



Reg Agenda

April 2024 | BULLETIN

What's inside...

- FCA to review firms' treatment of customers in vulnerable circumstances
- FCA reports on using Synthetic Data in Financial Services
- FCA warns firms over anti-money laundering failings



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Foreword by

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Target Group
Chief Risk Officer

Welcome to Target's Reg Agenda

Welcome to the latest edition of Target's Reg Agenda.

March was a very busy month which started with the Spring Budget 2024. The Budget included several developments for the Financial Services sector, such as Environmental, Social and Governance (ESG) Regulation, a new ISA and an update to the Economic Crime Levy.

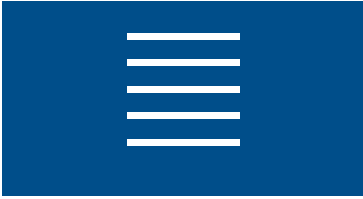
The Financial Conduct Authority (FCA) published its report on the use of Synthetic Data in Financial Services. The report explains the benefits and challenges that come with using Synthetic Data and there are proposals for firms on how they can use Synthetic Data alone or alongside other Privacy Enhancing Techniques. Synthetic Data can be a valuable resource for firms who want to better understand customer behaviour.

On the subject of customer behaviour, the FCA issued a press release to announce a review into firms' treatment of customers in vulnerable circumstances. The review will look at a number of matters including firms' understanding of consumers' needs, product and service design, and communications. The press release also highlighted that, under the Consumer Duty, firms should be acting to deliver good customer outcomes to all customers, including those in vulnerable circumstances.

The FCA also released the first set of data from firms who signed up to the Mortgage Charter. The data shows that, at present, around 760,000 accounts benefitted from one or more of the options set out in the Charter, and that borrowers are more likely to opt for a period of interest-only payments.

The FCA issued a new Dear CEO letter warning Annex 1 firms over anti-money laundering failings. The FCA has stressed that financial crime remains a priority and that some firms are still not getting the basics right. Firms should carefully consider the letter and make sure financial crime policies, controls and procedures are proportionate with the risk profile of the firm and meet the requirement of the Money Laundering Regulations (MLRs).

Happy reading!



This month's headlines



General

Target Servicing Ltd accepts no responsibility for any loss or damage of whatever nature arising in any way out of the use of, or inability to use, this bulletin or from any error or omission in information contained in this bulletin.

List of abbreviations used throughout the Reg Agenda:

- AI** Artificial Intelligence
- AML** Anti-Money Laundering
- BoE** Bank of England
- CTF** Counter Terrorism Financing
- EBA** European Banking Authority
- FCA** Financial Conduct Authority
- FOS** Financial Ombudsman Service
- FSCS** Financial Services Compensation Scheme
- ICO** Information Commissioners Office
- ICT** Information and Communication Technology
- IRSG** International Regulatory Strategy Group
- JROC** Joint Regulatory Oversight Committee
- NAO** National Audit Office
- PRA** Prudential Regulation Authority
- PSR** Payment Systems Regulator
- OFSI** Office of Financial Sanctions Implementation
- TCFD** Task Force on Climate-related Financial Disclosures

- FCA speech: Hallmarks of a future-fit workforce
- Spring Budget 2024
- Treasury Committee report on findings from Sexism in the City inquiry
- FCA statement responds to Treasury Committee report on Sexism in the City inquiry
- FCA speech: Investing in outcomes: a regulatory approach to deliver for consumers, markets and competitiveness
- FCA to review firms' treatment of customers in vulnerable circumstances
- FCA joins other regulators to warn firms on debt collection
- FCA publishes 2024/25 Business Plan
- HM Treasury sets out approach to designation of critical third parties
- HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework for the UK: The next phase



Consumer credit

- FCA portfolio letter for consumer lending firms: March 2024



Mortgages

- FCA webpage: Mortgage Charter uptake data



Enforcement

- There are no material updates for the sector this month



Data protection

- ICO publishes new guidance for employees on sharing personal data in mental health emergencies
- FCA reports on using synthetic data in financial services
- House of Lords European Affairs Committee calls for evidence on data adequacy
- ICO publishes new fining guidance



Complaints

- FOS quarterly complaints data on financial products and services: Q3 2023/24
- FOS announces 2024 increase to its award limits



Investments

- FCA portfolio letter to asset management and alternative firms: March 2024



Financial crime

- FCA warns firms over anti-money laundering failings
- Treasury consults on improvements to MLR's
- Wolfsberg Group statement on countering terrorist financing



General

FCA Speech: Hallmarks of a future-fit workforce

Spring Budget 2024

Treasury Committee report on findings from Sexism in the City inquiry

FCA statement responds to Treasury Committee report on Sexism in the City inquiry

FCA speech: Investing in outcomes: a regulatory approach to deliver for consumers, markets and competitiveness

FCA to review firms' treatment of customers in vulnerable circumstances

FCA joins other regulators to warn firms on debt collection

FCA publishes 2024/25 Business Plan

HM Treasury sets out approach to designation of critical third parties

HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework for the UK: The next phase

FCA Speech: Hallmarks of a future-fit workforce

On 5th March 2024, the FCA published a speech by Emily Sheppard, Chief Operating Officer and Executive Director of Authorisations: 'Hallmarks of a future-fit workforce'.

The speech considers how to attract the right talent into financial services and what that talent looks like.

The key points raised in the speech were:

- ✓ As financial services look to plug the skills gap and ensure its future competitiveness, it's important to tap into skills markets outside of London. This also helps firms to better reflect consumer demographics
- ✓ To attract and retain talent it's important for firms to build strong and healthy cultures that are inclusive, enabling diversity of thought and healthy challenge

- ✓ A highly skilled and agile workforce is better able to respond and adapt to changing world events and new ways of working
- ✓ Firms should look at ways to upskill their workforce as we grapple with the potential and challenges linked to AI

Further reading

The full speech can be found [here](#).

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





General

FCA Speech: Hallmarks of a future-fit workforce

Spring Budget 2024

Treasury Committee report on findings from Sexism in the City inquiry

FCA statement responds to Treasury Committee report on Sexism in the City inquiry

FCA speech: Investing in outcomes: a regulatory approach to deliver for consumers, markets and competitiveness

FCA to review firms' treatment of customers in vulnerable circumstances

FCA joins other regulators to warn firms on debt collection

FCA publishes 2024/25 Business Plan

HM Treasury sets out approach to designation of critical third parties

HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework for the UK: The next phase

Spring Budget 2024

On 7th March 2024, HM Treasury published the UK government's Spring Budget 2024.

The Budget 2024 outlines several key developments that will impact the financial services sector, including:

- ✓ **Pension Fund Disclosure:** introduction of requirements for Defined Contribution pension funds to publicly disclose the breakdown of their asset allocations, including UK equities
- ✓ **Tackling Tax Gap:** a new package of measures to tackle the tax gap, aimed at raising over £4.5 billion by 2028-29
- ✓ **Economic Crime Levy:** adjusting the Economic Crime Levy, increasing the rate paid by entities with UK annual revenue exceeding £1 billion that are regulated for Anti-Money Laundering purposes
- ✓ **Tax Reforms:** abolishment of the current tax regime for non-UK domiciled individuals, replacing it with a simplified residence-based regime
- ✓ **ESG Regulation:** providers of Environmental, Social and Governance (ESG) ratings will be regulated by the FCA
- ✓ **New ISA:** the government will create a new ISA with a £5,000 allowance, in addition to the existing £20,000 ISA allowance, for investment in UK-focused assets

Further reading

The Budget in full can be found [here](#).



General



Data protection



Complaints



Consumer credit



Mortgages



Investments



Financial crime



Enforcement



Dates for the diary



Terms and conditions of use





General

FCA Speech: Hallmarks of a future-fit workforce

Spring Budget 2024

Treasury Committee report on findings from Sexism in the City inquiry

FCA statement responds to Treasury Committee report on Sexism in the City inquiry

FCA speech: Investing in outcomes: a regulatory approach to deliver for consumers, markets and competitiveness

FCA to review firms' treatment of customers in vulnerable circumstances

FCA joins other regulators to warn firms on debt collection

FCA publishes 2024/25 Business Plan

HM Treasury sets out approach to designation of critical third parties

HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework for the UK: The next phase

Treasury Committee report on findings from Sexism in the City inquiry

On 8th March 2024, the House of Commons Treasury Committee published a report on the findings from its 'Sexism in the City' inquiry.

The Committee notes some incremental improvements to tackle sexism in the financial services sector since 2018. Overall, however, it is disappointed that progress is still far too slow.

The Committee heard that many firms still treat diversity and inclusion (D&I) as a 'tick box' exercise rather than a core business priority, despite clear evidence that diverse firms achieve better results. There have only been incremental improvements in the proportion of women holding senior roles in financial services firms, and some sectors have seen no improvement at all.

In addition, there has only been a small reduction in the average gender pay gap in financial services, which remains the largest gender pay gap of any sector in the UK economy. The Committee also found a 'shocking' prevalence of sexual harassment and bullying in financial services, and that firms handle allegations of these behaviours poorly.

The Committee considers that the overarching problem behind the issues identified is that of impunity for perpetrators and a lack of cultural change in the sector.

Generally, the Committee believes that firms must take responsibility for improving their culture. Regulators and the government also have a role to play, but need to think carefully about what will deliver the best outcomes and avoid introducing tick box exercises.

The report sets out recommendations the Committee believes are essential for tackling sexism and misogyny in financial services, including the following:

- ✓ Legislation to ban the use of non-disclosure agreements (NDAs) in sexual harassment cases
- ✓ Stronger protections for whistleblowers in sexual harassment cases
- ✓ A ban on prospective employers asking for salary history
- ✓ A legal requirement to include salary bands in job adverts
- ✓ Reducing the size threshold for gender pay gap reporting from 250+ to 50+ employees for firms in the sector
- ✓ Businesses with wide gender pay gaps must explain and disparity and publish an action plan
- ✓ Regulators should drop their 'costly' plans for extensive diversity data reporting and target setting and instead focus their efforts on ensuring firms' boards and senior management take greater responsibility for improving D&I

Further reading

The full report can be found [here](#).

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





General

FCA Speech: Hallmarks of a future-fit workforce

Spring Budget 2024

Treasury Committee report on findings from Sexism in the City inquiry

FCA statement responds to Treasury Committee report on Sexism in the City inquiry

FCA speech: Investing in outcomes: a regulatory approach to deliver for consumers, markets and competitiveness

FCA to review firms' treatment of customers in vulnerable circumstances

FCA joins other regulators to warn firms on debt collection

FCA publishes 2024/25 Business Plan

HM Treasury sets out approach to designation of critical third parties

HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework for the UK: The next phase

FCA statement responds to Treasury Committee report on Sexism in the City inquiry

On 8th March 2024, the FCA published a statement in response to the House of Commons Treasury Committee report on its 'Sexism in the City' inquiry.

The FCA states it shares the Committee's view that regulators play an important role in this area, given the link to their statutory objectives and the relevance for financial services' competitiveness. It continues to believe that greater D&I within firms can deliver improved internal governance, decision making and risk management.

The FCA notes that the Committee shares its view that change is needed. The FCA explains that this is why it has consulted on proposals to boost D&I in financial services. After extensive discussion, including with the industry, its starting point was that what gets measured gets done, and transparent, comparable data would benefit firms, employees and the wider economy. The FCA welcomes the Committee's feedback on the consultation.

The FCA advised that it will prioritise proposals that tighten expectations on firms to tackle misconduct, such as bullying and sexual harassment. It will also consider the Committee's recommendations on whistleblowing and the use of NDAs, building on its existing work.

In addition, the FCA will reflect on the range of views received, particularly those of the Committee on its proposals that firms should set their own D&I strategy and collect, report and disclose data against certain characteristics.

The FCA notes the Committee has asked it to consider how it engages with boards and other senior leaders on their firms' culture and encourages them to adopt family-friendly policies with equality impact assessments.

The FCA will consider this and the Committee's other recommendations carefully.

Further reading

The FCA's statement can be found [here](#).

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





General

FCA Speech: Hallmarks of a future-fit workforce

Spring Budget 2024

Treasury Committee report on findings from Sexism in the City inquiry

FCA statement responds to Treasury Committee report on Sexism in the City inquiry

FCA speech: Investing in outcomes: a regulatory approach to deliver for consumers, markets and competitiveness

FCA to review firms' treatment of customers in vulnerable circumstances

FCA joins other regulators to warn firms on debt collection

FCA publishes 2024/25 Business Plan

HM Treasury sets out approach to designation of critical third parties

HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework for the UK: The next phase

Further reading

The full speech can be found [here](#).

FCA speech: Investing in outcomes: a regulatory approach to deliver for consumers, markets and competitiveness

On 14th March 2024, the FCA published a speech given by Nikhil Rathi, FCA Chief Executive, on its regulatory approach to consumers, markets and competitiveness and its shift to outcomes-focused regulation.

Points of interest in the speech include the following:

Consumer Duty

Mr Rathi explains that the FCA is not looking to trip firms up by going after technical breaches of the Duty. Rather, it looks favourably on firms taking reasonable steps to identify and proactively address concerns, even if mistakes are made. He says that the FCA wants to be pragmatic, so has focussed on the greatest harms, such as the cash savings market and insurance products such as premium finance and GAP insurance.

Consumer redress

Mr Rathi talks about the FCA's approach to redress for past actions. He explains that the FCA is not retrospective and aims to act proactively and thoroughly understand the problem. This is how it has been approaching historical motor finance commissions arrangements and, while this has generated some uncertainty about how it will assess outcomes, it is working hard to get

to the bottom of the facts and will set out next steps by the end of September 2024.

He calls on firms to co-operate fully and provide data comprehensively and promptly so that it can clarify matters in a more condensed time frame. More broadly, the FCA is developing guidance for firms on its expectations about what they should do to deal with identified redress issues more quickly and effectively. It intends to consult on this and better complaints reporting later in 2024.

The FCA's role as a prudential regulator

Mr Rathi explains that the FCA is using financial resilience data on a more systematic basis. It wants to strengthen its 'polluter pays' approach and is consulting on new rules for financial advisers that require them to calculate potential redress liabilities, deduct that from regulatory capital and apply automatic asset retention if this breaches minimum requirements until the issue is resolved.

He also notes that the FCA recognises the appropriateness of calibrating prudential rules in a proportionate way to support appropriate risk taking, international business and wholesale trading activity and it will have this in mind as it looks at reviews of its frameworks in the coming year.

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





General

FCA Speech: Hallmarks of a future-fit workforce

Spring Budget 2024

Treasury Committee report on findings from Sexism in the City inquiry

FCA statement responds to Treasury Committee report on Sexism in the City inquiry

FCA speech: Investing in outcomes: a regulatory approach to deliver for consumers, markets and competitiveness

FCA to review firms' treatment of customers in vulnerable circumstances

FCA joins other regulators to warn firms on debt collection

FCA publishes 2024/25 Business Plan

HM Treasury sets out approach to designation of critical third parties

HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework for the UK: The next phase

FCA to review firm's treatment of customers in vulnerable circumstances

On 15th March 2024, the FCA published a press release announcing that it is to conduct a review into firms' treatment of customers in vulnerable circumstances.

The review, which has been mooted since the FCA introduced new guidance for the treatment of vulnerable customers in 2021, will look at matters including:

- ✓ Firms' understanding of consumer needs
- ✓ The skills and capability of staff
- ✓ Product and service design
- ✓ Communication and customer service and whether these support the fair treatment of customers in vulnerable circumstances
- ✓ The outcomes consumers in vulnerable circumstances receive and whether they are as good as the outcomes of other consumers

The FCA will conduct consumer research as well as gather information from firms and consumer representatives to make its assessment. It intends to share its findings by the end of 2024.

In the press release, the FCA highlights that, under Consumer Duty, firms should act to deliver good outcomes for all customers, including those with characteristics of vulnerability.

Further reading

The full press release can be found [here](#).

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





General

FCA Speech: Hallmarks of a future-fit workforce

Spring Budget 2024

Treasury Committee report on findings from Sexism in the City inquiry

FCA statement responds to Treasury Committee report on Sexism in the City inquiry

FCA speech: Investing in outcomes: a regulatory approach to deliver for consumers, markets and competitiveness

FCA to review firms' treatment of customers in vulnerable circumstances

FCA joins other regulators to warn firms on debt collection

FCA publishes 2024/25 Business Plan

HM Treasury sets out approach to designation of critical third parties

HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework for the UK: The next phase

Further reading

The full statement can be found [here](#).

FCA joins other regulators to warn firms on debt collection

On 18th March 2024, the FCA, as part of the UK Regulators Network (UKRN) with Ofcom, Ofgem and Ofwat, published a joint statement setting out their shared expectations in relation to debt collection by regulated companies.

The statement follows a joint letter sent by the four regulators (via UKRN) in June 2023, setting out shared expectations on how firms in each sector should support customers in financial difficulty. Due to ongoing cost of living pressures, some customers are still at risk of falling into arrears and being subject to collections action. The regulators believe it is the right time to explain the consumer outcomes that they expect to see firms delivering, in response to identified consumer harms that cut across sectors.

The letter notes that firms should be aware that customers in vulnerable circumstances may find it difficult to engage with creditors, and that their vulnerabilities may be exacerbated if creditors take an inappropriate approach to collections.

Therefore, the regulators expect firms to ensure that:

- ✓ An appropriate frequency of collections communications is used. Frequency should be reduced where it is not delivering positive customer

engagement or is causing harm to consumers. Positive engagement with consumers is crucial; collections communications should use a tone that is supportive and avoid threatening or intimidating language

- ✓ Information about free debt advice and how to access it is clear and prominent in collections communications and 'warm' referrals are used where appropriate to help customers engage with free debt advice as early and easily as possible
- ✓ It is as easy as possible for advisers from free debt advice organisations to contact creditors and customer service agents are empowered to resolve the issues advisers contact them about

These expectations are drawn from existing rules, guidance and best practice across the sectors (which are listed in the letter).

The regulators warn that if they find that firms are delivering poor outcomes leading to consumer harm, they may take robust action.

The four regulators ask firms to commit to delivering these outcomes. They will continue to work together, monitor how customers in financial difficulty are being supported in 2024 and review whether further action is required.

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





General

FCA Speech: Hallmarks of a future-fit workforce

Spring Budget 2024

Treasury Committee report on findings from Sexism in the City inquiry

FCA statement responds to Treasury Committee report on Sexism in the City inquiry

FCA speech: Investing in outcomes: a regulatory approach to deliver for consumers, markets and competitiveness

FCA to review firms' treatment of customers in vulnerable circumstances

FCA joins other regulators to warn firms on debt collection

FCA publishes 2024/25 Business Plan

HM Treasury sets out approach to designation of critical third parties

HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework for the UK: The next phase

Further reading

The Business Plan can be found [here](#).

FCA publishes 2024/25 Business Plan

On 19th March 2024, the FCA set out its business plan for the next 12 months.

The business plan should be read alongside the FCA's 3-year strategy to understand its longer-term aspirations.

Over the next 12 months, the FCA expects further challenges around higher interest rates and persistent inflation. Whilst the Bank of England's intent is to return inflation to 2%, as of 21st March 2024 interest rates remain at 5.25%, which puts further squeezes on household incomes. Global financial and geopolitical risks also impact the UK's financial stability.

The FCA has committed to continuing to deliver 13 public commitments, focusing on:

- ✔ Reducing and preventing financial crime
- ✔ Putting consumers' needs first
- ✔ Strengthening the UK's position in global wholesale markets

Reducing and preventing financial crime

In 2024/25 the FCA will continue its fraud awareness campaigns, strengthen proactive supervision through the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), and use data to target firms more susceptible to receiving proceeds of fraud.

Putting consumers' needs first

In 2024/25 the FCA will carry out supervisory work to test firms' implementation of the Consumer Duty, continue work to ensure people with savings receive a fair deal and are kept informed of better rates, finalise rules to improve outcomes for customers in financial difficulty and consult on changes to debt advice rules to improve outcomes for vulnerable customers.

Strengthening the UK's position in the global wholesale markets

In 2024/25 the FCA will deliver ambitious Primary Market policy reforms, concluding the review of the Listing Regime, ensure venues are able to deal and remain resilient in extreme events, work with HM Treasury to meet the Government's objective of launching an intermittent trading platform and focus on its own capability and capacity to respond to heightened market volatility and events in global markets.

There are a further 10 commitments covering the ongoing work being carried out by the FCA.

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





General

FCA Speech: Hallmarks of a future-fit workforce

Spring Budget 2024

Treasury Committee report on findings from Sexism in the City inquiry

FCA statement responds to Treasury Committee report on Sexism in the City inquiry

FCA speech: Investing in outcomes: a regulatory approach to deliver for consumers, markets and competitiveness

FCA to review firms' treatment of customers in vulnerable circumstances

FCA joins other regulators to warn firms on debt collection

FCA publishes 2024/25 Business Plan

HM Treasury sets out approach to designation of critical third parties

HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework for the UK: The next phase

HM Treasury sets out approach to designation of critical third parties

On 21st March 2024, HM Treasury published a document setting out its approach to designating critical third parties (CTPs).

HM Treasury has power under the Financial Services and Markets Act 2023 (FSMA 2023) to designate an entity that provides third-party services to the UK financial services sector as 'critical'. FSMA 2023 also gives the Bank of England (BoE), the PRA and the FCA (the financial regulators) power to set and enforce rules for designated CTPs.

The financial regulators consulted on their proposed rules in December 2023.

HM Treasury expects to base its designations of CTPs on recommendations from the financial regulators and it has asked the financial regulators to prepare recommendations in a way that supports its assessment of the prospective CTP against the statutory criteria for designation. However, HM Treasury may also designate a CTP without a recommendation from the financial regulators.

It expects that CTPs will represent only a small proportion of third-party service providers to the financial services sector. Since designations are made by Regulations, they will be public and visible on legislation.gov.uk

HM Treasury sets out an indicative process for designation and how it will communicate a designation decision. It also addresses de-designation. It has asked the financial regulators to regularly assess the list of CTPs, as well as recommend removal of a CTP's designation.

Further reading

The full document can be found [here](#).

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





General

FCA Speech: Hallmarks of a future-fit workforce

Spring Budget 2024

Treasury Committee report on findings from Sexism in the City inquiry

FCA statement responds to Treasury Committee report on Sexism in the City inquiry

FCA speech: Investing in outcomes: a regulatory approach to deliver for consumers, markets and competitiveness

FCA to review firms' treatment of customers in vulnerable circumstances

FCA joins other regulators to warn firms on debt collection

FCA publishes 2024/25 Business Plan

HM Treasury sets out approach to designation of critical third parties

HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework for the UK: The next phase

HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework for the UK: The next phase

On 21st March 2024, HM Treasury published a document on the next phase of the Smarter Regulatory Framework (SRF).

The SRF is HM Treasury's project to replace assimilated law (formerly retained EU law) relating to financial services. HM Treasury has allocated this law to over 40 policy files and prioritised its work by allocating the files to several tranches.

In the document, HM Treasury confirms the policy files on which it will focus on in the next tranche of the SRF (tranche 3).

The files concern assimilated law relating to:

- ✓ The Alternative Investment Fund Managers Directive (2011/61/EU) (AIFMD)
- ✓ The UCITS Directive (2009/65/EC)
- ✓ The revised Payment Services Directive ((EU 2015/2366) (PSD2) and the second Electronic Money Directive (2009/110/EC) (2EMD)
- ✓ EMIR (648/2012). This work will focus on Titles III, IV and V of EMIR relating to Central Counterparties (CCPs)

- ✓ The Markets in Financial Instruments Regulation (600/2014) (UK MiFIR) and the MiFID II Directive (2014/65/EU). This work will focus on Commission Delegated Regulation (EU) 2014/565 (MiFID Org Regulation) and MIFIR provisions relating to transaction reporting
- ✓ The Capital Requirements Regulation (575/2013) (CRR). This work will focus on parts of the CRR that are not affected by the implementation of Basel 3.1

HM Treasury will communicate its approach to the remaining assimilated law and any further tranches in due course.

The document follows on from previous HM Treasury documents on the progress of the SRF that were published in December 2022 and July 2023.

Further reading

The full document can be found [here](#).

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





Data protection

ICO publishes new guidance for employees on sharing personal data in mental health emergencies

FCA reports on using synthetic data in financial services

House of Lords European Affairs Committee calls for evidence on data adequacy

ICO publishes new fining guidance

ICO publishes new guidance for employees on sharing personal data in mental health emergencies

On 1st March 2024, the Information Commissioner’s Office (ICO) published new guidance for employers clarifying how personal data sharing may be permitted during workplace mental health emergencies.

A key message the guidance gives is that data protection does not act as a barrier to necessary and appropriate information sharing where a mental health emergency occurs. It furthermore outlines that the primary focus should be protecting the mental and physical health of the person involved and of any others who may be impacted.

Consequently, the ICO’s guidance acknowledges that employers may need to share necessary and proportionate information with the relevant emergency services and health professionals, to mitigate against the risk of serious harm to the employee or others.

The guidance further affirms an employer will not get into trouble for sharing a worker’s personal information with their next of kin or emergency contact, but it does stipulate that employers are required to use care and judgement to determine the level of information to share based on each specific case.

The ICO guidance encourages employers to forward plan how they will deal with personal data sharing in the event of an employee mental health emergency, by taking the following actions:

- ✔ Identify the correct lawful basis for processing and sharing personal data in circumstances where a mental health emergency occurs
- ✔ Develop a policy on personal data sharing for mental health emergencies. The policy should describe the type of information involved, who they may need to share the information with and the security measures in place. Such a policy should be shared with all workers and training provided on handling personal data during a mental health emergency
- ✔ Ensure that details of next of kin and emergency or mental health contacts for workers are kept up to date through regular review. To enhance confidentiality of their mental health information, consider allowing workers to provide separate emergency contact for general emergencies, as compared to mental health emergencies

This guidance is part of a suite of data protection guidance from the ICO aimed at providing clarity to employers on the lawful processing of employee personal data.

Further reading

The full guidance can be found [here](#).

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





Data protection

ICO publishes new guidance for employees on sharing personal data in mental health emergencies

FCA reports on using synthetic data in financial services

House of Lords European Affairs Committee calls for evidence on data adequacy

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FCA reports on using synthetic data in financial services

On 8th March 2024, the FCA published a report designed to help firms and regulatory practitioners better understand the techniques, opportunities and challenges surrounding the use of synthetic data.

Synthetic data is one of several Privacy Enhancing Techniques (PETs), that can be used to generate meaningful data for firms whilst minimising the risks of sharing real sensitive personal or financial data. It is one of several PETs available for firms to consider.

There are three broad ways in which synthetic data can be utilised:

- 1. Data augmentation and bias mitigation:** expanding or reducing the bias associated with the underlying data for model generation
- 2. Systems testing and model validation:** testing the robustness of AI and machine learning systems, validating their performance under diverse scenarios
- 3. Internal and external data sharing:** responsibly sharing data and associated models within a firm and/or to support externally facing financial services

A common challenge with synthetic data is validating that the data being created is fit for purpose based on appropriate characteristics, whilst still suitably protecting data subjects. The report identifies three key elements to consider when evaluating synthetic data:

- ✓ **Privacy:** the risk that sensitive data can be re-identified from the synthetic dataset
- ✓ **Utility:** the synthetic data's usefulness for a given task or set of tasks
- ✓ **Fidelity:** the statistical similarity between the synthetic dataset to the input real data

Synthetic data can be a valuable resource for firms wanting to better understand customer behaviour, given its ability to supplement data quality and quantity. The value of synthetic data by itself or alongside other PETs will depend on the intended use by the firm.

Any firms that are considering the use of synthetic data should read and consider the insights this report provides.

Further reading

The Report can be found [here](#).

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





Data protection

ICO publishes new guidance for employees on sharing personal data in mental health emergencies

FCA reports on using synthetic data in financial services

House of Lords European Affairs Committee calls for evidence on data adequacy

ICO publishes new fining guidance

House of Lords European Affairs Committee calls for evidence on data adequacy

On 18th March 2024, the House of Lords European Affairs Committee launched an inquiry into data adequacy and its implications for the UK-EU relationship.

The inquiry will focus on how current arrangements are working in practice and the possible implications of any divergence in the data protection regimes of the UK and EU.

The UK's adequacy decisions under the GDPR and Law Enforcement Directive are due to be received by the European Commission by June 2025 (four years from being granted).

The inquiry's call for evidence asks for views on:

- ✓ The existing adequacy arrangements, including the performance and effectiveness of the Information Commission's Office
- ✓ Possible challenges to the UK-EU adequacy regime
- ✓ Implications of a no (or disrupted) adequacy scenario, including views on the government's proposed reforms
- ✓ Lessons learned from other countries' adequacy systems, including views on the UK joining the Global Cross Border Privacy Rules system (CBPRs)

Written evidence should be submitted by 12pm on Friday 3rd May 2024, following which public evidence sessions are expected to take place between March and June, with the Committee aiming to report by July 2024.

Further reading

The call for evidence can be found [here](#).

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





Data protection

ICO publishes new guidance for employees on sharing personal data in mental health emergencies

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ICO publishes new fining guidance

ICO publishes new fining guidance

On 18th March 2024, the ICO published new Data Protection Fining Guidance.

The guidance explains in detail:

- ✓ The statutory provisions empowering the ICO to issue penalty notices
- ✓ The factors the ICO will consider when deciding whether to issue a penalty notice
- ✓ The five-step methodology the ICO will use to calculate the amount of any fine
- ✓ The ICO's position on specific aspects of its enforcement powers arising from the results of the ICO's public consultation on the draft version of the fining guidance


Providing greater depth and improved transparency regarding the ICO's approach to imposing fines is important to organisations because of the wide-ranging nature of the ICO's enforcement powers and the sheer size of the maximum potential fine for breaching UK data protection law (the higher of £17.5 million or 4% of the total worldwide annual turnover of the undertaking).

It is important for the ICO to be transparent about enforcement and fines, in the interest of maintaining public confidence that data privacy rights are robustly and appropriately protected under the UK regime.

Further reading

The full guidance can be found [here](#).

 General


 Data protection

 Complaints

 Consumer credit

 Mortgages

 Investments

 Financial crime

 Enforcement

 Dates for the diary

 Terms and conditions of use





Complaints

FOS quarterly complaints data on financial products and services: Q3 2023/24

FOS announces 2024 increase to its award limits

FOS quarterly complaints data on financial products and services: Q3 2023/24

On 1st March 2024, the Financial Ombudsman Service (FOS) published its quarterly complaints data on financial products and services for the period of October to December 2023.

The FOS received 81,036 enquiries and 47,868 new complaints about financial products and services during this complaint period across all complaint categories. It upheld 35% of the cases it resolved in favour of the consumer.

The latest data shows that consumers lodged 5,660 complaints about credit cards, the highest ever level for a three-month period, and 3,086 of these complaints were due to perceived unaffordable or irresponsible lending by firms. In the same period in 2022/23, there were only 665 complaints about unaffordable or irresponsible lending.

Almost three quarters of the credit card and unaffordable lending complaints were brought by professional representatives, compared with just a quarter of these complaints in Q3 2022/23.

Across a variety of financial products, the FOS received almost 7,500 complaints about perceived irresponsible and unaffordable lending, of which 70% were from professional representatives.

The uphold rate for complaints brought by professional representatives which the FOS resolved in this period was 14%, compared to 44% for consumers who brought complaints directly to the FOS.

Aside from credit cards, the categories in the top five most complained about products were:

- ✔ Current accounts, where fraud and scams are the main complaint driver
- ✔ Motor hire purchase, where around half of new complaints related to motor finance commission arrangements and sales
- ✔ Car and motorcycle insurance and buildings insurance. The rise in these complaints is due to a number of factors including an increase in insurers delaying claim payouts, contractor availability impacting the speed of repairs and inability to source materials

In a related press release, Abby Thomas, FOS Chief Executive and Chief Ombudsman, commented she is concerned to see such a significant rise in credit card complaints at a time when many are struggling with the current economic environment.

She reminds lenders that they have a duty to support their customers whatever their circumstances and are obliged to help people who are struggling with debt.

Further reading

The full data set can be found [here](#).

 General

 Data protection

 Complaints

 Consumer credit

 Mortgages

 Investments

 Financial crime

 Enforcement

 Dates for the diary

 Terms and conditions of use





Complaints

FOS quarterly complaints data on financial products and services: Q3 2023/24

FOS announces 2024 increase to its award limits

FOS announces 2024 increase to its award limits

On 13th March 2024, the FOS published a press release announcing that the FCA has confirmed the latest increase to its award limits.

The background to increasing the FOS' award limits is set out in the March 2019 joint FOS and FCA policy statement PS19/8.

The FOS' award limit is the maximum amount it can require a financial services firm to pay when it upholds a complaint. This limit is adjusted each year with inflation, as measured by the Consumer Price Index (CPI).

From 1st April 2024, the FOS' award limits will change to:


- ✓ £430,000 for complaints referred to it on or after 1st April 2024 about acts or omissions by firms on or after 1st April 2019
- ✓ £195,000 for complaints referred to it on or after 1 April 2024 about acts or omissions by firms before 1st April 2019

The FOS will update the guidance on its website to reflect these changes from 1st April 2024.


Further reading

The full press release can be found [here](#).

 General

 Data protection

 Complaints

 Consumer credit

 Mortgages

 Investments

 Financial crime

 Enforcement

 Dates for the diary

 Terms and conditions of use





Consumer credit

FCA portfolio letter for consumer lending firms: March 2024

On 20th March 2024, the FCA published a portfolio letter setting out its supervisory strategy for firms involved in the consumer lending market.

The letter focuses on issues relevant to three portfolios in the consumer lending sector (high-cost lenders, mainstream consumer credit lenders and credit unions) to whom the FCA has previously sent separate portfolio letters.

In the letter, the FCA sets out its view of the key risks of harm that consumer lending firms' activities are likely to pose. For each of the risks, the FCA sets out its view of the risk, its expectation and the actions it intends to take.

The risks are grouped into three priority areas of focus:

- ✔ **Promoting competition and positive change:** The FCA highlights issues relating to consumers' access to affordable credit
- ✔ **Reducing and preventing serious harm:** The FCA highlights issues including sustainable and responsible lending, supporting consumers in financial difficulty, systems and controls to mitigate the risks of financial crime and the robustness of firms' governance arrangements
- ✔ **Setting and testing higher standards:** The FCA sets out its expectation on firm's ongoing compliance with the Consumer Duty and the policy changes that are likely to affect the sector, including reforms to the Consumer Credit Act 1974 (CCA)


Call to action

- The FCA does not expect firms to respond to the letter. However, it will expect firms to consider it at board level and to be able to explain the actions they have taken in response to the FCA on request.

Further reading

The fully portfolio letter can be found [here](#).

 General

 Data protection

 Complaints

 Consumer credit

 Mortgages

 Investments

 Financial crime

 Enforcement

 Dates for the diary

 Terms and conditions of use





FCA webpage: Mortgage Charter uptake data

On 22nd March 2024, the FCA published a new webpage providing the first publication of data from firms who signed up to the government's Mortgage Charter.

The Mortgage Charter was introduced in June 2023 and contained commitments, over and above FCA requirements, made by certain mortgage lenders.

There are 48 signatories representing around 90% of the mortgage market.

Key findings include:

- ✓ Data suggests that a minimum of around 760,000 accounts benefited from one or more of the options set out in the Charter, whether explicitly or through a business-as-usual channel
- ✓ Around 90,543 mortgage accounts are subject to temporarily reduced monthly payments via the new FCA rules
- ✓ Between July 2023 and January 2024, the monthly payments on around 123,000 accounts were reduced as people switched to temporarily paying interest-only or extended their mortgage term, which is around 1.4% of regulated mortgage contracts. The data shows that only 103 term extensions were reversed, which could indicate that

borrowers seeking a temporary reduction in their payments are more likely to opt for an interest-only period

- ✓ 67 properties were repossessed within 12 months of missing the first payment. Firms report these were for customer-driven reasons, like voluntary possessions or abandoned/vacant properties

The FCA asked signatory firms for information on the uptake of the new options to the best of their ability, given the pace at which the Charter was implemented.

The FCA will publish the data quarterly whilst it continues to ask firms to report on Charter uptake.

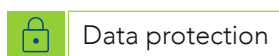
It will also use the data on uptake of the Mortgage Charter to understand how it has been used and to inform its policy and supervisory approach.

Further reading

The webpage can be found [here](#).



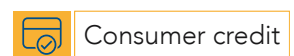
General



Data protection



Complaints



Consumer credit



Mortgages



Investments



Financial crime



Enforcement



Dates for the diary



Terms and conditions of use





FCA portfolio letter to asset management and alternative firms: March 2024

On 1st March 2024, the FCA published a portfolio letter providing an interim update on its supervisory strategy for the asset management and alternative portfolios.

The FCA explains that the update reflects changes in the external risk environment and work that has been completed since its February 2023 portfolio letter. The update also provides the FCA's areas of focus for this sector over the next year.

The areas of focus highlighted in the letter are consistent with the multi-year plan set out previously and are intended to give firms clarity on the FCA's areas of regulatory focus for the year ahead. In the event of unexpected future events, the FCA notes that it may need to reconsider the plan. If this happens, it will provide an update.

The FCA identifies the following as its supervisory priorities (explaining its view of the risks for each, its expectations of firms and what it plans to do itself):

- ✔ **Setting and testing higher standards:** this includes focussing on assessments of value (AoV) and the price and value of products and services provided to unit-linked funds in the light of Consumer Duty, as well as operational resilience
- ✔ **Reducing and preventing serious harm:** this includes focusing on market integrity and disruption
- ✔ **Supporting innovation:** this includes work on fund and asset tokenisation
- ✔ **Promoting competition and positive change:** this includes work to implement the government's Smarter Regulatory Framework (SRF) with a focus on MiFID, AIFMD, and UCITS, as well as modernising the funds authorisation process and enabling cross-border operation.

Call to action

- The FCA expects firms' CEOs to discuss the letter with their board and executive committee, consider how it applies to their business and where necessary, take action.

Further reading

The full portfolio letter can be found [here](#).

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement



Financial crime

FCA warns firms over anti-money laundering failings

Treasury consults on improvements to MLR's

Wolfsberg Group statement on countering terrorist financing

FCA warns firms over anti-money laundering failings

On 5th March 2024, the FCA published a copy of a new Dear CEO letter sent to Annex 1 firms warning them about concerns identified with common anti-money laundering controls.

The summary, published by the FCA alongside a copy of the letter, stressed that financial crime remains a priority for the regulator and that "some [firms] are still not getting the basics right".

Following a data-led review of Annex 1 firms, common weaknesses identified included:

- ✓ Discrepancies between firms registered and actual activities
- ✓ Financial crime controls which had not kept pace with business growth
- ✓ A failure to risk assess their own or their customers' activities properly
- ✓ Inadequate resourcing and oversight of financial crime issues and requirements

The FCA has given Annex 1 firms six months to complete a gap analysis of each of the common weaknesses listed above and otherwise tighten up their financial crime controls, otherwise they could face regulatory action.

As part of the news article, the FCA referred to its article published last month on 'reducing and preventing financial crime'.

For further information, please see our March Reg Agenda update where we covered this article.

As with all Dear CEO letters, whilst the focus has been on Annex 1 firms, all firms should take heed of the messages and gaps identified by the FCA and ensure they do their own proactive analysis to fix similar weaknesses before this is highlighted through a regulatory data request or visit.

Further reading

The news article which includes a link to the Dear CEO letter can be found [here](#).

 General

 Data protection

 Complaints

 Consumer credit

 Mortgages

 Investments

 Financial crime

 Enforcement

 Dates for the diary

 Terms and conditions of use





Financial crime

FCA warns firms over anti-money laundering failings

Treasury consults on improvements to MLR's

Wolfsberg Group statement on countering terrorist financing

FCA consults on improvements to MLR's

On 11th March 2024, HM Treasury published a consultation on changes to improve the effectiveness of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs), while minimising burdens on legitimate customers.

The consultation forms part of HM Treasury's wider work aimed at reducing money laundering, which was set out in the Economic Crime Plan 2023-26.

The consultation covers issues already identified by HM Treasury as well as a number of issues put forward by key stakeholders, such as the anti-money laundering/counter terrorist financing supervisors, the regulated industries and their representative bodies, which could reduce burdens and make the regulations more effective at tackling economic crime.

The consultation covers four core themes:

1. Making customers due diligence more proportionate and effective
2. Strengthening system coordination
3. Providing clarity on scope of the MLRs
4. Reforming registration requirements for the Trust Registration Service

Along with the consultation, HM Treasury has published a survey on the cost of compliance with the MLRs, aimed at increasing understanding of how regulated businesses comply with the regulations and to assess the impact of future changes to the MLRs.


Call to action

- The consultation ends on 9th June 2024.

Further reading

The full consultation can be found [here](#).

 General

 Data protection

 Complaints

 Consumer credit

 Mortgages

 Investments

 Financial crime

 Enforcement

 Dates for the diary

 Terms and conditions of use





Financial crime

FCA warns firms over anti-money laundering failings

Treasury consults on improvements to MLR's

Wolfsberg Group statement on countering terrorist financing

Wolfsberg Group statement on countering terrorist financing

On 20th March 2024, the Wolfsberg Group published a statement on countering terrorist financing (CTF).

In the statement the group describes the role of financial institutions in CTF and the key controls which seek to mitigate and manage the risk of a financial institution being abused for the financing of terrorism, as part of a risk-based financial crime compliance programme.

The group recognises that terrorists, terrorist acts and terrorist financing can be domestic or international and that terrorism can be associated with different ideologies and political, religious, social or environmental beliefs, or encouraged or facilitated by nation states. It notes that funds used in the financing of terrorism do not necessarily derive from criminal activity and that the ultimate use and purpose of funds received by terrorist groups need not link to a terrorist act to trigger reporting or other obligations for financial institutions.

The group supports the following of the Financial Action Task Force (FATF) as measures conducive to CTF:

- **recommendation 5** - the criminalisation of terrorist financing
- **recommendation 6** - targeted financial services related to terrorism and terrorist financing
- **recommendation 8** - measures to prevent the misuse of non-profit organisations

The statement also considers:

The role of financial institutions

The group states that financial institutions assist in the fight against terrorist financing through proactive prevention and detection and by meeting their regulatory reporting obligations. They should respond promptly to governmental enquiries and requests, seek to prevent terrorists and terrorist organisations from accessing their financial services and identify and report activity that may be indicative of terrorist financing.

Risk-based controls framework

The group highlights the importance of a risk-based approach, customer due diligence (CDD) and monitoring and screening by financial institutions.

Global co-operation

The group advocates for financial services industry co-operation with law enforcement and government agencies in their CTF work. It also encourages working with trusted partners in the private sector to share insights regarding patterns and trends and other relevant information.

Further reading

The full statement can be found [here](#).

Call to action

- The statement replaces the group's first statement on the suppression of the financing of terrorism, which was published in January 2002.

General

Data protection

Complaints

Consumer credit

Mortgages

Investments

Financial crime

Enforcement

Dates for the diary

Terms and conditions of use





Dates for the diary

| | |
|-------------|---|
| Feb 2024 | Regulatory Framework for approval of financial promotions |
| 15 Mar 2024 | Operational Resilience: CP23/30 Critical Third Parties to the UK financial sector consultation closes |
| March 2024 | Synthetic sterling 3-month LIBOR rate ceases |
| H1 2024 | Tailored Support Guidance (TSG) - Policy Statement |
| H1 2024 | ESG Governance, Remuneration, Incentives and Training - Feedback Statement |
| H2 2024 | Diversity and Inclusion in Financial Services – Policy Statement |
| July 2024 | Proposed Consumer Duty implementation period ends, and rules and guidance come into force for closed products |
| Late 2024 | Credit Information Market Study Final Report – Consultation Papers |
| Q4 2024 | Evaluation of the persistent debt intervention – Publication |
| End 2024 | Post-implementation review of the Guidance for firms on the fair treatment of vulnerable customers – Final Report |
| 2024 | Reviewing the Appointed Representatives (ARs) Regime – Treasury Feedback Statement |
| 2024 | Complaints Reporting Review |
| 2024 | Ban on cold calling for consumer financial services products |
| 2024 | Review of the Senior Managers and Certification Regime (SM&CR) – Consultation Paper |
| 2024 | Regulation of Buy Now Pay Later (BNPL) |
| 2024 | Second Consumer Credit Act Consultation to be published with more detailed proposals |
| 17 Jan 2025 | The EU's Draft Digital Operational Resilience Act (DORA) |




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 General

 Data protection

 Complaints

 Consumer credit

 Mortgages

 Investments

 Financial crime

 Enforcement

 Dates for the diary

 Terms and conditions of use





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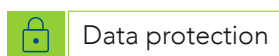
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A TECH MAHINDRA COMPANY



General



Data protection



Complaints



Consumer credit



Mortgages



Investments



Financial crime



Enforcement



Dates for the diary



Terms and conditions of use

