Your guide to this week in regulation

22 July 2024

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Widely regarded as the most significant overhaul of the Listing Rules in 40 years, the Financial Conduct Authority's (FCA) recent publication is intended to bring about a much-needed stimulus to UK capital markets.

Following in step with the incoming Government, the announcement provided the new Chancellor with an early opportunity to endorse the UK's international competitiveness. Meanwhile, interested parties will recognise that the new rules will necessarily involve a re-balancing of risk for investors. As ever, time will tell whether the appropriate balance has been struck.

Elsewhere this week, we pick up a series of announcements from the Prudential Regulation Authority (PRA) on stress tests and UK Solvency reforms.

Finally, and amid a fair degree of industry contention, the Payment Systems Regulator (PSR) pushes on with the implementation of its reimbursement requirement for payment firms in response to concerns around the prevalence of APP fraud.

FCA overhaul of listing rules

The FCA has published new rules for the listing's regime, which is the biggest change in over 30 years. The new simplified listings regime has a single category and has streamlined eligibility for those companies seeking to list their shares in the UK.

The change to the rules allows better alignment with international market standards. It will allow investors to have all the information they need to make informed decisions about their money, while also maintaining appropriate investor protections to hold the management of the companies they co-own to account.

The new rules will apply from 29 July 2024 and will remove the need for votes on significant or related party transactions and offer flexibility around enhanced voting rights. However, shareholder approval for key events is still required.

Rachel Reeves said, ''These new rules represent a significant first step towards reinvigorating our capital markets, bringing the UK in line with international counterparts and ensuring we attract the most innovative companies to list here."

Read more on the FCA overhaul of listing rules

PRA's statement on general insurance stress test 2025

The PRA has provided further information on the dynamic general insurance stress test (DyGIST) that the PRA intends to run in 2025.

In October 2023, the PRA announced the DyGIST for 2025 to assess the UK general insurance sector's solvency and liquidity resilience under adverse scenarios, evaluate insurers risk management, and inform the PRA's supervisory response. From November 2023 to February 2024, the PRA held workshops with trade bodies, such as the Association of British Insurers and the Lloyds Market Association to shape the exercises design and timing.

DyGIST comprises three phases:

- a 'live' exercise in May 2025 where firms react to adverse events and provide an estimate of fiscal impact
- a final assessment by July 2025 with updated impact estimates and qualitative feedback
- analysis and integration into of findings into 2025 supervisory activities.

Results will be published at an aggregate industry level in Q4 2025. Around 80% of the PRA regulated general insurance market will participate. Further workshops in late 2024 will support logistics and gather feedback, with final scenarios revealed during the live exercise.

Read more on PRA statement on general insurance stress test

PRA's statement on life insurance stress test 2025

The PRA has recently published its approach for the life insurance stress test (LIST) 2025, along with a suite of supporting documents. LIST 2025 aims to evaluate the resilience of the UK life insurance sector against severe but plausible events, enhance market discipline through transparency, and identify vulnerabilities in risk management practices.

The documents outline the key components of the stress-testing framework, including a core scenario designed to test financial market stress and two exploratory scenarios focusing on asset-type concentration and funded reinsurance recapture. The PRA intends to publish individual firm results, providing stakeholders with detailed insights into the sector's and firms' financial health, thereby improving market participants' understanding and fostering informed decision making.

The PRA invites technical input from insurers on the proposed guidelines and specifications, with feedback due by 6 September 2024. The final scenario design will be published in January 2025, and results are expected by Q4 2025.

Read more on PRA statement on life insurance stress test

PRA speech on Solvency UK

The Bank of England has published a speech delivered by Gareth Truran, the Executive Director for Insurance Supervision at the PRA, on the Solvency UK reforms. In the speech, Truran discussed the Matching Adjustment reforms, which were brought into effect to help insurers deliver investment commitments. He also reiterated that both the PRA and industry will have an important role in the coming months to ensure the objectives of Solvency UK reforms are achieved in practice.

Truran confirmed that the PRA will maintain a high level of scrutiny on insurers use of funded reinsurance transactions and will continue to work closely with other regulators internationally regarding risks relating to this area.

The PRA will also move forward with plans for the next round of insurance stress testing in 2025 and will shortly be publishing details regarding this for both life insurers and general insurers separately.

Read more on Solvency UK 'time to build' speech by Gareth Truran

PSR APP scams reimbursement requirement

The PSR will introduce a new reimbursement requirement for Authorised Push Payment (APP) fraud within the faster payments system on 7 October 2024. This will require Payment Service Providers (PSPs) to reimburse customers within five business days and share the cost of reimbursing victims between the sending and receiving payment firms. There will be no minimum value threshold, however the maximum level of reimbursement will be £415,000 and victims of APP fraud will have thirteen months from the date of the last payment to make a claim.

The PSR expects the new requirements to:

- incentivise the payments industry to invest further in fraud prevention
- increase customer protection so that most victims of APP fraud are swiftly reimbursed, boosting confidence in the UK payment ecosystem
- support the PSR to improve the rules governing Faster Payments to tackle fraud.

PSPs are encouraged to continue work already underway to prepare for the requirements coming into force.

Read more on the PSR APP scams reimbursement requirement