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UK Financial Conduct Authority Publishes Its Final Policy Statement Setting Out Its Final Rules For the Investment Firms Prudential Regime

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On 26 November 2021, the UK Financial Conduct Authority ("**FCA**") published its third policy statement (PS21/17) setting out its final rules to introduce its Investment Firms Prudential Regime ("**IFPR**"). The IFPR will come into force on 1 January 2022 and will represent a major change for FCA-authorised investment firms in the UK that are authorised under the Markets in Financial Instruments Directive ("**MiFID**"), including alternative investment fund managers with MiFID top-up permissions. The IFPR will introduce a single prudential regime that will apply to such firms. With the introduction of the IFPR, the FCA aims to refocus prudential requirements and expectations away from the risks the firm faces, to also consider and manage the potential harm the firm itself can pose to consumers and markets.

PS21/17 is published in response to the FCA's third consultation paper that was published in August 2021. It completes the final set of rules for introducing the IFPR and contains, amongst other things, the final rules relating the following topics:

- disclosure;
- the treatment of excess drawings made by partners and members of partnerships and LLPs in relation to own funds;
- rules relating to how the FCA intends to apply the on-shored UK equivalent of EU-derived Binding Technical Standards;
- requirements relating to depositaries;
- the FCA's approach to the UK resolution regime;
- the FCA's approach to enforcement; and
- applications and notifications.

With the IFPR coming into force so soon, in-scope firms should review the final rules included in each of the policy statements published by the FCA and ensure that they are adequately prepared for the introduction of the regime. 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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