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The Edinburgh Reforms and the Future Regulatory Framework: the impact for asset managers

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The Edinburgh reforms announced on 9 December 2022 could be exciting. The Chancellor stated that he was *"setting out a bold collection of reforms taking forward the Government's vision for an open, sustainable and technologically advanced financial services sector that is globally competitive and acts in the interests of communities and citizens"*. But are they sufficient, and sufficiently radical - particularly in the asset management space?

We might welcome the idea of *"building a smarter regulatory framework for the UK"*. The devil though is in the detail as to whether in fact the UK retains its reputation as a well regulated financial centre. The aim should be proportionate regulation rather than reducing regulation. Reducing regulation can, ironically, detract from the reputation of the regulatory authorities and be to the detriment of UK regulated businesses.

The Government's intention is to take forward the Edinburgh reforms in the Financial Services and Markets Bill. In this paper, we look at the various issues which might be of assistance to the asset management sector.

A smarter financial services framework

A review of the financial services framework was established to determine how the framework should adapt to the UK's position outside of the EU and to ensure the framework was fit for the future. It is intended to identify reforms which have the greatest potential to unlock growth in key areas, including financial services.

HM Treasury issued their Policy Statement on [Building a Smarter Financial Services Framework for the UK](#) in December 2022.

The outcomes of the review are now being delivered through the Financial Services and Markets Bill (the "**FSM Bill**") which, as the December Policy Statement indicates, is *"a key piece of legislation that allows us to cease the opportunities of an EU exit and secure the UK's position as a global financial hub. In particular, the Bill repeals retained EU law enabling the Government to replace with legislation designs specifically for UK markets"*.

To explain the background:

- The UK's domestic model for regulation exists under the Financial Services and Markets Act 2000 ("FSMA"). There are two operationally independent regulators, the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA) which generally set regulatory requirements in rulebooks operating within their permitted framework.
- The difficulty is that EU financial services regulation expanded. A significant amount of financial services regulation was developed and legislated for EU level through EU Regulations, Directives and other Technical Standards and guidance. The EU legislation that applied directly at the point of exit was transferred into the UK law by the European Union (Withdrawal) Act 2018 which HM Treasury describe as "retained EU law" or "REUL". It is the REUL that the Government is now seeking to repeal pursuant to the retained EU Law (Revocation and Reform) Bill. The intention is that at the end of 2023, REUL will no longer take precedence over UK law.

This automatic repeal does not apply though to financial services REUL, which is to be repealed under the FSM Bill, with that Bill containing a bespoke set of powers for financial services so that a comprehensive FSMA model can be established.

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The challenge therefore is how to create the new comprehensive FSMA model. It is clearly a significant task.

The FSM Bill introduces some new tools:

- **a new designated activities regime**

A new designated activities regime (or "**DAR**"), which will be a new part of FSMA designed to provide a framework for regulating activities related to financial markets in a proportionate way that reflects the degree of risks the activities pose.

The scope of regulated activities, the regulators' objectives, obligations and powers and the legal basis for UK regulatory co-operation with overseas regimes will be in legislation. Regulated activities will be defined under FSMA with a detailed definition set out in the Regulated Activities Order, as they are now. Designated activities will be set out in new Designated Activities Regulations. Sitting under all this legislative framework will be the rules made by the financial services regulators.

- **delivering change in tranches**

In Appendix I, we set out a copy of the core list of EU financial services files in scope of the implementation programme. HM Treasury has identified 43 "core files" which are areas of REUL in scope of the programme, with MiFID and Solvency II being two areas. In implementing a comprehensive FSMA model, the intention is to take the opportunity to have what they describe as "targeted policy change".

The intention is to deliver the programme by splitting REUL into tranches.

- The first tranche will deliver the outcomes from the wholesale markets review, the securitisation review and the review into the Solvency II Directive.
- The second tranche will focus on those areas which the Government view as ones with the biggest potential benefits to deliver improvements to UK economic growth.

The subsets of files to form Tranche 2 include:

- remaining implementation of the outcomes of the wholesale market review which identifies significant opportunities to reform the MiFID framework;
 - continue with Solvency II;
 - PRIIPs Regulation;
 - the Short Selling Regulation;
 - the taxonomy regulation;
 - the Money Market Funds Regulation;
 - the Capital Requirements Regulation and Directive;
 - the Long Term Investment Funds Regulation.
- Other files like MiFID will naturally take time to fully transition into the FSMA model, given their size and breadth – and will likely span more than one tranche.

Consequently, the Government is to repeal all REUL through a sequenced and prioritised process over a number of years.

The intention is to make significant progress on Tranches 1 and 2 by the end of 2023. The Government is to take a twin-track approach to Tranche 2.

The first two illustrative SIs published concern the reform of prospectus regulation and the securitisation regulation. A third SI is published which is to give the FCA wider rule making powers in relation to payments regulation.

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- **with comprehensive responsibilities for regulators**

Under the new regime, the regulators will clearly have a key role to play.

To facilitate introduction of this new regime, the Financial Services and Markets Bill will repeal retained EU law and financial services so that it can be replaced with an approach to regulation based on the Financial Services and Markets Act 2000 – FSMA, under which the financial services regulators generally set the regulatory requirements in their rulebooks.

The Government's view is that it wishes to build on the UK's domestic model of regulation and establish a comprehensive FSMA model of regulation for the UK. Under this, the financial services regulators will generally set the direct regulatory requirements within their rulebooks.

The Bill introduces a duty on regulators to keep their rules under review. It also introduces a power for HM Treasury to require that the regulators review rules when this is in public interest. It will be interesting to see how the relationship between the Government and the independent regulators works over time. Introducing a formal mechanism for HM Treasury to require the regulators to conduct views is clearly an indication of the Government wishing to take a potentially proactive role.

Thankfully there is acknowledgement that all of this process must be conducted in a way such that the pace and cost of regulatory change is manageable and considered.

The acknowledgement that regulation as so rationalised should be coherent and easy to navigate is welcome.

In order though to ensure that these objectives are met, it is clearly important that the engagement with the industry is thorough: it is important for firms to participate and engage with Government as the FSM Bill is finalised and work is progressed on the tranches.

New international competitiveness objective

The Future Regulatory Framework Review considered whether the regulators' existing objectives in FSMA were appropriate. The conclusion is that they were considered to be broadly right but, with the regulators taking on responsibility for the regulatory requirements on firms as the repeal of REUL is commenced and rule making responsibilities passed to them, as set out in the FSM Bill, the Government thinks it right that their regulators' objectives should be amended. The amendments are intended to reflect the need to support the long term growth and international competitiveness of the UK economy, including the financial services sector.

The FSM Bill introduces a secondary objective for the FCA and PRA to facilitate the international competitiveness of the UK economy and its growth in the medium to long term subject to aligning with international standards.

Whether or not introducing secondary objectives for the FCA and PRA to provide for a greater focus on growth and international competitiveness will assist is unclear. Whilst regulators should not preclude regulated firms from innovating and being competitive, whether this should translate into the regulator having an objective for such is less certain. Nonetheless, the actual idea of registering the point is a positive one.

Letters dated 8 December 2022 addressed to the FCA and PRA are intended to set "*clear, targeted recommendations for how the regulators should have regard to the Government's economic policy*". The letters state "*The specification of the Government's economic policy and its recommendations to the FCA can be found in the Annex to this letter. These recommendations represent a clear and targeted approach to how the regulators can have regard to the Government's economic policy, while building on the important theme of competition, growth, competitiveness, innovation, trade and better outcomes for consumers from previous letters*". In Appendix 2, we set out the recommendations for the FCA which were attached to the 8 December letter to the FCA.

Whether this might prejudice the independence of the regulators in making them follow a political agenda will be a point to monitor over time.

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Improving the UK regime for asset managers

An important paper to review is the FCA's [Discussion Paper 23/2: Updating and improving the UK regime for asset management](#) which was published in February 2023. In it, the FCA sets out a range of options for change both in the regulation of fund management and asset management in the UK.

The Discussion Paper discusses what the Future Regulatory Framework means for the UK rules for asset management and also what should be prioritised. The FCA is also open to considering other aspects of the rules that need changing - consulting if it is within the FCA's powers or working with HM Treasury if action is required outside of the FCA's remit.

Having though set out broad parameters for discussion, it is discouraging that the Discussion Paper itself seems to be quite specific in its initial suggestions - rather than proposing any radical rethink.

For further details, please see our [Briefing Paper: Updating and improving the UK regime for asset management](#).

Whilst it is really helpful that the FCA is taking this initiative to launch a wide ranging discussion forum, one question for the industry is whether the questions raised indicate a rationalisation plus a few improvements rather than something sufficiently radical for international competitiveness. Will the indicated direction of travel offer a way of improving the UK's position as a fund domicile? Should the proposals, particularly for fund categorisation, form a new debate on what forms of retail funds should be made available, and should they all be fully open-ended? Is there a role for an authorised retail vehicle which has elements of closed-endedness?

It may be too late to look at the international competitiveness of the UK as a fund domicile but surely there are strong reasons for trying to improve the range of investment funds made available to the UK market and UK investors.

Given that this is the first time in a long while that we have the opportunity to participate in a discussion looking at the new rules from the point of view of a blank sheet of paper, it is important that all contribute their views and that all issues are aired with the FCA in the discussion process.

New UK retail disclosure regime

In December 2022, HM Treasury published a [Consultation on PRIIPs and UK Retail Disclosure](#) and the FCA issued a [Discussion Paper, DP22/26](#), on the Future Disclosure Framework.

There is a clear statement in the introduction to the December Consultation Paper that the Government regards the PRIIPs Regulation which the UK inherited from the EU as not fit for purpose. The working assumption is that the regime fails to deliver on its original goals of helping retail investors compare different products and improve their understanding of the investment opportunities available to them.

Whilst all agree that the prescriptive UCITS KIIDs and PRIIPs initiatives have not worked well, the challenge of course, as always, is how you invent a new system which is better. If you think back, the UK has long struggled with this issue prior to the UCITS and PRIIPs KIDs, with UK point of sale disclosure regulation going back to the early 1990s. None has been seen to be entirely satisfactory!

The proposal is that the prescriptive PRIIPs Regulation will be removed and, under the new UK regime, the FCA will be charged with determining the format and presentation requirements for disclosure. Whilst information should be standardised to a "significant degree", it will be for the FCA to set out this in detail.

Following the repeal of the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, the new framework for retail disclosure will, it is asserted, work more effectively with the UK's dynamic capital markets and foster more informed retail investor participation.

Comparability between different types of products will cease to be relevant. Instead the focus will be on ensuring the retail investor "understands the nature of the product that they are purchasing to a sufficient degree to enable an informed choice".

To achieve delivery, this will come under the new regulatory framework described above pursuant to the Future Regulatory Framework Review, with, in this instance, the relevant financial services regulator setting out the detail being the FCA.

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The FCA's Discussion Paper DP22/26 on the Future Disclosure Framework rehearses the history of disclosure documentation and gives initial indications of the FCA's intended approaches. Of particular note:

- The FCA indicate they will continue to work on how UK sustainability disclosure requirements ("UK SDR" requirements) will fit within the new wider disclosure framework, rather than being a discrete standalone document, which is what is initially proposed.
- As you will expect, the Consumer Duty is referenced by the FCA in its Discussion Paper on the first page of its text! Each regulatory initiative with a retail context is to be reviewed within the context of the Consumer Duty and the requirements that Duty imposes on a firm and its senior managers. The FCA state that the Consumer Duty *"will require firms to provide their customers with useful information that equips them to make effective, timely and properly informed decisions"*. It is stressed that the emphasis will be on outcomes based regulation with a view that the new disclosure regime should be similarly outcomes focused.
- Thankfully, there is an indicated move away from a prescriptive regime and consideration of a fundamental review of what is appropriate. There will be an open discussion on how information should be communicated, the form of its presentation and content. The challenge will be achieving the right balance between flexibility of approach and consistency in consumer disclosure.

For further information on the HM Treasury Consultation Paper and the FCA Discussion Paper, please see our [Briefing Paper on the New UK retail disclosure regime](#).

Again, it will be vital for firms to participate in discussions pursuant the FCA Discussion Paper so that the proposals the FCA develop for consultation really do provide the opportunity for clear, fair and meaningful disclosures that will be understood by investors – but equally allow firms to innovate and have flexibility in the approach they take to best suit their purposes and their products. We have the first opportunity in recent years to start from a blank sheet of paper. It is therefore important that firms participate so that the new regime is fit for purpose.

SM&CR

There is to be a review of the Senior Managers & Certification Regime. Whilst it was introduced for the best of intentions in 2019, by imposing such onerous obligations on the senior executives concerned, it did engender some changes to senior executives' mind set into inevitably being more cautious and therefore less innovative for their businesses because of the potential personal risks under the SM&CR. If consideration can be given to maintaining an effective senior managers regime and yet encouraging a slightly more positive mind set for senior managers, that would be welcome.

There is to be a call for evidence as an information gathering exercise "to garner views on the regime's effectiveness, scope and proportionately, and to seek views on potential improvements and reforms."

It will be important for senior managers to respond to this call for evidence with ideas and also information on where SM&CR has inhibited them from doing certain things they might otherwise have done so that progress can be made.

VAT treatment of fund management

Differential treatment of different sorts of vehicles for VAT purposes has been a long running issue. In December 2022, HM Treasury issued a consultation entitled "VAT treatment of fund management services". Proposals have been published to codify existing policy to give clarity and certainty.

Within the UK's membership of the EU, there were debates about the application of the exemption on the management of funds which met the VAT exemption for the management of funds known as Special Investment Funds (SIFs). There is no definition of a SIF in existing legislation and so it was difficult to apply the SIF exemption found in the EU VAT Directive consistently and with certainty.

The Government will now seek to remedy this in UK VAT law by providing legal clarity and certainty.

The Government notes that the fund managers in the UK may rely on either the existing UK exemptions contained in items 9 and 10 (of Group 5, Schedule 9 of VATA), or the SIF criteria based on European Commission guidelines

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derived from EU case law. The intention is to codify both existing UK exemptions and retained EU law into UK statute.

The Government will retain the list of exempt fund types currently comprising items 9 and 10. This is intended to support the UK fund management industry that currently utilise these provisions and do not meet the SIF criteria. No expansion is intended in future. The intention is simply to retain them purely to ensure continuity of treatment for existing funds.

The proposal set out for a fund to be considered a SIF is that the following criteria would be legislated for:

- the fund must be a collective investment

The definition of collective investment is intended broadly to mirror that in FSMA – one wonders if this means they intend to refer to the old collective investment scheme definition?

- the fund must operate on the principle of risk spreading;
- the return on the investment must be depend on the performance of the investments and the holder must bear the risk connected with the fund; and
- the fund must be subject to the same conditions of competition and appeal to the same circle of investors as a UCITS, that is funds intended for retail investors.

Note that this is a departure from the EU Commission's guidelines criteria which also requires funds qualifying as SIFs to be subject to "State supervision". The Government views this unnecessary given the last criteria which is reference to funds intended for retail investors.

Expanding the IME

On 9 December, HMRC reported on the consultation outcome on expanding the investment transactions list for the Investment Management Exemption (IME) and other fund tax regimes.

The Government's comments in its Consultation Outcome update of 9 December 2022 indicate that one of the measures under the Government's fintech sector strategy will be to expand the IME to include types of crypto assets which should provide certainty of tax

treatment to UK investment managers and their non-UK resident investors who are seeking to include crypto assets within their portfolios. The Government anticipate this will also encourage new crypto asset investment management businesses to base themselves in the UK. In the Consultation, the term "investment manager" is used to refer to businesses and individuals who provide investment management services to investors in collective investment arrangements, using the term "fund" to refer to such arrangements.

The aim is to understand the types of crypto assets to include within the IME and whether there is a case for extending this list to other tax regimes which also use the Investment Transactions List (ITL).

Real Estate Investment Trusts (REITs)

From April 2023, the requirement for a REIT to own at least three properties where they hold a single commercial property worth at least £20 million will be removed and there will be an amendment to the rule that applies to properties disposed of within three years of significant development activity.

Long term asset funds

The idea in the UK is to repeal the European's LTIF regulations for European Long Term Investment Funds without replacement. None has been established in the UK and it seems appropriate to remove them from UK law.

The focus will be on the UK's own newly established Long Term Asset Fund (LTAF) regime which the Government thinks will provide a fund structure which is better suited to the needs of the UK market.

Pensions regulation reform

Asset managers should of course always look at the full context and therefore proposals in respect of pensions regulation should also be reviewed.

Here it is important to look both at the traditional DB pension scheme market and also the DC pension market, with the latter of course growing and the former more in its run-off phase with a number of closed schemes. Each of these dynamics has a major impact on the investment

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demands which pension schemes have. Various issues are therefore relevant, including the DWP leading the way on a new value for money framework. If pension schemes and their trustees and their advisers have to look at investment performance, costs and charges and qualify of service for their schemes, they will need to have a flow of information on their investments in order to prepare such.

Under the banner of delivering consumers and businesses, there is reference to the Consultation which has already happened on reforms to remove well designed performance fees from pension regulatory charge caps and laying regulations early in 2023. The idea here is to provide clarity for industry and ensure pension savers can benefit from investing in UK innovation – i.e. a wider range of product which will always be welcome.

Technology and innovation

Under this heading, there will be a number of diverse initiatives.

They will include a response to the Consultation on expanding the Investment Manager Exemption mentioned above to include crypto assets, which will facilitate their inclusion in a portfolio of overseas funds managed in the UK. The hope is for HMRC regulations on this within 2023.

A financial market infrastructure sandbox is to be established in 2023 (legislating for this in the FSM Bill). This will enable firms to test and adopt new technology and innovation such as distributed ledger technology in providing the infrastructure services that underpin markets.

The digital pound

Thinking ahead, the Bank of England and HM Treasury issued a Consultation Paper in February on The digital pound: a new form of money for households and businesses?". Whilst too early to decide whether to build the infrastructure for one, it is indicated that they are convinced that the next stage of preparatory work is justified.

The Consultation sets out their thoughts on a digital pound which would be a retail Central Bank digital currency – digital money for use by households and businesses for everyday payments issued by the Central Bank, the Bank of England.

This Consultation Paper is accompanied by a technology working paper setting out the Bank of England's emerging thinking on the relevant technology and seeking feedback on the potential approach to important technology considerations.

In conclusion

So there is a wide range of initiatives which the Government wishes to progress and with considerable work in numerous areas for the FCA to implement which are relevant to the asset management sector.

As ever and as mentioned several times above, it will be vital for the industry to respond to all of these consultations in order to ensure that the new regime really is a move forward to building a smarter regulatory framework for the UK.

Our initial reaction is that it will involve some radical and imaginative initiatives to achieve the objective of the UK achieving and/or retaining a globally repetitive position. It will be necessary to follow through on the Government's high level aims, requiring both regulators (notably the FCA) and asset managers, to delivering some imaginative reforms.

It may be too late to look at the international competitiveness of the UK as a fund domicile but surely there are strong reasons for trying to improve the range of investment funds made available to the UK market and UK investors. And of course there is an ongoing imperative to maintain strong and effective regulation of UK asset managers so that they can compete in the international marketplace.

Appendix 1

Extract of HM Treasury Policy Statement: Building a Smarter Financial Services Framework in the UK, December 2022: Annex setting out the core list of EU financial services files in scope of the implementation programme

Category	Acronym	Name
Market regulation	MiFiD/R	Markets in Financial Instruments Directive and Regulation
	PRiIPS	Packaged Retail Investment and Insurance-based Products Regulation
	Prospectus	Prospectus Regulation
	LD	Listings Directive
	TD	Transparency Directive
	MAR	Market Abuse Regulation
	SSR	Short Selling Regulation
	Sec Reg	Securitisation Regulation
	SFTR	Securities Financing Transactions Regulation
	BMR	Benchmarks Regulation
Credit	CRAR	Credit Rating Agencies Regulation
	CCD	Consumer Credit Directive
Financial Market Infrastructure	MCD	Mortgage Credit Directive
	CSDR	Central Securities Depositories Regulation
Funds	EMIR	European Market Infrastructure Regulation
	SFD	Settlement Finality Directive
	AIFMD	Alternative Investment Funds Managers Directive
	ELTIF	European Long-Term Investment Funds Regulation
	EuVeCa	European Venture Capital Funds Regulation
	EuSEF	European Social Entrepreneurship Funds Regulation
Green	MMFR	Money Market Funds Regulation
	UCITS	Undertakings for the Collective Investment in Transferable Securities Directive
Insurance	SFDR and Taxonomy	Sustainable Finance Disclosure Regulation and Taxonomy Regulation
	IDD	Insurance Distribution Directive
	IMD	Insurance Mediation Directive
	IRR	Insurers (Reorganisation and Winding-up) Directive
	LACD	Life Assurance Consolidation Directive
	MID	Motor Insurance Directive
Payments	Solvency	Solvency II Directive
	RD	Reinsurance Directive
	CbPEu	Cross-border Payments in Euros Regulation
	EMD	E-Money Directive
	IFR	Interchange Fee Regulation
	PAD	Payments Accounts Directive
	PSD	Payment Services Directive
Prudential Banking	CRR/D (CRR)	Capital Requirements Directive and Regulation
	CID	Credit Institutions (Reorganisation and Winding Up) Directive
Resolution	BRRD	Bank Recovery and Resolution Directive
Shares	SRD	Shareholder Rights Directive
Misc.	DGSD	Deposit Guarantee Schemes Directive
	DMCFS	Distance Marketing of Consumer Financial Services Directive
	FCaD	Financial collateral arrangements Directive
	FCoD	Financial Conglomerates Directive

Note: This sets out 43 "core" files in scope of the implementation programme. Where an underlying EU Directive has been repealed or replaced, and elements of its implementation remain in UK legislation, it has been included for completeness.

This list is focussed on financial services and so it does not capture broader EU files which have required specific implementation for financial services, although its' implementation remains in scope of the programme. Please refer to Schedule 1 of the FSM Bill for a broader list.

Appendix 2

Recommendations for the FCA attached to HM Treasury's letter of 8 December 2022 addressed to the FCA

RECOMMENDATIONS FOR THE FINANCIAL CONDUCT AUTHORITY

The Financial Services and Markets Act 2000 ("the Act") sets out the objectives of the Financial Conduct Authority ("the FCA"). The FCA has a single strategic objective to ensure that the relevant markets function well set out in section 1B(2) of the Act. The FCA also has three operational objectives, set out in section 1B(3):

- to promote effective competition in the interests of consumers;
- to secure an appropriate degree of protection for consumers; and
- to protect and enhance the integrity of the UK financial system.

Section 1B(4) of the Act provides a competition duty for the FCA whereby the FCA must, so far as it is compatible with acting in a way which advances the consumer protection or integrity objective, discharge its general functions in a way which promotes effective competition in the interests of consumers.

The Act will be amended by the Financial Services and Markets Bill which introduces a secondary objective for the FCA to facilitate, subject to aligning with relevant international standards, the international competitiveness of the UK economy (including in particular the financial services sector) and its growth in the medium to long term which will be set out in section 1B and 1EB of the Act.

In discharging its general functions, the FCA must have regard to the regulatory principles set out in Section 3B of the Act and the importance of taking action to minimise the extent to which it is possible for a business to be used for a purpose connected with financial crime.

Section 1JA of the Act allows the Treasury to make recommendations to the FCA about aspects of the economic policy of His Majesty's government to which the FCA should have regard when considering:

- how to act in a way which is compatible with its strategic objective,
- how to advance one or more of its operational objectives,
- how to discharge the competition duty,
- the application of the regulatory principles, and
- the matter mentioned in section 1B(5)(b) (importance of taking action to minimise the extent to which it is possible for a business to be used for a purpose connected with financial crime).

This document contains the Treasury's recommendations to the FCA under section 1JA of the Act.

Appendix 2 continued

A. The government's economic policy

The government's economic policy objective is to achieve strong, sustainable and balanced growth. Price and financial stability are essential pre-requisites to achieve this objective in all parts of the UK and sectors of the economy.

To achieve this objective, the government's economic strategy consists of:

- operationally independent monetary policy, responsible for maintaining price stability and supporting the economy;
- responsible fiscal policy where debt as a proportion of GDP falls over the medium term, supported by strong and independent institutions, and a credible macroeconomic framework maintaining sustainable public finances, while providing the flexibility to support the economy;
- supply side reforms to promote investment, skilled employment, infrastructure, and enterprise to create a more pro-growth environment in all parts of the UK, increasing long-term energy security and delivering Net Zero;
- maintaining a resilient, effectively regulated, and internationally competitive financial system that supports the economy, while protecting consumers and safeguarding taxpayer interests.

B. Matters about aspects of the government's economic policy to which the Financial Conduct Authority should have regard.

When the FCA considers how to advance its objectives, have regard to the regulatory principles and discharge its other relevant duties, it should, where relevant and practical, take these considerations into account, in its assessment of the costs, burdens and benefits of potential rules or policies.

i. Supporting the government's objective of medium to long-term economic growth in the interests of consumers and businesses

The government is committed to boosting growth rates to ensure the enduring health and prosperity of the UK economy with an active supply side reform agenda to encourage investment, innovation, and entrepreneurship. The government considers that the financial services sector has a key part to play in delivering sustainable economic growth which benefits consumers and businesses across the country.

The FCA should therefore have regard to supporting the government's ambition to encourage economic growth in the interests of consumers and businesses including:

- the government's desire to facilitate investment in productive assets, particularly venture and growth capital to support UK scale-up companies that face a particular finance gap.

Appendix 2 continued

- the government's ambitions for the provision of sustainable finance and the supply of long-term investment to support UK economic growth, including the supply of finance for infrastructure projects.
- the government's commitment to securing better outcomes for all consumers, including through improved competition in the interests of consumers and having regard to the needs of different consumers who use or may use financial services.
- the government's ambition to foster a well-functioning housing market that contributes to wider economic growth including helping first-time buyers access the mortgage market.
- the government's aim to deliver smart regulatory reform.

ii. Supporting the government's objective to promote the international competitiveness of the UK

The government, through the Financial Services and Markets Bill, will ensure financial services regulation will be tailored to UK markets in order to bolster the competitiveness of the UK as a global financial centre and deliver better outcomes for consumers and businesses.

The FCA should have regard to the government's strategy to promote competitiveness including through, once enacted, the FCA's new secondary objective to facilitate, subject to aligning with relevant international standards, the international competitiveness of the UK economy (including in particular the financial services sector) and its growth in the medium to long term. As part of this, the FCA should have regard to the government's priorities including:

- the government's desire to swiftly implement the outcomes of the Future Regulatory Framework Review, in a planned and sequenced way, through enacting the repeal of retained EU law with rules designed for the UK.
- the importance of the government's agenda to encourage trade, including through the development and maintenance of deference arrangements, and to promote inward investment into the UK.
- the government's commitment to ensuring that the UK is attractive to internationally active financial services firms and activity.
- the government's support of innovation and new developments in financial markets and active embracing of the use of new technology in financial services, such as crypto technologies, artificial intelligence and machine learning.



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