

Financial Services Alerter

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FCA and BoE publishes joint statement on SONIA

On 29 March 2021, the Financial Conduct Authority (FCA) and the Bank of England (BoE) published a [joint statement](#) to encourage liquidity providers in the sterling non-linear derivatives market to adopt new quoting conventions for inter-dealer trading based on SONIA instead of LIBOR from 11 May 2021. SONIA will be the primary pricing point for swaptions, caps and floors, and other non-linear products. These changes do not prohibit trading in GBP LIBOR non-linear derivatives but do mean the primary source of pricing and liquidity will switch from GBP LIBOR to SONIA.

FCA publishes webpage on business interruption insurance test case 22

On 22 March 2021, the Financial Conduct Authority (FCA) published a [webpage](#) on the business interruption insurance test case, setting out the [claims data](#) collected from insurers that provided their records of claims and the values of interim/initial payments and final settlement meetings. The data published is based on insurer submissions made to the FCA on 3 March 2021. FCA publishes statement on review of regulatory permissions

FCA publishes list of BI insurance policies

On 12 March 2021, the Financial Conduct Authority (FCA) published a [list](#) of business interruption (BI) insurance policies capable of responding to the COVID-19 pandemic. The FCA will send out information requests to insurers for updated details on all non-damage BI policies that are, in principle, capable of responding to the COVID-19 pandemic. The policies cover over 200,000 policyholders and may be subject to further update.

FCA publishes CP on emission allowances

On 8 March 2021, the Financial Conduct Authority (FCA) published a [Consultation Paper](#) (CP) on its proposal to regulate bidding for emissions allowances on the UK auction platform under the UK Emissions Trading Scheme (ETS). The FCA is consulting on:

- draft UK Emission Trading Scheme Instrument 2021 and
- draft Technical standards on the Market Abuse Regulation.

The Consultation period closes on 6 April 2021 and the FCA intends to publish its rules no later than Q2 2021.

FCA publishes PS on operation of UK MiFIR DVC mechanism

On 4 March 2021, the Financial Conduct Authority (FCA) published a [Policy Statement](#) (PS) on its power to suspend the use of pre-trade transparency waivers for a trading venue under the double volume cap (DVC mechanism). The FCA has a temporary power under the UK MiFIR to choose to apply the DVC if it considers it necessary to advance its integrity objective, for example if dark trading is hampering the ability of market participants to make well-informed decisions.

FCA publishes PS on amendments to single and cumulative transaction thresholds for contactless payments

On 3 March 2021, the Financial Conduct Authority (FCA) published a [Policy Statement](#) (PS) on amendments to the single and cumulative transaction for contactless payments. The PS summarises the response the FCA received on its proposed changes relating to the contactless payments limits on which it consulted in January 2021.

The FCA intends to publish a further PS on the other questions posed in the [Consultation Paper](#) (CP) later in 2021. The deadline in respect of those questions is 30 April 2021.

FCA publishes webpages on TPR

On 4 March 2021, the Financial Conduct Authority (FCA) published three webpages on the temporary permissions regime (TPR).

- [Landing slots for firms in the TPR](#) sets out the next steps for firms once they have received a “landing slot” to apply for full authorisation in the UK
- [Cancelling a temporary permission](#) explains the steps for cancelling a temporary permission if the firm is in the TPR and
- [Supervising firms in the TPR](#) explains how the FCA supervises firms in the TPR.

PRA publishes PS on outsourcing and third-party risk management

On 29 March 2021, the Prudential Regulatory Authority (PRA) published a [Policy Statement](#) (PS) on outsourcing and third party-risk management. The PRA made revisions to its final policy in the following areas:

- definitions, scope and proportionality
- governance and record keeping
- agreements; and
- data and access.

[Appendix 1](#) contains the Supervisory Statement on outsourcing and third-party risk management, with which firms are expected to comply by 31 March 2022.

PRA publishes PS on UK Solvency II regime

On 18 March 2021, the Prudential Regulatory Authority (PRA) published a [Policy Statement](#) (PS) setting out its expectations and guidance relating to auditors’ work on the matching adjustment (MA) under the UK Solvency II regime. Respondents to the PRA’s earlier [consultation](#) welcomed the enhanced transparency for firms, their auditors and wider stakeholders in relation to auditors’ work on the MA. The PRA has, among other things:

- delayed the effective date for the changes to [SS11/16](#) by six months, to 1 July 2021

- updated SS11/16 to confirm that its expectation that auditors form their own views in relation to MA calculation would be subject to materiality.
- included examples in SS11/16 of specific calculation methodologies and judgments that can be used to determine the scale of the MA.

The final version of the updated SS11/16 is set out in an appendix to the PS.

HMT publishes statement on regulatory co-operation in financial services

On 26 March 2021, the HM Treasury published a [statement](#) announcing that technical discussions on the text of the memorandum of understanding (MoU) on UK-EU regulatory co-operation in financial services had concluded. The text of the final version of the MoU has not yet been published and HMT states that both sides need to take formal steps before the MoU can be signed.

FATF publishes guidance on VA and VASP

On 22 March 2021, the Financial Action Task Force (FATF) published [guidance](#) on the risk-based approach to virtual assets (VA) and virtual asset service providers (VASP) clarifying the definitions of VA and VASP and updating existing guidance on:

- how the FATF standards apply to stablecoins
- implementation of the 'travel rule'
- licensing and registration of VASPs; and
- the risks and potential risk mitigants for peer-to-peer transactions.

FMLC publishes response to HM Treasury CP on regulatory approach to cryptoassets and stablecoins.

On 22 March 2021, the Financial Markets Law Committee (FMLC) published its [response](#) to HM Treasury's [Consultation Paper](#) (CP) on the UK regulatory approach to stablecoins and a call for evidence on cryptoassets used for investment and the broader use of distributed ledger technology (DLT) in financial markets.

The FMLC highlights a number of uncertainties relating to the proposal, including that:

- the term 'token' should not be used interchangeably with cryptoasset
- the new regulatory regime will need to assess any regulatory overlap of definitions
- the consultation only provides guiding principles in relation to stablecoins; and
- further consideration needs to be given to taxonomies.

LSB publishes report on credit card market remedies

On 25 March 2021, the Lending Standards Board (LSB) published a [report](#) on its review of how the package of remedies set out in the Financial Conduct Authority's (FCA) [final findings report](#) on the credit cards market (CCM) has impacted on consumers' use of their credit card. LSB highlighted a number of areas for improvement:

- promotional rate expiry
- borrowing prompt
- payment date
- unsolicited credit limit increases

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