

MEMO# 32326

March 26, 2020

FCA Webpage Providing Guidance During the COVID-19 Pandemic

[32326]

March 26, 2020 TO: ICI Global Members
Chief Compliance Officer Committee
International Compliance Advisory Committee
International Internal Audit Advisory Committee SUBJECTS: Audit Committees
Compliance
International/Global
Investment Advisers
Operations
Trading and Markets RE: FCA Webpage Providing Guidance During the COVID-19 Pandemic

The UK Financial Conduct Authority (FCA) has published a new webpage providing information on its expectations of firms' response to the coronavirus.[\[1\]](#)

According to information on the webpage, the FCA expects firms to:

- Take reasonable steps to ensure they are prepared to meet the challenges coronavirus could pose to customers and staff, particularly through their business continuity plans;
- Provide strong support and service to customers during this period. Firms should be clear and transparent and provide support as consumers and small businesses face challenges at this time; and
- Manage their financial resilience, actively manage their liquidity, and report to the FCA immediately if they believe they will be in difficulty.

Below are some of the topics discussed on the webpage.

Senior Managers and Certification Regime (SM&CR) Responsibilities

The FCA advises that firms should allocate these responsibilities in the way which best enables them to manage the risks they face. While the FCA does not require firms to have a single senior manager responsible for their coronavirus response, there are existing responsibilities specified in the Senior Managers Regime (SMR) that address operational resilience (e.g., SMR 24) and financial resilience (SMF 2).

School closures and key financial workers

On 19 March 2020, the UK Government closed schools except for a limited number of children whose parents are critical to the coronavirus response and who cannot be safely cared for at home. This includes parents who work in financial services and are needed for the provision of essential financial services (i.e., “key financial workers”). The FCA has provided guidance setting out steps firms should take to help identify key financial workers.^[2] The FCA advises firms to have regard to the guidance and the recommendation that the SMF1, or most relevant member of the senior management team, be responsible for their approach to key workers.

Operational Resilience

The FCA expects all firms to have contingency plans to deal with major events and to have tested such plans. Alongside the Bank of England, the FCA is actively reviewing the contingency plans of a wide range of firms. This includes firms’ assessments of operational risks, the ability of firms to continue to operate effectively, and the steps firms are taking to serve and support their customers.

The FCA advises firms to take all reasonable steps to meet the regulatory obligations that are in place to protect their consumers and maintain market integrity. For example, if a firm has to close a call centre and have staff, instead, work from other locations (including their homes), the firm should establish appropriate systems and controls to ensure it maintains appropriate records, including call recordings if required.

The website reminds firms of the FCA’s consultation paper that sets out information that firms should consider relating to operational resilience.^[3]

Market Trading and Reporting

Recognizing that firms are moving to alternative sites and working from home arrangements, according to the FCA website –

- Firms should continue to record calls. However, if the firm is unable to do so, firms should notify the FCA. In such instances, the FCA expects firms to consider what steps they could take to mitigate outstanding risks, such as enhanced monitoring or a retrospective review once the situation has been resolved.
- If firms experience difficulties in submitting regulatory data, they should maintain appropriate records during this period and submit the data as soon as possible. Firms should not unnecessarily delay these submissions. If firms have concerns, they should contact the FCA as soon as possible.
- Firms should continue to take all steps to prevent market abuse risks (e.g., enhanced monitoring or retrospective reviews).

The webpage notes that the FCA supports the recent statement from the European Securities and Markets Authority (ESMA) regarding upcoming changes to the tick size regime that is required by the EU Investment Firms Regulation for certain firms.^[4] While the FCA will not prioritise supervision of the new requirements at this time, it expects firms to focus on minimising the potential for operational disruption.

endnotes

[1] See <https://www.fca.org.uk/firms/information-firms-coronavirus-covid-19-response>.

[2] See <https://www.fca.org.uk/firms/key-workers-financial-services>.

[3] See <https://www.fca.org.uk/publications/consultation-papers/cp-19-32-building-operational-resilience-impact-tolerances-important-business-services>.

[4] See <https://www.esma.europa.eu/press-news/esma-news/esma-sets-out-approach-mifir-tick-size-regime-systematic-internalisers>.

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