

Handbook Notice No 94

December 2021

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1 Overview

Legislative changes

1.1 On 25 November 2021, the Board of the Financial Conduct Authority (FCA) made the relevant changes to the Handbook as set out in the instruments listed below.

CP	Title of instrument	Instrument No	Changes effective
CP21/3	Perimeter Guidance (Payment Services) Instrument 2021	FCA 2021/44	30/11/2021
CP21/3	Technical Standards on Strong Customer Authentication and Common and Secure Methods of Communication (Amendment) (No 2) Instrument 2021	FCA 2021/45	30/11/2021; 26/03/2022; 26/05/2023
CP21/01	Claims Management (Fees Rules) Instrument 2021	FCA 2021/52	01/03/2022
CP21/01	Claims Management Instrument 2021	FCA 2021/53	01/03/2022
CP21/11	Conduct of Business Sourcebook (Final Nudge to Pensions Guidance) Instrument 2021	FCA 2021/54	01/06/2022
CP21/21	Listing Rules (Primary Market Effectiveness) (Dual Class Share Structure) Instrument 2021	FCA 2021/55	03/12/2021
CP21/21	Listing Rules (Primary Markets Effectiveness) (Minimum Market Capitalisation) Instrument 2021	FCA 2021/56	03/12/2021
CP21/21	Listing Rules (Primary Markets Effectiveness) (Shares in Public Hands) Instrument 2021	FCA 2021/57	03/12/2021
CP21/21	Listing Rules (Primary Markets Effectiveness) (Reform and Modernisation) Instrument 2021	FCA 2021/58	10/01/2022
CP21/9	Conduct of Business Sourcebook (Amendment) Instrument 2021	FCA 2021/59	01/12/2021; 01/03/2022
CP21/9	Technical Standards (Markets in Financial Instruments Regulation) (Best Execution) Instrument 2021	FCA 2021/60	01/12/2021

- 1.2 On 16 December 2021, the Board of the FCA made the relevant changes to the Handbook as set out in the instruments listed below.

CP	Title of instrument	Instrument No	Changes effective
CP21/18	Listing Rules (Disclosure of Climate-Related Financial Information) (No 2) Instrument 2021	FCA 2021/61	01/01/2022
CP21/17	Disclosure of Climate-Related Financial Information (Asset Manager and Asset Owner) Instrument 2021	FCA 2021/62	01/01/2022
CP21/27	LIBOR Transition Miscellaneous Instrument 2021	FCA 2021/64	01/01/2022
CP21/27	Value Measures Reporting and Monitoring (Amendment) Instrument 2021	FCA 2021/65	17/12/2021
CP21/27	Technical Standards (Electronic Reporting Format) (No 2) Instrument 2021	FCA 2021/66	17/12/2021
CP21/27	UK Emission Trading Scheme (No 2) Instrument 2021	FCA 2021/67	17/12/2021
CP21/27	Supervision Manual (Reporting No 17) Instrument 2021	FCA 2021/68	17/12/2021

Summary of changes

- 1.3 The legislative changes referred to above are listed and briefly described in Chapter 2 of this Notice.

Feedback on responses to consultations

- 1.4 Consultation feedback is published in Chapter 3 of this Notice or in separate Policy Statements.

FCA Board dates for 2022

- 1.5 The table below lists forthcoming FCA board meetings. These dates are subject to change without prior notice.

FCA board meetings

January	27	2022
February	24	2022
March	24	2022
April	28	2022
May	26	2022
June	23	2022
July	21	2022
September	29	2022
October	20	2022
November	24	2022
December	15	2022

2 Summary of changes

- 2.1 This Handbook Notice describes the changes to the FCA Handbook and other material made by the Financial Conduct Authority (FCA) Board under its legislative and other statutory powers on 25 November and 16 December 2021. Where relevant, it also refers to the development stages of that material, enabling readers to look back at developmental documents if they wish. For information on changes made by the Prudential Regulation Authority (PRA) please see <https://www.bankofengland.co.uk/news/prudential-regulation>.

Perimeter Guidance (Payment Services) Instrument 2021

- 2.2 Following consultation in [CP21/3](#), the FCA Board has made changes to the Handbook sections listed below:

PERG 15.5

- 2.3 In summary, this instrument makes changes to the FCA Handbook in order to support the continued growth and development of open banking, while maintaining appropriate protection for consumers. This will lead to improved competition in the sector and support the development of better and more varied products and services for customers.
- 2.4 By updating our guidance in PERG, we are seeking to improve firms' understanding of where activities fall within the scope of the Payment Services Regulations 2017 and Electronic Money Regulations 2011.
- 2.5 This instrument came into force on 30 November 2021. Feedback is published in a separate [Policy Statement](#).

Technical Standards on Strong Customer Authentication and Common and Secure Methods of Communication (Amendment) (No 2) Instrument 2021

- 2.6 Also following consultation in [CP21/3](#), the FCA Board has made changes to certain technical standards.
- 2.7 In summary, these changes will help to remove barriers to the future success and take-up of open banking in the UK.
- 2.8 This instrument comes into force as follows:
- Articles 10A and 36(6) in the annex, and the amendments to Article 10 in the annex, come into force on 26 March 2022.

- The amendments to Article 31 in the annex come into force on 26 May 2023.
- The remainder of the instrument came into force on 30 November 2021.

2.9 Feedback is published in a separate [Policy Statement](#).

Claims Management (Fees Rules) Instrument 2021

2.10 Following consultation in [CP21/01](#), the FCA Board has made changes to the Handbook sections listed below:

Glossary
CMCOB 1.2, 2.2, 4.2, 4.3, 5.1, 6.2

2.11 This instrument adds the following new chapter to the Handbook:

CMCOB 5.2

2.12 In summary, this instrument makes changes to the FCA Handbook in order to bring claims management company (CMC) fees closer to the level of value that CMCs provide to individual customers while also allowing CMCs to continue delivering value to wider society. The new rules also aim to help consumers make more informed decisions about whether to use a CMC service, whether to shop around, or whether to claim directly, without a CMC.

2.13 This instrument comes into force on 1 March 2022. Feedback is published in a separate [Policy Statement](#).

Claims Management Instrument 2021

2.14 Further, following consultation in [CP21/01](#), the FCA Board has made changes to the Handbook sections listed below:

CMCOB 2.1, 4.2, 4.3, 7.1, 7.3
CONRED 1.4, 1.6
PERG 8.4

2.15 In summary, this instrument makes changes to the FCA Handbook in order to update and clarify existing rules for CMCs by making minor amendments to CMCOB, the Consumer Redress Schemes sourcebook and the Perimeter Guidance manual.

2.16 This instrument comes into force on 1 March 2022. Feedback is published in a separate [Policy Statement](#).

Conduct of Business Sourcebook (Final Nudge to Pensions Guidance) Instrument 2021

- 2.17 Following consultation in [CP21/11](#), the FCA Board has made changes to the Handbook sections listed below:

Glossary COBS 19.7, 19 Annex 1G

- 2.18 In summary, this instrument makes changes to the FCA Handbook in order to increase consumer awareness of impartial Pension Wise guidance at the point they wish to access their pension savings and make it more likely that they take up this guidance. Taken together with our previous work, this should support decision making when consumers access their pension benefits or transfer their pension in order to access their benefits.
- 2.19 This instrument comes into force on 1 June 2022. Feedback is published in a separate [Policy Statement](#).

Listing Rules (Primary Market Effectiveness) (Dual Class Share Structure) Instrument 2021

- 2.20 Following consultation in [CP21/21](#), the FCA Board has made changes to the Handbook sections listed below:

Glossary LR 6.9, 9.2, 15.4, 21.4, 21.8, App 1.1

- 2.21 In summary, this instrument makes changes to the FCA Handbook in order to reduce barriers to companies listing in the UK and encourage private companies to consider listing at an earlier stage, while still retaining high standards for investors.
- 2.22 This instrument came into force on 3 December 2021. Feedback is published in a separate [Policy Statement](#).

Listing Rules (Primary Markets Effectiveness) (Minimum Market Capitalisation) Instrument 2021

- 2.23 Following consultation in [CP21/21](#), the FCA Board has made changes to the Handbook sections listed below:

LR 2.2, TR 16

- 2.24 In summary, this instrument makes changes to the FCA Handbook in order to protect and enhance market integrity.
- 2.25 This instrument came into force on 3 December 2021. Feedback is published in a separate [Policy Statement](#).

Listing Rules (Primary Markets Effectiveness) (Shares in Public Hands) Instrument 2021

- 2.26 Following consultation in [CP21/21](#), the FCA Board has also made changes to the Handbook sections listed below:

LR 5.2, 6.14, 9.2, 14.2, 14.3, 18.2, 21.6, 21.8

- 2.27 In summary, this instrument makes changes to the FCA Handbook in order to reduce barriers to companies listing in the UK and encourage private companies to consider listing at an earlier stage, while still retaining high standards for investors.
- 2.28 This instrument came into force on 3 December 2021. Feedback is published in a separate [Policy Statement](#).

Listing Rules (Primary Markets Effectiveness) (Reform and Modernisation) Instrument 2021

- 2.29 Finally, following consultation in [CP21/21](#), the FCA Board has made changes to the Handbook sections listed below:

Glossary

LR 1.1, 1.2, 1.4, 3.3, 3.4, 3.5, 5.2, 8.4, 8.6, 8.7, 9.2, 9.4, 9.6, 10.1, 10.2, 12.5, 13.2, 13.5, 13.6, 13.7, 13.8, 13 Annex 1, 14.3, 15.2, 17.3, 19.5, 20.5, 20.8, App 1.1
PRR 3.1, 3.2, App 1.1
DTR 1.2, 1A.2, 1C.2, 4.3A, 5.8, 6.3, 7.1, 8.4, 8 Annex 2

- 2.30 In summary, this instrument makes changes to the FCA Handbook in order to reduce barriers to companies listing in the UK and encourage private companies to consider listing at an earlier stage, while still retaining high standards for investors.
- 2.31 This instrument comes into force on 10 January 2022. Feedback is published in a separate [Policy Statement](#).

Conduct of Business Sourcebook (Amendment) Instrument 2021

- 2.32 Following consultation in [CP21/9](#), the FCA Board has made changes to the Handbook sections listed below:

Glossary

LR 1.1, 1.2, 1.4, 3.3, 3.4, 3.5, 5.2, 8.4, 8.6, 8.7, 9.2, 9.4, 9.6, 10.1, 10.2, 12.5, 13.2, 13.5, 13.6, 13.7, 13.8, 13 Annex 1, 14.3, 15.2, 17.3, 19.5, 20.5, 20.8, App 1.1
PRR 3.1, 3.2, App 1.1
DTR 1.2, 1A.2, 1C.2, 4.3A, 5.8, 6.3, 7.1, 8.4, 8 Annex 2

- 2.33 In summary, on the inducement rules for research, this instrument makes changes to the FCA Handbook to increase the research coverage of small and medium-sized

enterprise (SME) issuers and to create a regime that is proportionate to the risks of inducements that arise. Further, in relation to best execution reports, this instrument makes changes to remove reporting requirements where the cost for provision is not commensurate with the benefit from improved quality of execution resulting from the transparency.

- 2.34 This instrument comes into force on 10 January 2022. Feedback is published in a separate [Policy Statement](#).

Technical Standards (Markets in Financial Instruments Regulation) (Best Execution) Instrument 2021

- 2.35 Following consultation in [CP21/9](#), the FCA Board has made changes to certain technical standards.
- 2.36 In summary, these changes are made to increase the research coverage of SME issuers and to create a regime that is proportionate to the risks of inducements that arise. Further, in relation to best execution reports, these changes will help to remove reporting requirements where the cost for provision is not commensurate with the benefit from improved quality of execution resulting from the transparency.
- 2.37 This instrument comes into force on 10 January 2022. Feedback is published in a separate [Policy Statement](#).

Listing Rules (Disclosure of Climate-Related Financial Information) (No 2) Instrument 2021

- 2.38 Following consultation in [CP21/18](#), the FCA Board has made changes to the Handbook sections listed below:

**Glossary
LR 9.8, 14.3, App 1.1, TR 17**

- 2.39 In summary, this instrument makes changes to the FCA Handbook in order to improve the quality and availability of climate-related disclosures by certain standard listed issuers, thereby supporting more efficient pricing of climate-related risks and opportunities and better capital allocation to support the transition to a net zero economy.

These changes will also support disclosures along the investment chain, including under our rules for asset managers and FCA-regulated asset owners, and support financial firms in providing products that better meet consumers' climate-related preferences.

- 2.40 This instrument comes into force on 1 January 2022. Feedback is published in a separate [Policy Statement](#).

Disclosure of Climate-Related Financial Information (Asset Manager and Asset Owner) Instrument 2021

- 2.41 Following consultation in [CP21/17](#), the FCA Board has made changes to the Handbook sections listed below:

Glossary
COLL 4.5, 8.3, 15.5

- 2.42 The Board has also added the Environmental, Social and Governance sourcebook (ESG) to the Business Standards block within the Handbook.
- 2.43 In summary, this instrument makes changes to the FCA Handbook in order to increase transparency about how firms are managing climate-related risks and opportunities in respect of investments, and about the climate-related attributes of products, to help clients and consumers make better informed decisions about their investments. These changes also seek to support the flow of information along the investment chain. This should, in turn, help to enhance competition in the interests of consumers, protect consumers from buying unsuitable products, and drive investment towards greener projects and activities.
- 2.44 This instrument comes into force on 1 January 2022. Feedback is published in a separate [Policy Statement](#).

LIBOR Transition Miscellaneous Instrument 2021

- 2.45 Following consultation in [CP21/27](#), the FCA Board has made changes to the FCA Handbook sections listed below:

Glossary
IPRU (INV) Annex D, TP1
CASS 5.5
PERG 2.6

- 2.46 In summary, this instrument makes Handbook changes to amend several references to London Interbank Offered Rate (LIBOR) with appropriate alternatives to ensure a smooth transition away from LIBOR.
- 2.47 This instrument comes into force on 1 January 2022. We received no feedback in relation to the proposed changes to LIBOR references in the Handbook, as

consulted on in [CP21/27](#). Details are published in chapter 3 of this Handbook Notice.

Value Measures Reporting and Monitoring (Amendment) Instrument 2021

2.48 Following consultation in [CP21/27](#), the FCA Board has made changes to the FCA Handbook sections listed below:

SUP 16.27R, SUP 16 Annex 48R, Sup 16 Annex 48AR

2.49 In summary, this instrument makes changes to the Handbook relating to the general insurance (GI) value measures reporting categories for legal expenses insurance, to split 'Before the Event' (BTE) legal expenses insurance and 'After the Event' (ATE) legal expenses insurance. It also amends the value measures reporting form to make clear that firms must report data on key cover and motor pothole insurance.

2.50 This instrument came into force on 17 December 2021. Feedback is published in chapter 3 of this Handbook Notice.

Technical Standards (Electronic Reporting Format) (No 2) Instrument 2021

2.51 Following consultation in [CP21/27](#), the FCA Board made changes to the UK Transparency Directive European Single Electronic Format (TD ESEF) Regulation.

2.52 In summary, these changes allow issuers to select from a wider range and more recent versions of International Financial Reporting Standard (IFRS) taxonomies to meet their obligations to 'mark up' (or tag) their annual financial statements under Disclosure Guidance and Transparency Rules (DTR) 4.1.14R and Article 4 of the UK TD ESEF Regulation.

2.53 This instrument came into force on 17 December 2021. Feedback has been published in chapter 3 of this Handbook Notice.

UK Emission Trading Scheme (No 2) Instrument 2021

2.54 Following consultation in chapter 9 of [CP21/27](#), the FCA Board has made changes to the FCA Handbook sections listed below:

PERG 2.7, 13.4

2.55 In summary, this instrument makes changes to the perimeter guidance in chapters 2 and 13 of the Perimeter Guidance manual (PERG), which is updated to take account of the broadening in HM Treasury's secondary legislation of the eligibility status for firms bidding in emission allowances, issued under the UK emissions trading scheme, on the UK emission auction platform.

- 2.56 This instrument came into force on 17 December 2021. We received no feedback during consultation. Details on the changes are published in chapter 3 of this Handbook Notice.

Supervision Manual (Reporting No 17) Instrument 2021

- 2.57 Following consultation in [CP21/27](#), the FCA Board has made changes to the FCA Handbook sections listed below:

SUP 16 Annex 1B

- 2.58 In summary, this instrument makes changes to the Handbook to provide clarity to firms and remove ambiguity as to what issues are of interest to the FCA with regards to form FIN-A.
- 2.59 This instrument came into force on 17 December 2021. No feedback was received during consultation. A summary of the changes has been published in chapter 3 of this Handbook Notice.

3 Consultation feedback

- 3.1 This chapter provides feedback on consultations that will not have a separate policy statement published by the FCA.

CP21/27: LIBOR Transition Miscellaneous Instrument 2021

Background

- 3.2 The Handbook contains a small number of references to the interest rate benchmark London Interbank Offered Rate (LIBOR). Many of these references were written when LIBOR was the primary interest rate benchmark in global financial markets. However, LIBOR is now being wound down. End dates have been announced for all the LIBOR panels and we have encouraged firms to take appropriate action to transition to alternative rates.
- 3.3 As the market continues to move away from LIBOR, the small number of references to it in the Handbook will, in many cases, become increasingly obsolete.

Summary of proposals

LIBOR references in IPRU-INV

- 3.4 Chapters 5 and 13 of the Interim Prudential sourcebook for Investment Businesses (IPRU-INV) allow certain firms (investment management firms and personal investment firms, as defined in our Handbook glossary) to count subordinated loans towards their regulatory capital, subject to certain conditions. One condition is that firms use the prescribed subordinated loan agreements contained in IPRU-INV Annex D (see IPRU-INV 5.6.5R and IPRU-INV 13.15.8R).
- 3.5 The forms in chapter 5 specify the maximum rate of interest to be charged in these agreements as 5% above 6m sterling LIBOR. We proposed to amend the maximum rate of interest to 5% above the arithmetic mean of the Bank of England Bank Rate for that period.
- 3.6 The forms also suggest that firms specify the primary rate of interest to be charged in these agreements by reference to 6m sterling LIBOR + [X] percent. They also allow for the interest to be charged on a fixed-rate basis or without interest. We proposed to remove the reference to LIBOR in the context of the primary rate of interest altogether and give counterparties the flexibility to select an appropriate rate themselves, provided that it falls below the maximum interest rate cap. We believe that this is more consistent with the policy approach to LIBOR transition where there are multiple interest benchmarks to choose from, depending on the borrowers' needs.
- 3.7 We proposed that the new forms and interest rate cap should apply to any agreement entered into after 31 December 2021. Agreements entered into on or before 31 December 2021 (ie, 'legacy' agreements) would be subject to the

prudential rules in force when the contract was entered into, except that firms would no longer be required to use LIBOR in these existing agreements. If a legacy agreement references LIBOR, it would therefore be the responsibility of the counterparties to remove reliance on these references. Further, the relevant parties would need to agree a fair replacement rate, whether that be for the maximum interest rate applied and/or the primary interest rate, in line with our conduct expectations for LIBOR transition.

3.8 We proposed to make the same amendments to the prescribed subordinated loan forms under chapter 13 to be consistent with the changes set out above for chapter 5.

3.9 We also proposed other non-material updates to the forms in IPRU-INV Annex D – for example, updating references to the FCA’s address and removing forms that will become redundant once the new prudential regime for investment firms takes effect.

LIBOR references in CASS 5.5 (Segregation and the operation of client money accounts)

3.10 Client Assets sourcebook (CASS) 5.5 uses LIBOR as part of an example. Specifically, CASS 5.5 sets out that when a firm outlines its policy on its payment of interest, it need not necessarily disclose the actual rates prevailing at any particular time. The example goes on to state that the firm should disclose the terms – for example, ‘LIBOR plus or minus ‘x’ percentage points’.

3.11 Our preference is to take a neutral approach to the rate referenced. This acknowledges that there is more than 1 rate that firms can choose from and the example doesn’t become outdated again. Therefore, we proposed to remove the LIBOR reference and replace it with ‘the relevant reference rate, plus or minus ‘x’ percentage points’.

LIBOR references in PERG 2.6 (Specified investments: a broad outline)

3.12 In Perimeter Guidance manual (PERG) 2.6, LIBOR is used as an example of an interest rate index in relation to the definition of a structured deposit to show that a variable rate deposit whose return is linked directly to such index is not a structured deposit. LIBOR was used at the time because it represented a variable rate that was likely to be used for loan agreements and deposits.

3.13 We proposed to replace LIBOR in this example with ‘SONIA (whether or not adjusted)’. Sterling Overnight Index Average (SONIA) is widely used to determine the floating leg in swap agreements and therefore represents an appropriate alternative rate for this example.

3.14 We proposed the same changes in the glossary definition of a structured deposit.

Feedback and response

3.15 We received no feedback following our consultation in [CP21/27](#). Accordingly, the changes have been made as consulted on.

Cost benefit analysis

- 3.16 As we received no feedback to the proposals consulted on in [CP21/27](#) and have made no alterations to our proposals, the cost benefit analysis and compatibility statement included in Chapter 5 of [CP21/27](#) have not changed.

Equality and diversity statement

- 3.17 We continue to believe that the rules we have made will not have a negative impact on any of the groups with protected characteristics under the Equality Act 2010 and no concerns were raised during consultation.
- 3.18 The changes made by these instruments are listed in Chapter 2 of this Handbook Notice.

CP21/27: Value Measures Reporting and Monitoring (Amendment) Instrument 2021

Background

- 3.19 In September 2020, we published our policy statement (PS) on GI value measures reporting and publication ([PS20/9](#)). The value measures product governance rules came into force on 1 January 2021. The value measures reporting and publication rules took effect from 1 July 2021.
- 3.20 Following publication of the PS, firms suggested that the data for legal expenses insurance be split between 'Before the Event' (BTE) legal expenses insurance and 'After the Event' (ATE) legal expenses insurance, as these types of insurance are different in nature and have significantly different claims profiles.

Summary of proposals

- 3.21 In order to improve the quality of the data we receive from firms and to make the published data more comparable between firms, in Consultation Paper (CP) [CP21/27](#) (Chapter 2), we proposed to change the reporting categories for legal expenses insurance to split out ATE and BTE as follows:

Current reporting categories	Proposed reporting categories
Legal expenses – home (all business)	BTE legal expenses – home (all business)
Legal expenses – motor (all business)	BTE legal expenses – motor (all business)
Legal expenses – other (all business)	BTE legal expenses – other (all business)
	ATE legal expenses – all business

- 3.23 We also proposed that for the first value measures reporting period (1 July 2021 to 31 December 2021) there should be a transitional arrangement so that firms can report legal expenses data on either the existing reporting categories or the proposed new reporting categories. For reporting periods from 1 January 2022 onwards, we proposed that firms must report on the new reporting categories.

3.24 In addition, the list of products covered by the value measures reporting requirements (Supervision manual (SUP) 16 Annex 48R) includes 2 products (key cover and motor pothole insurance) which were omitted from the reporting form itself. We proposed amending the reporting form to make clear that firms must report data on key cover and motor pothole insurance.

Feedback

3.25 Five firms responded to our proposals in [CP21/27](#). All respondents agreed with our proposed changes. One firm, while agreeing with the changes we proposed, suggested splitting ATE further into ATE in respect of personal injury and ATE for non-personal injury cases to make the data even more meaningful.

Our response

3.26 All the respondents agreed with our proposals in [CP21/27](#). We will therefore be introducing the rules in line with our consultation.

3.27 We believe the current split of ATE and BTE will produce sufficiently meaningful value measures data related to legal expenses products. Given that most ATE products are niche but broadly operate in the same way, we did not propose to split ATE further into ATE in respect of personal injury and ATE for non-personal injury cases.

Cost benefit analysis and compatibility statement

3.28 Prior to the publication of [CP21/27](#), we engaged with a number of firms about our proposed changes. These firms supported our proposed approach to legal expenses insurance and confirmed that the costs would be of minimal significance.

3.29 Further, none of the respondents to [CP21/27](#) informed us that they would incur additional costs resulting from the amendments we proposed. We are therefore not required to do a cost benefit analysis. However, as our proposed approach will provide more helpful data, with costs of minimal significance, we expect our proposals will be net beneficial. We remain satisfied that our proposals are compatible with our objectives and regulatory principles

Equality and diversity statement

3.30 We continue to believe that the rules we have made will not have a negative impact on any of the groups with protected characteristics under the Equality Act 2010 and no concerns were raised during consultation.

3.31 The changes made by these instruments are listed in Chapter 2 of this Handbook Notice.

CP21/27: Technical Standards (Electronic Reporting Format) (No 2) Instrument 2021

Background

3.32 Under our transparency rules, we require issuers to prepare annual financial reports in a machine-readable electronic format. These rules are set out in Disclosure Guidance and Transparency Rules (DTR) 4.1.14R and the UK Transparency Directive European Single Electronic Format (TD ESEF) Regulation.

3.33 These requirements originate in EU legislation for the European single electronic reporting format (ESEF) initiative, which aims to enhance the accessibility of issuers' financial data and make the process of evaluating corporate performance across industry sectors and different jurisdictions by investors easier.

Summary of proposals

3.34 In [CP21/27](#), we consulted on some minor changes to the TD ESEF Regulation to allow more choice to issuers who are in scope of the mandatory tagging requirements in Article 4 in terms of the taxonomy they can use to 'tag' their financial reports. We proposed that issuers could choose between the following taxonomies for tagging their financial statements for the 2021 financial year:

- the core taxonomy currently in our rules (being the 2019 version of the ESEF taxonomy);
- 2 subsequent versions of the ESEF taxonomy which are set out in EU legislation (ESEF 2020 and ESEF 2021); and
- 2 versions of the UKSEF taxonomy issued by the FRC (from their 2021 and 2022 taxonomy suites).

3.35 We also proposed that these issuers could choose between the ESEF 2021 taxonomy and the UK Single Electronic Format (UKSEF) 2022 suite for the 2022 financial year.

3.36 Finally, we proposed some consequential changes to the TD ESEF Regulation to allow for differences in the technical specifications and filing rules associated with the different permitted taxonomies. We also intended to partly relax the current prohibition in Article 5(2) on overseas issuers marking up other parts of the annual financial reports. This change was intended to allow overseas issuers choosing to use the UKSEF taxonomy to also be able to use other non-financial tags that can be voluntarily applied under the broader UK Financial Reporting Council (FRC) suite – for example, for Taskforce for Climate-related Financial Disclosures (TCFD) information.

Feedback

3.37 We received 4 formal responses, 1 from a trade body representing issuers, another from an accounting firm, and a further 2 from companies in the IT sector. We

also continued to engage with the FRC, as the issuer of the UKSEF taxonomies and other taxonomies for the UK, who provided valuable feedback.

- 3.38 The trade body and the accounting firm fully supported our proposals.
- 3.39 One of the companies in the IT sector was broadly supportive, provided that there is clear guidance published on the taxonomies. However, the other company, being a software vendor, recommended we do not permit either version of the UKSEF taxonomy for the 2021 financial year. Its main concerns were a lack of technical documentation at this stage to make these taxonomies workable, and insufficient time for software vendors to provide solutions before the end of 2021, in readiness for the start of the 2022 financial reporting season.
- 3.40 The software vendor also noted that, given the technical differences in the structure of the UK and ESEF taxonomies, the existing ESEF guidance could not be readily applied to UKSEF.
- 3.41 We received no responses on our cost benefits analysis, our equality and diversity assessment or matters address by our compatibility statement.

Our response

- 3.42 We are proceeding with final changes broadly as consulted on. However, because the forthcoming ESEF 2021 taxonomy has yet to be adopted in EU law, we are deferring adding a reference to this taxonomy at this stage. We still intend to permit this new taxonomy once it is in force in the EU, subject to the FCA Board approving a further amendment to the technical standards to add this taxonomy in due course. This remains consistent with our original consultation proposals.
- 3.43 We are making minor drafting changes to our proposed wording for Article 5(2). This follows feedback from the FRC on the organisation and structure of its 2021 and 2022 taxonomy suites, including on the location of tags for non-financial data. These changes will ensure our final rules better reflect our policy intention.
- 3.44 Accordingly, all issuers, including those incorporated overseas, who use UKSEF to meet their mandatory tagging obligations under Article 4 may mark up other parts of their annual financial report using tags contained in the broader range of taxonomies issued by the FRC.
- 3.45 In line with those that supported our proposals and our original analysis, we consider the changes will provide positive flexibility for companies to choose more up-to-date taxonomies for their financial reporting in 2021 and 2022.

3.46 We still consider it appropriate and beneficial to provide for issuers to use UKSEF as an alternative to ESEF, notwithstanding some feedback that UKSEF may require additional material to support its use. We have engaged with the FRC which has since issued filing guidance. Given that companies currently have up to 6 months in which to publish and file financial reports following their accounting year-ends under our DTR 4 rules, there remains time for companies and vendors to prepare for UKSEF.

Cost benefit analysis

3.47 These changes give in-scope issuers more choice in the taxonomies they can use to prepare their financial statements. As these changes do not increase requirements on issuers, we do not consider them to impose additional ongoing costs.

Equality and diversity statement

3.48 We continue to believe that the rules we have made will not have a negative impact on any of the groups with protected characteristics under the Equality Act 2010 and no concerns were raised during consultation.

3.49 The changes made by these instruments are listed in Chapter 2 of this Handbook Notice.

CP21/27: UK Emission Trading Scheme (No 2) Instrument 2021

Background

3.50 The first auction on the UK emission auction platform of emission allowances issued under the UK emissions trading scheme (UK ETS) took place in May 2021. The regulatory structure underpinning the scheme comprised Government legislation delimiting the types of entities eligible to bid on the platform.

3.51 In [Handbook Notice 87](#), we noted that the effect of the Recognised Auction Platforms and Greenhouse Gas Emissions Trading Scheme Auctioning (Amendment) Regulations 2021, which came into force on 19 May 2021, was to broaden the category of eligible auction participants to include, among others, third country investment firms and credit institutions with Part 4A permissions corresponding to equivalent UK eligible participants. We noted that we would update the Perimeter Guidance manual (PERG) in due course to reflect these increases in the scope of eligibility.

Summary of proposals

3.52 We proposed to amend the relevant sections of our perimeter guidance in PERG 2 and PERG 13 to take account of the broadening of the categories of firm eligible to bid on the UK emission trading scheme auction platform.

3.53 PERG 2.7.6B is amended to reflect the fact that the first of the 3 categories of firm able to bid on the UK auction platform also includes certain types of third country investment firm and credit institution. Similarly, PERG 13 is updated to reflect this extension of the types of firm able to bid on the UK auction platform.

3.54 We consider that the perimeter guidance – notably in PERG 2.7 and PERG 13.4, as updated – will continue to assist firms in understanding how emission allowances and bidding activity are treated for the purposes of Financial Services and Markets Act 2000 authorisation and regulation. In particular, the guidance should assist firms in establishing whether and when they need FCA authorisation when bidding for or trading in UK emission trading scheme allowances.

Feedback and our response

3.55 We received no responses to our proposals in chapter 9 of [CP21/27](#) to amend our perimeter guidance to take account of the extension of the eligibility status for firms bidding in UK emission allowances on the UK emission auction platform. As such, our proposals have been made as set out during consultation.

Cost benefit analysis

3.56 No cost benefit analysis is required in relation to the perimeter guidance.

Equality and diversity statement

3.57 We continue to believe that the rules we have made will not have a negative impact on any of the groups with protected characteristics under the Equality Act 2010 and no concerns were raised during consultation.

3.58 The changes made by these instruments are listed in Chapter 2 of this Handbook Notice.

CP21/27: Supervision Manual (Reporting No 17) Instrument 2021

Background

3.59 We collect regulatory data to inform and support our supervision of firms. Our data reporting requirements are set out in the Handbook, predominantly in the Supervision manual (SUP). We use internal feedback and feedback directly from firms to clarify and improve these requirements.

3.60 Separately and prior to the consultation, we received feedback that many firms are incorrectly completing the Annual Report and Accounts form (FIN-A) return by stating “Yes” in response to Data item 7A, as they find the guidance to be unclear and/or misleading.

3.61 Data item 7A asks users to respond with a ‘Yes’, ‘No’ or ‘N/A’ to the question: ‘If the firm’s submitted annual report and accounts have been subject to an audit, has the auditor qualified their opinion, added an explanatory paragraph and/or provided written comment on internal controls?’

3.62 This question should only flag firms that may have financial issues. However, upon inspection, in several cases auditors have written a general comment around uncertainty relating to Covid which is by no means qualifying the accounts or expressing an adverse opinion on the firm.

Summary of proposals

- 3.63 We proposed alterations to the question and guidance notes (SUP 16 Annex 1A and 1B) for form FIN-A. Specifically, we proposed to update the question and enhance the guidance for data item 7 to provide better clarity to firms as to what data we are requesting.
- 3.64 As stated above, Data item 7A asks users to respond with a 'Yes', 'No' or 'N/A' to the relevant question. Our proposal sought to update the question (and guidance) to clarify that in respect of adding an explanatory paragraph, the explanatory paragraph would need to express an adverse opinion to meet one of the criteria for firms to select 'Yes'. This will ensure that:
- general comments from auditors that are not considered to reflect an adverse opinion will not be captured in answers to this question; and
 - the question will flag only firms that may have financial issues.
- 3.65 We also proposed to amend the guidance to clarify that the answer to the above question should also be a 'Yes' if the auditor includes a paragraph headed: 'emphasis of matter', 'other matter' or 'material uncertainty related to going concern'.

Feedback and response

- 3.66 We received no responses to our proposals in chapter 7 of [CP21/27](#) to amend the question and guidance notes for form FIN-A (SUP 16 Annex 1A and 1B).

Cost benefit analysis

- 3.67 Sections 138I(2)(a) of the Financial Services and Markets Act 2000 (FSMA) requires us to publish a cost benefit analysis (CBA) when proposing draft rules. Section 138L(3) of FSMA provides that Section 138I(2)(a) does not apply where we consider that there will be no increase in costs or the increases will be of minimal significance.
- 3.68 Having assessed the individual changes proposed in this chapter, and based on previous estimates relating to similar reporting changes, we believe the exemption of minimal significance applies to these items; therefore, no CBA is required for the proposals in this chapter.

Equality and diversity statement

- 3.69 We continue to believe that the rules we have made will not have a negative impact on any of the groups with protected characteristics under the Equality Act 2010 and no concerns were raised during consultation.
- 3.70 The changes made by these instruments are listed in Chapter 2 of this Handbook Notice.

4 Additional information

Making corrections

- 4.1 The FCA reserves the right to make correctional or clarificatory amendments to the instruments made at the Board meeting without further consultation should this prove necessary or desirable.

Publication of Handbook material

- 4.2 This Notice is published on the FCA website and is available in hardcopy.
- 4.3 The formal legal instruments (which contain details of the changes) can be found on the FCA's website listed by date, reference number or module at www.handbook.fca.org.uk/instrument. The definitive version of the Handbook at any time is the version contained in the legal instruments.
- 4.4 The changes to the Handbook are incorporated in the consolidated Handbook text on the website as soon as practicable after the legal instruments are published.
- 4.5 The consolidated text of the Handbook can be found on the FCA's website at www.handbook.fca.org.uk/. A print version of the Handbook is available from The Stationery Office's shop at www.tsoshop.co.uk/Financial-Conduct-Authority-FCA/.
- 4.6 Copies of the FCA's consultation papers referred to in this Notice are available on the FCA's website.

Obligation to publish feedback

- 4.7 This Notice, and the feedback to which paragraph 1.3 refers, fulfil for the relevant text made by the Board the obligations in sections 138I(4) and (5) and similar sections of the Financial Services and Markets Act 2000 ('the Act'). These obligations are: to publish an account of representations received in response to consultation and the FCA's response to them; and to publish (where applicable) details of any significant differences between the provisions consulted on and the provisions made by the Board, with a cost benefit analysis and a statement under section 138K(4) of the Act if a proposed altered rule applies to authorised persons which include mutual societies.

Comments

- 4.8 We always welcome feedback on the way we present information in the Handbook Notice. If you have any suggestions, they should be sent to handbookproduction@fca.org.uk (or see contact details at the front of this Notice).

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This Handbook Notice describes the changes to the Handbook and other material made by the Financial Conduct Authority (FCA) Board under its legislative and other statutory powers on 25 November and 16 December 2021.

It also may contain information about other publications relating to the Handbook and, if appropriate, lists minor corrections made to previous instruments made by the Board.

Contact names for the individual modules are listed in the relevant Consultation Papers and Policy Statements referred to in this Notice.

General comments and queries on the Handbook can be addressed to:

Meghan Beller

Tel: 020 7066 2111

Email: Meghan.Beller@fca.org.uk

However, queries on specific requirements in the Handbook should be addressed first to your normal supervisory contact in the FCA. For most firms this will be the FCA's Contact Centre:

Tel: 0300 500 0597

Fax: 0207 066 0991

Email: firm.queries@fca.org.uk

Post: Contact Centre
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

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