



FIG Bulletin

Recent developments
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General

COVID-19: PRA statement on COVID-19 regulatory reporting amendments

On 5 February 2021, the UK Prudential Regulation Authority (PRA) has published a further [statement](#) on COVID-19 regulatory reporting amendments. The PRA refers to its [June 2020 statement](#) on regulatory reporting and disclosure amendments and explains that it is now providing further guidance on submitting this year's annual submissions and other types of regulatory reporting.

The PRA recognises that recent government guidance on COVID-19 restrictions, and an increase in COVID-19 cases, may impact the time needed by firms and their auditors to complete the work necessary to finalise firms' annual report and accounts. The requirement for this report to be audited may make timely submission challenging for some firms.

Consistent with the measures announced by the Financial Conduct Authority (FCA) and the Financial Reporting Council, the PRA will accept a delay in submission of annual reports and accounts by UK banks and designated investment firms by up to two calendar months, where the remittance deadlines contained in the PRA Rulebook fall on or before 31 July 2021. For building societies, while the PRA is prepared to accept a similar delay, firms considering this may need to consider other statutory requirements that apply to them.

Firms are advised to keep their supervisory contact at the PRA notified of any significant developments in their financial circumstances. Firms that are able to submit before the end of the delayed submission window are encouraged to do so.

The PRA recognises that the pandemic may be creating challenges for some firms' ability to meet other regulatory reporting deadlines. It is prepared to consider being flexible in its expectations of firms' submissions for such reporting where the remittance deadlines fall on or before 31 March 2021, and where the reporting is not time critical for supervisors. Firms expecting to experience difficulty with timely submission should contact their usual PRA supervisor to discuss this.

COVID-19: FCA updates webpage on changes to regulatory reporting

On 5 February 2021, the FCA updated its [webpage](#) on changes to regulatory reporting during the pandemic. In its update, the FCA states that due to the challenges faced by firms and their auditors preparing audited financial statements during the pandemic, it will allow flexibility in the submission deadline for FIN-A (annual report and accounts). For this return only, firms may apply a two-month extension to the deadline for submissions due up to and including 31 July 2021.

The FCA advises that this flexibility is intended to cover the situation where the impacts of COVID-19 have made it impractical to finalise audited financial statements. If firms can submit FIN-A on time, then they should do so. In any event, firms should submit FIN-A as soon as they are reasonably able to, and no later than 30 September 2021.

COVID-19: FCA consults on extending guidance on cancellations and refunds

On 12 February 2021, the FCA published a [guidance consultation](#) on extending its October 2020 temporary guidance for insurance providers and card providers relating to consumer cancellations and refunds. The existing guidance is effective until 2 April 2021.

The FCA explains that, with the ongoing uncertainty around the impact of COVID-19, and the potential for consumers to continue to be impacted by cancellations in the coming months, it proposes that this guidance should remain in force during the exceptional circumstances arising out of COVID-19 until varied or revoked. The FCA will keep the guidance under review.

The consultation closes on 26 February 2021.

The FCA has also updated its related [webpage](#).

FCA Financial Lives 2020 survey and October 2020 COVID-19 panel survey

The FCA has published a [report](#) setting out the key findings from its second Financial Lives Survey (FLS) which ended in February 2020 (before the pandemic and its October 2020 COVID-19 panel survey). It has also updated its dedicated FLS [webpage](#). The surveys look at consumers' financial situations, the financial products they choose, and their experiences of engaging with financial services firms.

The FCA describes the report as full of invaluable insights on consumers and the serious challenges they face. It is an important reference point and will inform the FCA's thinking on where and how it intervenes. The FCA has already used some of the data in its consumer work and it has been integral to its COVID-19 response. It actively encourages stakeholders (including financial services firms, consumer bodies, the government and academics) to use the survey results in their own work.

Pension Schemes Act 2021

The [Pension Schemes Act 2021](#) has [completed](#) its progress through the parliamentary procedure and received Royal Assent on 11 February 2021. The Act contains major changes for both defined benefit and defined contribution pension schemes, including new powers for the Pensions Regulator, and the regulatory frameworks for collective defined contribution schemes and pensions dashboards.

Most of the Act's provisions will be brought into force following subsequent statutory instruments and consultations that are expected in the coming months, although several sections containing regulation-making powers take effect from the date of Royal Assent.

End of Brexit transition period: House of Commons EU Scrutiny Committee letter on EU file scrutiny

The House of Commons European Scrutiny Committee has published a [letter](#) from Sir William Cash, Committee Chair, to Michael Gove, Chancellor of the Duchy of Lancaster, stating that, in light of the end of the Brexit transition period and the substance of the UK-EU Trade and Cooperation Agreement (TCA), it intends to continue to scrutinise only a limited number of files which the Committee consider to be legally and/or politically important.

The Annex to the letter details the files that the Committee will retain an active interest in. These are files that, among other concerns: (i) engage the Protocol on Ireland/Northern Ireland to the UK/EU Withdrawal Agreement; (ii) are relevant to the TCA; and/or (iii) concern the UK's new relationship with the EU more broadly.

The files listed in the Annex include several documents relating to digital and data, cybersecurity, AI, the EU's proposed Regulation on markets in cryptoassets (MiCA), and the Taxonomy Regulation.

Files not listed in the Annex to the letter are deemed to have been cleared from scrutiny and all open correspondence between the committee and the government is closed. The committee will consider all explanatory memoranda and correspondence on documents deposited since 1 January 2021 that are not included in the Annex to the letter, but no further follow-up is expected.

The committee will continue to scrutinise and report to the House of Commons on all new EU documents deposited by the government.

BofE and FCA MoU on the supervision of market infrastructure and payment systems

The FCA has published an [update](#) on the Bank of England (BoE) and FCA's [memorandum of understanding](#) (MoU) on the supervision of market infrastructure and payment systems (FMIs).

The frameworks for cooperation with these authorities are set out in two MoUs which the signatories are required to review annually, including by seeking feedback from supervised firms. The FCA reports that the BoE and the FCA held a consultation with FMIs seeking particular feedback on how the authorities had cooperated during the COVID-19 market events of Spring 2020. The authorities concluded that the MoU's arrangements for cooperation remain effective, with appropriate coordination and no material duplication. Industry respondents acknowledged the efforts made on cooperation and the authorities remain committed to effective cooperation.

The authorities recognise that policy cooperation will be even more important from 2021 as a result of the UK leaving the EU. The authorities re-affirmed their commitment to cooperate domestically and internationally to ensure sound rulemaking that reflects awareness of their respective objectives.

UK Productive Finance Working Group

The BoE has published the [minutes](#) of the first meeting of the steering committee of the Productive Finance Working Group held on 26 January 2021, and the Working Group's [terms of reference](#). The Working Group's overall objective is to propose concrete solutions to barriers to long-term investment.

At the meeting, the committee discussed:

- the Working Group's purpose and ultimate objectives;
- the barriers to productive investment that should be the Working Group's areas of focus; and
- deliverables from the technical expert group (TEG) before the next steering committee meeting on 4 May 2021.

BoE Governor Mansion House speech

The BoE has published the Mansion House [speech](#) given by Andrew Bailey, BoE Governor. In his speech, Mr Bailey looks at the benefits of a global financial system and talks about the UK's current and future role in it. He argues that the benefits are global, not regional in nature, therefore global cooperation is needed to ensure a safe and strong financial system.

Among other things, considering the UK's applications for EU equivalence, Mr Bailey discusses when the UK may want to change its rules. Mr Bailey gives three examples:

- the UK wants to see if it can apply a strong but simple framework of rules for small banks that are not internationally active and outside of the global standards in the Basel regime (as opposed to the EU regime);
- the UK plans to consult on amending the onshored EU rule to exclude software assets from counting towards bank capital, again, in line with global standards. The UK has no evidence to support the notion that software assets have any value in stress; and
- the UK is reviewing the Solvency II regime, as some elements have not worked as well for the market as hoped.

Mr Bailey stresses that none of the UK plans for reform mean that it should or will create a low-regulation, high-risk, financial centre and system. He states that there is an overwhelming body of evidence that such an approach is not in the UK's interests, let alone anyone else's. Mr Bailey believes that the UK has a very bright future competing in global financial markets, underpinned by strong and effective common global regulatory standards.

Mr Bailey concludes by stressing that:

"an open world economy supported by an open financial system that respects the public interest objective of financial stability will bring the greatest benefits all round. It needs to be supported by effective institutions and strong international standards. But this must be a global, not a regional, regime to be effective. And that is why we [the UK] spend so much time and effort on the work of the global standard setting and oversight bodies. What follows from that is much more a matter of implementation and how we each put these standards into practice consistently. We have an opportunity to move forward and rebuild our economies, post Covid, supported by our financial systems. Now is not the time to have a regional argument."

FCA policy development update

The FCA has updated its policy development update (PDU) [webpage](#), which sets out information on recent and future FCA publications. This update summarises the FCA's proposed future publications.

Implementing technology change review: FCA report

The FCA has published the [findings](#) from its cross-financial services change management review which looked at how firms manage technology change, the impact of change failures, and the practices used within the industry to help reduce the impact of incidents resulting from change management. The FCA carried out the review because its analysis of the incident data firms report to it showed that change related incidents are consistently one of the top causes of failure and operational disruption. It notes that nearly 1,000 material incidents were reported to the FCA in 2019, 17% of which were attributed to change activity. By reviewing how financial firms implement technology change, and the effect that outages have on consumers and the financial system, the FCA aims to understand how firms currently approach managing technology change and the causes of the problems they encounter.

The FCA analysed over 1 million production changes implemented in 2019 by a sample of firms leveraging different business models at varying scale. This data was supplemented with a qualitative questionnaire, a confidential board questionnaire and industry workshops to understand firms' release and deployment methodologies, the effectiveness of the governance arrangements in place, and the role that infrastructure plays in deploying change effectively.

In its report, the FCA sets out its analysis and key findings across the following areas:

- contributing practices to change success and change failure;
- the impact of incidents caused by technology change;
- how firms govern and manage technology change;
- how firms build and deploy technology change; and
- how infrastructure impacts technology change.

Firms are advised to consider the findings when assessing their future technology changes. The findings will also contribute to the discussion on how firms can implement technology change in ways that reduce the potential for operational disruption.

EU renewed sustainable finance strategy: European Commission summary report of consultation feedback

The European Commission has published a [summary report](#) of its consultation on a renewed sustainable finance strategy. The consultation ran from April to July 2020. In the report, the Commission summarises the feedback received, but does not set out its response to the feedback.

Overall, the feedback received on the objectives and direction of travel of the strategy was generally supportive. Key opportunities highlighted by stakeholders for mainstreaming sustainability into the financial sector included: utilising the COVID-19 recovery phase for redirection of capital, intensifying international dialogue and cooperation, and using innovations and new technologies, including financial system digitalisation.

The key challenges raised regarding the mainstreaming of sustainability in the financial sector included non-sustainable short-term profit-seeking practices and greenwashing, prevention of the social and economic risks related to the transition and the management of stranded assets, the availability, comparability, and quality, of data on environment, social and governance (ESG), the risk of complexity of the overall new regulatory framework and the visibility of the pipeline projects to investors.

In the report, the Commission summarises the key messages identified across responses and under the following three thematic areas:

- strengthening the foundations for sustainable finance;
- increasing opportunities for citizens, financial institutions, and corporates to enhance sustainability; and
- reducing and managing climate and environmental risks.

The Commission intends to adopt the renewed sustainable finance strategy in Q1 2021.

Proposed EU Regulation on digital operational resilience: ESAs letter

The European Supervisory Authorities (ESAs) have sent a [letter](#) to the EU co-legislators on modifications to the legislative proposal for a Regulation on digital operational resilience for the financial sector (DORA). In their letter, the ESAs emphasise their strong support for the establishment of an oversight framework covering the ICT services provided by critical third-party providers (CTPPs) to the financial sector. However, the ESA's note:

- it is important to clearly communicate that the proposed oversight role for the ESAs is limited to the ICT risks which CTPPs may pose to financial entities, and that the oversight currently envisaged will not amount to full supervision of CTPPs across their full range of activities; and
- another structural challenge for the role of the ESAs in the oversight framework is that individual CTPPs may serve entities across the entire financial sector, just as they may

serve businesses across the wider economy. Unlike the established remits of the ESAs, where specialisation by sub-sector offers natural advantages, an ESAs-led oversight model for CTPPs will need to be carefully crafted to address coordination and consistency challenges.

With these constraints in mind, the remainder of the ESAs letter sets out their views on how to most efficiently take forward important aspects of the governance and operational processes of the oversight framework for CTPPs and the application of the proportionality principle in DORA.

EU IFD: EBA consults on draft ITS on supervisory disclosure

The European Banking Authority (EBA) has published a [consultation paper](#) on draft implementing technical standards (ITS) with regard to the format, structure, contents list and annual publication date of the information to be disclosed by competent authorities in accordance with Article 57(4) of the Investment Firms Directive (IFD). This consultation is part of Phase 2 of the mandates established under the EU's investment firms prudential package.

The EBA developed the draft ITS to determine the format, structure, contents list and annual publication date of the aggregated information competent authorities are required to disclose on:

- the texts of laws, regulations, administrative rules and general guidance adopted in their member state in the field of prudential regulation (Annex I to the draft ITS);
- the manner of exercise of the options and discretions available under the IFD and IFR (Annex II to the draft ITS);
- the general criteria and methodologies that competent authorities use in the supervisory review and evaluation process (SREP) (Annex III to the draft ITS); and
- aggregate statistical data on key aspects of the implementation of the IFD and IFR in each member state, including the number and nature of supervisory measures taken in accordance with Article 39(2)(a), and administrative sanctions imposed in accordance with Article 18, of the IFD (Annex IV to the draft ITS).

The Annexes to the draft ITS contain detailed templates to harmonise the publication of the specified information. Instructions for completing the templates are included in each Annex.

The EBA considers that the proposed regulatory requirements in the draft ITS will ensure comparability of the published data and provide the market with transparent and comprehensive information.

The consultation closes to responses on 11 May 2021. The EBA will analyse and take account of consultation responses in finalising the draft ITS and will provide feedback in a final report. It will submit the final version of the ITS to the European Commission for endorsement before its publication in the OJ.

EU MAR: ECJ case on right to remain silent

The Court of Justice of the EU (ECJ) has given a preliminary ruling in [Case-481/19](#) (DB v Commissione Nazionale per le Società e la Borsa (Consob)) involving the interpretation and validity of Article 14(3) of the repealed Market Abuse Directive (MAD) and Article 30(1)(b) of the Market Abuse Regulation (MAR), which require member states to penalise breaches of the obligation to cooperate with the authority responsible for market supervision.

The ECJ ruled that these provisions, read in the light of Articles 47 and 48 of the Charter of Fundamental Rights of the EU, must be interpreted as allowing member states not to penalise natural persons who, in an investigation carried out into them by the competent authority under

MAD or MAR, refuse to provide answers that are capable of establishing their liability for an offence punishable by administrative sanctions of a criminal nature, or their criminal liability.

The ECJ notes it is for the referring court to assess, taking into account the relevant criteria, whether the administrative sanctions at issue in the main proceedings are criminal in nature.

Verifiable LEI: GLEIF outlines issuance and infrastructure models

The Global LEI Foundation (GLEIF) has published a [press release](#) in which it sets out the issuance and technical infrastructure models for its verifiable Legal Entity Identifier (vLEI) system. A vLEI is a secure digital attestation of a conventional LEI. When fully developed, the vLEI will enable instant and automated identity verification between counterparties operating across all industry sectors globally.

Alongside the press release, GLEIF has published:

- a [presentation](#) on its digital strategy for the LEI; and
- [Q&As](#) on the vLEI.

The GLEIF has also updated its [webpage](#) on its digital strategy for the LEI and its [webpage](#) on introducing the vLEI.

The GLEIF is inviting software developers to engage with existing stakeholders from the pharmaceutical, healthcare, telecom, automotive and financial services sectors, with a view to exploring opportunities to leverage vLEI identity verification in future applications, services and business models.

Banking and Finance

Capital internal models: PRA statement on 2021 supervisory benchmarking exercise

The UK Prudential Regulation Authority (PRA) has published a [statement](#) to provide greater clarity for credit institutions that are in scope of the PRA's 2021 supervisory benchmarking exercise for capital internal models. The PRA encourages firms, in scope of the reporting requirements for year-end 2020, to submit market risk and credit risk information based on the published final draft package for the 2021 benchmarking exercise. It also clarifies that submission of the IFRS 9 information specified in annexes 8 and 9 of the 2021 final draft package is not required or expected by the PRA. The PRA explains the background to this in its statement.

The PRA intends to publish a consultation paper in due course on its proposals for the 2022 benchmarking exercise.

GBP LIBOR successor rate in legacy bonds: Working Group consultation

The Working Group on Sterling Risk-Free Reference Rates has launched a [consultation](#) on the successor rate to GBP LIBOR in legacy bonds referencing GBP LIBOR. The consultation seeks feedback on whether it would be helpful for the Working Group to make a recommendation on a successor rate to GBP LIBOR for bonds in connection with the operation of a fallback provision following the occurrence of a permanent cessation event or a pre-cessation event. It also seeks feedback on the preferred successor rate to be recommended.

The successor rates proposed in the consultation paper are (i) overnight SONIA, compounded in arrears and (ii) term SONIA.

The consultation closes on 16 March 2021.

The results of the consultation will not be binding on bond market participants or the Working Group. However, subject to its consideration of the feedback received and any other relevant factors, the Working Group expects to recommend a successor rate based on such feedback in order to assist the intended operation of existing fallbacks which reference successor rates.

Retail banks: FCA portfolio letter

The Financial Conduct Authority (FCA) has published a [portfolio letter](#) it has sent to Chief Executives of retail banks. In the letter, the FCA sets out its view of the key risks of harm that retail banks' activities are likely to pose over the next two years and outlines its expectations of firms. The FCA notes that its view of the key risks of harm over the next two years is dominated by the economic and social impact of the COVID-19 pandemic.

The FCA addresses risks grouped into four priority areas of focus:

- ensuring fair treatment of borrowers, including those in financial difficulties;
- ensuring good governance and oversight of customer treatment and outcomes during business change over the next two years;
- ensuring operational resilience over the next two years and beyond; and
- minimising fraud and other financial crime.

The FCA also sets out its expectations of firms relating to issue arising from the end of the Brexit transition period and LIBOR transition.

The FCA expects CFOs to discuss this letter with fellow directors and the Board and agree what further action is necessary to ensure their firms meet the FCA's requirements and expectations.

EU SRB: European Commission adopts Delegated Regulation amending arrangements for payments of contributions to administrative expenditures

The European Commission has adopted a [Delegated Regulation](#) amending Delegated Regulation (EU) 2017/2361 concerning the arrangements for the payment of contributions to the administrative expenditures of the Single Resolution Board (SRB). The Delegated Regulation amends the current system of invoicing of the SRB and introduces dedicated rules for the year 2021.

The Delegated Regulation enters into force and applies on the day after its publication in the Official Journal of the EU.

EU CRD: European Commission adopts Delegated Regulation on RTS specifying methodology for identification of G-SIIs and definition of subcategories of G-SIIs

The European Commission has adopted a [Delegated Regulation](#) amending Delegated Regulation (EU) 1222/2014 supplementing the Capital Requirements Directive (CRD) with regard to regulatory technical standards (RTS) for the specification of the methodology for the identification of global systemically important institutions (G-SIIs) and for the definition of subcategories of G-SIIs.

The list of EU G-SIBs identified by the Basel Committee on Banking Supervision (BCBS) and the G-SIIs identified by member states' authorities have, to date, been identical. The G-SII identification framework comprises, for the first time, an additional EU methodology to allocate G-SII buffer rates to identified G-SIIs. Relevant authorities wishing to use this additional EU methodology must provide clear and observable evidence of the proposed decisions under the sound supervisory judgement principle. The EBA is including in its technical standards on supervisory reporting the requirement to collect frequent and harmonised data to support the additional EU methodology.

The annual G-SII exercise starts from the end of April, with the deadline for institutions to disclose systemic importance indicators being November, when the relevant authorities must notify identified G-SIIs and correspondent G-SII buffer rates.

To make the update and ongoing exercises easier, the full data template with the detailed specification of indicator values will now only be incorporated in the EBA guidelines to be updated every year. To strengthen national supervisory practices regarding such specifications of data points, the EBA is issuing guidelines every year addressed to national competent authorities. These guidelines will not amend or update binding EU law or jeopardise the methodology to identify G-SIIs (embodied in Delegated Regulation (EU) 1222/2014, as amended), since these updates are limited to technical details under member states' competence.

The Delegated Regulation will enter into force on the day after its publication in the OJ. It will be binding and directly applicable in member states from that date, with the exception of Articles (4)(a), 4(b) and (5), which will apply from 1 December 2021.

Consumer Finance

Payday Lending Market Investigation Order 2015: CMA summary of borrowing template

The Competition and Markets Authority (CMA) has published a [template](#) of a summary of borrowing statement, to be used by lenders to comply with obligations in the [Payday Lending Market Investigation Order 2015](#) (the Order).

The Order, made following the payday lending market investigation, prohibits lenders from supplying payday loans unless customers are provided with a summary of the cost of borrowing. In addition, a summary of borrowing containing specific information must be delivered at specific time periods. The aim of these provisions is to ensure that customers are aware of the fees and charges associated with their loan product. These requirements were imposed because the CMA found that the information provided by lenders prior to the Order was insufficient and not clear enough to allow customers to make well informed decisions.

The template sets out the information that a payday lender must provide in the summary of borrowing statement. It is designed to help achieve consistency across both the information and format of information that payday lending customers receive, to make it easier for them to understand the products they use.

Proposed EU Directive on credit servicers and credit purchasers: trialogue comparison table

The Council of the EU has published a [note](#) from the General Secretariat to the Delegations with a three-column table to commence trialogues, comparing the negotiating positions taken by the European Commission, the Council and the European Parliament on the proposed Directive on credit servicers and credit purchasers.

Payments

New Payments Architecture: PSR CP21/2

The UK Payment Systems Regulator (PSR) has published a consultation paper, [CP21/2](#), on the options for reducing risks to the successful delivery of the New Payments Architecture (NPA). It has also published [responses](#) to its January 2020 call for input on competition and innovation in the NPA.

The PSR is concerned that, currently, there are unacceptably high risks that the NPA programme will not provide value for money and could delay or prevent the benefits to competition and innovation in payment services it wants the NPA to deliver. It is also mindful of the need to manage potential risks of disruption to payments during the migration of Bacs and Faster Payments transactions to the NPA.

As a result of these concerns, the PSR is seeking views on narrowing the scope of the initial contract for delivery of those NPA services that will provide an enhanced immediate payments service and enable Faster Payments transactions to move to the NPA. It is also seeking views on the appropriate way to secure this contract. In addition, the PSR is consulting on reducing risks to competition and innovation in the NPA.

Following this consultation, the decisions the PSR makes will have implications for the PSR's Specific Directions (SDs) 2 and 3. These require Pay.UK to run a competitive procurement for the central infrastructure for Bacs and Faster Payments respectively. In the light of its conclusions, the PSR will consider whether the directions should be varied, revoked or replaced.

Comments on the proposals for reducing risks to the delivery of the NPA can be made until 19 March 2021. Comments on the proposals relating to competition and pricing can be made until 5 May 2021.

APP scams: PSR call for views

The PSR has published a call for views, [CP21/3](#), focussing on authorised push payment (APP) scams.

The PSR explains that, although the Contingent Reimbursement Model (CRM) Code has improved consumer outcomes, its application has not led to the significant reduction in APP fraud losses incurred by customers that is needed. Customers are still bearing a high proportion of losses, despite the default requirement in the Code that customers should be reimbursed where they have acted appropriately.

The PSR proposes three measures which, applied individually or in combination, could help by both reducing APP fraud and, when it happens, improving protection for victims. The measures, which would apply to payments made through the Faster Payments Service and Bacs Direct Credit, are:

- improving transparency on outcomes, by requiring payment service providers (PSPs) to publish their APP fraud, reimbursement and repatriation levels;
- greater collaboration to share information about suspect transactions, by requiring PSPs to adopt a standardised approach to risk-rating transactions and sharing risk scores with other PSPs involved in a transaction; and

- introducing mandatory protection of customers, by changing payment system rules so that all PSPs are required to reimburse victims of APP fraud who have acted appropriately.

Responses can be submitted on the call for views until 8 April 2021. The PSR plans to publish a follow-up paper to CP21/3 between July and September 2021.

Consumer protection in interbank payments: PSR call for views

The PSR has published a call for views, [CP21/4](#), focussing on consumer protection in interbank payments. In particular, the PSR considers the levels of protection available to consumers when they make payments from their bank account directly to another bank account using an interbank payment method (particularly the Faster Payments Service).

The PSR explains that more people are transferring money using smartphone apps or online banking. As more transfers are made in this way, the PSR is keen to understand whether the protections currently in place are sufficient. The PSR is exploring how it, and the industry, can ensure that consumers and businesses are not disproportionately harmed when something goes wrong with their interbank payment (including faults with goods or services purchased). The PSR is considering measures that make it easier for consumers to make a claim when something goes wrong, as well as measures that benefit businesses by providing certainty about what happens when a payment is disputed.

Responses can be made to the call for views until 8 April 2021. The PSR will set out proposed next steps following CP21/4 later in the year.

Consumer Research 2020: PSR summary report

The PSR has published a [summary report](#) on consumer research conducted in 2020. The PSR previously commissioned an independent research company to conduct a two stage programme of qualitative and quantitative research with consumers. The summary reports on the second wave of this research, which was first conducted in 2017. Fieldwork was conducted earlier in the year than anticipated to capture "in the moment" behaviours as a result of the COVID-19 pandemic.

Overall and in the context of COVID-19, the research looked to:

- understand consumer awareness of payment systems;
- explore consumer expectations and perceptions around payments;
- explore consumers' needs in relation to payments;
- understand any challenges consumers face around payments; and
- identify what consumers expect from the future payments landscape.

The report sets out a high-level summary of the research findings and implications.

Securities and Markets

Brexit: Draft Recognised Auction Platforms (Amendment and Miscellaneous Provisions) Regulations 2021

A [draft version](#) of the Recognised Auction Platforms (Amendment and Miscellaneous Provisions) Regulations 2021 has been published, together with a [draft explanatory memorandum](#).

The instrument amends UK financial services law to reflect the creation of a UK Emissions Trading Scheme (ETS), to be governed by the Greenhouse Gas Emissions Trading Scheme Auctioning Regulations 2021, if approved by Parliament. This instrument is specifically concerned with amendments to financial services law that govern access to a UK ETS auction platform, what is required of an auction platform, and the auctioning and trading of emissions allowances as financial instruments. Among other things, it amends the Financial Services and Markets Act 2000 (FSMA) to continue the FCA's power to suspend auctioning of emission allowances if deemed necessary as part of its functions derived from market abuse regulations.

The instrument will amend several pieces of legislation, including:

- FSMA;
- the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;
- the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005;
- the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017; and
- the UK Market Abuse Regulation (UK MAR).

The draft Regulations state that they will come into force the day after they are made.

The FCA will consult on its own rule changes that will be enacted as a result of the Regulations and will also provide guidance on how the Regulations apply to the UK ETS.

EU BMR: Regulation amending BMR to address benchmark cessation risks and exempt certain third-country FX benchmarks

[Regulation \(EU\) 2021/168](#) amending the Benchmarks Regulation (BMR) as regards the exemption of certain third-country foreign exchange (FX) benchmarks and the designation of replacement benchmarks for certain benchmarks in cessation has been published in the Official Journal of the European Union (OJ). The Regulation will enter into force and apply from 13 February 2021.

The purpose of the Regulation is to ensure that EU financial markets remain stable after they stop using the London Interbank Offered Rate (LIBOR). The European Commission has been granted the power to replace, when necessary, certain benchmarks (including certain critical and third country benchmarks).

2021 trade repositories fees: European Commission consults on Delegated Regulation supplementing EMIR and SFTR

The European Commission is [consulting](#) on a draft Delegated Regulation amending Delegated Regulations (EU) 1003/2013 and (EU) 2019/360 as regards the annual supervisory fees charged by ESMA to trade repositories for 2021 under the European Market Infrastructure Regulation (EMIR) and the Regulation on reporting and transparency of securities financing transactions (SFTR).

The European Securities and Markets Authority (ESMA) is responsible for registering and supervising trade repositories in the EU. Trade repositories must pay ESMA an annual fee for this service. This consultation considers the calculation of the fees to be paid by trade repositories in 2021.

The proposed amendments to these Regulations reflect the effect of two UK TRs transferring part of their services and activities to the EU to be able to continue providing services and activities to counterparties established in the EU. As the new EU TRs effectively started their activity in the EU in January 2021, their level of activity in 2020 was almost non-existent and consequently their annual supervisory fee for 2021 would be negligible, although their activities are likely to be significant.

The proposed Delegated Regulation changes the reference period for the calculation of the applicable turnover of trade repositories from 2020 to January to June 2021. This will have the effect of ensuring that the annual supervisory fees for 2021 for these TRs will be calculated on the basis of their applicable turnover during the first half of 2021.

The consultation closes on 9 March 2021. The Commission intends to adopt the Delegated Regulation in Q2 2021.

COVID-19: European Parliament adopts proposed Directive amending MiFID

The European Parliament has [announced](#) that it has adopted the proposed Directive amending the Markets in Financial Instruments Directive (MiFID) to help the EU's economic recovery from the COVID-19 pandemic. The Parliament has also published a [provisional edition](#) of the text of the proposed Directive as adopted.

The proposed Directive will enter into force on the day after its publication in the OJ.

Insurance

Insurer capital requirements: PRA speech

The UK Prudential Regulation Authority (PRA) has published a [speech](#) by Anna Sweeney, PRA Executive Director, Insurance, titled "Goldilocks and the three pillars: how much capital is just right?". In her speech, Ms Sweeney explains the PRA's thoughts about the relationship between capital requirements and the rest of the prudential regime, in the context of the government's review of Solvency II. Points of interest in Ms Sweeney's speech include:

- the PRA is committed to upholding the principles of Solvency II and sees no appetite to tear them up and start again. The top level goal of the review is instead to tailor a regime based on those principles to the UK market. Tailoring will mean reforms to specific aspects of the regime that are not well-designed or imperfectly calibrated for the UK, and are currently distorting incentives and behaviour, for example, the risk margin;
- however, the PRA enters the Solvency II review with no goal of either decreasing or increasing total capital in the sector. Ms Sweeney states that the PRA has not been presented with persuasive evidence that current levels are manifestly too high or too low; and
- the PRA does not think of capital requirements in isolation, but as part of a three-pillar regulatory regime (that is, capital, risk management, and disclosure). Within this broader framework, the PRA considers the strength of market discipline, the ladder of intervention, and the way that firms structure themselves to judge when the level of capital is "just right". Ms Sweeney talks about each of these in turn.

Future opportunities for the insurance industry: ABI speech

The Association of British Insurers (ABI) has published a [speech](#), given by James Dalton, ABI Director, General Insurance Policy, on the future of the UK insurance industry post the Brexit transition period and learning lessons from the COVID-19 pandemic.

Mr Dalton talks about the FCA's business interruption insurance test case and the impact of COVID-19, the FCA's general insurance pricing practices consultation, the review of Solvency II, climate change, the economic contribution of the industry and insurance following the end of the Brexit transition period.

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