

# Regulatory Reform Consultation Paper

We consult on Handbook changes in our Regulatory Reform CP.



## We consult on Handbook changes

Our Consultation Paper, *'Regulatory Reform: PRA and FCA regimes relating to aspects of authorisation and supervision'* (12 September 2012) is the first of a number of CPs consulting on changes to the existing FSA Handbook as a result of UK Regulatory Reform.

These changes are required by the revision of the Financial Services and Markets Act 2000 (and related secondary legislation) and the creation of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

The intention is for the final changes to be made by the new regulators as part of the creation of the new FCA and PRA rulebooks. This will take place once the PRA and the FCA acquire their legal powers.

The CP is part of the work to split the FSA Handbook between the FCA and the PRA to form two new Handbooks. Most provisions in the FSA Handbook will be incorporated into the PRA's Handbook, the FCA's Handbook, both or neither, in line with each new regulator's set of responsibilities and objectives.

The CP mainly updates guidance and some rules on aspects of the future authorisations and supervision approaches and processes. Other minor changes will also be made to update references to 'the FSA' and to update cross-references to FSMA and other parts of the Handbooks. More information on this process can be found in a one minute guide to the Handbooks for the PRA and the FCA, which was published in June 2012.

This approach to the Handbooks for the FCA and the PRA has been planned to ensure a safe transition for firms and the new regulators as the new regime is introduced.

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## What's in this CP?

The CP discusses the following changes.

- Changes to the prescribed wording that different types of firms must use to identify who regulates them (e.g. 'authorised and regulated by the FCA').
- Our proposed withdrawal of the general right for firms to use the future FCA or PRA logos in their communications, because we do not see benefits in this continuing.

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- Changes to the FCA and PRA's 'Skilled Persons' power to reflect changes made by the Bill. The Bill:
  - extends the FCA's powers to allow us to use Skilled Persons reports for recognised investment exchanges; and
  - gives the FCA and PRA the powers to appoint and contract directly with the Skilled Person; new rules also allow the costs of a Skilled Person report to be payable as a fee by the firm concerned.
- Changes to the way in which a firm must apply to vary or cancel its authorisation/permission, or to vary or cancel requirements imposed on it by the regulator. These reflect the procedures for making and processing applications from firms regulated by both the PRA and the FCA and FCA-only firms.
- Changes to the way firms will apply for waivers of rules or modifications of rules. Including submitting applications electronically, rather than via the ONA system. Our changes also reflect some new criteria in the Bill concerning factors that the regulators must consider before granting (or publishing) a waiver.
- Changes to various notification and reporting requirements to set out which regulator will lead in receiving and reviewing the range of routine and non-routine notifications and reports that firms are required to submit.
- Changes to how firms must notify the PRA and/or FCA if they wish to exercise a right under an EU Directive to 'passport' out of the UK or into the UK; and
- Changes to the explanation of the future roles of the FCA

and PRA in transfers of insurance business, based on the Bill and the draft FCA/PRA Memorandum of Understanding.

The CP also covers new text about how firms should interpret FCA and PRA Handbook requirements and other proposed changes, including which PRA rules feature rights of action by private persons.

For legal cutover, we are generally proposing to only make necessary changes that are necessitated by the new UK regime. The areas in the CP where we have exercised some discretion are:

- the approach to designating the Handbook;
- the updated wording for a firm identifying its regulator;
- restrictions on using the regulators' logos;
- our new Skilled Persons powers; the channel for submitting waiver applications;
- some aspects of how we describe the future processes for transferring insurance business; and
- some additional Handbook changes.

The CP does not reproduce all the relevant Handbook chapters in full unless we've considered it helpful, such as with new requirements or existing ones that have changed significantly. In addition, for clarity, the intended designation of the provisions are included in the draft instruments and we indicate these in the draft Handbook text. We are only formally consulting on the content of the changes.

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## What's coming up?

We will publish further Regulatory Reform Handbook CPs in the coming months that are likely to cover:

- changes to the Approved Persons/Controlled Functions regime;
- some changes to the FCA Threshold Conditions guidance in the Handbook;
- some updated FCA supervision sections of the Handbook,

and material on the FCA's use of its new powers over parent undertakings/holding companies;

- updates to the Handbook sections on FCA Enforcement powers and processes, and some associated changes to the Markets sections (e.g. listing rules, recognition criteria); and
- some changes to the submission mechanisms for information and notifications.

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## What do you need to do?

**Send us your comments by 12 December 2012.** Contacts are listed in each Chapter. We will review all responses, and final rule instruments and Policy Statements will be issued by the new regulators once the PRA and the FCA acquire their legal powers.

Because the Bill is still going through the parliamentary process, final rules and guidance may be subject to changes to the Bill (or associated secondary legislation). If any changes have a significant effect on proposed FCA and PRA Handbook text that we have already consulted on, we may need to re-consult.

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