Being better informed

FS regulatory bulletin

FS regulatory insights

March 2024

In this month's edition:

- Government sets out next steps for regulators on AI
- FCA sharpens focus on Consumer Duty implementation
- PRA confirms final Solvency UK rules
- FCA proposes to increase transparency of enforcement actions

Executive summary

Welcome to this edition of 'Being better informed', our monthly FS regulatory bulletin, which aims to keep you up to speed with significant developments and their implications across all the financial services sectors.

Andrew Strange
Director, FS Regulatory Insights
andrew.p.strange@pwc.com

The past month brought a number of important updates, both for the industry overall, and on sector-specific initiatives. Starting with the former, the Government provided an update on artificial intelligence (AI) policy, outlining next steps following its March 2023 white paper. It confirmed the adoption of a principles-based approach, and published the first phase of guidance for regulators to implement an AI framework. Next steps include refining this guidance with feedback from regulators and firms, aiming for a release by the summer. For further analysis, see our At a glance publication.

Elsewhere, the FCA proposed to publicly name the companies it is investigating, in a bid to increase transparency as part of a consultation on changes to its enforcement approach. The regulator also intends to focus on a 'streamlined portfolio of cases', and to close cases more quickly where no outcome is achievable. The FCA says any decision to announce an investigation would be taken on a case-by-case basis, with an assessment of whether to do so is in the public interest, and it would not usually name individuals. Our At a glance publication provides further details.

The FCA continues to drive supervisory attention through the Consumer Duty, publishing an assessment of firms' progress, with good and poor practice examples, and reasserting its areas of focus ahead of the 31 July 2024 closed book deadline. The FCA identifies a number of areas for further improvement, including on fair value assessments, governance, and data and monitoring capabilities. For more information, please see our At a glance briefing. The FCA also wrote to a number of financial advice firms to request information about their ongoing advice services in light of the Duty, and in the insurance sector, announced that Guaranteed Asset Protection (GAP) firms representing 80% of the GAP market have agreed to suspend sales. This follows the regulator's September 2023 warning to GAP insurers over fair value.

Elsewhere in the insurance sector, the PRA published two policy statements setting out final Solvency UK (SUK) rules, which include minor changes to the proposals set out in earlier consultations. Overall, the PRA expects the new SUK regime will simplify some requirements, allow improved flexibility, and encourage entry into the UK insurance market. The PRA considers that its new rules will continue to maintain strong prudential standards for the UK insurance sector, while allowing a meaningful reduction to existing administrative and reporting requirements. Insurers must implement the changes in the policy statements by 31 December 2024.

The Bank of England (BoE) issued two discussion papers on the real-time gross settlement (RTGS) service. The first focuses on extending RTGS and CHAPS operating hours to near 24x7 (at least 23 hours a day). The BoE believes the change could facilitate greater efficiency by allowing new digital money innovations (e.g. central bank digital currency, systemic stablecoins and tokenised deposits) to integrate central bank money more seamlessly in their solutions. In the second paper, the BoE identifies four priority areas to facilitate wider access to RTGS accounts for settlement and settlement services.

Please refer to our At a glance for more information.

Finally, the FCA concluded its Wholesale Data Market Study, which focused on how well competition is working in benchmarks, credit ratings data and market data vendor services. The FCA found that, while wholesale market participants are generally able to access the data they need, at sufficiently high levels of quality, they may be paying higher prices for that data than if competition was working more effectively. But it has ruled out the possibility of directly regulating prices of wholesale data, instead considering whether new and existing regulations can be improved so that wholesale data can be provided on a 'transparent, fair and reasonable' basis.

Please read on to find out more about these and other developments. You can also visit our PwC webpage for further regulatory insights. These include our latest Reflections article exploring how firms can promote financial inclusion as a commercial driver, and how government and regulators can support firms taking a bolder approach, plus our latest podcast episode on the EU's Corporate Sustainability Reporting Directive.

We hope you enjoy reading this edition.

Andrew Strange
Director, FS Regulatory Insights
M: +44 (0) 7730 146 626
andrew.p.strange@pwc.com

Contents

How to read this bulletin?

Review the Table of Contents and the relevant Sector sections to identify the news of interest. We recommend you go directly to the topic/article of interest by clicking in the active links within the table of contents.

Cross sector announcements

In this section:

Andrew Strange
FS Regulatory Insights
andrew.p.strange@pwc.com

Benchmarks

FCA issues its final LIBOR reminder

The FCA issued a final LIBOR reminders and a report on 29 February 2024. The last remaining synthetic sterling LIBOR setting will permanently cease on 28 March 2024. The 1-, 3- and 6-month US dollar synthetic LIBOR settings will cease on 30 September 2024. Firms with outstanding LIBOR exposures must continue their active transition efforts.

Conduct

FCA sharpens focus on Consumer Duty implementation

The FCA published its latest assessment of firms' Consumer Duty implementation progress on 20 February 2024, outlining the good and poor practice it has observed across sectors. The FCA also published findings from its autumn 2023 firm survey, highlighting the progress small firms have made to implement the Duty.

With regards to culture, governance and monitoring, the FCA stresses that firms should ensure the focus on good customer outcomes is understood at all levels of the firm, including in strategies, leadership and people policies. On consumer vulnerability, firms need to improve their processes to track vulnerable customers and address gaps in data and servicing capabilities

They should prioritise the identification and support of vulnerable customers and avoid generalising vulnerability based on factors such as age.

The FCA emphasises that firms should ensure there is effective information sharing across supply chains, and that closer attention is paid to how distribution strategies impact customer outcomes. Further, firms should be able to evidence how their products provide fair value, beyond benchmarking against similar products in the market. Firms should be able to justify the remuneration they receive.

The FCA states firms should not push products or services that are high-risk or complex. All firms, including those that provide execution-only services, should promote their products and services in a way that supports good outcomes. Additionally, firms should train staff so they are able to have complex conversations with customers when necessary. Staff should take time to understand a customer's circumstances when they are in financial difficulty.

For more information, see our At a glance publication.

FCA discusses Consumer Duty closed book challenges

In a speech on 20 February 2024, Sheldon Mills, FCA Executive Director of Consumers and Competition, spoke of the solid progress firms have made in complying with the Consumer Duty rules for open book products. But he highlighted that firms should not wait to see if the FCA will intervene on an issue, and that firms should ensure they have meaningful data and not just 're-package' existing data for monitoring customer outcomes.

Recognising the complexity of older systems, Mills explored the challenges in meeting the July 2024 closed book deadline. Where a firm can't fill gaps in customer records, it should take steps to mitigate the risk of harm to consumers, for example by enhanced outcomes testing for impacted customers. On fair value, the FCA does not expect firms to re-price products in every case if conditions such as life expectancy or economic conditions have changed. But if a firm could have reasonably known that its pricing assumptions were significantly wrong at the point of sale, then the FCA will consider if the firm complied with the rules that were in place at that time.

Firms should consider how they can communicate more effectively with 'gone away' customers by testing and monitoring, and then adapting their communications. Where firms have vested rights, they may consider giving these up and amending fees or charges is the most appropriate way to deliver good outcomes.

Mills stressed that by now firms should have a clear roadmap to comply with the closed book deadline which is 31 July 2024..

FCA shares claims management companies review findings

The FCA published findings from its multi-firm review of claims management companies (CMCs) on 15 February 2024. The review questioned if firms were using their FCA authorisation to legitimise unregulated services. Key findings include:

- Some CMCs have undertaken very little, or no regulated claims management activity. Following contact during the FCA's review, some CMCs have applied to cancel their FCA permissions.
- Inadequate systems and controls in place to differentiate between regulated and unregulated claims activity.
- Some CMCs charge significantly higher fees for unregulated claims activity. Although the FCA does not have regulatory oversight of these activities, the regulator notes that firms should satisfy themselves on whether these high fees are appropriate.
- Non-compliant financial promotions.

The FCA expects all CMCs to take account of the findings from this multi-firm work and make necessary changes. The FCA reminds firms that in accordance with the Consumer Duty, CMCs must ensure that their products and services provide fair value with a reasonable relationship between the price consumers pay and the benefit they receive.

Enforcement

FCA to name firms subject to enforcement action

The FCA issued a consultation paper on 27 February 2024, proposing changes to its approach to enforcement. The regulator proposes to publicly name the companies it is investigating, in a bid to increase transparency. It also intends to focus on a 'streamlined portfolio of cases', to close cases more quickly where no outcome is achievable, and to simplify its Enforcement Guide.

The FCA says that any decision to announce an investigation would be taken on a case-by-case basis, and would take into account a number of factors to determine whether to do so is in the public interest. It is proposing to publish the names of firms subject to investigation, updates on the progress of investigations, and when it has closed cases without taking action. The FCA says it would not usually announce that it is investigating a named individual.

Therese Chambers, joint FCA Executive Director of Enforcement and Market Oversight, discussed the proposals in a speech at The Market Abuse and Market Manipulation Summit. She said the regulator intends to take an ever-more data and technology-driven approach to enforcement, and is looking at how AI can support this work.

The consultation closes on 16 April 2024. For more information, see our At a glance publication.

Financial crime

FCA sets out financial crime priorities

The FCA published an update report on reducing and preventing financial crime on 8 February 2024. It is a midpoint summary against the FCA's three-year strategy, and outlines its four focus areas for the next 18 months: data and technology, further collaboration, consumer awareness, and measuring effectiveness. Across these areas, the regulator sets out suggested questions for firms' boards to ask, and suggested actions for firms. The FCA expects firms to measure their own effectiveness at preventing financial crime through outcomes and metrics.

According to the FCA, firms must make use of new systems, processes, available data and approaches to keep up with emerging risks. It also acknowledges that other entities, such as social media platforms, must play their part in fraud reduction. Among the FCA's priorities in 2024 is to support Government proposals to reform the AML supervisory regime.

For more information, see our At a glance publication.

Supervision

FCA Chair calls for Open Markets and Open Regulators

Ashley Alder, Chair of the FCA, called for the UK and EU to lead by example in working together to achieve high standards of financial regulation, openness and cooperation, in a speech delivered on 20 February 2024. Alder pointed to the UK's recent equivalence decision for EU UCITS funds under the Overseas Funds Regime as a model for future equivalence decisions, which he said should be based on the principle of reciprocity.

Alder used his speech to underline the FCA's 'open markets philosophy', and provide reassurance that the UK regulators' new secondary objectives for international competitiveness do not imply an isolationist approach or rolling back on their commitment to cooperation and open markets. He welcomed the UK-EU memorandum of understanding, signed in 2023, signalling its importance in enabling UK-EU relationships to continue to develop. Alder also highlighted the importance of international cooperation in addressing the challenging and opportunities posed in areas such climate risk, FinTech and non-bank financial intermediation.

Sustainability

EFRAG, CEN and CENELEC announce co-operation agreement

The European Finanacial Reporting Advisory Group (EFRAG) announced on 27 February 2024 a Memorandum of Understanding with CEN, the European Committee for Standardization, and CENELEC, the European Committee for Electrotechnical Standardization. The agreement will see the organisations work together to identify relevant CEN and CENELEC standards and publications that could facilitate the implementation of the European Sustainability Reporting Standards, to avoid duplication of reporting.

FRC sets out plans for Stewardship Code review

On 27 February 2024, the Financial Reporting Council (FRC) published a policy update on its plans to undertake a formal review of the 2020 UK Stewardship Code. The review had previously been announced in the Government's Green Finance Strategy.

The review will focus on the extent to which the code:

- supports long term value creation through appropriate investor-issues engagement that drivers issuers' prospects and performance
- creates reporting burdens on issuers as well as Code signatories
- has led to any unintended consequences, such as short-termism in targets and outlook for issues.

The review will have three phases: targeted outreach to four main groups (issuers, asset managers, asset owners and service providers), a public consultation, due to be launched in the summer, and a revised code published in early 2025.

The operation of the current code will continue as normal throughout this process. Once a revised code is published, the FRC will set out an implementation pathway that enables current signatories sufficient time to respond.

FCA updates on UK SDR

On 2 February 2024, the FCA published an update on its new sustainability disclosure and labelling rules in PS23/16, providing additional clarification in response to implementation questions received since publishing the final rules.

The FCA's clarifications include:

- Firms will have to submit any updates made to their pre-contractual disclosures to comply with the new rules to the FCA.
- Where a fund invests in other funds (i.e. funds of funds), those funds will be treated as 'assets'.
- For products applying the Sustainability Improvers label, the methodology or approach for selecting assets may be a relative measure or approach e.g. selecting the 'best-in-class' for a particular sector.
- Firms only need to comply with the naming, marketing and associated disclosure rules in respect of products for retail clients.
- The naming and marketing rules will not apply to short, factual, non-promotional statements, e.g. that a firm carries out ESG integration on a product as part of its usual risk management process. However, if, for example, ESG integration or another sustainability-related investment approach is being promoted in its marketing as material to the product, the firm will be required to produce a disclosure and statement to clarify why the product doesn't have a label.

The update also sets outs out steps firms should take ahead of the rules coming into effect, including that UK asset managers should assess their products against the naming and marketing requirements, and that all authorised firms should prepare for the new anti-greenwashing rule if they make sustainability claims.

The rules come into force from this year, starting with the anti-greenwashing rule which comes into force on 31 May 2024.

Agreement reached on EU ESG ratings rules

On 5 February 2024, agreement was reached by the European Parliament and Council on the future regulatory framework for ESG ratings providers. This represents an important step in the introduction of formal regulation of providers operating in the EU.

Key features of the rules include:

- A requirement that separate E, S and G ratings be provided, rather than a single metric that covers 'ESG' collectively. If a rating covers the 'E' factor, information needs to be provided on whether it takes into account alignment with the Paris Agreement, or any other International agreements. If it covers 'S' or G' factors, information must be given on whether it takes account of any relevant internation agreements.
- The rules will require that ratings agencies explicitly disclose whether the delivered rating assesses how the rated entity both affects and is affected by ESG factors - a double materiarilty approach – or whether the rating only takes account of one aspect.
- It is expected that in-house ratings will now be included, through an amendment to SFDR. This means that financial market participants will need to include information on ESG ratings used as part of their marketing or website communications.
- The agreement also means that there will need to be a clear separation of legal entities where they offer some other services, such as consulting, audit and credit rating activities.

The agreement also means that entities classified as a small undertaking or group will be excluded by from a number of provisions for the first three years of implementation.

Both the Council and European Parliament need to formally endorse the agreement before it can enter into force, which may take some time, and means it is subject to change.

Report clarifies pension fiduciary duty

On 6 February 2023, the Financial Markets Law Committee released a report, commissioned by the UK Government as part of its Green Finance Strategy, to explore fiduciary duty for pension trustees in relation to sustainable investing. The report seeks to address a long running debate about whether trustees may be in breach of their fiduciary duty when factoring climate risk into investment decisions.

The paper sets out that the risks associated with climate change and sustainability are financially material, and therefore can be factored into investment strategies and risk analysis. The report also notes that trustees should not consider the matter solely through the lens of what is required by current regulations and legislation, as this would not address all the risks associated with climate change. In addition, the report states that trustees should consider whether short-term gains should be rejected where they create longer term investment risks to the fund. The committee also believes that it is unlikely that portfolio diversification alone would be sufficient to mitigate the risks of climate change.

ESRS XBRL Taxonomy consultation opens

On 8 February 2024, the European Financial Reporting Advisory Group (EFRAG) launched a consultation on a draft XBRL taxonomy for ESRS Set 1, and for SFDR Article 8 Disclosures. This is to establish the correct digital transposition under the disclosures, as required by SFDR/CSRD.The draft documents, as well as links to online surveys, can be downloaded from here. The questionnaires remain open until 8 April 2024.

FRC notes improvements in Stewardship Code reporting

On 21 February 2024, the Financial Reporting Council (FRC) published an updated list of signatories to the Stewardship Code. The FRC says it has observed a general improvement in outcomes-based reporting, reflecting improvements in stewardship practice. It also notes an increase in key stewardship themes, including human rights issues in supply chains, nature-based solutions, and biodiversity.

In addition, the FRC published a document collating previously published guidance for applicants to the code.

Technology

Government sets out next steps for regulators on AI

The Government provided an update on AI policy and outlined next steps in a consultation response published on 6 February 2024. It confirmed the adoption of a principles-based approach, emphasising the role of regulators including the FCA and Bank of England in developing context-specific AI regulation.

While immediate legislation for AI regulation is not included, future legislative action may become necessary as AI technologies advance and risks become better understood.

The Government also published the first phase of guidance to regulators for implementing the AI framework. This guidance will be refined with feedback from regulators and firms in phase two, aiming for a release by summer 2024, followed by developing joint tools and guidance across regulatory remits in phase three.

The FCA and Bank of England will need to publish on their AI regulation approach by the end of April 2024, detailing:

- Steps already taken to explore risks and opportunities
- Evaluation of the regulators' capabilities
- Planned activities over the next 12 months.

In the short term, we expect regulators to confirm their technology-agnostic and outcomes-driven approach. Some of the work already mentioned by the regulators on the implementation of the Senior Managers Regime, and identifying risks AI may pose to financial stability are likely to feature in the regulators' update in April 2024.

These developments will provide further clarity to firms, but also signal increased scrutiny from the regulators, which will develop their expertise and capabilities to assess firms' use of AI.

Please see our At a glance briefing for more information.

Government outlines AI assurance mechanisms

The Department for Science, Innovation & Technology issued guidance on how firms may take initial steps to implement artificial intelligence (AI) assurance on 6 February 2024, establishing a cohesive framework for AI assurance, focusing on safety, security, transparency, fairness and accountability. It emphasises the critical role of AI assurance in ensuring consumer trust, fostering innovation, and managing the multifaceted risks associated with AI deployment.

For firms, this entails a proactive approach to integrate AI assurance into operational and risk management frameworks. The key actions for firms in navigating the complex AI assurance landscape include:

- Identifying and complying with existing regulations, and staying informed about new regulatory guidance
- Upskilling organisational knowledge on AI assurance
- Reviewing internal governance and risk management processes
- Engaging in AI standardisation efforts.

The document further highlights the importance of international cooperation in developing global technical standards for AI assurance to ensure interoperability across different regulatory regimes. The guidance also fits within the broader AI policy framework, established by the Government and confirmed in a recent consultation response.

Wholesale Markets

FCA finds competition faults in wholesale data markets

On 29 February 2024, the FCA published the final report of its Wholesale Data Market Study. The Market Study was launched in March 2023, following an earlier Trade Data Review. The study focused on how well competition is working in three particular sectors - benchmarks, credit ratings data, and market data vendor (MDV) services. Supplementary annexes were also Conduct published.

The FCA found that, while wholesale market participants are generally able to access the data they need, at sufficiently high levels of quality, they may be paying higher prices for that data than if competition was working more effectively in those markets. Some common themes were identified across all three markets. These included:

- Price discrimination: The FCA found that many wholesale data suppliers price data based on its perceived value to the individual user rather than based on the cost of supplying the data.
- Barriers to switching: Data users' ability to switch between suppliers is limited, due to reasons such as complex contractual terms, lack of suitable alternatives, and network effects.
- Limited price transparency: A lack of publicly disclosed prices means data users find it difficult to compare prices. Bundling practices and complex licensing terms also contribute to opaque pricing.

The FCA has ruled out the possibility of directly regulating prices of wholesale data, and is not making a market investigation reference to the Competition and Markets Authority. Instead, it will consider whether regulations can be improved so that wholesale data can be provided on a transparent, fair and reasonable basis.

Read our At a glance summary for further analysis.

Banking and capital markets

In this section:

Conor MacManus
FS Regulatory Insights
conor.macmanus@pwc.com

Financial stability

BoE Governor outlines assessment of UK banking sector

Bank of England (BoE) Governor Andrew Bailey delivered his Loughborough lecture on 12 February 2024, sharing his views on the state of the UK banking sector, and the issues that are important for financial and monetary stability.

Bailey commended the banking sector's resilience during turbulent market conditions in recent years, noting that post-crisis reforms to bank capital regulation had supported this. He disagreed with assertions that the post-crisis regulatory reforms have required banks to hold too much capital, and that variances in rules across jurisdictions influence bank valuations. Bailey noted that he expects the implementation of Basel 3.1 to have a relatively marginal impact on the overall level of capital for UK banks, and reiterated the importance of implementing the rules faithfully.

Bailey noted that the March 2023 market volatility raised questions about banks' liquid asset buffers, particularly in response to the impact of technology on the speed and potency of bank runs. Bailey called on banks to supplement their liquid asset holdings with efficient and extensive access to the liquidity facilities provided by the BoE, noting that this is likely to result in banks holding larger reserves at the BoE than was the case before the financial crisis.

Payments

BoE consults on RTGS access policies

The Bank of England (BoE) issued a discussion paper on the real-time gross settlement (RTGS) access policies on 8 February 2024.

The BoE has identified four priority areas to facilitate wider access to RTGS accounts for settlement and settlement services while maintaining resilience. These are: 1) Enhancing the BoE/FCA process for non-bank payment service providers seeking access to require firms to undertake regulated activities prior to access, undergo s166 assessment, and consider relevant firms for more enhanced supervision. 2) Understanding the demand of foreign banks for access to RTGS to support payment system settlement, and ensuring the potential challenges to do so are understood. 3) Clarifying access requirements for financial market infrastructures (FMIs), to ensure that new firms are safely run. 4) Reviewing the CHAPS value threshold, currently 2% of the total CHAPS system value in place.

The BoE acknowledges that more payment firms accessing RTGS would allow more transactions to be settled in central bank money, maintaining a level playing field for competition, and driving innovation. However, when setting RTGS access policies, the BoE says it needs to balance the benefits against the risks which can arise from providing access to firms which are not operationally and financially sound.

The consultation closes on 30 April 2024. The BoE will respond in 2025.

Read our At a glance publication for more information.

BoE considers extending RTGS operating hours

The Bank of England (BoE) issued a discussion paper on the real-time gross settlement (RTGS) service on 8 February 2024. The paper considers a case for extending RTGS and CHAPS operating hours to near 24x7 (at least 23 hours a day). No decision has been made on whether, when or by how much the BoE would extend operating hours.

Longer operating hours could enable net settlement of retail payment obligations overnight and at the weekend, reducing settlement and credit risk (for uncollateralised transactions) or reducing liquidity cost (for collateralised transactions). Extended hours would increase the overlap with global RTGS and wholesale payment systems and help to reduce frictions for cross-border payments, directly increasing speed and facilitating other innovations such as liquidity bridges, interlinking and payment versus payment (PvP).

According to the BoE, longer operating hours could also facilitate greater efficiency and reduced risk by allowing new digital money innovations (e.g. central bank digital currency, systemic stablecoins and tokenised deposits) to integrate central bank money more seamlessly in their solutions. ‘Synchronisation’ would allow a wider range of ledgers, including those using distributed ledger technologies, to connect to RTGS to synchronise transactions and to enable ‘atomic settlement’ (or conditional settlement).

The consultation closes on 30 April 2024. The BoE plans to issue a formal consultation on RTGS and CHAPS operating hours in 2025.

Read our At a glance publication for more information.

Asset management

Andrew Strange
FS Regulatory Insights
andrew.p.strange@pwc.com

Please refer to the Cross sector announcements section on p. 4 for developments that may be relevant to Asset management.

Insurance

In this section:

Anirvan Choudhury
FS Regulatory Insights
anirvan.choudhury@pwc.com

Conduct

FCA sends data request on non-financial misconduct

The FCA published a letter to insurance firms on 6 February 2024, requiring them to provide information related to incidents of non financial misconduct (NFM). This follows an announcement by the FCA at a Treasury Select Committee (TSC) hearing in January 2024 that it would ask a sample of wholesale banks, brokers and insurers for information on NFM. In the letter, the FCA says it is requiring all regulated Lloyd's Managing Agents & London Market Insurers (including P&I Clubs) and Lloyd's and London Market Insurance Intermediaries (and Managing General Agents) to provide the requested information on a mandatory basis, by 5 March 2024.

For the years 2021-23, the regulator asks firms to provide information on the number and type of non-financial misconduct incidents, the methods of detection (e.g. whistleblowing), and the outcomes (e.g. dismissal, written warning, non-disclosure agreements). It also asks high level questions on: regulatory references; governance and management information; appointed representatives; diversity and inclusion policies; and remuneration, disciplinary and whistleblowing policies and procedures.

The FCA has made clear it is increasing its supervisory scrutiny of NFM, and has particular concerns about the wholesale insurance sector, as set out in its September 2023 portfolio letter to the sector. It says it will use the information collected through the data request to build a clearer understanding of when and where NFM occurs, and to inform ongoing supervisory work. The FCA and PRA are due to confirm final policy for a new diversity and inclusion framework for financial services in the second half of this year.

GAP insurers suspend sales over FCA fair value concerns

The FCA announced on 9 February 2024 that Guaranteed Asset Protection (GAP) insurance firms representing 80% of the GAP market have agreed to suspend sales.

This announcement follows the FCA's September 2023 warning to GAP insurers, whereby these insurers were asked to demonstrate how customers are receiving fair value. The FCA confirms that it was not satisfied with the responses received, and therefore requested GAP insurance firms to suspend sales. These firms have agreed to make changes to their products to provide better value for customers.

The FCA plans to perform a second tranche of engagement with the remaining 20% of the GAP market going forward. In the interim, these firms have agreed not to use new GAP distributors.

Prudential

PRA confirms Solvency UK rules on reporting and disclosure

The PRA confirmed its Solvency UK reporting and disclosure rules in PS3/24 on 29 February 2024. While the PRA removes, amends and introduces new reporting requirements for insurers, overall there will be a reduction in reporting requirements.

The PRA refers to the removal of the requirement for insurers to submit the Regulatory Supervisory Report (RSR), which it confirmed in December 2023. Consequently, the PRA introduces a short standalone resolution-focused report for third country branches, given it will no longer be receiving this information through the RSR.

After considering feedback to its earlier consultation, the PRA clarifies it will no longer be implementing a new reporting template on non-life product obligations. It will also not introduce the reporting template on activity by country, and instead will introduce simplified versions of the existing solo level reporting on insurance activity and best-estimate liabilities as the basis for country level reporting. Additionally, the PRA clarifies it has simplified the new reporting template on cyber underwriting risk, removing granular detail on target market, product identification and risk coverage.

The PRA streamlines existing Solvency Capital Requirement reporting by insurance groups, and amends third country branch reporting given the removal of branch capital requirements and risk margin, which renders some existing branch reporting obsolete.

Insurers must implement the changes confirmed in PS3/24 by 31 December 2024. For more information, see our Hot Topic publication.

Contacts

Andrew Strange
+44 (0) 7730 146 626
andrew.p.strange@pwc.com
Director, FS Regulatory Insights

Conor MacManus
+44 (0) 7718 979 428
conor.macmanus@pwc.com
Cross-sector regulatory affairs and banking prudential

Lucas Penfold
+44 (0) 7483 407 581
lucas.penfold@pwc.com
ESG and asset management

Anirvan Choudhury
+44 (0) 7843 423 721
anirvan.choudhury@pwc.com
Insurance prudential

Tessa Norman
+44 (0) 7753 812 594
Tessa.norman@pwc.com
Conduct

Sania Hussain
+ 44 (0) 7483 916 259
sania.hussain@pwc.com
Insurance conduct

Rory Davis
+44 (0) 7483 326 478
rory.davis@pwc.com
Market access and conduct regulation

Hugo Rousseau
+ 44 (0) 7484 059 376
hugo.rousseau@pwc.com
Governance of tech

Laura Talvitie
+44 (0) 7483 304 630
laura.talvitie@pwc.com
Cryptoassets, payments and financial crime

Claire Lawrie
+44 (0) 7483 363 525
claire.lawrie@pwc.com
Wholesale markets