



Know how Know you

FCA regulatory updates in 2024: what's happened so far?

June 2024

Introduction

It will be no surprise to anyone holding a senior management function (SMF) role at a regulated firm that the FCA continues to issue new rules, change rules that already exist and provide guidance on how those rules should be interpreted. There is a lot to keep on top of, and sorting through what is relevant and what is not can be a real challenge.

In this digest, we highlight the recent publications that we think are most relevant to asset managers regulated in the UK, and identify what firms need to be changing, now, to stay compliant.

IQ-EQ has compliance consulting teams based in the U.S., UK, Hong Kong and Singapore as well as the Middle East, Continental Europe and Japan. For practical, pragmatic advice on any regulatory matters please get in touch.



By Rachel Aldridge

Managing Director, Regulatory
and Compliance Solutions, UK



1. FCA's interim update to the Asset Management and Alternatives Supervisory Strategy

By [Katrina Cockram](#), Principal Consultant, UK

The FCA wrote an update in March 2024 to the Asset Management and Alternative sector, outlining areas of regulatory focus for firms.

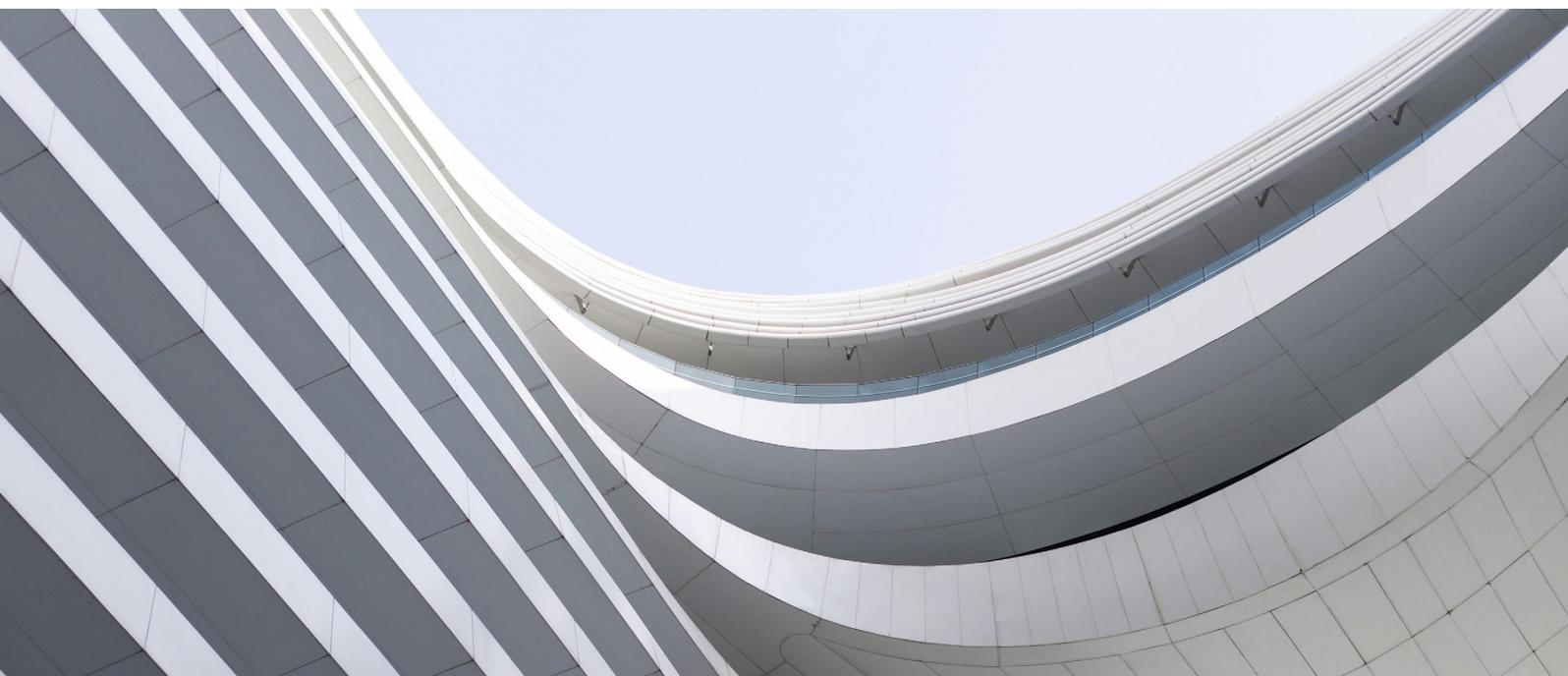
The letter is an update to sectoral portfolio letters issued previously by the FCA in August 2022 and February 2023, detailing thematic regulatory focus areas the FCA expects various financial services sectors to focus on in the year ahead. A key consideration in the letter was the effectiveness of firms' governance arrangements. The FCA expects firms to allocate senior accountability for the risks listed below:

- Assessment of Value and Consumer Duty
- Financial and operational resilience
- ESG considerations
- Valuation practices for private assets
- Market integrity and disruption
- Regulatory Framework Reform (Smarter Regulatory Framework, Offshore Funds and PRIIPs disclosure reform)

The FCA understands that failing to manage and oversee risks stemming from these thematic areas could result in poor outcomes for investors and customers – in turn, crystallising reputational and resilience risks.

While a certain level of guidance is offered, firms are expected to demonstrate that they have considered each of the above thematic areas in turn.

[Continue reading the article](#)



2. FCA's warnings on poor financial crime controls

By [Angus Irvine](#), Principal Consultant

On 5 March 2024, the FCA sent a Dear CEO letter to firms which are categorised as Annex 1, requiring them to register with the FCA for anti-money laundering (AML) supervision purposes. Annex 1 firms are those which deliver certain services, including the following:

- Lending
- Providing payment services
- Issuing and administering other means of payment
- Trading for own account or for account customers in any of the following:
- Safe custody services
- Portfolio management advice
- Safekeeping and administration of securities
- Participation in securities issues and providing services related to these issues (this will include registrars)

This is the latest in a [series of Dear CEO letters](#), following on from those sent to wealth managers and retail stockbrokers, insurance firms, electronic money and payment services firms and corporate finance firms in the second half of 2023. Furthermore, AML has been a common theme throughout all of the Dear CEO letters that the FCA have sent out in the last 18 months.

In this article, we discuss the common themes emerging in compliance infrastructure weaknesses and what actions firms need to take.

[Read the article here](#)



3. FCA publishes proposed guidance on new anti-greenwashing rule

By [Sarmad Naim](#), Principal Consultant, UK

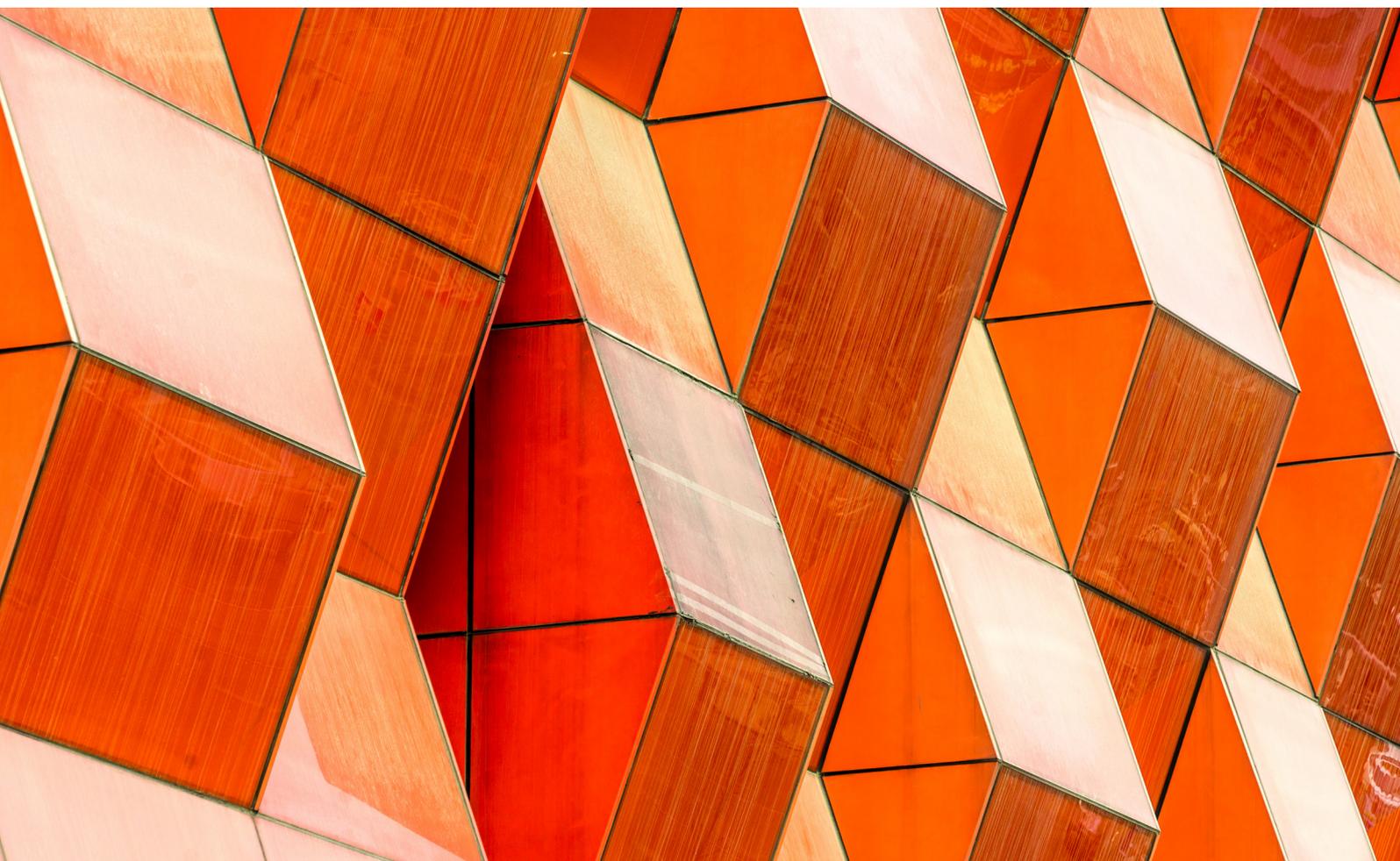
The FCA consultation on [the new anti-greenwashing rule guidance](#), closed on 26 January 2024. This guidance will apply to all FCA authorised firms who make sustainability-related claims about their products and services.

It supplements [the current “anti-greenwashing rule”](#), which requires firms to ensure that any reference to the sustainability characteristics of a product or service is consistent, clear, fair and not misleading.

The guidance acts as an aid to the implementation of the current anti-greenwashing rule, and provides four key principles that any sustainability claim must consider. The guidance also provides some practical examples explaining the implementation of these principles.

Read our analysis of the four principles and what they mean for firms.

[Read the article here](#)



4. FCA publishes finalised guidance on social media and financial promotions

By [Katrina Cockram](#), Principal Consultant, UK

On the 26 March 2024, the FCA published a press release alongside finalised guidance ([FG24-1](#)) on ensuring financial promotions on social media are compliant. This replaces the [previous statement](#) released by the regulator in 2015 ([FG15-04](#)) following a consultation in 2023.

Headlines of the finalised guidance include:

- The FCA has repeated its guidance that financial promotions must be **standalone compliant**, irrelevant of the media used
- The FCA highlights that social media **may not always be appropriate** to promote financial products
- Similarly to how financial promotions are required to be standalone compliant, the FCA has highlighted that risk warnings should be **prominent** and these rules are generally “media-neutral”. Firms should consider the [existing guidance on prominence](#)
- As such, the FCA has set out relevant examples of prominent risk warnings across different social media channels
- Firms are reminded of the **Consumer Duty** and how it could apply to social media

- Confining promotions to a restricted target market on social media may be practically difficult. Where a promotion is designed only for a professional target market for example, **it’s not sufficient to simply include a disclaimer to the effect that the promotion is ‘for professional investors only’**. If firms are considering communicating promotions to a restricted audience on social media, they should carefully consider whether they’re able to comply with applicable requirements
- The FCA has highlighted the harm **influencers** (or “finfluencers”) can have on the market. These individuals may be unauthorised and can inspire high levels of trust which could be misleading
- The FCA expects that adequate systems are in place to sign off on social media communications, and firms must **keep records outside of those social media channels**

In this article, we discuss in further detail the rules surrounding standalone compliance, prominence, prescribed risk warnings, high-risk investments and compliance for unregulated or non-UK based entities.

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5. FCA publishes final observations on IFPR implementation

By [Harry Barnes](#), Senior Compliance Consultant

The FCA has published its final [observations](#) on the Investment Firms Prudential Regime (IFPR) implementation following the publication of the initial observations published in Q1 2023. The FCA has clarified its expectations for firms in a number of areas relating to IFPR.

Liquidity crises are, in the FCA's eyes, one of the most potent harms a firm can face. Liquidity crises can cause otherwise profitable firms to become deeply stressed in a very short timeframe and have been a significant factor in the largest financial crises over the past 50 years.

When assessing the level of liquid assets needed by a firm under the Liquid Asset Threshold Requirement (LATR), firms must assess the level of liquid assets required to a) support ongoing operations in both business-as-usual conditions as well as stressed conditions, and b) to initiate an orderly wind-down of the investment firm. The FCA has identified that firms are not adequately considering the effect of stressed conditions in this assessment.

Firms should be applying realistic and relevant stress tests to their liquidity to assess cash flows under stressed conditions in order to ensure that they are practically prepared for potential stress scenarios.

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6. FCA publishes details of common application shortcomings for prospective asset managers

By [Harry Barnes](#), Senior Compliance Consultant

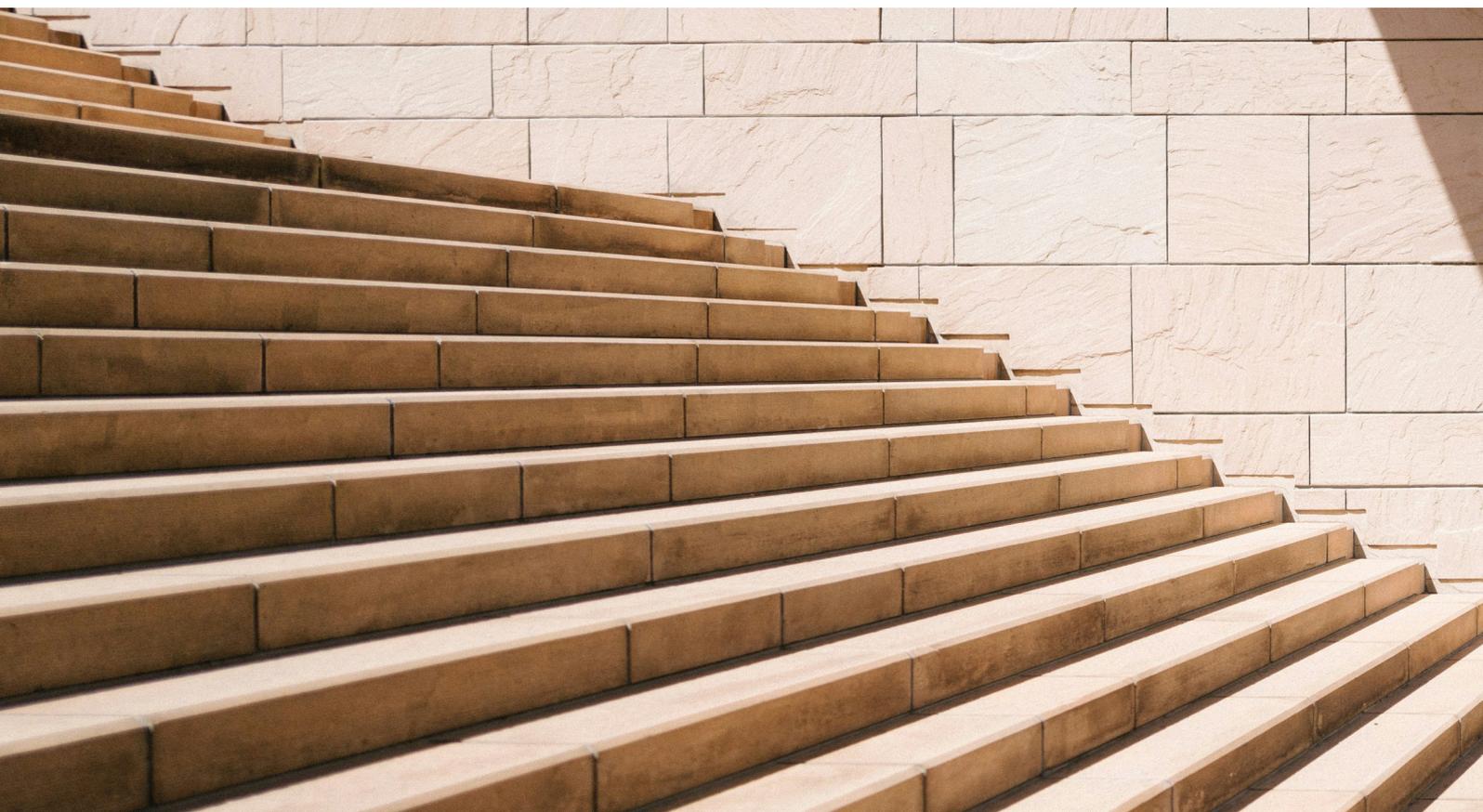
The FCA has [published](#) details of the common errors made by firms applying for authorisation as an asset management firm, as well as details of approval rates for applications.

The FCA identified a number of common errors that applicants should avoid when applying for authorisation for asset management activities:

- Inexperienced senior management
- Office location outside the UK
- Exposing clients to risk
- Outsourcing
- Conflicts of interest
- Consumer protection schemes
- Unready applicants

Here, we break down each of the common shortcomings and how firms can ensure that their applications are in the best position to be successful.

[Read the article here](#)



7. FCA warns firms on market abuse surveillance failures

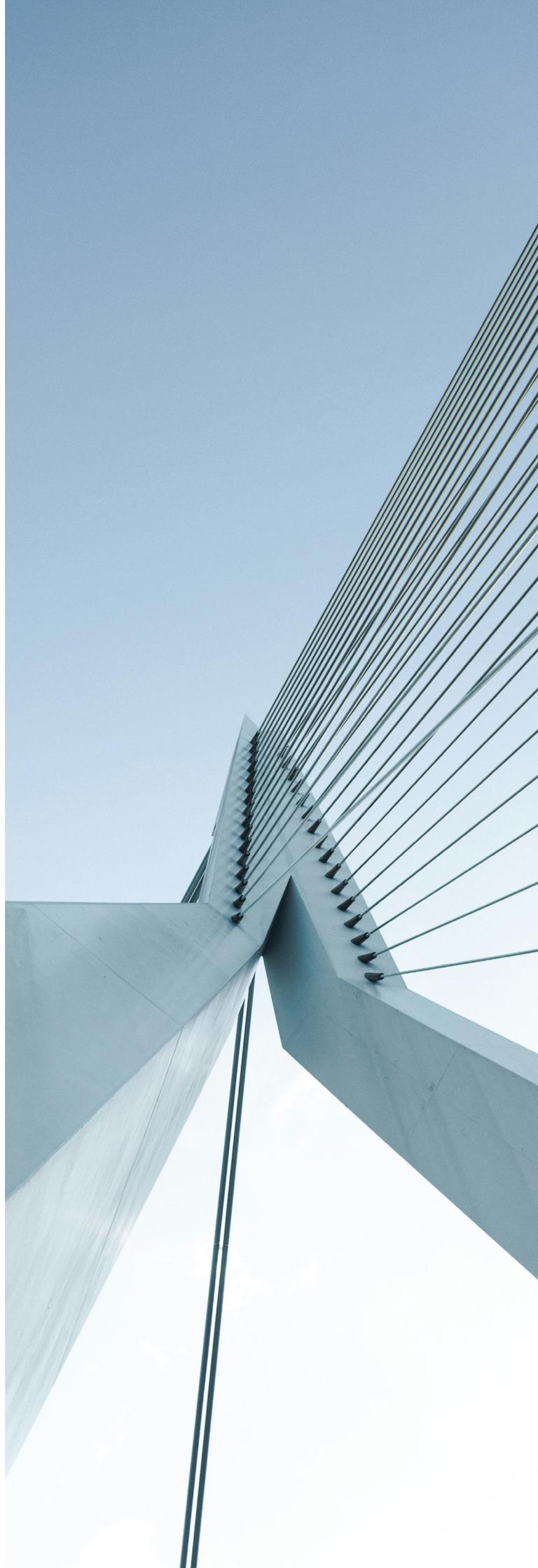
By [Angus Irvine](#), Principal Consultant

On 9 May 2024, the FCA published Issue 79 of Market Watch, summarising the outcome of its recent survey analysis concerning market abuse detection and escalation.

Under the UK Market Abuse Regulation (MAR), a firm is obliged to have effective arrangements, systems and procedures in place to detect, escalate and report suspicions of insider dealing and/or market manipulation. These should be appropriate and proportionate to the scale, size and nature of their business activities.

In this article, we detail the key findings and failure scenarios from the FCA's Suspicious Transaction and Order Reports (STORs) questionnaire.

[Read the article here](#)



Contact IQ-EQ

IQ-EQ's UK Regulatory Compliance team consists of 30+ specialist compliance consultants with extensive knowledge of UK and EU regulatory initiatives and direct experience as holders of senior management functions (SMFs). Through our UK compliance services we offer full regulatory compliance support for all FCA regulated firms.

Our compliance consulting team flexes to provide the level of support you need, up to proactively managing your compliance programme and functioning as an outsourced compliance team to fulfil all UK regulatory requirements – minimising regulatory risk and reducing costs.

View our key services [here](#), or contact a member of our team.



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