London Stock Exchange Closing Ceremony
12th July 2022

Remarks by Mark Yallop

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I don't normally look to the "Thought for the Day" slot on BBC Radio 4's Today programme for inspiration when speaking about FMSB. But by chance this morning's speaker talked about an issue that is central to FMSB's mission.

The speaker was talking about trust, and particularly the lack of trust in many areas of society. She was I think motivated by the way in which recent developments have eroded public trust in politics, and was hoping that the current selection process for a new Prime Minister might afford a "reset moment" for politics in this country. In her remarks, the speaker quoted some of the ideas that Onora O'Neill, one of our foremost political and ethical philosophers, has promoted about the nature of trust and how it can be won, nurtured and lost.

Many of you will have heard me speak before about Onora O'Neill's philosophy and its relevance for financial markets; and this item on the radio seemed a good prompt to mention her ideas again this evening.

O'Neill delivered the Reith Lectures 20 years ago, and chose the subject of trust. She certainly wasn't thinking about financial markets when she spoke; but she laid out a framework for thinking about trust which is directly relevant to the things that went wrong in financial markets in the past two decades, the discussions in 2014/15 about how to correct these problems, and the work since 2016 of FMSB.

This is not the time to rehearse her entire argument. But the central points she made at that time were:

- Duties to behave in certain ways are a pre-requisite for the rights of others to enjoy predictable behaviours. Too often the concept of duty is overlooked by those looking to create trust;
- Targets, intended to create or bolster trust by increasing the accountability of those who are in positions of trust, frequently fail to do so because they create what O'Neill called "managerial accountability", where arbitrary and often inconsistent goals are set, because they are (easily) measurable and not because they really address the lack of trust in the performance of those being measured;
- Trust is not a passive concept, but something that must be actively tested by those seeking to trust, through questioning and the exercise of independent judgement;

- Real, or what O'Neill called "intelligent" accountability, is not delivered by ticking boxes or meeting arbitrary KPIs, but by ensuring good self-governance and informative reporting that enables others with knowledgeable independent judgement to verify performance;
- Trust is not just a function of transparency, as is often claimed, since more transparency and information can also foster deception and mis-information;
- The goal needs to be a system of "informed consent", in which those who are exercising trust in others can trace specific verifiable facts to reliable sources through active enquiry, as a way of establishing a basis for placing trust; and those seeking trust from others can facilitate this verification of their dependable and valuable behaviour;
- Trust is too arbitrary a concept in reality; instead, those seeking to place confidence in others need to look for verifiable "trustworthy" behaviour.

This analysis seems extraordinarily prescient in view of what followed in the next decade.

Financial services providers too often ignored duties they owed to consumers and market participants. Conduct regulation was too often set up to test managerial accountability, rather than real performance. Consumers and other users of financial services had inadequate tools to measure the trustworthiness of their providers and the products and services they were buying. Increasing transparency was too often delivering more information, but not greater intelligence about markets, services and products. Even those market users who were looking for signs of trustworthiness lacked the tools and the information to establish informed consent.

It will eternally be to the great credit of those at the Bank of England, the FCA and HM Treasury who wrestled, in writing the Fair and Effective Markets Review, with how to respond to the successive waves of wholesale market problems from 2008-2013, that they did not double down on a complex, prescriptive, targets and rules-based regulatory system that would have done nothing to change the accountability for market outcomes and the trustworthiness of financial markets.

Rather the Bank, the FCA and HMT deliberately sought to create a system that reinforced a genuine sense of accountability for trust-able outcomes on the part of both market makers and market users.

Making this a reality is the journey that FMSB has been on these last six years. It has been a lengthy journey, with more than a few bumps in the road. But we have come a long way from the two people who met in the summer of 2016, without even an office.

The Standards and other guidance that FMSB develops and publishes are designed to make the duties of market makers and others clear to market users. They establish benchmarks against which behaviour can be tested. Where users of markets also have responsibility to behave in certain ways, these are called out. They explain what information is needed for markets to function and how that information should be handled. In all these ways our Standards are intended to help build the informed consent that wholesale market users need to have, and the means to establish trustworthy behaviour, which is itself the basis for re-gaining trust in markets and finance.

Today we have 50 Members, have published 30 Standards and other pieces, have active relationships with over 100 regulators and central banks worldwide. By my maths we have enlisted over 10,000 man- and woman-hours of deep expertise, from many hundreds of market professionals, in the creation of FMSB publications.

I think that the next six years will be even more exciting than the past. Onora O'Neill's messages will be as relevant for finance in future as they were in 2002, in 2008, in 2016 and today; and we must not forget them. But for now, this evening, let me express my personal thanks to all who have made this journey possible so far:

- the Members, both the institutions and the individuals who have sat on our Standards Board, Advisory Council and in our Working Groups;
- our Sponsors, and those at the Bank, the FCA and HMT who had the courage to place their faith in us originally;
- the amazing Secretariat team under Myles who drive the organisation forward, and of course to Myles himself for taking up the baton just a year ago;
- and finally to Robert and the team here at LSE who have made this ceremony possible and welcomed us to the exchange today.