Financial Services and Markets Bill [HL]

AMENDMENTS

TO BE MOVED

IN GRAND COMMITTEE

[Supplementary to the Third Marshalled List]

Amendment No.

After Clause 22

BARONESS LAWLOR

As an amendment to Amendment 135

135A★ After subsection (1), insert—

"(1A) The reports to be published under subsection (1) must include anonymised examples of how the regulations have been applied in individual cases."

BARONESS BOWLES OF BERKHAMSTED

142D★ After Clause 22, insert the following new Clause—

"Litigation funding as a regulated activity

After paragraph 24 of Schedule 2 to the Financial Services and Markets Act 2000 (regulated activities), insert—

"Litigation funding agreements

24ZA Rights under a litigation funding agreement.

24ZB Entering into a litigation funding agreement as funder.

24ZC Administering a litigation funding agreement.

24ZD Arranging a litigation funding agreement.

24ZE Advising on a litigation funding agreement.

24ZF (1) For the purposes of this Schedule, a "litigation funding agreement" is an agreement under which—

(a) a person ("the funder")—

(i) agrees to fund (in whole or in part) the provision of advocacy or litigation services (by someone other than the funder) to another person ("the litigant"), and

(ii) the litigant agrees to pay a sum to the funder in specified circumstances, or

(b) a person provides financial support to a firm of solicitors which is involved in contentious matters or to a claims management company.

(2) The sum to be paid by the litigant may be—

(a) an amount calculated by reference to a multiple (if any) of the amount of the funding provided by the funder,

(b) an amount calculated by reference to a percentage (if any) of any specified financial benefit obtained by the litigant in connection with the matter in relation to which the funding is provided,

(c) an amount calculated by reference to a rate of interest, or

(d) such sum, or method of calculation, as is prescribed by the Treasury pursuant to sub-paragraph (3),

provided that in respect of the sum to be paid, howsoever calculated, it must not exceed such sum as may be prescribed by the Treasury pursuant to sub-paragraph (3).

(3) The Treasury may by regulations make such consequential, supplementary, incidental, transitional or saving provision as it considers appropriate in connection with this paragraph.””

Member's explanatory statement
This amendment brings third-party litigation funding within the FCA regulatory perimeter by creating a new category of regulated activity under FSMA 2000.

BARONESS BOWLES OF BERKHAMSTED

142E★ After Clause 22, insert the following new Clause—

“Building society governance standards

(1) The Treasury must, within six months of the day on which this Act is passed, make regulations by statutory instrument requiring the Financial Conduct Authority to make rules establishing minimum governance standards for authorised building societies.

(2) Regulations under subsection (1) must require the Financial Conduct Authority to make rules ensuring that—

(a) elections of directors are conducted in accordance with minimum democratic standards, including—

(i) equal treatment of candidates in election materials and communications;

(ii) protection of candidates’ election addresses from alteration except with the candidate’s request or written consent or where alteration is required by law or for production purposes;

(iii) minimum statutory duties and reporting requirements for independent scrutineers;

(b) voting arrangements prohibit bundled voting instructions and require voting instructions to be determined separately in respect of each candidate and each resolution;

(c) members approve, by ordinary resolution at intervals not exceeding three years, the remuneration policy for directors and senior executives;

(d) every authorised building society whose total assets exceed £5 billion maintains not fewer than two board positions to be filled by member-nominated directors elected by Members;

(e) every annual general meeting is held at a physical place whilst permitting additional participation by electronic means;

(f) every question submitted by a member for an annual general meeting, together with the building society's response or the reasons for not providing a response, is published following the meeting.

(3) Before making rules under this section the Financial Conduct Authority must consult—

(a) HM Treasury;

(b) the Prudential Regulation Authority;

(c) representatives of authorised building societies;

(d) organisations appearing to represent the interests of members.

(4) A statutory instrument containing regulations under this section may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, each House of Parliament."

Member's explanatory statement
This amendment requires HM Treasury to require the Financial Conduct Authority to establish minimum governance standards for authorised building societies. It applies governance principles already recognised by Parliament in relation to listed companies, occupational pension schemes and statutory democratic elections to member-owned financial institutions.

After Clause 46

LORD HOLMES OF RICHMOND

164D★ After Clause 46, insert the following new Clause—

"Cross-border cooperation frameworks

(1) The Secretary of State must use reasonable endeavours, within 12 months of the day on which this Act is passed, to enter into Memoranda of Understanding with the relevant regulatory authorities in—

(a) the United States of America,

(b) the European Union,

(c) Singapore,

(d) Hong Kong,

(e) Switzerland, and

(f) the United Arab Emirates.

(2) Each Memorandum of Understanding must address, so far as is reasonably practicable—
(a) mutual recognition or equivalence arrangements for digital asset standards,
(b) cross-border settlement interoperability, including atomic settlement and delivery-versus-payment models,
(c) regulatory information sharing in relation to digital asset service providers,
(d) coordination on composability standards for decentralised finance and programmable finance applications.

(3) The FCA must, in exercising its functions relating to digital markets, actively participate in relevant international fora on—
(a) cross-border settlement standards,
(b) tokenisation interoperability, and
(c) composability protocols for digital financial markets.

(4) The Secretary of State must report annually to Parliament on progress towards alignment with the United States of America."

Member's explanatory statement
This amendment seeks to build on the overseas recognition regime framework.

LORD HOLMES OF RICHMOND

164E★ After Clause 46, insert the following new Clause—

"Shared digital identity and compliance utilities

(1) The Secretary of State must, within 18 months of the day on which this Act is passed, publish a specification for—
(a) a shared digital identity utility ("the identity utility"), providing API-based identity verification services accessible to authorised persons and regulated institutions operating in both legacy and digital markets;
(b) a shared anti-money laundering and know your customer compliance utility ("the compliance utility"), providing API-based access to customer due diligence data and screening services.

(2) The specification must address—
(a) governance arrangements, including whether the utilities are to be publicly owned, privately owned under public specification, or operated as industry utilities;
(b) data standards and interoperability requirements;
(c) access arrangements for legacy and digital ledger technology-based market participants;
(d) privacy and data protection safeguards, including compliance with the UK GDPR;
(e) the transition period during which legacy and digital know your customer processes will operate in parallel.

(3) The FCA may make rules—

(a) requiring regulated institutions to register with and use the identity utility or compliance utility once operational;

(b) providing that compliance with compliance utility standards satisfies the customer due diligence requirements of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

(4) Use of the identity utility or compliance utility by a regulated institution does not, of itself, discharge that institution's obligations under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 or under the FCA's financial crime rules."

Member's explanatory statement
This amendment is modelled on Singapore's MyInfo and the EU's European Digital Identity Wallet framework.

LORD HOLMES OF RICHMOND

164F★ After Clause 46, insert the following new Clause—

"Prudential alignment of tokenised and traditional assets

(1) The PRA and the FCA must, within 18 months of the day on which this Act is passed, jointly publish guidance ensuring consistent treatment of tokenised and traditional instruments in respect of—

(a) capital requirements, ensuring that tokenised instruments that are economically equivalent to traditional instruments attract equivalent capital treatment,

(b) liquidity requirements, ensuring that tokenised high-quality liquid assets are eligible for the same treatment as their traditional equivalents, subject to assessment of operational and settlement risk, and

(c) collateral eligibility, ensuring that tokenised securities posted as collateral are recognised on terms at least as favourable as their traditional equivalents, subject to appropriate haircuts for settlement and custody risk.

(2) The guidance must explain—

(a) the methodology by which equivalence is assessed,

(b) where differential treatment is applied, the basis for such differential treatment, and

(c) the transitional arrangements applicable during the period before tokenised markets achieve full operational maturity.

(3) The PRA must, in making rules in relation to the Capital Requirements Regulation (UK CRR), have regard to the principle that regulatory capital requirements should not, without objective justification based on demonstrably different risk, differentiate between tokenised and traditional instruments of equivalent economic substance."

Member's explanatory statement
The amendment seeks to create a domestic duty to minimise unjustified divergence regarding tokenised and traditional assets.

LORD HOLMES OF RICHMOND

164G★ After Clause 46, insert the following new Clause—

"Interoperability sandbox and fast-lane authorisation

(1) The FCA must establish and operate an additional Digital Financial Markets Sandbox ("the Sandbox") for the purpose of enabling—
(a) multi-institution pilots of composable digital workflows, including cross-network settlement, programmable collateral, and tokenised asset issuance;
(b) testing of cross-border delivery-versus-payment models in partnership with foreign regulatory sandboxes;
(c) interoperability testing between traditional market infrastructure and distributed ledger technology-based systems.

(2) The Sandbox must operate on the basis of—
(a) clear, published eligibility criteria, including the risk thresholds to be met by applicants;
(b) modified or disapplied rules, subject to equivalent outcomes-based protections;
(c) a maximum participation period of five years, after which participants must either exit or apply for full authorisation.

(3) The FCA must establish a fast-lane authorisation track for digital market participants who—
(a) have participated successfully in the Sandbox for a minimum of 12 months;
(b) meet the risk thresholds published by the FCA for early-mover authorisation;
(c) have demonstrated operational readiness across the standards specified in section (common token and data standards).

(4) Applications for authorisation under the fast-lane track must be determined by the FCA within four months (and not the standard period applicable under section 55V of the Financial Services and Markets Act 2000 (determination of applications: Part 4A) as amended by section 21), unless the FCA notifies the applicant of exceptional circumstances."

Member's explanatory statement
The Sandbox in this amendment is modelled on the FCA's existing Digital Sandbox (launched in 2021) and the Bank of England's Digital Securities Sandbox, but is given statutory basis to ensure longevity and scale.

LORD HOLMES OF RICHMOND

164H★ After Clause 46, insert the following new Clause—

“Digital financial markets education and use case library

(1) The FCA must, within 12 months of the day on which this Act is passed, develop and publish a national digital financial markets education programme, covering—

(a) an explanation of composability in financial markets, its benefits, and the operational, legal, and regulatory changes it requires,

(b) educational materials targeted at regulated institutions, professional market participants, and retail investors, and

(c) training resources for compliance, risk, and legal professionals at regulated institutions.

(2) The FCA must publish and maintain a digital markets use case library, covering—

(a) wholesale use cases, including—

(i) programmable collateral management;

(ii) tokenised fund structures and net asset value calculation;

(iii) cross-border delivery-versus-payment settlement;

(iv) on-chain corporate actions;

(v) intraday repurchase agreements using tokenised assets;

(b) retail use cases, including—

(i) tokenised savings products;

(ii) retail participation in tokenised bond markets;

(iii) digital wallet-based payment and settlement;

(c) in each case, the regulatory treatment applicable to each use case, cross-referenced to the relevant sections of the Financial Services and Markets Act 2000 and FCA rules.

(3) The use case library must be designed to function across multiple payment rails and must not privilege any single payment instrument or settlement technology.

(4) The FCA must review and update the use case library at least annually.”

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29 June 2026