

# Financial Services Alerter

APRIL 2020



## FCA publishes new webpage on delayed activities in light of COVID-19

On 30 April, the Financial Conduct Authority (FCA) published a [webpage](#) on delayed activities and regulatory change, in response to COVID-19. The webpage contains information on:

- delays to consultation papers
- delays to publication and other activity
- delayed implementation of rules.

## FCA publishes a statement on LIBOR transition plans

On 29 April 2020, the Financial Conduct Authority (FCA) published a [statement](#) on the impact of COVID-19 on firms' LIBOR transition plans, noting that firms cannot rely on LIBOR being published after the end of 2021. The FCA reports progress on SONIA in relation to syndicated lending and bilateral loans, while transition to SONIA in the bond market has been largely completed.

## FCA publishes Dear CEO letter on fair treatment of corporate customers

On 28 April 2020, the Financial Conduct Authority (FCA) published a [Dear CEO letter](#) 'Ensuring fair treatment of corporate customers preparing to raise equity finance', noting its concern that, in light of COVID-19, banks have using their lending relationship to exert pressure on corporate clients to secure roles on equity mandates.

## FCA expectations on PPI for financial advisers

On 22 April 2020, the Financial Conduct Authority (FCA) published a [webpage](#) on the impact of the crisis on financial adviser's professional indemnity insurance (PPI). After discussions with the International Underwriting Association, the FCA has clarified that PPI cover remains available in the market and insurers are not prevented by the crisis from undertaking the renewal process.

## FCA extends deadlines for regulatory returns

On 22 April 2020, the Financial Conduct Authority (FCA) published a [webpage](#) on temporary measures to extend the submission deadlines for regulatory returns on or before 30 June 2020. The FCA has granted:

- a one-month extension for 17 returns due under SUP 16
- a two-month extension for the submission of annual report and accounts
- a two-month extension for financial reports.

For SMEs paying less than £10,000 in fees and levies, the FCA has waived the administrative fee for late returns until 30 June 2020.

## FCA expectations on wet-ink signatures

On 20 April 2020, the Financial Conduct Authority (FCA) published a [webpage](#) setting out its expectations of firms faced with wet-ink signatures, in light of COVID-19. The webpage addresses the issues identified with two types of documents - agreements and forms.

## FCA publishes statement on financial resilience expectations of solo-regulated firms.

On 17 April 2020, the Financial Conduct Authority (FCA) published a [statement](#) on its financial resilience expectations of FCA solo-regulated firms on:

- capital and liquidity buffers
- wind-down plans
- distributions
- expected credit loss estimates.

## FCA published complaints data for second half of 2019

On 16 April 2020, the Financial Conduct Authority (FCA) published complaints data, showing an increase to 6.02 million complaints in the second half of 2019. The increase was driven by payment protection insurance related claims. The data can be found on three new FCA webpages:

- [complaints data](#)
- [aggregate complaints data](#)
- [firm specific complaints data](#)

## FCA publishes Dear CEO Letter on Lending to SMEs

On 15 April 2020, the Financial Conduct Authority (FCA) published a Dear CEO [letter](#) to banks on lending to small and medium-sized enterprises (SMEs), in light of COVID-19. The FCA states that there should be at least one senior manager at the bank with clear responsibility for the activity of lending to SMEs.

## FCA updates expectations for funds

On 15 April 2020, the Financial Conduct Authority (FCA) updated its [webpage](#) on its expectation for funds, with useful information for AIFs and funds-related frequently asked questions that the FCA has received in light of the COVID-19 pandemic. The following topics were added:

- 10% portfolio value reporting
- repo use for liquidity management
- client assets
- paper-based and manual processes

## FCA publishes statement on recapitalisation issuances

On 8 April 2020, the Financial Conduct Authority (FCA) published a "[Statement of Policy: listed companies and recapitalisation issuances during COVID-19 crisis](#)", on new measures to assist companies raise share capital while retaining an appropriate degree of investor protection.

## FCA publishes business plan for 2020/21

On 7 April 2020, the Financial Conduct Authority (FCA) published its [Business Plan](#) for 2020/21 identifying five key priorities for the year ahead with the immediate focus being to address the challenges presented by COVID-19. Other key priorities identified for the forthcoming one to three year are to:

- transform how the FCA works and regulates
- enable effective consumer investment decisions
- ensure consumer credit markets work well
- make payments safe and accessible
- deliver fair value in a digital age

## FCA publishes instrument that defers the commencement dates of new rules

On 7 April 2020, the Financial Conduct Authority (FCA) published a [notice](#) “COVID-19: Deferral of Commencement (Pension Transfers, Investment Pathways, Platform Switching, Access to Insurance) Instrument 2020 (FCA 2020/15)” postponing the commencement dates of the following instruments:

- On the Conduct of Business Sourcebook (Pension Transfers) (No 2) Instrument 2018 (FCA 2018/47), transfer specialist qualification rules are delayed until 1 October 2021.
- On the Conduct of Business Sourcebook (Investment Pathways) Instrument 2019 (FCA 2019/83) the implementation date is postponed to 1 February 2021.
- On the Conduct of Business Sourcebook (Platform Switching) Instrument 2019 (FCA 2019/103) the implementation date is postponed to 1 February 2021.
- On the Insurance: Conduct of Business Sourcebook (Access to Travel Insurance) Instrument 2020 (FCA 2020/3) the implementation date is postponed to 1 June 2020.

## FCA publishes guidance to firms on dealing with customers

On 7 April 2020, the Financial Conduct Authority (FCA) published a new [webpage](#) with guidance to firms making personal recommendations to customers on implications of realising their investments or cancelling life assurances in light of the current market volatility. The webpage focuses on issues under the following headings:

- Customers contacting firms for advice
- As customers for background information
- Messages that are not personal recommendations
- Developing your own approach to helping your customers
- Avoiding providing regulated advice
- Signposting customers to advisers
- Complaints

## FCA sets out its expectations for funds

On 6 April 2020, the Financial Conduct Authority (FCA) published a [webpage](#), setting out its expectations for funds in the light of the COVID-19 pandemic and addressing the following issues:

The following issues are addressed:

- [Delaying](#) annual and half – yearly fund reports
- Virtual general meetings
- Ensuring compliance with limits on value at risk (VaR)
- Electronic signatures

## FCA extends deadlines for the publication of reports and accounts

On 6 April 2020, the Financial Conduct Authority (FCA) published a [webpage](#), setting out its policy for extending deadlines to publishing fund reports and accounts. The FCA provides a 2-month extension for annual reports and an extra month for half-yearly reports for AFMs of UK UCITS and non-UCITS retail Schemes (NURS). However, there is an obligation of AFMs to publish without comprising the quality of the report.

## FCA published its position on queries relating to client's assets and coronavirus

On 6 April 2020, the Financial Conduct Authority (FCA) published a [webpage](#) dealing with some of the queries it has received relating to complying with the rules and guidance in the Client Assets Sourcebook (CASS). Information on the following issues can be found on the webpage:

- Handling cheques
- CASS audit reports
- Physical asset reconciliations
- Depositing client money

## FCA statement for solo-regulated firms on impact on SM&CR

On 3 April 2020, the Financial Conduct Authority (FCA) published a [statement](#) on the Senior Managers and Certification Regime in light of the challenges posed by the COVID-19 pandemic. Firms are not required to have a Single Manager responsible for their COVID-19 approach, the FCA recognizes that firms should allocate these responsibilities in a way that enables them to best manage the risk.

## FCA publishes Dear CEO letter

On 1 April 2020, the Financial Conduct Authority (FCA) published a Dear CEO [letter](#) to firms providing services to retail investors setting out the FCA's approach to client identity verification, supervisory flexibility over best execution, supervisory flexibility over 10 % depreciation notifications, financial resilience and the pause on implementation of investment pathways.

## FOS publishes website on complaints concerning fraud and scams

On 16 April 2020, the Financial Ombudsman Service (FOS) published a new [webpage](#) on complaints concerning fraud and scams. The FOS provides advice to consumers on how to protect their personal information and reveals examples of recent scam attempts that have been observed.

## HM Treasury publishes guidance for trade repositories

On 30 April 2020, the HM Treasury published [guidance](#) on its plans for trade repositories (TRs) registration arrangements under the UK EMIR. HM Treasury intends to introduce legislation to enable TRs to register with the Financial Conduct Authority or apply in advance to operate in the UK immediately following the end of the Brexit transition period.

## FSB publishes report on financial stability

On 15 April 2020, the Financial Stability Board (FSB) published a [report](#) on financial stability implications of measures taken by governments and national authorities, in light of COVID-19. The FSB set out three principles to reduce the risk of market fragmentation and support international cooperation and coordination on the response to COVID-19, namely:

- flexibility build into existing financial standards
- opportunities to reduce temporary operational burdens on firms and authorities
- consistency with international standards.

## FSB CP on stablecoin arrangements

On 14 April 2020, the Financial Stability Board (FSB) published a [Consultation Paper](#) (CP) on regulatory, supervisory and oversight challenges raised by global stablecoin arrangements. The CP analyses the characteristics of stablecoins, how they differ from other cryptoassets and potential risks. The FSB identified how stablecoins could be regulated under the existing regulatory framework and stresses the challenges arising in the cross-border context.

## BoE publishes statement on regulators' temporary transitional power

On 30 April 2020, the Bank of England (BoE) published a [statement](#) on the proposed use of the UK financial services regulators' temporary power at the end of the Brexit transitional period. The temporary powers will be implemented after the transition period, by the BoE, the Prudential Regulatory Authority and the Financial Conduct Authority to grant general transitional relief on a broad basis.

## PRA publishes statement on CBILS and CLBILS loan schemes

On 27 April 2020, the Prudential Regulatory Authority (PRA) published a [statement](#) on the regulatory treatment of the UK Coronavirus Business Interruption Loan Scheme (CBILS) and the UK Coronavirus Large Business Interruption Loan Scheme (CLBILS). The PRA encourages firms to review relevant articles of the Capital Requirements Regulation and PRA rules and guidance and where necessary to seek independent advice, to ensure that all applicable requirements and expectations are met.

## PRA clarifies its expectation of insurers

On 23 April 2020, the Prudential Regulatory Authority (PRA) published a [statement](#) for insurance firms on its expectations of internal assessments of loan creditworthiness and treatment of unrated assets. The PRA clarifies how the Dear CEO [letter](#) to Banks should be interpreted by insurers.

## PRA publishes Q&A on liquidity and capital buffers

On 20 April 2020, the Prudential Regulatory Authority (PRA) published a [document](#) containing liquidity and capital buffer related questions and answers, namely:

- What is a “liquidity buffer” and a “capital buffer”?
- What does it mean that liquidity buffers can be used as necessary to support the economy?
- What are the implications for a bank of using its liquidity and capital buffers?
- What is the expected period banks will have to restore their liquidity and capital buffers?

## PRA modifies consent of leverage ratio calculation rules

On 9 April 2020, the Prudential Regulatory Authority (PRA) published a [Direction](#) that modifies rules concerning the calculation of total exposure measure of the leverage ratio. The following rules were modified:

- Leverage Ratio 1.2
- Public Disclosure 3.7
- Public Disclosure 3.8
- Reporting Leverage Ratio 3.1
- Reporting Leverage Ratio 4.2

## PRA publishes statement on SRB rates

On 9 April 2020, the Prudential Regulatory Authority (PRA) published a [statement](#) on systemic risk buffer (SRB) rates that apply to ring-fenced bodies and some building societies. Irrespective to of the challenges posed by COVID-19, the PRA decided to maintain its approach by keeping firms’ SRB rates unchanged, at the rate set in December 2019.

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