



Regulatory Horizon Scan For Asset Management

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Agenda

..... A whistle stop tour...

- Introduction of IFPR
- UK MiFID
 - Possible further changes to required liquidity
 - Best Execution changes to reporting
 - Other likely changes?
- Changes to Appointed Representative Regime - new reporting and increase obligations
- Intro of Long-Term Assets Funds from PS21/14
- Strategy for sustainable change and its impact on Asset Management

2021 Activity and into 2022

New Consumer Duty – from July 2022 new obligations on firms when they design their products, market and explain them, and in the support they provide to their customers when things go wrong

1 January 2022 – Asset Managers will have to disclose how they take climate-related risks and opportunities into account in managing investments

£568m of fines including £147m for Credit Suisse and £64m HSBC for failing in financial crime and AML DD

UCITS exemption in The Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation by 5 years – from 31 December 2021 to 31 December 2026. Can continue to supply KIIDs or PRIIPs KIDs.

New Consumer Investment Strategy –includes Changes to Appointed rep regime and Financial promotions regime in 3 areas; the classification of high-risk investments, further segmenting the high-risk market and strengthening the requirements on firms when they approve financial promotions

Introduction Of IFPR

Investment Firm Prudential Regulation

Who it applies to

- MiFID investment firms authorised and regulated by FCA
- Collective Portfolio Management Investment Firms (CPMIs)
- Regulated and unregulated holding companies of groups that contain either of the above

The IFPR does not apply to PRA-designated investment firms. They will remain subject to prudential supervision by the PRA.

Key changes

- Introduces single prudential regime for all FCA investment firms with meaningful capital and liquidity requirements for the first time, commensurate with the potential harm they can cause
- Firms will be required to publicly disclose certain information on the following areas
 - risk management
 - own funds
 - own funds requirements
 - investment policy
 - governance arrangements
 - Remuneration
- ICAAP replaces by ICARA (individual capital and risk assessment)

Material impact for asset managers

- Likely changes to risk management process and stress testing
- CIO should have been and continue to be involved in the K factor calculations and the new ICARA process
- Material Risk Takers and other Senior Staff aware of the disclosure requirements on their remuneration (review of remuneration policy)
- Scrutiny of diversity
- Adjustments made to allow for the public disclosure requirements

UK MiFID

MiFID To UK MIFID !?

Possible changes to:

Liquidity changes

Best Execution

Research

Other changes?

Possible impact to Asset Management

Currently 150 liquid bonds subject to UK MiFID transparency requirements, calculations issued quarterly from transaction reports. Expectation this is used!

From 1 December 2021, no longer be required to prepare **RTS 27** and RTS 28 reports

1 March 2022, asset managers and research firms will be able exempting the following from inducement rules on research:

- research on SMEs below a market capitalisation of £200m
- FICC research
- research provided by research providers who do not provide execution services and are not part of a group that includes a firm offering execution services
- openly available research

Key is equivalency!!

Changes To The Appointed Rep Regime

Changes To Appointed Representative Regime

CP21/34 consultation ends 3rd March 2022

Principal to provide

- Additional information on ARs
- More timely reporting
- Detail on how they oversee ARs

Strengthen the responsibilities of Principal

Time, competence, capability, MI and Reasonable Steps!

Detail

To include

- AR's business
 - AR's revenue
 - Complaints against the AR
 - AR's regulated and non-regulated activities
- (Including IAR – Introducer Appointed Representatives)

Within 60 days prior to appointment

Details of regulated AR activity recorded against the Principal on the FCA register

Annually to check the accuracy of details and within 60 days of accounting period

Annually submit complaints data for each AR and revenue data for from both regulated and non-regulated activities (within 30 days of accounting period)

Annually review that all Senior Managers at AR have remained F&P and:

- are appropriately experienced and trained to be responsible for the activities and business they carry on behalf of the principal
- have the necessary time to perform the tasks and/or functions assigned
- have the requisite knowledge and skills to undertake the tasks

Assessed the competence and capability of individuals at ARs.

Long Term Asset Funds

Long Term Asset Funds PS21/14

Likely Investors

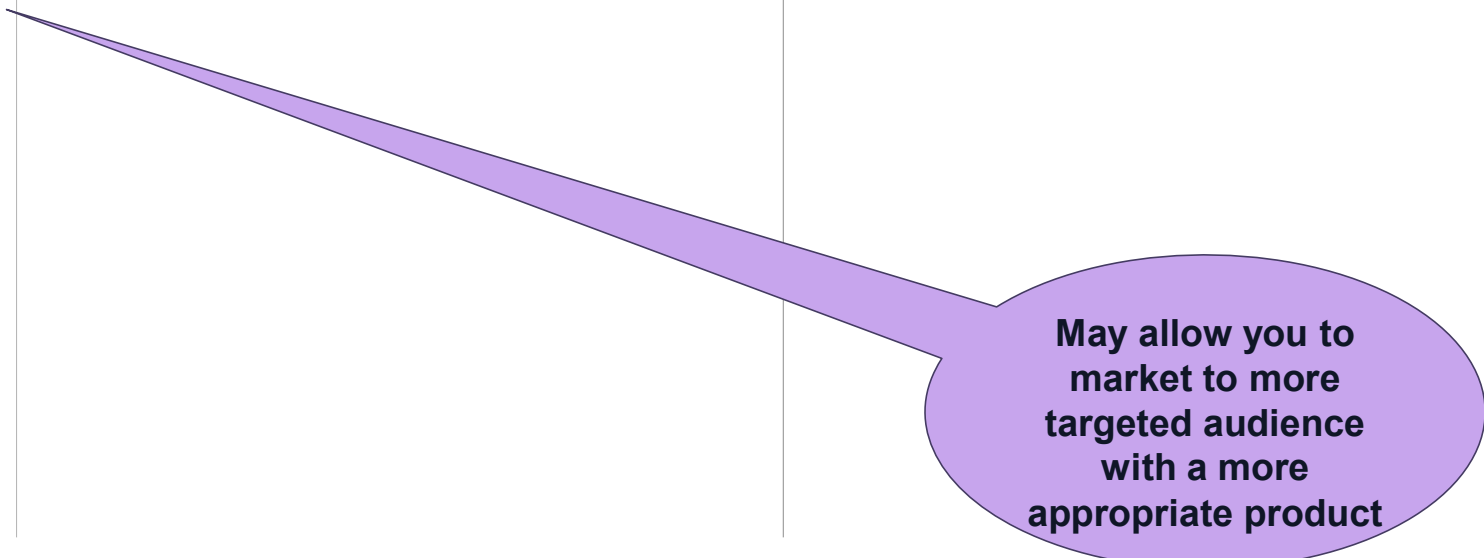
- Depositories
- Potential investors in long-term asset funds,
 - Pension providers
 - Trustees of defined contribution or hybrid pension schemes
- Sophisticated or wealthy investors
- Investment advisers
- Private wealth managers
- Insurers who write unit-linked insurance business
- Fund distributors

Investments

- Wide range of illiquid assets
- Separate category of funds (from QIS)

Impact for Asset Managers

- Requires higher levels of governance
- Longer redemption periods
- Additional disclosure
- Strong liquidity management



May allow you to market to more targeted audience with a more appropriate product

Sustainable Change And It's Impact On Asset Management

Sustainable Change

“The financial sector can only support the transition effectively if consumers can trust firms to deliver on their promises.” Nikhil Rathi, CEO FCA at COP 26 3rd November 2021

“We are committed to seeing climate change and sustainability integrated into all financial transactions, not just dedicated sustainability-labelled securities and investments.”

**Beware green
washing**

**Expect more
scrutiny – must
walk the walk**

**DP21/4 – A must
read new
disclosures and
investment
product labels**

**Global
Sustainable
Investment
Review 2020**

Feedback

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