

Bank of England Open Forum

Edinburgh, 11 November 2015

The Bank of England held an Open Forum at the Guildhall in London on 11 November. It brought together over 350 policymakers, market practitioners and other stakeholders to take stock of the cumulative impact of regulatory and technological changes on market functioning and effectiveness, and help chart the way forwards.

As part of the Open Forum, participants drawn from the Bank of England's Agencies in the North East of England and Scotland met in Edinburgh. The event was chaired by Alex Brummer, Daily Mail, who was joined by Sandra Boss and David Thorburn from the Board of the Bank's Prudential Regulation Authority.

The Edinburgh event first split into 6 sessions discussing the role of financial markets in society. Each group identified key changes to make, and drew out key themes from their discussion. The summary from each discussion group is reproduced in this document.

Drawing on these discussions, Alex Brummer participated via live link as a panel member for the Guildhall Final Plenary Session.

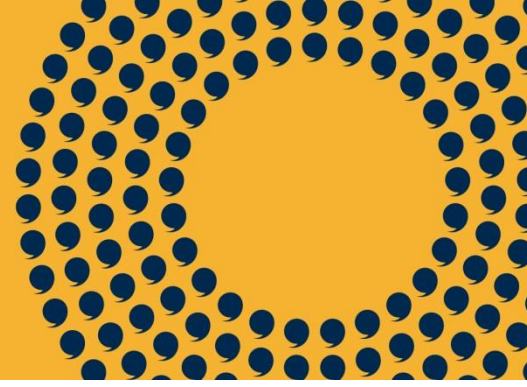


Table 1: The impact of regulation on financial market resilience

The big change to make

- Improve communication of, and access to, information – industry wide.
- Conduct review of regulatory impacts to reduce complexity and improve access to finance. Potentially move levers to address gaps in markets.

Key themes from discussion

- Concerns and difficulties around access to and understanding of information about the industry.
- Access to finance for SMEs has much improved but still gaps eg around export finance, CRE, oil and gas, low carbon.
- Move away from traditional bank lending. Use of intermediaries eg mortgage brokers, comparison websites.
- Has regulation overshot?

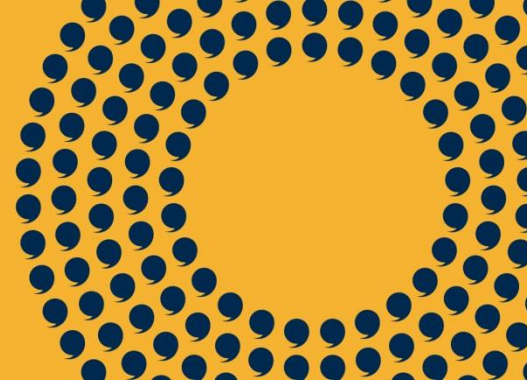


Table 2: Building a social licence for financial markets

The big change to make

- Making social value part of the licencing regime for financial institutions.
- Inviting a direct role from civic society, not just the 'usual suspects', and independent from the Bank.
- Greater personal as well as company accountability, including use of penalties.
- Highlight good behaviour, showcasing firms as exemplars.
- Integrating into schools. There is a good example in Scotland, financial education is part of the curriculum for excellence.

Key themes from discussion

- Making social contract language meaningful.
- Trust, transparency, accountability, fairness and effectiveness are all a part of this.
- Who is in the room?
- Fragmentation of systems.
- What does the system reward?
- Difficulty in moving from individual behaviour to collective corporate.

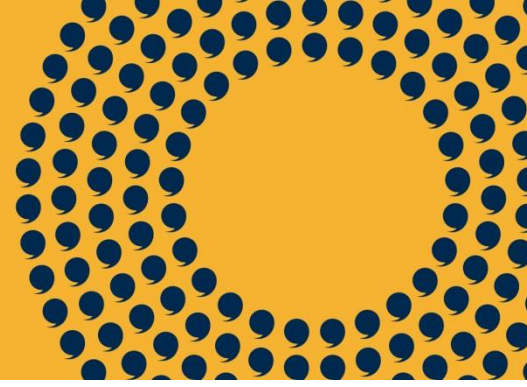


Table 3: Improving the effectiveness of market finance in servicing the economy

The big change to make

- Improved payment times on invoices to support company cash flow.
- Encourage pension funds and other institutional investor finance combined with a focus on how to disintermediate this to SMEs.

Key themes from discussion

- Management and understanding of risk for (1) business and (2) individual investors, particularly from alternative sources.
- UK companies are too dependent on bank funding.
- Need for more financial education.
- Need for more promotion of alternative sources of funding.
- Possibilities of securitisations/pooling of assets (as a way of achieving the disintermediation).

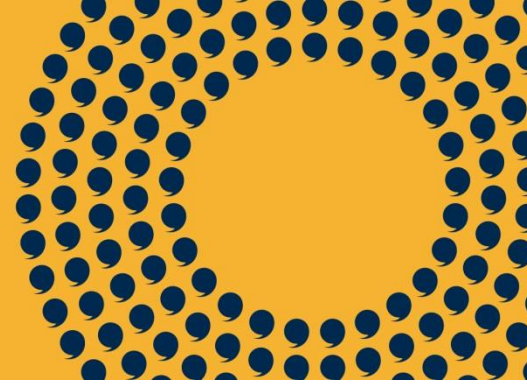


Table 4: The role of liquidity in the wider economy

The big change to make

- Society needs to understand the value of money. This can only be delivered through a step change in financial education across generations.
- Identify who can do this? Government – cross party approach, banks, Bank of England, media. Task them to do it.

Key themes from discussion

- Liquidity has generally improved since the crisis but variable between markets.
- Problems in certain markets driven by short-term behaviour.
- Technology in financial and consumer markets has reduced transparency (eg contactless payment; speed of transactions in financial markets).

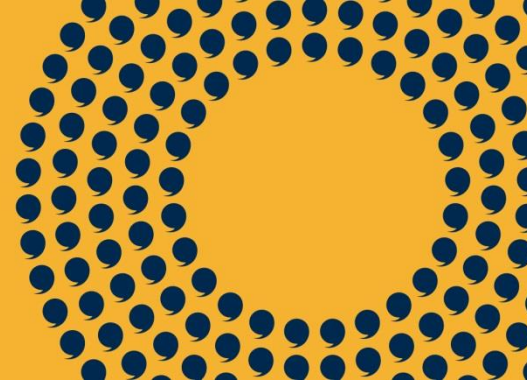


Table 5: How financial innovation and technology can support the economy

The big change to make

- Go with the markets. Stop trying to intervene or pick winners. Instead co-invest in open architecture. This reduces inefficiency in cash reaching start-up businesses (by eliminating bureaucracy) and accepts that start-ups will fail but makes failing and learning a positive. The overall bar of innovation will rise faster, albeit in aggregate.

Key themes from discussion

- This is causing a massive impact in real economy and financial services. Not yet at the tipping point but closer than you think.
- Tech businesses should be mentored rather than just using “funding for innovation” which can slow progress.
- “Sharing economy”: Fintech market place alternatives are trusted more than institutions by younger generations, and are more transparent and more nimble/dynamic.
- Traditional players’ scale advantages are slipping away. Legacy IT platforms are a decaying asset as customers age. But they are still a risk that needs to be controlled.

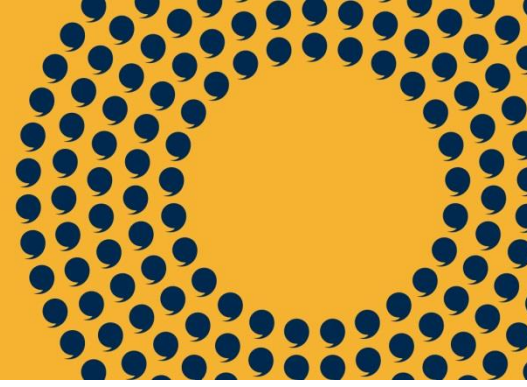


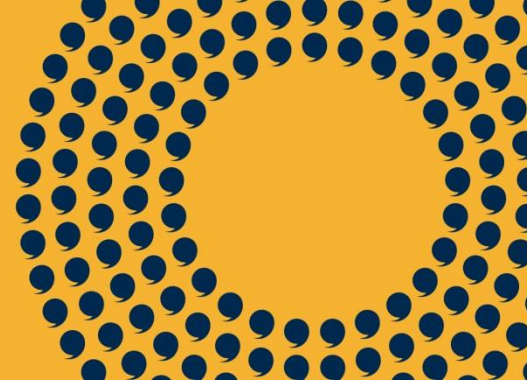
Table 6: The role of central banks in financial markets

The big change to make

- Demonstrate the market is effective by better reporting of financial market outcomes.
- Support digital innovation that can improve financial sector supporting individuals and businesses.

Key themes from discussion

- Supporting risk management understanding for consumers of financial services.
- Drive greater transparency of pricing.
- Promote access to financial sector (think of it as a utility).
- Should a central bank digital currency be considered?
- Support diversity through different ownership models/leadership structures with public involvement.



Attendees

Robin Adamson	Tilney Best Invest	Wendy Jamieson	Bank of England
Ewan Alexander	Pinsent Masons	Rob Lamb	EMC
Sven Baaz	Scotland Office	Alison Lyall	Harnser Group
Sandy Boss	Bank of England	Heather Macauley	Scottish Government
Stephen Boyd	STUC	Gavin Maxwell	Turcan Connell
Alex Brummer	Daily Mail	Michelle McAnea	Bank of England
Tanya Castell	Scottish Canals	David Melhuish	Scottish Property Federation
Jane Clark-Hutchison	Lloyds Banking Group	Andy Mulligan	Hampden & Co
Shane Corstorphine	Skyscanner Ltd	Raakhi Odedra	Bank of England
Adam Davey	Oil & Gas UK	Sheila Scobie	CMA
William Dowson	Bank of England	Michael Scoular	Ernst & Young
Iain Duff	Bank of England	Marlene Shiels	Capital Credit Unions
Mary Duffy	BBC Children in Need	Colin Stewart	Citi
Innes Edwards	City of Edinburgh Council	Simon Thompson	Chartered Institute of Bankers in Scotland
Miki Fairfax	Hunter Property Fund Management	David Thorburn	PRA Board
Colin Faulkner	Green Investment Bank	David Turner	Webhelp TSC
Gary Gillespie	Scottish Government	Edward Twiddy	Atom Bank
Andrew Haigh	Newcastle Building Society	Craig Vickery	ACCA
Simon Hanson	FSB	Mary Weightman	Bank of England
Andrew Hebden	Bank of England	Gareth Williams	SCDI
Courtney Hyde Peyton	Thirdwave	Tim Wright	TwinTangibles
Gbenga Ibikunle	University of Edinburgh Business School		