



House of Commons
Treasury Committee

**Appointment of Lord Turner
of Ecchinswell as Chairman
of the Financial Services
Authority**

Fourteenth Report of Session 2007–08

Volume I

Report, together with formal minutes

*Ordered by the House of Commons
to be printed 2 July 2008*

The Treasury Committee

The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of HM Treasury, HM Revenue & Customs and associated public bodies.

Current membership

Rt Hon John McFall MP (*Labour, West Dunbartonshire*) (Chairman)
Nick Ainger MP (*Labour, Carmarthen West & South Pembrokeshire*)
Mr Graham Brady MP (*Conservative, Altrincham and Sale West*)
Mr Colin Breed MP (*Liberal Democrat, South East Cornwall*)
Jim Cousins MP (*Labour, Newcastle upon Tyne Central*)
Mr Philip Dunne MP (*Conservative, Ludlow*)
Mr Michael Fallon MP (*Conservative, Sevenoaks*) (Chairman, Sub-Committee)
Ms Sally Keeble MP (*Labour, Northampton North*)
Mr Andrew Love MP (*Labour, Edmonton*)
Mr George Mudie MP (*Labour, Leeds East*)
Mr Siôn Simon MP, (*Labour, Birmingham, Erdington*)
John Thurso MP (*Liberal Democrat, Caithness, Sutherland and Easter Ross*)
Mr Mark Todd MP (*Labour, South Derbyshire*)
Sir Peter Viggers MP (*Conservative, Gosport*).

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/treascom.

A list of Reports of the Committee in the current Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Colin Lee (Clerk), Sïan Jones (Second Clerk and Clerk of the Sub-Committee), Adam Wales, Jon Young and Jay Sheth (Committee Specialists), Phil Jones (Committee Assistant), Caroline McElwee (Secretary), Tes Stranger (Senior Office Clerk) and Laura Humble (Media Officer).

Contacts

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Summary

On 29 May 2008, the Government announced the appointment of Lord Turner of Ecchinswell as Chairman of the Financial Services Authority, for a period of five years commencing in September 2008. On 2 July we held an appointment meeting with Lord Turner, considering his suitability for the post against the criteria of professional competence and personal independence, as well as seeking his views on some of the policy challenges facing the FSA. We are satisfied that Lord Turner meets the criteria of professional competence and personal independence in relation to which we have considered his appointment as Chairman of the Financial Services Authority and is well-qualified for the position. We wish him every success in his new role.

1 Background

The appointment

1. On 29 May 2008, the Government announced the appointment of Lord Turner of Echinwell as Chairman of the Financial Services Authority (FSA) for a period of five years starting in September 2008.¹ As part of our continuing scrutiny of the FSA and of major public appointments within the responsibility of HM Treasury, we decided to hold an appointment hearing with Lord Turner and report on his suitability for appointment.

Sir Callum McCarthy

2. The vacancy which Lord Turner will fill arises from the decision of Sir Callum McCarthy not to seek a second term as Chairman. Sir Callum joined the Financial Services Authority in September 2003 and will have served a full five-year term as Chairman of the FSA. We would like to thank Sir Callum for his service as Chairman of the FSA and for his helpful and authoritative evidence to us on a number of occasions.

Our inquiry

3. In July 2007, in its Green Paper on *The Governance of Britain*, the Government proposed new arrangements for select committee scrutiny of certain public appointments. The Government envisaged that select committees would be “invited to convene a hearing” with those nominated to “market-sensitive” posts such as those of Chairman of the FSA before the appointee took up their post.² Following the announcement of Lord Turner’s appointment, we decided to hold an inquiry, considering his appointment against the criteria that we have used for assessing appointments to the Monetary Policy Committee of the Bank of England, namely whether the candidate has the professional competence and personal independence to fulfil his or her responsibilities properly.

4. We sent a preliminary questionnaire to Lord Turner, requesting information about his career and his views on relevant financial services and banking issues. We took oral evidence from Lord Turner on 2 July 2008. This evidence, for which we are most grateful, together with Lord Turner’s answers to our questionnaire, will be published in Volume II of this Report.

1 HM Treasury Press Notice 50/08, “Chancellor announces new chairman of the Financial Services Authority”, 29 May 2008

2 Ministry of Justice, *The Governance of Britain*, Cm 7170, July 2007, para 79

2 The role of the Chairman of the FSA

Overview and our approach

5. Recruitment for the position of Chairman of the Financial Services Authority is through open competition and was advertised in the national press following Sir Callum McCarthy's decision not to serve a second term in office. In considering Lord Turner's appointment as Chairman, we concentrated on examining Lord Turner's suitability for the position, the challenges he would face in his new post and how Lord Turner proposed to tackle those challenges.

Responsibilities of the Chairman of the FSA

6. The Chairman of the FSA has no executive responsibilities for the day-to-day running of the FSA. According to the FSA, the main responsibilities of its Chairman are to:

- “establish and develop an effective Board;
- lead the Board as a team;
- plan and manage the Board's business;
establish priorities for the FSA;
- maintain and develop a productive relationship with the FSA Chief Executive, for whose recruitment he is responsible;
- with the Chief Executive, lead the communication of FSA policies with a wide range of constituencies;
- represent the FSA on particular national and international financial institutions;
- establish and maintain high level contacts with the most important financial institutions worldwide;
- act as an accountability focus for the FSA, chairing its annual public meeting, giving evidence to select committees ...;
- represent FSA in the most senior meetings of the Tripartite Standing Committee, alongside the Chancellor of the Exchequer and the Governor of the Bank of England.”³

3 Lord Turner

Background on Lord Turner

7. Lord Turner has enjoyed a long and distinguished career, with considerable experience in the banking and financial services sector. He has also held a number of high-profile positions in the public policy world. Lord Turner began his career teaching economics at Cambridge University, after graduating from that University. He subsequently worked for British Petroleum and then Chase Manhattan Bank, joining McKinsey and Co in 1982. Between 1995 and 1999 he was Director-General of the Confederation of British Industry. He then spent six years as Vice-Chairman of Merrill Lynch Europe.

8. Lord Turner was Chairman of the Pensions Commission from 2003 to 2006, at which he led a review into the long-term future of the pensions system. In that capacity, he gave evidence to us during our inquiry into the design of a National Pension Savings Scheme and the role of financial services regulation.⁴ He also served as Chair of the Low Pay Commission between 2002 and 2006, the body which advises the Government on setting the minimum wage. In 2008 he was appointed as Chairman of the Government's Climate Change Committee, a position he will continue to hold until December 2008 alongside his responsibilities at the FSA. Lord Turner also lectures part-time at the London School of Economics.

9. In announcing the appointment of Lord Turner as Chairman of the FSA, the Chancellor of the Exchequer said:

I am delighted to appoint Adair Turner as Chairman of the FSA. His wide-ranging expertise will be invaluable in driving forward the FSA's objectives to maintain confidence in the financial system, promote public understanding of it, protect consumers and reduce financial crime. I look forward to working with him.⁵

Our evidence

Overview

10. We asked Lord Turner a range of questions on his skills, experience, qualifications and professional background as well on the public policy challenges he will confront as Chairman of the FSA. We also asked him about his intention to remain as Chairman of the Climate Change Committee until December 2008 and to combine that role until December with the position of Chairman of the FSA.

4 Treasury Committee, Fifth Report of Session 2005–06, *The design of a National Pension Savings Scheme and the role of financial services regulation*, HC 1074-I and II

5 HM Treasury Press Notice 50/08, "Chancellor announces new chairman of the Financial Services Authority", 19 June 2008

Strategic priorities

11. We asked Lord Turner about his strategic priorities during his first six months as Chairman of the FSA, including his plans concerning staff recruitment and retention. In answer to our questionnaire, Lord Turner said that his priorities were to familiarise himself with the full range of issues on the FSA's agenda and develop a clear sense of the priorities for the organisation. He indicated that he planned to play a major role in international discussions on key regulatory issues and foster a close and effective working relationship with the Bank of England. He also said he planned to meet a wide range of the FSA's external stakeholders during his first few months in the post.

Relationship with the Treasury and the Bank of England

12. We asked Lord Turner about the FSA's future relationship with the Treasury and the Bank of England. In answer to our questionnaire, Lord Turner stated that working effectively with the Treasury and the Bank of England was crucial to effective financial supervision and to financial stability. He confirmed that one of his priorities would be to strengthen the FSA's relationship with these two bodies at all levels, including the most senior.

Banking reform regulation

13. We asked Lord Turner about his views on the Government's proposed reforms of banking regulation. In answer to our questionnaire, Lord Turner stated that the Government's proposals set out a workable division of responsibilities between the FSA, Bank and Treasury in extreme conditions—and in particular in relation to the operation of the Special Resolution Regime. He said the reforms were based upon a clear division of overall responsibilities, with the FSA responsible for regulation and regulatory decisions for all regulated firms and the Bank responsible for overall issues of financial stability.

Market abuse

14. We asked Lord Turner whether tackling market abuse would be one of his priorities as Chairman of the FSA and how he would go about tackling such abuse.

Treating customers fairly

15. We asked Lord Turner about the FSA's consumer focus under his leadership. In particular, we asked how high up his list of priorities the 'treating customers fairly' agenda would be, particularly in the light of the risk that the FSA's increased focus on prudential supervision and wholesale markets could mean the diversion of resources and attention away from the FSA's retail agenda.

Assessment of personal independence and professional competence

16. Following the failures in supervision of Northern Rock, the FSA faces a period in which its reputation must be reconstructed. This will require robust practical and intellectual leadership. The Chairman plays a critical role in this task. We note that Lord Turner has

been given this role on the presumption that he will work one day a week less than his predecessor, although he confirmed in evidence that he would be able to devote himself, effectively full-time, to the FSA for the critical period should any crisis occur. We also note that he will initially continue to chair the Climate Change Committee. This is a challenging environment for achievement in this job.

17. We are satisfied that Lord Turner meets the criteria of professional competence and personal independence in relation to which we have considered his appointment as Chairman of the Financial Services Authority and is well-qualified for the position. We wish him every success in his new role.

Formal Minutes

Wednesday 2 July 2008

Members present:

John McFall, in the Chair

Nick Ainger	Mr Michael Fallon
Mr Graham Brady	Ms Sally Keeble
Mr Colin Breed	Mr Andrew Love
Jim Cousins	Mr Mark Todd
Mr Philip Dunne	

Appointment of Lord Turner of Ecchinswell as Chairman of the Financial Services Authority

Lord Turner of Ecchinswell, a Member of the House of Lords, Chairman designate of the Financial Services Authority, gave oral evidence.

Draft Report (*Appointment of Lord Turner of Ecchinswell as Chairman of the Financial Services Authority*), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 15 read and agreed to.

A paragraph—(*Mr Mark Todd*)—brought up, read the first and second time, amended and inserted (now paragraph 16).

Paragraph 16 read, amended and agreed to (now paragraph 17).

Summary amended and agreed to.

Resolved, That the Report, as amended, be the Fourteenth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Tuesday 15 July at 9.30 am.]

Witnesses

Wednesday 2 July 2008

Lord Turner of Ecchinswell

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List of written evidence

1 Lord Turner of Ecchinswell

List of Reports from the Treasury Committee during the current Parliament

Session 2007–08

First Report	The 2007 Comprehensive Spending Review	HC 55
Second Report	The 2007 Pre-Budget Report	HC 54
Third Report	The Work of the Committee in 2007	HC 230
Fourth Report	Climate change and the Stern Review: the implications for Treasury policy	HC 231
Fifth Report	The run on the Rock	HC 56
Sixth Report	Financial Stability and Transparency	HC 371
Seventh Report	Administration and expenditure of the Chancellor's departments, 2006–07	HC 57
Eighth Report	Re-appointment of Dr Andrew Sentance to the Monetary Policy Committee	HC 454
Ninth Report	The 2008 Budget	HC 430
Tenth Report	Re-appointment of Mervyn King as Governor of the Bank of England	HC 524
Eleventh Report	Counting the population	HC 183
Twelfth Report	Inherited Estates	HC 496
Thirteenth Report	Budget Measures and Low-Income Households	HC 326

Session 2006–07

First Report	Financial inclusion: the roles of the Government and the FSA, and financial capability	HC 53
Second Report	The 2006 Pre-Budget Report	HC 115
Third Report	Work of the Committee in 2005–06	HC 191

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Fourth Report	Are you covered? Travel insurance and its regulation	HC 50
Fifth Report	The 2007 Budget	HC 389
Sixth Report	The 2007 Comprehensive Spending Review: prospects and processes	HC 279
Seventh Report	The Monetary Policy of the Bank of England: re-appointment hearing for Ms Kate Barker and Mr Charlie Bean	HC 569
Eighth Report	Progress on the efficiency programme in the Chancellor's department	HC 483
Ninth Report	Appointment of the Chair of the Statistics Board	HC 934
Tenth Report	Private equity	HC 567
Eleventh Report	Unclaimed assets within the financial system	HC 533
Twelfth Report	The Monetary Policy Committee of the Bank of England: ten years on	HC 299
Thirteenth Report	Financial inclusion follow-up: saving for all and shorter term saving products	HC 504
Fourteenth Report	Globalisation: prospects and policy responses	HC 90

Session 2005–06

First Report	The Monetary Policy Committee of the Bank of England: appointment hearings	HC 525
Second Report	The 2005 Pre-Budget Report	HC 739
Third Report	The Monetary Policy Committee of the Bank of England: appointment hearing for Sir John Gieve	HC 861
Fourth Report	The 2006 Budget	HC 994
Fifth Report	The design of a National Pension Savings Scheme and the role of financial services regulation	HC 1074
Sixth Report	The administration of tax credits	HC 811
Seventh Report	European financial services regulation	HC 778
Eighth Report	Bank of England Monetary Policy Committee: appointment hearing for Professor David Blanchflower	HC 1121
Ninth Report	Globalisation: the role of the IMF	HC 875

Tenth Report	Independence for statistics	HC 1111
Eleventh Report	The Monetary Policy Committee of the Bank of England: appointment hearings for Professor Tim Besley and Dr Andrew Sentance	HC 1595
Twelfth Report	Financial inclusion: credit, savings, advice and insurance	HC 848
Thirteenth Report	"Banking the unbanked": banking services, the Post Office Card Account, and financial inclusion	HC 1717