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FCA publishes its First Policy Statement on the Implementation of the UK Investment Firms Prudential Regime

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On 29 June 2021, the Financial Conduct Authority ("**FCA**") published its first policy statement ("**PS**") on the implementation of the Investment Firms Prudential Regime ("**IFPR**") (PS 21/6). The IFPR is a new UK prudential regime for investment firms authorised under the Markets in Financial Instruments Directive (EU/2014/65) ("**MiFID**") and is expected to take effect in January 2022. For further details about the new prudential regime in general, please refer to our update from June 2020.

This PS sets out near-final rules and summarises the feedback the FCA received to its first out of three consultations for the new prudential regime (please see here for our summary of the first consultation; and here for our summary of the second consultation).

The requirements in this PS have been generally implemented as proposed in the first consultation. The PS covers the following key aspects:

- categorisation of investment firms;
- prudential consolidation;
- own funds requirements;
- concentration risk; and
- reporting requirements.

The FCA will conduct a third consultation in Q3 2021 and plan to publish policy statements and rules for the second and third consultations in the second half of 2021. Following the conclusion of all consultations, three PSs will set out the new prudential rules to introduce the IFPR. The proposed rules will be set out in a new prudential sourcebook, called the Prudential sourcebook for MiFID Investment Firms ("**MIFIDPRU**").

The new regime represents a major change for FCA investment firms, and it is critical that UK firms within the scope of IFPR adequately prepare for the regime. Firms 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 PS 21/6 or the IFPR, please get in touch with our Regulatory Team.

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