
INFORMATION NOTE

Financial System of the United Kingdom

1. Background

1.1 The Panel on Financial Affairs and Bills Committee on Securities and Futures Bill and Banking (Amendment) Bill 2000 of the Legislative Council (LegCo) scheduled to conduct an overseas duty visit to New York and London to study the regulatory regimes and market operations of these two leading international financial centres, as well as to establish direct links with regulatory bodies and market players in these places in early April 2001. To facilitate their visit, the Research and Library Services Division of the LegCo prepared two separate information notes providing basic information on the regulatory regimes and reform of the financial services industry of these two countries.

1.2 The financial system of the United Kingdom (UK) constitutes banks, monetary financial institutions¹, non-monetary financial institutions², financial markets³ and brokers/dealers. The following provides information on banks, monetary financial institutions and financial markets. We have not covered non-monetary financial institutions and brokers/dealers due to resource constraints.

2. Overview of the Population and Economic Situation of the UK

2.1 In 1999, the UK had a total population of 59.5 million⁴ and GDP totalled £891 billion⁵ (HK\$10,157 billion)⁶. The financial services sector contributed to over 6% of GDP and employed more than 1 million people⁷. Per capita GDP amounted to £14,975 (HK\$168,663).

¹ Monetary financial institutions refer to building societies, national savings, friendly societies, credit unions and venture capital companies.

² Non-monetary financial institutions refer to insurance companies, Lloyd's (Lloyd's is an incorporated society of private insurers in London. It is not a company but a market for insurance administered by the Council of Lloyd's and Lloyd's Regulatory and Market Boards) and fund managers.

³ Financial markets refer to equities markets, Euromarket, foreign exchange markets, futures and options markets.

⁴ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p2

⁵ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p381

⁶ As at December 2000, £1=HK\$11.4. Information extracted from Hong Kong Monthly Digest of Statistics, January 2001, Census and Statistics Department, Table 7.12, p125

⁷ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p508

3. Regulatory Regimes of the UK Financial Services Industry

3.1 HM Treasury is responsible for the overall financial legislation and the institutional structure of the underlying regulation. The Bank of England and the Financial Services Authority (FSA) assume the operational responsibility of all sectors of the financial services industry. The role and functions of the Bank of England and the FSA will be discussed in Section 4 and 7 respectively.

4. The Banking System and Monetary Financial Institutions

4.1 As at the end of March 2000, there were altogether 315 retail and investment banks authorized to accept deposits under the Banking Act 1987.⁸ In addition, 103 branches of European-authorized institutions were entitled to accept deposits in this country.⁹ The Bank of England is the central bank. Other monetary financial institutions include building societies, national savings, friendly societies, credit unions and venture capital companies. All these financial institutions are regulated by the FSA.

Bank of England - the Central Bank

4.2 The Bank of England is the central bank of the UK. Following the enactment of the Bank of England Act 1998, it is no longer responsible for prudential supervision of banks and financial institutions but retains primary responsibility for the following:

- (a) maintaining the overall stability of the financial system including stability of the monetary system;
- (b) administering the payments systems at home and abroad;
- (c) monitoring developments in the financial system; and
- (d) promoting the efficiency and effectiveness of the national financial sector at the international level.

⁸ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p512

⁹ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p512

4.3 The Bank is managed by the Court of Directors which constitutes a Governor, two Deputy Governors and 16 Directors. The Directors form a Committee of Court and is responsible for the following:

- (a) reviewing the Bank's performance in relation to its objectives and strategy;
- (b) monitoring the Bank's financial control;
- (c) determining the Governor's and Deputy Governors' remuneration; and
- (d) reviewing the procedures in formulation of the monetary policy undertaken by the Monetary Policy Committee¹⁰.

4.4 The Court of Directors is required to report annually to the Chancellor of the Exchequer.

Retail Banks and Banking Groups

4.5 Retail banking provides deposits, withdrawal and loan facilities for individual customers and small businesses. The 'big four' banks in the UK commonly referred to HSBC, Lloyds TSB, Royal Bank of Scotland and Barclays.

Investment Banks

4.6 Investment banks offer a range of professional financial services to corporations. These banks provide advice and financial services to companies, especially in respect of mergers, takeovers and other forms of corporate reorganization.

Building Societies

4.7 Building societies are institutions owned by their savers and borrowers. This type of financial institution provides retail deposit-taking services as well as housing finance to their customers. In 2000, there were 68 authorized building societies; about 17 million adults had building society savings accounts and some 3 million adults secured mortgage loans from a building society.¹¹

¹⁰ The Monetary Policy Committee is responsible for monetary policy formulation, in particular, the setting of interest rates.

¹¹ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p515

Friendly Societies

4.8 Friendly societies provide a range of financial and insurance services to their members through subsidiaries. These institutions provide small-scale savings products, life insurance and also provision against loss of income owing to sickness or unemployment. In 2000, there were around 250 friendly societies with total funds of £15 billion (HK\$171 billion) and an estimated membership of over 5 million.¹²

Credit Unions

4.9 Credit unions are mutually owned financial co-operatives. In September 1999, there were 666 credit unions registered in the UK. As at the end of 1998, credit union membership amounted to 256 000 and assets totalled under £148 million (HK\$1,687 million).¹³

National Savings

4.10 National Savings is an executive agency of the Chancellor of the Exchequer and is a source of finance for government borrowing. It offers personal savers a range of investments which include savings certificates, pensioners' bonds, children's bonus bonds and ordinary and investment accounts. In 2000, about 23 million people held premium bonds issued by National Savings.¹⁴

Venture Capital

4.11 Venture capital companies offer medium- and long-term equity financing for new and developing business. Venture capital companies in the UK are the largest and most developed in Europe.

Other Credit and Financial Services

4.12 Finance houses and leasing companies provide credit, business finance and leasing and motor finance to consumers.

¹² Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p516

¹³ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p517

¹⁴ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p516

5. Financial Markets

5.1 The UK has the world's biggest market in trading foreign equities, accounting for 58% of global turnover. It is also the world's biggest foreign exchange market, actively trading the largest range of currencies. All financial markets in the UK are regulated by the FSA.

5.2 The FSA is an independent body established by Parliament in October 1997 with a view to creating a single regulator to streamline the regulation of the financial services industry¹⁵ which was for a long time under the ambit of different regulatory bodies. FSA was formally established by the Financial Services and Markets Act 2000 (FSM Act) in June 2000. Details of the FSM Act are given in Section 6 under the Financial Reform in the UK.

Foreign Exchange Markets

5.3 London is the world's biggest centre for foreign exchange trading, accounting for about 30% of global net daily turnover.¹⁶

Euromarket

5.4 The Euromarket began after World War II with Eurodollars, that is, US dollars lent outside the US. It has now developed into a major market in a variety of currencies lent outside their domestic markets. London is at the centre of the Euromarket and houses most of the leading international banks and securities firms. Around 70% of Eurobonds and foreign bonds in the world are traded in the UK.¹⁷ Coredeal, the most recently recognized UK investment exchange, started operations in May 2000 and acts as an exchange for transactions involving such bonds.

¹⁵ There are about 11 000 institutions in this industry.

¹⁶ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p521

¹⁷ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p521

Equities Markets

London Stock Exchange

5.5 The London Stock Exchange is one of the world's leading exchanges. In August 2000, there were 1 911 UK and 504 international companies listed on the main market, with a market capitalization of £1,968 billion (HK\$22,435 billion) and £3,831 billion (HK\$43,673 billion) respectively.¹⁸ A further 460 small, young and growing companies were listed on the Alternative Investment Market (AIM).¹⁹ In November 1999, the London Stock Exchange launched 'techMARK', a market which brings together 190 listed companies that are engaged in technology or related sectors²⁰.

5.6 The London Stock Exchange also handles other financial products such as Eurobonds, warrants, depository receipts and gilt-edged stock.

Other Equity Exchanges

5.7 Other markets in the City of London for trading equities are Tradepoint²¹, OM London Exchange²² and Ofex²³.

Settlement System

5.8 CREST, a computerized settlement system for shares and other company securities, handles the settlement of all company securities traded in the UK.

¹⁸ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p520

¹⁹ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p520

²⁰ Britain 2001, The Official Yearbook of the United Kingdom, Prepared by the Office for National Statistics, 2000, p520

²¹ Tradepoint is an electronic, order-driven stock exchange created for all professional securities traders within the European Economic Area, Switzerland, Hong Kong and the US. Qualifying institutions and intermediaries are able to access the Tradepoint market directly and trade in the majority of the UK listed securities and the top European stocks.

Tradepoint has developed a pan-European electronic trading facility with the backing of a group of investment banks and agreed a merger of its facilities with those of the Swiss stock exchange to form a new exchange, Virt-X to trade Pan-Europe blue chip stocks. Virt-X will be fully operational by June 2001.

²² OM Group is a Swedish company providing exchange technology. It designs, implements, and supports products and system solutions for exchanges and clearinghouses. OM also owns and operates the OM Stockholm Exchange and OM London Exchange. It designed to merge the London and Frankfurt exchanges to create the new iX exchange (International Exchanges).

²³ OFEX was established in 1995 to provide a share-trading platform for unlisted and unquoted securities, off-exchange.

Futures and Options Markets

5.9 The London International Financial Futures and Options Exchange (LIFFE) handles financial derivatives including futures and options. It also handles commodities trading such as coffee, cocoa and sugar trading.

5.10 All LIFFE's financial and commodity futures and options contracts are traded on the LIFFE Connect electronic trading system. In June 2000, LIFFE announced its intention to work with technology and venture capital partners to accelerate the development of its exchange business using the Connect system and to exploit the opportunities available in the rapidly growing e-commerce business-to-business markets.

Other Exchanges

5.11 There are other important exchanges in the City of London. These include:

- (a) the *London bullion market* - around 60 banks and other financial trading companies participate in the London gold and silver markets;
- (b) the *London Metal Exchange (LME)* - the primary base metals market in the world, trading contracts in aluminium, aluminium alloy, copper, lead, nickel, tin and zinc;
- (c) the *International Petroleum Exchange (IPE)*; and
- (d) the *Baltic Exchange* - the world's leading international shipping market.

6. Financial Reform in the UK

6.1 In 1997, the UK government took the view that the existing financial services regulatory framework was in need of reform. The reasons were as follows:

- (a) fragmented financial services regulations which were increasingly outdated and did not respond to dynamic markets;
- (b) multiple and overlapping regulators imposing different regimes incurred heavy costs and burdens on companies; and
- (c) confusing array of regulators and dispute resolution mechanisms faced by consumers.

6.2 Following the Chancellor of the Exchequer's announcement of the proposals to introduce legislation to reform the regulation of financial services in May 1997, the Treasury published a consultation paper entitled *Financial Services and Markets Bill: A Consultation Document* which explained its policy in detail. After two years of consultation and legislative process, the Financial Services and Markets Bill was finally given Royal Assent on 14 June 2000.

Provisions of the Financial Services and Markets Act 2000

6.3 According to the FSA Chairman, the new system "will include cost effectiveness with the reduction of overheads and removal of duplication in the system." The FSM Act provides the formal establishment of the FSA. It equips the Authority with a full range of statutory powers and creates the Financial Services and Markets Tribunal. The FSM Act also establishes the framework for single ombudsman and compensation schemes to provide further protection for consumers.

The FSM Act makes provision, amongst other things, with respect to:

- (a) the constitution and accountability of the Authority;
- (b) the definition of the scope of regulated activities;
- (c) the control of financial promotion;
- (d) powers of the Authority to authorize, regulate, investigate and discipline authorized persons;
- (e) the recognition of investment exchanges and clearing houses;
- (f) arrangements for the approval of controllers and the performance of regulated activities;
- (g) the oversight of financial services provided by members of the professions;
- (h) regulation and marketing of collective investment schemes;
- (i) certain criminal offences;
- (j) powers to impose penalties for market abuse; and
- (k) the transfer to the Authority of registration functions in respect of building societies, friendly societies, industrial and provident societies and certain other mutual societies.

Businesses to be Authorized and Regulated

6.4 Businesses to be authorized and regulated under the Act include:

- (a) banks;
- (b) building societies;
- (c) insurance companies;
- (d) friendly societies;
- (e) credit unions;

- (f) Lloyd's;
- (g) investment and pensions advisers;
- (h) stockbrokers;
- (i) professional firms offering certain types of investment services;
- (j) fund managers; and
- (k) derivatives traders.

6.5 As a result of the FSM Act, the functions of nine regulatory bodies of the UK financial services industry were merged under a single regulator the FSA. (Table 1)

Table 1 - Regulators of the UK Financial Services Industry Before and After the Establishment of the FSA

Institution	Regulators before the establishment of the FSA	Current regulators (Divisions of the FSA)
Banks	<ul style="list-style-type: none"> • Supervision and Surveillance Department of the Bank of England • Investment Management Regulatory Organization 	<ul style="list-style-type: none"> • Major Financial Groups Division • Deposit Takers Division
Building societies	<ul style="list-style-type: none"> • Building Societies Commission 	<ul style="list-style-type: none"> • Major Financial Groups Division • Deposit Takers Division
Insurance companies	<ul style="list-style-type: none"> • Insurance Directorate of the Department of Trade and Industry 	<ul style="list-style-type: none"> • Major Financial Groups Division • Insurance Firms Division
Friendly societies	<ul style="list-style-type: none"> • Friendly Societies Commission 	<ul style="list-style-type: none"> • Insurance Firms Division
Credit unions	<ul style="list-style-type: none"> • Chief Registrar and Registry of Friendly Societies 	<ul style="list-style-type: none"> • Deposit Takers Division
Lloyd's	<ul style="list-style-type: none"> • Insurance Directorate of the Department of Trade and Industry 	<ul style="list-style-type: none"> • Insurance Firms Division
Investment and pensions advisers	<ul style="list-style-type: none"> • Investment Management Regulatory Organization 	<ul style="list-style-type: none"> • Investment Firms Division
Stockbrokers	<ul style="list-style-type: none"> • Securities and Futures Authority 	<ul style="list-style-type: none"> • Investment Firms Division
Professional firms offering certain types of investment services	<ul style="list-style-type: none"> • Personal Investment Authority 	<ul style="list-style-type: none"> • Investment Firms Division
Fund managers	<ul style="list-style-type: none"> • Investment Management Regulatory Organization 	<ul style="list-style-type: none"> • Investment Firms Division
Derivatives traders	<ul style="list-style-type: none"> • Securities and Futures Authority 	<ul style="list-style-type: none"> • Investment Firms Division

6.6 As prescribed by the FSM Act, the FSA has four objectives:

- (a) maintaining confidence in the financial system;
- (b) promoting public understanding of the financial system;
- (c) securing an appropriate degree of protection for consumers; and

- (d) reducing financial crime.

6.7 In accordance with the above objectives, the FSA exercises the following functions:

- (a) making rules under the FSM Act;
- (b) preparing and issuing codes under the FSM Act;
- (c) giving general guidance to the financial industry; and
- (d) determining general policy and principles of the FSA.

6.8 The FSA is governed by a Board appointed and removable by the Treasury and is accountable to the Treasury Ministers and, through them, to Parliament. It is funded by the industry it regulates or registers.

6.9 The FSA is managed by three Managing Directors and a Chief Operating Officer reporting to an Executive Chairman. There are five supervisory divisions to regulate different types of institutions.

(a) Major Financial Groups Division

6.10 This Division regulates major banks, building societies, investment banks and insurance companies and will replace the Complex Groups Division²⁴ which was set up when the FSA was first established. Corporations previously regulated by the Complex Groups Division will eventually be all transferred to the jurisdiction of the Major Financial Groups Division.

(b) Deposit Takers Division

6.11 Deposit Takers Division regulates banks and building societies that fall outside the jurisdiction of the Major Financial Groups Division, and all credit unions.

(c) Insurance Firms Division

6.12 This Division regulates insurance companies that fall outside the Major Financial Groups Division, and friendly societies.

²⁴ A complex group is defined as one that is large with multiple regulated groups undertaking complex and sophisticated business. There were 53 such firms in August 1999.

(d) *Investment Firms Division*

6.13 Investment Firms Division regulates investment firms that are not covered by the Major Financial Groups Division. These investment firms include financial advisers, fund managers, stockbrokers and other firms originally regulated by the self-regulating organizations (SROs).

(e) *Markets and Exchanges Division*

6.14 Markets and Exchanges Division supervises investment exchanges, clearing houses and other similar entities, for example, companies providing order-routing and settlement services.

6.15 There are six Recognized Investment Exchanges (RIEs) and two clearing houses under the supervision of the FSA. These exchanges include:

- (a) the London Stock Exchange;
- (b) Tradepoint;
- (c) the OM London Exchange;
- (d) the London International Financial Futures and Options Exchange (LIFFE);
- (e) the London Metal Exchange (LME);
- (f) the International Petroleum Exchange (IPE);
- (g) the London Clearing House (LCH); and
- (h) CRESTCo.

Financial Ombudsman Service

6.16 The FSM Act requires the FSA to establish a single, compulsory ombudsman scheme for the resolution of disputes between authorized firms and their customers.

6.17 The new scheme is created to replace the eight dispute-resolution schemes²⁵ which are used to handle complaints about financial services. The new scheme is to be administered by the Financial Ombudsman Service Limited (FOS), an independent 'scheme operator' set up by the FSA and funded by a combination of general levy and case fees.

²⁵ The eight schemes were: (a) The Office of the Banking Ombudsman; (b) The Office of the Building Societies Ombudsman; (c) The Insurance Ombudsman Bureau; (d) The Office of the Investment Ombudsman; (e) The Personal Insurance Arbitration Service; (f) The PIA Ombudsman Bureau; (g) The SFA Complaints Bureau and Arbitration Services; and (h) The FSA Independent Investigator.

6.18 The scheme operator constitutes a chairman and a board of directors. The chairman and members of the board are appointed by the FSA. Appointment of the chairman also requires Treasury approval.

6.19 All firms authorized by the FSA will be subject to the Ombudsman's procedures, but will be required to attempt to resolve complaints themselves in the first instance.

Financial Services Compensation Scheme

6.20 The FSM Act requires the FSA to create a scheme for the payment of compensation to consumers who suffer financial loss as a consequence of the inability of an authorized person to meet its liabilities. The FSA is conferred by the FSM Act to establish a 'scheme manager' to administer the Financial Services Compensation Scheme. The scheme manager constitutes a chairman and a board of directors. The chairman and board members are appointed by the FSA. Appointment of the chairman also requires Treasury approval.

6.21 The scheme is yet to be established at the time of publication of this research report. It may consist of a number of different compensation funds, for which levies can be raised from different sectors of the industry and different rules may be made as to the level of and eligibility for compensation.

Compensation for Investors

6.22 Before the new scheme is established, a compensation scheme for investors is already in place which is operated by the Investors Compensation Scheme²⁶ (ICS). The ICS provides payments up to £48,000 (HK\$547,200) to private investors if a regulated firm cannot meet its defined business liabilities. The funds used to pay compensation come from authorized investment firms.

Compensation for Depositors

6.23 One major existing compensation scheme for depositors is the Deposit Protection Scheme administered by the Deposit Protection Board. This Scheme is funded by contributions from banks and each depositor may receive payment of 90% of their deposit, up to a maximum of £18,000 (HK\$205,000) in the event of bank collapses. A similar scheme also exists to protect depositors with building societies.

²⁶ Investors Compensation Scheme (ICS) is a separate company handling day-to-day claims made by investors.

Review of the UK Banking Services

6.24 The Chancellor of the Exchequer is of the view that a competitive and efficient banking sector is essential to raise the level of sustainable growth in the UK economy. He announced in his 1998 Pre Budget report that the Government would conduct an independent review of banking services in the UK. The review was an independent investigation of banking services in the UK and was led by Don Cruickshank²⁷. The review looked into the level of innovation, competition and efficiency in the banking industry and how well it served the needs of business, consumers and the UK economy. In March 2000, the Government published the report *Competition in UK Banking: A Report to the Chancellor of the Exchequer* concluding the work of the review.

6.25 The Review investigated three areas, namely, methods of money transmission²⁸, services to personal customers²⁹ and services to small and medium sized businesses (SMEs)³⁰.

Money Transmission

6.26 "Money transmission services are supplied in the UK through a series of unregulated networks, mostly controlled by a few large banks which in turn dominate the markets for services to SMEs and personal customers. This market structure results in the creation of artificial barriers to entry, high costs to retailers for accepting credit and debit cards, charges for cash withdrawals up to six times their cost and a cumbersome and inflexible payment system that is only slowly adapting to the demands of e-commerce."³¹

6.27 Listed below are problems identified in the area of money transmission:

- (a) slow clearing cycles for cheques and automated payments;
- (b) high charges for cash withdrawals; and
- (c) high interchange fees.

²⁷ Don Cruickshank was Managing Director of the Virgin Group Plc (1984-89); Chief Executive of the NHS in Scotland (1989-93); and Director-General of OFTEL (1993-98). He was Chairman of the Government's Action 2000 Millennium Bug campaign and is Chairman of Scottish Media Group Plc.

²⁸ Money transmission is the flow of money between firms, individuals and Government through the payment systems. Main methods of money transmission included cash machines, credit and debit cards, cheques, direct debits and standing orders as well as high value payments.

²⁹ Services to customers include current accounts, savings products, personal loans, mortgages and credit cards.

³⁰ Services to small and medium sized businesses include current accounts and external finance.

³¹ Information extracted from the Executive Summary of the Final Report of the Review of Banking Services in the UK published on 20 March 2000, paragraph 11.

Services to Personal Customers

6.28 "In the supply of services to personal customers, the Review found significant information problems. Many consumers are unaware of even basic details of financial services. Barriers to switching accounts are perceived to be high and many services are sold off the back of current accounts, the supply of which is dominated by a few large firms. If customers have a complaint, the systems for redress are inadequate."³²

Services to SMEs

6.29 "Information problems³³ apply also to SMEs. The levels of market concentration in the supply of banking services to SMEs are high. Prior to the Royal Bank of Scotland/ NatWest merger, the big four banks' share of the supply of banking services to SMEs was 83%. The result of this market structure is high profits and high prices, in particular for money transmission services."³⁴

6.30 In view of the above problems, the review made the following recommendations:

- (a) establish a stronger policy framework to increase transparency in banking supervision, deliver effective competition scrutiny, eliminate regulatory distortions and prevent anti-competitive mergers in the banking industry;
- (b) establish a new payments system commission (PayCom) to supervise a licensing regime for banks' payments systems;
- (c) investigate the existence or possible existence of a monopoly position in the supply of banking services to small businesses;
- (d) provide better information to help customers make the most from developing competition in the banking sector;
- (e) provide opportunities for the low income group to have access to affordable basic banking services; and
- (f) improve existing procedures for handling complaints about banking services.

³² Information extracted from the Executive Summary of the Final Report of the Review of Banking Services in the UK, published on 20 March 2000, paragraph 12.

³³ Apart from the problem on access to information, there were other problems including account switching, representation and redress system.

³⁴ Information extracted from the Executive Summary of the Final Report of the Review of Banking Services in the UK, published on 20 March 2000, paragraph 13.

6.31 Since the dynamic interaction between regulation and competition can have a profound impact on market structure, the report also recommended that the Government should review the impact of the FSM Act on competition in banking two years after its implementation, with particular emphasis on the governance of the FSA and the impact of regulation on competition.

6.32 On publication of the report, the Government announced that it would implement two of the key recommendations through:

- (a) referring to the Competition Commission the supply of banking services to small businesses by clearing banks; and
- (b) announcing that it would legislate to open up access to payment systems and to oversee access charges.

6.33 The Government made a formal response in August 2000 to the Review report published in March 2000 (see paragraph 12.23) that it would adopt a number of measures designed to improve competition in the UK banking markets and to deliver benefits to consumers. These include:

- (a) reviewing self-regulatory redress mechanisms, with the aim of ensuring that they deliver sufficient consumer benefits;
- (b) encouraging the provision of comparative information on banking products;
- (c) agreeing to a review of the effect of the FSM Act on competition after two years; and
- (d) reforming the Treasury's objectives on promoting competition in financial services.

References

1. Financial Services Authority, *Building the New Regulator, Progress Report 1*, December 2000; <http://www.fsa.gov.uk/development/newreg>
2. Financial Services Authority, Financial Ombudsman Service, *Complaints handling arrangements*, Response on CP49, A joint policy statement, December 2000; <http://www.fsa.gov.uk/pubs/policy/p32.pdf>
3. Financial Services Authority, Financial Ombudsman Service, *Funding the Financial Ombudsman Service*, A joint consultation paper, November 2000
4. Financial Services Authority, *A new regulator for the new millennium*, January 2000
5. Financial Services Authority, *The Financial Services Authority*, August 1999
6. Financial Services Authority, *Meeting our responsibilities*, August 1998
7. Financial Services Authority, *The open approach to regulation*, July 1998
8. <http://www.fsa.gov.uk/>
9. <http://www.fsa.gov.uk/development>
10. <http://www.fsa.gov.uk/pubs/press/2001/017.html>
11. <http://www.fsa.gov.uk/pubs/press/2000/146.html>
12. http://www.fsa.gov.uk/pubs/policy/bnr_progress1.pdf
13. <http://www.fsa.gov.uk/pubs/policy/p31.pdf>
14. <http://www.fsa.gov.uk/pubs/speeches/sp71.html>
15. <http://www.fsa.gov.uk/pubs/cp/cp74.pdf>
16. <http://www.fsa.gov.uk/accountability/>
17. Financial Services and Markets Act 2000
18. Explanatory Notes to Financial Services and Markets 2000 Chapter 8
19. <http://www.hmsso.gov.uk/acts/acts2000/00008--s.htm>
20. <http://www.hmsso.gov.uk/acts/acts2000/00008--b.htm#1>
21. <http://www.hmsso.gov.uk/acts/acts2000/00008-bf.htm#sch17>
22. <http://www.hmsso.gov.uk/acts/acts2000/00008--r.htm#212>
23. <http://www.hmsso.gov.uk/acts/en/2000en08.htm>
24. <http://www.hmsso.gov.uk/acts/en/00en08-a.htm>
25. <http://www.hmsso.gov.uk/acts/en/00en08-h.htm>
26. Bank of England Act 1998, Chapter 11; <http://www.legislation.hmsso.gov.uk/acts/acts1998/19980011.htm>
27. http://www.bankofengland.co.uk/ab_bank.htm
28. *Competition and Regulation in Financial Services: Striking the right balance*, An interim report
29. *Review of Banking Services in the UK, Competition and Banking in the UK: A progress note*; <http://www.bankreview.org.uk/progress.html>

30. http://www.bankreview.org.uk/final_report.html
31. <http://www.bankreview.org.uk/>
32. <http://www.bankofengland.co.uk/court.htm>
33. http://www.imro.co.uk/about/a_pia.htm
34. http://www.imro.co.uk/about/a_sfa.htm
35. http://www.imro.co.uk/about/a_fsa.htm
36. http://www.imro.co.uk/about/a_what.htm
37. <http://www.tradepoint.co.uk/>
38. http://sc.com.my/html/publications/press/pr_981022.html
39. <http://www.ofc.gov.uk/html/rsearch/links.htm>
40. <http://www.rroom.co.uk/response/Mon/execsummary.pdf>
41. Britain 2001, *The Official Yearbook of the United Kingdom*, Prepared by the Office for National Statistics
42. Census and Statistics Department, *Hong Kong Monthly Digest of Statistics, January 2001*

Prepared by Ms Vicky LEE
28 March 2001
Tel: 2869-7735

The Legislative Council Secretariat welcomes the re-publication, in part or in whole, of this document, and also its translation in other languages. Material may be reproduced freely for non-commercial purposes, provided acknowledgement is made to the Research and Library Services Division of the Legislative Council Secretariat as the source and one copy of the reproduction is sent to the Legislative Council Library.

-----✕-----
Research Paper No.:

Title:

It would greatly help to ensure that Research Papers fulfil their purpose if Members (or their staff) would fill in and return this brief pre-addressed questionnaire. Negative responses can be as useful as positive.

For your purposes, did you find this research paper:

1.	Very useful <input type="checkbox"/>	Fairly useful <input type="checkbox"/>	Not much use <input type="checkbox"/>	Inadequate <input type="checkbox"/>	Any comments? _____ _____ _____ _____
2.	Too long <input type="checkbox"/>	Relatively lengthy <input type="checkbox"/>	A bit short <input type="checkbox"/>	Too short <input type="checkbox"/>	_____ _____ _____
3.	Clear <input type="checkbox"/>	Fairly clear <input type="checkbox"/>	Sometimes unclear <input type="checkbox"/>	Rather unclear <input type="checkbox"/>	_____ _____

Name _____

(Member /Assistant to _____)

Please fold

Ms Eva LIU
Head, Research and Library Services
Research and Library Services Division
Legislative Council Secretariat
5/F, Citibank Tower
3 Garden Road, Central
Hong Kong

Please fold