

FCA GRID

The FCA GRID, released bi-annually, sets out upcoming initiatives in the regulatory pipeline, so that firms can plan for the operational impact these will have. The most recent FCA GRID released on 1 November is comprised of 134 initiatives. Newgate has summarised some key areas below.

Environmental, Social, and Governance (ESG)

There are numerous ESG initiatives laid out in the latest GRID from the FCA. These include Climate and Sustainability related disclosures intended to support accurate market pricing, which in turn will allow consumers to choose sustainable investments and drive fair value; and ensuring that consumers are protected from misleading marketing and disclosures around ESG related products.

The FCA has noted it will be implementing disclosure rules in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), and, in addition, will be prioritising greenwashing concerns.

Newgate’s advice: ESG is an increasingly common theme in many FCA initiatives. Contact your Newgate consultant who can provide insight as to how these disclosure rules are likely to affect your firm, as well as help you to develop relevant policies, procedures, and reporting disclosures.

Consumer Duty

The FCA is consulting on introducing a new ‘Consumer Duty’, comprising of a new Consumer Principle, cross-cutting rules, and outcomes, which together would set clearer, higher expectations of firms providing retail financial services, and would require firms to place their customers’ interests at the centre of their business. In particular, the FCA note that:

- Communications should allow consumers to make informed decisions about financial products and services;
- Products and services must be specifically designed to meet the needs of the

consumer; and

- Consumers should get a price that represents the fair value of the product.

Timeline

Q4 2021: Feedback Statement from first Consultation Paper and second Consultation Paper with draft rules and guidance.

Q3 2022: Policy Statement with final rules and guidance.

Newgate's advice: The new Consumer Duty forms part of the FCA's recent emphasis on Treating Customers Fairly. Contact your Newgate consultant who will advise what these changes will mean for your firm.

Fourth Thematic Review into DB-DC pension transfer advice

The FCA is continuing supervisory and enforcement action on Defined Benefit - Define Contribution pension transfers, aimed at redressing unsuitable advice that has been provided in the market.

Some advice being given by financial advisers and firms is not of an "acceptable standard", despite the FCA strengthening the rules around pension transfer advice. There is concern that firms are recommending consumers transfer out of their defined benefit pension schemes despite the FCA's stance that transfers are likely to be unsuitable for most clients.

Timeline

The FCA has confirmed it will be continuing firm reviews until at least Spring 2022.

Newgate's advice: If you provide pension transfer advice and have yet to be reviewed by the FCA, you may be reviewed shortly. Please contact your Newgate consultant who can provide advice on how to prepare for an FCA visit.

PRIIPs - Proposed scope rules and amendments to Regulatory Technical Standards

In July, the FCA announced proposals to amend the PRIIPS legislation. At present, those who produce, advise on, or sell PRIIPs are required to provide a KID about the product they are selling.

The FCA note that in relation to several investments, it is not clear whether they fall within scope of the PRIIPs Regulation. Feedback to the FCA also suggests some distributor firms may be excluding retail investors from access to dealing services for certain investments on the grounds that they may be PRIIPs and so would be required to produce a KID where the obligation did not previously exist.

The FCA has issued proposed clarifications and new rules on whether some instruments would fall under the PRIIPS legislation.

Timeline

A Policy Statement is due to published in Q1 2022.

Newgate's advice: If you are unsure if your product falls within the scope of PRIIPS, contact your Newgate consultant who can provide expert advice.

Strengthening financial promotion rules for high-risk investments and firms approving financial promotions

As part of a discussion paper published in April 2021, the FCA noted it will be strengthening financial rules in order to further segment high risk investments from the mainstream market, and bringing instruments that weren't previously in scope of the regulations, into scope.

The approval of financial promotions by an authorised firm for an unauthorised one was also noted in the discussion paper. Firms must ensure they have a proper understanding of the product or service, to properly ensure that the promotion meets their standards.

The new 's21 gateway' will mean the FCA will assess whether authorised firms have the necessary competence and expertise to act as approver before they can approve financial promotions for unauthorised persons.

Timeline

Q4 2021: Expect to publish consultation paper

Q2 2022: Publish Policy Statement.

Newgate's advice: These are significant changes to the existing financial promotions rules. Newgate will keep you updated as to what these updates will mean your firm, as the consultation paper and policy statement are released.

Changes to UK MIFID's conduct and organisational requirements

In April, the FCA and Treasury announced they are consulting on changes to rules governing research and data to support best execution.

SME and Fixed Income, Currencies and Commodities (FICC) research

- The FCA are proposing to change the existing inducements rules relating to research. These changes would broaden the list of what is considered minor non-monetary benefits to include research on SMEs with a market cap below £200m and FICC research, so that it is not subject to the inducement rules.

Best execution reports

- The FCA is proposing to remove the obligation to publish RTS 27 and RTS 28 reports.
 - RTS 27 – the obligation on execution venues to publish a report on a variety of execution quality metrics to enable market participants to compare execution quality at different venues
 - RTS 28 - the obligation on investment firms who execute orders to set out the top 5 venues used for executing client orders and a summary of the execution outcomes achieved

Timeline

Policy statement: due Q4 2021.

Newgate's advice: Newgate will update your firm as these changes progress.

Diversity and inclusion on company boards and executive committees

The FCA have consulted on proposals to require greater transparency on the diversity of public company boards and executive management teams, including comply or explain targets on gender and ethnic diversity and standardised data to be disclosed on an annual basis.

Timeline

Policy statement: due early 2022

Newgate's advice: We have seen an increasing focus from the FCA on Diversity. Contact your Newgate consultant who help your firm to develop and implement Diversity policies and procedures.

About Newgate Compliance

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Newgate has an unrivalled combination of experienced professionals, many of whom are ex-regulators.

Our customer focused approach seeks to provide appropriate, pragmatic and flexible solutions to our clients helping them to meet both the regulator's rules but also the spirit, principles and culture of the regulatory regime.

We look to build long-term relationships with our customers helping to encourage business growth, productivity and innovation. Our proactive approach is tailored to each customer's needs changing to meet those needs as the customer progresses and develops.

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