

Regulatory Update

UK, November 2024

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1. FCA UPDATES & DEVELOPMENTS

1.1 PRA and FCA update policy on prudential assessment of acquisitions and increases in control

On 1 November 2024, the FCA issued [FG24/5: Prudential assessment of acquisitions and increases in control](#). The FCA and PRA also issued a joint [Policy Statement](#) providing feedback to the responses to [Consultation Paper 25/23](#) on prudential assessment of acquisitions and increases in control.

1.2 FCA Market Watch 81

On 7 November 2024, the FCA published [Market Watch 81](#).

In this Market Watch, the FCA discussed recent observations from its supervision of the UK MiFID transaction reporting regime. This includes an assessment of findings from a skilled persons review issued under s.166 FSMA to address transaction reporting failings.

The FCA states there has been a trend of improved data quality since 2018. However, it continues to identify incomplete and inaccurate transaction reports. The FCA examined the root cause for these errors and its findings indicate that reporting issues are often caused by weaknesses in:

- change management
- reporting process and logic design
- data governance
- control framework
- governance, oversight and resourcing.

The FCA may conduct further work on these areas to ensure that appropriate remedial actions are taken by firms. Firms should continue to submit errors and omissions notifications for any issues they become aware of.

1.3 FCA confirms outcome of its enforcement regulatory disclosure review

On 11 November 2024, the FCA published the [outcome](#) of its enforcement regulatory disclosure review.

In the case of *Seiler and others v FCA* [2023], the Upper Tribunal recommended that the FCA should review certain elements of the disclosure process in regulatory enforcement cases.

The FCA have completed this review and made changes to its processes, these are:

- Taking a broader approach to disclosure, which will mean its review of documents is not focused only on identifying potentially undermining material.
- Enhancing its existing training on disclosure to include additional specialist training for those managing and overseeing disclosure exercises.
- Providing additional training for staff and more detailed guidance on quality assurance.
- Clarifying the roles and responsibilities of staff and managers involved in disclosure.

- Giving greater emphasis to the importance of disclosure in measuring and rewarding staff performance.

The FCA will monitor the effectiveness of the changes it is making and will conduct a further review in approximately 12 months' time to assess whether it should take any further steps to improve processes.

1.4 BoE, PRA and FCA issue policy statement on operational resilience: critical third parties to the UK financial sector

On 12 November, the BoE, FCA and PRA published a joint [policy statement \(PS16/24\)](#) providing feedback to responses the regulators received to consultation paper [\(CP\) 26/23 – Operational resilience: Critical third parties to the UK financial sector](#). It also contains the regulators' final policy on rules for critical third parties (CTPs) in the interest of Firm's operational resilience. Highlights from PS16/24 include:

- **Key terms** – in CP26/63, the regulators proposed a set of key defined terms to facilitate a clear definition of a Critical Third Party (CTP). Following the feedback the regulators have revised definitions where appropriate.
- **Overview of the oversight regime for CTPs** – the regulators state that most respondents supported the overall objective and welcomed the regulators' proposed approach to delivering it, which they described as proportionate, reasonable, and robust. One respondent argued that it was vital that CTPs are subject to appropriate regulation and oversight to manage potential systemic risk.
- **CTP Fundamental Rules** - the regulators proposed six Fundamental Rules that CTPs would be required to comply with in respect of all the services that they provide to firms modelled broadly on the PRA's Fundamental Rules and the FCA's Principles for Businesses which apply to firms, these high-level rules articulate fundamental behaviours that the regulators require of CTPs given the Overall Objective. The regulators have opted to keep the CTP Fundamental Rules.
- **CTP Operational Risk and Resilience Requirements** – in CP26/23 the regulators proposed eight Operational Risk and Resilience Requirements that CTPs would be required to comply with in respect of their systemic third-party services. The aim of the proposed Operational Risk and Resilience Requirements is to provide clear, consistent, outcomes-focused obligations that all CTPs would be required to meet in respect of these services. The majority of respondents supported the proposed requirements. In light of this, the regulators have decided to retain all the CTP Operational Risk and Resilience Requirements.
- **Incident reporting and other notifications** - the regulators proposed to require CTPs to notify them, and their firm and FMI customers, who receive an affected service of certain incidents and other events. Most respondents welcomed the requirements for CTPs to report CTP operational incidents to affected firms and the regulators. The general view was that these reports would benefit firms, as they would enable them to respond and recover from incidents originating at a CTP more effectively.

1.5 FRC consults on updates to the UK Stewardship Code

On 12 November 2024, the Financial Reporting Council (FRC) launched a [consultation](#) on updates to the UK Stewardship Code (Code). The updates focus on supporting economic growth and investment and delivering increased transparency for millions of UK investors, savers and pensioners.

Key proposals in the consultation include:

- a revised and enhanced definition of stewardship that emphasises the need to create long-term sustainable value for clients and beneficiaries as a key outcome of good stewardship
- a streamlined reporting process separating policy and activity disclosures to reduce reporting burdens
- targeted principles for different types of signatories and service providers, including for the first time, a dedicated principle for proxy advisors
- new guidance to support effective implementation and help signatories with the transition to the new reporting arrangements.

The FRC will host a series of engagement events during the consultation period to gather further feedback from stakeholders on these proposals and the updated Code is expected to be published later in 2025 for implementation and first reporting cycle in 2026.

1.6 FCA Primary Market Bulletin 52

On 15 November 2024, the FCA issued [Primary Market Bulletin 52](#).

In this Primary Market Bulletin the FCA covers:

- Issuers' ability to identify and make public information that is inside information under the UK Market Abuse Regulation (MAR). The FCA has set out some actions that issuers can consider taking to be sure they are well prepared to identify when information may constitute inside information:
 - Establishing a disclosure committee whose role is to determine and advise when information meets the threshold for inside information and determine the timing and content of announcements.
 - Making sure that the CFO, CEO and Company Secretary can make announcements on performance and event based inside information outside of normal reporting timetables and absent a formal disclosure committee.
 - Training relevant employees, including those in the finance function, to enable them to recognise when inside information meets the threshold.
- The dissemination of information by issuers during shareholder calls and meetings. In particular, using communication apps (such as WhatsApp) to interact with groups of smaller private shareholders. Where issuers do communicate privately with shareholder groups, the FCA set out some actions which issuers may want to consider to limit the risk that inside information or misleading statements are disclosed:
 - Issuers could avoid scheduling calls or making communications during the issuer's closed period.
 - Communications could take place shortly after an issuer has published a financial report or update to the market.
 - Prior to a communication, management should be confident that all inside information concerning the issuer, in particular information concerning the company's current trading and financial position, has been published and that the issuer is not delaying the disclosure of any inside information.

- In certain circumstances, an issuer may wish to publish an announcement following the call or meeting to confirm that it took place, set out any information that was shared and confirm that the issuer does not deem the information to be inside information.
- The dissemination of regulatory information by issuers during interruptions to Primary Information Provider (PIP) services.
 - Issuers must use a PIP (also referred to as a Regulatory Information Service) whenever they are required to disclose regulated information.
 - Regulated information is that which is required to be disclosed under Articles 17 – 19 of MAR, the UK Listing Rules, and the Disclosure Guidance and Transparency Rules (see DTR 8.4.3 R). It includes disclosures of inside information, annual and half-yearly financial reports and notifications of the acquisition or disposal of major shareholdings and voting rights, among other things.
 - It is important that regulated information is disseminated using a PIP to make sure that information is published in a way which ensures it is available as quickly as possible, and in a way that makes sure the market as a whole gets access at the same time.

1.7 FCA DP24/2: Improving the UK transaction reporting regime

On 15 November 2024, the FCA published [DP24/2: Improving the UK transaction reporting regime](#). Through the FCA's supervision of the UK transaction reporting and instrument reference data requirements it has identified opportunities to improve the quality of data reported and reduce some reporting burdens on market participants.

The FCA is also considering opportunities for harmonisation between the transaction reporting regime and the wider set of wholesale market reporting requirements. It states that while the current transaction reporting regime works well, divergence between UK/FCA requirements and other jurisdictions threatens to create inefficiencies. The FCA seeks input from the industry on how to balance maintaining alignment with international transaction reporting regimes while seeking to streamline the UK transaction reporting regime.

Also of significant interest, is the discussion around UK AIFMD and UCITS (referred to as CPMI firms) firms who are not subject to the transaction reporting requirements to which MiFID firms are subject. The FCA states that, while this gap has occasionally been a hindrance to how it monitors activity by these CPMI firms at a transaction level, the FCA considers that bringing transactions by these firms into the scope of the transaction reporting regime would only increase the information available to it by a limited amount. For this reason, the FCA's current view is that it is unclear whether the additional cost of reporting imposed on these firms would be justified by the benefit of the data it would receive.

As part of the discussion paper the FCA asks: "*Should CPMI firms be subject to UK MiFIR transaction reporting requirements for their MiFID activity?*"

The deadline for comments on DP24/2 is 14 February 2025.

2. REGULATORY REFORM

2.1 FCA consults on investment research payment optionality for fund managers

On 5 November, the FCA published consultation paper [CP24/21](#), on investment research payment optionality for fund managers.

The FCA is setting out proposals to take forward the recommendations of the Investment Research Review (IRR) and feedback to the consultation paper on [payment optionality for investment research \(CP24/7\)](#). In July 2024, the FCA finalised rules for a new option of paying for investment research ([PS24/9](#)). The new rules enabled MiFID investment firms who wish to buy research for their segregated mandates to use joint payments for third-party research and execution services, provided firms meet certain requirements. Following feedback from the industry, it is now consulting on whether to extend this new option to other asset managers including managers of pooled funds.

The deadline for responses to CP24/21 is 16 December 2024.

The FCA says it will consider all feedback and, if it chooses to proceed, it will aim to publish any rules or guidance in 2025.

2.2 Mansion House speech

On 14 November 2024, the Chancellor of the Exchequer, Rachel Reeves, delivered her [Mansion House speech](#).

Highlights of the speech include commitments that the Government will (amongst other things):

- Review the guidance that is given to major regulators to underline the importance of growth.
- Not reverse Brexit, but will reset the relationship between the UK and EU.

It is also noted that:

- While the Senior Managers and Certification Regime (SMCR) has improved standards and accountability some elements of it have become costly. The SMCR will be reviewed and there will be a consultation of removing the regime from legislation.
- The FCA will consult on changes to financial advice and guidance to ensure that people get the right support.
- The FCA and Financial Ombudsman Service have developed a new agreement which sets out expectations on how they cooperate.

2.3 Call for Evidence – Financial Services Growth & Competitiveness Strategy

On 14 November 2024, HM Treasury issued a [call for evidence](#) on the Government's Financial Services Growth & Competitiveness Strategy (Strategy).

This Call for Evidence outlines the government's proposed approach to the Strategy and seeks input from businesses, consumer groups, academic and other stakeholders, as part of the Government's commitment to co-design.

Once developed, the Strategy will serve as the central guiding framework through which the Government will deliver sustainable, inclusive growth for the financial services sector and secure the UK's competitiveness as an international financial centre.

This call for evidence will remain open until 12 December 2024. The government welcomes representations from all stakeholders with an interest.

2.4 Pensions Investment Review: Unlocking the UK pensions market for growth

On 14 November 2024, HM Treasury issued a [consultation](#) setting out its proposals to legislate for a minimum size and maximum number of Defined Contribution (DC) pension scheme default funds. These measures will enable the DC market to move to fewer, larger funds which are better placed to invest in productive assets and more able to deliver greater returns for members.

2.5 Government response to PISCES consultation

On 14 November 2024, HM Treasury (HMT) published the Government's [response](#) to its earlier [consultation](#) on the Private Intermittent Securities and Capital Exchange System (PISCES).

The Private Intermittent Securities and Capital Exchange System (PISCES) is a new type of regulated trading platform, that allows for the intermittent trading of private company shares on a multilateral system. PISCES aims to respond to the growth of private secondary markets by providing a regulatory framework for structured trading events that can be accessed by broad pools of investors, using public market infrastructure to support private markets.

Overall, the proposal and design of the proposed PISCES Sandbox was well received. Respondents said it would reduce the regulatory jump between private and public markets and support private company growth. Given the novel nature, respondents agreed that a sandbox was an appropriate mechanism to develop and test this regulatory regime.

The Government therefore intends to proceed with PISCES and will legislate to set up PISCES in a sandbox and grant the FCA the necessary powers to support the implementation and operations of the sandbox. Over the five-year sandbox period, firms wishing to run a PISCES platform will need to seek approval from the FCA, and those involved in trading on a PISCES platform will be subject to modified UK regulation under the sandbox regime.

After considering the consultation feedback, PISCES will have the following features:

- PISCES will operate as a secondary market, facilitating the trading of existing shares in intermittent trading windows (e.g. ad hoc, quarterly, biannually, yearly etc). It will not facilitate capital raising through the issuance of new shares.
- Only shares in companies whose shares are not admitted to trading on a public market (in the UK or abroad) can be traded on PISCES. This includes UK private and public limited companies and overseas companies. PISCES operators will determine any admission requirements for their markets, including any minimum corporate governance requirements.

- Only institutional investors, employees of participating companies and investors who can meet the definition of high net-worth individuals and self-certified or certified sophisticated investors under the Financial Promotion Order (FPO), will be able to buy shares on PISCES.
- The PISCES regime will not include a public market style market abuse regime. This is a change to what was proposed in the consultation. Instead, the FCA will be given rulemaking powers to create a new and bespoke disclosure regime for PISCES. Under this regime, disclosures and pre- and post-trade transparency must be shared with all investors participating in a PISCES trading event but will not be required to be made public.
- There will not be a transaction reporting regime for PISCES. Again, this reflects a change from the initial proposal. The FCA will consider whether to set rules related to record-keeping to support their supervision of the market.
- There will be a new FPO exemption to cover PISCES disclosures, based on the exemptions available for promotions included in mandated public market disclosures.
- PISCES operators will be able to decide whether or not shares must be recorded into a Central Securities Depository (CSD).
- Companies will not be able to carry out buybacks on PISCES. However, given the feedback, the Government will explore whether to allow this or not at a later stage, following the initial launch of the PISCES Sandbox.

2.6 Government issues recommendations to UK regulators

On 15 November 2024, the Government published the new growth focused letters to the [FCA](#), [Prudential Regulation Committee](#), [Payment Systems Regulator](#), and the [Financial Policy Committee](#). These letters were mentioned in Chancellor of the Exchequer, Rachel Reeves', Mansion House speech.

The recommendations made to the FCA include:

- Creating a regulatory environment which facilitates growth through supporting competition and innovation and encouraging newer and more innovative firms to start up and scale.
- Maintaining and enhancing the UK's position as a world leading global finance hub and a destination of choice for international financial services business.
- Leading the world in sustainable finance, including by unlocking the full potential of the financial services sector to fund the green transition.
- Ensuring the UK's capital markets are competitive and supporting UK growth including through the ongoing pensions review.
- Reinforcing financial inclusion and supporting home ownership to enable individuals to access financial services and products they need to participate in the economy.

2.7 The Packaged Retail and Insurance-based Investment Products (Retail Disclosure) (Amendment) Regulations 2024

On 22 November 2024, the [Packaged Retail and Insurance-based Investment Products \(Retail Disclosure\) \(Amendment\) Regulations 2024](#) was published on [legislation.gov.uk](#), along with an [explanatory memorandum](#).

This instrument adds investment trusts to the list of excluded products in the PRIIPs Regulation and excludes costs of manufacturing and managing shares in an investment trust from cost disclosure requirements in the MiFID Org Regulation.

Investment trusts, along with persons advising on or selling shares of investment trusts, will not be required to produce the Key Information Document. Additionally, investment trusts, and firms investing in them, will not be required to disclose costs and charges relating to investment trusts to clients, pursuant to the MiFID Org Regulation.

2.8 Government provides update on approach to regulating cryptoassets

On 25 November 2024, HM Treasury published the text of a [speech](#) by Tulip Siddiq, Economic Secretary to the Treasury outlining the government's approach to regulation of cryptoassets. Some key takeaways from the speech include:

- If the UK is to maintain its position as a leading financial services hub, it needs to lean in to the emerging and disruptive technologies including Distributed Ledger Technology.
- In January 2024, the Government published its 'Financing Growth' paper, setting out plans for financial services. This includes ambitions to make the UK a global hub for securities tokenisation, through initiatives such as exploring UK sovereign debt issuance using DLT, and taking forward financial market infrastructure sandboxes.
- On 30 September, the Bank of England and Financial Conduct Authority jointly opened the Digital Securities Sandbox. This pioneering initiative will help the sector to adopt DLT across our capital markets, and is the product of effective collaboration between industry, government and the regulators.
- An acknowledgement that cryptoassets are here to stay and that traditional finance and cryptoassets have the potential to play an integrated role in each other's future.
- In October 2023 the Treasury published detailed proposals for the regulation of cryptoassets in the UK. Proposals included the creation of various new regulated activities for cryptoassets, such as operating a cryptoasset trading platform, as well as associated regimes for both admissions to trading and market abuse. These proposals still stand.
- At the point when those proposals were published last year, the Treasury also set out details for the treatment of fiat-referenced stablecoins as a distinct asset class. This included a new regulated activity for issuance of stablecoins in the UK, as well as safeguarding requirements in line with the custody of other cryptoassets. The government intends to proceed with the new regulated activities for stablecoin, which will be implemented to the same timetable as the rest of the regulatory regime for cryptoassets.

3. FINANCIAL CRIME

3.1 Home Office Guidance on the new offence of failure to prevent fraud

On 6 November 2024, the UK Government published its [guidance](#) on the new failure to prevent fraud offence and confirmed that the offence will come into force from 1 September 2025.

This guidance provides advice to large organisations on procedures they can put in place to prevent fraud.

Under the legislation, an organisation will be criminally liable where:

- a specified fraud offence is committed by an employee, agent or other ‘associated person’, for the organisation’s benefit
- the organisation did not have ‘reasonable’ fraud prevention procedures in place
- it does not need to be shown that company managers ordered or knew about the fraud.

The offence applies to:

- all large incorporated bodies, subsidiaries and partnerships
- large not-for-profit organisations such as charities if they are incorporated
- incorporated public bodies.

The offence of failure to prevent fraud applies to specific fraud offences which are referred to in the guidance as ‘base fraud’ offences. These include:

- aiding
- abetting
- counselling
- fraud by false representation (section 2 Fraud Act 2006)
- fraud by failing to disclose information (section 3 Fraud Act 2006)
- fraud by abuse of position (section 4 Fraud Act 2006)
- participation in a fraudulent business (section 9, Fraud Act 2006)
- obtaining services dishonestly (section 11 Fraud Act 2006)
- cheating the public revenue (common law) [footnote 10]
- false accounting (section 17 Theft Act 1968)
- false statements by company directors (section 19 Theft Act 1968)
- fraudulent trading (section 993 Companies Act 2006)
- procuring the commission of any of the listed offences would also qualify as a ‘base fraud’ offence.

Who commits the base fraud and in what circumstances?

As set out in section 199(1), the base fraud offence is committed by a 'person associated with the relevant body', described further in sections 199(7) - (9). This can be an employee, an agent or a subsidiary of the relevant body is automatically an 'associated person' for the purposes of this offence. The offence can only take place if the person commits the base fraud whilst acting in the capacity of a person associated with the relevant body (i.e. an employee acting in their capacity as an employee).

A subsidiary undertaking of a large organisation is an associated person for the purposes of this offence. This means that it is possible for a parent company to be prosecuted for failure to prevent fraud where the base fraud offence is committed by a subsidiary and where the beneficiary is the parent organisation.

What is meant by 'intending to benefit'?

The issue of who is intended to benefit from the underlying fraud is key to determining whether a relevant organisation can be held accountable for the offence of failure to prevent fraud. An organisation does not need to actually receive any benefit for the offence to apply - since the fraud offence can be complete before any gain is received. It is enough that the organisation was intended to be the beneficiary.

Defence of reasonable fraud prevention procedures

Relevant organisations will have a defence if they have reasonable procedures in place to prevent fraud, or if they can demonstrate to the satisfaction of the court that it was not reasonable in all the circumstances to expect the organisation to have any prevention procedures in place.

The question of whether a relevant organisation had reasonable procedures in place to prevent fraud in the context of a particular prosecution is a matter that can only be resolved by the courts.

The fraud prevention framework put in place by relevant organisations should be informed by the following six principles:

- top level commitment
- risk assessment
- proportionate risk-based prevention procedures
- due diligence
- communication (including training)
- monitoring and review

These principles aim to create a flexible, outcome-focused approach to fraud prevention, allowing organisations to tailor their procedures to their specific needs.

Top-level commitment:

- Senior management should endorse anti-fraud policies, ensure clear governance, commit to training, and foster an open culture.
- The person overseeing fraud prevention should have direct access to the board or CEO.

- Maintain a budget for training and implementing fraud prevention plans.
- Encourage staff to report ethical concerns early.
- Establish clear roles, responsibilities, and reporting lines for fraud prevention.
- Implement effective whistleblower and "speak-up" programs.

Risk assessment:

- Companies should extend existing risk assessments to include fraud risks. If no financial crime risk assessments are conducted, they should start doing so.
- Risk assessments should consider the opportunity, motive, and rationalisation for fraud by associated persons, using data analysis, audits, industry guidelines, and enforcement actions.

Proportionate risk-based fraud prevention procedures:

- 1.1 Companies must create fraud prevention plans proportionate to identified risks and their operations' scale and complexity.
- 1.2 Document decisions if specific measures are deemed unnecessary.
- 1.3 Conduct gap analyses to ensure existing compliance mechanisms address identified fraud risks.

Due diligence:

- Conduct adequate due diligence on associated persons, proportionate to the risk level.
- Use technology for risk management, review contracts for fraud policy compliance, and monitor staff well-being.

Communication and training:

- Train staff on fraud prevention policies and ensure consistent communication across all levels.
- Include fraud prevention in existing policies and publish outcomes of internal fraud investigations.
- Ensure staff are familiar with whistleblowing policies.

Monitoring and review:

- Regularly monitor and review fraud prevention procedures, updating them based on internal investigations, whistleblower reports, and sector-specific information.
- Consider using technology, including AI, for fraud detection.

These principles are intended to be flexible and outcome-focussed, allowing for the huge variety of circumstances that relevant bodies find themselves in. Procedures to prevent fraud should be proportionate to the risk.

3.2 HMT publishes Money Laundering Advisory Notice: High Risk Third Countries

On 19 November 2024, HM Treasury published updated [Money Laundering Advisory Notice](#) on risks posed by jurisdictions with unsatisfactory money laundering and terrorist financing controls. It sets out which countries are High Risk Third Countries (HRTC), as defined in the Money Laundering Regulations (MLR), which are those countries listed by the Financial Action Task Force (FATF).

4. ESG

4.1 FCA updates sustainability disclosure and labelling regime webpage

On 1 November 2024 the FCA updated its [sustainability disclosure and labelling regime](#) webpage to include a [document](#) which illustrates how firms can meet the pre-contractual disclosure requirements.

4.2 FCA publishes speech on sustainable investment and finance

On 6 November 2024, the FCA published a speech titled '[All aboard: strong infrastructure for smooth journeys](#)', delivered by chief operating officer, Emily Sheppard, at the UK Sustainable Investment and Finance Association Leadership Summit in London.

Topics discussed included:

1. Encouraging sustainable investment so that the financial services industry can contribute to the UK achieving net-zero.
2. Recent regulatory changes including the:
 - a. Sustainability Disclosure Requirements (SDR) and investment labels regime, anti-greenwashing guidance, as well as the FCA facilitating an industry-led code of conduct for ESG data and ratings providers.
 - b. the investment labels regime already recognised that funds will need to invest in transitioning assets that are on a credible path to net zero by 2050 so the FCA introduced the Improvers label.
 - c. Anti green-washing guidance provides examples of poor practice and best practice.
 - d. The FCA's new secondary objective to advance international competitiveness and growth by reforming public markets which has involved making changes to listing rules, giving asset managers greater freedom in how they pay for investment research and proposals for a public offer and admissions regime to replace the current prospectus regime.
 - e. Consumer Duty, where the FCA is currently reviewing 172 responses to the Call for Input on the Consumer Duty.
 - f. Building an attractive work culture and expanding beyond London, where the FCA is expanding its presence in the UK with offices in Leeds and Edinburgh and aims to recruit talent from these cities.

4.3 HMT response to consultation on future regulatory regime for ESG ratings providers

On 14 November 2024, HM Treasury published its [response document](#) to its earlier consultation on the future regulatory regime for Environmental, Social and Governance (ESG) ratings providers.

The response document summarises the responses received to the consultation and HMT's response.

The document outlines that:

- The consultation proposed that the direct provision of an ESG assessment in relation to a specified investment should become a FCA regulated activity.
- 95% of respondents were in favour of regulation for ESG ratings agencies, citing the need to address a number of perceived harms within the ESG ratings market.
- There is strong support for the proposed introduction of regulation for the provision of ESG ratings. The Government intends to introduce legislation to meet the demand for regulatory oversight of ESG ratings provision.
- The overall process of designing, developing and commencing the ESG ratings regulatory regime (as outlined above) is expected to take approximately four years, with the Government aiming to lay the requisite secondary legislation before Parliament in early 2025 (subject to Parliamentary time). Following this, the FCA will develop and consult on policy proposals, building in feedback to finalise the ESG ratings regime.
- Through a process of response analysis and further industry engagement, the definition of an ESG rating for the purposes of the regulatory regime has been developed as: **“an assessment regarding one or more ESG factors, produced in the form of an ESG opinion, an ESG score or a combination of both, whether or not it is characterised as an ESG rating”**.
- An ESG opinion is defined as **“an ESG rating involving substantial analytical input from an analyst, whether or not it is characterised as an ESG opinion”**.
- An ESG score is defined as **“an ESG rating derived from data and a pre-established statistical or algorithmic system or model, without additional substantial analytical input from an analyst, whether or not it is characterised as an ESG score”**.

This consultation response is accompanied by a draft Statutory Instrument (SI) on which the government would welcome technical comments by 14 January 2025.

Waystone Compliance Solutions

Waystone Compliance Solutions offers a new and unique approach to compliance services at a corporate level.

Formed by merging four specialist compliance companies – we have the capabilities to help you manage regulatory risk right across your organisation and covering the UK, Middle East, United States and Asia.

We can provide key services from initial registration and licensing to compliance programme integration. Our compliance solutions span business strategies, market activities, operational and technology infrastructure not to mention sales and marketing procedures.

Our aim at Waystone is simple: to enable our clients to navigate the complex regulatory environment with confidence.

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If you wish to discuss how Waystone can assist you with any of the issues raised in this regulatory update, please contact us the details below:

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This Regulatory Update provides information about the consultative documents and publications issued by various regulators which are still current, proposed changes to the Rules and Guidance set out in Handbooks, actual changes to Rules and Guidance that have occurred in the months leading up to the update and other matters of relevance to regulated firms. This Regulatory Update is intended to provide general summarised guidance only, and no action should be taken in reliance on it without specific reference to the regulators' document referred to therein.