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THE PRIME MINISTER

18 July 2005

Dear Callum,

Thank you for your letter of 31 May.

I appreciate fully the significant progress that the FSA has made over the years in improving regulatory oversight, driving up standards, and promoting a risk-based approach to regulation in the financial services sector. And I certainly agree that, in relative terms, regulation in the UK compares very well internationally. But there is a general perception by UK business that regulatory burdens in the economy at large are greater than they have ever been.

Like you, I am keen to both reduce actual burdens wherever possible, consistent with maintaining regulatory outcomes, and to tackle some of these perception issues. That is why I have asked John Hutton to lead on this agenda and to implement with vigour the proposals from David Arculus and Philip Hampton.

Looking to the future, I welcome your recent initiative together with the Financial Services Practitioner Panel to assess the cumulative burden of financial services regulation and I anticipate the results with interest. I hope this exercise will improve understanding of the drivers behind regulatory burdens, and help inform your handbook simplification programme and other initiatives ensuring

that regulation remains proportionate and pays due regard to Britain's international competitiveness. I welcome your initiative to introduce more electronic reporting by firms and hope this will help reduce administrative burdens. I am also glad you are continuing to work closely with colleagues from other European regulators to steer EU-level regulation in the right direction.

These initiatives tie-in well with the Government's better regulation agenda, and I was reassured that you fully support the Government's intentions. I look forward to the FSA playing a positive role in the Government's moves to improve regulation across the board.

I am copying this letter to Gordon Brown and to John Hutton.

Yours ever,
Tony Blair

Mr Callum McCarthy