

# Regulatory Initiatives Grid: second edition

Feedback: 12 December 2020

## Introduction

1. UK Finance is the collective voice for the banking and finance industry. Representing more than 250 firms, we act to enhance competitiveness, support customers and facilitate innovation.
2. We welcome publication of the second edition of the Regulatory Initiatives Grid on 18 September 2020 and the changes introduced by members of the Financial Services Regulatory Initiatives Forum.<sup>1</sup> In particular, we welcome expansion of the Forum's membership to include the Information Commissioner's Office (and The Pensions Regulator), as we recommended in our feedback on the first edition of the Grid.<sup>2</sup> These changes extend the benefits of a shared business plan and air-traffic control for which we called in responding to HM Treasury's July 2019 call for evidence on regulatory coordination.<sup>3</sup>
3. The Forum has again invited feedback, which we are again happy to provide on behalf of our members across the banking, finance, payments and fintech sectors. This is set out below. However, the ongoing industry and regulatory response to covid-19 continues to make it difficult to assess the extent to which the Grid has improved the coordination of future initiatives. Indeed, with firms once again prioritising exceptional requirements in support of their customers while coping with operational constraints brought about by the pandemic and the associated restrictions across the UK, we believe it critical that Forum members reassess which of the initiatives envisaged over the winter months are necessary at all and, for those that remain worth pursuing, to defer as many as possible into the spring of 2021 and beyond. We are encouraged that Forum members are closely monitoring the situation and considering how to balance the burden that initiatives place on firms, and we welcome the further updates on specific work that they have already provided:
  - rescheduling a consultation on the duty-of-care principle and stopping the introduction of a single easy-access rate for cash savings and a consultation on platform-exit fees (Financial Conduct Authority);<sup>4</sup> and

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<sup>1</sup> <https://www.fca.org.uk/publication/corporate/regulatory-initiatives-grid-september-2020.pdf>.

<sup>2</sup> <https://www.ukfinance.org.uk/sites/default/files/uploads/20200623%20Regulatory%20Initiatives%20Grid%20-%20UK%20Finance%20feedback.pdf>.

<sup>3</sup> <https://www.ukfinance.org.uk/system/files/HMT%20call%20for%20evidence%20on%20regulatory%20coordination%20-%20UK%20Finance%20response.pdf>.

<sup>4</sup> <https://www.fca.org.uk/news/statements/statement-certain-fca-work-light-coronavirus-and-changing-market-conditions>.

- delaying the introduction of the investment-firms prudential regime and elements of the Basel 3 reforms (HMT, Prudential Regulation Authority and FCA).<sup>5</sup>
4. Because of these developments, we believe it would be beneficial for the next edition of the Grid to be published early in 2021 rather than in the spring as envisaged.
  5. To discuss this feedback, please contact Matthew Conway, Director of UK Public Affairs, at [matthew.conway@ukfinance.org.uk](mailto:matthew.conway@ukfinance.org.uk).

## Scope

6. The Grid notes that the Forum will be exploring other authorities' participation in future iterations. We repeat our recommendation that it include initiatives undertaken:
  - by the Financial Services Compensation Scheme, the Money and Pensions Service and the Open Banking Implementation Entity;
  - by the Gambling Commission where relevant (cf. its January 2020 decision to ban gambling on credit cards); and
  - in relation to data, digital and technology policy, particularly by the Department for Business, Energy and Industrial Strategy, the Department for Digital, Culture, Media and Sport and the Centre for Data Ethics and Innovation.
7. Additionally, we see merit in including relevant initiatives from other UK government departments (e.g. on sanctions from the Foreign, Commonwealth and Development Office and on economic crime and immigration from the Home Office).
8. We also repeat our recommendation that the Grid include large information and data requests and thematic reviews that will present operational challenges to firms. This is particularly important in areas of investigation common to multiple Forum members in order to promote a more coordinated approach, while the advance notice would allow firms to reduce duplication in internal collection and collation.
9. Even within its existing scope, the second edition of the Grid did not include a number of initiatives that firms expected to see, notably:
  - the FCA's call for input on consumer investments;<sup>6</sup>
  - the FCA's review into change and innovation in the unsecured-credit market (the Woolard Review);<sup>7</sup>
  - the ICO's consultation on its draft statutory guidance;<sup>8</sup>

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<sup>5</sup> <https://www.gov.uk/government/news/joint-statement-on-the-implementation-of-prudential-reforms-in-the-financial-services-bill>.

<sup>6</sup> <https://www.fca.org.uk/publications/calls-input/consumer-investments>.

<sup>7</sup> <https://www.fca.org.uk/about/woolard-review-unsecured-credit>.

<sup>8</sup> <https://ico.org.uk/about-the-ico/news-and-events/news-and-blogs/2020/10/ico-launches-consultation-on-draft-statutory-guidance/>.

- HMT’s intention to legislate to change the language and presentation of information in debt letters;<sup>9</sup>
  - the FCA’s anticipated consultation on UK MiFID in 1Q2021;
  - the FCA’s anticipated consultation on extending climate-disclosure obligations to asset managers and other firms in 1H2021;
  - the Bank of England’s anticipated next steps on central-counterparty recovery and resolution in 2H2021; and
  - the PRA’s expectations of firms embedding approaches to managing climate-related financial risks by the end of 2021 per its Dear CEO letter of 1 July 2020.<sup>10</sup>
10. Equally, some initiatives included in the first edition of the Grid did not appear in the second, with no rationale for their exclusion:
- the FCA’s engagement with firms on research commissioned to explore any gaps in the current regulatory framework regarding transparency and explainability to support its approach to data ethics;
  - the FCA’s review of MiFID implementation to assess how asset managers oversee the design of their products, identify their target market and monitor their products and distribution activities, in compliance with MiFID II’s product-governance requirements; and
  - the FCA’s policy work on UK implementation of the EU Covered Bond Regulation.
11. If the Forum and the Grid are to fulfil their purpose, firms must feel confident that *all* relevant initiatives are being taken into consideration.

## Process

12. We welcome the Forum’s recognition that either making the Grid a live document or publishing it quarterly should be considered. We suggest there is no reason why this should be a “long-term” ambition when the current six-month gap means, for example, that both an initial publication on the BoE’s MREL review and a PRA/HMT consultation on a risk-free rate publication could be added to the Grid as new initiatives with high indicative impacts with at most a quarter’s notice. Both also coincide with firms continuing to work toward the end of the Brexit transition period, with some onshoring arrangements still under way, and compliance with Capital Requirements Directive V and Bank Recovery and Resolution Directive II.
13. We repeat our calls for Forum members to:
- set out their methodology for assessing the operational impact of an initiative beyond its being “likely to take up a meaningful amount of firms’ time and resources”;

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<sup>9</sup> <https://www.gov.uk/government/news/new-debt-letters-rules-will-support-people-in-problem-debt>.

<sup>10</sup> <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2020/managing-the-financial-risks-from-climate-change.pdf>.

- differentiate the indicative impact of initiatives more clearly; and
- clarify the basis on which they decide initiatives collectively should be sequenced.

### Format

14. We again suggest the banking section of the Grid be split to make it easier to navigate. Capital, liquidity, recovery and resolution initiatives could be separated out from retail initiatives, for example.
15. We also again suggest including a unique reference for each initiative to allow subsequent updates to be applied without ambiguity.
16. A classification of milestones would also be helpful. The Grid currently mixes implementation deadlines with launch events, fora, consultations, policy statements etc., each requiring firms to react in a different way.
17. Finally, we are grateful that the Grid was made available on request in Excel format. We would welcome its publication in an unprotected form in future, enabling its contents to be more easily digitally manipulated.