

# This week at the UK regulators

## Thirty second guide: The week in overview

In a week without concluded enforcement cases, the most important development has been the publication of plans for the further extension of the FCA's and PRA's new individual accountability regimes to insurers subject to the Solvency II Directive. Two consultation papers, following closely behind last week's announcement of the widening of the application of new regimes to UK branches of overseas banks, set out plans to use the existing Approved Persons Regime to impose requirements akin to those under the Senior Managers Regime and Conduct Rules for banks to this category of firms. The papers make clear that it is likely that the scope of these new arrangements will continue to widen beyond insurers and that other types of firms are likely to be encompassed in due course.

Other developments last week included the release of details of the FCA's market study into the credit card market, the publication of largely positive findings from a thematic review into the way in which firms are managing conflicts of interest in relation to in-house investment products and the announcement of the priorities of the new Payment Systems Regulator.

## Regulators propose further extension of individual accountability regimes

The FCA and PRA have (on 26 November) issued consultation papers on proposed changes to the Approved Persons Regime for Solvency II firms. In short, the effect of the proposed changes will be to extend certain aspects of the new individual accountability regimes for banks, which were the subject of a detailed joint consultation paper published in August (see our Clifford Chance briefing), to insurers which are subject to the Solvency II Directive.

The PRA has proposed changes to its current Approved Persons Regime to introduce a new Senior Insurance Managers Regime. This will involve a smaller population of individuals than is currently the case requiring pre-approval from the PRA, with the focus placed on those relevant to the PRA's statutory objectives of ensuring the safety and soundness of firms and the wider financial system in the UK. Requirements will include the allocation of prescribed responsibilities amongst those occupying "Senior Insurance Manager Functions" and the maintenance of governance maps by institutions in ways analogous to that required under the Senior Managers Regime for banks. It has also set out proposed conduct rules, again focusing on conduct likely to affect the areas for which the PRA is responsible.

The FCA has acted to ensure that the regulatory perimeter applicable to individuals in this type of firms does not shrink, setting out proposals to require pre-approval of individuals occupying functions which will not be maintained by the

PRA under its amended regime. It has done so by making these functions into Significant Influence Functions under the Approved Persons Regime. It has also set out plans to apply Conduct Rules, mirroring those which will apply to individuals in banks and building upon the requirements of the existing Code of Practice and Statements of Principle for Approved Persons, to FCA and PRA approved persons. It places particular emphasis on treating customers fairly and the importance of responsible delegation.

The ever widening of the application of tighter individual accountability arrangements shows no sign of abating. Both regulators have indicated that they have deferred consideration of whether to apply similar new arrangements to non-executive directors, preferring to wait until plans in relation to the corresponding group of individuals in banks have been finalised. They propose to consult separately on this point in early 2015. The papers also contain indications that the regulators will continue to give consideration to the application of similar tightened arrangements to other types of firms in due course.

The PRA and FCA have invited responses to their consultation papers by 2 February 2015. The usual consultation period has been curtailed slightly to enable the regulators to support implementation of Solvency II by 31 March 2015, the deadline for transposition of the directive.

<http://www.fca.org.uk/static/documents/consultation-papers/cp14-25.pdf>

<http://www.bankofengland.co.uk/pr/Documents/publication>

[s/cp/2014/cp2614.pdf](#)

<https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbfqNhlNomwBI%2B33QzdFhRQAhp8D%2BxrlGRel2crGqLnALtlyZexJiHHO7AaNFM20r2Uix6gPp%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&attachmentsize=416718>

## Details of credit card market study released

Further to an announcement in April 2014 (see This week at the UK regulators, 8 April 2014), the FCA has (on 25 November) published the terms of reference for its market study in relation to the credit card market. The FCA has indicated that it intends to focus in particular on how easy it is for consumers to shop around effectively (including product complexity, transparency, fairness and behavioural drivers), how firms recover costs across different cardholder groups and how this affects the market and the extent of unaffordable credit card debt.

The FCA has invited views from interested parties on the proposed terms of reference for its study by 5 January 2015.

<http://www.fca.org.uk/static/fca/documents/market-studies/ms14-6-1.pdf>

<https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbfqNhlNomwBI%2B33QzdFhRQAhp8D%2BxrlGRel2crGqLnALtlyZe6ButnRdlg6qjBRZdT7B6iHp%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&attachmentsize=116139>

## FCA reports on conflicts of interest in in-house investment products

The FCA has (on 24 November) published the findings of

its thematic review into the use of in-house investment products. This area, and specifically the extent to which firms are effectively managing conflicts of interest, was identified as an area of particular focus in the FCA's business plan. The FCA found that firms generally recognised the potential risks associated with the use of these products and that they had generally taken steps to manage them. The FCA has indicated that it will be giving individual feedback to the firms examined in detail as part of the study but does not intend to follow up with further sector-wide thematic work.

<http://www.fca.org.uk/static/documents/thematic-reviews/tr14-19.pdf>

## Payment Systems Regulator sets out priorities

Ahead of 1 April 2015, when it is due to become fully operational, the Payment Systems Regulator has released its annual plan setting out the steps it is taking to build the organisation, develop its policies and refine its priorities. It has indicated that it intends to employ around 50 people. In addition, it has set out initial details of the regulatory framework within which it proposes to operate (including details of its proposed investigation and dispute handling processes), how it proposes to work with other regulators and competition authorities and its budget for the year to April 2015, together with how it intends to recover costs for that period.

<http://www.fca.org.uk/static/documents/psr/psr-annual-plan-and-budget-14-15.pdf>

## FCA warnings

Name of firm	Date of warning	Details
Hutton & Bell LLP/ Hutton & Bell Financial	28 November 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/hutton-bell-llp">http://www.fca.org.uk/news/warnings/hutton-bell-llp</a>

Songbird Finance Limited	27 November 2014	Clone firm <a href="http://www.fca.org.uk/news/warnings/songbird-finance-limited-clone">http://www.fca.org.uk/news/warnings/songbird-finance-limited-clone</a>
Ingledeew Trading / Ingledeew Securities	26 November 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/ingledeew-trading">http://www.fca.org.uk/news/warnings/ingledeew-trading</a>
Capital Finance Limited	26 November 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/capital-finance-limited">http://www.fca.org.uk/news/warnings/capital-finance-limited</a>
Mayfair 23st	26 November 2014	Clone firm <a href="http://www.fca.org.uk/news/warnings/mayfair-23st-clone">http://www.fca.org.uk/news/warnings/mayfair-23st-clone</a>
Castlewood Corporate Partners	24 November 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/castlewood-corporate-partners">http://www.fca.org.uk/news/warnings/castlewood-corporate-partners</a>
Aegis Acquisition Corporation	24 November 2014	Not authorised <a href="http://www.fca.org.uk/news/warnings/aegis-acquisition-corporation">http://www.fca.org.uk/news/warnings/aegis-acquisition-corporation</a>
EDS Insure	24 November 2014	Firm ceased trading <a href="http://www.fca.org.uk/news/news-for-eds-insure-policyholders">http://www.fca.org.uk/news/news-for-eds-insure-policyholders</a>

## Policy developments

FCA		PRA	
<b>Proposed developments</b>			
		<b>Deadline for responses</b>	
<b>Consultation papers</b>	The FCA has (on 27 November) published a consultation paper (CP 14/26) setting out proposed policy changes to its fee and levy regimes for 2015/16.	2 February 2015	The PRA has (on 28 November) published a consultation paper (CP 28/14) setting out draft rules and a draft supervisory statement updating requirements in relation to liquidity under CRD IV. <a href="http://www.bankofengland.co.uk/pr/Docum">http://www.bankofengland.co.uk/pr/Docum</a>

	<a href="http://www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf">http://www.fca.org.uk/static/documents/consultation-papers/cp14-26.pdf</a>			<a href="http://www.bankofengland.co.uk/pradocuments/publications/cp/2014/cp2714.pdf">ents/publications/cp/2014/cp2714.pdf</a>
	The FCA has (on 26 November) published a consultation paper (CP 14/25) setting out proposed changes to the Approved Persons Regime for Solvency II firms. See above for full details. <a href="http://www.fca.org.uk/static/documents/consultation-papers/cp14-25.pdf">http://www.fca.org.uk/static/documents/consultation-papers/cp14-25.pdf</a>	2 February 2015	2 February 2015	The PRA has (on 26 November) also published a consultation paper (CP 26/14) setting out proposed changes to the Approved Persons Regime for Solvency II firms. See above for full details. <a href="http://www.bankofengland.co.uk/pradocuments/publications/cp/2014/cp2614.pdf">http://www.bankofengland.co.uk/pradocuments/publications/cp/2014/cp2614.pdf</a>
			30 January 2015	The PRA has (on 24 November) published a further consultation paper (CP 24/14) setting out further measures for the implementation of Solvency II. It incorporates new supervisory statements setting out the PRA's expectations in specific areas including regulatory reporting, quality of capital instruments and the treatment of pension scheme risk. <a href="http://www.bankofengland.co.uk/pradocuments/publications/cp/2014/cp2414.pdf">http://www.bankofengland.co.uk/pradocuments/publications/cp/2014/cp2414.pdf</a>
			23 January 2015	The PRA has (on 24 November) published the latest in series of consultation papers (CP 25/14) on the reorganisation of certain modules of the PRA section of the Handbook to create the new PRA Rulebook. The proposals relate to sections covering status disclosure, controllers, close links, notifications and systems and controls in addition to specific parts on aggregation of holdings for the purposes of prudential assessments of controllers, internal governance and the activities of building societies and a statement of policy on insurance business transfers. <a href="http://www.bankofengland.co.uk/pradocuments/publications/cp/2014/cp2514.pdf">http://www.bankofengland.co.uk/pradocuments/publications/cp/2014/cp2514.pdf</a>

<b>Guidance consultation</b>	<p>The FCA has (on 27 November) published Primary Market Bulletin No. 9 (GC 14/8) setting out proposed changes to the Knowledge Base Listing Rules and the Disclosure and Transparency Rules. Specifically, the bulletin proposes the addition of notes in relation to ratification circulars , transactions by persons discharging managerial responsibilities and hostile takeovers .</p> <p><a href="http://www.fca.org.uk/static/documents/ukla/primary-market-bulletin-9.pdf">http://www.fca.org.uk/static/documents/ukla/primary-market-bulletin-9.pdf</a></p> <p><a href="http://www.fca.org.uk/static/documents/ukla/knowledge-base/tn-204-2.pdf">http://www.fca.org.uk/static/documents/ukla/knowledge-base/tn-204-2.pdf</a></p> <p><a href="http://www.fca.org.uk/static/documents/ukla/knowledge-base/tn-540-2.pdf">http://www.fca.org.uk/static/documents/ukla/knowledge-base/tn-540-2.pdf</a></p> <p><a href="http://www.fca.org.uk/static/documents/ukla/knowledge-base/tn-305-2.pdf">http://www.fca.org.uk/static/documents/ukla/knowledge-base/tn-305-2.pdf</a></p>	12 December 2014		
<b>Finalised policy and guidance</b>				
		<b>Implementation/effective date</b>		
<b>Policy statement</b>	<p>Further to consultation (in consultation paper 14/11 ) in July 2014, the FCA has (on 27 November) published a policy statement (PS 14/17 ) setting out standards for the bodies responsible for delivering the Government's new Guidance Guarantee in relation to defined contribution pensions when the Pension Schemes Bill passes into law. Initially, these bodies will be The Pensions Advisory Service and Citizens Advice.</p> <p><a href="http://www.fca.org.uk/static/documents/policy-">http://www.fca.org.uk/static/documents/policy-</a></p>	Dependent on timing of passage of Pension Schemes Bill		

	<a href="#">statements/ps14-17.pdf</a> <a href="http://www.fca.org.uk/static/documents/consultation-papers/cp14-11.pdf">http://www.fca.org.uk/static/documents/consultation-papers/cp14-11.pdf</a>			
<b>Finalised guidance</b>	<p>The FCA has (on 28 November), in Primary Market Bulletin No. 9 (FG 14/9 ) (see also above) summarised the course of action taken further to feedback received on a note on prospectus disclosure requirements for retail investors in non-equity securities to be added to the Knowledge Base. A document summarising changes since consultation has also been published.</p> <p><a href="http://www.fca.org.uk/static/documents/ukla/primary-market-bulletin-9.pdf">http://www.fca.org.uk/static/documents/ukla/primary-market-bulletin-9.pdf</a></p> <p><a href="http://www.fca.org.uk/static/documents/ukla/knowledge-base/tn-632-1-final.pdf">http://www.fca.org.uk/static/documents/ukla/knowledge-base/tn-632-1-final.pdf</a></p> <p><a href="http://www.fca.org.uk/your-fca/documents/primary-market-bulletin-9-blackline-key-amendments">http://www.fca.org.uk/your-fca/documents/primary-market-bulletin-9-blackline-key-amendments</a></p>	27 November 2014		

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