

Corporate & Financial Weekly Digest

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FSA Chief Executive Gives Speech on Financial Services Reform

On December 13, Hector Sants, Chief Executive of the UK Financial Services Authority (FSA), gave a speech setting out the progress made toward the bodies that will replace the FSA: the Prudential Regulation Authority (PRA) and the Consumer Protection and Markets Authority (CPMA).

Key points covered by the speech include:

- The PRA is to design a risk model to assist with financial stability damage control in the event that a firm fails.
- The CPMA will be given greater powers of intervention than those currently available to the FSA. This will allow the CPMA and the PRA to intervene earlier than the FSA does at present.
- A review of FSA rules will take place, with a view to slimming down prudential rules. While CPMA rules will focus on guidance and principles, there will be a shift to prescriptive requirements.
- The FSA's approach to wholesale conduct will be reviewed, and regulation will be developed where market discipline has proved ineffective.
- The FSA and Bank of England envisage that a high-level memorandum of understanding, with detailed annexes, will be essential to ensure effective coordination between the CPMA and the PRA.
- In April 2011, the FSA will replace its current risk and supervision business units with a prudential business unit and a consumer business unit.

To read the speech in full, click [here](#).

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