



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

European Union Committee
c/o Lord Kinnoull
House of Lords
London
SW1A 0AA

3 November 2020

Dear Lord Kinnoull,

7049/18: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on European Crowdfunding Service Providers (ECSP) for Business

7048/18: Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2014/65/EU on markets in financial instruments

Thank you for your letter of 9 October 2020 and for your continued engagement on this matter.

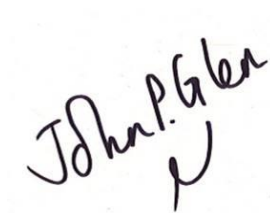
I hope you can appreciate that during these challenging times, the Government is working to support all aspects of financial services, both by introducing Covid-specific support measures and by continuing to maintain a focus on priorities which preceded the current pandemic, including crowdfunding regulation. I hope you find the following information useful.

You asked for further detail regarding our assessment of “whether similar changes in UK law would enhance the competitiveness of our Crowdfunding sector”. We have been actively reviewing the merits of these regulations, but at this time there is no evidence to suggest their implementation would result in material benefit to the UK Crowdfunding sector. The UK crowdfunding sector makes up three quarters of the total European market, and as such the UK developed a robust regulatory regime early on. The Government believes the final EU text shares key similarities with existing UK regulation. This is partly due to the prominent role the UK assumed in shaping the core aspects of the text itself.

As a reminder, investment-based crowdfunding is currently regulated in the UK under MiFID II rules and all Peer-to-Peer (P2P) lending platforms are currently regulated in the UK under a bespoke regime by the Financial Conduct Authority (FCA), which has independent oversight of this matter. In other words, the Government sets the regulatory framework in legislation, but within this, the FCA independently sets the rules for Peer-to-Peer (P2P) platforms. It is the Government's intention to let the FCA continue taking these decisions.

In respect of the "Government's assessment of the desirability or otherwise of coming under the Regulation as a third country and of the effect of such a move on the UK sector's competitiveness"; we do not envisage it being necessary for the EU to apply third country rules to the UK sector in this space. Our approach has been to follow international norms in line with the expectations of the industry, continuing to achieve the same outcomes as in today's EU regulation but with small adjustments to reflect our markets in specific areas.

With very best regards,

A handwritten signature in black ink that reads "John P. Glen" with a stylized flourish underneath.

JOHN GLEN