

# The rules behind the policy aims

19 April 2021

Some time (perhaps at least two lockdowns) ago, I encouraged members of the financial services industry to review and respond to the FCA's consultation on a new prudential regime for investment firms on the basis that it would have an impact on the post-Brexit relationship with the EU. As it happens... it is unlikely to do so, as an earlier post today surmised.


However, the fact remains that, for every policy initiative, recommendation, report and speech, someone at Endeavour Square must consult on the rules which will (eventually) give them life. Like a Stratford-based, dress-down-on-Fridays Dr Frankenstein, risking pitchforks and angry villagers, pulling together the various bits and trying not to create a monster.

The FCA continues its consultation on its proposed prudential regime. There are bound to be some angry villagers and perhaps some pitchfork-waving, for example:

- "[t]he new regime will streamline and simplify the prudential requirements for solo regulated investment firms in the UK (FCA investment firms). In line with FCA objectives and our Mission, **it will refocus prudential requirements and expectations away from risks the firm faces**, to also consider and **look to mitigate the potential for harm the firm can pose to consumers and markets**";
- a base liquid asset requirement for all firms; and
- making all direct and indirect clearing firms "non-SNI" (i.e. they cannot be "small, non-interconnected firms"),

might be some participants' notion of a monster. However, the FCA is heart-and-soul part of the current initiatives to ensure the UK's pre-eminence in technology and data driven financial services, regulation and innovation, so perhaps there remains hope of a happy ending - no Frankenstein wanting to flee from his problems, and no monster wanting revenge for having been created.

{ We are consulting on our second phase of proposed rules to introduce the UK Investment Firm Prudential Regime (IFPR). IFPR is a new prudential regime for UK firms authorised under the Markets in Financial Instruments Directive (MiFID). }

 <https://www.fca.org.uk/publications/consultation-papers/cp21-7-new-uk-prudential-regime-mifid-investment-firms>