

Being better informed

FS regulatory bulletin

FS regulatory insights

August 2024

In this month's edition:

- PRA consults on international banks supervision and booking model expectations
- FCA defers outcome of motor finance commission review
- Regulators seek views on payments innovation
- FCA finalises access to cash rules



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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.



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Following the outcome of the UK general election, regulators 'unpaused' activities during July, with a substantial pre-summer collection of new and updated initiatives for firms to digest. Additionally, the Government set out its new legislative priorities in the King's Speech on 17 July 2024, with financial services-related bills including a Bank Resolution Bill, which intends to give the Bank of England (BoE) additional powers to respond to small bank resolution, and a wide-ranging Pension Schemes Bill.

Building on this reform, the regulators called for input on a number of new policy areas, including rule simplification. The FCA is looking to identify areas of complexity, duplication and over-prescription in its rules and to introduce more flexibility, following the introduction of the Consumer Duty.

In conjunction with the Payment Systems Regulator (PSR), the FCA is also seeking information on the opportunities and risks presented by digital wallets, such as unlocking the potential of account-to-account payments, and the scope of the legal and regulatory perimeters. Meanwhile, the BoE issued a discussion paper on its proposed approach to innovation in money and payments.

Elsewhere, the PRA proposed updates to its supervisory requirements and branch reporting for international banks. Its consultation includes additional criteria for determining whether an international bank can operate as a branch in the UK, and preventing branches from taking more than £300m in total retail and small company deposits.

The regulators also focused on a range of 'in-flight' initiatives as well as these new areas of focus. In banking, the FCA finalised a new regulatory regime to maintain access to cash for consumers and businesses in the UK. The rules

will require designated firms to carry out more frequent and wide-ranging assessments of cash provision, and to fill any potential or identified gaps. Please see our [At a glance](#) for further information.

The findings of the FCA's review into the treatment of politically exposed persons (PEPs) confirmed that firms should generally treat UK PEPs and their relatives and close associates as lower risk. The review of 15 firms, including large retail banks and consumer credit lenders, found that most did not subject PEPs to excessive or disproportionate checks and none would deny them an account based on their status. However, it found all firms could improve in some areas such as narrower definitions, and improved communication and staff training.

The FCA also published a package of wholesale market reform measures, including reform to UK prospectus rules, a new Public Offer Platform regime, and changes to the derivatives trading obligation. Please see our publications on the [Public Offer Platform](#) and [proposed changes to the derivatives trading obligation and post-trade risk reduction services](#), for more information. The FCA finalised significant reform of the UK Listing regime, to develop a more streamlined regime that is more attractive to a wider range of companies. This includes a new, single listing category for equity shares in commercial companies, accompanied by reduced eligibility and ongoing requirements and rules.

In asset management, the FCA confirmed its approach to 'rebundling' of payment for investment research, with the optionality of the new approach available to firms from 1 August 2024, and reversing the ban which was brought in under MiFID II.

In the retail banking space, the FCA has decided to defer the outcomes of its work on motor finance

complaints. It proposes pausing the time limit on complaints handling until 4 December 2025 (extended from the initial 25 September 2024 deadline), in part due to ongoing relevant judicial activity of the FOS and to allow greater data analysis. The regulator now plans to update on next steps in May 2025. Please see our [At a glance](#) for further information.

Insurers also saw significant developments, including the announcement of the 2025 stress tests, changes to funded reinsurance and to how commercial insurance is regulated. The PRA's Supervisory Statement on funded reinsurance, in addition to a letter to CEOs of life insurers, set out its concerns that the current growth in funded reinsurance transactions by UK life insurers, if not adequately controlled, could lead to a rapid increase of risks in the sector. The FCA launched a discussion paper on the regulation of commercial and bespoke insurance business. Commercial customers range from small businesses to large corporations, and the FCA considers how to balance adequate protection for all commercial customers without imposing excessive regulatory costs or stifling innovation. Please see our [At a glance](#) for further details.

Please read on to find out more about these and other developments. You can also visit our PwC [webpage](#) for further regulatory insights, including our Reflections [article](#) on the next phase of sustainable finance regulation.

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Cross sector announcements

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Conduct

FCA launches Call for Input to simplify its rules

The FCA published a [Call for Input](#) on 29 July 2024, to review its retail conduct rules following the introduction of the Consumer Duty. The FCA is looking to identify areas of complexity, duplication and over-prescription in its rules, and introduce more flexibility.

The FCA explains the introduction of the Consumer Duty provides it with an opportunity to consider whether it could help firms, including small firms and new entrants, and support innovation by removing rules where similar customer outcomes could be achieved with greater flexibility. The FCA is keen for its approach to the Consumer Duty to support its new secondary objective to facilitate international competitiveness and growth. The Call for Input is part of the FCA's ongoing efforts to streamline and improve its regulation.

The deadline for comments is 31 October 2024. The FCA intends to carry out extensive engagement with interested stakeholders over summer and autumn 2024.

FCA proposes minor Handbook changes

The FCA consulted on a number of minor changes to its Handbook, in [CP24/11: Quarterly Consultation Paper No 44](#) on 8 July 2024. The proposed changes include introducing criminal background checks on owners and controllers at the Authorisation gateway. The consultation closed on 12 August 2024.

FCA speech marks the closed book Consumer Duty deadline

Sheldon Mills, Executive Director of Consumers and Competition at the FCA, delivered a speech at an FCA webinar on the [closed book Consumer Duty deadline](#) on 31 July 2024.

The speech discusses the progress made by firms and the FCA's future plans in relation to the implementation of the Consumer Duty. The FCA recognises the significant strides made by firms in the past few months. Mills shared examples of positive impacts of the Consumer Duty including firms: acting more quickly to increase interest rates on savings following base rate increases; improving the value of GAP insurance products; simplifying financial advice business models to unbundle charging structures; and stopping 'double dipping' on cash balances (making a return on interest retention as well as charging customers for custody of cash). The FCA considers that these changes have not only led to better consumer outcomes, but enhanced firm culture and governance.

The speech also addresses concerns that the Consumer Duty might stifle growth and innovation. The FCA considers that consumer protection and growth can be mutually reinforcing. For example, it cites certain regulatory initiatives that it says support innovation, such as the AI and Digital Hub and the AI Sandbox to be launched in due course.

Looking ahead, the FCA will continue monitoring and supporting firms to ensure the Consumer Duty's effective implementation. It will focus on areas where sharing its expectations on good practice will help drive better outcomes. In particular, the FCA will focus on price and value as it recognises this has been a challenging area for firms.

Financial crime

FCA calls on firms to improve treatment of PEPs

The FCA called on firms to improve the way they treat politically exposed persons (PEPs), in the [findings of its multi-firm review](#) on 18 July 2024. The regulator [launched](#) the review in September 2023, as requested under The Financial Services and Markets Act 2023, following concerns by UK Parliamentarians that some firms were not effectively applying the FCA's guidance on the treatment of PEPs. The guidance states that firms should generally treat UK PEPs and their relatives and close associates (RCAs) as lower risk. The FCA carried out a detailed review of 15 firms, including large retail banks and consumer credit lenders.

The FCA found that most firms did not subject PEPs to excessive or disproportionate checks and none would deny them an account based on their status. However, it found all firms could improve, across areas including:

- definitions for PEPs and RCAs - seven of the 15 firms used a definition wider than the FCA would have expected
- ineffective arrangements to review PEPs and RCAs after the PEP had left public office
- improvements to the clarity and detail of communications with PEP and RCA customers
- improvements to staff training.

In a small number of cases, the FCA is appointing an independent skilled person for a more detailed review and report on remediation. It also set out actions that it expects all firms to take. In addition, the FCA issued a [consultation](#) (GC24/4) proposing changes to its guidance to provide greater clarity on some of the issues it identified. Changes include reflecting the new legal starting point that UK PEPs should be

treated as lower risk, and giving greater flexibility in who can approve or sign off PEP relationships within firms.

The consultation is open until 18 October 2024.

Wholesale markets

FCA confirms final rules on payment for investment research

The FCA published [PS 24/9](#) on 26 July 2024, confirming its final rules for how firms can pay for investment research provided by third parties. The FCA previously [consulted](#) on giving firms additional optionality in how they pay for research, effectively re-allowing the practice of 'bundling' payments for research with execution services which was banned under MiFID II. The rules apply from 1 August 2024.

FCA consults on new Public Offer Platform regime

The FCA published [CP24/13](#) setting out its proposed rules for the new Public Offers Platform (POP) framework on 26 July 2024. The proposals are part of a wider overhaul of the UK Prospectus Regulation rules, and introduction of the replacement [Public Offers and Admissions to Trading Regulations 2024](#) (POATRs).

Under the FCA's proposals, issuers would be prohibited from offering securities above the value of £5m in a 12-month period unless the offer is made via a POP.

POP operators would be responsible for undertaking a range of due diligence and assessments on prospective issuers, ensuring investors receive sufficient information about the offer to enable them to make an informed investment decision, and determining whether the offer is appropriate to be made to the public.

Firms wishing to operate a POP would need to apply to the FCA for the new regulatory permission of operating an electronic system for public offers of relevant securities, as well

as comply with a range of new and existing regulatory obligations.

The closing date for providing feedback on the CP is 18 October 2024, and the FCA expects to finalise its rules by late Q2 2025.

See our [At a glance](#) publication for further information.

FCA finalises listing rules transformation

On 11 July 2024 the FCA published its [final UK Listing rules](#), following earlier consultations published in [May](#) and [December](#) 2023. The rules broadly maintain the approach proposed by the FCA in its consultations, and represent a significant overhaul of the regime for equity listings.

The FCA describes the reforms as introducing a simplified and more competitive UK listing regime that maintains high standards of market integrity and consumer protection. Key elements of the reforms include:

- A new single listing category for equity shares in commercial companies, replacing the previous standard and premium listing segments.
- Reduced eligibility criteria and ongoing requirements for listed companies compared with the previous premium segment, including for Class 1 or significant transactions, dual class share structures, and related party transactions.
- A new International Secondary Listing category for non-UK incorporated companies wishing to have a secondary listing in the UK.
- A new listing category for shell companies and special purpose acquisition companies, with requirements similar to the current rules for standard listings.
- Reduced circumstances where a Sponsor is required, with more relaxed requirements regarding Sponsor competence.

To underpin the reformed listing regime, the FCA has established one set of Listing Principles that extend to all listed companies and set a common baseline for issuers.

The rules come into effect on 29 July 2024, with the FCA intending to formally review the new regime in five years' time.

Our [At a glance](#) publication has further information about what this means for listed companies and investors.

FCA proposes changes to derivatives trading obligation

The FCA published [CP24/14](#), proposing a range of reforms to the UK derivatives trading obligation (DTO) on 26 July 2024. The proposals take forward [recommendations from HM Treasury's Wholesale Markets Review](#), and well as the broader implementation of the G20 commitments to improve the functioning of derivatives markets, and the reform to interest rate benchmarks.

The FCA proposes to bring overnight index swaps based on the US Secured Overnight Financing Rate under the UK's DTO. It also proposes to expand the exemption from the DTO for transactions arising from an increased range of post-trade risk reduction services. Currently, transactions arising from portfolio compression services are exempt; the FCA proposes to also exempt transactions arising from portfolio rebalancing and basis risk optimisation services.

Further, the FCA intends to maintain its current approach to the DTO once the regulator's temporary modification and suspension powers expire at the end of 2024. The FCA plans to use its powers granted under UK MiFIR Article 28a to issue a new direction that will maintain the DTO's current outcomes. The direction will apply only to derivatives that are subject to the DTO in both the UK and EU.

The closing date for providing feedback on the CP is 30 September 2024. The FCA

expects to publish its direction modifying the DTO in Q4 2024.

Further details are available in our [At a glance](#) publication.

FCA sets out new approach to prospectus rules

The FCA issued a [consultation \(CP/24/12\)](#) on 26 July 2024, outlining measures to reform UK prospectus rules and implement a new regime for companies seeking to admit securities to a UK regulated market or primary multilateral trading facility (MTF). The proposals maintain a high level of continuity with existing rules to admit securities to a regulated market, but introduce targeted reforms aimed at reducing costs of listing on UK markets, making capital raising easier, and removing barriers to retail participation.

Under the proposals, companies will still be required to publish a prospectus when first admitting securities to public markets. However, a prospectus would not be required when a company raises further capital unless in excess of 75% of their existing fungible securities. Issuers would still be allowed to produce a voluntary prospectus approved by the FCA below this threshold.

The FCA is also proposing to introduce a general requirement for sustainability disclosures in prospectuses for issuers that have identified climate-related risks as risk factors or climate-related opportunities as material to their prospects. The consultation also provides further clarifications on what constitutes 'protected forward looking statements' and how this should be presented within a prospectus. The consultation closes on 18 October 2024, and the FCA aims to finalise the new rules by the end of H1 2025.

See our [At a glance](#) for more information.

Banking and capital markets

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Conduct

FCA finalises access to cash rules

The FCA published its [final rules and guidance](#) on 24 July 2024 to establish a new regulatory regime to maintain reasonable access to cash for consumers and businesses in the UK. The regime applies to 14 [designated](#) retail banks and building societies, and LINK as an operator of cash access coordination arrangements.

The regime will require designated firms to carry out more frequent and wide-ranging assessments of access to cash provision, and to fill any potential or identified gaps. The rules introduce a three-step framework for firms to assess and remediate cash access deficiencies in local areas:

1. Establish if there is, or would be after a closure/material change, a deficiency in cash access.
2. If there is a deficiency, consider if it has or would have a significant impact.
3. If it does, identify what additional services would be reasonable to provide.

Designated firms may work together, through a designated coordination body, to undertake assessments and provide shared cash services. The FCA provides a non-exhaustive list of the factors that should form an assessment and the types of additional cash services that may be considered. Firms will have 12 weeks to complete an assessment from the point at which a cash access request is submitted, and a further 12 weeks to put in place any additional services. Firms will be required to report to the FCA on branch monitoring and any planned closures three times a year.

The rules come into force on 18 September 2024 and will work in tandem with existing

FCA [guidance](#) on branch and ATM closures or conversions.

See our [At a glance](#) publication for more details.

FCA defers outcome of motor finance commission review

On 30 July 2024, the FCA [consulted](#) to extend the time firms have to respond to consumers about motor finance complaints involving discretionary commission arrangements (DCA). The FCA proposes pausing the time limit on complaints handling until 4 December 2025; an extension of 15 months from the initial 25 September 2024 deadline.

The FCA will use the extension to complete its assessment of historical use of DCA, as well as to design, consult on and introduce an alternative way of dealing with DCA complaints, such as a consumer redress scheme, if necessary. The FCA may consult to end the pause at an earlier date if additional time is not required.

Following the launch of its [review](#) in January 2024, the FCA has conducted a skilled person review to assess whether the historical use of DCA means a significant number of customers are owed redress. Many firms in the review have had difficulty in supplying the data needed in the time requested, resulting in the FCA being unable to set out the next steps of its review by 24 September 2024, as originally planned. The outcome of the FCA's review will also be informed by ongoing Financial Ombudsman Service judicial review proceedings.

Where a DCA complaint is received between 17 November 2023 and 25 September 2024 and a final response has not been sent, firms will be required to write to the complainant informing them of the pause extension and to

direct them to the FCA's website. The FCA plans to set out the next steps from its review into historical use of DCA and consult on any redress proposals in May 2025. It will confirm the final rules for how consumers will be compensated by December 2025.

See our [At a glance](#) publication for more details.

Digital assets

Basel Committee sets out approach to crypto

The Basel Committee published finalised amendments to its [prudential standard on banks' exposures to cryptoassets](#) on 17 July 2024. The aim of the updates is to further promote a consistent understanding of the standard, particularly regarding the criteria for stablecoins to receive a preferential "Group 1b" regulatory treatment. The final standard permits cash receivable under reverse repurchase agreements to be included in Group 1b stablecoin reserves, subject to certain minimum conditions.

The amendments also clarify the bankruptcy remoteness of cash requirements, including that where a bank is only providing custody services to a stablecoin, the cash does not need to be held bankruptcy remote from the bank's other deposits. Other technical amendments include: clarification of external audit requirements for stablecoins reserve assets, the clearing requirements for exchange-traded funds/exchange-traded notes, the frequency of due diligence requirements (which will be determined by national supervisors), and the haircuts that should be applied to ineligible collateral that are lent or posted under securities financing transactions.

The Committee also issued its finalised [disclosure framework for banks' cryptoasset exposures](#). The framework is based on the disclosure requirements contained in the final prudential standard

on banks' cryptoasset exposures, [published](#) in December 2022. The publication includes a standardised table and templates which cover the disclosure of both qualitative and quantitative information.

Both the disclosure framework and amendments to the standards are due to come into force by 1 January 2026.

Financial crime

PSR confirms APP fraud reporting requirements

The Payment Systems Regulator (PSR) published a [policy statement](#) in relation to the authorised push payment (APP) fraud reimbursement rules on 12 July 2024. The statement confirms the data reporting requirements for payment service providers (PSPs). The statement covers the data and information which in-scope PSPs are required to report to Pay.UK. The PSR also published [guidance](#) for PSPs that are required to publish APP scam data.

The new rules will come into force on 7 October 2024.

Payments

FCA and PSR explore impact of digital wallets and Big Tech

The FCA and PSR explore the risks and opportunities associated with the rise of digital wallets and Big Tech firm expansion in the payments landscape in a [joint call for information](#) on 15 July 2024.

The regulators note that digital wallet usage is growing rapidly in the UK, with over 47% of UK adults using them in 2022. They are estimated to account for 14% of in-store and 38% of e-commerce transactions by value in 2023.

The regulators are seeking feedback on several key areas related to digital wallets including:

- current usage trends and potential future developments in digital wallet functionality and adoption.
- impact on competition and innovation in payments.
- integration with account-to-account payment systems.
- effects on financial resilience and consumer protection.
- security and fraud risks.

The regulators emphasise their distinct regulatory remits and that digital wallets are not uniformly regulated, with coverage depending on their specific functionalities. Pass-through wallets, which primarily tokenise existing cards, generally fall outside the FCA's regulatory perimeter. However, wallets which hold customer funds as e-money are typically regulated as e-money or payment institutions. The regulators also indicate that as digital wallets evolve and potentially offer new services, the regulatory landscape may need to adapt to ensure adequate consumer protection and market integrity.

The regulators are seeking views on these topics to inform potential future actions. The call for information closes on 13 September 2024.

BoE seeks views on payments innovation

The Bank of England (BoE) released a [discussion paper](#) on innovations in money and payments on 30 July 2024. The paper seeks views on how the BoE can support industry innovation while protecting its monetary and financial stability objectives.

The BoE calls out the importance of supporting safe adoption of innovations such as programmable platforms, including those based on Distributed Ledger Technology (DLT), tokenisation of assets and forms of money, new forms of private money such as stablecoins and tokenised deposits, and

wholesale and retail central bank digital currencies. The BoE aims to engage with both domestic and international stakeholders to ensure a resilient, efficient, and competitive UK payments landscape.

The BoE plans to establish a new programme on wholesale central bank money technologies by the end of the year. The purpose of the programme is to test use cases, functionalities and prospective designs of wholesale central bank digital currency and its interoperability with external ledgers. The work forms part of the BoE's ongoing Real-Time Gross Settlement [renewal programme](#).

The discussion paper closes on 31 October 2024.

Supervision

PRA consults on international bank supervision and booking model expectations

The PRA published [CP11/24](#) on 30 July 2024, proposing updates to its supervisory requirements and branch reporting for international banks which are currently set out in [SS5/21](#).

The proposed updates include:

- Introducing additional criteria for determining whether an international bank can operate as a branch in the UK. This includes preventing branches from taking more than £300m in total retail and small company deposits. However, this threshold would be indicative and firms will be assessed on a case-by-case basis.
- Clarifying expectations for firms' booking arrangements (these expectations will also apply to certain UK headquartered banks). This includes ensuring that any changes which will result in greater fragmentation of risk management do not undermine effectiveness, for example,

requirements to ensure split desks between the UK and other jurisdictions.

- Amending the PRA Branch Return to collect whole-firm liquidity data and further data on deposits.
- Making other minor amendments to SS5/21, such as clarifying that use of third parties to source deposits (i.e. deposit aggregators) will be taken into consideration in the context of the deposit thresholds, and that the PRA's expectations regarding innovations in digital money and money-like instruments apply to some international banks.

The PRA proposes that the changes to SS5/21 resulting from this CP would be implemented during Q2 2025. The changes relating to branch reporting would be implemented on 31 December 2025.

See our [At a glance](#) publication for more information.

Asset and wealth management

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Supervision

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Supervision

FCA confirms Overseas Funds Regime final rules

The FCA published [PS24/7](#) on 17 July 2024, Implementing the Overseas Funds Regime (OFR). Following the [Roadmap](#) issued in May 2024, the FCA has now confirmed the regime, including final rules and guidance. This covers the information that OFR operators need to submit, change notification requirements, disclosure requirements relating to access to the FOS and FSCS, or alternative dispute resolution schemes, and the FCA's procedures for suspending or revoking recognition of a fund, or censuring its operator or depository.

The final rules include minor tweaks to the 2023 consultation based on feedback received. Firms within the temporary marketing permissions regime (TMPR) already have visibility of their landing slots from the roadmap, and must be prepared to submit their applications at the appropriate time. These rules come into effect on 31 July 2024, and the FCA states that the OFR gateway is expected to open later this year (the roadmap indicated September 2024 for non-TMPR funds and October 2024 for the first landing slots for TMPR firms).

Insurance

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Capital and liquidity

PRA confirms expectations on funded reinsurance arrangements

The PRA set out its final policy on funded reinsurance in [Supervisory Statement 5/24](#) (SS5/24) on 26 July 2024, alongside a [letter to the CEOs of life insurers](#). The letter clarifies the approach which firms must take in their self-assessment against the PRA's expectations in SS5/24. SS5/24 came into effect immediately, and applies to UK Solvency II life insurers and branches that are considering or already holding funded reinsurance arrangements as cedants.

The PRA is concerned that the current growth in funded reinsurance transactions by UK life insurers, if not adequately controlled, could lead to a rapid increase of risks in the sector. The risks could emanate through underestimation of the counterparty risks on UK insurers' balance sheets, the capital requirements appropriate for these risks, or the risks from recapture of assets onto cedants' balance sheets when a funded reinsurance counterparty defaults.

The PRA's expectations in SS5/24 are anchored on the Prudent Person Principle, and concern the PRA's expectations for the ongoing risk management of existing funded reinsurance contracts. The PRA also shares its expectations on the calculation of the solvency capital requirement for funded reinsurance arrangements, as well as its expectations on a firm's decision-making process when entering into and structuring new funded reinsurance arrangements.

The PRA expects firms to perform a self-assessment against the expectations of SS5/24, and to provide the results to their PRA supervisor by 31 October 2024. The results will inform the PRA's supervisory engagement, and the case for further measures in this area.

See our [Hot Topic](#) publication for more details.

Conduct

FCA launches discussion on rules for commercial insurance

The FCA published a Discussion Paper ([DP24/1](#)) on its regulation of commercial and bespoke insurance business on 29 July 2024.

Commercial customers range from small businesses to large corporations. The FCA wants to provide adequate protection for all commercial customers without imposing excessive regulatory costs or stifling innovation. Therefore, the FCA presents options and seeks feedback in DP24/1 on whether its rules reach an appropriate balance between safeguarding retail customers who require regulatory protections, and competitiveness in the commercial general insurance market.

DP24/1 outlines potential amendments to the FCA's 'contacts of large risks' definition to better differentiate between larger commercial customers and small and medium enterprise insurance customers. DP24/1 also considers the application of the Product Intervention and Product Governance (PROD) sourcebook to co-manufacturing arrangements, covering options to, among other things, designate responsibility to the lead insurer for product approval. Additionally, DP24/1 looks at clearly defining and expanding the bespoke contract exclusion in PROD to prevent firms from misinterpreting and making better use of the exclusion.

DP24/1 closes on 16 September 2024. The FCA will consider the responses it receives and then decide whether it should consult to make changes to its rules and guidance.

See our [At a glance](#) publication for more details.

Stress testing

PRA sets out approach to 2025 life insurance stress test

The PRA published its approach to the [2025 life insurance stress test](#) (LIST) on 10 July 2024. The LIST will apply to UK life insurers active in the bulk purchase annuity (BPA) market with the largest annuity portfolios, covering at least 90% of the annuity liabilities across the sector.

To capture both current and emerging risks, the 2025 exercise will include one core scenario and two exploratory scenarios. The core scenario will consist of financial market stress; it will assess sector and firm resilience and provide transparency to market participants on the key components of the Solvency UK regime, and how they evolve in stress. The PRA will target approximately a 1-in-100 year severity. The exploratory scenarios will cover asset type concentration stress, and funded reinsurance capture stress. These exploratory scenarios do not target any particular level of severity. The PRA plans to publish the core scenario results for individual firms, but it will only publish sector level results for the exploratory scenarios.

As part of their LIST submissions, in addition to their quantitative results, firms will need to submit a 'Results and basis of preparation' report to the PRA. This report will include information on how modelling challenges were approached, appropriate governance was applied, and satisfactory quality standards were met.

The PRA is asking for technical input on its proposed guidelines and specifications by 6 September 2024, ahead of the formal launch of the LIST in January 2025. The PRA expects the findings to be published in Q4 2025. The PRA anticipates running LISTs every two years, with in-scope firms of future exercises notified 12 months prior to launch.

PRA issues 2025 general insurance stress test details

On 15 July 2024 the PRA set out details on the design and timetable of the [2025 dynamic general insurance stress test](#). Over 20 of the largest insurers will participate in the exercise, covering around 80% of the general insurance market.

The PRA confirms the objectives of the stress test are to: assess the UK general insurance sector's solvency and liquidity resilience to a specific adverse scenario; assess the effectiveness of insurers' risk management and management actions following an adverse scenario; and inform the PRA's supervisory response following a market-wide adverse scenario.

The stress test will have three phases. The first phase is the 'live' exercise. Firms will be given a sequential set of adverse events over three weeks in May 2025, and they will be asked to react to these as they would to real events. The second phase consists of final firm assessments and reflections, to be submitted to the PRA by the end of July 2025. In the third phase, the PRA will analyse, publish and integrate findings into its supervisory plans. The PRA will publish its findings in Q4 2025 on an aggregate industry level.

For the remainder of 2024 the PRA will continue to hold workshops with the industry to seek feedback on the logistics of the exercise. Final scenarios will only be shared in May 2025 during the live exercise.

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Wholesale markets

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