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UK Financial Conduct Authority Publishes its Final Rules for the Investment Firms Prudential Regime

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On 22 October 2021, the UK Financial Conduct Authority ("FCA") published the final rules of its Investment Firms Prudential Regime ("IFPR"), which will come into force on 1 January 2022. The final rules are contained in legal instruments FCA 2021/38 and FCA 2021/39. The IFPR introduces a major change for FCA-authorised firms which are authorised under the Markets in Financial Instruments Directive ("MiFID"), including alternative investment fund managers with MiFID top-up permissions. These firms will have to comply with new prudential requirements under the IFPR, as well as requirements relating to remuneration, regulatory reporting and disclosure.

Along with the final rules, the FCA has published finalised general guidance on the application of ex-post risk adjustment to variable remuneration (FG21/5), which contains further details on the FCA's expectations on malus and clawback. The FCA has also published templates for Remuneration Policy Statements which firms may find helpful in order to record how their remuneration policies and practices comply with the new regime (available here Investment Firms Prudential Regime (IFPR) | FCA).

For further information on the IFPR and the key considerations for investment firms, please see our recent client alert on this topic.

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