



# Financial Services and Markets Act 2000

## 2000 CHAPTER 8

### PART I

#### THE REGULATOR

#### 1 The Financial Services Authority.

- (1) The body corporate known as the Financial Services Authority (“the Authority”) is to have the functions conferred on it by or under this Act.
- (2) The Authority must comply with the requirements as to its constitution set out in Schedule 1.
- (3) Schedule 1 also makes provision about the status of the Authority and the exercise of certain of its functions.
- [<sup>F1</sup>(4) Section 249 of the Banking Act 2009 provides for references to functions of the Authority (whether generally or under this Act) to include references to functions conferred on the Authority by that Act (subject to any order under that section).]

#### Textual Amendments

- F1** S. 1(4) added (17.2.2009 for certain purposes and 21.2.2009 otherwise) by [Banking Act 2009 \(c. 1\), ss. 249\(4\), 263\(1\)](#) (with s. 247); S.I. 2009/296, [arts. 2, 3](#), Sch. para. 9

#### Modifications etc. (not altering text)

- C1** S. 1(3) extended (17.8.2001) by S.I. 2001/2617, [arts. 2\(a\), 4\(3\), 8](#), [Sch. 2 para. 2](#)

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### *The Authority's general duties*

## **2 The Authority's general duties.**

- (1) In discharging its general functions the Authority must, so far as is reasonably possible, act in a way—
  - (a) which is compatible with the regulatory objectives; and
  - (b) which the Authority considers most appropriate for the purpose of meeting those objectives.
- (2) The regulatory objectives are—
  - (a) market confidence;
  - [<sup>F2</sup>(ab) financial stability;]
  - (b) public awareness;
  - (c) the protection of consumers; and
  - (d) the reduction of financial crime.
- (3) In discharging its general functions the Authority must have regard to—
  - (a) the need to use its resources in the most efficient and economic way;
  - (b) the responsibilities of those who manage the affairs of authorised persons;
  - (c) the principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction;
  - (d) the desirability of facilitating innovation in connection with regulated activities;
  - (e) the international character of financial services and markets and the desirability of maintaining the competitive position of the United Kingdom;
  - (f) the need to minimise the adverse effects on competition that may arise from anything done in the discharge of those functions;
  - (g) the desirability of facilitating competition between those who are subject to any form of regulation by the Authority.
- (4) The Authority's general functions are—
  - (a) its function of making rules under this Act (considered as a whole);
  - (b) its function of preparing and issuing codes under this Act (considered as a whole);
  - (c) its functions in relation to the giving of general guidance (considered as a whole); and
  - (d) its function of determining the general policy and principles by reference to which it performs particular functions.
- (5) “General guidance” has the meaning given in section 158(5).

#### **Textual Amendments**

**F2** S. 2(2)(ab) inserted (8.4.2010) by [Financial Services Act 2010 \(c. 28\)](#), **ss. 1(2)**, 26(1)(a)

#### **Modifications etc. (not altering text)**

**C2** S. 2(4)(a) restricted (17.8.2001) by [S.I. 2001/2617](#), arts. 2(a), 4(3), Sch. 2 paras. 9, 11

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**C3** S. 2(4)(c) restricted (17.8.2001) by S.I. 2001/2617, arts. 2(a), 4(3), **Sch. 2 paras. 13-16**

### *The regulatory objectives*

## **3 Market confidence.**

- (1) The market confidence objective is: maintaining confidence in [<sup>F3</sup>the UK financial system].
- (2) [<sup>F4</sup>In this Act “the UK financial system”] means the financial system operating in the United Kingdom and includes—
  - (a) financial markets and exchanges;
  - (b) regulated activities; and
  - (c) other activities connected with financial markets and exchanges.

#### **Textual Amendments**

- F3** Words in s. 3(1) substituted (8.4.2010) by [Financial Services Act 2010 \(c. 28\)](#), ss. 24(1), 26(1)(g)(l), **Sch. 2 para. 2(2)**
- F4** Words in s. 3(2) substituted (8.4.2010) by [Financial Services Act 2010 \(c. 28\)](#), ss. 24(1), 26(1)(g)(l), **Sch. 2 para. 2(3)**

## <sup>F5</sup>**3A Financial stability**

- (1) The financial stability objective is: contributing to the protection and enhancement of the stability of the UK financial system.
- (2) In considering that objective the Authority must have regard to—
  - (a) the economic and fiscal consequences for the United Kingdom of instability of the UK financial system;
  - (b) the effects (if any) on the growth of the economy of the United Kingdom of anything done for the purpose of meeting that objective; and
  - (c) the impact (if any) on the stability of the UK financial system of events or circumstances outside the United Kingdom (as well as in the United Kingdom).
- (3) The Authority must, consulting the Treasury, determine and review its strategy in relation to the financial stability objective.]]

#### **Textual Amendments**

- F5** S. 3A inserted (8.4.2010) by [Financial Services Act 2010 \(c. 28\)](#), ss. 1(3), 26(1)(a)

## **4 Public awareness.**

- (1) The public awareness objective is: promoting public understanding of the financial system.
- (2) It includes, in particular—

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- (a) promoting awareness of the benefits and risks associated with different kinds of investment or other financial dealing; and
  - (b) the provision of appropriate information and advice.
- (3) “The financial system” has the same meaning as in section 3.

**Modifications etc. (not altering text)**

C4 S. 4 modified (temp. from 8.4.2010) by [Financial Services Act 2010 \(c. 28\)](#), ss. 24(1), 26(1)(g)(l), [Sch. 2 para. 3](#)

## 5 The protection of consumers.

- (1) The protection of consumers objective is: securing the appropriate degree of protection for consumers.
- (2) In considering what degree of protection may be appropriate, the Authority must have regard to—
- (a) the differing degrees of risk involved in different kinds of investment or other transaction;
  - (b) the differing degrees of experience and expertise that different consumers may have in relation to different kinds of regulated activity;
  - (c) the needs that consumers may have for advice and accurate information; and
  - (d) the general principle that consumers should take responsibility for their decisions.

[<sup>F6</sup>(3) Sections 425A and 425B (meaning of “consumers”) apply for the purposes of this section.]

**Textual Amendments**

F6 S. 5(3) substituted (8.4.2010) by [Financial Services Act 2010 \(c. 28\)](#), ss. 24(1), 26(1)(g)(l), [Sch. 2 para. 4](#)

**Modifications etc. (not altering text)**

C5 S. 5(3) modified (18.6.2001) by [S.I. 2001/1821](#), [arts. 1\(1\)](#), 3(4)

## 6 The reduction of financial crime.

- (1) The reduction of financial crime objective is: reducing the extent to which it is possible for a business carried on—
- (a) by a regulated person, or
  - (b) in contravention of the general prohibition,
- to be used for a purpose connected with financial crime.
- (2) In considering that objective the Authority must, in particular, have regard to the desirability of—
- (a) regulated persons being aware of the risk of their businesses being used in connection with the commission of financial crime;

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- (b) regulated persons taking appropriate measures (in relation to their administration and employment practices, the conduct of transactions by them and otherwise) to prevent financial crime, facilitate its detection and monitor its incidence;
  - (c) regulated persons devoting adequate resources to the matters mentioned in paragraph (b).
- (3) “Financial crime” includes any offence involving—
- (a) fraud or dishonesty;
  - (b) misconduct in, or misuse of information relating to, a financial market; or
  - (c) handling the proceeds of crime.
- (4) “Offence” includes an act or omission which would be an offence if it had taken place in the United Kingdom.
- (5) “Regulated person” means an authorised person, a recognised investment exchange or a recognised clearing house.

*[<sup>F7</sup>Enhancing public understanding of financial matters etc*

#### Textual Amendments

**F7** S. 6A and preceding cross-heading inserted (8.4.2010) by [Financial Services Act 2010 \(c. 28\), ss. 2\(5\), 26\(1\)\(b\)](#)

### **6A Enhancing public understanding of financial matters etc**

- (1) The Authority must establish a body corporate (“the consumer financial education body”) whose function (“the consumer financial education function”) is to enhance—
- (a) the understanding and knowledge of members of the public of financial matters (including the UK financial system); and
  - (b) the ability of members of the public to manage their own financial affairs.
- (2) The consumer financial education function includes, in particular—
- (a) promoting awareness of the benefits of financial planning;
  - (b) promoting awareness of the financial advantages and disadvantages in relation to the supply of particular kinds of goods or services;
  - (c) promoting awareness of the benefits and risks associated with different kinds of financial dealing (which includes informing the Authority and other bodies of those benefits and risks);
  - (d) the publication of educational materials or the carrying out of other educational activities; and
  - (e) the provision of information and advice to members of the public.
- (3) Schedule 1A makes further provision about the consumer financial education body.]

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### *Corporate governance*

#### **7 Duty of Authority to follow principles of good governance.**

In managing its affairs, the Authority must have regard to such generally accepted principles of good corporate governance as it is reasonable to regard as applicable to it.

#### *Arrangements for consulting practitioners and consumers*

#### **8 The Authority’s general duty to consult.**

The Authority must make and maintain effective arrangements for consulting practitioners and consumers on the extent to which its general policies and practices are consistent with its general duties under section 2.

#### **Modifications etc. (not altering text)**

C6 S. 8 excluded (17.8.2001) by S.I. 2001/2617, arts. 2(a), 4(3), 8, **Sch. 2 para. 5**

#### **9 The Practitioner Panel.**

- (1) Arrangements under section 8 must include the establishment and maintenance of a panel of persons (to be known as “the Practitioner Panel”) to represent the interests of practitioners.
- (2) The Authority must appoint one of the members of the Practitioner Panel to be its chairman.
- (3) The Treasury’s approval is required for the appointment or dismissal of the chairman.
- (4) The Authority must have regard to any representations made to it by the Practitioner Panel.
- (5) The Authority must appoint to the Practitioner Panel such—
  - (a) individuals who are authorised persons,
  - (b) persons representing authorised persons,
  - (c) persons representing recognised investment exchanges, and
  - (d) persons representing recognised clearing houses,
 as it considers appropriate.

#### **10 The Consumer Panel.**

- (1) Arrangements under section 8 must include the establishment and maintenance of a panel of persons (to be known as “the Consumer Panel”) to represent the interests of consumers.
- (2) The Authority must appoint one of the members of the Consumer Panel to be its chairman.
- (3) The Treasury’s approval is required for the appointment or dismissal of the chairman.

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- (4) The Authority must have regard to any representations made to it by the Consumer Panel.
- (5) The Authority must appoint to the Consumer Panel such consumers, or persons representing the interests of consumers, as it considers appropriate.
- [<sup>F8</sup>(5A) The Secretary of State may direct the Authority to appoint as a member of the Consumer Panel a person specified by the Secretary of State who—
- (a) is a non-executive member of the National Consumer Council, and
  - (b) is nominated for the purposes of this subsection by the National Consumer Council after consultation with the Authority.
- (5B) Only one person may, at any time, be a member of the Consumer Panel appointed in accordance with a direction under subsection (5A); but that does not prevent the Authority appointing as a member of the Consumer Panel any person who is also a member of the National Consumer Council.
- (5C) A person appointed in accordance with a direction under subsection (5A) ceases to be a member of the Panel on ceasing to be a non-executive member of the National Consumer Council.]
- (6) The Authority must secure that the membership of the Consumer Panel is such as to give a fair degree of representation to those who are using, or are or may be contemplating using, services otherwise than in connection with businesses carried on by them.
- [<sup>F9</sup>(7) Sections 425A and 425B (meaning of “consumers”) apply for the purposes of this section, but the references to consumers in this section do not include consumers who are authorised persons.]

#### Textual Amendments

- F8** S. 10(5A)-(5C) inserted (21.12.2007) by [Consumers, Estate Agents and Redress Act 2007 \(c. 17\)](#), ss. 39, 66(2) (with s. 6(9)); S.I. 2007/3546, art. 3, Sch.
- F9** S. 10(7) substituted (8.4.2010) by [Financial Services Act 2010 \(c. 28\)](#), ss. 24(1), 26(1)(g)(l), Sch. 2 para. 5

#### Modifications etc. (not altering text)

- C7** S. 10(7) modified (18.6.2001) by S.I. 2001/1821, arts. 1(1), 3(4)

## 11 Duty to consider representations by the Panels.

- (1) This section applies to a representation made, in accordance with arrangements made under section 8, by the Practitioner Panel or by the Consumer Panel.
- (2) The Authority must consider the representation.
- (3) If the Authority disagrees with a view expressed, or proposal made, in the representation, it must give the Panel a statement in writing of its reasons for disagreeing.

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## Reviews

### 12 Reviews.

- (1) The Treasury may appoint an independent person to conduct a review of the economy, efficiency and effectiveness with which the Authority has used its resources in discharging its functions.
- (2) A review may be limited by the Treasury to such functions of the Authority (however described) as the Treasury may specify in appointing the person to conduct it.
- (3) A review is not to be concerned with the merits of the Authority’s general policy or principles in pursuing regulatory objectives or in exercising functions under Part VI.
- (4) On completion of a review, the person conducting it must make a written report to the Treasury—
  - (a) setting out the result of the review; and
  - (b) making such recommendations (if any) as he considers appropriate.
- (5) A copy of the report must be—
  - (a) laid before each House of Parliament; and
  - (b) published in such manner as the Treasury consider appropriate.
- (6) Any expenses reasonably incurred in the conduct of a review are to be met by the Treasury out of money provided by Parliament.
- (7) “Independent” means appearing to the Treasury to be independent of the Authority.

#### Modifications etc. (not altering text)

C8 S. 12 modified (17.8.2001) by S.I. 2001/2617, arts. 2(a), 4(3), 8, Sch. 2 para. 6

### 13 Right to obtain documents and information.

- (1) A person conducting a review under section 12—
  - (a) has a right of access at any reasonable time to all such documents as he may reasonably require for purposes of the review; and
  - (b) may require any person holding or accountable for any such document to provide such information and explanation as are reasonably necessary for that purpose.
- (2) Subsection (1) applies only to documents in the custody or under the control of the Authority.
- (3) An obligation imposed on a person as a result of the exercise of powers conferred by subsection (1) is enforceable by injunction or, in Scotland, by an order for specific performance under section 45 of the <sup>M1</sup>Court of Session Act 1988.

#### Marginal Citations

M1 1988 c. 36.



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## *Inquiries*

### **14 Cases in which the Treasury may arrange independent inquiries.**

- (1) This section applies in two cases.
- (2) The first is where it appears to the Treasury that—
  - (a) events have occurred in relation to—
    - (i) a collective investment scheme, or
    - (ii) a person who is, or was at the time of the events, carrying on a regulated activity (whether or not as an authorised person),  
which posed or could have posed a grave risk to <sup>F10</sup>the UK financial system] or caused or risked causing significant damage to the interests of consumers; and
  - (b) those events might not have occurred, or the risk or damage might have been reduced, but for a serious failure in—
    - (i) the system established by this Act <sup>F11</sup>, or by any previous statutory provision,] for the regulation of such schemes or of such persons and their activities; or
    - (ii) the operation of that system.
- (3) The second is where it appears to the Treasury that—
  - (a) events have occurred in relation to listed securities or an issuer of listed securities which caused or could have caused significant damage to holders of listed securities; and
  - (b) those events might not have occurred but for a serious failure <sup>F12</sup> in—
    - (i) the regulatory system established by Part 6 or by any previous statutory provision concerned with the official listing of securities; or
    - (ii) the operation of that system.]
- (4) If the Treasury consider that it is in the public interest that there should be an independent inquiry into the events and the circumstances surrounding them, they may arrange for an inquiry to be held under section 15.
- <sup>F13</sup>(5) Sections 425A and 425B (meaning of “consumers”) apply for the purposes of this section.]
- (5A) “Event” does not include any event occurring before 1st December 2001 (but no such limitation applies to the reference in subsection (4) to surrounding circumstances).
- (6) <sup>F14</sup> .....
- (7) “Listed securities” means anything which has been admitted to the official list under Part VI.

#### **Textual Amendments**

- F10** Words in s. 14(2)(a) substituted (8.4.2010) by [Financial Services Act 2010 \(c. 28\)](#), ss. 24(1), 26(1)(g) (1), [Sch. 2 para. 6\(2\)](#)
- F11** Words in s. 14(2)(b)(i) inserted (7.6.2005) by [Inquiries Act 2005 \(c. 12\)](#), [ss. 46\(2\)](#), 51(1) (with ss. 44, 50); [S.I. 2005/1432](#), [art. 2](#)
- F12** Words in s. 14(3)(b) substituted (7.6.2005) by [Inquiries Act 2005 \(c. 12\)](#), [ss. 46\(3\)](#), 51(1) (with ss. 44, 50); [S.I. 2005/1432](#), [art. 2](#)

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- F13** S. 14(5) substituted (8.4.2010) by [Financial Services Act 2010 \(c. 28\)](#), ss. 24(1), 26(1)(g)(l), [Sch. 2 para. 6\(3\)](#)
- F14** S. 14(6) omitted (8.4.2010) by virtue of [Financial Services Act 2010 \(c. 28\)](#), ss. 24(1), 26(1)(g)(l), [Sch. 2 para. 6\(4\)](#)

## 15 Power to appoint person to hold an inquiry.

- (1) If the Treasury decide to arrange for an inquiry to be held under this section, they may appoint such person as they consider appropriate to hold the inquiry.
- (2) The Treasury may, by a direction to the appointed person, control—
  - (a) the scope of the inquiry;
  - (b) the period during which the inquiry is to be held;
  - (c) the conduct of the inquiry; and
  - (d) the making of reports.
- (3) A direction may, in particular—
  - (a) confine the inquiry to particular matters;
  - (b) extend the inquiry to additional matters;
  - (c) require the appointed person to discontinue the inquiry or to take only such steps as are specified in the direction;
  - (d) require the appointed person to make such interim reports as are so specified.

## 16 Powers of appointed person and procedure.

- (1) The person appointed to hold an inquiry under section 15 may—
  - (a) obtain such information from such persons and in such manner as he thinks fit;
  - (b) make such inquiries as he thinks fit; and
  - (c) determine the procedure to be followed in connection with the inquiry.
- (2) The appointed person may require any person who, in his opinion, is able to provide any information, or produce any document, which is relevant to the inquiry to provide any such information or produce any such document.
- (3) For the purposes of an inquiry, the appointed person has the same powers as the court in respect of the attendance and examination of witnesses (including the examination of witnesses abroad) and in respect of the production of documents.
- (4) “Court” means—
  - (a) the High Court; or
  - (b) in Scotland, the Court of Session.

## 17 Conclusion of inquiry.

- (1) On completion of an inquiry under section 15, the person holding the inquiry must make a written report to the Treasury—
  - (a) setting out the result of the inquiry; and
  - (b) making such recommendations (if any) as he considers appropriate.
- (2) The Treasury may publish the whole, or any part, of the report and may do so in such manner as they consider appropriate.

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- (3) Subsection (4) applies if the Treasury propose to publish a report but consider that it contains material—
  - (a) which relates to the affairs of a particular person whose interests would, in the opinion of the Treasury, be seriously prejudiced by publication of the material; or
  - (b) the disclosure of which would be incompatible with an international obligation of the United Kingdom.
- (4) The Treasury must ensure that the material is removed before publication.
- (5) The Treasury must lay before each House of Parliament a copy of any report or part of a report published under subsection (2).
- (6) Any expenses reasonably incurred in holding an inquiry are to be met by the Treasury out of money provided by Parliament.

## **18 Obstruction and contempt.**

- (1) If a person (“A”)—
  - (a) fails to comply with a requirement imposed on him by a person holding an inquiry under section 15, or
  - (b) otherwise obstructs such an inquiry,the person holding the inquiry may certify the matter to the High Court (or, in Scotland, the Court of Session).
- (2) The court may enquire into the matter.
- (3) If, after hearing—
  - (a) any witnesses who may be produced against or on behalf of A, and
  - (b) any statement made by or on behalf of A,the court is satisfied that A would have been in contempt of court if the inquiry had been proceedings before the court, it may deal with him as if he were in contempt.

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