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FCA publishes its Second Consultation on the Implementation of the UK Investment Firms Prudential Regime

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On 19 April 2021, the Financial Conduct Authority ("**FCA**") published the second out of three consultation papers on the implementation of the Investment Firms Prudential Regime ("**IFPR**") (CP21/7). The IFPR is a new UK prudential regime for investment firms authorised under the Markets in Financial Instruments Directive (EU/2014/65) ("**MiFID**") and will come into force from 1 January 2022. For further details about the new prudential regime in general, please refer to our update from June 2020. We also included a summary of the key points from the FCA's first consultation in our update from December 2020.

In its second consultation, the FCA is seeking views on the following areas:

- remaining aspects on the own funds requirements (such as the Fixed Overheads Requirement);
- the basic liquid assets requirement;
- remuneration requirements; and
- risk management – the Internal Capital and Risk Assessment ("**ICARA**") process.

This consultation paper should be read in conjunction with the first consultation paper, which introduced the IFPR and focused on the categorisation of investment firms, prudential consolidation, own funds and own funds requirements, and new reporting requirements. The FCA aims to publish near-final rules on the first consultation in Q2 2021. The FCA will conduct a third consultation in Q3 2021 and plans to publish policy statements and rules for the second and third consultations over the course of 2021.

UK firms within the scope of IFPR should monitor developments in relation to the FCA's approach to the new regime closely, as they will be required to comply with the new regulations when they start to apply from January 2022.

If you have any questions on the proposals contained in CP21/7 or on the IFR/IFD, please get in touch with our Regulatory Team.

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