

Response to FSA Consultation Paper 12/16: FSCS Funding Review

1. Introduction: The Wholesale Markets Brokers' Association & London Energy Brokers' Association.

The Wholesale Markets Brokers' Association (WMBA) and the London Energy Brokers' Association (LEBA) (*referred to in this document as the WMBA*) are the European industry associations for the wholesale intermediation of Over-the-Counter (OTC) markets and trading venues in financial, energy, commodity and emissions markets and their traded derivatives. Our members are nearly entirely Limited Activity and Limited Licence firms and all act solely as intermediaries in the said wholesale financial markets. As Interdealer Brokers (IDBs), the WMBA members' principal client base is made up of global banks, primary dealers, large energy companies and other wholesale market participants. (Please see www.wmba.org.uk and www.leba.org.uk for information about the associations, its members and products.)

WMBA members operate three models to facilitate trades: **Name Give Up**, **Matched Principal** and **Exchange Agency**. These models are detailed on our websites. Albeit that members use their own capital to facilitate the settlement of matched principal trades, this is purely facilitation in cash bond markets and should not be considered to confer the same as the risks and benefits associated with proprietary trading. Indeed Pillar3 statements made by member firms detail that they are supervised with predominantly operational risk capital requirements only.

WMBA members are not parts of any larger banking groups and are not considered to be systematically important and hence, will be regulated by the FCA post the implementation of the Financial Services Bill in 2013.

2. General Remarks

WMBA has voiced its concerns to the FSA on a numerous occasions, since the new UK regulatory structure was adopted, in respect of the proposed operational objectives of the FCA¹ and its emphasis on the consumers.

These concerns are exemplified once again in this consultation paper, where the concept of the proposed FCA Retail Pool appears to promote the interests of the retail sector as a result of the current cross subsidy proposals at a potential cost to the professional markets.

The majority of WMBA members do not deal with *Eligible Claimants* (as defined by the FSA) and hence the new funding arrangement in its present form will have little impact on their business models.

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¹ The FCA's operational objectives are to:

1. Secure an appropriate degree of protection for consumers;
2. Protect and enhance the integrity of the UK financial system; and
3. Promote effective competition for the benefit of consumers