

Balance of Competences Review – Single Market:
Financial Services and the Free Movement of Capital
HM Treasury
1 Horse Guards Road
Westminster
London SW1A 2HQ
Sent to

17th January 2014

Dear Sir/Madam,

Government's review of the balance of competences between the United Kingdom and the European Union, Call for Evidence: Single Market: Financial Services and the Free Movement of Capital

BSI (British Standards Institution) has read with interest the call for evidence on the balance of competences in the area of Financial Services and the Free Movement of Capital. This letter contains BSI's views on the role of standards in the EU as a tool to support public policy and reduce regulatory burdens.

General remarks

Standardization can promote greater harmonization, risk management and integration which is vital in supporting the free movement of wholesale and increasingly retail financial services across the EU internal market. Voluntary standards, developed by independent bodies on the basis of the consensus of all interested parties, already play an important role internationally facilitating integration and interoperability of the payments industry through the work of the ISO Technical Committee 68 Financial Services.

In November 2013 "Backing Market Forces" was published, a joint paper commissioned by BSI and the Chartered Institute for Securities & Investment. It can be downloaded from www.bsigroup.com/financialservices. The report encourages consideration of a "new approach" with voluntary standards markets supporting financial services, either alone or alongside regulation. This would require greater coordination and awareness of standards development to be successful. It could be most applicable where EU legislation may be seen as restrictive to a free market and subsequently removed, with standards potentially providing a more flexible alternative, or as an alternative approach where new legislation is being proposed.

The recommendations made in Backing Market Forces promote the need for better awareness programmes and coordination of standards development at national and EU level by relevant financial authorities, institutions standards bodies and regulators. Increased coordination has the potential to create effective standardization, an approach under-utilized



in financial services when compared to other industries, and provide UK industry with the opportunity to lead the development of these standards working with BSI.

In both wholesale and retail financial services customers have access to a wide range of products and services but need to be able to buy and trade cross-border with confidence. European standards developed by CEN (the European Committee for Standardization) have successfully supported the flow of goods through the European internal market for many years and may be able to play a similar role for financial services.

As a leading global centre for financial services the UK must take a proactive role in any standardization that occurs at national, EU (through CEN) or international level to ensure national interests are represented and that standardization is effective.

Responses to particular questions

2 How might the UK benefit from more or less EU action? Should more legislation be made at the national or EU level? Should there be more non-legislative action, for example, competition enquiries?

Standards here can provide a flexible alternative to regulation and the EU, and via CEN can encourage better coordination of standardization initiatives with EU Member States. By working with BSI, the UK's National Standards Body, the UK financial services industry can help ensure the standards are a robust and flexible alternative to regulation for the benefit of UK business, government and consumers.

6 Do you think that more or less EU-level regulation in the area of retail financial services would bring benefits to consumers?

Where trust and confidence issues may impede the movement of retail financial services cross-border, standards could help provide the necessary assurance required to help consumers make more informed choices on when buying financial products and services. This could accompany or even replace regulation. BSI plans to undertake further research in the area to understand better what types of standards are needed to strengthen the free market for services. This has already been seen in the internal market for goods. Additionally, the types of certification that would be needed to support such standards would be considered in the research. The input of UK government and industry into this research would be very valuable.

Background on BSI

BSI is the UK's National Standards Body, incorporated by Royal Charter and responsible independently for preparing British Standards and related publications and for coordinating the input of UK experts to European and international standards committees. BSI has 113 years of experience in serving the interest of a wide range of stakeholders including government, business and society.



BSI also presents the UK view on standards in Europe (via the European Standards Organizations CEN and CENELEC) and internationally (via ISO and IEC). BSI has a globally recognized reputation for independence, integrity and innovation ensuring standards are useful, relevant and authoritative.

BSI, as the UK's NSB, is responsible for maintaining the integrity of the national standards-making system not only for the benefit of UK industry and society but also to ensure that standards developed by UK experts meet international expectations of open consultation, stakeholder involvement and market relevance.

A BSI (as well as CEN/CENELEC, ISO/IEC) standard is a document defining best practice, established by consensus. Each standard is kept current through a process of maintenance and review whereby it is updated, revised or withdrawn as necessary.

Standards are designed to set out clear and unambiguous provisions and objectives. Although standards are voluntary and separate from legal and regulatory systems, they can be used to support or complement legislation.

Standards are developed when there is a defined market need through consultation with stakeholders and a rigorous development process. National committee members represent their communities in order to develop standards and related documents. They include representatives from a range of bodies, including government, business, consumers, academic institutions, social interests, regulators and trade unions.

BSI would very much welcome the opportunity to meet Northern Ireland Executive officials to discuss how standards could play a role to deliver the innovation strategy for Northern Ireland. We would also be happy to deliver information on the role of standards in supporting innovation through workshops with key stakeholders including Northern Ireland Executive officials.

I would be pleased to discuss the views expressed in this letter should you so wish.

Yours faithfully,

The British Standards Institution



