

Being better informed

FS regulatory bulletin

FS regulatory insights

February 2024

In this month's edition:

- PRA sets out supervisory priorities for banks and insurers
- FCA reviews historic motor finance commission
- PRA to require all insurers to prepare solvent exit plans
- HMT consults on resolution regime changes for small banks



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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The start of the year brought some additional clarity on regulators' priorities for the next 12 months. The PRA set out its supervisory priorities for UK deposit takers, international banks, and life and general insurers. Many of the priorities continue from last year, including financial resilience, risk management and controls, operational resilience, and financial risks arising from climate change. But the PRA also identifies a number of new priorities, including 'novel risks' arising from the use of new technologies in banking. Our [At a glance](#) publications, for [Banking](#) and [Insurance](#), provide further details.

Lloyd's market insurance firms should also carefully consider Lloyd's of London's Market Oversight Plan for 2024. The plan builds upon Lloyd's work with managing agents in underwriting portfolio management, and focuses on maintaining market resilience in the current macroeconomic conditions. Additionally, Lloyd's makes clear that meeting regulatory expectations, such as those on operational resilience and the Consumer Duty, is core to its plan. Please see our [At a glance](#) publication for more information.

Elsewhere in the insurance sector, the PRA consulted on new expectations on solvent exit planning. Under the plans, all impacted insurers would be required to produce a Solvent Exit Analysis, while insurers which consider a solvent exit has become a reasonable prospect would also be required to prepare a Solvent Exit Execution Plan. The PRA intends to confirm final policy in the second half of this year, and for the changes to take effect in Q4 2025. Our [At a glance](#) publication provides further details.

In the banking sector, HM Treasury consulted on a new funding mechanism to manage the failure of small banks and limit risks to public funds, in response to the market volatility of spring 2023. The new mechanism would allow funds provided by the sector to be utilised for certain costs arising during a resolution. As with the current depositor protection arrangements, the funds would be provided by the Financial Services Compensation Scheme as needed in the event of a failure, and funded by a levy on banks. Where the mechanism is used in relation to a small bank, changes are unlikely to impose additional upfront costs on levy-payers. For more information, see our [At a glance](#) publication.

The PRA, meanwhile, set out the conclusions of a review of its ring-fencing rules. While finding most rules satisfactory and in line with legislative intent, the report identifies a number of potential improvements, including rules relating to arm's length transactions, governance arrangements, and regulatory reporting. The PRA intends to carry out further analysis before consulting on any rule changes.

Turning to conduct-related developments, the FCA announced it is reviewing historic conduct in the motor finance sector, which could result in an industry consumer redress scheme. Following a high number of complaints relating to arrangements prior to a 2021 ban on discretionary commission, and the Financial Ombudsman Service issuing its first decisions on the matter, the FCA has appointed a skilled person to report on how a sample of firms carried out motor finance sales before the 2021 ban. The FCA plans to set out next steps by September 2024, and in the meantime is pausing the

deadline for motor finance firms to respond to complaints. Our [At a glance](#) publication provides more details.

With 2024 likely to be the UK general election year, we also began to get clarity on potential political priorities, with Labour's Plan For Financial Services setting out a broadly consistent, but developing set of initiatives, building on much of the Edinburgh Reforms.

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 Risk & Regulation Rundown podcast [episode](#), in which PwC UK Financial Services Leader Isabelle Jenkins, and Gavin Barwell - former MP and PwC Senior Advisor - discuss the geopolitical, economic and regulatory drivers set to shape financial services this year. Elsewhere, we analyse the growing challenges firms face in managing regulatory divergence, and the steps firms can take to manage the resulting risks, in this [Reflections](#) article.

We hope you enjoy reading this edition.

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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	4
Banking and capital markets	7
Asset management	10
Insurance	11

Cross sector announcements

In this section:

Conduct	4
Financial stability	4
Market infrastructure	5
Sustainability	5
Technology	5
Wholesale markets	6



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Conduct

FCA issues portfolio letters to crowdfunders

The FCA published portfolio letters for both [investment-based crowdfunding platforms](#) and [loan based peer-to-peer lenders](#) on 15 January 2024.

The regulator summarises relevant work it has undertaken since the last iteration of the portfolio letters. This work includes introducing the gateway for firms that approve financial promotions and strengthening the rules for high risk investments. The FCA also refers to the importance of the Consumer Duty.

For investment-based platforms, the FCA highlights the importance of financial resilience, while for loan-based firms it focuses on wind-down plans, triggers and liquidity monitoring. Underlining the seriousness of its approach, an appropriate senior manager at loan-based firms will need to formally attest that the firm has annually reviewed its wind-down plan and liquid resources available; confirmation of who that individual is must be made to the FCA in response to the letter.

Relevant firms should consider the letters in full in relation to their business, and should confirm the appropriate senior manager to the FCA by return.

FCA makes minor Handbook changes

The FCA confirmed recent changes to its Handbook in [Handbook Notice No 115](#) on 26 January 2024. These include changes to its Perimeter Guidance relating to promotions to high net worth individuals and self-certified sophisticated investors, on which the regulator has not consulted separately (because they reflect changes made by legislation, rather than reflecting FCA policy choice).

Financial stability

FSB outlines 2024 work programme

The Financial Stability Board (FSB) published its [2024 work programme](#) on 24 January 2023, outlining its priority areas of focus and expected deliverables under the Brazilian G20 Presidency. The FSB's 2024 programme largely aligns with prior years' priorities and continues to progress analysis and recommendations on a set of global challenges to financial stability. Key items include:

- Continued support for global cooperation on financial stability, particularly given current macroeconomic environment and structural changes caused by climate change and technology.
- Further work to enhance non-bank financial intermediation resilience. Work will focus on non-bank leverage, enhancing liquidity preparedness for margin and collateral calls, and the functioning and resilience of repo markets.
- Promoting the full implementation of its work on effective resolution regimes. This includes addressing lessons learnt from the March 2023 banking disruption through further work on deposit behaviour, the role of social media, and interest and liquidity risk. The FSB also expects to finalise its proposals in May 2024 for a set of resources and tools to support CCP resolution.
- Implementing a global regulatory and supervisory framework for cryptoassets, and the publication of a report on the implications of AI on financial stability, expected in November 2024.
- Addressing the risks of climate change through the analysis of transition plans for financial stability and a stocktake on initiatives

related to the identification and assessment of nature-related financial risks.

Bank of England warns of non-bank financial stability risks

Bank of England Director of Financial Stability, Lee Foulger, delivered a [speech](#) on 29 January 2024, outlining the Financial Policy Committee's (FPC) approach to assessing financial stability in the non-bank sector.

Foulger highlighted the growth of private credit and leverage lending in the market and noted that the recent shift in risk environment and more subdued economic growth may raise challenges for the non-bank sector. Foulger reiterated the importance of the non-bank system being able to absorb shocks that may arise, and the FPC continuing to monitor risks from private credit and the interconnectedness of markets.

In particular, Foulger noted potential challenges with the refinancing of existing debt in context of higher rates, valuations, risk management approaches, liquidity mismatches between investment and investor redemption terms, and the ability to identify aggregate leverage across the market due to the lack of reliable data. Foulger confirmed the FPC will continue to monitor these risks, and will publish a further assessment in its Financial Stability Report in June 2024.

Market infrastructure

Standard setters publish margin responsiveness recommendations

On 16 January 2024 the Basel Committee on Banking Supervision, Committee on Payments and Market Infrastructure, and the International Organisation of Securities Commissions ('the standard setters') issued a [joint consultation](#) on 'Transparency and responsiveness of initial margin in centrally cleared markets - review and policy proposals'.

The standard setters propose ten policy recommendations, mostly aimed at central counterparties (CCPs) and their clearing members, designed to increase transparency over the responsiveness of initial margin models. The

report acts as a follow up to a previous review, published in September 2022, into episodes of market turmoil in 2020 and 2022 and the resulting large increases in margin requirements that were seen in centrally cleared and non-centrally cleared markets.

The recommendations include:

- Increasing the availability and functionality of margin simulation tools to help market participants understand how margin models may respond to a broad set of market scenarios.
- Increasing the documentation available on margin models, including the anti-procyclicality tools used by CCPs and the circumstances under which CCPs can use their discretion to override their models.
- Increasing the granularity and frequency of margin-related data disclosures through the Public Quantitative Disclosures.
- Requiring members of CCPs to provide their clients with more information on their margin requirements, including how client add-ons are calculated.

If adopted, the policy recommendations would require updates to existing guidance in some areas, and new guidance or standards in others. The consultation is open for comments until 16 April 2024.

Sustainability

FCA launches sustainability working group for financial advisers

On 16 January 2024, the FCA [launched](#) a working group focused on building capability in sustainable finance across the financial advice sector. This follows publication of a [package of measures](#) on UK SDR, sustainability investment labels and greenwashing in November 2023 that will require distributors to make sustainability labels and consumer-facing disclosures available to investors. The working group is intended to support financial advisers in complying with

the rules and advising consumers on products making sustainability claims.

The FCA will sit as an active observer of the group and has tasked the group with reporting on good practice and areas where the sector could benefit from further support in H2 2024.

TPT mandate extended

On 24 January 2024, the UK Transition Plan Taskforce (TPT) [announced](#) that its [mandate has been extended](#) by HM Treasury until at least 31 July 2024, with a possible further extension of three months to end of October 2024, in order to support the [Transition Finance Market Review](#) that was launched on 22 January 2024.

The TPT, whose mandate was due to end on 29 February 2024, was launched in April 2022 to deliver a gold standard for transition plans. The TPT has nearly completed delivery of the tasks listed in its [Terms of Reference](#), including publication of the TPT Disclosure Framework together with implementation guidance and draft sector guidance. These TPT outputs are included in the [IFRS Knowledge Hub](#) to support disclosure against IFRS S1 and S2, and are [expected](#) to form the basis for strengthened regulatory requirements on transition plan disclosure issued by the FCA.

The TPT is planning to use the extension of its mandate largely to focus on the role credible transition plans should play in the development of high-integrity transition finance approaches as part of the Transition Finance Market Review.

All materials issued by the TPT can be accessed in the ['Build Your Transition Plan'](#) section of its website.

Technology

ICO launches generative AI consultations

The Information Commissioner's Office (ICO) initiated a [consultation series](#) to address the application of data protection laws in the evolving field of generative AI on 15 January 2024. Over the coming months, the ICO will share a series of chapters to outline its emerging thinking on how it

interprets specific requirements of UK GDPR and Part 2 of the Data Protection Act 2018 in relation to the following questions:

- What is the appropriate lawful basis for training generative AI models?
- How does the purpose limitation principle play out in the context of generative AI development and deployment?
- What are the expectations around complying with the accuracy principle?
- What are the expectations in terms of complying with data subject rights?

The first consultation focuses on the lawful basis for web scraping to train generative AI models and closes on 1 March 2024. These developments may impact financial services firms which develop and deploy generative models.

FCA Chief Exec discusses risk appetite for consumer technology

FCA Chief Executive Nikhil Rathi called for wider debate between policymakers, industry and consumers on the risk appetite for consumer technology in a [speech](#) on 23 January 2024. This follows a [speech](#) Rathi gave on financial inclusion at PwC's Glasgow office in September 2023. Rathi discussed the impact innovation may have on consumers, depending on the pace and scale of adoption. He indicated that for each scenario there are both benefits and risks, and debate is needed to decide on the UK's risk appetite. This would help inform the regulatory approach.

Rathi discussed the impact innovation may have on consumers, depending on the pace and scale of adoption. Rathi emphasised that currently the FCA adopts a technology-agnostic approach, focused on outcomes and governed by frameworks such as the SM&CR and Consumer Duty. This is to ensure innovation can take place without excessive regulatory intervention.

Due to the fast-growing appetite for consumer technology, Rathi questioned whether we are at a 'global inflection point, requiring a fundamentally

different regulatory mindset'. The FCA is exploring these issues, and firms should expect increased scrutiny of the outcomes consumer technology (including technology such as AI, and products including Buy Now Pay Later) have on financial inclusion, operational resilience and competition.

Wholesale markets

Economic Secretary pushes for capital market 'renaissance'

Economic Secretary to the Treasury (EST), Bim Afolami, delivered a [speech](#) on 25 January 2024, setting out the Government's case for boosting the robustness and competitiveness of UK capital markets.

Afolami noted recent trends in capital markets, in particular the decline in UK IPOs and a shift away from investment in UK equities, and called for a rebalancing of regulation with investors' risk appetite. Afolami pushed for a shift towards more 'measured and purposeful' risk taking, to deliver economic growth and a 'capital markets renaissance'.

To achieve this, the EST highlighted Government and regulators' progress to implement regulatory reforms, including changes following the Wholesale Markets Review and UK Listings Review, as well as new accountability levers to ensure regulators adopt a more 'pro-growth' mindset. Afolami also outlined further measures to enhance competitiveness and innovation in UK capital markets, including hosting a Digital Securities Sandbox, establishing an intermittent trading venue (known as 'Pisces'), and progressing work towards T+1 settlement. The EST explained that the Government expects to make significant progress across these initiatives by the Mansion House address expected in summer 2024.

Banking and capital markets

In this section:

Bank structures	7
Conduct	8
Digital assets	8
Payments	8
Recovery and resolution	8
Supervision	9
Sustainability	9



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Bank structures

PRA sets out conclusions of ring-fencing review

The PRA set out the conclusions of a [review of its rules on ring-fencing](#), in a report published on 25 January 2024. Conducted as part of a statutory duty, the review assesses the rules' performance since their 2019 implementation.

Most of the ring-fencing regime is contained in legislation, but there are also some requirements set by the PRA in its Rulebook, supported by supervisory statements. It is these PRA rules only that are in scope of the review; however, ring-fenced bodies are subject to the Rulebook as a whole.

While finding most rules satisfactory and in line with legislative intent, the report identifies potential improvements. Key areas for potential improvements include:

- rules relating to the provision of services to RFBs from non-ring-fenced
- rules relating to arm's length transactions
- modifications of rules relating to governance arrangements
- rules relating to regulatory reporting.

The review identifies several areas for minor updates and clarifications in supervisory statements. This includes refining the definition of 'governing body'. The PRA plans to discuss these clarifications with firms and may revise the relevant statements accordingly.

The PRA intends to consult on changes to its ring-fencing rules after further detailed analysis and a more comprehensive

exploration of the costs and benefits of the options.

Conduct

FCA announces motor finance commission review

The FCA [announced](#) on 11 January 2024 a review of commission arrangements in motor finance, which could result in an industry-wide consumer redress scheme under section 404 of the Financial Services and Markets Act 2000 (FSMA). Firms have received high volumes of complaints relating to discretionary commission arrangements (DCAs), whereby brokers were incentivised to charge customers a higher interest rate. The FCA banned these agreements in 2021.

The Financial Ombudsman Service (FOS) [issued](#) its first rulings on complaints relating to DCAs, finding in favour of the complainants. The FCA believes these rulings would have prompted a significant increase in complaints, and so has introduced rules via [PS24/1](#), which pause the eight-week deadline for motor finance firms to respond to complaints. The pause will last for 37 weeks, and apply to complaints received between 17 November 2023 and 25 September 2024. Consumers will have 15 months to refer their complaint to the FOS, rather than the usual six months.

The FCA will carry out diagnostic work, including appointing a skilled person to report on how a sample of firms carried out sales between 6 April 2007 (when the FOS took on responsibility for consumer credit) until 28 January 2021. The review will look at the arrangements between lenders and brokers, and how commission was disclosed to consumers.

The FCA will use the findings to decide whether an industry-wide consumer redress scheme is needed, and announce next steps by 24 September 2024. The regulator welcomes feedback on PS24/1 and its approach to redress by 11 March 2024. The FCA also published a [webpage](#) for firms affected by the review, including details of its expectations of firms.

For more details, see our [At a glance](#).

Digital assets

Authorities push forward with digital pound design

The Bank of England (BoE) and HM Treasury (HMT) published a Response to their [Consultation Paper: The digital pound: a new form of money for households and businesses?](#) on 25 January 2024.

The authorities maintain that a retail digital pound is likely needed in the future. The decision of whether to progress to the build phase will be made in 2025, at the earliest. In May 2023, the Government committed to introducing primary legislation before launching a central bank digital currency (CBDC), preceded by a further public consultation.

The authorities renew their commitment to making a digital pound at least as private as the regime which applies to digital payments today. The BoE and HMT would not be able to legally access users' personal data through the BoE's core infrastructure. The BoE says it will establish a diverse working group dedicated to privacy issues.

As already confirmed, the BoE and HMT would not be able to programme the public's money or control spending, as guaranteed by law and design. As previously stated, the BoE remains committed to continuing to provide cash for those consumers who want to use it, as legislated in the Financial Services and Markets Act 2023.

The ongoing design phase will last until 2025/26 and include activities around experiments and proof of concepts with the private sector, blueprint describing the architecture, national conversation to build public understanding and collate user needs, and assessment of the costs and benefits to inform the decision of whether to proceed. The authorities will continue to monitor payment trends in the UK and abroad. See our [At a glance](#) for more information.

Payments

BoE updates on RTGS renewal

Victoria Cleland, Executive Director for Banking, Payments and Innovation at the Bank of England (BoE), gave a [speech](#) on 25 January 2024 on efforts to enhance the BoE's Real Time Gross Settlement (RTGS) service. The BoE is focusing on transforming the RTGS into an open platform for innovation, in response to evolving demands and technological advances in payment services. This is to improve settlement efficiency, and foster a competitive ecosystem.

Key initiatives include integrating the ISO 20022 messaging standard, renewing RTGS infrastructure for increased resilience and access, and exploring extended operating hours and wider access to RTGS. The aim is to support more efficient, safe and faster domestic and cross-border payments.

The BoE has reviewed cross-border payments, identifying four enhancement areas to streamline onboarding, encourage direct RTGS access, and enhance cross-border payments settlement without compromising safety. The plan includes:

- to streamline the RTGS access assessment process for new firms
- clarify benefits and costs of direct RTGS access to boost participation and improve cross-border payments for foreign banks

- introduce a new assurance regime and a discretionary mobilisation stage for non-systemic financial market infrastructures to facilitate access to settlement services
- review the 2% value threshold and withdrawal conditions for indirect participants to increase CHAPS resilience and manage risks from high-volume processing by agent banks.

The BoE plans to publish a discussion paper for feedback in February 2024.

Recovery and resolution

HMT consults on resolution regime changes for small banks

HM Treasury (HMT) published a consultation on [Enhancing the Special Resolution Regime](#) on 11 January 2024. It proposes a new funding mechanism to manage the failure of small banks. The purpose of the proposals is to ensure the failure of one or several non-systemic banks will not create a financial stability risk.

The Bank of England (BoE) has three broad strategies for the resolution of banks. These are: recapitalisation through a bail-in; transfer of all or part of the firm to a bridge bank or buyer; and placing the firm into Bank Insolvency Procedure (BIP). Firms for which the resolution strategy is a BIP are not required to hold Minimum Requirement for own funds and Eligible Liabilities (MREL) for bail-in purposes. HMT is concerned that in the event of a failure of those kinds of small bank, where there is no credible buyer, additional capital may be required to support the entity and ensure continuity of access to deposits.

HMT proposes a new mechanism allowing funds provided by the banking sector to be utilised to provide the following costs arising during a resolution: the costs of recapitalising the failed bank, the operating costs of a Bridge Bank, and HMT and the BoE's costs

in relation to the resolution. As with the current depositor protection arrangements, the funds would be provided by the Financial Services Compensation Scheme as needed in the event of a failure, and subsequently funded by a levy on the banking sector. Where the mechanism is used in relation to a small bank, changes are unlikely to impose additional upfront costs on levy-payers.

The consultation closes on 7 March 2024. The Government will legislate and implement the changes in due course. See our [At a glance](#) for more details.

Supervision

PRA sets out banking supervisory priorities for 2024

The PRA published its annual supervisory priorities letters for [UK Deposit Takers and International banks and designated investment firms](#) on 11 January 2024. The letters establish the areas firms should expect to have ongoing engagement with the PRA's supervisory teams on, in addition to any areas identified in specific supervisory communications.

The PRA's supervisory agenda remains extremely busy, reflecting the range of risks the banking sector currently faces. Many of the PRA's priorities for 2024 are consistent with previous years. Its agenda includes a continued focus on ensuring firms have robust governance, risk management and controls in place. Specific priorities include ensuring firms are financially and operationally resilient, financial risks arising from climate change, data and regulatory reporting, and credit risk. For UK Deposit Takers, the PRA also highlights model risk and recovery and resolution. For international banks and designated investment firms in particular, the PRA notes its findings that firms still consider risk management in siloes, without due read-across to other businesses.

The PRA also highlights a number of overarching themes, including the need to

consider novel risks that may arise from the use of new technologies, and that the changing and challenging external environment means that firms should view previously improbable events as possible. For further details, see our [At a glance](#) briefing.

Sustainability

EBA launches draft consultation on ESG risks

On 19 January 2024, the European Banking Authority (EBA) [launched a consultation](#) on draft guidelines on the management of ESG risks. The guidelines set out requirements for the identification, measurement, management and monitoring of ESG risks, including through transition plans. They set out principles for the development and content of plans in accordance with Articles 87(a) and 74 of the Capital Requirement Directive.

The draft guidelines cover:

- minimum standards and reference methodologies
- qualitative and quantitative criteria for the assessment of the impact of ESG risks
- the content of plans to be prepared according to Article 76.

The consultation remains open until 18 April 2024.

EBA expands work on sustainability

On 30 January 2024, the European Banking Authority (EBA) [announced plans](#) to step up its climate work in 2024 and 2025. Moving forward, its three priorities will be:

- the impact and risk of the transition to a green economy
- the increasing physical impact of climate change

- the risks stemming from nature loss and degradation.

The EBA confirmed the following measures:

- Plans to intensify its work on the effects of transition funding, green investment needs, transition plans, and how the transition will impact specific aspects of our economy. This work will also explore the case for further changes to its monetary policy instruments and portfolios in view of this transition.
- Work to deepen its analysis of the impact of extreme weather events on inflation and the financial system.
- On nature loss, it will analyse the close link with climate change, and the associated financial and economic implications.
- Finally, with regards to its own operations, the ECB will launch its 8th Environmental Management Programme. Its work will include eco-design principles for the future euro banknote series, and the design of a digital euro.

A detailed workplan can [be found here](#).

Asset management



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

Insurance

In this section:

Capital and liquidity	11
Financial stability	11
Supervision	12



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Capital and liquidity

PRA to require all insurers to prepare solvent exit plans

The PRA [issued](#) a consultation (CP2/24) on 23 January 2024, setting out new expectations for insurers on solvent exit planning. The proposals apply to all insurers, except from insurers in passive run-off and UK branches of overseas insurers. The PRA's proposals aim to increase the likelihood that insurers can successfully execute a solvent exit, which is more cost effective and less disruptive to policyholders compared to insolvency.

All impacted insurers will be required to produce a Solvent Exit Analysis (SEA). Only those insurers that consider a solvent exit has become a reasonable prospect for them will also be required to prepare a Solvent Exit Execution Plan (SEEP).

The SEA should describe when and how insurers would exit from their insurance business while still remaining solvent. As a minimum, the SEA should include: solvent exit actions; solvent exit indicators; potential barriers and risks; resources and costs; communications; governance and decision-making; and assurance.

The PRA proposes that SEEPs should be produced when there is a reasonable prospect that the insurer may need to execute a solvent exit. Among other things, a SEEP should include the following for a solvent exit: actions and timelines; identification and mitigation of barriers and risks; communication plan for stakeholders impacted; detailed action plan for the execution of the solvent exit; assessment of the financial and non-financial resources needed, and governance arrangements.

The consultation closes on 26 April 2024. The PRA plans to publish a Policy Statement in H2 2024 and proposes that the changes take effect in Q4 2025.

Please read our [At a glance](#) for further details.

Financial stability

IAIS sets out priorities for 2024

The International Association of Insurance Supervisors (IAIS) published its [roadmap](#) on 25 January 2024, setting out specific topics that it will focus on during 2024. The key initiatives that the IAIS is looking to progress include:

- **Setting global standards:** the IAIS confirms that the Insurance Capital Standard (ICS) as a Prescribed Capital Requirement will be adopted in December 2024. The review of Insurance Core Principles (ICP) 14 (Valuation) and ICP 17 (Capital Adequacy) will coincide with the adoption of the ICS.
- **Global Monitoring Exercise (GME):** the IAIS will continue its annual cycle of assessing global risks and trends. The IAIS plans to develop systemic risk indicators on credit risk, reinsurance and derivatives, and refine the data collection on climate related risks. In addition, the IAIS will continue monitoring structural shifts in the life insurance sector.
- **Strategic themes:** the IAIS will continue to support its members to respond to key strategic themes that affect the insurance sector – and the broader financial system – including on climate risk, financial inclusion, digital innovation, operational resilience and cyber risk, protection gaps and Diversity, Equity and Inclusion.
- **Cross-border coordination:** the IAIS will work with other international financial policymakers and assist in shaping financial systems globally. For example, the IAIS plans to engage with insurance supervisors on practices related to remuneration in the insurance sector, and provide input to the FSB Compensation Monitoring Contact Group. The IAIS will also continue to

coordinate with the FSB on resolution planning standards.

The IAIS notes that a new Strategic Plan covering the period 2025-2029 will be published at the end of 2024.

Supervision

PRA sets out 2024 insurance supervisory priorities

The PRA [issued](#) a Dear CEO letter to life and general insurers on 11 January 2024, setting out its supervisory priorities for the year. Set in the context of the changing regulatory landscape, it includes Solvency UK reforms and the new secondary objective on international competitiveness.

The PRA highlights several focus areas. These include financial and operational resilience, risk management, funded reinsurance transactions, cyber underwriting risk, claims inflation, model drift and stress testing. Additionally, the PRA confirms it will update the expectations it set out for insurers on financial risks arising from climate change.

Given the exposure of credit markets to macroeconomic conditions, the PRA states that insurers should have appropriate credit risk management, and appropriate internal credit assessment frameworks in place. As insurers continue to invest in a wider range of credit risky assets, the PRA will seek assurance from insurers on their credit risk management capabilities, to ensure that these remain fit for purpose. The PRA states insurers must adopt a strategic approach to investing, with the long-term interests of policyholders in mind. Risk management frameworks should be sufficiently sophisticated to align with the scale of an insurer's business and the increased breadth of investment.

The PRA will publish its approach document to the life insurance stress test in 2024. It will also continue to engage with the industry on the technical, operational and communication aspects of the exercise.

The PRA confirms it will consult on ease of exit expectations 'shortly', to ensure that insurers can exit the market in an orderly way. See our [At a glance](#) for more details.

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Wholesale markets

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