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UK financial regulators should copy Singapore model, say peers

British watchdogs are too slow and risk-averse, Lords committee states

Singapore's ability to attract multinational companies despite its small domestic market has propelled it to the fourth-highest GDP per capita © Roslan Rahman/AFP/Getty Images

Martin Arnold in New York

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Britain's financial regulators need to learn from Singapore by ditching their "risk-averse culture", stepping up support for economic growth, and becoming more welcoming to businesses, a House of Lords committee has said.

Since the 2008 banking crisis, the Financial Conduct Authority and Prudential Regulation Authority had introduced "unnecessary frictions" that undermine growth and innovation and "discourage new entrants", the House of Lords Financial Regulation Committee said on Friday.

The peers' conclusion that the UK has "valuable lessons to learn from Singapore's approach" to financial regulation underscores widespread frustration in the City of London over how the two authorities have responded to a new objective to support economic competitiveness and growth they were given two years ago.

"Again and again, we were told about Singapore and how fast the Monetary Authority of Singapore was in turning things around — the culture was very much one of a concierge culture," said Michael Forsyth, the Conservative peer who chairs the committee. "There's a lot to be learned from that," he told the Financial Times.

However, their call to mimic the Asian city-state's business-friendly approach to financial supervision has echoes of Brexit-era threats to turn Britain into "Singapore-on-Thames", a low-tax and lightly regulated offshore financial centre to rival the EU.

Singapore's ability to attract multinational companies despite its small domestic market has propelled it to the fourth-highest GDP per capita behind Luxembourg, Ireland and Switzerland — and almost double that of the UK, according to the IMF.

The committee's report, which mentioned Singapore 21 times in its 139 pages, said the government and the regulators should do more to measure the economic impact of financial regulation and benchmark the UK against other countries on areas such as compliance costs and capital requirements.

Regulators around the world are being urged by politicians to ease restrictions on financial services to boost lending, investment and growth. The US Federal Reserve last week announced plans to examine if many rules created after the 2008 banking crash were still relevant.

Forsyth, however, said the level of deregulation under President Donald Trump was "very dangerous" and "not what we should be doing".

“We are not in the business of a race to the bottom or removing essential guardrails,” he said. Instead, the committee was asking whether it was “really necessary to take three months to approve a CEO with years of experience”, he added.

The peers called on the UK’s two main watchdogs to work together to establish a Singapore-style “concierge service” to help foreign companies set up in Britain “as part of broader efforts to instil a culture based on efficiency and an appropriate degree of flexibility”.

Sam Woods, the Bank of England deputy director who leads the PRA, proposed earlier this year to set up such a service alongside the FCA, after visiting Singapore to learn how the Monetary Authority of Singapore (MAS) operated it.

The Lords’ report also criticised UK regulators for being too slow to approve senior executive appointments or the establishment of new operations. It cited an example from insurer Aon of how Singapore had approved 18 insurance-linked security proposals faster than the UK had authorised five, even though the instrument was a British innovation.

The committee has established itself as a vocal critic of financial regulators since it was created last year. Many of its peers have declared non-executive roles or other interests with City companies, such as Forsyth’s shareholding in UK lender Secure Trust Bank and Lord John Eatwell’s job as a partner at private equity group Palamon Capital Partners.

However, Forsyth denied the committee was biased in favour of financial services, pointing out that its members include Labour peer Rita Donaghy, former president of the Trades Union Congress. “We have a mix of people and this report is absolutely unanimous,” he said.

"They can attack us for being a mouthpiece for the City — but they should take into account how much investment and how many jobs are being lost because of these issues."

The report cited a warning by the Association of Foreign Banks that UK authorisations of senior appointments are "too onerous and frequently still require too long to receive approval, especially compared to other financial centres. This deters foreign banks from recruiting for, and expanding in, the UK."

"There does seem to be a disproportionate cost of compliance in the UK," said Forsyth, who became an investment banker at JPMorgan and Evercore after being a minister in the governments of Margaret Thatcher and John Major.

But he said politicians were also responsible for creating "mission creep" by officials, pushing them into areas such as equality and sustainability. "To be fair to the regulators, some of this comes from a high level of demands placed on the regulators by the government."

The FCA said on Friday that it was "fully committed to supporting economic growth in the UK and a thriving financial services sector", pointing to recent changes including on company listings and crypto regulation.

"We agree that there is more to do to understand the role of regulation in unlocking growth in the wider economy and that's why we have commissioned research on this topic."

A PRA spokesperson said it was "working hard to embed the secondary competitiveness and growth objective throughout our organisation, whilst recognising that there cannot be sustainable growth without financial stability".

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Martin Arnold