

Government announces wide-ranging Financial Services Bill

AT A GLANCE

May 2022

What's new?

- On 10 May 2022 the Government announced it will introduce a Financial Services and Markets Bill (FSMB) in the new Parliament. The FSMB will enact the Government's Future Regulatory Framework (FRF) reforms and planned amendments as a result of the Solvency II and Wholesale Markets reviews.
- The FSMB will also build on recent steps to protect consumers from harm by legislating to ensure access to cash and to protect consumers from authorised push payment (APP) fraud. The FSMB will contain a number of measures to respond to technological innovation in the sector.
- The Government also announced a number of other Bills, including Economic Crime and Corporate Transparency, Data Reform and Brexit Freedoms, all of which will be of interest to the financial services industry.

What does this mean?

- Further details on the FSMB will be provided in due course but the Government has indicated it will include a number of provisions, such as:
 - Implementing the proposals in the **Future Regulatory Framework Review**, including [delegating further rule-making powers to the UK regulators and giving them a secondary objective for growth and international competitiveness](#).
 - Revoking onshored EU financial services regulation and taking forward proposals included in the **Solvency II** and **Wholesale Markets Reviews**. These amendments aim to reduce regulatory burdens to encourage growth and the competitiveness of UK financial services.
 - Amending the **cryptoasset regulatory framework** to support the safe adoption of cryptoassets, including [bringing stablecoins, where used as a means of payment, into the regulatory perimeter](#).
 - Supporting resilient outsourcing to **critical third parties**, including Cloud service providers. The UK regulators are due to issue a discussion paper on measures to address potential systemic risks posed by critical third party providers.
 - Protecting 'access to cash' by making sure withdrawal and debit facilities across the UK remain available and sustainable over the long term. This follows an HM Treasury ([HMT](#)) [consultation in 2021](#).
 - Giving the PSR powers to require firms to reimburse victims of APP scams in designated payment systems. The PSR [consulted on this in 2021](#) and will consult on its preferred approach to APP scam reimbursement in autumn 2022.

Contacts

Andrew Strange

Director

T: +44 (0) 7730 146626

E: andrew.p.strange@pwc.com

Conor MacManus

Director

T: +44 (0) 7718 979428

E: conor.macmanus@pwc.com

Laura Gammon-D'Ippolito

Manager

T: +44 (0) 0748 3334474

E: laura.gammon-dippolito@pwc.com



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- The Government also announced the UK Infrastructure Bank Bill, which aims to finish setting up the UK Infrastructure Bank with clear objectives to use its £22bn capacity to support economic growth and the transition to net zero in 2050.
- The Economic Crime Bill seeks to strengthen powers to tackle illicit finance, reduce economic crime and help businesses grow. For example, creating powers to more quickly and easily seize or recover cryptoassets, which are the principle method used for ransomware.
- HMT's planned reforms to Solvency II and the Wholesale Markets Review have already been well trailed and will make a number of positive amendments to the regulatory framework.
- The access to cash and APP requirements are another example of the more assertive approach policymakers are taking to protect consumers, particularly those facing vulnerabilities. Both provisions will have a material impact on the retail banking sector and impacted firms will need to consider how they will meet the requirements in a cost-effective manner.

What do firms need to do?

- The FSMB forms part of the UK Government's post-Brexit vision for the sector. Further details will be available once the FSMB is introduced to Parliament, but it is likely to have a significant impact on the sector.
- The Government has indicated its clear commitment to overhauling regulation inherited from the EU, which it does not believe is suitable for the UK. This will bring a range of strategic and operational implications for firms, particularly those operating in both the UK and EU.
- The Government's commitment to giving the regulators a secondary objective for growth and competitiveness has the potential to support the success of the FS sector, if it results in a material change in approach from the regulators.
- Greater clarity on the regulatory treatment of cryptoassets is to be welcomed. However, as ever a proportionate treatment will be needed to ensure innovation is not stifled.
- The focus on resilient outsourcing to technology providers is likely to lead to greater powers for the regulators over critical third parties such as Cloud service providers. These firms are likely to face greater scrutiny from the regulators, with a particular focus on their operational resilience.

Contacts

Andrew Strange
Director

T: +44 (0) 7730 146626
E: andrew.p.strange@pwc.com

Conor MacManus
Director

T: +44 (0) 7718 979428
E: conor.macmanus@pwc.com

Laura Gammon-D'Ippolito
Manager

T: +44 (0) 0748 3334474
E: laura.gammon-dippolito@pwc.com

Next steps

More details will be available when the FSMB is formally introduced.

The bi-annual Regulatory Initiatives Grid (published by the FCA, HMT, PRA and TPR) is expected to be published before the summer. This may provide further details on the timing of specific regulatory initiatives.



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