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Insurance Regulatory eBulletin

Round up of regulatory developments in July 2024

IBDO

WELCOME TO OUR INSURANCE REGULATORY EBULLETIN

As we reach the heights of the British Summer, welcome to this July 2024 edition of our Insurance Regulatory eBulletin. This aims to keep you updated with significant regulatory developments, during the month, and their implications across the insurance sector.

The regulatory objective to advance international competitiveness and growth is a theme that has come through in this month's activity. One year into the Consumer Duty regime, Sheldon Mills, Executive Director of the FCA, has confirmed that the FCA is looking towards the outcomes-based nature of the Duty, rather than rules based approach, to allow streamlining the rules-book to allow the FCA to support competitiveness and growth, while ensuring good consumer outcomes. The FCA published their first International Competitiveness & Growth Report and they have also finalised the new UK Listing Rules (UKLR) sourcebook which has now taken effect.

Gareth Truran of the PRA gave a speech on Solvency UK and as part of this noted the ways in which the PRA can advance its international competitiveness objective. The PRA annual report on international competitiveness and growth is due to be published shortly.

In broader Governance the FRC has announced planned significant updates to the UK Stewarding Code. The FRC has also welcomed the Government's announcement of draft legislation in the new parliamentary session to modernise its powers and strengthen the transparency and integrity of the UK's corporate governance, financial reporting and audit. The FRC has also published the results of its review of audit quality of Tier 1 firms.

I have highlighted certain elements. However, there is much detail included in this eBulletin, referenced to the source documents. I hope you will find this helpful in identifying matters relevant to yourself in keeping abreast of recent Regulatory activity.

Please do not hesitate to contact myself or your usual BDO contact if you have any concerns over any matter highlighted in this update. For more information about our audit, tax and advisory services to the insurance sector, visit our [insurance services](#) page.

I hope you enjoy reading this latest update.



ALEX BARNES
PARTNER

+44 (0)7903 891 435
alex.barnes@bdo.co.uk

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PRUDENTIAL REGULATION

SOLVENCY UK: TIME TO BUILD - SPEECH BY GARETH TRURAN

On 9 July, Gareth Truran, Executive Director for Insurance Supervision at the PRA, delivered a [speech](#) at the Insurance Asset Risk Webinar. He outlined the PRA's final policy on the matching adjustment reforms, as well as their approach to its implementation. He also discussed potential further reforms and how these reforms align with the PRA's broader supervisory priorities for the insurance sector.

Additionally, he addressed the PRA's approach to competitiveness. Here he considered that the principle ways in which the PRA can influence the UK's international competitiveness and advance this objective are:

- ▶ maintaining trust in the UK prudential framework;
- ▶ adopting effective regulatory processes and engagement; and
- ▶ adopting a responsive approach to UK risks, opportunities and innovation.

THE BANK'S DATA AND ANALYTICS STRATEGY: A THREE-YEAR ROADMAP

On 8 July, the Bank published a [report](#) detailing updates to the refreshed data and analytics strategy, highlighting recent progress of its implementation. Since October 2023, there have been new policies enacted, increased data access, as well as AI pilot projects.

PS11/24 - REGULATED FEES AND LEVIES: RATES PROPOSALS 2024/25

On 5 July, the PRA [published](#) a policy statement (PS)11/24 setting out its feedback to responses the PRA received to consultation paper (CP)4/24 - Regulated fees and levies: Rates proposals 2024/25. It also includes the PRA's final policy, as follows:

- ▶ the fees rates to meet the PRA's 2024/25 Annual Funding Requirement for the financial period Friday 1 March 2024 to Friday 28 February 2025 ('fee year'); and

- ▶ amendments to the Fees Part of the PRA Rulebook (Appendix 2).

PS12/24 - THE PRA'S APPROACH TO RULE PERMISSIONS AND WAIVERS

On 25 July, the PRA published a [policy statement](#) providing feedback to responses it received to its consultation paper on its approach to rule permissions and waivers. The final statement of policy (SoP) for the approach from the PRA is also included in the policy statement. The PRA has made two changes to the draft SoP. The revisions aim to clarify:

- ▶ what it intends to include in a subject-specific statement of purpose; and
- ▶ that in exceptional cases, it would be appropriate to give an s138BA authorisation for which no criteria have been established even when the s138A statutory conditions are not satisfied.

The PRA's SoP approach to rule permits and waivers will be effective from 25 July 2024, the day the Policy Statement was published.

PS13/24 FUNDED REINSURANCE

On 26 July, the PRA published a [policy statement](#) (PS)13/24, which provides feedback to responses the PRA received to consultation paper (CP)24/23. It also contains the final policy of the PRA in the form of the final [supervisory statement](#) (SS)5/24. The policy statement is relevant to UK Solvency II firms and insurance and reinsurance undertakings that have a UK branch (third-country branch undertakings), when they hold or are intending to enter, funded reinsurance arrangements.

These documents address risk management, solvency capital requirement modelling, and structuring considerations for these arrangements. The expectations, documented, came into effect on 26 July 2024.

The Supervisory Statement should be read alongside specific chapters of the PRA Rulebook and related Supervisory Statements on

reinsurance counterparty credit risk, matching adjustment, internal models, and the prudent person principle.

PRA STATEMENT ON THE DESIGN OF THE DYNAMIC GENERAL INSURANCE STRESS TEST (DYGIST) 2025

On 15 July, the PRA issued a [statement](#) providing further information on the dynamic general insurance stress test (DyGIST) that it intends to run in 2025. The DyGIST is intended to assess the UK general insurance sector's solvency and liquidity resilience to a specific adverse scenario, assess the effectiveness of insurers' risk management and management actions following an adverse scenario and inform the PRA's supervisory response to a market-wide adverse scenario. The PRA has indicated that it will hold further workshops with participating firms, vendors and brokers who may be supporting firms throughout the exercise and will continue to invite trade bodies to participate.

STAFF WORKING PAPER NO. 1,081 MEASURING CAPITAL AT RISK WITH FINANCIAL CONTAGION: TWO-SECTOR MODEL WITH BANKS AND INSURERS

On 19 July, the Bank [published](#) a staff working paper presenting a two-sector model of the financial system, comprising banks and insurers, to measure capital at risk amidst financial contagion. A stress testing methodology is developed to calculate economic profits and losses at banks and insurers following correlated corporate default shocks, considering the feedback and amplification of the initial shock. The findings suggest an improvement in profit expectations and tail losses in the UK financial system since the Covid pandemic (2020-21). In an extreme stress scenario, insurers are more affected by economic credit and traded risk losses, while banks are more impacted by fire sale losses.

RESULTS OF THE FIRM FEEDBACK SURVEY 2023

On 15 July, the Bank [released](#) the results of the Firm Feedback Survey 2023. The survey was conducted from September to October 2023 and indicates that firms hold positive views about the

PRA, with scores slightly higher than in 2022. Firms rated their understanding of the PRA's objectives and their relationship with the PRA highly, and they appreciated the PRA's operational resilience policy and improved regulatory communications. Although coordination with other regulatory bodies scored lower, it showed improvement, especially with the FCA on the Senior Manager and Certifications Regime. Two new themes emerged:

- ▶ Firms found the PRA Rulebook difficult to navigate, leading to the launch of a more user-friendly version in April 2024.
- ▶ Firms desire more early-stage engagement with the PRA on policy formulation, which is crucial given the PRA's expanding rulemaking role. The PRA plans to enhance stakeholder engagement through various panels and detailed in CP27/23.

LIFE INSURANCE STRESS TEST 2025

On 10 July, the PRA released details about the Life Insurance Stress Test (LIST) for 2025 and is seeking technical input from insurers. The [approach document](#) outlines the objectives and framework for the exercise, with an invitation for feedback on guidelines and specifications before the formal launch in January 2025. Insurers are encouraged to provide feedback on scenario specifications, instructions, data templates, and the Results and Basis of Preparation report.

The deadline for submitting comments is 6 September 2024.

CONDUCT REGULATION

TAKING THE LEAP ON THE CONSUMER DUTY - SPEECH BY SHELDON MILLS

On 31 July, Sheldon Mills, executive director of consumers and competition delivered a [speech](#) at the FCA's Consumer Duty: 1 year on event. Highlights of the speech were:

- ▶ The improvements firms have made to deliver better consumer outcomes in the first year of the Duty are welcomed by the FCA.
- ▶ The outcomes-based nature of the Duty will allow the FCA to streamline its rulebook to support competitiveness and growth, while ensuring good consumer outcomes.
- ▶ The FCA will continue to focus on how firms are embedding the Duty, acting to address harm.

PS24/5 FCA REGULATED FEES AND LEVIES 2024/25: FEEDBACK ON CP24/6 AND 'MADE RULES'

The FCA has [issued](#) a policy statement setting out the final regulatory fee and levy rates for 2024/25, including feedback on CP24/6 - FCA regulated fees and levies: rates proposals for 2024/25. The FCA will invoice fee-payers from July 2024 onwards for their 2024/2025 periodic fees and levies.

On 15 July, the FCA [updated](#) its authorisation and registration application fees page. An update has been made to the fees.

PS24/6 PRIMARY MARKETS EFFECTIVENESS REVIEW: FEEDBACK TO CP23/31 AND FINAL UK LISTING RULES

On 11 July, the FCA [published](#) a policy statement (PS)24/6 that summarises feedback from CP23/31 and ongoing stakeholder engagement. The document outlines the FCA's proposed strategy and rationale, as well as the final policy position and guidelines for the new UK Listing regime. The new UK Listing Rules (UKLR) sourcebook will take effect on Monday, July 29, 2024, replacing the present one.

GC24/3 PRIMARY MARKET BULLETIN NO. 50

On 11 July, the FCA [published](#) the 50th edition of its Primary Market Bulletin newsletter. This was published alongside Policy Statement PS24/6. It provides an update on the work the FCA has been doing in relation to the sponsor regime.

The FCA is also consulting on the introduction of new technical notes relating to supervisory reviews of sponsor firms and its expectations of a sponsor in relation to specialist due diligence and other areas.

Comments on these proposals should be submitted on or before 5 September 2024.

On 11 July, the FCA also [published](#) a technical note on the responsibilities of a sponsor. The FCA expects sponsors to be knowledgeable in a variety of rules and must be skilful in applying them to transactions where a sponsor is required.

SECONDARY INTERNATIONAL COMPETITIVENESS AND GROWTH OBJECTIVE REPORT 2023/24

On 29 July, the FCA [published](#) a "Secondary International Competitiveness and Growth Objective Report 2023/24" report. The report outlines the progress and initiatives to enhance the UK's international competitiveness and economic growth in the financial services sector. The report, mandated by the Financial Services and Markets Act 2023, details efforts to support financial services firms, drive innovation, and ensure market stability. Key highlights include simplifying listing regimes, support for fintech and digital innovations, and measures to combat financial crime. The FCA emphasises a proportionate regulatory approach to foster a competitive and trustworthy financial environment, ultimately aiming to make the UK a more attractive place for financial services.

The FCA also [published](#) its secondary international competitiveness and growth objective (SICGO) metrics to illustrate the

impact of its work. These metrics are split into the following themes:

- ▶ authorisations and operational efficiency;
- ▶ policy and regulatory impact;
- ▶ data collection; and
- ▶ digital and innovation.

BRITISH STEEL PENSION SCHEME TRANSFERS: ACTION FROM THE FCA, FOS AND FSCS

On 24 July, FCA, Financial Ombudsman Service (UK) (FOS), and Financial Services Compensation Scheme (FSCS) [published](#) a report on a joint action to help former British Steel Pension Scheme (BSPS) members get the retirement they worked for. The FCA, FOS and FSCS have been closely working together to make sure that: every former BSPS member has had the opportunity to find out whether their advice was suitable; former members that lost out because of unsuitable advice are, as far as is possible, put back in the financial position they would have been in had they stayed in the BSPS; and advisers who caused serious harm are held accountable for their poor conduct.

As a result of FCA, FOS and FSCS' action:

- ▶ over 6,500 former BSPS members have been supported by the FOS, FSCS or through the FCA's redress scheme;
- ▶ over £100m in redress offered to 1,870 former BSPS members;
- ▶ 15 individuals have been banned from working in financial services or holding a specific role (some bans under appeal); and
- ▶ fines and payments to FSCS totalling £8.87m (some fines under appeal).

The report also includes FCA, FOS and FSCS' approach to suitability and redress, suitability and redress outcomes, changes in redress values, and action taken against firms and individuals.

DP24/1 REGULATION OF COMMERCIAL AND BESPOKE INSURANCE BUSINESS

On 29 July, the FCA [published](#) a discussion paper (DP)24/1 on the regulation of commercial and bespoke insurance business. The FCA is seeking

views on whether changes to rules may strike the right balance between ensuring that customers in the commercial insurance market are protected appropriately, whilst also not placing unnecessary regulatory costs on firms or impacting innovation.

Comments should be submitted on or before 16 September 2024.

CP24/11 QUARTERLY CONSULTATION PAPER NO. 44

On 10 July, the FCA [published](#) its Quarterly Consultation Paper No. 44. This document outlines proposed updates and amendments to the FCA Handbook, aiming to refine regulatory requirements and enhance market practices. The consultation includes revisions to reporting guidelines, conduct rules, and other regulatory frameworks.

Comments should be submitted by 12 August 2024.

REGULATION ROUND UP

On 25 July, the FCA published its monthly Regulation Round-up. In addition to various topics, noted either last month or above, this noted, the following:

- ▶ [Whistleblowing quarterly data 2024 Q2](#)

This data shows the number of new whistleblowing reports received between April and June 2024, and existing reports closed during this time period.

In this quarter (Q2 2024, April to June), 253 new whistleblowing reports were received. For the same period in 2023, 300 reports were received. In 2024 Q1 (January to March), reported in last month's eBulletin, 298 reports were received.

EIOPA

We continue to monitor EIOPA's activity and draw your attention to it, where we believe it to be necessary or helpful. This will, we hope, assist those firms operating in the EU.

Items of possible interest this month are as follows:

EIOPA AMENDMENT TO FACILITATE CROSS-BORDER COOPERATION BETWEEN SUPERVISORS WHEN (RE)INSURERS RELOCATE WITHIN THE EU

On 1 July, EIOPA added a [new annex](#) to its Decision of 10 June 2021, focusing on supervisory cooperation when a (re)insurance company relocates within the EU. This annex aims to facilitate a smooth transition for companies moving within the Single Market, following the rules of the 'Mobility Directive' (Directive (EU) 2019/2121). The added emphasis is on early collaboration between supervisors in the departing and receiving countries. This proactive approach ensures uninterrupted service provision under consistent supervision, promoting a well-structured transfer of information and knowledge for the benefit of policyholders and beneficiaries during and after the relocation.

EIOPA-BOS-24/176 EIOPA OPINION ON THE SUPERVISION OF CAPTIVE INSURERS

On 2 July, EIOPA issued an [Opinion](#) on supervising captive (re)insurance undertakings, focusing on cash pooling, the Prudent Person Principle, and governance. Based on EU regulations and the Solvency II Directive, the Opinion aims to ensure risk-based and proportionate supervision of captives, harmonising supervisory practices across the EU. It addresses the classification and risk assessment of cash pooling arrangements, emphasising the need for captives to comply with the Prudent Person Principle. Additionally, it guides governance, particularly the composition of the Administrative, Management, and Supervisory Body (AMSB) and the outsourcing of key functions. EIOPA stresses the importance of ensuring that captives' governance and risk management practices align with regulatory

requirements and that any outsourcing arrangements are properly supervised and documented. The Opinion aims to create a level playing field within the EU while allowing national specificities.

JC 2024 29 FINAL REPORT ON DRAFT RTS SPECIFYING ELEMENTS RELATED TO THREAT LED PENETRATION TESTS

On 17 July, the three European Supervisory Authorities: EIOPA, the European Banking Authority (EBA), and the European Securities and Markets Authority (ESMA) (together the ESAs), [published](#) a final report that outlines the Draft Regulatory Technical Standards (RTS) for threat-led penetration tests (TLPT) under Article 26(11) of Regulation (EU) 2022/2554 (DORA). The report provides a comprehensive framework for TLPT under DORA, addressing stakeholder concerns and ensuring robust testing methodologies to enhance digital operational resilience in the financial sector.

JC 2024 33 FINAL REPORT ON THE DRAFT RTS AND ITS ON INCIDENT REPORTING

On 17 July, the ESAs [published](#) the final report on the draft Regulatory Technical Standards (RTS) on the content of the notification and reports for major incidents and significant cyber threats and determining the time limits for reporting major incidents and Implementing Technical standards (ITS) on the standard forms, templates and procedures for financial entities to report a major incident and to notify a significant cyber threat. The draft RTS and ITS are intended to harmonise and streamline the ICT-related incident reporting regime for financial entities in the European Union.

JC 2024 34 FINAL REPORT ON JOINT GUIDELINES ON THE ESTIMATION OF AGGREGATED ANNUAL COSTS AND LOSSES CAUSED BY MAJOR ICT-RELATED INCIDENTS UNDER REGULATION (EU) 2022/2554

On 17 July, the ESAs [published](#) Joint Guidelines on the estimation of aggregated annual costs and

losses caused by major ICT-related incidents under Regulation (EU) 2022/2554. These guidelines are aimed at fulfilling the mandate given to the European Supervisory Authorities (ESAs) under Article 11(11) of Regulation (EU) 2022/2554, to develop common guidelines on the estimation of aggregated annual costs and losses of major ICT-related incidents referred to in Article 11(10) of that Regulation. These guidelines also specify a common template for the submission of the aggregated annual costs and losses. The expected date of application for these Guidelines is 17 January 2025.

JC 2024 35 FINAL REPORT ON DRAFT RTS ON HARMONISATION OF CONDITIONS ENABLING THE CONDUCT OF THE OVERSIGHT ACTIVITIES

On 17 July, the ESAs [published](#) their final report on draft Regulatory Technical Standards (RTS) on harmonisation of conditions enabling the conduct of the oversight activities relating to the Digital Operational Resilience Act. The expected date of application of the RTS is 17 January 2025.

JC 2024 36 FINAL REPORT ON JOINT GUIDELINES ON THE OVERSIGHT COOPERATION AND INFORMATION EXCHANGE BETWEEN THE ESAS AND THE COMPETENT AUTHORITIES

On 17 July, the ESAs [published](#) their final report on Joint Guidelines on the oversight cooperation and information exchange between the ESAs and the competent authorities (CAs) under Regulation (EU) 2022/2554. In order to ensure a consistent and convergent supervisory approach and a level playing field where financial entities are using the ICT services provided by a critical third party provider (CTPP) across Member States, it is important to have close cooperation between CAs and ESAs through a mutual exchange of information and provision of assistance in the context of relevant supervisory activities. Moreover, a coordinated approach in the context of oversight activities is important to avoid duplications and overlaps in conducting measures aimed at monitoring the CTPPs' risks. In this context, the ESAs have been mandated under Article 32(7) of the DORA to issue Guidelines on the cooperation between the ESAs and the CAs covering the detailed procedures

and conditions for the allocation and execution of tasks between CAs and the ESAs and the details on the exchanges of information which are necessary for CAs to ensure the follow-up of recommendations addressed to CTPPs.

JC 2024 42 REPORT OF THE JC SC CPFI WORKSHOP ON BEHAVIOURAL INSIGHTS

On 11 July, the ESAs [published](#) the Report of the Joint Committee of the European Supervisory Authorities' Consumer Protection and Financial Innovation Sub-Committee (JC SC CPFI) Workshop on Behavioural Insights. On 14 and 15 February 2024 the ESAs organised a workshop for National Competent Authorities (NCAs) to facilitate information sharing and the exchange of experiences on how behavioural insights could be applied to NCAs policy and supervisory work. It was also aimed at identifying the challenges faced by NCAs. This report aims to provide a high-level overview of the main topics discussed as part of the workshop.

JC 2024 53 FINAL REPORT ON THE DRAFT TECHNICAL STANDARDS ON SUBCONTRACTING UNDER DORA

On 26 July, the ESAs [published](#) the final report on Draft Regulatory Technical Standards to specify the elements which a financial entity needs to determine and assess when subcontracting ICT services supporting critical or important functions as mandated by Article 30(5) of Regulation (EU) 2022/2554. The ESAs will submit the draft RTS to the European Commission for adoption.

JC 2024 54 FINAL REPORT ON DRAFT REGULATORY TECHNICAL STANDARD ON THE HARMONISATION OF CONDITIONS ENABLING THE CONDUCT OF THE OVERSIGHT ACTIVITIES UNDER ARTICLE 41(1)(C) OF REGULATION (EU) 2022/2554

On 17 July, the ESAs [released](#) a final report outlining the draft regulatory technical standard (RTS) on the harmonisation of conditions enabling the conduct of the oversight activities under Article 41(1)(c) of Regulation (EU) 2022/2554. The RTS aims to specify criteria for forming joint examination teams, ensuring balanced participation from ESAs and relevant

CAs. Key points include the information required from ICT third-party service providers (CTPPs), the composition and tasks of joint examination teams, and the assessment of measures taken by CTPPs. The final draft RTS will be submitted to the European Commission for adoption, with an expected application date of 17 January 2025.

ESAS ESTABLISH FRAMEWORK TO STRENGTHEN COORDINATION IN CASE OF SYSTEMIC CYBER INCIDENTS

On 17 July, the EIOPA [announced](#) that the ESAs will establish the EU systemic cyber incident coordination framework ([EU-SCICF](#)), in the context of the Digital Operational Resilience Act (DORA), that will facilitate an effective financial sector response to a cyber incident that poses a risk to financial stability. This framework will operate by strengthening the coordination among financial authorities and other relevant bodies in the European Union, as well as with key actors at international level.

The ESAs will identify legal and other operational hurdles encountered during the initial set up and report these to the European Commission.

JC 2023 18 CONSOLIDATED Q&A ON THE SFDR

On 25 July, the ESAs [published](#) a set of questions and answers (Q&A) on the SFDR (Regulation (EU) 2019/2088) and the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288).

EIOPA'S RISK DASHBOARD ON OCCUPATIONAL PENSION FUNDS SHOWS AN OVERALL STABLE RISK ASSESSMENT WITH MARKET RISKS REMAINING AS KEY CONCERN

On 29 July, EIOPA [published](#) its risk dashboard for the institutions for occupational retirement provision (IORPs), which shows that their exposure to market and asset return risks remains high due to continued market volatility and real estate market vulnerabilities. The risk dashboard key observations include:

- ▶ macro risks are at a medium level with forecasted gross domestic product growth for major geographical areas;

- ▶ credit risks remain stable at a medium level with credit default swaps spreads for corporate bonds;
- ▶ market and asset return risks are stable at a high level with volatility increasing in the fixed income and equity markets;
- ▶ reserve and funding risks are unchanged at a medium level;
- ▶ concentration risks are at a medium level, with a decreasing trend compared to the previous quarter; and
- ▶ all other risk categories are currently assessed at medium levels, with an increasing risk outlook for digitalisation and cyber risks over the next 12 months.

MONTHLY UPDATE OF THE SYMMETRIC ADJUSTMENT OF THE EQUITY CAPITAL CHARGE FOR SOLVENCY II - END-JUNE 2024

On 3 July, EIOPA announced the [publication](#) of technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of June 2024.

EIOPA MONTHLY TECHNICAL INFORMATION FOR SOLVENCY II RELEVANT RISK-FREE INTEREST RATE TERM STRUCTURES - END-JUNE 2024

On 3 July, EIOPA [published](#) technical information on the relevant risk-free interest rate term structures with reference to the end of June 2024.

EIOPA BIENNIAL SHIFTED RISK-FREE RATES FOR DURATION CALCULATION IN FINANCIAL STABILITY REPORTING - END - JUNE 2024

On 3 July, EIOPA [published](#) the shifted risk-free interest rate term structures that are applied to calculate the option-adjusted duration of technical provisions, which must be reported according to the Guidelines on reporting for financial stability purposes (Template S.38.01.11 - Duration of Technical provisions). The shifted RFR term structures aim to ensure consistent calculation of the option-adjusted duration. The next update is planned for January 2025. While the reporting of the option-adjusted duration is

optional, insurers must consider the need to report this duration metric in dialogue with their national supervisory authority in case of material options embedded in their technical provisions.

CORPORATE GOVERNANCE

FRC ANNUAL REPORT AND ACCOUNTS 2023/24

On 24 July, the FRC published its [Annual Report and Accounts](#) for 2023/24. Key highlights include:

- ▶ completing a major consultation on the UK Corporate Governance Code;
- ▶ launching a review of the UK Stewardship Code to drive the right stewardship behaviours; and
- ▶ enhancing audit quality through targeted initiatives, among others.

FRC WELCOMES GOVERNMENT LEGISLATION TO MODERNISE REGULATORY TOOLKIT

The FRC has welcomed the Government's announcement of [draft legislation](#) in the new parliamentary session to modernise its powers and strengthen the transparency and integrity of the UK's corporate governance, financial reporting and audit. The Draft Audit Reform and Corporate Governance Bill will put the FRC on a statutory footing through the establishment of the Audit, Reporting and Governance Authority (ARGA), building on the FRC's transformation in recent years into a more robust and effective regulator and its remit to support the UK's economic growth and international competitiveness.

ANNUAL ENFORCEMENT REVIEW 2024

The FRC has released its sixth [Annual Enforcement Review](#), summarising the FRC's enforcement activities for the year 2024. The Review details how the FRC incorporates the principles of proportionality and consistency in its investigative and enforcement efforts. Additionally, the Review discusses high-profile cases settled in the past year and highlights significant themes and learnings from those cases.

FRC ANNOUNCES SIGNIFICANT UPDATE TO THE UK STEWARDSHIP CODE

On 22 July, the FRC announced significant revisions to the [UK Stewardship Code](#) application process, focusing on five key areas:

- ▶ Purpose,
- ▶ Principles,
- ▶ Proxy Advisors,
- ▶ Process, and
- ▶ Positioning.

These revisions aim to enhance UK capital markets, reduce reporting burdens, and improve stewardship outcomes. Immediate changes include reducing annual reporting requirements, allowing reuse of previous reports, and clarifying stewardship outcomes.

These changes will take effect for the next application window on 31 October 2024. The FRC will also conduct a public consultation and further stakeholder engagement on these topics later this year.

FRC'S RESPONSE TO IASB'S EXPOSURE DRAFT ADDENDUM TO THE EXPOSURE DRAFT THIRD EDITION OF THE IFRS FOR SMES ACCOUNTING STANDARD

On 19 July, the FRC published its [response](#) to the International Accounting Standards Board's (IASB) Exposure Draft IASB/ED/2024/2 Addendum to the Third Edition of the IFRS for SMEs Accounting Standard. The FRC's response draws on its experience in developing financial reporting standards applicable in the UK and Republic of Ireland. The FRC's overriding objective in developing financial reporting standards is to enable users of accounts to receive high-quality, understandable financial reporting proportionate to the size and complexity of the entity and users' information needs. In achieving its overriding objective, the FRC aims to provide succinct financial reporting standards that, amongst other things, have consistency with global accounting standards through the application of an IFRS-based solution, unless an alternative clearly better meets the overriding objective.

UKEB OUTREACH ON THE IASB'S IFRS 18 PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

On 16 July, the FRC announced that the International Accounting Standards Board (IASB) has [published](#) the IFRS 18 Presentation and Disclosure in Financial Statements with an effective date of annual reporting periods beginning on or after 1 January 2027, subject to adoption in the UK by the UKEB. As part of UKEB's endorsement and adoption work, it is now seeking UK stakeholder views on the IASB's standard.

FRC ANNUAL REVIEW ON TIER 1 AUDIT FIRMS

The FRC [published](#) its annual review of audit quality which covers the inspection and supervision results of the Tier 1 audit firms (BDO, Deloitte, EY, Forvis Mazars, KPMG, and PwC), which the FRC defines as the firms with the largest share of the UK PIE market. See also [link](#).

INFORMATION COMMISSIONER'S OFFICE

We continue to monitor material being issued by the Information Commissioner's Office with a view to highlighting high-level matters that may be relevant to readers.

ICO STATEMENT IN RESPONSE TO GOOGLE ANNOUNCING IT WILL NO LONGER BLOCK THIRD PARTY COOKIES IN CHROME

On 23 July, Stephen Bonner, Deputy Commissioner at the ICO, issued the following [statement](#):

"We are disappointed that Google has changed its plans and no longer intends to deprecate third party cookies from the Chrome Browser".

From the start of Google's Sandbox project in 2019, it has been our view that blocking third party cookies would be a positive step for consumers.

The new plan set out by Google is a significant change and we will reflect on this new course of action when more detail is available.

Our ambition to support the creation of a more privacy friendly internet continues. Despite Google's decision, we continue to encourage the digital advertising industry to move to more private alternatives to third party cookies - and not to resort to more opaque forms of tracking.

"We will monitor how the industry responds and consider regulatory action where systemic non-compliance is identified for all companies including Google."

ENFORCEMENT ACTION

PRA / FCA REGULATORY FINES ROUND-UP

We have reviewed key relevant enforcement action announced by the PRA / FCA during July and there were no significant matters to report.

CONTACTS

EXTERNAL AUDIT

ALEX BARNES

Partner & Head of Insurance Audit
alex.barnes@bdo.co.uk

GEETA JOSHI

Partner
geeta.joshi@bdo.co.uk

GILES WATSON

Partner
giles.watson@bdo.co.uk

TOM REED

Partner
tom.reed@bdo.co.uk

RUPERT LIVINGSTONE

Principal
rupert.livingstone@bdo.co.uk

ADEEL AJMAL

Director
adeel.ajmal@bdo.co.uk

MZ NETYISI

Director
mz.netyisi@bdo.co.uk

INTERNAL AUDIT

CHRIS BELLAIRS

Partner
christian.bellairs@bdo.co.uk

LUKE PATTERSON

Partner
luke.patterson@bdo.co.uk

SAM PATEL

Partner
sam.patel@bdo.co.uk

JOHN OWENS

Director
john.owens@bdo.co.uk

KUDZANAI MUMBURE

Director
kudzanai.mumbure@bdo.co.uk

REGULATORY ADVISORY

MICK CAMPBELL

Partner
mick.campbell@bdo.co.uk

RICHARD BARNWELL

Partner
richard.barnwell@bdo.co.uk

NICOLA BALL

Director
nicola.ball@bdo.co.uk

CASS

JAMES STEELE-PERKINS

Partner
james.steele-perkins@bdo.co.uk

ACCOUNTING & CORPORATE REPORTING ADVISORY

MARK SPENCER

Partner
mark.spencer@bdo.co.uk

ACTUARIAL

GRAHAM HANDY

Partner & Head of Insurance Advisory
graham.handy@bdo.co.uk

SANTIAGO RESTREPO

Partner
santiago.restrepo@bdo.co.uk

ELINORE O'NEILL

Director
elinore.oneill@bdo.co.uk

GRAHAM CORNISH

Director
graham.cornish@bdo.co.uk

TAX

THOMAS TO

Partner & Head of Insurance Tax
thomas.to@bdo.co.uk

MICHAEL WHITESIDE

Director
michael.whiteside@bdo.co.uk

CORPORATE FINANCE

RAHOEL PATEL

Partner, Head of FS Transaction Services
rahoel.patel@bdo.co.uk

ADAM WHISTANCE

Director & Head of Insurance M&A
adam.whistance@bdo.co.uk

FORENSICS

RICHARD CAMERON-WILLIAMS

Partner
richard.cameron-williams@bdo.co.uk

OUTSOURCING

ROBERT HUTCHINGS

Director
robert.hutchings@bdo.co.uk

FOR MORE INFORMATION:

ALEX BARNES

+44 (0)7903 891 435
alex.barnes@bdo.co.uk

JOHN OWENS

+44 (0)7946 700 242
john.x.owens@bdo.co.uk

GRAHAM HANDY

+44 (0)7876 877 083
graham.handy@bdo.co.uk

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