Questionnaire from the Treasury Committee for Liz Oakes, appointee to the Financial Policy Committee of the Bank of England

Personal

1. **Do you have any business or financial connections, or other commitments, that potentially give rise to a conflict or perceived conflict of interest in carrying out your duties as an external member of the Financial Policy Committee (FPC)?**

I have declared my various interests to HM Treasury and the Bank as part of the application process to be an external member of the FPC. I have also discussed them with the Secretary of the Bank (the Bank's conflict officer), with reference to the FPC's Conflict of Interest Code.

My main outside interest is that I serve as an independent non-executive director (iNED) on the boards of ecommerce payment businesses of the private equity investor Advent International, which has a majority shareholding in Mangopay. In particular, I sit on the boards of AI Stargate SAS (a holding company) and Mangopay SA, both incorporated in Luxembourg. My role as an iNED is focused on governance and oversight matters and requires me to attend quarterly meetings in Luxembourg. I do not make decisions in relation to strategy or investments for Advent International and my relationship relates solely to their majority shareholding of Mangopay. I have no role in their broader private equity business or interests in the UK or elsewhere. Mangopay handles online payments for a wide range of platforms, primarily in the EU. The business has a UK subsidiary, Mangopay UK Limited. I do not sit on the board of this entity and it is not regulated by the Bank of England. It was recently licensed by the FCA as an electronic money institution and is considered a small payment processing business for platforms in the UK. It is not engaged in and currently has no plans to develop business in crypto assets, stablecoins or central bank digital currencies. AI Stargate does not hold any other investments in relation to any other financial services companies or any other operating entities in the UK.

Mangopay's operations and interests are not currently of a size/nature to touch on the work of the FPC and I cannot see foresee any actual conflict of interest. But to avoid any possible perception of a conflict I have agreed with the Bank to recuse myself from items related to payment systems and stablecoins that might come to the FPC (the latter because of the potential links between stablecoin and e-money regimes).

In terms of other interests, I hold shares in Mastercard Inc (NYSE), a legacy from my previous employment with them. In line with the FPC's Conflict of Interest Code, I would need to seek prior approval from the Bank before engaging in any dealings in these shares; in any event, I am happy to commit not to deal with them for the duration of my term on the FPC. I also hold a number of other outside roles but do not consider these to pose any conflict of interest with my role on the FPC (I am an Editorial Advisor for the Journal of Payment Strategy and Systems and the Journal of Digital Banking; I am also a mentor at Leaders Plus, a social enterprise working with individuals to progress in their careers whilst enjoying their young families).

2. **Do you intend to serve out the full term for which you have been appointed?**

Yes, I intend to serve out the full term.

3. **Do you have, or do you intend to take on, any other work commitments in addition to your membership of the FPC?**

Yes. I have a very limited number of other current commitments, most notably the iNED roles noted above. I have discussed my commitments and interests with the Bank Secretary I have no present intention to take on any other work commitments and, in the event I did want to take on other commitments, I would seek prior approval from the Bank.

4. Please explain how your experience will inform your role as an external member of the FPC. To which areas of the FPC's work do you expect to make particular contributions?

My career in strategy consulting, payment systems and solutions design and operational experience in governance and management of both UK and a global payments business provides me with a background and insight into some of the challenges of both the public and private sectors that will inform my role as an external member of the FPC.

Safe, accessible, affordable, effective and efficient payment systems are essential critical infrastructure for the financial stability and growth of the economy. The manifestation of a systemic risk event is most visible in the payment systems, where effective policy, controls and design can mitigate and reduce the impact and effectively contain the spread of problems. Collateral and liquidity operations are at the heart of settlement for payment systems and these bear significant cost for layers of participants in the market. Each control or design element has a trade-off between risk, growth, innovation, safety and cost to different stakeholders. As payment systems evolve, the FPC has a role in ensuring the overall landscape remains stable and secure, while enabling growth and innovation across the economy.

While I bring an understanding of how the intricacies of the UK payment systems have been designed and how they work from a scheme, systems, operations and oversight perspective, I acknowledge we are living in a time of significant evolution in payments and data services, in particular the growth of Open Finance, which extends the data sharing and third party access of Open Banking to a wider range of financial sectors and products. Some of this change is perceived as a very positive step forward, but the benefits are uneven, the risks are evident and some in society do not want to see change. We are at an early stage in the digitalisation of many services, where payments are often not designed as an embedded feature but added as an adjunct to an already complex process. The intersection of access to broadband, digital identity management; electronification of personal and trade documentation and adoption of new technologies puts payments and data at the centre of a challenging public change agenda. The public is justified in seeking reliable trust models, liability frameworks and risk-based responses to the managed introduction of new ways of working. I believe my experience in understanding and navigating the needs of different stakeholders and phasing and pacing developments will prove valuable to the FPC.

I bring many years of experience in dealing with cybersecurity, operational resilience within national and bank payment systems, risk (including systemic risk) management, interoperability of products and systems, accessibility and availability of services and the interlinking of payment systems to other systemic and prominent systems and operations. I expect this to be useful to the FPC, as one its medium-term priorities (as mentioned in Question 6) is to improve macroprudential oversight of operational resilience.

Payment systems policy has an immediate and direct impact on businesses and the general public in terms of safety, resilience and availability. More long-term impact is derived from policies on access to the infrastructure (for example for Fintechs) and levers to ensure effective competition in the banking market. Policy developments in payments can create and enhance risk and complexity in funding arrangements, liquidity and collateral requirements to ensure stability and protect users. The FPC will want to ensure controls are in place to ensure effective stability, recovery and resolution regimes as we introduce new technologies and players in the market.

My experience in data standards, data management and integration will be helpful as the UK adopts the new banking data standards for financial messaging (ISO 20022) and as the Bank moves to an Application Programming Interface (API) technology approach to connect to other market participants. I believe my experience in this and the adoption of cloud-based approaches to technology delivery will help address the risks in new technology approaches and to identify concentration risk where it might emerge as an operational risk for the Bank or for market participants.

Change programmes are difficult and complex and not always hugely successful in their adoption. The UK is at the centre of money market operations globally. Any large-scale national change programme such as the introduction of new payment constructs (e.g., stablecoin, CBDCs or even the cut over to a new system for existing products or connection to other systems) would need to be undertaken carefully so as to maintain UK financial stability and the smooth operation of the market.

From time to time, market shocks happen. I have had hands-on experience advising clients and managing operations through events where the payment operations were the first area impacted, or the first line of defence to reduce risk following critical impact events such as a currency crisis, introduction of immediate sanctions, cyber-attack and payment systems failures. I believe my experience and cool head at the frontline in recovery and resolution of the payment operations of market participants brings useful expertise in considering a financial system where shocks have become more common.

I bring a strong background in the practicalities of risk and compliance from payment systems oversight and operations, including controls for anti-money laundering, fraud and financial crime. I have chaired meetings and conferences with global participants to improve efforts in the sharing of experiences, data and methods to reduce risks and tackle the increase in digital and online fraud in payments globally. I have worked on the design of data analytics models to interrogate systems for fraud and financial crime at a national level to protect consumers and financial market participants from harm. It can often be difficult to articulate the benefits at a single participant level and this type of initiative is something where I believe the FPC could have greater impact.

More recently, the Bank has led efforts to understand and advance thinking on new technologies in payments. I very much welcomed the December 2019 FPC work on stablecoins in systemic payment chains as it provides a level of clarity of thinking previously missing in the market. In July 2021, the FPC welcomed the Bank of England paper on new forms of digital money which sought to promote debate on the implications of stablecoins and CBDCs. In late 2023, the Bank published a Discussion Paper proposing a regulatory regime for stablecoins in systemic payment systems. I chaired a conference in London with global experts on international developments in payment systems and asked the team to present this paper, which was very well received. I have been involved in global efforts to improve the efficiency of cross-border payments under the auspices of the G20 and welcome the work the Bank continues to support to advance the reduction in costs for market participants and efforts to tackle financial crime in this area.

I hope to contribute to the FPC with practical, hands-on knowledge of policy and operations at a time of considerable innovation in money and to be able to think strategically about the impact and unintended consequences to other areas of the economy.

5. How do you assess your current state of knowledge about the UK economy and financial sector and macroprudential policy in the UK, and are there any areas in which you need to develop your understanding?

I have lived in the UK since 1988. My career in payments has followed the development of major infrastructure or renewal of national payment systems both in the UK and elsewhere. The common thread has been the improvements in economic outcomes for users and a reduction in macroprudential and systemic risks – in particular counterparty credit risk, liquidity risk; foreign exchange risk and operational risk.

My work involved a broad spectrum of users of payment systems in the UK economy from the digitalisation of government payments (HMRC and DWP and the Government Banking Service) to supply chain and working capital financing in manufacturing, the emergence and growth of eCommerce and the development of new products and solutions to support the digitalisation of a number of industries where payments played a small part of many overall solutions. The stresses of co-ordination of development and investment across the economy (and historically with Europe for the Payment Services Directives and SEPA) and the complex commercial eco-systems they support has been a common feature of these initiatives. Over time, the focus of development has also expanded from the regulated banking institutions to a wider cohort including software and cloud technology companies, FinTech and providers of Open Banking solutions, with new licensing regimes for Electronic Money Institutions and Payment Institutions.

I have been involved in the financial sector and in macroprudential policy in the form of the development and oversight of payment systems, from the introduction and development of RTGS, CHAPS, Bacs and Faster Payments in the UK. I have worked with successive teams at the Bank of England and with the relevant payment systems operator and infrastructure providers in the UK during my career. I was involved in the establishment of the Payment Systems Regulator (under the auspices of the FCA at the time) by defining and outlining the products and services, schemes and operations within the boundary and scope of the regulator. I have been a strong advocate of the development of new data standards to provide the basis for new technology solutions that can enhance the customer outcome and experience. This shift is not without risks, but necessary to grow the economy.

Through my experiences with the resolution of financial institutions, the growth of Fintechs and the development of Open Banking and the introduction of third parties into the eco-system, I have a good grounding in bank supervision, licensing, regulatory reporting, conduct issues and prudential requirements across a number of jurisdictions. I've seen first-hand the impact of regulatory arbitrage by market participants in licensing and the complexity of customer outcomes.

I studied economics as part of my degree many years ago. I have remained interested in economics and the complex working of the real economy and pay close attention to the development of macro-economic and macro-prudential policy, particularly in terms of promoting education, growth and innovation. I seek to bring a perspective that is grounded in day-to-day commercial reality and the customer's experience of the impact of decisions, and in terms of horizon scanning, to highlight some of the possible unintended consequences to business, manufacturing and trade.

I look forward to learning more about the interactions between the FPC and other policy committees, for example the MPC and PRC. I also appreciate there will be areas where I don't even know what I don't know. I anticipate a fast learning-curve experience and will work with the FPC and the supporting teams within the Bank to get up to speed quickly.

<u>The Financial Policy Committee</u>

6. What is your assessment of the track record of the FPC and the state of the global financial stability regime? In your opinion, what are the areas of most success, and in which is there still the most work to be done? Where would you particularly like to see international agreement?

I believe the FPC has demonstrated that it is well-placed to meet its aims of monitoring and taking steps to mitigate risks to UK financial stability. Several examples of the success of the FPC's work demonstrate this assessment. In particular, I think the FPC can point to the post-crisis work on the regulatory capital framework and stress testing framework that has boosted the resilience of the UK banking system and the wider economy. As a result, UK banks have been able to withstand various real-world shocks in recent years—including Brexit, the Covid pandemic and Russia's invasion of Ukraine – without any of the disruption we saw during the global financial crisis.

I observe that the FPC has also been rightly focused on risks associated with market-based finance. Risks to financial stability from this area were highlighted by the 'dash for cash' episode in March 2020, in response to which the FPC published an analysis of the vulnerabilities that the episode revealed and the policy actions required to address them – although given the global nature of this sector, this is an area where international agreement will be really important. And when the market stress associated with LDI funds occurred in September 2022, the FPC was effective in recommending that the Bank take action to address the risk of gilt market dysfunction, and has set out clear standards to boost the resilience of LDI funds going forward. In the same vein of broadening its focus, the FPC has been monitoring newer and emerging risks to financial stability, for example from cyber threats and from climate.

For areas of further improvement, I think we can look to the FPC's medium-term priorities which it published last year. These identified the need for further work on the identification of risks and the resilience of market-based finance, including by running a system-wide exploratory exercise. There will always be more work to do to continue to respond to structural changes and new risks in the financial system and the economy, such as digital money and climate change. And there are lessons to be learned for macroprudential policy from experiences of stress in recent years such as the failure of Silicon Valley Bank and Credit Suisse. Finally, I agree with the FPC on the importance of doing more work on its oversight of the operational resilience of firms - for example by running cyber stress tests and considering how to manage risks posed by the use of cloud services.

In terms of global co-operation, the Bank and FCA should continue to work closely with the international organisations promoting the adoption of standards and policies to tackle common issues. This increases the likelihood of adoption of common policies and reduces the cost and complexity burden on individuals, businesses and governments as they take action to reduce and mitigate these risks. In the case of organised cyber-attacks, significant benefits in deterring actors can be gained from closer co-operation and co-ordination, threat identification, data sharing and policy co-ordination.

7. How important is it that the public and the financial services industry understand the role of the FPC, the decisions it takes and the views of its members?

The public and the financial services sector are likely to have very different levels of comprehension and understanding of the work of the FPC. As such, I believe they require different forms of communication from the FPC.

It is important for financial stability that the financial services industry understand the risks they face and in turn can be prepared to take actions to mitigate these risks where necessary. Communication by the FPC of the key risks to financial stability supports their ability to do this. And being aware of the decisions of the FPC provides reassurance that risks that have the potential to become systemic in nature are being mitigated, therefore providing a safe and predictable environment to do business.

I believe communicating with the general public about risks to the financial system, and what the FPC is doing about them, is probably a greater challenge. I would suggest that many are unaware of the existence of the FPC, let alone the decisions they take and the views of the members. But it is a challenge that needs constant attention. The public must have confidence in the financial system and the services it provides, not least of which the payment systems that we all use.

This confidence in the financial system allows the public to trust that their money is safe and a greater understanding and awareness of the actions taken by the FPC in ensuring the stability of the financial system underpins that confidence. This means it is important that the public and financial services industry hear about the existence of the FPC, the work the committee is doing and the reasoning behind the decisions it is taking. As an external member of the committee, I will actively engage in communicating the FPC's work with the public and industry. I intend to host citizens' panels and meet with businesses and business networks across the country as part of visits organised by the Bank's Regional Agencies.

I plan to make speeches on various topics with the aim of supporting wide understanding of recent developments relating to financial stability and, importantly, of showcasing the work and related policy decisions made by the committee.

<u>Regulatory and Policy issues</u>

8. What is your assessment of the risks to financial stability arising from both higher inflation and higher interest rates?

As interest rates have risen to return inflation to target, the rapid adjustment has presented some challenges. For borrowers making higher debt repayments, they may find they have to make cuts elsewhere, to consumption, investment and employment, affecting the wider economy. This may make it harder for them to service their debts, increasing the likelihood of default, which would affect lenders. I agree with the FPC's assessment that the finances of low-income households remain under significant stress, but that on the whole UK borrowers have so far been broadly resilient to higher interest rates.

Higher mortgage rates are passing through as fixed rate deals expire and mortgagors refinance, and so mortgage debt servicing ratios and owner-occupier mortgage arrears are expected to continue to increase. They are expected to remain well below the peaks we saw in the global financial crisis. The prevalence of variable rate and short-term fixed-rate mortgages and other loans in the UK means that the impact of higher interest rates is relatively lower in the financial system than in the real economy compared to some other jurisdictions.

UK businesses have seen strong earnings growth which has helped them with servicing their debts at higher interest rates. However, there is similar timing lag to consider as the full impact of higher financing costs passes through, and it also worth highlighting that the impact of this on smaller or highly leveraged firms may be greater.

The FPC has noted that higher interest rates also result in reductions in asset valuations, which could present risks if exposures are not managed prudently. There are a couple of key areas to monitor including commercial real estate where international developments could spill over to the UK. Higher interest rates have also made it more difficult for private equity funds to raise investment, contributing to downward pressure on asset valuations, while default rates on debt linked to private equity have increased. This could lead to losses for banks or add to stress in the economy from the corporate sector.

For lenders, the FPC has communicated that the major UK banks are well capitalised with strong liquidity positions. Arrears have been increasing, and as borrowing costs rise some banks are more exposed to credit losses associated with some forms of lending, notably to finance certain CRE investments, buy-to-let and highly leveraged lending to corporates. Net interest margins peaked and have since declined a little, but aggregate profitability remains robust. Importantly, the FPC's stress tests have shown that the banking sector has the capacity to support households and businesses even if economic conditions were to be worse than expected.

There is a lot of uncertainty around the impact of higher interest rates, meaning the full impact on the economy and the financial system may take some time to flow through the market. It will be important to continue to monitor this. High interest rates tend to constrain growth, innovation and expansion as the return on investment relative to the cost of financing new ideas is often lower.

9. What is your assessment of the risks to financial stability arising from climate change? What role can and should macroprudential policy play in promoting the transition to net zero carbon emissions?

The risks to financial stability arising from climate change stem primarily from the physical effects of climate change as well as the risks to firms' business models and investment strategies resulting from the transition to a net-zero economy. The risks associated with the physical effects of climate change and the transition to net-zero will impact a wide range of actors in the economy, including households, businesses and financial firms.

It is rightfully the role of the Government to set the ultimate trajectory when it comes to the transition to net-zero, to set appropriate policies to drive the transition and to manage the distributional consequences that could arise during the transition. But given the important risks highlighted above, the FPC also has a role in understanding further how the physical effects of climate change and the transition to a net-zero economy could affect the macroeconomy and the stability of the financial system.

I believe the Bank's Climate Biennial Exploratory Scenario (CBES) was an important step forward in this regard. It showed – among other findings – that without any action, households and businesses vulnerable to the physical risks of climate change could be especially hard hit given a potential reduction in lending to properties facing greater physical risks and an increase in the premiums charged to households to insure themselves against such risks. Furthermore, it found that a transition to net-zero would materially impact a number of sectors that banks and insurers are exposed to and could result in these firms' business models becoming unviable without a shift in strategy.

The FPC should continue to assess potential vulnerabilities to financial stability through the transition and continue to engage internationally to enable a global response that builds global resilience which is important for the resilience of the UK financial system.

10. What is your assessment of the balance of risks to financial stability and opportunities for innovation and growth arising from digital currencies, and from the possible development of central bank digital currencies in the UK and globally?

The underlying technologies that support the use of digital currencies are exciting and evolving at a significant pace. The drive to digitise and speed up trading and transactions is relentless and drives efficiencies, but can also introduce new risks or enhance known risks in operations and execution.

Innovation in this area is global and has often been driven primarily by technology rather than financial expertise and in some instances has attempted to circumvent or ignore existing risk controls and regulation. In some cases, the size, scale and materiality of the real-world problems we are seeking to solve with these new technologies and the risks involved are unclear and the application of a new concept can jump from one sector to another quickly. The introduction of any new service, system or scheme needs to be effectively managed to ensure the industry does not inadvertently circumvent conduct rules or introduce new business models with unregulated or inexperienced third parties, exposing some stakeholders to a transfer of risk or greater risks that they cannot mitigate or do not sufficiently understand. In that context, the development of digital currencies that provide the certainty and stability required to operate at a national or global level requires oversight provided by competent authorities.

I have no doubt we will look back at current developments in years to come and recognise we were at the beginning of a complex technological and social journey. Specific risks to financial stability vary across the different approaches to digital currencies, specifically whether they are stablecoins used for payments or ETFs of unbacked crypto-assets. International regulatory efforts are not always consistent in terms of the balance of risk in licensing (crypto exchanges) and the approach to asset types (SEC approach to ETFs). I believe more work is required globally to implement the FSB's high-level recommendations on crypto-asset regulation to reduce the risk of regulatory arbitrage and to ensure innovation and growth is managed within the boundaries of acceptable risks.

On central bank digital currencies, the Bank's exploratory work on a potential retail CBDC is a welcome development, but there are important issues that remain to be addressed during the design phase before a decision on introducing such a currency can be made. From my experience in payments, this includes examining financial inclusion aspects; one less frequently discussed aspect is offline payments given many areas of the country have poor mobile signal and/or unreliable (or no) broadband connections.

I also support further exploration of the potential technological developments that could be delivered through wholesale CBDCs. I understand the Bank of England is already doing work to modernise wholesale payments through its renewal of RTGS and, like many other central banks, has been engaging in initiatives to evaluate the potential additional benefits of wholesale CBDC technologies. It will be important for the Bank to continue to lead in this area and this is something I will be monitoring closely.

11. To what extent does non-bank financial intermediation pose risks to financial stability, and how should the UK mitigate those risks?

The growth of non-bank financial institutions has been a marked feature of our economy since the global financial crisis. NBFIs now account for around half of UK and global financial sector assets, and represent an important source of finance for UK corporates as well as providing other important benefits.

But the growth of the NBFI sector relative to the traditional banking sector, as well as the sector's business models and regulatory idiosyncrasies mean they present a significant source of risk to financial stability. We've seen the sectors' use of leverage – combined with the lack of transparency around the use of leverage – as well as issues around maturity mismatch result in a number of situations in which risk has been amplified by NBFIs, including the LDI episode of September 2022 and the market stresses in 2020.

The FPC has made good progress in identifying sources of risk from NBFIs in recent years – including from money market funds and open-ended funds. To address these risks, the Bank has been engaging actively with the international efforts to build resilience in the non-bank sector, and we've seen the FPC use its powers of recommendation effectively in response to the LDI episode. The recent focus from the FPC and other Bank officials on the private equity and private credit sector is also a welcome development.

But further progress can be made. This includes looking at data transparency and reporting in the NBFI sector, but also looking at how the FPC, the Bank and other UK regulators can contribute to global efforts to develop international policies around NBFIs. Given the global nature of financial markets and cross-border activity of NBFIs, such international coordination is very important and in many instances essential. In setting these international policies, I believe policymakers and regulators should remain mindful of the benefits NBFIs bring to the economy, and indeed mindful of the UK's own competitive position vis-à-vis other jurisdictions.

12. How do you think the development and deployment of Artificial Intelligence in financial services may affect financial stability?

I've seen first-hand the rapid growth of artificial intelligence and associated machine learning in the financial services sector. While it has been around for a while, adoption has increased significantly in the past few years and many companies in the sector are using AI in increasingly innovative ways. New innovation naturally brings with it new or heightened risks. I have outlined a few of these potential risks below.

The adoption of AI and machine learning can increase firms' reliance on a number of third parties providing the data and AI models. This can increase concentration risks and leave firms vulnerable to the operational resilience of these third parties, as well as the operational resilience of their own business. Cyber threats or financial crime incidents at a third party could have systemic consequences. Wide use of AI could also increase procyclical behaviours, for example herding if models based on AI algorithms become correlated.

I agree with the FPC that, in view of the rapid pace of innovation and potentially widespread use cases, the impact of AI and machine learning on financial stability needs careful monitoring to ensure that the UK financial system is resilient to any risks it could present going forward.

13. What is your assessment of the macroprudential tools that are available to the FPC?

Overall I believe the tools available to the FPC are sufficient and flexible enough to allow the committee take action against risks to the UK financial system, and to help enhance its resilience. The FPC can issue Directions and Recommendations (on a comply or explain basis) to the PRA and FCA, and can make Recommendations to other institutions (for example, The Pensions Regulator). So these are broad powers.

I have observed it using these powers effectively over recent years. For example, the FPC's mortgage market recommendations are one reason we haven't seen a rapid build-up in aggregate indebtedness or in the number of overly-indebted borrowers over the past decade. And its recommendation in relation to the levels of resilience LDI funds should hold following the LDI crisis in 2022 has led to concrete action by The Pensions Regulator and relevant firms.

The FPC can also be responsive to changes in the risk environment, through changes to the UK countercyclical capital buffer. This is an effective 'rainy day' buffer that means banks can absorb losses and continue to lend and support the economy through stresses. The FPC actively varies the CCyB in line with its regular judgements on financial vulnerabilities and the risk environment – for example, releasing it quickly in response to external shocks such as the covid pandemic.

And of course, as answered in more detail in Question 7, the FPC can also mitigate threats to the resilience of the financial system by raising awareness of systemic risks among financial market participants - something it does very well through its Financial Stability Reports and other publications.

14. Apart from the issues highlighted above, would you highlight any other risks to financial stability in the UK and globally?

In addition to the areas highlighted above, I believe current geopolitical and cyber risks have the potential to pose significant threats to financial stability, while online fraud is also an important consideration.

Geopolitical risks manifest in different ways in the UK financial system. Many are evident. The current number of jurisdictions globally on a war footing is rising and the level of disruption to international trade could be significant. Disruptions to international trade and particularly shipping and transportation of goods, can impact a variety of sectors in the UK economy, which then transmits to the financial system via insurance, supply chain impairment and supply of critical components, financing of international trade and defaults on lending. Concentration risk and country counterparty risks are complex for financial institutions, insurance intermediaries and financial market suppliers. The pace of change can cause considerable challenges in rebalancing portfolios quickly and managing cross-border risks. The current retreat from globalisation brings a long-term change in the dynamics of the market, effective competition and the stability of existing supply chains.

Cyber-attacks are a daily threat and a significant cost to the economy. They weaken the operations of market participants, potentially freezing systems, assets and operations and have the potential to introduce a systemic knock-on impact throughout the economy. Weak links can introduce bad actors and malicious code into an otherwise strong ecosystem. Infrastructure players outside the financial services industry are often key suppliers to the smooth functioning of the financial markets. Disruption can be of lengthy duration and remediation is costly, complex and causes reputational risk. Co-ordination, information sharing and significant investment is required to address these risks globally, as an incident in another market or involving a global supplier could impact the UK market. Minimum data protection and security standards go some way to addressing these risks, as do data management policies, but this extends beyond financial services. Co-ordination is required at a national and global level across market infrastructures, key financial services institutions and global and last mile providers of infrastructure.

It is important to maintain broader trust and integrity in the financial system, and to have effective law enforcement and public policy frameworks that deliver such outcomes. In that context, I consider financial crime to be of potential interest given the need to educate and protect the public from losses. Some of this online financial crime is originated overseas to evade legal intervention and requires global alignment and organised, well-funded task forces to remove these players from the market. It is a cross-industry requirement that requires a single view of the vectors involved and needs to move from being perceived as a line-item cost of doing business for an individual business to one where it is an issue that undermines public confidence and participation in banking and ecommerce.

The true scale of the impact on the general public is hard to quantify due to personal embarrassment. The public perception of risk levels and the lack of trust in online banking, payments and digital services will only increase if this is not tackled as a strategic priority. It may also increasingly hamper efforts to grow the economy in the digital services space and in particular Open Banking and Open Finance sector, where third parties add value to complex chains of transactions or data processing, but the consumer finds it challenging to identify a point of responsibility in the event of an issue.

Please return this questionnaire to the Treasury Committee by 8 May 2024, alongside a full CV, in both Word and PDF. The Committee usually publishes, in full, the CV and questionnaire