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01 June 2023.

Lord Holmes of Richmond  
House of Lords  
London  
SW1A 0PW

Dear Lord Holmes of Richmond,

**Re: Financials Services & Markets Bill: Regulations and Regulators Amendments**

GBBC Digital Finance (“GDF”) strongly supports your four (4) amendments: 115, 116, 196, and 74, which can be found in Addendum 1 of this letter, proposed under Baroness Penn, “RUNNING LIST OF ALL AMENDMENTS ON REPORT, Tabled up to and including 25 May 2023.”

The U.K.’s financial services sector is a key contributor to delivering prosperity and opportunity to our future society, and boosting: GDP, employment and tax revenues with innovation in the sector facilitating the digital transformation agenda in the U.K. Our historic status and standing as a global financial services and fintech hub gives us fertile ground to achieve this, however, to be able to achieve this, this highly regulated sector needs a body of regulators and agencies that can *deliver world-class regulatory outcomes* that can keep up with the pace of the industry, support our world leading companies and marketplaces that covers: banking, insurance, and asset management and be accountable and demonstrate this through measurable outcomes to policymakers, transparently for public view.

This is now more critical than ever with new digital technologies being deployed in global financial services and moving at a greater pace than most second tier marketplaces and companies can keep up with. At a time where macroeconomic and political volatility prevails, with little end in sight over the medium term for consumers or businesses – the benefits of cheap money for past 40 years will profoundly impact the U.K.’s prized leading fintech ecosystem - this must be mitigated through stronger policy towards safely expediting the proportional regulation for digital innovation in the financial services sector.

The Financial Conduct Authority’s (FCAs) competition mandate paved the way for fintech and digital innovation following the Great Financial Crisis in 2008, a crisis that saw two (2) of the U.K.’s four (4) high street banks taken into state receivership. The FCA Innovation Hub, and the world’s first Regulatory Sandbox for a financial conduct regulator was the face that launched hundreds of regulatory sandboxes in agencies around the globe helping to make the U.K.’s fintech and digital innovation ecosystem the envy of the world.



Fast forward to 2022 and the crowned fintech jewel had lost its shine. A large portion of this can be attributed to the once innovation friendly, welcoming but rigorous innovator being indifferent and often hostile towards the global cryptocurrency market. This is evident with the 2020 retail banning of crypto derivatives, against the FCA's own research data and industry feedback, and unalined to any other G20 jurisdiction at the time. This, coupled with the poor performance in administering the AML registration regime with only four (4) firms processed in a year of the regime from a list of over a hundred applications, indicated a fall from grace for the FCA and subsequently the U.K.

Whether the quality of the decision-making process was best serving the U.K. public and market may be questioned, the expenditure and distress delivered a process that was opaque to all, and in any case resulted in the FCA's reputation falling from "fintech hero to zero" in less than five (5) years. Anecdotal feedback of shocking treatment of both individuals personally and firms (sometimes regulated in other top tier jurisdictions) resulted in greater reputational damage to the FCA in the market and saw several firms exiting the U.K. or even worse still being told to leave without explanation.

The crypto market, while proving controversial in many jurisdictions has found a mature and comprehensive approach in several major jurisdictions like the European Union, with the Markets in Crypto Assets Regulation (MiCA) entering into the Official Journals in June; The U.A.E.'s Dubai, with the Virtual Assets Framework launched in May; and in Hong Kong with the Cryptoassets Licensing regime, launched on 1 June. Whilst the crypto market is only 13 years old, and often behaves like a teenager, it is like our teenage children "under construction and development", and like our teenage children, is best nurtured considerately and respectfully as it matures.

What is most important to note is that while the crypto markets are very small by comparison, under \$2 trillion in market cap, they have provided the innovative financial market infrastructure that is now helping to digitally transform our capital markets with DLT, digital assets, and digital asset custody. Larry Fink, the CEO of Blackrock, the world's largest asset manager, estimates the market for the (digital) tokenization of global real-world assets to be in excess of \$290 trillion, and the U.K. must position its markets to capitalise on this and join in and help lead this digital transformation. The opportunity of this maturing market is further unlocked and strengthened by the regulatory clarity provided by the aforementioned regulatory regimes, giving investors and innovators the consistency and confidence needed to plan, invest, create, and grow.

GDF and our strong U.K. membership and presence, along with our sister company, the Global Blockchain Business Council, have over 500 corporate and institutional members globally, and we have been recently impressed with the U.K.'s financial services ecosystem. With the recent HMT Consultation on a Future Financial Services Regulatory Regime for Cryptoassets and an Economic Secretary to the Treasury who has an open-door and a "can do" attitude to markets, we, for the first time since 2016, have seen positive engagement and behaviour and it has gone a long way to restoring the reputation of the U.K. as a choice jurisdiction for innovative companies. In addition, we welcome the new Chair of the FCA, who with a global regulatory background, most recently serving as Chair and CEO of the International Organization of Securities Commissions (IOSCO) and former Hong Kong Securities and Futures Commission (SFC), is well positioned to provide excellent leadership and guidance to the FCA



executive and U.K. Government policymakers on the topic of strategic digital innovation across the financial services sector.

The proposed Financial Services and Markets Bill will help to transform the U.K. financial service sector to ensure it is competitively positioned and compelling to the fintech and digitally innovate firms and tools of all sizes to win both at home and abroad for Team Digital Britain. As importantly, the Bill proposes to extend the regulator's competition mandate to include "international competition" and "growth". The globally jaw-dropping innovative nature of this mandate for a conduct regulator must be matched by policymakers' ability to hold these regulators accountable by members of parliament and ensure that these mandates are being fulfilled and delivered.

It is for these reasons GDF supports the **Financials Services & Markets Bill: Regulations and Regulators Amendments.**

Let us not see the future digital innovation agenda in the U.K. politicised by partisan politics or poor leadership and management in our regulatory agencies that aim for world class performance – we are now witness to this unfolding in a number of G20 countries - and must hold our nerve to pass this new legislation to enable the digital transformation of our capital markets to improve our productivity, the better inclusion for our citizens in greater financial prosperity, and a more safe and secure digital financial experience for all of our citizens and business.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'L Wintermeyer', written in a cursive style.

Lawrence Wintermeyer  
Chair



**Addendum 1: The full text of all four amendments submitted:**

**115**

Insert the following new Clause—

“Requirement to publish regulatory performance information on new authorisations

(1) The FCA and PRA must each lay before each House of Parliament a report on their regulatory performance as soon as practicable after the end of— (a) the period of six months beginning with the day on which this Act is passed, and (b) subsequently, each quarter.

(2) The reports must include analysis and data on the following— (a) the total number of new applications for authorisation made to each regulator each year, and a breakdown by authorisation type; (b) the rates of approval for applications for authorisation by each regulator and a breakdown by authorisation type; (c) the average length of time taken from application to final authorisation decision by each regulator; (d) an estimate of the time and costs required by an applicant to comply with information requirements for authorisation; (e) such other matters as the Treasury may from time to time direct.”

**116**

Insert the following new Clause—

“Requirement to publish regulatory performance information on authorised firms (1) The FCA must lay before each House of Parliament a report on its regulatory performance as soon as practicable after the end of— (a) the period of 6 months beginning with the day on which this Act is passed, and (b) subsequently, each quarter.

(2) The report must include the average length of time taken from application to final decision for each of the following regulatory responsibilities— (a) approved persons; (b) change in control; (c) variation of permission; (d) waivers and modifications that alter compliance obligations.”

**196**

Insert the following new Clause—

“Determination of applications

(1) FSMA 2000 is amended as follows.

(2) In section 61 (determination of applications), after subsection (2) insert—

“(2ZA) In determining the application, the regulator must— (a) assign a new application to a case handler within 5 working days of the application being made, (b) complete an initial application review within 10 working days of allocation to a case handler, and (c) allow a period of no more than 15 working days from receiving the application, to make requests for additional information. (2ZB) The regulators must publish monitoring data on an annual basis regarding the following— (a) the proportion of cases which required escalation to sponsoring firms, including summary trend data on the reasons



for escalation, (b) the average time it takes to assign a case handler, and (c) the average number of days it takes to complete an application in full.””

**74**

After Clause 26

Insert the following new Clause—

“Regulatory principles to be applied by both regulators: proportionality principle In section 3B(1) of FSMA 2000 (regulatory principles to be applied by both regulators), in paragraph (b), for the words from “considered” to the end of that paragraph substitute “taking into consideration the nature of the service or product being delivered, the nature of risk to the consumer, whether the cost of implementation is proportionate to that level of risk and whether the burden or restriction enhances UK international competitiveness;”.”



## **About GDF**

GDF is a not-for-profit industry body that promotes the adoption of best practices for crypto and digital assets, and digital finance technologies through the development of conduct standards, in a shared engagement forum with market participants, policymakers and regulators.

Established in 2018, GDF has convened a broad range of industry participants, with 300+ global community members - including some of the most influential digital asset and blockchain companies, financial institutions, and professional services firms supporting the industry. With our sister firms, the Global Blockchain Business Council (GBBC) we have over 500 corporate and institutional members around the world.

The GDF Code of Conduct (the 'Code') is an industry-led initiative driving the creation of global best practices and sound governance policies. GDF is informed by close conversations with regulators and developed through open, inclusive working groups of industry participants, legal, regulatory and compliance experts, financial services incumbents and academia. The principles set out in the Code undergo multiple stages of community peer review and open public consultation prior to ratification.