



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

10th October 2022

Rt Hon Dame Andrea Leadsom DBE MP
House of Commons
London
SW1A 0AA

Financial Services and Markets Bill

Dear Andrea,

Thank you for your contributions during the second reading of the Financial Services and Markets Bill on 7 September. In his closing speech, the Economic Secretary, Richard Fuller MP, committed to respond in writing on matters raised in the debate which he was unable to cover in the time available. As the minister now responsible for the Bill and for financial services policy, I am following up on that commitment.

Cryptoassets

You asked how cryptoasset regulation interacts with fiat currency regulation. The government intends to use the powers in the Bill to regulate stablecoins backed by fiat currency such as pound sterling. This will ensure that these stablecoins meet the standards we expect of other payment methods using fiat currencies. The government intends that payments made using stablecoins will be regulated in a similar way as other forms of payments, in line with the regulatory principle of same risk, same regulatory outcome.

You also asked how the government would help victims of cryptoasset fraud. The government takes fraud very seriously and continues to work closely with industry and relevant regulators to protect members of the public from fraudsters. The Financial Conduct Authority (FCA) has issued consumer warnings on cryptoasset-related investments and the FCA's ScamSmart initiative provides information on how consumers can identify and avoid investment scams, including in relation to cryptoassets.

Additionally, the government confirmed last year that it will ensure the appropriate regulation of cryptoasset promotions by legislating to bring certain cryptoassets into financial promotions regulation. The government's approach will ensure that relevant

cryptoasset promotions are held to the same standards for fairness, clarity and accuracy that exist across the financial services industry more broadly.

Payments systems

You asked how we could make payment systems more robust, and how to ensure they remain fit-for-purpose in preventing fraud. The government is clear on the importance of fraud prevention, and is committed to a multifaceted approach to combat fraud. To help prevent payments fraud, the Payment Systems Regulator has recently taken action to mandate Confirmation of Payee. This enables payers to check that they are sending payments to the right person, and is now enabled for the vast majority of payment accounts. Furthermore, the FCA continues to supervise payment service providers' anti-fraud controls, and is raising consumer awareness of APP fraud through its ScamSmart initiative. In relation to building resilient payment systems, the payment systems operator Pay.UK, with oversight from the Bank of England and Payments System Regulator, continues to progress delivery of the New Payments Architecture, as the successor payment system to Faster Payments. This seeks to future-proof UK payments, providing conditions where innovation and competition can also thrive.

Cheques

You asked what could be done to make cheques easier to cash in, including methods that do not require a constituent to visit a bank branch. As you may recall, in 2015 the government legislated to allow UK banks and building societies to introduce 'cheque imaging'. This allows for cheques to be cleared by exchanging a digital image in place of the physical cheque itself, and some banks enable their customers to pay in a cheque by taking a photo with a banking app on their smartphone or tablet, adding further convenience for customers. This is now a matter for industry to adopt.

Financial education

You asked what the government is doing to help support financial education in schools. The government is committed to ensuring that people build their financial capability so they are able to make the right decisions throughout all stages of their financial lives and maximise their use of financial products and services. Financial education for children and young people plays an important role in this and was made statutory for 11- to 16-year-olds within the national curriculum for citizenship in England in 2014. The Department of Education has also introduced a rigorous mathematics curriculum for 5- to 16-year-olds which provides young people with the knowledge and skills to make important financial decisions.

In 2019, the government established the Money and Pensions Service (MaPS) to support consumers with comprehensive, consistent and free guidance. In 2020, MaPS published the UK Strategy for Financial Wellbeing, which sets out five national goals to improve the UK's financial wellbeing by 2030. These include increasing the number of children and young people receiving a meaningful financial education.

As part of this work, in 2021, MaPS also published financial education guidance for primary and secondary schools in England, to support school leaders and education decision makers to enhance the financial education currently delivered in their schools.

Support to the credit union sector beyond the FSM Bill

You asked how the government is supporting the credit union sector. As you know the Bill will allow credit unions in Great Britain to offer more products and services, which are being brought forward to support the growth and development of the credit union sector. The government understands the unique role played by credit unions in Great Britain in providing a home for savings and affordable loans to their members, including those who may otherwise have to resort to high-cost lenders. I am personally keen to hear more how we can help grow this space and have asked my officials for advice on this.

In addition to the changes included in the Financial Services and Markets Bill, the government has released £100 million of dormant assets funding to Fair4All Finance, an independent, not-for-profit organisation focused on increasing the financial wellbeing of people in vulnerable circumstances, to support their work. As part of this, they have developed a scale-up programme that offers tailored support to affordable credit providers, such as credit unions.

Additionally, the government ran the prize-linked savings pilot, PrizeSaver, from October 2019 to March 2021 to increase awareness and membership of the credit union sector and to support members in increasing their financial resilience by building their savings. The pilot was successfully delivered through 15 credit unions across Great Britain, proving that the model works in a UK context. The scheme is now run independently by the credit union sector.

Mutual Recognition Agreements

You noted the importance of Mutual Recognition Agreements (MRAs) now that the UK has left the EU. The government agrees MRAs are vital to strengthening the UK's position as an open and global financial hub. You asked how these MRAs will be scrutinised by Parliament. Financial services MRAs will be subject to regular parliamentary scrutiny under the process established by the Constitutional Reform and Governance Act 2010. Furthermore, the secondary legislation to implement MRAs, made using the power in the Financial Services and Markets Bill will also be scrutinised by Parliament through the affirmative legislative procedure.

Thank you for your interest and advocacy on behalf of your constituents on these topics. In order to assist colleagues, I am also depositing a copy of this letter in the Library of the House.

A handwritten signature in blue ink that reads "Andrew Griffith". The signature is written in a cursive, flowing style.

Andrew Griffith MP