Being better informed

FS regulatory bulletin

FS Regulatory Insights

July 2022

In this month's edition:

- BoE reveals assessment of banks' resolution plans
- FCA asks firms to improve cost of living support
- PRA proposes principles to manage model risk
- HMT confirms approach to critical third party service providers

Executive summary

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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 implication across all the financial services sectors.

The past month was another busy one for the regulators, particularly in the banking prudential space.

The BoE published its first assessment of major UK banks’ preparations for resolution under its Resolvability Assessment Framework (RAF). The Bank assessed that all of the in-scope UK banks could be safely resolved if necessary, without negatively impacting UK taxpayers or financial stability. It identified a number of areas of outstanding actions which the relevant banks will need to address before their next RAF assessment in 2024. See our At a glance publication for more details.

The PRA consulted on its supervisory expectations in relation to firms’ management of model risk. The regulator is proposing a set of principles to ensure that firms establish an effective model risk management framework. It sets out how these principles should apply to firms’ use of models, referring to their proportionate implementation within firms; clear allocation of senior responsibility for the model risk management framework; reporting to the audit committee; and managing the risks around the use of AI in modelling techniques. The PRA intends for the proposals to apply to banks, building societies and PRA-designated investment firms. Our At a glance briefing provides further information.

Meanwhile the Basel Committee published principles for the effective management and supervision of climate-related financial risks. The principles cover corporate governance, internal controls and risk management and reporting, as well as the specific management of credit, market and other risks. Banks should consider the principles in the context of their ongoing work to embed climate risk into their risk management frameworks, as required under PRA rules. See our At a glance publication for further details.

On the conduct side, the FCA continues to focus on consumer outcomes. The regulator issued a Dear CEO letter, setting out its expectations for supporting customers affected by the rising cost of living. The letter details findings from ongoing work on the treatment of borrowers in financial difficulty, highlighting areas of concern. It also sets out the FCA’s first formal review of how firms have implemented its guidance on the treatment of vulnerable customers. This flags numerous areas for improvement, particularly on data and monitoring outcomes. The findings are drawn from its engagement with retail banks, but are relevant for firms across sectors, and make clear that many firms have significant work to do to meet the FCA’s expectations on vulnerable customers. Please see our At a glance briefing for more details.

Elsewhere, HMT published a policy statement confirming how it proposes to mitigate risks from critical third party providers of services to the finance sector (e.g. Cloud Service Providers). Under its plans, HMT will be able to designate certain third-party service providers as ‘critical’. Financial regulators will then be able to set and oversee minimum resilience standards for these critical third parties. The Government intends to table the legislation for this regime in due course, and the regulators will then issue a discussion paper. Our At a glance briefing provides further analysis.

Read on to find out more about these and other developments. You can also visit our PwC webpage for further regulatory insights, including our latest podcast episode which looks at the impact of Solvency II reform and other prudential priorities in the insurance sector, and our blog examining whether the Government and FCA’s consumer protection agenda could lead to unintended consequences.

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Benchmarks

FCA consults on winding down LIBOR

The FCA published a consultation on 30 June 2022, on its plans to wind down synthetic sterling LIBOR settings and US dollar LIBOR.

It proposes to retire 1-and 6-month synthetic sterling LIBOR settings at the end of March 2023. The FCA also seeks views on whether barriers exist to cease the 3-month synthetic sterling LIBOR setting at the same time.

The FCA has not yet made a decision to request the publication of synthetic US dollar LIBOR, and is consulting on the size and nature of the exposures, as well as barriers to transitioning any of these exposures before June 2023.

The consultation closes on 24 August 2022. The FCA will publish its decision on synthetic sterling LIBOR settings later this year and on synthetic US dollar LIBOR in due course.

See our At a glance briefing for more information.

Conduct

FCA sets out priorities for debt advice supervision

The FCA published a Dear CEO letter setting out its supervisory strategy for the debt advice sector, on 27 June 2022. The letter updates firms on the key risks of harm identified by the FCA, the regulator's expectations, and its supervisory strategy and programme of upcoming work.

The regulator highlights risks associated with the rising cost of living, saying firms should be prepared for the likelihood of increasing volumes of consumers seeking debt advice, including those who may be in vulnerable circumstances. It adds that firms should consider different scenarios that may test their operations, to ensure their processes and control mechanisms are adequate.

The FCA says it is not satisfied that all firms have adequately responded to the key drivers of harm set out in its previous portfolio letter in July 2020. It intends to focus its supervisory work on the following areas:

- insufficient capacity
- quality of advice
- customers in vulnerable circumstances
- problems outside the FCA's regulatory remit
- insufficient prudential resources.

In addition, the regulator touches on the proposed consumer duty, highlighting examples of exploitation and misleading information that it's seen in the sector and which it says the duty seeks to prevent.

The FCA expects firms to be able to demonstrate the steps being taken to address the risks covered in the letter.

FCA updates funeral plan rules in Handbook

The FCA summarised recent changes to its Handbook, in Handbook Notice No 100 on 24 June 2022. These include changes related to claims management companies and funeral plans. The Notice includes feedback to CP21/20 (issued in July 2021) on the regulation of funeral plans, on which the FCA will not publish a separate policy statement.

FCA proposes minor Handbook changes

The FCA proposed minor Handbook changes in Quarterly Consultation No 36 on 10 June 2022. Topics covered include: a proposed change to DEPP to align with amended decision-making procedures, updates to IFPR reporting forms and guidance, and amendments relating to funeral plans. The consultation closed on 27 June 2022 for proposals in chapter 3, and closes on 18 July 2022 for proposals in chapters 2, 4, 5 and 6.

Consumer outcomes

FCA directs firms to improve cost of living support

The FCA is asking firms to make improvements in their treatment of borrowers in financial difficulty and of vulnerable customers. The regulator issued a Dear CEO letter to over 3,500 firms on 16 June 2022, setting out its expectations for supporting customers affected by the rising cost of living. These expectations include:

- tailoring forbearance to individual circumstances
- ensuring fees and charges levied on borrowers in financial difficulty are fair
- ensuring the approach to taking on new borrowers takes account of the financial pressure they may be facing
- providing customers with an appropriate level of care and support.

The letter also details findings from the FCA's ongoing work on the treatment of borrowers in financial difficulty, highlighting areas of concern, such as firms not exploring customers' circumstances fully to provide appropriate and tailored support. The FCA says identified 'more serious failings' at 34 firms, largely in consumer credit.

In addition, the FCA sets out the findings of its first review of how firms have implemented its guidance on the treatment of vulnerable customers. This flags numerous areas for improvement, particularly on data and monitoring outcomes – for instance, inconsistencies in data quality, and firms not sharing MI with executive committees and boards. The regulator also highlights product design and senior accountability as areas where firms need to increase their focus. The findings are drawn from engagement with retail banks, but are relevant for all firms subject to the guidance.

Firms should address the areas for improvement identified by the FCA, and use these findings to inform their preparations for the consumer duty.

See our At a glance briefing for more details.

FCA discusses financial inclusion challenges

The FCA published a speech by Sheldon Mills, Executive Director for Consumers and Competition, on financial inclusion on 1 June 2022. Mills discussed the potential challenges for financial inclusion posed by the rising cost of living, and noted the role technology can play in advancing inclusion, but also touched on the associated risks such as algorithmic discrimination.

Financial crime

HMT tightens MLRs, including crypto travel rules

HMT issued Amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 Statutory Instrument 2022 on 15 June 2022. The paper is a response to HMT's 2021 consultation and outlines how the Government will amend the UK's MLRs to meet international standards, and to clarify how the UK's AML/CTF regime operates.

Amendments include extending information sharing requirements for wire transfers to include cryptoassets (known as the 'Travel Rule') and new explicit legal powers for supervisors to access Suspicious Activity Reports. HMT will also expand the discrepancy reporting requirements. Any material discrepancies, identified in relation to beneficial owner information, will also need to be reported to the relevant registrar.

The changes to the MLRs have gone through draft secondary legislation entitled 'The Money Laundering and Terrorist Financing (Amendment) (No. 2) Regulations 2022'. Most of the measures will come into force on 1 September 2022, subject to Parliamentary approval.

See our At a glance briefing for more information.

HMT updates on AML/CFT regime

HMT published a Review of the UK's AML/CFT regulatory and supervisory regime on 24 June 2022. The update includes a post-implementation review of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Oversight of Professional Body Anti-Money Laundering and Counter Terrorist Financing Supervision Regulations 2017.

The review is structured around three key themes: systemic, regulatory and supervisory effectiveness, to ensure authorities and firms continue to improve the AML/CFT regime and effectively fight against illicit finance.

As part of the review, HMT has further refined the objectives for the MLRs. This includes clarifying that supervisors should be monitoring and enforcing compliance with the regulations, as part of a risk-based approach to supervision. It will also set out wider 'outcomes-focused' metrics as part of the updated Economic Crime Plan later this year.

On supervision, HMT notes a reform requirement and will later consult on a proposed shortlist. HMT will set out clear new objectives to the MLRs, in line with the FATF's methodology and embedding a renewed definition of effectiveness. On risks, HMT will use existing processes to consider emerging

ML/TF risks and sectors for addition to the MLRs. HMT will not overhaul the current guidance arrangements but will clarify the existing guidance. Finally, HMT continues to engage with stakeholders on the application of new technologies, the challenges faced by small or newly regulated firms, and the incentives of the current system.

FCA updates on market abuse

The FCA issued an update on market abuse and manipulation on 17 June 2022. In the update, the FCA provides a brief overview of its data-led approach and its practices to tackle insider dealing and manipulation, including criminal action.

Future of regulation

TSC issues recommendations on regulatory framework

The TSC published on 16 June 2022 a report on the future of financial services regulation, including recommendations for the FRF Review. The Committee recommends that the FCA and PRA be given a secondary objective to promote long-term economic growth. It says the wording of this will be crucial, warning that pursuing international competitiveness in the short term is unlikely to lead to economic growth or international competitiveness in the long term if it is achieved by weakening the UK's regulatory standards.

The TSC says HMT should continue to reject any calls for a growth and/or competitiveness objective to become a primary objective – warning this would risk the lessons of the financial crisis being forgotten. Under the FRF Review, the Government plans to introduce new secondary objectives for the regulators focused on the long-term growth and international competitiveness of the UK economy.

The Committee also recommends that the FCA should have regard for financial inclusion in its rule-making, and that the PRA considers what more can be done to level the playing field between smaller and larger firms. In addition, the TSC encourages the FCA to investigate whether there are opportunities for larger firms to be more experimental with innovative products, for example by setting aside additional capital to compensate consumers if new products turn out not to benefit consumers as anticipated.

TSC sub-committee to scrutinise financial services regulation

On 23 June 2023, the TSC announced the launch of a new sub-committee to lead on the parliamentary scrutiny of financial regulatory proposals. The new sub-committee will take a view on the level of scrutiny that is appropriate for each regulatory proposal, and will have the power to request papers and records and to seek written and oral evidence.

The work of the sub-committee will be supported by a newly-established Financial Services Scrutiny Unit which will be resourced with special advisers, TSC staff, and financial and legal experts. The unit will be tasked with advising the sub-committee on the impact and implementation considerations of regulatory proposals, and will also serve as a single point of contact for stakeholders.

The announcement comes as Parliament seeks to establish an effective scrutiny process over financial regulation following the transfer of rule-making powers from the EU to HMT and UK regulators as a result of Brexit.

Governance

HMT presses ahead with SM&CR for FMIs

HMT set out its response to a consultation proposing the creation of an SM&CR for certain FMIs regulated by the BoE on 7 June 2022.

In the paper, HMT confirms that an SM&CR for FMIs remains a desirable and effective means of enhancing accountability of senior managers and improving governance arrangement at FMIs. Under the proposals, the BoE would be granted new powers to implement, supervise and enforce on an SM&CR for FMIs.

The Government intends to put in place an SM&CR for CCPs and CSDs with the detailed aspects of the regime set out in secondary legislation and regulators' rules. HMT states this would give the BoE the necessary flexibility to apply the regime to different types of FMIs depending on their functions, activities and entity type. The Government proposes to legislate for an SM&CR 'gateway' allowing statutory instruments to be laid to apply the new regime to CCPs and CSDs, and potentially CRAs and recognised investment exchanges in the future.

For recognised payment systems and specified service providers, an SM&CR will be taken forward separately and to a longer time frame due to the forthcoming review of the regulatory perimeter for systemic firms in payment chains regulated by the BoE.

The publication follows feedback to a consultation paper published in June 2021. Since 2016, there has been a phased roll out of the SM&CR to all authorised firms, most recently to benchmark administrators in December 2020.

Market infrastructure

Regulators focus on CCP risk and resilience

On 30 June 2022, the BoE published a Policy Statement and Statement of Policy confirming its approach to the 'tiering' of non-UK Central Counterparties (incoming CCPs). The BoE also set out its approach to assessing Tier 2 CCPs' comparable compliance with respect to specific requirements under EMIR. In addition, the BoE published two consultation papers proposing fee amendments for incoming CCPs and CSDs.

Separately, ESMA released the findings of its CCP stress test. The findings confirm the overall resilience of EU CCPs and third country Tier 2 CCPs, but identify specific areas where risk management frameworks and supervisory work may need to be strengthened.

Ahead of the expiry of the Temporary Recognition Regime at the end of 2023, incoming CCPs wishing to provide services in the UK are required to be recognised by the BoE and designated as Tier 1 or Tier 2. The decision on tiering would be the result of a BoE assessment of the regulatory framework and cooperation arrangements with home authorities as well as the systemic risk that the CCP poses to UK financial stability.

Incoming Tier 2 CCPs will be subject to direct UK regulation and supervision, but may be granted 'comparable compliance' with respect to certain UK EMIR articles, meaning the BoE can defer to home authority supervision in these areas.

The BoE sets out further consultations on proposed fee amendments for incoming CCPs and CSDs to reflect the additional work required for it to recognise these FMIs and undertake comparable compliance assessments. Consultation feedback is requested by 15 September 2022. The BoE will implement its approach to tiering, comparable compliance and fees on 1 December 2022.

Our At a glance briefing provides further details.

Operational resilience

Treasury confirms approach to critical third party providers

HMT published a policy statement on 8 June 2022, confirming how it proposes to mitigate risks from critical third party providers of services to the finance sector (e.g. Cloud Service Providers). HMT considers that the current regulatory framework to support firms' operational resilience is insufficient to address the concentration risk arising from the provision of critical services by a single third party to multiple firms.

Therefore HMT has developed a proposal in collaboration with the BoE, PRA and FCA, to mitigate risks from critical third parties to financial institutions. Through the proposed regime, HMT will be able to designate certain third party service providers as 'critical'. Financial regulators will then be able to set minimum resilience standards that critical third parties will be directly required to meet in relation to any material services provided to UK financial institutions.

The relevant financial regulator will be granted a range of statutory and regulatory powers to oversee these resilience standards, including rule-making to oversee critical service provision, the ability to commission Skilled Person Reviews focusing on the third party, gather relevant information and take formal enforcement action where needed.

See our At a glance publication for further information.

Pensions

DWP consults on Pensions Dashboards Regulations

The Department of Work and Pensions (DWP) launched Pensions dashboards: further consultation on 28 June 2022, seeking views on two elements of the draft Pensions Dashboards Regulations. These elements are: that the Secretary of State must be satisfied that the dashboard ecosystem is ready to support widespread use before it's opened to the public, and outlining new provisions to enable sharing of information by the Money and Pensions Service with TPR.
The consultation closes on 19 July 2022.

New portfolio-alignment reporting requirement for pension trustees

DWP published on 17 June 2022 its response to an earlier consultation from October 2021 setting out new measures for certain pension trustees to calculate and report the extent to which their investments are aligned with the Paris Agreement. In-scope schemes will, from 1 October 2022, need to calculate portfolio alignment metrics and report on this metric in their TCFD report within seven months of the relevant scheme year end date (similar to other metrics).

Regulators seek to increase pensions engagement

The FCA and TPR jointly published Pensions consumer journey feedback statement (FS22/3) on 7 June 2022, setting out their views on measures to help engage consumers so they can make informed decisions that lead to better pension saving outcomes.

The regulators acknowledge that consumer engagement is a challenge that cannot easily be resolved through regulatory interventions. They note that firms, schemes, providers and advisers can and should do more to make pensions work well for consumers. The regulators say they want to ensure that consumers have access to products and services that are designed to meet their needs and characteristics and offer fair value.

In the statement, the TPR and FCA note that – alongside interventions from the regulators and Government – the Money and Pensions Service (MaPS) and the pensions industry must lead the way in finding innovative ways to support consumers. They suggest that firms should consider how they present information to consumers, to improve decision-making and consumer outcomes.

The outcomes-focused approach outlined in the statement is consistent with the themes underpinning the FCA's Consumer Duty work. The regulators expect firms to consider the needs and types of consumers at each stage of their pension journey and tailor their offering, with a focus on good outcomes.

TPR publishes two-year plan

TPR published its Corporate Plan 2022-24 on 13 June 2022, setting out its priorities for the next two years. The plan highlights five strategic priorities: ensuring savers' money is secure, ensuring savers get good value for money, ensuring decisions made on behalf of pension savers are in their best interests, embracing innovation, and delivering effective regulation. The strategy was developed in the context of long-term trends in the pensions sector.

Supervision

FCA confirms rules to counter claims management phoenixing

The FCA published a policy statement on 7 June 2022, confirming its rules prohibiting claims management companies (CMCs) from engaging in claims (and potential claims) to the FSCS, in those cases where the CMC has a relevant connection to the claim. CMCs will also be required to report to the FCA any relevant connections they have to financial services firms, to support enforcement of these rules.

Claims phoenixing occurs when an individual previously connected with a wound-down financial services firm reappears in connection with a CMC, with the intention of benefitting from any poor conduct demonstrated by the previous financial services firm by engaging in claims activity against that firm. The FCA previously consulted on the proposed rules in CP21/14. The FCA states that the new rules will not replace the gateway checks the FCA conducts on individuals as part of its Authorisations process.

FCA outlines data strategy update

On 23 June 2022, the FCA set out an update to its data strategy outlining how it aims to make better use of data, identify and more quickly prevent harm, and invest in its people, technology and culture. The strategy update also maps out the FCA's forward-looking approach to becoming a digital and intelligence-led regulator.

The strategy update provides a summary of areas where the FCA has made progress in developing data and technology capabilities and improving the management of data that it collects. It says improvements include using advanced analytics and web scraping to identify high-risk financial adverts and potential scams, and developing and implementing sanctions screening tools. The FCA has also implemented Analytics and Data Science tools, along with a wider IT transformation, with a view to making its management and analysis of data more efficient and effective.

Looking forward, the FCA commits to continued improvements in how it uses data and technology to become a more innovative, assertive and adaptive regulator. To achieve this, the FCA says it will continue to invest in recruiting skilled digital roles, developing technological capabilities, and evolving how it collects and uses data. FCA CEO, Nikhil Rathi, reiterated this same vision in a speech earlier in June, also highlighting the importance of international coordination between regulators to deal with the data evolution.

Please refer to our At a glance publication for more information.

FCA revises industry fees for 2022/23

The FCA published its final policy on 28 June 2022 for the setting of industry fees and levies for the 2022/23 financial year. The FCA confirms an Annual Funding Requirement (AFR) of £630.9m for 2022/23, compared to an AFR of £640m which the FCA previously consulted on. The FCA's confirmed AFR for 2022/23 represents an increase of 4.3% compared to the 2021/22 fee year, and will support the FCA's new responsibilities post-Brexit and expanded regulatory scope.

PRA confirms fees for 2022/23

The PRA published its final policy on 30 June 2022 towards the setting of industry fees to fund the PRA's 2022/23 budget. The PRA confirms an Annual Funding Requirement (AFR) of £312.5m for 2022/23, which represents an increase of 25% compared to the AFR for the 2021/22 fee year. The PRA will use the increased funding to support its expanded role as a rule-maker post-Brexit, and its increased focus on industry operational resilience.

Sustainability

BoE reveals 2022 climate-related financial disclosure

The BoE published its annual climate-related financial disclosure on 23 June 2022. The BoE's disclosure outlines how it is mitigating climate risks in relation to the BoE's own physical and financial operations and is structured in four sections, covering governance, strategy, risk management, and metrics and targets.

The BoE confirms that climate risks are integrated into its internal governance and risk management frameworks, covering its policy functions and physical operations. To support the UK's transition to a net-zero economy by 2050, the BoE aims to: ensure the financial system is resilient to climate risks; support the real economy transition to net-zero; promote TCFD-aligned disclosure; contribute to international initiatives; and demonstrate best practice.

The BoE has further developed its internal risk management approach to climate risks, by disclosing climate risk analysis of its asset holdings and widening its carbon footprint metrics. The BoE states that its climate performance in relation to its sovereign asset holdings is above reference portfolios and that the carbon footprint of its corporate holdings has materially improved. In relation to the BoE's physical operations, the decrease in the number and carbon intensity of printed banknotes drove a material emissions reduction compared to 2020/21.

FCA signals direction for ESG in UK capital markets

The FCA on 29 June 2022 published a feedback statement (FS22/4) on ESG integration in UK capital markets along with a related Primary Markets Bulletin 41. Together these set out the regulator's approach to ESG-labelled debt instruments and ESG data and rating providers. This is a response to feedback received to the June 2021 consultation paper (CP21/18).

Regarding ESG-labelled debt instruments, the FCA focused on two main areas: the prospectus and 'use of proceeds' (UoP) bond frameworks, and the role of verifiers and second party opinion providers. The FCA is not currently proposing any new policy for these ESG-labelled debt instruments in this feedback statement. However, the regulator is clarifying existing obligations as well as encouraging certain actions by debt issuers and their advisers. The FCA also notes the link between potential future regulatory action and Treasury implementing the proposals in the outcome of its Prospectus Regime Review.

The FCA says it sees a clear rationale for regulatory oversight of certain ESG data and rating providers. It will continue to work with the UK Government, which is considering bringing these providers within the FCA's regulatory perimeter.

Wholesale markets

ESAs propose exemption extension for intragroup contracts

On 13 June 2022, the ESAs published a final report outlining draft RTS proposing the extension of the current temporary exemption regime for intragroup contracts concluded between third country entities. The ESAs propose to extend the exemption applying to bilateral margin requirements of OTC derivative contracts, originally due to expire on 30 June 2022, by three years.

The ESAs state that the extension will allow for the ongoing equivalence assessments of third countries under Article 13 EMIR as well as accommodate the outcomes of the EU's upcoming EMIR review which will aim to define a new permanent regime for intragroup exemptions. The ESAs also state that the interaction between the CRR and Article 13 EMIR equivalence will need to be reviewed when defining a permanent regime as part of the EMIR review.

The original exemption was introduced to ensure that OTC derivative contracts concluded between third country entities were not subject to the bilateral margin requirements before an Article 13 EMIR equivalence assessment could be conducted. The ESAs have now submitted the draft RTS to the EC for their endorsement. As approval of the extension is unlikely to be confirmed before 30 June 2022, the ESAs expect EU NCAs not to prioritise supervisory actions with respect to intragroup transaction requirements.

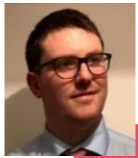
FCA sets out vision for listing regime reform

In a speech on 16 June 2022, FCA Director of Market Oversight, Clare Cole, outlined the FCA's vision for primary market reform in the UK. She highlighted the opportunity the FCA has to reassess the effectiveness of UK primary markets listings to ensure they support the success of companies and empower investors in making investment decisions.

Cole said the FCA wants to ensure listing is available for a wider range of companies, citing barriers to entry in the current regime for pre-revenue and high growth companies. The FCA also wants to ensure that investors are empowered to make decisions about the suitability of listed issuers to meet their investment needs. The proposals set out in the FCA's June 2022 Discussion Paper aim to achieve this by removing unnecessary complexity and simplifying listings to one single segment for all equity shares of commercial companies. The FCA is seeking feedback on the Discussion Paper by 28 July 2022.

Banking and capital markets

In this section:



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Conduct

FCA details priorities for lifetime mortgage sector

The FCA published a portfolio letter for lifetime mortgage providers on 29 June 2022, setting out key risks of harm and its supervisory strategy for the sector. The regulator says it is concerned that consumers who are facing financial stress due to the rising cost of living may be more susceptible to the purchase of unsuitable equity release products. It expects firms to consider how the cost of living crisis is likely to impact consumers and to take the necessary steps to support consumers and mitigate harm, as well as preparing for operational disruptions such as sudden increases in the volume of customer contacts.

The FCA highlights the following key drivers of harm in the sector: customer treatment; operational issues, including resilience; and prudential resources. It plans to focus its supervisory work on the fair treatment of consumers and the upcoming consumer duty, with a particular focus on:

- treating vulnerable customers fairly
- product design and governance
- fees and pricing structure
- relationships between lenders and intermediaries
- responsible lending
- post-sale systems and controls
- financial resilience.

Finally, the regulator highlights ESG, the SM&CR and regulatory reporting as additional areas that firms should give due consideration to.

FCA highlights consumer credit risks

The FCA published its portfolio letter for mainstream consumer credit lenders on 27 June 2022. It highlights risks associated with the rising cost of living, and its expectation that firms consider how the economic environment is likely to impact consumers, and take steps to support consumers and mitigate harm. The FCA asks firms to pay particular regard to vulnerable customers, and to ensure they have robust governance arrangements that can effectively identify and manage risks such as sudden increases in the volume of consumer contacts, and data protection and cyber resilience risks.

The regulator sets out the following key risks of harm for the sector:

- treatment of borrowers in financial difficulty
- inadequate assessment of affordability – stating that it may ask lenders for additional data on their approaches to assessing affordability

- persistent debt strategies which do not enable customers to pay down debt in a reasonable timeframe
- firms failing to deal with their s75 CCA responsibilities appropriately – the FCA notes a rise in complaints in this space, which it is reviewing.

The FCA also notes a number of additional areas of interest, which it is monitoring for indicators of concern but is not currently proposing any specific pieces of work on. These include risks associated with changes to ways of working and business models, such as a growing move towards more automated processes, and greater use of open banking to assess affordability. It also highlights oversight of third party arrangements.

The regulator expects firms to be able to demonstrate the steps they are taking to address and mitigate the risks covered in the letter.

FCA to strengthen guidance on branch and ATM closures

On 14 June 2022, the FCA published a consultation proposing updates to existing guidance for firms on branch and ATM closures or conversions.

The proposed updates include introducing more specific expectations on the detail of analysis firms are required to conduct before closing branches. The FCA proposes this should include usage trends, transactions volumes, and an assessment of the customer base and vulnerability characteristics. The proposed guidance also clarifies that firms would be expected to factor in the effective migration of services to a channel that customers find accessible as part of their pre-closure planning. In addition, the FCA proposes to introduce an expectation for firms to proactively communicate with wider stakeholders (e.g. local councils, consumer groups) to inform them of closure or conversion plans.

The updated guidance comes in the context of a broader approach by Government and regulators to strengthen protection of access to retail banking services. In May 2022, HMT confirmed the FCA will be granted new powers to supervise and enforce requirements to ensure customers only need to travel a reasonable distance to access deposit and withdrawal facilities. The FCA has also stated that the proposed guidance on branch and ATM closures and conversions will be consistent with the proposed Consumer Duty.

See our At a glance briefing for more information.

Cryptoassets

Basel Committee announces revised crypto regulation proposals

The Basel Committee published a second consultation on the prudential treatment of cryptoasset exposures on 30 June 2022. This builds on the Committee's 2021 consultation and seeks to address issues raised in consultation feedback as well as providing more detail on the proposed standard.

The proposed policy standard classifies cryptoassets into two groups – Group 1 assets would fully meet a set of classification conditions, while those assets classified under Group 2 would not meet any of the conditions. Group 2 assets would be subject to a more conservative capital treatment compared to those in Group 1, given that they are judged to present greater prudential risks.

Compared to its 2021 consultation, the main changes in the second consultation are:

- refining the classification capital conditions (including a revised stabilisation test for Group 1b cryptoassets, namely stablecoins)
- introducing an infrastructure risk add-on for Group 1 assets and a large exposure limit for Group 2 assets
- recognition of hedging for certain Group 2 assets
- clarifications on the application of rules governing operational and liquidity risk
- delinking of the accounting classification of cryptoassets (as tangible or intangible assets).

The consultation closes on 30 September 2022 and the Committee aims to finalise the policy standard by end-2022.

Please see our At a glance briefing for more information.

Financial stability

FPC confirms withdrawal of mortgage affordability test

The FPC published a consultation response on 20 June 2022, confirming the withdrawal of its mortgage market affordability test Recommendation. The FPC had previously consulted on this proposal in February 2022.

The FPC announced its affordability test Recommendation in 2014, along with a Recommendation for a loan to income (LTI) flow limit. The FPC made these Recommendations to mitigate against a weakening of mortgage underwriting standards and increasing household indebtedness, which might in turn impact financial stability.

In its latest review of these Recommendations, the FPC concludes that the BoE's objective of maintaining financial stability could be delivered through the LTI flow limit alone. The FPC will formally withdraw its affordability test recommendation from 1 August 2022.

Prudential

PRA proposes principles to manage model risk

The PRA published a consultation paper (CP) on 21 June 2022, setting out its expectations in relation to banks' management of model risk in a draft Supervisory Statement (SS). The PRA is proposing a set of principles to ensure banks establish an effective model risk management (MRM) framework. The consultation closes on 21 October 2022 and the PRA is proposing an implementation date for the model principles of 12 months after publication of the final SS.

The PRA is proposing that all firms adopt five principles which would be critical to the establishment of an effective MRM framework. These principles focus on: model identification and model risk classification (to help firms identify and manage model risk); governance (to support a positive MRM culture throughout the firm); model development, implementation and use (to ensure firms have a thorough development process in place); independent model validation (to provide effective challenge to model development and use); and model risk mitigants (to ensure firms establish measures to address model under-performance).

The PRA proposes that its supervisory expectations would apply to all types of internal and external models that firms might use to inform their business decisions, and would apply to banks, building societies and PRA-designated investment firms (but not insurers at this stage). The PRA is proposing that firms conduct an annual self-assessment against its proposed framework, to help identify any potential shortfalls and appropriate remediation measures. Please see our At a glance briefing for more details.

PRA announces timetable for FRTB model applications

The PRA published a letter to firms on 27 June 2022 setting out its timetable for the submission of market risk internal model approach (IMA) and standardised approach (SA) pre-applications, ahead of the PRA's planned implementation of Basel 3.1 by 1 January 2025. The PRA states that it does not intend to provide any temporary extension to the existing model or permissions regimes upon implementation of Basel 3.1, and that firms with a current IMA permission would automatically move to the new SA after 1 January 2025, unless the PRA had granted firms with a new IMA permission.

The PRA expects firms to submit their final pre-applications at least 12 months in advance of the assumed implementation date for Basel 3.1 (by 1 January 2024), and will prioritise firms that apply in accordance with this timeline (firms that delay their applications may have to use the SA until the PRA completes their model review). As part of its pre-engagement with firms, the PRA will schedule a series of implementation reviews on specific FRTB topics through the course of 2022-23, from which bilateral and industry-wide feedback will be circulated.

Please see our At a glance publication for more information.

PRA removes COVID-19 buffer adjustment

The PRA published a statement on 13 June 2022, stating that it is removing the adjustment to the PRA buffer that was temporarily applied in July 2020 in the context of the COVID-19 pandemic.

In July 2020, the PRA increased the PRA buffer for all firms that had received a capital reduction under Pillar 2A, given the significant uncertainty around the extent of the stress caused by the COVID-19 pandemic. Previous to July 2020, the PRA had been setting firm-specific PRA buffer adjustments in line with the implementation of Policy Statement 15/20, which confirmed a reduction in Pillar 2A capital requirements given that the FPC had increased the structural level of the countercyclical capital buffer from 1% to 2%.

The PRA now judges that this temporary increase is no longer needed, given that the uncertainty around the pandemic has receded. The PRA states that the removal of the PRA buffer adjustment will take effect from end-December 2022. Firms will receive confirmation of the exact arrangements through their respective PRA supervisors.

PRA concludes review of SIMM model

The PRA published a letter to firms on 28 June 2022, setting out the conclusions of its review into firms' use of the Standardised Initial Margin Methodology (SIMM). The PRA's review focused on the performance of the margining methodology during the recent COVID-19 pandemic, and an assessment of model compliance in relation to regulations governing margin exchange on non-centrally cleared derivatives.

The PRA has identified several issues around SIMM model governance and firms' ability to identify and address model underperformance. Therefore the PRA has stipulated a number of follow-up actions for Category 1 banks using SIMM. Firms will be required to conduct a self-assessment of their implementation of the mandatory margining for non-centrally cleared OTC derivatives against the relevant regulations, and provide an action plan to correct for any gaps. The PRA expects firms to take the required actions by December 2022, and then report the findings to their supervisors.

Please see our At a glance briefing for more details.

Recovery and resolution

BoE reveals assessment of firms' resolution plans

The BoE published on 10 June 2022 its first assessment of eight major UK banks' preparations for resolution under its Resolvability Assessment Framework (RAF). The eight UK banks that come under this phase of the RAF are Barclays, HSBC, Lloyds Banking Group, Nationwide, NatWest, Santander UK, Standard Chartered and Virgin Money UK.

The Bank has assessed that all of the in-scope UK banks could be safely resolved if necessary, without negatively impacting UK taxpayers or financial stability. However, the Bank's firm-specific review identifies 'shortcomings' for three in-scope firms and 'areas of enhancement' for six firms.

The Bank's thematic review identifies that funding in resolution and restructuring planning are areas that require relatively more work for the group of in-scope firms. On funding, the Bank assesses that firms need to develop their capability to provide timely and granular analysis and identify available collateral to support resolution. On restructuring, the Bank concludes that firms need to do more assurance around the effectiveness of their planning capability and identify interdependencies with other capabilities.

The Bank also concludes that in-scope firms need to do more work in areas such as firms' MREL and Valuation and Continuity of Access to FMI parties.

See our At a glance publication for further details.

Supervision

HMT confirms next steps on regulation of BNPL

HMT published a response on 20 June 2022 to its previous consultation on bringing unregulated buy now pay later (BNPL) products into the regulatory perimeter. The Treasury is broadly planning to go ahead with the proposals as consulted on, but gives some additional clarity on scope. It says the scope of regulation should capture BNPL and other exempt agreements (which it refers to as short-term interest-free credit (STIFC)) when they are provided by third-party lenders. HMT is minded to extend this scope to capture STIFC provided directly by merchants where it is offered online or at a distance, but says further stakeholder engagement is necessary to fully understand the scale of this market. HMT is asking for further views on this by 1 August 2022.

HMT maintains its view that FCA rules on creditworthiness and forbearance should apply to BNPL, and says it will be for the FCA to decide whether these rules should be tailored for BNPL products. In terms of next steps, the Government intends to consult on draft legislation around the end of the year and lay secondary legislation in mid-2023, after which the FCA will issue a consultation.

Many respondents to the BNPL consultation argued there should be broader reform of the CCA which applies to all regulated credit agreements. In a press release on 16 June 2022, HMT announced its intention to reform the CCA, and to move much of the Act from statute to FCA regulation, which would allow the regulator to respond more quickly to market developments. The Government intends to consult on proposals for reform later this year.

Sustainability

Basel Committee confirms climate risk principles

The Basel Committee published on 15 June 2022 a final set of principles for the effective management and supervision of climate-related financial risks.

The Basel Committee's confirmation of these supervisory principles follows its consultation in November 2021. The Committee has designed the principles to be applicable and proportionate to a diverse range of banking systems. The principles are structured into two groups, with the first providing guidance for banks and the second group providing guidance for prudential supervisory authorities.

The principles applying to banks cover general corporate governance, internal controls and risk management and reporting, as well as the specific management of credit, market and other risks. The principles applying to supervisors cover the setting of formal prudential regulatory and supervisory requirements to address climate risks, and the assessment of banks' ability to manage climate risks within their risk management frameworks.

Compared to the PRA's current supervisory approach (as mandated through PRA SS3/19 and the 2021 Dear CEO letter), the Basel principles stipulate relatively greater information in relation to banks' management of credit, liquidity, market risks and other financial impacts of climate risks. UK banks should therefore expect greater supervisory focus across these areas, once the Basel principles have been implemented through UK legislation and prudential rules. Please see our At a glance briefing for more details.

Asset management

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Please refer to the cross-sector section on p. 4 for developments which are relevant to asset management firms.

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Prudential

PRA announces ‘resource intensive’ Solvency II impact study

The PRA launched Data Collection Exercise (DCE) on 10 June 2022, which will assist the regulator’s analysis of potential reform options relating to the Matching Adjustment and Fundamental Spread (MA-FS) methodology. The DCE explores the potential impact and feasibility of the potential formulation for the Credit Risk Premium (CRP), and MA-FS, as set out in the Technical Annex to DP2/22. The DCE will cover three main areas:

- part one: qualitative view of firms’ current asset valuation methods
- part two: valuation methods for each individual asset
- part three: quantitative impacts of the proposed base FS methodology design, SCR impacts under various specifications, as well as qualitative questions covering phasing-in considerations.

In DP2/22 (issued in April 2022), the PRA set out its views on the overall calibration of the CRP, including features such as averages, caps and floors to mitigate its volatility, and that the reasonable range for CRP sits between 35% and 55% of credit spreads through the cycle. The DCE asks for data on a range of calibrations that combines 35% of medium-term average index spreads with just 17.5% of excess spot spreads. The PRA notes that DCE is a data gathering excercise for the MA-FS claibration and should not be taken as an indication of the Government's or the PRA's preferred course of action.

Although participation in the DCE is voluntary, the PRA has contacted selected firms asking them to take part in this exercise. To reduce the burden placed on firms, they have been asked to respond to the DCE in phases between July and September 2022. The PRA requires firms to undertake an appropriate level of validation before submitting the DCE template to the PRA.

Solvency II: PRA discusses competitiveness and productive investment

Charlotte Gerken, PRA’s Executive Director for Insurance, delivered a speech on 14 June 2022 about competitiveness and productive investment, and the impact these are having on the Review of Solvency II. She said the PRA wants to remove disincentives that the existing regime places in the way of investment in productive assets. Gerken also highlighted three areas of process improvements: the internal model application process, regulatory reporting and the MA application process.

She expressed concerns with the existing MA framework and the size and design of the risk margin, stating that the PRA agrees with longstanding concerns raised by industry on the sensitivity of the risk margin to interest rates. However, she noted that given the interaction between the MA and the risk margin, simultaneous reform of both risk margin and MA is needed to correct distortions in the current framework. Gerken said that for general insurers, roughly a 30% cut in risk margin can be justified which is similar to the impact on EU firms under the proposals made by the European Commission. For life insurers, given the longer-term nature of the insurance risks and the presence of closely matched assets, the PRA believes that a greater reduction of around 60% is possible – but only if the fundamental spread is also reformed to better reflect credit risk retained by life insurers.

She noted that a large cut to the risk margin in isolation would increase the risk that an insurer's liabilities could not be transferred to a third party if it were to fail and thereby expose policyholders to an unacceptable level of risk.

Supervision

FCA outlines supervision strategy for insurance intermediaries

The FCA published two letters on 13 June 2022 setting out its supervision strategy for personal and commercial lines insurance intermediaries and for Lloyd's and London Market intermediaries. The letters outline the key risks that insurance intermediaries could pose to their consumers, and identifies the most significant risk of harm is through customers buying unsuitable or poor value products. The FCA highlights common drivers of customer harm such as ineffective governance arrangements and misaligned incentive arrangements that do not support a positive conduct culture.

The FCA expects boards to engage on issues related to product value and pricing, and ensure compliance with the recently introduced pricing practices and product governance rules. Following the business interruption test case, the FCA urges firms to design products with clear contract terms that deliver as expected at the point of claim. Furthermore, firms holding client money should have controls to safeguard client money and have up-to-date wind-down plans. The FCA will hold senior managers accountable where they fail to ensure adequate governance, systems and controls or fail to comply with the FCA's rules.

On cross-sector issues, the FCA expects firms to be able to show that they are working towards having a diverse workforce and inclusive culture, and reminds firms there is long way to go before the insurance sector becomes truly diverse and inclusive sector. The FCA also urges firms to take steps to manage any operational reliance and cyber security exposures.

Finally, the FCA notes that by the end of July it will publish consumer duty final rules, and plans to issue a policy statement in relation to the oversight of appointed representatives later this year.

Sustainability

PRA: Insurers need to enhance climate risk capabilities

Stefan Claus, PRA's Head of Insurance Analytics, delivered a speech on 8 June 2022 on insurers' preparedness for managing financial risks caused by climate change. He said the Climate Biennial Exploratory Scenario exercise shows that insurers are getting better at managing these risks. However, he argued that they need to develop more advanced capabilities, by incorporating climate risks in scenario analysis and investing in the development and scrutiny of climate risk models.

Glossary

ABS	Asset Backed Security
AI	Artificial intelligence
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers Directive 2011/61/EU
AML	Anti-Money Laundering
Basel II	Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework
Basel III	Basel III: International Regulatory Framework for Banks
Basel Committee	Basel Committee on Banking Supervision (of the BIS)
BIS	Bank for International Settlements
BoE	Bank of England
BMR	EU Benchmarks Regulation
BRRD	Bank Recovery and Resolution Directive 2014/59/EU
BRRD II	Bank Recovery and Resolution Directive (EU) 2019/879 amending BRRD
CASS	Client Assets sourcebook
CBDC	Central Bank Digital Currency
CBILS	The UK Coronavirus Business Interruption Loan Scheme
CCA	Consumer Credit Act 1974 (as amended)
CCB	Countercyclical capital buffer
CCD	Consumer Credit Directive 2008/48/EC
CCPs	Central Counterparties
CDS	Credit Default Swaps

CET1	Common Equity Tier 1
CFT	Combating the Financing of Terrorism
CFTC	Commodities Futures Trading Commission (US)
CGFS	Committee on the Global Financial System (of the BIS)
CIS	Collective Investment Schemes
CMA	Competition and Markets Authority
CMU	Capital markets union
COBS	FCA conduct of business sourcebook
COCON	FCA code of conduct sourcebook
CoCos	Contingent convertible securities
ComFrame	The Common Framework
CONC	FCA consumer credit sourcebook
COREP	Standardised European common reporting
Council	Generic term representing all ten configurations of the Council of the European Union
CPMI	Committee on Payments and Market Infrastructures
CRA1	Regulation on Credit Rating Agencies (EC) No 1060/2009
CRA2	Regulation amending the Credit Rating Agencies Regulation (EU) No 513/2011
CRA3	Proposal to amend the Credit Rating Agencies Regulation and directives related to credit rating agencies COM(2011) 746 final
CRD	‘Capital Requirements Directive’: collectively refers to Directive 2006/48/EC and Directive 2006/49/EC
CRD II	Amending Directive 2009/111/EC

CRD III	Amending Directive 2010/76/EU
CRD IV	Capital Requirements Directive 2013/36/EU
CRD V	Capital Requirements Directive (EU) 2019/878 amending CRD IV
CRR	Capital Requirement Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms
CRR II	Capital Requirements Regulation (EU) 2019/876 amending CRR
CSD	Central Securities Depository
CSDR	Central Securities Depositories Regulation (EU) 909/2014
CSMAD	Criminal Sanctions Market Abuse Directive 2014/57/EU
DEPP	The FCA’s Decision Procedure and Penalties Manual
DG FISMA	Directorate-General for Financial Stability, Financial Services and Capital Markets Union
DGS	Deposit Guarantee Scheme
DGSD	Deposit Guarantee Schemes Directive 2014/49/EU
DLT	Distributed ledger technology
D-SIBs	Domestic Systemically Important Banks
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECJ	European Court of Justice
ECL	Expected credit loss
ECOFIN	Economic and Financial Affairs Council (configuration of the Council of the European Union dealing with financial and fiscal and competition issues)
ECON	Economic and Monetary Affairs Committee of the European Parliament
ECP	Eligible counterparty

EDIS	European Deposit Insurance Scheme
EEA	European Economic Area
EEC	European Economic Community
EIOPA	European Insurance and Occupations Pension Authority
ELTIF	European long-term investment fund
EMIR	Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (EU) No 648/2012
EP	European Parliament
EPC	European Payments Council
ESA	European Supervisory Authority (i.e. generic term for EBA, EIOPA and ESMA)
ESCB	European System of Central Banks
ESG	Environmental, social and governance
ESEF	European Single Electronic Format
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
€STR	Euro short-term rate
ETC	Exchange-traded commodity
ETN	Exchange-traded note
EU	European Union
EU Securitisation Regulation	Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation and amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012
EURIBOR	Euro Interbank Offered Rate
Eurosystem	System of central banks in the euro area, including the ECB

EuSEF	The European social Entrepreneurship Funds Regulation
EuVECA	European Venture Capital Funds Regulation (EU) 345/2013
FAMR	Financial Advice Market Review
FATF	Financial Action Task Force
FC	Financial counterparty under EMIR
FCA	Financial Conduct Authority
Fiat currency	Currency whose value is underpinned by the strength of the issuing government, e.g. USD, GBP, euro and other major world currencies
FICC	Fixed income, currencies and commodities
FiCOD1	Amending Directive 2011/89/EU of 16 November 2011
FiCOD	Financial Conglomerates Directive 2002/87/EC
FMI	Financial Market Infrastructure
FMLC	Financial Markets Law Committee
FMSB	FICC Markets Standard Board
FOS	Financial Ombudsman Service
FPC	Financial Policy Committee
FRC	Financial Reporting Council
FRF review	Future Regulatory Framework review
FRTB	Basel Committee fundamental review of the trading book market risk capital requirements
FSB	Financial Stability Board
FSCS	Financial Services Compensation Scheme
FSI	Financial Stability Institute (of the BIS)
FSMA	Financial Services and Markets Act 2000
FTT	Financial Transaction Tax
GDPR	General Data Protection Regulation

G-SIBs	Global Systemically Important Banks
G-SIIs	Global Systemically Important Institutions
HCSTC	High Cost Short Term Credit
HMRC	Her Majesty’s Revenue and Customs
HMT	Her Majesty’s Treasury
IA	Investment Association
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
IBA	ICE Benchmark Administration
IBOR	Interbank Offered Rate
ICAAP	Internal Capital Adequacy Assessment Process
ICARA	Internal Capital and Risk Assessment
ICAS	Individual Capital Adequacy Standards
ICO	Initial coin offering
ICOBS	Insurance: Conduct of Business Sourcebook
ICPs	Insurance Core Principles
ICT	Information and Communication Technology
IDD	The Insurance Distribution Directive (EU) 2016/97
IFD	Investment Firms Directive
IFPR	Investment Firm Prudential Regime
IFRS	International Financial Reporting Standards
ILAA	Internal Liquidity Adequacy Assessment
ILAAP	Internal Liquidity Adequacy Assessment Process
ILS	Insurance-Linked Securities
IMAP	Internal Model Approval Process

IMCO	The European Parliament's Committee on Internal Market and Consumer Protection
IMD	Insurance Mediation Directive 2002/92/EC
IMF	International Monetary Fund
IORP	Institutions for Occupational Retirement Provision
IOSCO	International Organisation of Securities Commissions
IRB	Internal Ratings Based
IRRBB	Interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ITS	Implementing Technical Standards
JCESA	Joint Committee of the European Supervisory Authorities
JMLSG	Joint Money Laundering Steering Committee
KID	Key Information Document
KIID	Key Investor Information Document
KYC	Know your customer
LCR	Liquidity coverage ratio
LEI	Legal Entity Identifier
LIBOR	London Interbank Offered Rate
MA	Matching Adjustment
MAD	Market Abuse Directive 2003/6/EC
MAR	Market Abuse Regulation (EU) 596/2014
Material Risk Takers Regulation	Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the EP and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile
MCD	Mortgage Credit Directive 2014/17/EU

MCOB	Mortgages and Home Finance: Conduct of Business sourcebook
MCR	Minimum Capital Requirement
Member States	Countries which are members of the European Union
MiFID	Markets in Financial Instruments Directive 2004/39/EC
MiFID II	Markets in Financial Instruments Directive (recast) 2014/65/EU – also used to refer to the regime under both this directive and MiFIR
MiFIR	Markets in Financial Instruments Regulation (EU) No 600/2014
MLRO	Money Laundering Reporting Officer
MMF	Money Market Fund
MoJ	Ministry of Justice
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MREL	Minimum requirements for own funds and eligible liabilities
MTF	Multilateral Trading Facility
NBNI G-SIFI	Non-bank non-insurer global systemically important financial institution
NCA	National competent authority
NDF	Non-Directive Firms – firms that do not fall within Solvency II
NFC	Non-financial counterparty under EMIR
NIS Directive	Proposal for a directive of the EP and Council concerning measures to ensure a high common level of network and information security across the EU
NPE	Non-performing exposure
NSFR	Net Stable Funding Ratio
NST	National specific template
NURS	Non-UCITS Retail Scheme
OECD	Organisation for Economic Cooperation and Development

Official Journal	Official Journal of the European Union
OFT	Office of Fair Trading
Omnibus II	Second Directive amending existing legislation to reflect Lisbon Treaty and new supervisory infrastructure (2014/51/EU). Amends the Prospectus Directive (Directive 2003/71/EC) and Solvency II (Directive 2009/138/EC)
ORSA	Own Risk Solvency Assessment
O-SIIs	Other systemically important institutions
OTC	Over-The-Counter
OTF	Organised trading facility
PAD	Payment Accounts Directive 2014/92/EU
PERG	Perimeter Guidance Manual
PPI	Payment Protection Insurance
PRA	Prudential Regulation Authority
Presidency	Member State which takes the leadership for negotiations in the Council: rotates on 6 monthly basis
PRIIPs	Packaged retail and insurance-based investment products
PSD2	The revised Payment Services Directive (EU) 2015/2366
PSP	Payment service provider
PSR	Payment Systems Regulator
P2P	Peer to Peer
QIS	Quantitative Impact Study
QRT	Quantitative Reporting Template
RAO	Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)
RDR	Retail Distribution Review
REMIT	Regulation on wholesale energy markets integrity and transparency (EU) 1227/2011

RFB	Ring-fenced bank
RFQ	Request for quote
RFRs	Risk-free rates
RFRWG	The Working Group on Sterling Risk-Free Reference Rates
RONIA	Repurchase Overnight Index Average
RRPs	Recovery and Resolution Plans
RTS	Regulatory Technical Standards
RWA	Risk-weighted assets
SARON	Swiss Average Rate Overnight
SCA	Strong Customer Authentication (rules under PSD2)
SCR	Solvency Capital Requirement (under Solvency II)
SCV	Single customer view
SEC	Securities and Exchange Commission (US)
SECR	Securitisation Regulation
SEPA	Single Euro Payments Area
SFP	Structured finance product
SFT	Securities financing transaction
SFTR	Securities Financing Transactions Regulation (EU) 2015/2365
SFO	Serious Fraud Office
SI	Systematic internaliser
SIMF	Senior Insurer Manager Function
SIMR	Senior Insurer Managers Regime
SM&CR	Senior Managers and Certification Regime
SME	Small and Medium sized Enterprises
SMF	Senior Manager Function

SOCA	Serious Organised Crime Agency
SOFR	Secured Overnight Financing Rate
Solvency II	Directive 2009/138/EC
SONIA	Sterling Overnight Index Average
SPV	Special purpose vehicle
SREP	Supervisory Review and Evaluation Process
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SRMR	Single Resolution Mechanism Regulation (EU) No 806/2014
SRMR II	Single Resolution Mechanism Regulation (EU) 2019/877 amending SRMR
SSM	Single Supervisory Mechanism
SSR	Short Selling Regulation (EU) 236/2012
STS	Simple Transparent and Standardised (concerning securitisations)
SUP	FCA supervision manual
SYSC	The part of the FCA handbook titled senior management arrangements, systems and controls
T2S	TARGET2-Securities
TSC	Treasury Select Committee
TCFD	The FSB Task Force on Climate-related Financial Disclosures
TLAC	Total Loss Absorbing Capacity
TMTP	Transitional Measure on Technical Provisions
TONA	Tokyo Overnight Average Rate
TPR	The Pensions Regulator
UCITS	Undertakings for Collective Investments in Transferable Securities
UCITS V	UCITS V Directive 2014/91/EU
UKLA	UK Listing Authority
UTI	Unique Trade Identifier
XBRL	extensible Business Reporting Language

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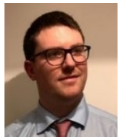

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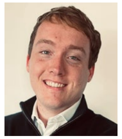

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Market access and conduct regulation