

The Uplink: Financial services regulatory news, 26 August 2022

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FCA Innovation Hub: market insights

The FCA has published data on its [Regulatory Sandbox and Innovation Pathways](#) service. This data provides a picture of the firms supported by these FCA initiatives between 2014 and July 2022. The data provides includes a breakdown of participants by technology and area of innovation; and location.

The future of open banking and the Joint Regulatory Oversight Committee

On 25 March 2022, the FCA, PSR, CMA and HM Treasury published a joint statement on announcing the creation of a [Joint Regulatory Oversight Committee in relation to open banking](#).

The Committee has established a strategic working group to promote Open Banking. The FCA has updated its guidance on the “future of Open Banking and the Joint Regulatory Oversight Committee” page to include the recently approved Terms of Reference for the strategic working group.

Regulatory enforcement: PRA and FCA conclude investigations into senior managers in relation to the 2008 failure of HBOS plc

The [FCA and the PRA have now concluded their joint investigations](#) into certain former senior managers at HBOS plc and have made the decision to take no further action.

The joint investigations considered the performance of certain senior managers at HBOS prior to its failure in 2008 and whether or not those individuals should be subject to a prohibition order prohibiting them from performing certain roles within the financial services industry in the future. The investigations have now been closed following a decision by independent decision-makers that no enforcement action should be taken.

Notwithstanding this decision, there have been a number of fundamental changes to the regulatory regime since the failure of HBOS. Most notably, the introduction of the Senior Managers and Certification Regime in 2016 which has embedded greater individual accountability within the industry.

Anti-money laundering transactions: Wolfsberg Group guidance on requests for information best practice

The Wolfsberg Group, an association of leading international financial institutions, has recently published guidance on requests for information (RFIs) which are used by providers of payment services as part of an anti-money laundering transaction monitoring process to better understand the background of a transaction for which it has received payment instructions. The guidance covers:

1. The value of RFIs;
2. Drivers for RFIs, such as account activity reviews or transaction monitoring concerns;
3. Roles and responsibilities;
4. Timelines and expectations (generally 10-30 working days for a response); and
5. How to deal with insufficient responses or non-responses.

101 firms in scope of new emergency asset retention rules for British Steel Pension Scheme transfer advice

In yet another development to the long-running saga around British Steel Pension Scheme (BSPS), the FCA has announced the list of 101 firms that will be subject to new emergency asset retention rules. In April 2022, the FCA announced these new rules which would prohibit firms that advised on BSPS transfers from disposing of assets to avoid paying compensation under a potential customer redress scheme.

The FCA have set a low threshold for those firms that are deemed within scope. Nearly all firms that advised five or more BSPS members between May 2016 and March 2018 are subject to the rules. Other considerations restrict the inclusion of unlimited partnerships and sole trader businesses, as well as those firms that are dual regulated.

In May 2022, these 101 firms were required to complete an initial financial resilience assessment to establish whether they had sufficient financial resources to meet potential BSPS redress liabilities. 26 of these failed the assessment and as a result, they are now subject to an asset retention.

FCA launches diversity, equity and inclusion innovation initiative

In July 2021, the FCA, PRA and Bank of England published a discussion paper designed to kick-start discussion on how the financial services sector, with the help of the regulators, can “accelerate the pace of meaningful change” in improving DEI within financial services firms.

As part of the initiative, the FCA has published a webpage announcing the launch of its DEI innovation spotlight to encourage firms developing innovative products focused on DEI to work with the FCA.

Firms can apply to the FCA via:

- The regulatory sandbox, which allows the testing of propositions in the market with consumers; or
- Innovation pathways, for firms who are not ready to test but need help understanding the FCA regulatory regime.

The DEI innovation spotlight is an ongoing initiative.

Consumer credit, debt advice, investment advice, robo-advice, insurance, pensions, financial education and enhancing consumer journeys are areas of particular interest.

Comment

The DEI innovation spotlight initiative aims to improve financial inclusion and target underserved, or unrepresented consumers.

The FCA has been clear, DEI is viewed as being critical to the culture and governance of firms.

Contact



Jeremy Irving

Partner

jeremy.irving@brownejacobson.com

+44 (0)20 7337 1010