

FINANCIAL SERVICES ACT 2010

EXPLANATORY NOTES

SUMMARY AND OVERVIEW OF THE STRUCTURE OF THE ACT

Objectives of FSA etc

8. FSMA currently sets out four objectives for the FSA. These are: maintaining confidence in the financial system; promoting public understanding of the financial system; securing the appropriate degree of protection for consumers; and reducing financial crime. As maintaining financial stability is a fundamental component of maintaining confidence in the financial system, the Act provides the FSA with an additional objective, namely an explicit financial stability objective. In considering financial stability, the FSA must have regard to the costs to the economy both of instability and of regulatory actions (taken to reduce instability). The FSA, like the Bank of England, is required to consult the Treasury when determining its strategy for financial stability.
9. The Act removes the FSA's regulatory objective of promoting public understanding of the financial system and requires the FSA to establish a new consumer financial education body whose purpose is to raise the understanding and knowledge of members of the public of financial matters (including the financial system) and improve their ability to manage their financial affairs. The new body will therefore take over responsibility for the activity previously undertaken by the FSA as part of the National Strategy for Financial Capability under its 'public understanding' objective. In addition the body will implement the national rollout of an impartial generic financial advice or 'money guidance' service, taking forward the recommendations of the Thoresen Review¹.
10. The Act provides that the FSA's powers, including its general rule-making power, can now be exercised for the purpose of meeting any of its regulatory objectives. Previously, these powers were only exercisable in pursuit of its consumer protection objective.

¹ *Thoresen Review of Generic Financial Advice: Final Report*, HM Treasury, 3 March 2009. http://www.hm-treasury.gov.uk/d/thoresenreview_final.pdf