



The Hundred Group
of Finance Directors

Investor Relations and Markets Committee

Financial Regulation Strategy
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

By email: financial.reform@hmtreasury.gsi.gov.uk

13 April 2011

Dear Madam / Sir

A new approach to financial regulation: building a stronger system

We are pleased to submit our comments on the above consultation.

Who we are

The Hundred Group is a non-political, not-for-profit organisation which represents the finance directors of the UK's largest companies, with membership drawn mainly, but not entirely, from the constituents of the FTSE100 Index. Our aim is to contribute positively to the development of UK and International policy and practice on matters that affect our businesses, including taxation, financial reporting, corporate governance and capital market regulation. Whilst this letter expresses the view of The Hundred Group of Finance Directors as a whole, they are not necessarily those of our individual members or their respective employers.

Our views

We made a number of comments in the course of our original submission and hence have decided to restrict our comments to just 2 critical and related issues.

1. Attractiveness of the UK Market

As set out in our original response, the Hundred Group is committed to supporting the competitiveness of the UK as a respected, global financial centre.

Underpinning UK competitiveness is the strength of our capital markets and their integrity, commerciality and stability. The Government's desire to 'see a competitive, world-leading financial services industry in the UK', which assumes that this will arise from 'a rigorous and effective regulatory framework which provides a strong platform for sustainable growth and success' would appear, to us, to be over-simplistic. Inappropriate or overly burdensome regulation may assist stability, but may also restrict available resources, which would not contribute to growth.

We note that the recent interim report from the Independent Banking Commission specifically examines the impact of the proposed reforms on the attractiveness of the UK as a place to locate international financial services activity. We consider that, in the same way, it would be extremely short sighted to design a regulatory architecture which does not need to similarly

reflect on the impact of their proposals. We would therefore like at least one arm of the proposed regulatory structure to be mandated to consider the impact of any regulatory proposals on the attractiveness of the UK economy, to both UK based institutions and overseas investors.

2. Cooperation and collaboration

In order to operate effectively within its remit and to deliver the operational benefits of the new structure, there must be full and unfettered cooperation and collaboration between the PRA, the FCA, and the Bank of England.

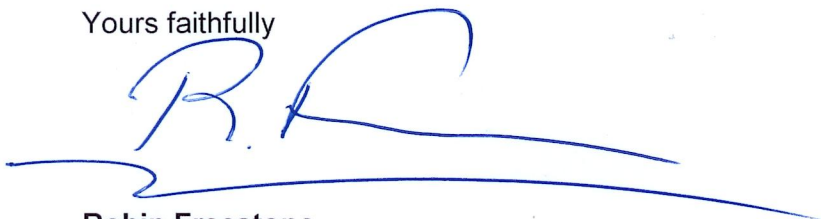
While we support the statutory duty to coordinate, this culture will be better ingrained if supported at the highest level. To this end, we fully support cross-membership of the boards. In addition we would recommend the establishment of regular, minuted meetings held between the bodies, attended and reviewed by government, as well as clear accountability within government for ensuring that trends across markets are highlighted and understood. This should provide the government with ample warning of growing concerns across markets, as well as an understanding of risk if action is not forthcoming

Coordination between the different bodies is equally important when considering the need to interact positively and constructively in Europe and Internationally. We anticipate that policy and legislative developments in Europe will have an increasingly significant impact on the UK in the coming years, which will require a correspondingly strong, consistent, measured UK view.

Despite being a key centre for finance in Europe, the UK will have only limited voting power on these issues and it is essential, therefore, that UK regulatory authorities speak with full authority and knowledge, presenting one strategic, consistent 'voice' to Europe. Effective coordination between all the regulatory authorities, including the area of the Bank of England responsible for CCPs and settlement systems, will be critical.

Please feel free to contact me if you wish to discuss our comments on the proposals.

Yours faithfully



Robin Freestone

Chairman

The Hundred Group – Investor Relations and Markets Committee