Grant Thornton

Your guide to this week in regulation

15 July 2024

Welcome to our weekly round-up for UK financial services regulation. Paul Staples summarises the key announcements and developments. Be sure to subscribe to receive our updates in your inbox every week.

This week, as the new Government finds its feet, we lean into the political agenda that will help shape the future of the financial services landscape. Even with a cursory glance into the Labour Party's manifesto, one can see a number of parallels to existing regulatory initiatives, including the Consumer Duty, ESG, and the regulators' secondary objective for international competitiveness and growth.

And as the opening of Parliament draws closer (17 July 2024), we can expect the usual flow UK regulatory announcements to return. In the meantime, this week's update covers an eclectic range of announcements, including across the environmental agenda and the long-running British Steel Pension Scheme case.

What to expect from a new Government on financial services

With a new Government now in place, attention turns to the actions it may take in respect of financial services.

Major announcements already made include the launch of a National Wealth Fund to promote investment and signalling an intention to reform the planning regime to facilitate new home building. For further clues at this early stage, we must look to Labour's manifesto.

While the manifesto is relatively light on detail of how each will be delivered, a number of ambitions and plans for the financial services sector are worth signposting:

- "Create the conditions to support innovation and growth" in the financial services sector, through support for technology such as Open Banking and Open Finance
- "Ensuring a pro-innovation regulatory framework"
- "Tackling the soaring cost of car insurance"
- Introducing a mortgage guarantee scheme to support first-time buyers
- Mandating financial institutions to implement "credible transition plans that align with the 1.5°C goal of the Paris Agreement"

In addition to these sector-specific priorities, the manifesto also gives a high-level indication of the new Government's intentions for artificial intelligence. This includes the creation of a new Regulatory Innovation Office, "bringing together existing functions across government" to "help regulators update regulation, speed up approval timelines, and co-ordinate issues that span existing boundaries."

Read more on the Labour Party Manifesto 2024

Nature-related financial risks in banking

The Network for Greening the Financial System (NGFS) has recently released a conceptual framework to guide the actions and policies of central banks and supervisors on nature-related financial risks.

The global crises of environmental degradation and climate change do present significant threats to the economy. The growing awareness of nature-related risks within the financial system, and the adoption of the Kunming-Montréal Global Biodiversity Framework, emphasises the need for central banks and supervisors to act on nature-related financial risks.

Tackling these challenges is complex and requires policies to address climate change and nature degradation to be designed together. To assist in navigating these challenges, the NGFS conceptual framework provides guidance and illustrative cases that demonstrate the application of the risk assessment framework to freshwater and forest ecosystems.

Read more on the Conceptual Framework

Update on complaints about the FCA in relation to BSPS

The Office of the Complaints Commissioner has published an update on its website, stating that during the month of June 2024 it continued to receive a few complaints regarding the FCA in relation to the British Steel Pension Scheme (BSPS). This comes after the FCA completed its investigation into its response to events related to the BSPS and issued its decision, concluding that it had taken appropriate regulatory action based on the information available at the time.

The Complaints Commissioner's office has continued to request additional information from the FCA to support its review of the FCA's investigation files into these complaints. This information is being considered as part of the Commissioner's ongoing investigation into these complaints.
The Complaints Commissioner’s office anticipates receiving all complaint referrals concerning the FCA in relation to the BSPS by 19 July 2024 and aims to issue its report encompassing this information by 19 October 2024. An update on BSPS complaints will be posted on the Commissioner's website on 31 July 2024.

Read more on the complaints related to BSPS

PRA and FCA fees and levies proposal

The PRA and the FCA have both released their policy statements to respond to feedback received on their respective consultation papers on their regulated fees and levies. Firms provided feedback around internal model fees, Part VII insurance transfers, and pension liabilities.

Both regulators decided to maintain the fees and levies contained in their initial consultation despite the feedback. The FCA’s annual funding requirement for 2024/2025 is £331 million, which is £20 million higher than the previous year.

Firms can now use the online calculator to calculate their periodic fees. The implementation date is Tuesday 9 July 2024.

PS11/24 – Regulated fees and levies: Rates proposals 2024/25 | Bank of England

PS24/5: FCA regulated fees and levies 2024/25: feedback on CP24/6 and ‘made rules’

CP4/24 – Regulated fees and levies: Rates proposals for 2024/25 | Bank of England

Fee calculator | FCA

EIOPA supervision of captive (re)insurance

The European Insurance and Occupational Pensions Authority (EIOPA) recently issued an opinion on the Supervision of Captives, addressing the need for proportional regulation of these entities. Captives, being specialised insurance or reinsurance companies controlled by non-insurance entities, require a tailored supervisory approach distinct from traditional insurers. EIOPA emphasises that while captives pose a lower systemic risk, consistent and effective oversight is crucial.

In conjunction with this opinion, EIOPA released an Impact Assessment, evaluating the implications of its recommendations. The assessment highlights that a proportional supervisory framework can enhance the competitiveness and operational efficiency of captives while maintaining regulatory standards. It outlines potential benefits, such as reduced compliance costs and enhanced innovation, as well as challenges, including ensuring adequate risk management and regulatory coherence across jurisdictions.
EIOPA aims to harmonise the supervisory practices for captives within the EU, ensuring a balanced approach that safeguards financial stability while fostering the captives' strategic benefits to their parent companies.

Read more on the Opinion on Supervision of Captives

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