Figure 9: Timeline of UK regulatory events

1980s

Introduction of the modern regulatory system; self-regulation among asset managers, statutory oversight of banks and insurers.

- The Financial Services Act 1986 (FSA 1986) marks a step change in the nature and extent of UK investment business regulation.
- April 1988 sees the introduction of a regulatory system that has investor protection as its main aim.
- The system is based on five self-regulating organisations (SROs);[48] membership organisations tasked with the creation, monitoring and enforcement of rules for their respective members.
- The SROs cover five different areas of financial services; futures broking and dealing, financial intermediation, investment management, life assurance broking and securities broking. Asset managers are represented by the IMRO.
- The SROs are approved and overseen by the Securities and Investments Board (SIB), a regulator with statutory powers.
- Banks and insurers are under statutory regulation by the Bank of England and the Department of Trade and Industry (DTI), respectively.

1990s

Self-regulation becomes increasingly diluted. A series of perceived regulatory failures leads to a commitment to a unitary single-tier regulator.

- In April 1990, the "New Settlement", proposed under the auspices of second SIB Chairman, Sir David Walker, introduces a three-tier structure of standards imposed upon firms.
  - At the top tier, the Ten Principles of business seek to present a universal statement of the expected standards, applying directly to the conduct of investment business and to the financial standing of all authorised persons. They are qualitative, high-level and frequently behavioural in their expression.
  - The second tier designates a number of Core Rules, binding upon SRO members in certain key areas, such as those relating to financial resources, conduct of business and client money.
  - The third tier are the SRO rules.
- A series of perceived regulatory failures (not least the Maxwell pension funds scandal), provides the context for the 1993 Large report. In stopping short of proposing the end of self-regulation, Andrew Large proposes more leadership by the SIB, while recognising that the objectives of regulation are not sufficiently clear and self-regulation can be too synonymous with self-interest.
- The EU Investment Services Directive 1993 (ISD) imposes from the beginning of 1996 some capital and reporting requirements upon managers on an EU-wide basis and so cuts further across self-regulation.
- Organisational mergers in 1991 and 1994 reduce the number of SROs to three,[49] with the IMRO as the only surviving original body.
- The failure of Barings Bank in 1995 and a change of political administration in 1997 result in independent monetary policymaking for the Bank of England, and a name-change of the SIB into the Financial Services Authority (FSA), ushering in the end of self-regulation.

New millennium

Introduction of a unitary regulatory structure and an era of 'more principles-based regulation'. While the legislative balance of power shifts to the EU, supervisory approaches remain national.

- Introduced by the Financial Services and Markets Act 2000, from late 2001 the FSA oversees a statutory and unitary system for the regulation of investment business, banking and insurance in the UK.
- The FSA now has four statutory objectives supported by a set of principles of good regulation. The objectives are:
  - Market confidence (maintaining confidence in the UK financial system).
  - Public awareness (promoting public understanding of the financial system).
  - Consumer protection (securing an appropriate degree of protection for consumers).
  - Financial crime reduction (reducing the possibility of regulated businesses to be used for purposes connected with financial crime).
- The supervisory culture at the FSA is often characterised by a series of overarching approaches and themes, such as 'more principles-based regulation' and 'Treating Customers Fairly'.
- The FSA Handbook, a set of rules to which regulated firms are subject, becomes increasingly prescribed by EU legislation. This is aided by the FSA's move to the so-called 'copy-out' approach, transposing directives word for word, where possible, in order to avoid 'gold-plating'.
- The FSA grows in size and cost through greater activity for the Financial Ombudsman Service and increasing calls on the Financial Services Compensation Scheme, fuelled by a growing number of consumer complaints especially around bank charges and payment protection insurance.
- The FSA also increases its enforcement activity, especially on market issues and in terms of stepping up fine sizes.

Financial crisis and beyond

The single regulatory structure is restructured as a response to the crisis. National supervisors face greater harmonisation of practice at EU level.

- The need to prop up the banking system introduces a new actor, the Resolution Authority (in the UK a role of the Bank of England), as the Tripartite Authorities[50] put in place legislation to deal with bank resolution after the collapse of Northern Rock. Major banks are now required to have recovery and resolution plans ('living wills').
- Government announces the planned break-up of the FSA in 2012. It transfers the prudential supervision of banks and insurers to the Prudential Regulatory Authority (PRA), a new subsidiary of the Bank of England, with clearing house supervision to be undertaken directly by the Bank of England.
- Financial stability becomes a key objective of the new regulatory regime. The interim Financial Policy Committee, a new committee of the Bank of England, is charged with responsibility over this area, and is planned to become part of the new regulatory structure.
  - The FSA's objectives are altered by the Financial Services Act 2010, with Public awareness replaced by Financial stability (contributing to the protection and enhancement of stability in the UK financial system).
- The FSA is to be re-named to the Financial Conduct Authority (FCA), introducing more intrusive supervision. This will, alongside other changes, include a commitment to challenge a firm's own judgement concerning their business models, strategy, and product development.

[48] The Association of Futures Brokers and Dealers (AFBD), the Financial Intermediaries, Managers and Brokers Regulatory Association (FIMBRA), the Investment Management Regulatory Organisation (IMRO), the Life Assurance and Unit Trust Regulatory Organisation (LAUTRO), and The Securities Association (TSA).

[49] The Investment Management Regulatory Organisation (IMRO), the Personal Investment Authority (PIA) in place of the FIMBRA and the LAUTRO in 1994, and the Securities and Futures Authority (SFA) replacing the AFBD and TSA in 1991.

[50] HM Treasury, the Bank of England and the FSA.