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UK FCA Publishes Second Policy Statement on the Implementation of the IFPR

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On 26 July 2021, the UK Financial Conduct Authority ("FCA") published its second policy statement (PS21/9) ("**PS2**") in relation to the UK Investment Firms Prudential Regime ("IFPR"). PS2 is the second of a series of policy statements that sets out the FCA's rules to introduce the IFPR. PS2 summarises the feedback received by the FCA in respect of its second consultation paper on the IFPR. The IFPR is expected to take effect in January 2022, subject to the UK Treasury making the necessary secondary legislation.

As detailed in our previous alert relating to the FCA's first policy statement, the IFPR sets out a new UK prudential regulatory framework for investment firms authorised under the Markets in Financial Instruments Directive (EU/2014/65) ("**MiFID**"). For further details about the new prudential regime in general, please refer to our June 2020 update.

PS2 aims to streamline the prudential requirements for solo-regulated investment firms in the UK. The topics covered under PS2 include:

- remuneration requirements;
- "own funds" and "basic liquid assets" requirements;
- risk management requirements;
- governance and committee requirements; and
- regulatory reporting requirements and templates.

In terms of next steps, the third and final consultation is expected to be published by the FCA in the near term, with a further policy statement on its implementation expected in Q4 2021. Firms should review the near-final rules included in PS21/9 on the expectation that the new regime will come into force in January 2022.

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