



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

1 April 2014

John Griffith-Jones
Chairman
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Dear John,

As you know, I am profoundly concerned by the events of last Thursday & Friday in which a pre-briefing of information about a forthcoming FCA review appears to have caused considerable disruption in the trading of insurance shares. These events go to the heart of the FCA's responsibility for the integrity and good order of UK financial markets, and have been damaging both to the FCA as an institution and to UK's reputation for regulatory stability and competence. I expect you and the FCA board to do everything possible to make good that damage.

I welcome the FCA Board's decision to hold an inquiry. It is essential that this inquiry is – and is seen to be – completely independent of the executive. I am pleased that it will be reporting to the independent members of the Board and that you will commission an external legal firm to conduct the review. It is clearly essential that the report is published and that it is thorough, objective and commands confidence.

I expect you and the independent directors to consult further with my officials on the arrangements and terms of reference for the review. I am keen to ensure that the review fully addresses the questions I set out below. I would like to discuss the emerging conclusions of the work with you.

The starting-point must be that the FCA holds itself to at least as high standards as it would expect of a listed company handling highly market-sensitive information, and should hold its own staff to the same standards it would expect of any approved person; questions such as the need for disciplinary action for individuals should be considered (and seen to be considered) in this spirit.

I think it essential that the review rigorously addresses questions including:

- Why and with whose knowledge and authorisation this briefing was given, particularly to a single journalist;

- Why the FCA's clarificatory statement was issued so late the day after the story was published, rather than that night;
- What dialogue (particularly any involving market-sensitive information) took place with individual firms or other market participants before the clarificatory statement was issued, and on whose authority;
- To what extent a false or disorderly market in the shares was present during this period;
- To what extent this specific pre-briefing is an isolated exception; if not, what other pre-briefings of policy or other announcements have been given by the FCA in the past; whether this represents more general practice at the FCA; who authorised this approach and why;
- What broader lessons these events hold for the regulator's approach more generally to publicity and the media;
- Where senior accountability should lie and what disciplinary action should be taken.

Given the considerable public interest in this situation, I am copying this letter to Andrew Tyrie MP and will be making it public.

Best wishes,
George

GEORGE OSBORNE