could unfairly transfer an unreasonable proportion of the funding onto the financial community as it seeks to cut back on public expenditure. Such added costs would be particularly unfair on smaller businesses; particularly those that would not benefit financially from the work of the CFEB.

Financial Services Compensation Scheme (FSCS) funding

As an important part of its work relating to the overall cost of regulation, the Panel has frequently voiced concerns about the forthcoming levies, falling upon smaller firms, to provide adequate funding for the work undertaken by the FSCS.

The FSA fully recognises these concerns and the Panel will continue to work with the regulator in the hope that the final funding requirement, particularly as it relates to the problems in the banking sector, will be less than originally feared.

The Panel has welcomed the FSA’s recent commitment to a fundamental review of FSCS funding. As part of this review the Panel will be lobbying hard for the complete removal of the current rules that impose severe financial liabilities upon smaller businesses to subsidise the losses incurred by other sectors with which they have no regulatory involvement and have not therefore contributed to the financial failures for which the funding is required.

The current system, which includes the exemption of the wholesale market, is perceived as being profoundly unfair.

Financial penalties/enforcement

The Panel held constructive discussions with the FSA over the development of the recently announced methods of calculating financial penalties following enforcement action against regulated firms.

Although generally supportive of the manner in which the FSA now calculates the level of fines, the Panel remains concerned that, when senior individuals within larger companies are fined, there is no rule stopping those individuals from seeking reimbursement of the fine from their employers. The lack of such a rule effectively negates the intended purpose of the penalties designed to penalise the individual and not the company for bad regulatory practices. The Panel is pleased that the FSA recognises this point and has undertaken to review the situation at the first available opportunity. Such a change would bring the practice more into line with the impact that such fines currently have on smaller businesses.

We have also registered some concern about the level of fines being based on income, and suggested that appropriate metrics should be chosen for each sector. For instance, insurance brokers will have large amounts of income which is passed straight on to the providers of insurance, and not retained by the company. Monoline insurers could be hit particularly hard by the calculations, as they only have one product line, and so the whole income of the company would be taken into account. We have been somewhat comforted by the FSA's assurance that they would apply the calculations sensitively to different sectors.



European Regulation

The vast majority of smaller businesses have very little understanding of how the EU operates as far as the regulation of the financial services marketplace is concerned.

Smaller firms are not in a position to influence developments and therefore rely very largely on the FSA to protect their interests against disproportionate changes coming from the EU.

We have continued to receive support from the FSA to ensure that, wherever possible, EU regulation imposed on smaller UK firms is proportionate to the risks they pose to the FSA's own statutory objectives.

Dealing with specifics, the Panel is impressed with the very proactive approach being adopted by the FSA and trade associations in respect of the review of the EU Insurance Mediation Directive. In addition the Panel is currently taking a significant interest in the developments in respect of the Basel and Solvency II negotiations: these will have a significant impact on the way that the FSA will regulate in the future with many smaller firms being affected.

Solvency II

While significant progress has been made on Solvency II during the last year including finalising the framework directive much of the level 2 and level 3 work remains outstanding. It is already clear however, that it is highly likely smaller insurers choosing not to adopt the internal model process will be severely disadvantaged in capital terms while at the same time the hurdles to adopt such a model may prove prohibitive for them. While the FSA's hands are tied to a great extent by the European legislation, we are working with the FSA to assist smaller insurers with the process.

FSA Regulatory Initiatives

Retail Distribution Review

The FSA's Retail Distribution Review (RDR) was launched with the specific aim of identifying and addressing the root causes of problems that continue to emerge in the retail investment market. It has been an extensive piece of work with far reaching and significant outcomes for many smaller firms. We have therefore greatly appreciated the open and continuous manner in which the FSA has consulted the Panel over the last few years on this topic.

However, we have been increasingly concerned about the effect of the convergence of so many major regulatory changes and events in 2012. These separate developments include the RDR, capital changes, Solvency II, MiFID review, UCITS IV and the introduction of National Employment Savings Trust.

The current predictions that the cumulative result of all these changes will bring about a reduction of 10% to 40% in the current numbers of advisers is a matter of considerable concern to the Panel because of its potential impact upon the ability of consumers to gain easy local access to high quality independent advice.

Due to the highly complex and uncertain nature of the RDR project, in terms of its likely impact upon practitioners and consumers, a Joint Working Group, involving the three Independent Panels was established in January. The remit of the group was to co-ordinate all the concerns that had previously been identified by the individual panels and to present them formally to the Chief Executive seeking reassurance that they were fully understood and would be appropriately considered. The subsequent meeting with Hector Sants took place on 16 March and those present were reassured by the positive and constructive manner in which the report was received. The fact that this was the first occasion upon which the three Panels had chosen to work together just emphasises the importance in which the RDR project is viewed by all the panels.



Banking Regulation

The Panel has continued to express strong views upon the changes to banking regulation; particularly as far as they unnecessarily impact upon smaller banks, building societies and credit unions.

While it is understandable that substantial new regulation is proposed in response to the banking crisis, the Panel is mindful of the need to ensure that there are not unintended consequences on smaller financial institutions which do have a role to play in offering choice to consumers. In particular it has expressed concern that the FSA has taken an overly-literal view of the Payment Services Directive.

The Panel continues to resist any suggestions that more intensive regulation, introduced to address failures within the banking sector, might unnecessarily be imposed elsewhere.

Financial Services Compensation Scheme (FSCS) limits

The Panel continues to take an active interest in the development of the FSCS following the market crisis and the Tripartite Authorities' consultations.

The Panel strongly supports fair levels of consumer protection together with plans for a consumer awareness campaign for the FSCS.

However, the Panel continues to express serious concerns when proposals to extend levels of compensation through the FSCS are not combined with detailed analyses as to whether the financial community has indeed got the resources to fund such compensation without causing significant damage. The recent proposals, in respect of compensation for temporary high balances, are a good example of where the Panel expressed its serious reservations.

We have also urged the FSA to look into the restriction which means that firms are not able to claim against similarly regulated firms through the FSCS. There is little evidence on how many firms are affected by this anomaly and we have asked the FSA to investigate further.

Mortgage Regulation

The Panel has been very aware of the considerable trading difficulties facing mortgage intermediaries as a result of the credit crisis, with so many firms exiting the market.

The FSA's Mortgage Market Review (MMR), therefore, provides an excellent opportunity by which the FSA, together with the industry, can shape a market that will be fit for purpose for the challenges ahead as the UK emerges from recession.

The Panel has welcomed the very open manner in which it has been consulted by the FSA as this project has been developed. As part of this process the Panel has made a number of suggestions on behalf of smaller businesses. These included:

- that ultimate responsibility for assessing affordability should rest with lenders;
- that lenders should be empowered to make commercial decisions in respect of borrowers with “high-risk characteristics”;
- that regulation should only be at a macro-level; concentrating on diversification of portfolios and risk;
- that the FSA should not impose a rigid framework in respect of maximum borrowing limits for consumers;
- that firms should be able to add certain fees onto the amount of the loan so that consumers are not given a loan rate which includes hidden fees;
- that there should not be an outright prohibition on self-certification mortgages, as these products are appropriate in certain circumstances.

In addition to the MMR, the Panel has taken a keen interest in the ongoing proposals relating to mortgage arrears.

Payment Protection Insurance (PPI)

The FSA has undertaken a significant amount of work in this area.

The Panel fully recognises that there have been major market failures arising from inappropriate practices adopted by certain firms who sold PPI products. As a result the Panel supports proposals to provide consumers with fair levels of compensation.

Although this particular problem mainly involves larger firms, the Panel remains concerned that, where firms do not have the resources to pay compensation then all general insurance intermediaries, very largely consisting of smaller firms, become responsible for providing the funding required by the FSCS.

Regulatory Transparency

Over the year, the Panel has had a number of discussions with the FSA with regard to its plans to request authorised firms to publish customer complaints data and their implications for smaller firms.

As both FSA and the Financial Ombudsman Service only require disclosure from those firms with the largest numbers of complaints, these particular requirements are unlikely to affect smaller firms.

However, smaller intermediary firms will be recommending insurers and product providers who may well be required to disclose their complaints data. Consequently, the Panel has asked the FSA to ensure that the published data is properly contextualised in a format from which both intermediaries and consumers can make informed judgements. The Panel stressed to the FSA that its proposals, as outlined in CP09/21 (Transparency as a Regulatory Tool and Publication of Complaints Data), do not fulfil this important objective and remedial work should be undertaken.

Financial Capability strategy

The Panel has been very supportive of the excellent work undertaken over past years by the FSA towards improving financial capability within the population. Indeed such work is in line with the FSA's statutory objective to promote public understanding of the financial system.

Although potentially it may take many years before the positive results of this initiative can be accurately measured, there can be little argument that better informed consumers become better clients. As far as smaller financial regulated firms are concerned, this is a particularly good initiative.

The Panel also supports the establishment of the Consumer Financial Education Body as proposed in the Financial Services Bill as a way of setting up the "Money Guidance" initiative as an independent body. However, as outlined earlier in this report, it does have strong reservations about the willingness of the Government to provide its share of the funding for this service without seeking to transfer its obligation onto the financial community.

Key topics with which the Panel has been involved over the year

FSA fees and strategic fee review	With-profit funds
FSA Business Plan	Client Asset Risk reports
Retail conduct risk at the FSA	Stress and scenario testing
Small firms supervision	Dormant accounts and reclaim funds
FSCS funding and limits	Prudential rules for personal investment firms
Financial capability	Compensation limits on SIPPs
Banking regulation	Unfair contract terms
Turner Review Feedback	Sale and rent back
Retail Distribution Review	Capital requirements directive
Professional Standards Board	Financial Ombudsman Service
Liquidity	Payment Protection Insurance (PPI)
Financial promotions	Strengthening capital standards
FSA enforcement penalties	Mortgage Market Review
European regulation	Mortgage arrears handling
Single customer view	Sale and Rent Back
Hedge fund manager regulation	Money Laundering regulations
FSA use of Cost Benefit Analysis	Insurance Mediation Directive
Strategic review of redress	FSA Financial Risk Outlook

Working with the FSA

As outlined in the introduction of this report the primary purpose of the Panel is to ensure that the interests of smaller financial services firms are taken into account and are properly reflected in the policies of the FSA.

To achieve these objectives the Panel made a conscious decision in 2008 to change its method of operation from being an Independent Panel, which largely stood apart from the FSA and made critical comments, to one that was prepared to offer its very considerable expertise to constructively support and challenge the FSA as it developed new initiatives affecting smaller businesses.

As a result of this decision, the Panel's working relationship with the FSA has fundamentally changed in a very positive manner. Because of our decision to work closely with the FSA, often in highly confidential circumstances, the Panel is now consulted on emerging regulatory issues from their very early stages. This enables the Panel to input its expertise as practitioners at a point in time when, in our view, it matters most.

But of equal importance, as has been frequently highlighted in this report, the Panel, with strong support from within the FSA, has now become much more involved in a far wider range of strategic issues, culminating in a recent invitation to contribute towards the development of future editions of the FSA's Business Plan.

Although it can be difficult to quantify the Panel's positive achievements in support of smaller businesses, there is no doubt that the revised methods of operation are being viewed as much more valuable. This position being evidenced by the increasing workload falling upon the individual Panel members as their expertise is increasingly being called upon.

Although the Panel's workload has increased significantly this has been more than offset by the feeling that the added input brings real value to smaller businesses; which in turn provides a great deal of personal satisfaction and motivation to the Panel members themselves.



Having made these statements it is important to stress that the Panel remains completely independent in its thinking and steadfastly continues to "speak its mind". Probably the best way to describe the Panel's role is to state that it acts as a "critical friend". Although the Panel does not achieve its objectives on every occasion it nonetheless feels confident that the points it makes are seriously considered.

Working with the other independent panels

During the year the SBPP made a determined effort to work much more closely with the Consumer Panel. With considerable support from Adam Phillips, Chair of the Financial Services Consumer Panel, this position has been achieved.

As a result a representative from the two Panels now routinely attends the monthly meetings of the other. As far as the SBPP is concerned, this added input helps to ensure that consumer related issues are factored into the Panel's discussions to produce more balanced conclusions when it comes to providing recommendations to the FSA. On a reciprocal basis, this exchange also gives the SBPP the opportunity to provide its practitioner experience to the Consumer Panel.

The SBPP has always had a direct link with the Financial Services Practitioner Panel, as the Chairman of the SBPP is also an ex officio member of the Practitioner Panel: this ensures coordination and close cooperation.

At the administrative level, all three Panel chairs were recently invited by the Chief Executive to give a joint presentation on the priorities and work of the Independent Panels to the FSA's senior management team. This was the first time such an invitation had been given and from a SBPP perspective it was a very useful opportunity to re-emphasise the Panel's more proactive objectives to the FSA itself.

Based upon an initiative, originated by the SBPP, the three Independent Panels met for the first time to co-ordinate a joint approach to the FSA to express their combined concerns on a subject of considerable importance. On this occasion, as previously reported, the Panels produced a joint paper outlining their concerns in relation to the RDR and related issues. This was then presented and discussed with the Chief Executive. From time to time very major issues, which seriously concern all three Panels, do arise and the fact that the three Panels have now demonstrated that they can work effectively together, to emphasise the importance of a particular concern, hopefully sends a very powerful signal to the FSA.

The SBPP expects that there will be further opportunities for the three Panels to pursue more joint initiatives.

Communicating with trade associations and the regulated community

The Panel members are nominated to serve on the SBPP by their Trade Associations because they have been identified as being highly regarded practitioners with a thorough understanding of their marketplace and regulatory issues.

The SBPP is not a Trade Association nor ever seeks to attempt to duplicate the work which the Trade Associations seek to fulfil on behalf of their member firms. The principal function of the SBPP, as should be clear from this report, is to constructively

challenge and support the work undertaken by the FSA in an advisory capacity. This effectively means that much of its work is undertaken “below the radar” and in the strictest of confidence.

The effectiveness of the SBPP can only be maintained if it retains a very close relationship with the main trade bodies to ensure that it remains fully up-to-date with the views and aspirations of the regulated community. To achieve this objective the two Practitioner Panels host six-monthly meetings with the trade bodies to discuss matters of mutual interest. In addition the Secretariat maintains regular contact with the trade bodies, producing regular updates that are then formally presented to the Panels for action.

Inevitably there are many thousands of small practitioners who choose not to join a trade or professional body and therefore feel they have no “voice” or influence when it comes to regulatory and allied matters. Recognising this position the SBPP now has a new website – www.sbpp.org.uk – which has been designed to inform regulated firms as to the objectives of the Panel and the current issues being discussed: however more importantly the website has a facility enabling regulated firms to input their own thoughts and concerns. This is a useful source of information for the Panel but the real challenge is getting smaller firms to take the benefit of this facility.

Secretarial support

The facilities and encouragement received from the FSA in support of the work undertaken by the Panel, from the Board downwards, has been outstanding and greatly appreciated.

However, on a day-to-day basis, the Panel is supported by a small team, in the Secretariat, which it shares with the Financial Services Practitioner Panel. In this report the Panel would like in particular to express its sincere thanks to Stuart Mead, Secretary to the Practitioner Panels, Ann Smith, Manager, Corporate Services, Joy Barrie, Relationship Manager, Rebecca Tabor, Communications and Public Relations Adviser, Judy Wakeford and Beverley Whiley, Administrators. Their effective support and friendship to the Panel is excellent and very professional.

Panel membership

Gill Cardy, representing the IFA Sector, left the Panel in the autumn of 2009 to sail around the world. Gill’s positive contribution to work of the Panel was significant and greatly appreciated.

During the year the Panel welcomed:

- Fiona McBain, Scottish Friendly Assurance Society Ltd, to represent Friendly Societies and small Life Assurers.
- Clinton Askew, Citywide Financial Partners Ltd, to represent the IFA sector.

A full list of the Panel membership is shown in Appendix 1.

Priorities for the future

The combination of regulatory change and political change means that the next two years will see significant pressures on the FSA. The Panel is pleased that the FSA has continued with its own planning for the future on a 'business as usual' approach. We support this approach as we seek to ensure that the burden of regulation and regulatory change is managed as effectively as possible for all regulated firms but particularly smaller businesses.

Smaller businesses are at the very heart of the UK economy and, in financial services terms, represent for many consumers their route to advice and products. The Panel has welcomed its engagement with the differing areas of the FSA over the last two years. We try to ensure that smaller financial services businesses can continue to prosper against the backdrop of economic recession and an increased regulatory burden dealing with the fallout from the recession. It must however be stressed that the next two years will see the coming together of a number of different strands of regulatory change. It is essential that we prioritise the specialist sectoral skills of the Panel to try and ensure that the interests of smaller businesses are properly considered, while taking all competing factors into account.

The Panel will continue to work with the Consumer Panel and the Practitioner Panel where relevant to ensure that the scale and purpose of further regulatory change is achievable, sustainable and proportionate to firms. We will continue to engage with the debate on the future regulatory environment so that the interests and concerns of smaller firms are clearly articulated and understood.

Appendix 1

Members of the Smaller Businesses Practitioner Panel – 2009-10

Panel Member	Position
Simon Bolam Chairman	Principal, EH Ranson and Company (insurance brokers)
Phil Gray Deputy Chairman	Chief Executive, Beverley Building Society
Clinton Askew (Panel member from November 2009)	Director, Citywide Financial Partners
Gill Cardy (Panel member to September 2009)	Director, Professional Partnerships
Ian Dickinson	Director, The Brunsdon Group
Paul Etheridge	Chairman, The Prestwood Group of Companies
Peter Evans	Chief Executive, Police Credit Union
Sally Laker	Managing Director, Mortgage Intelligence
Guy Matthews	Chief Executive, Sarasin Investment Funds
Fiona McBain (Panel member from September 2009)	Chief Executive, Scottish Friendly Assurance
Keith Morris	Chairman and Chief Executive, Sabre Insurance Company
Andy Smith	Special Projects Advisor, TD Waterhouse UK
Andrew Turberville Smith	Chief Operating Officer and Finance Director, Weatherbys Bank Ltd

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