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## UK Conservatives try to win City of London's heart with swipe at finance watchdog

Labour wants to 'champion' Britain's financial sector — but doesn't want to be seen as undermining independent regulators.

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City representatives are already cheering Jeremy Hunt's political intervention. | Pool photo by Paul Grover via Getty Images

MAY 1, 2024 6:28 PM CET

BY JAMES FITZGERALD AND ZACHARY WARMBRODT

0:00 / 0:00

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LONDON — U.K. Chancellor Jeremy Hunt is trying to outgun Labour in a bid to show the City of London who's got its back.

In a series of rare regulatory interventions this week, Hunt toyed with the prized independence of the U.K.'s financial services watchdog by siding with industry amid controversial plans to "name and shame" firms under investigation.

The Labour Party — on track to win the looming U.K. election on current polling — has made it its mission to "unashamedly champion" the City.

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But the on-the-ropes Conservative Party has spied an opportunity to position itself loudly on the side of the sector by slating the Financial Conduct Authority's proposal to name companies it suspects of wrongdoing.

"I think he [Hunt] is going in to bat for the financial services sector in saying that to the FCA," Chris Hayward, policy chairman of the City of London Corporation, which represents the U.K.'s Square Mile financial district, told POLITICO in an interview. "And I think he's right."

The FCA's proposed policy has received widespread industry pushback, for fear that firms publicly named as being investigated will be deemed guilty even if they're later found to be innocent.

POLITICO first reported on Monday that City Minister Bim Afolami had told representatives of a finance lobby group both Prime Minister Rishi Sunak and Hunt — Britain's top finance minister — are “all over it [the FCA's proposals] and they are fuming."

On Tuesday Hunt told the Financial Times that the FCA should “re-look” at its proposal. And that's quickly become the party line: Afolami told MPs in the House of Commons Wednesday that the impact of the proposals could be "very significant."

"I want to put on record, following up with what the chancellor has said publicly, that I believe the FCA should rethink this and rethink it quickly," Afolami added.

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## Show of support

City representatives are already cheering the political intervention. They point to the watchdog's own statistics that 65 percent of investigations end without enforcement action. But firms that are ultimately cleared of potential wrongdoing will already have been judged guilty in the court of public opinion, something they argue could lead to irredeemable reputational or financial loss.

"We are pleased to see the appropriate attention being given to this problematic proposal and hope the FCA considers the feedback," Jillien Flores, executive vice president of global government affairs at the Managed Funds Association, said in an emailed comment. "This consultation is ill-advised and should be withdrawn."

The outspoken comments from Hunt place Labour in an awkward position. On the one hand, the shadow Treasury, spearheaded by Rachel Reeves, wants to show itself as the City's biggest cheerleader. But on the other hand, it doesn't want to be seen to undermine an independent regulator.



Political meddling in financial matters has a thorny post-Brexit history for the City of London. | Odd Andersen/AFP via Getty Images

"They will have to make a call," said Hayward. "Rachel Reeves will have to make a call as to whether or not she backs what Hunt's saying or whether she says: 'No, get off the[FCA's] back, the regulators are independent, and you've got to leave them to do what they believe they should do.'"

A Labour spokesperson told POLITICO: "The FCA should ensure it adequately reflects responses received during the consultation process and takes into account the views of the sector. There must be an appropriate balance between enhancing the integrity of the sector while protecting the international competitiveness of the U.K."

## Post-Brexit intervention

Political meddling in financial matters has a thorny post-Brexit history for the City of London. Former Prime Minister Liz Truss sought to use her short-lived premiership to exert more government influence on financial policy making.

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But even before Truss reached No.10 Downing Street, ministers attempted to take advantage of the U.K.'s departure from the EU to pull the financial services strings.

In 2022, then-City Minister Andrew Griffith tried to force through what was dubbed the “call-in power” in a new, post-Brexit, financial policy. The measure, which was ultimately ditched after financial watchdogs cried foul, would have allowed the government to overrule regulatory decisions in certain circumstances.

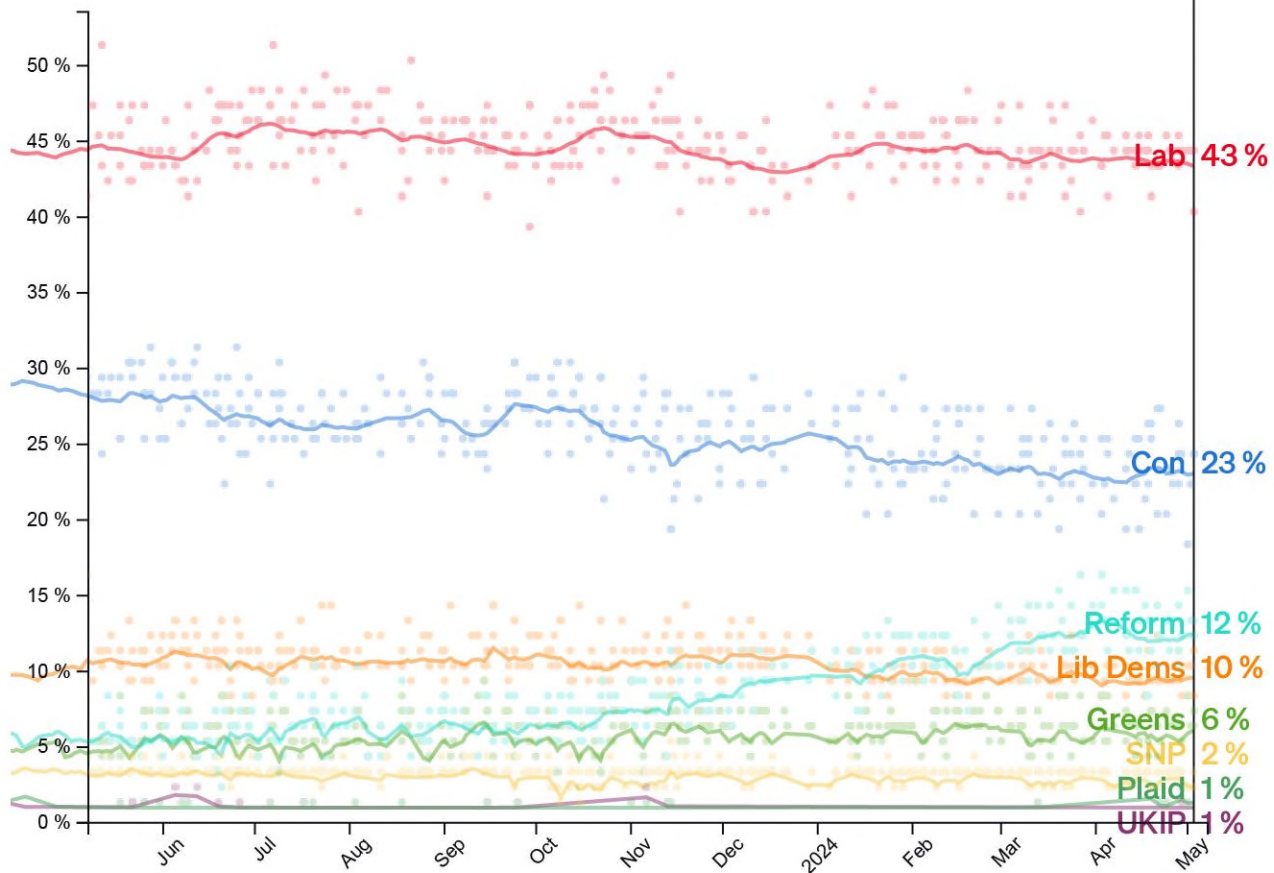
As the regulators remain entirely independent, the FCA can choose to disregard Hunt's call for a rethink. But the vocal opposition will be hard to ignore.

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"It seems extraordinary that the chancellor has chosen to speak out publicly against the FCA's proposals rather than sending a strong message privately through the Treasury," said Nathan Willmott, a partner at law firm Ashurst.

As a general election looms, politicians may well be tempted to resort to extraordinary measures.

*This article was updated to include a response from a Labour spokesperson.*

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