

THE BIG QUESTION: Martin Wheatley, former CEO, Financial Conduct Authority

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Thomson Reuters Regulatory Intelligence speaks to important figures in the compliance and financial arena to hear their thoughts and discuss wider issues related to their fields. Today we talk to Martin Wheatley.



Martin Wheatley

Wheatley was the inaugural chief executive of the UK Financial Conduct Authority. Previously, he served as CEO of the Hong Kong Securities and Futures Commission and spent 18 years with the London Stock Exchange, six serving on its board. He serves on the regulatory advisory board of Starling.

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What part of your job gives you the most satisfaction?

Working in regtech is fascinating as it attempts to apply new solutions to old problems. As a regulator, you would never want to be too prescriptive on HOW to solve the problem — that simply gets played back to you as "this is what you said you wanted and so that is what we did", regardless of whether it actually addresses the underlying concern meaningfully. The newer entrants such as Starling have fresher thinking.

We are getting closer to the coal face. It can all be a bit too legal and theoretical dealing with large corporations. Working with smaller players means you just get closer to the real issues and frustrations with a view to solving them or approaching them in a fundamentally new and better way.

What part of your job gives you the most frustration?

As a regulator it was always the desire from firms to be told the "right" solution. Firms wanted a script to follow to show that they were "compliant" with what the regulator wanted, whereas a regulator always wanted a firm to use judgement. Being in the regtech space now, it is the converse of that — firms wanting to know how the regulator will respond before adopting a novel approach. That and the layers of decision-making needed to move forward.

What are the most significant forthcoming developments that you are concerned about, or you think the profession/industry should be concerned with?

We are still at a fairly early stage of looking at how machine learning and artificial intelligence can augment judgements about risk and risk management and supervision. I think the key word here is "augment". There is a danger that if we become too reliant on model outputs then people act to game the model. You only have to look at the problems of credit ratings to see how far it can go wrong.

At Starling we are trying to strike that balance in a way that provides decision-makers with quantitative tools to help them gain a better understand what is happening in their business so that they can employ better judgement and tackle problems proactively rather than being back-footed.

Which international regulatory development causes you the most concern?

One of the big trends in regulation, which I am proud I started while still at the FCA, is the desire to embrace innovation and create "sandboxes" and other tools allowing fintech firms better access. It stems from a philosophy that "regulation" is a fairly blunt tool to create good outcomes for consumers: choice, innovation, competition all play a greater role.

Each jurisdiction is different, however, and there is a significant cost for newer players to get their offering accepted in multiple jurisdictions. The FCA approach to trying to crack this is to work on a cross-border project to create a Global Financial Innovation Network (GFIN). It is early days, but this could be the next significant accelerator for tech in finance.

What has been the biggest issue you have had to deal with in your role?

Having been at the centre of regulation for so long, in both London and Hong Kong, the biggest issue for me is realising I am now watching from the sidelines. I am no longer the ref on the pitch. Now, I am just one of very many watchers who will all have different views. But it is satisfying helping to bring a new tool-kit to issues that I have seen to cause so much harm over the years.

What pearl of wisdom would you give to a budding compliance officer/money laundering reporting

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officer?

Stick to your principles, back your judgement, be brave. It is tough in a commercial world not to get trapped into corporate group-think regarding what is okay. We saw huge organisations convince themselves that dodgy sales practices, account openings, etc., were okay because everyone else was doing it. It is important to have clarity of vision and keep a clear mind.

What is the most amusing compliance anecdote that you have come across?

I will have to pass on that as they cut a bit too close to the bone.

What has been your greatest professional achievement?

I am immensely proud of my role in setting up the FCA. I think it is a genuinely world-class organisation that sets the standard internationally.

What do you do to relax?

I make furniture in my spare time to unwind.

Can you recommend a restaurant to us?

I do not eat out much after too many grand dinners. Home-cooked is best for me.

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