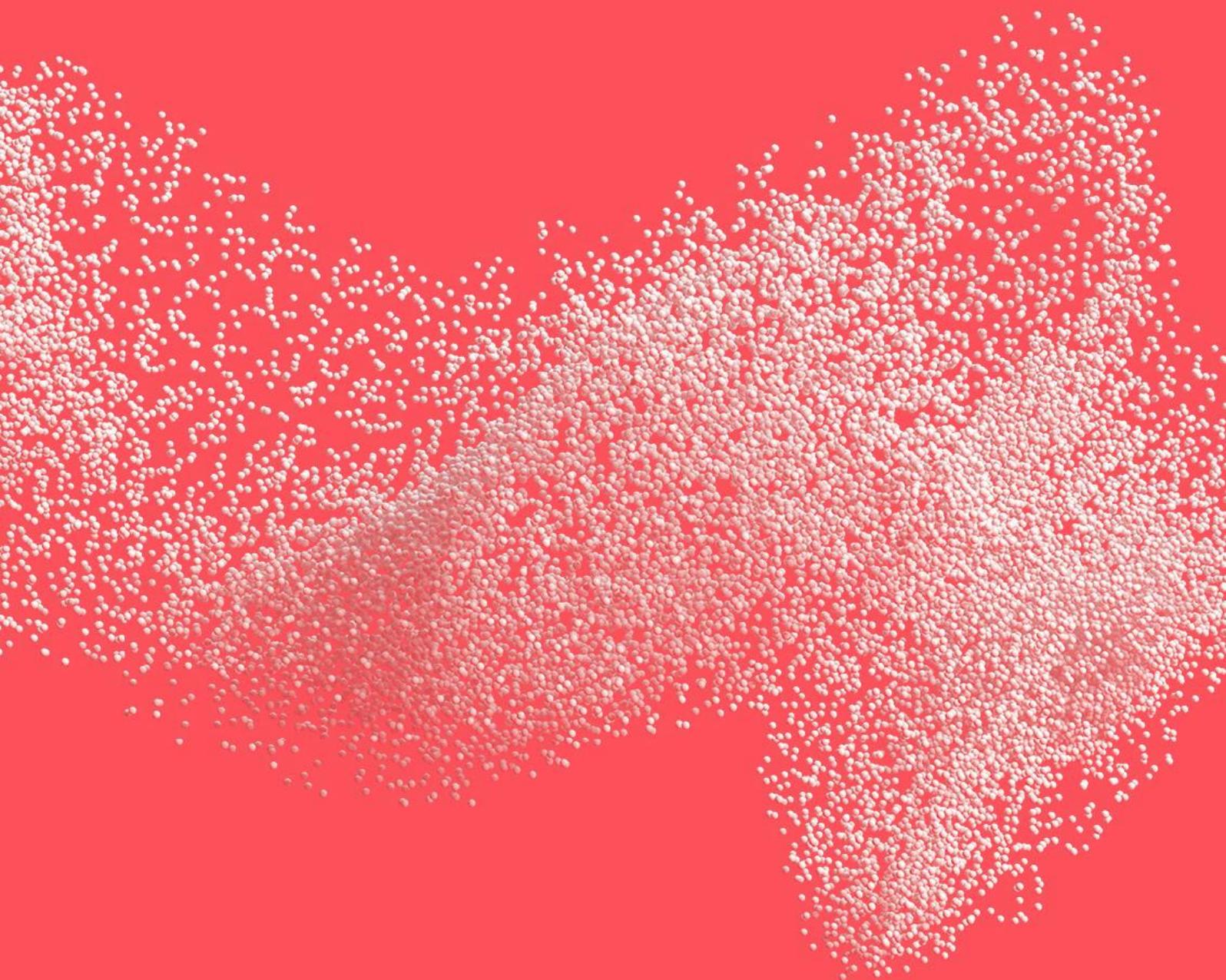


Financial Services Alerter

FEBRUARY 2021



FCA publishes Regulation round-up

On 18 February 2021, the Financial Conduct Authority (FCA) published its [Regulation Round up](#) for February 2021, which includes the following items::

- [registration](#) for RegData
- SIPP operator capital adequacy and;
- Digital Sandbox pilot.

FCA publishes portfolio letter for retail banks

On 5 February 2021, the Financial Conduct Authority (FCA) published a [portfolio letter](#) addressed to retail banks, setting out its view of the key risks of harm that retail banks' activities are likely to pose over the next two years. The risks are summarised into four priority areas of focus:

- ensuring fair treatment of borrowers
- good governance and oversight of customer treatment and outcomes during business change over the next two years
- operational resilience over the next two years and beyond and;
- minimising fraud and other financial crime.

The FCA expects banks and their managers to be prepared to demonstrate how they are taking reasonable steps to address these risks.

FCA publishes statement on international firms

On 3 February 2021, the Financial Conduct Authority (FCA) published an [approach document](#) setting out its approach to the authorisation and supervision of international firms which provide or seek to provide financial services requiring authorisation in the UK. The statement covers a number of sections, including:

- an overview of the FCA's approach
- the main considerations in the FCA approach and;
- mitigating identified risks

The FCA consulted on the approach document in September 2020 and published a [feedback statement](#) on responses to the consultation.

BoE publishes 2021 stress test scenario

On 15 February 2021, the Bank of England (BoE) published the [solvency stress test 2021 scenario](#) for banks and building societies that are not part of concurrent stress testing. The stress test will assess the major UK banks and building societies against a UK and global scenario that reflects a severe path for the current macroeconomic outlook. Given the current economic climate, stress testing remains an important supervisory tool to inform the BoE's understanding of resilience of the banking sector.

PRA publishes statement on EBA guidelines on credit risk

On 25 February 2021, the Prudential Regulatory Authority (PRA) published a [statement](#) clarifying its approach to the European Banking Authority's (EBA) guidelines and EU regulatory technical standards (RTS) relating to the standardised and internal ratings based (IRB) approaches to credit risk following the end of the Brexit transition period.

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PRA publishes letter to iNED on issues and risks for boards

On 16 February 2021, the Prudential Regulatory Authority (PRA) published a [letter](#) it has sent to independent non-executive directors (iNEDs). The letter outlines a number of key issues:

- the effect of the economic downturn on business models
- operational resilience in the light of the new working environment
- challenges to governance and people management
- climate-related financial risk and;
- feedback on the regulatory landscape.

PRA publishes statement on 2021 supervisory benchmarking exercise for capital internal models

On 9 February 2021, the Prudential Regulatory Authority (PRA) published a [statement](#) on the 2021 supervisory benchmarking exercise relating to banks' internal models. The supervisory benchmarking exercise applies to firms that are permitted to use internal approaches for the calculation of risk weighted exposure amounts or own funds requirements. The PRA encourages firms to use the draft EBA ITS in relation to market risk and credit risk data in preference to the outdated versions currently set out in the UK ITS.

The PRA intends to publish a Consultation Paper (CP) on its proposals for the 2022 benchmarking exercise in due course.

PRA publishes statement on COVID-19

On 5 February 2021, the Prudential Regulatory Authority (PRA) published a [statement](#) on COVID-19 regulatory reporting amendments.

This contains guidance on submitting 2021 annual business submissions and other regulatory reporting. The PRA recognises that due to the pandemic it may prove challenging for auditors to complete the work necessary to finalise firms' annual reports and accounts and make timely submissions.

HMT publishes CP on resolution regime for CCPs

On 24 February 2021, HM Treasury published a [Consultation Paper](#) (CP) to revise and expand the UK resolution regime for central counterparties (CCPs) to bring it in line with international standards. The proposals are not significantly different from the EU CCP Recovery and Resolution Regulation. The consultation period will close on the 28 May 2021 and HMT will legislate to extend the regime when parliamentary time allows.

HMT publishes CP on wind-down of critical benchmarks

On 15 February 2021, HM Treasury published a [Consultation Paper](#) (CP) on supporting the wind-down of critical benchmarks. The aim of the CP is to assess the extent to which there is uncertainty over the continued application of critical benchmarks to contracts where the Financial Conduct Authority (FCA) has exercised its power to direct a change in how the benchmark is determined under the Benchmark Regulation (BMR).

The consultation period ends on 15 March 2021.

HMT publishes statement on Sustainable Finance

On 3 February 2021, HM Treasury published a [statement](#) announcing that the UK has joined the International Platform on Sustainable Finance (IPSF). The IPSF is a forum for public authorities in charge of developing environmentally sustainable finance policies and initiatives. Its members include public authorities in China, Hong Kong, Japan, Singapore, Switzerland and the European Union.

IA publishes Dear CEO and CFO letter

On 3 February 2021, the Investment Association (IA) published a [Dear CEO and CFO letter](#) addressed to companies issuing LIBOR-linked sterling bonds, encouraging them to actively transition from GBP LIBOR. The IA notes the potential impact of these bonds not being transitioned before the end 2021 deadline is severe. There is a risk of significant market disruption and harm to investors if bonds continue to reference a non-representative rate. The Financial Conduct Authority (FCA) also published a [statement](#) welcoming the IA initiative to help issuers of LIBOR securities.

CMA publishes template of a borrowing statement on Payday Lending

On 11 February 2021, the Competition and Markets Authority (CMA) published a [template](#) of a summary borrowing statement to be used in order to comply with obligations in the [Payday Lending Market Investigation Order](#) (the Order). The Order prohibits lenders from supplying payday loans unless customers are provided with a summary of the cost of borrowing. The template sets out information that a payday lender must provide in the summary of borrowing statement and is designed to create a consistency across both the information and format of information that payday lending customers receive.

FSB publishes letter on key areas of focus

On 24 February 2021, the Financial Stability Board (FSB) published a letter on its work programme that supports strong, sustainable and balanced growth in a post-COVID world. The FSB's key priorities include:

- addressing COVID-19 related vulnerabilities
- increasing the resilience of NBFIs
- improving efficiency and access in cross-border payments
- improving the understanding of climate-related risks and;
- addressing other financial stability topics of ongoing importance.

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