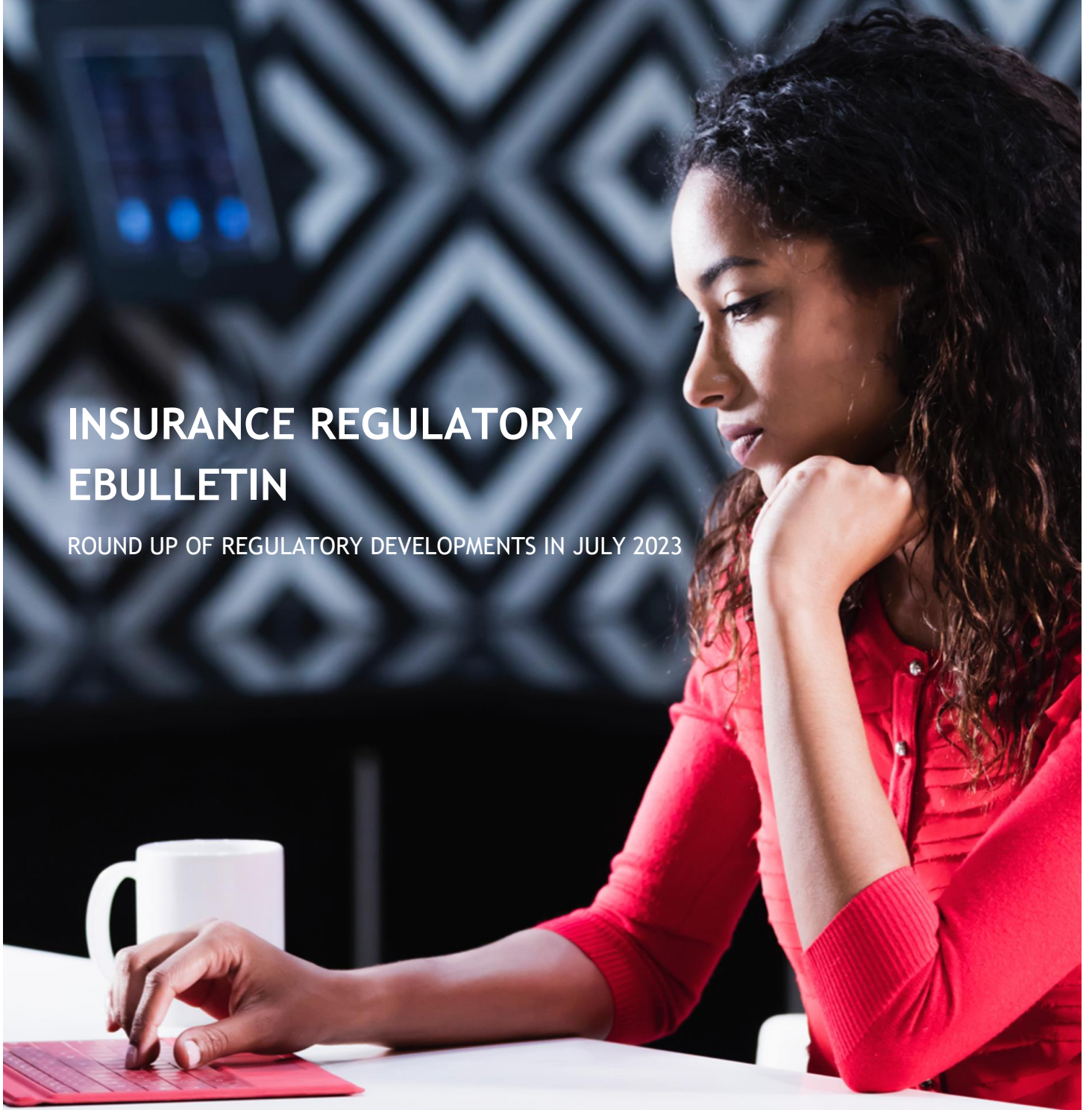




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# INSURANCE REGULATORY EBULLETIN

ROUND UP OF REGULATORY DEVELOPMENTS IN JULY 2023



# WELCOME TO OUR INSURANCE REGULATORY EBULLETIN

Welcome to this edition of our Insurance Regulatory eBulletin, which aims to keep you updated with significant regulatory developments from July 2023 and their implications across the insurance sector.

Following on from a busy June, July has also been a bumper month for regulatory output. July sees the publication of annual reports for both the FCA and PRA, together with various other related annual reports including associated committees.

In addition, in early July, there was the Mansion House speech by the Chancellor, setting out his vision for the future regulation of the financial services sector. There have also been various developments following the passing into law of the Financial Services and Markets Act. The FCA have therefore, issued a statement introducing its new secondary international competitiveness and growth objective. HM Treasury has issued a Policy paper outlining the government's plans for delivering a Smarter Regulatory Framework for the UK through the replacement of retained EU law on financial services. In addition, a Policy Statement has been issued detailing the PRA's final rules and policy following responses received to the Consultation Paper CP17/21 'Solvency II: definition of an insurance holding company'. A further consultation has now been commenced in relation to proposed reforms to Solvency II that seek to simplify the calculation of the transitional measure on technical provisions. The Consultation Paper notes that this principally applies to 24 Life insurers.

On immediate matters, the FCA has been urging home and motor insurers that they must improve their treatment of vulnerable customers and how they handle customers' claims. Detailed indications of good and poor practice have been provided.

I have picked out some themes, but I hope you will find this document helpful in identifying matters relevant to yourself. 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.



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# PRUDENTIAL REGULATION

## CHANCELLOR JEREMY HUNT'S MANSION HOUSE SPEECH

On 10 July, the Chancellor of the Exchequer, The Rt Hon Jeremy Hunt MP, delivered his first Mansion House [speech](#) as Chancellor. He spoke about long term reforms to the UK's competitiveness, as well as tackling inflation.

He stated that the Government is progressing on improving the financial services sector to make it open, green, and technologically advanced, as well as globally competitive.

The Chancellor outlined a series of 'Mansion House Reforms', building on the 'Edinburgh Reforms', which are intended to benefit the financial services industry. These measures include:

- ▶ boosting outcomes for pension savers;
- ▶ incentivising companies to grow and list in the UK by strengthening the UK's position as a listings destination; and
- ▶ reforming and simplifying the financial services rulebook to ensure we have the most growth-friendly regulation possible without compromising our commitment to stability.

## BANK & PRA ANNUAL REPORTS 2023

On 6 July, the Bank and the [PRA](#) published separate annual reports and accounts for 2023. The Bank also [published](#) an asset purchase facility annual report 2022/23, an alternative liquidity facility annual report 2022/23, a report on the Bank's official market operations 2022-23 and the Bank of England's climate-related financial disclosure 2023.

## THE BANK OF ENGLAND'S CLIMATE TRANSITION PLAN

On 6 July, the Bank published its [Climate Transition Plan](#) (CTP) which sets out its strategic approach to delivering the Bank's net zero target for physical operations and sets a target to do so by 2040. The CTP is being published alongside

the Bank's annual climate-related financial risk disclosure (climate disclosure) and Annual Report, which set out its assessment of the climate-related risks that impact its policy function and internal operations and its approach to strategy setting and managing those risks.

## PRA PRACTITIONER PANEL AND INSURANCE SUB-COMMITTEE - ANNUAL REPORT 2022-23

On 6 July, the PRA [published](#) the PRA Practitioner Panel and Insurance Sub-committee Annual Report for the period 1 March 2022 - 28 February 2023. The report provides an overview of the Panel and Sub-committee's engagement with the PRA, examples of items considered by the Panel and Sub-committee and their impact on the PRA, and their forward agendas.

## ENFORCEMENT DECISION MAKING COMMITTEE: 2022/23 REPORT

On 6 July, the PRA [published](#) the Enforcement Decision Making Committee (EDMC) annual report for the period of 1 March 2022 to 28 February 2023. The EDMC was established by the Bank of England's Court of Directors (Court) in August 2018 to help the Bank discharge its responsibilities and strengthen its enforcement processes by ensuring a functional separation between the Bank's investigation teams and the Bank's decision makers in contested enforcement cases. During the reporting period, the EDMC dealt with a case involving a number of investigations. There were no cases ongoing at the time of this report. There is an established process by which the EDMC, through the secretariat, conducts a review of settled cases, in line with recommendations for such a review by HM Treasury and with the PRA's public commitment in that regard. The parties and their legal representatives who have participated in settlement discussions are invited to comment should they wish to do so.

### **THE PRESCRIBED PERSONS (REPORTS ON DISCLOSURES OF INFORMATION) REGULATIONS 2017 - ANNUAL REPORT 2022/23**

On 6 July, the PRA [published](#) the Prescribed Persons (Reports on Disclosures of Information) Annual Report. The Regulations set out requirements for all 'Prescribed Persons' to report in writing annually on whistleblowing disclosures they have received.

### **FINANCIAL STABILITY REPORT - JULY 2023**

On 12 July, the Bank [published](#) its Financial Stability Report for July 2023. The report sets out the Bank's Financial Policy Committee's (FPC) view on the stability of the UK financial system and what it is doing to remove or reduce any risks to it. The report notes that the global economic outlook is highly uncertain and the risk environment is challenging. The FPC identifies vulnerabilities and acts to build the resilience of the system. It also highlights that the finances of UK households and businesses are under pressure from higher borrowing costs, that UK banks remain strong enough to support these households and businesses, and that non-bank financial institutions continue to need more resilience.

### **PS6/22 SOLVENCY II: DEFINITION OF AN INSURANCE HOLDING COMPANY**

On 7 July, the PRA [published](#) a Policy Statement (PS) that provides feedback to the eight responses that were received to Consultation Paper CP17/21 'Solvency II: definition of an insurance holding company', and detailing the PRA's final rules and policy. After considering the responses, the PRA has made some minor changes to the draft policy, including delaying implementation of the policy until 12 months after publication (the policy and amendment to the PRA Rulebook came into effect on Friday 7 July 2023); amending the phrase 'choosing the more prudent measure' in paragraph 1A.1 of SS9/15, so that there will be supervisory discretion to determine whether to apply the most appropriate measure between net versus gross assets, or between net vs gross revenues;

and some other minor amendments to SS9/15 to clarify the original proposals.

### **PRA STATEMENT ON THE RECALCULATION OF THE TRANSITIONAL MEASURE ON TECHNICAL PROVISIONS (TMTP)**

The PRA has issued a [statement](#) on the recalculation of the Transitional Measure on Technical Provisions (TMTP). Since the previous biennial TMTP recalculation in December 2021, the PRA has been monitoring market conditions. The PRA believes that movements in risk free rates for the first half of 2023 mean that a material change in market conditions can take place, as outlined in SS6/16. Firms can submit applications to recalculate TMTP as at Friday 30 June 2023. Firms' applications must show that a material change in risk profile has taken place.

### **BUILDING A SMARTER FINANCIAL SERVICES REGULATORY FRAMEWORK: DELIVERY PLAN**

HM Treasury published a [policy paper](#) outlining the government's plans for delivering a Smarter Regulatory Framework for the UK through the replacement of retained EU law on financial services. The introduction of the Financial Services and Markets Act 2023 (FSMA 23) allows the government to repeal retained EU Law for financial services and provide it with the Smarter Regulatory Framework (SRF) which is tailored to the UK.

### **UK RETAIL DISCLOSURE CONSULTATION RESPONSE**

HM Treasury has issued a [response to feedback](#) received during its consultation on plans to revoke the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation and seeks views on a proposed alternative framework for retail disclosure, as part of the implementation of the Future Regulatory Framework (FRF) Review.

### **WOMEN IN FINANCE CHARTER GUIDANCE - JUNE 2023**

HM Treasury has updated its [policy paper](#) on the 'Women in Finance Charter' which asks financial services firms to commit to implement four key industry actions to improve the representation of

women in senior managerial roles in financial services. The Charter was launched in response to the recommendations in the Government's 2015 review into representation in senior management roles in the financial services sector. This document sets out guidance to help firms comply with the Charter, including which firms are in scope and what actions firms need to take.

### GENERAL GUIDANCE FOR FINANCIAL SANCTIONS UNDER THE SANCTIONS AND ANTI-MONEY LAUNDERING ACT 2018

The Office of Financial Sanctions Implementation (OFSI) has published an update to its [General guidance](#) for financial sanctions under the Sanctions and Anti-Money Laundering Act 2018 as at 26 July 2023. Changes have been made to Section 6.12, *Refusal of a Licence*.

### IFRS 17 INSURANCE CONTRACTS: EXPOSURE DRAFT

HM Treasury announced that it had [closed](#) its consultation in the matter of its Exposure Draft on IFRS 17 on 13 July 2023. The Standard is being applied by HM Treasury in the Government Financial Reporting Manual (FRm) from 1 April 2025.

HM Treasury has published an updated version of its [guidance on IFRS 17](#) implementation for the public sector context. The guidance has been updated to reflect the publication of IFRS 17 Insurance Contracts and the Hutton Review of Fair Pay. It also includes guidance on the accounting for business combinations under common control and guidance on asset valuation.

### CP12/23 - REVIEW OF SOLVENCY II: ADAPTING TO THE UK INSURANCE MARKET

The PRA is inviting comments on its [proposed reforms](#) to Solvency II that seek to simplify the calculation of the transitional measure on technical provisions (TMTP) to reduce costs and complexity for firms while ensuring firms plan effectively for the end of these transitional measures in 2032.

Comments are to be submitted on or before 1 September 2023.

### PENSION TRUSTEE SKILLS, CAPABILITY AND CULTURE: A CALL FOR EVIDENCE

The Department for Work and Pensions (DWP) and HM Treasury have issued a [call for evidence](#) to help improve the skills and capability of pension trustees and remove barriers to making effective investment decisions. The DWP is seeking to deepen the evidence base around trustee capability and other barriers to trustees doing their job in a way which is effective and results in the best outcomes for savers. It is focused on the following three areas:

- ▶ trustee skills and capabilities;
- ▶ the role of advice; and
- ▶ barriers to trustee effectiveness.

Comments should be submitted by 5 September 2023.

### REFORM OF THE ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING SUPERVISORY REGIME

HM Treasury has [published](#) a consultation on the reform of the anti-money laundering and counter-terrorism financing (AML/CTF) supervisory system, in line with a commitment in the Economic Crime Plan 2023-26. The 2022 Review of the UK's AML/CTF regulatory and supervisory regime concluded that while there had been continued improvement to the regime, some weaknesses in supervision may need to be addressed through structural reform. The Review set out four possible models for a future AML / CTF supervisory System. This consultation further develops these four models, assessing them against three consultation objectives. The consultation does not include a policy preference and invites respondents' views regarding the potential benefits and disbenefits of each potential reform model. Additionally, the consultation is seeking views on whether to expand requirements on supervisors and their regulated populations relating to sanctions compliance.

Comments should be submitted on or before 30 September 2023.



# CONDUCT REGULATION

## OUR EMERGING REGULATORY APPROACH TO BIG TECH AND ARTIFICIAL INTELLIGENCE - SPEECH NIKHIL RATHI, CHIEF EXECUTIVE, FCA

On 12 July, Nikhil Rathi, Chief Executive of the FCA delivered a speech at The Economist, London. In this highlighted the following:

- ▶ The FCA welcomes the government's call for the UK to be the global hub of AI regulation and will open our AI sandbox to firms wanting to test the latest innovations.
- ▶ Big Tech's role as the gatekeepers of data in financial services will be under increased scrutiny.
- ▶ The FCA's outcomes and principles-based approach to the regulation, including the Senior Managers Regime and Consumer Duty, should mean firms have scope to innovate while protecting consumers and market integrity. The FCA will only intervene with new rules or guidance where necessary.
- ▶ The FCA will regulate firms that are designated as Critical Third Parties where they underpin financial services and can impact stability and confidence in our markets.

## FCA - ANNUAL REPORT AND ACCOUNTS 2022/23

The FCA has [published](#) its Annual Report and Accounts for the first year of its three-year strategy. The report sets out the FCA's progress and key achievements in its first year, including:

- ▶ a new Consumer Duty designed to create an unambiguous focus on consumers so that firms put consumer needs and outcomes at the heart of all they do;
- ▶ reducing and preventing financial crime by strengthening the authorisation process, improving assessments of regulated firms, and deploying more staff to investigate and prosecute offenders;

- ▶ reducing the risk of fraud and scams by continuing to take down hundreds of scam websites; and
- ▶ supporting firms to launch innovative services.

## FCA - OUR POSITIVE IMPACT 2023

The FCA has [published](#) a report setting out and, where possible, quantifying the benefits to consumers and markets that its activities generate in terms of the topline outcomes it highlighted in its 3-year Strategy. This is the second time the FCA has reported on the positive impact of its activities. As with its first Positive Impact publication, this report looks at the benefits delivered through policy interventions undertaken over a period of three years, as well as the benefits that were delivered through enforcement actions over the same period. For the period 1 April 2019 to 31 March 2022, the benefits from a subset of policy interventions are estimated to be at least £28.8 billion. The FCA also identifies benefits from direct consumer redress due to its enforcement, confiscations and penalties imposed on firms and individuals of just over £1.4 billion.

## SECONDARY INTERNATIONAL COMPETITIVENESS AND GROWTH OBJECTIVE STATEMENT

The FCA has issued a [statement](#) introducing its new secondary international competitiveness and growth objective. The statement sets out the FCA's view of how its work to support the 'key drivers' of productivity will support delivery of the secondary objective and explains how the FCA plans to report on its progress in facilitating the new objective moving forward. It also explains the FCA approach to updating key processes and documents in light of this change.

## CHANCELLOR'S MANSION HOUSE SPEECH STATEMENT

The FCA has issued a [statement](#) welcoming the Chancellor's Mansion House speech and stating that it will work closely with the Treasury to

support the proposals announced by the Chancellor. The FCA supports high regulatory standards in the UK and aims to make sure that capital markets are dynamic and effective for all participants. The FCA has already taken steps to support UK capital markets and plans to continue to build on that strength in the months ahead.

### **FCA'S RESPONSE TO TREASURY REMIT LETTER 2023**

The FCA has [written](#) to the Chancellor of the Exchequer in response to his remit letter, dated 8 December 2022. The Chancellor's letter set out recommendations for aspects of the Government's economic policy to which the FCA should have regard when considering how to advance its objectives and discharge its functions. These were:

- ▶ supporting the government's objective of medium to long-term economic growth in the interests of consumers and businesses; and
- ▶ supporting the government's objectives to promote the international competitiveness of the UK.

The letter sets out the FCA's key areas of focus in the 3-year Strategy (2022 to 2025) and Business Plan 2023/24. The FCA is implementing the Consumer Duty, taking action to protect consumers from misleading financial promotions and plans to consult on strengthening the requirements for safeguarding funds in 2023.

### **FCA'S RESPONSE TO THE COMPLAINTS COMMISSIONER'S ANNUAL REPORT 2022/23**

On 14 July, the FCA [published](#) a report responding to the points raised in the Complaints Commissioner's Annual Report for the year ended 31 March 2023 and providing an update on the FCA's work to continually improve its complaint handling performance. The FCA has indicated that its investment in complaints handling has created further improvements in its operational performance during 2022/23 against all of its operating service metrics. The FCA says it will continue to consolidate and build on this in the year ahead, including in terms of quality and

customer service in light of the continued changing nature of the complaints it receives.

### **PS23/9 FINALISED INSURANCE GUIDANCE ON SUPPORTING CUSTOMERS IN FINANCIAL DIFFICULTY**

On 3 July, the FCA has published a [policy statement](#) summarising the feedback it received to its consultation paper (CP23/1) on insurance guidance for supporting customers in financial difficulty. The consultation paper set out proposals to introduce guidance in ICOBS 2 to help protect customers who have non-investment insurance policies (including General Insurance and Pure protection) and are in financial difficulties. The guidance will come into effect on 31 July 2023.

### **FCA WARNS INSURERS ABOUT SUPPORT PROVIDED TO STRUGGLING CUSTOMERS**

The FCA has [announced](#) that, following an increase in complaints about insurance claims, home and motor insurers must improve their treatment of vulnerable customers and how they handle customers claims. The FCA uncovered examples of lengthy complaints handling times and people not given appropriate settlements. The regulator discovered instances of motor insurance customers being offered a price lower than their car's fair market value after it had been written off, which is against FCA rules. The review also found that some firms were unable to show they were monitoring customer outcomes well enough, and that better information sharing was needed where insurers are dealing with intermediaries to settle claims. Some firms also failed to show that they were adequately able to identify vulnerable customers in need of additional support. Alongside the review, the FCA has finalised new guidance for insurance firms about how they should support their customers. It has also published the results of its analysis of responses to a questionnaire sent to a selection of the largest general insurance firms to assess whether they were meeting the expectations of the [Dear CEO](#) letter, dated 29 September 2022. In early July they summarised [good and poor practice](#) in the general insurance market, identified through this analysis.

On 31 July, the FCA published a [guidance notice](#) regarding the outcomes a firm should aim to achieve, as well as the actions they should take to deliver good outcomes for customers experiencing financial difficulties.

### **PS23/10 FCA REGULATED FEES AND LEVIES 2023/24: WITH FEEDBACK ON CP23/7 AND 'MADE RULES**

The FCA has published a [policy statement](#) setting out the 2023/24 periodic regulatory fees and levies for the FCA, the Financial Ombudsman Service, and the levies collected on behalf of government departments. Additionally, the FCA has published its feedback on the responses it received to the consultation on draft fees and levy rules in CP23/7, which was published on 5 April 2023. This Policy Statement applies to all FCA fee-payers and to any businesses considering applying for FCA authorisation or registration.

The FCA has published an [updated](#) version of its policy on fees and levies as of 13 July 2023. The document provides details of how and when the FCA will collect its fees, and how and when firms can pay them.

### **FSCS LEVY CALCULATION NOTES 2023/24 FINAL RATES**

The FCA has [published](#) the final rates for the Financial Services Compensation Scheme (FSCS) Levy Calculation Notes for 2023/24. The FSCS levy is made up of two elements:

- ▶ Management expenses; and
- ▶ Compensation costs.

The management expenses levy limit was consulted on in the joint FCA/PRA consultation paper CP23/3 (January 2023) and was set at £39,215,168.

### **PS23/12 COMPLAINTS AGAINST THE REGULATORS (THE FCA, PRA AND THE BANK OF ENGLAND)**

The PRA, FCA and the Bank of England (the Regulators), have published a [joint policy statement](#) setting out its response to the feedback it received to its consultation paper proposing user-friendly revisions to the joint Complaints Scheme. The proposals aimed to

improve the transparency of the Regulators' approach to 'ex-gratia' compensatory payments, to help complainants understand what they can and cannot expect from the Scheme. The new Scheme will come into effect on 1 November 2023.

The Regulators' received 411 responses to the consultation. A large proportion did not support all the proposals regarding compensatory payments in recognition of financial loss. Many of the more detailed responses also objected to the use of the 'sole or primary' cause condition when considering a payment in recognition of financial loss. Respondents broadly supported the proposals for compensatory payments for financial loss. Some changes have been made to the proposals to reflect these comments.

### **FS23/4: POTENTIAL COMPETITION IMPACTS OF BIG TECH ENTRY AND EXPANSION IN RETAIL FINANCIAL SERVICES**

On 14 July, the FCA published a [Feedback Statement](#) on the potential competition impacts of Big Tech entry and expansion in retail financial services. The statement summarised responses to DP 22/5 and set out the FCA's actions and next steps. The FCA identified key themes following its analysis of DP 22/5 including, among other things, that Big Tech firms have the potential to enhance the overall value of their ecosystems with further entry and Expansion in Retail Financial Services sectors through innovative propositions, and that in the short term, a partnership-based model is likely to continue to be the dominant entry strategy for Big Tech companies.

### **FCA RULE REVIEW FRAMEWORK**

The FCA has published a [draft Rule Review Framework](#) to explain how it plans to monitor and review how its rules are working in practice. This applies to all rules in the FCA Handbook and is in line with an obligation introduced by the Financial Services and Markets Act 2023.

The FCA intends to collect and monitor data to assess the effects of its rule change. However, it may choose not to actively monitor new rules where it is not feasible to do so, in relation to minor policy or rule changes with minimal

impact, or where it is not an effective use of FCA resources. It may also choose to take a different approach where there is evidence that FCA rules are not working as intended, or where it wants to understand the overall effect of certain rules.

Comments should be submitted by 15 September 2023.

### **PROFESSIONAL INDEMNITY INSURANCE - UPDATED GUIDANCE**

The FCA has published an [updated version](#) of its guidance on professional indemnity insurance. The document provides details of the FCA's requirements, how insurers calculate premiums, and policy exclusions.

### **THE FCA AND PRACTITIONER PANEL 2022/23 SURVEY FINDINGS**

The FCA has [published](#) the findings of the FCA and FCA Practitioner Panel 2022/23 survey. The survey was sent to a sample of regulated firms to gather their feedback on how they are doing in regulating the industry. The FCA uses the survey results to get a better understanding of the issues affecting firms and to assess whether any changes should be made to its approach, as part of becoming a more innovative, assertive, and adaptive regulator. The majority of responding firms have a positive view of the FCA's performance over the last year. This is a significant achievement, given the volume of changes, which the industry and FCA have continued to absorb over the past 12 months. However, some firms have communicated areas where they believe the FCA could be doing more. Firms want FCA to:

- ▶ act proportionately, so that the costs imposed on firms are proportionate to the benefits gained;
- ▶ respond efficiently to innovation and new challenges;
- ▶ improve trust and confidence in the FMA and its supervisors; and
- ▶ make sure there are ongoing improvements in the authorisations process in the service standards quarterly reporting.

### **FCA DISCLOSURE GUIDANCE AND TRANSPARENCY RULES SOURCEBOOK (ELECTRONIC REPORTING FORMAT)**

The FCA has adopted the [Disclosure Guidance and Transparency Rules Sourcebook](#) (Electronic Reporting Format) Instrument 2023, which amends the Glossary of definitions and the Disclosure Guidance and Transparency Rules sourcebook (DTR). This instrument came into force on 28 July 2023.

### **LAUNCH OF PERMANENT DIGITAL SANDBOX**

The FCA will make its [Digital Sandbox](#) available permanently on 1 August 2023, following two successful pilots. The permanent sandbox is part of a range of market facing tools and initiatives the FCA offers to help innovative firms launch new products and services. Participants will have permanent access to:

- ▶ high-quality datasets and Application Programme Interfaces (APIs),
- ▶ robust data security protection,
- ▶ a collaborative platform, and
- ▶ an observation deck.

### **CONSULTATION OUTCOME: GOVERNMENT-REGULATOR RESPONSE TO 'VALUE FOR MONEY: A FRAMEWORK ON METRICS, STANDARDS AND DISCLOSURES'**

This [Department for Work and Pensions \(DWP\) document](#) is the government and Regulators response to the 'Value for Money: A framework on metrics, standards and disclosures' policy consultation published in January 2023. The DWP has received over 80 responses to the consultation.

This document highlights the key matters raised by the formal consultation responses and stakeholder engagement. It notes that it is a joint response by the Government, The Pensions Regulator and the FCA. It is not an exhaustive commentary on every response received.

### **REGULATORS FINALISE CLEARER, MORE TRANSPARENT COMPLAINTS SCHEME**

The FCA, the PRA and the Bank of England have finalised a [revised scheme](#) for those who have



complaints about the regulators, following a consultation. The revised scheme clarifies what people can expect when they complain, improving transparency and user friendliness. The new scheme will apply from 1 November 2023. Complaints made prior to this date will be considered under the existing scheme.

### **GC23/2: FINANCIAL PROMOTIONS ON SOCIAL MEDIA**

The FCA has issued a [guidance consultation](#) on financial promotions on social media. The FCA is consulting on new, standalone guidance for financial promotions in order to ensure that consumers can access high quality marketing information across all channels, enabling them to make informed decisions. The guidance is intended to help firms understand the FCA's expectations and help marketers navigate the regulatory regime.

Comments should be submitted on or before 11 September 2023.

### **REGULATION ROUND UP**

On 27 July, the FCA published its monthly Regulation Round-up. In addition to various topics, noted either last month or above, this noted, the following:

- ▶ New information for principal firms operating as regulatory hosts

To improve oversight of Appointed Representatives (ARs), the FCA has published [information](#) for principal firms who operate as regulatory hosts to help ensure they know how to meet the required standards.

- ▶ Reminder on reporting requirements for principal firms

From 1 December 2023, all principal firms will need to send the FCA regular data about their ARs.

- ▶ Changes to FCA Firm Reference Numbers (FRNs) and Product Reference Numbers (PRNs)

The FCA use 6 and 7-digit FRNs to uniquely identify firms, and 6 and 7-digit PRNs to identify funds. The FCA issued the first 7-digit reference numbers on 18 July 2023.

# 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 continuing to operate in the EU.

Items of possible interest this month are as follows:

## **METHODOLOGICAL PRINCIPLES OF INSURANCE STRESS TESTING - CYBER COMPONENT**

On 11 July, EIOPA [published](#) a paper aimed at enhancing and strengthening by a technical and procedural perspective the EIOPA approach to bottom-up stress testing. It contains the set of theoretical and practical rules, guidelines and approaches to support the design phase of potential future insurance stress tests with a focus on cyber risk.

## **REPORT ON EIOPA'S COLLEGES OF SUPERVISORS ACTIVITIES IN 2022**

On 17 July, EIOPA published a report on the activities of the [Colleges of Supervisors](#). In 2022, the College largely focused on the impact of the contemporary macro-economic environment, including the sharp rise in inflation and interest rates and the Russian war in Ukraine, as well as the ways in which these factors impacted the profitability and financial and solvency position of the Cross-border Insurance Groups.

## **PEER REVIEW ON PRODUCT OVERSIGHT AND GOVERNANCE**

On 20 July, EIOPA, announced that with the support of National Competent Authorities (NCAs), it has [conducted](#) a peer review on requirements on product oversight and governance (POG), based on the EIOPA's two-year peer review work plan 2020-2022 and in line with Article 30 of EIOPA Regulation.

This peer review, the first in the area of supervision of conduct of business, assessed the overall maturity of the supervisory framework on POG, developed by NCAs to supervise the application of POG requirements by insurance manufacturers.

## **CONSULTATION ON STAFF PAPER ON MEASURES TO ADDRESS DEMAND-SIDE ASPECTS OF THE NATCAT PROTECTION GAP**

On 5 July, EIOPA issued a [consultation](#) on a Staff paper on potential measures to address the Natural Catastrophe (NatCat) insurance protection gap from a demand side perspective.

Comments should be submitted by 5 October 2023.

## **CONSULTATION PAPER ON SUPERVISORY STATEMENT ON SUPERVISION OF REINSURANCE CONCLUDED WITH THIRD COUNTRY INSURANCE AND REINSURANCE UNDERTAKINGS**

EIOPA is [consulting](#) on its Supervisory Statement on supervision of reinsurance concluded with third country insurance and reinsurance undertakings.

Comments should be submitted on or before 10 October 2023.

## **DISCUSSION PAPER ON OPEN INSURANCE: AN EXPLORATORY USE CASE IN THE INSURANCE SECTOR**

EIOPA is soliciting feedback regarding an Open Insurance use case, set out in a [Discussion Paper](#), published on 24 July, examining the key features of an insurance dashboard. The paper is a follow up to an initial Discussion Paper on Open Insurance, after which EIOPA concluded that further work on more concrete, specific and detailed open insurance use cases might facilitate a better understanding of implications for consumers, industry and supervisors. An insurance dashboard would collect and show a consumer, in a user-friendly way, their insurance policies and related information in one place. It would function as a central point of contact that aggregates and combines information from the various insurance companies/intermediaries each consumer has business with.

Comments should be submitted on or before 24 October 2023.

### EIOPA OPINION ON A DELEGATION AGREEMENT BETWEEN DIRECCIÓN GENERAL DE SEGUROS Y FONDOS DE PENSIONES AND DE NEDERLANDSCHE BANK N.V. UNDER ARTICLE 28 OF THE EIOPA REGULATION

On 4 July, EIOPA provided its [opinion](#) on a delegation agreement between Dirección General de Seguros y Fondos de Pensiones and De Nederlandsche Bank N.V. under Article 28 of the EIOPA Regulation. EIOPA finds that the delegated supervisory competences are duly identified and precisely determined in accordance with relevant Union laws, and that the intended delegation agreement is therefore justified and proportionate.

### QUESTION ID 2426: REPORTING TEMPLATES

EIOPA has published a Q&A, Question ID: 2426 regarding Reporting [Templates](#).

### QUESTION ID 2433: SOLVENCY CAPITAL REQUIREMENT

On 11 July, EIOPA made an [update](#) to its FAQs. The question, regarding Solvency Capital Requirement, discusses comparing the results of two calculations of technical provisions to decide whether an insurance policy falls under Article 118(1)(a) or Article 142(6)(a) or (b) of the Delegated Regulation (EU) 2015/35.

### QUESTION ID 2469: REPORTING TEMPLATES

EIOPA has [answered](#) a question on validation rules BV783 and BV784.

### QUESTION ID 2590: REPORTING TEMPLATES

EIOPA has [answered](#) a question on the changes to the S 29 guidance in the draft business package supporting Solvency II taxonomy 2.8.0.

### QUESTION ID 2598: REPORTING TEMPLATES

On 25 July, EIOPA [published](#) a question and answer on reporting templates. EIOPA's answer confirms that the LOB referred to in C0140 of taxonomy template S.14.02 are correct and the term "properties" includes all types of vehicles.

### QUESTION ID 2602: SCOPE (ART. 1 IDD)

On 26 July, EIOPA [published](#) a question and answer on the scope of the Insurance Distribution Directive with regard to ancillary intermediaries.

### QUESTION ID 2633: REPORTING TEMPLATES

On 26 July, EIOPA [published](#) a question and answer on the topic of templates for the submission of information to the supervisory authorities under Article 35 of the SII Directive.

### QUESTION ID 2634: REPORTING TEMPLATES

On July 11, EIOPA [published](#) its response to a question relating to an inconsistency in New Annex II for S.05.01 for IFRS17 Insurance companies with regards to Claims incurred.

### QUESTION ID 2636: REPORTING TEMPLATES

EIOPA has [answered](#) a question on templates S.08.01 and S.06.01 under Regulation (EU) No 2015/2450.

### QUESTION ID 2637: REPORTING TEMPLATES

EIOPA has provided [guidance](#) in an FAQ requiring further clarification regarding information collected in C0030 of Templates S.14.02. This information aims to identify the total liabilities exposed to climate risks, and if none of the products in the portfolio cover climate related perils it should indicate 0.

### QUESTION ID 2649: REPORTING TEMPLATES

EIOPA has updated its [Frequently Asked Questions](#) (FAQ) document, adding Question ID 2649, in relation to templates for the submission of information to the supervisory authorities with the topic of Reporting Templates.

### QUESTION ID 2653: REPORTING TEMPLATES

On 26 July, EIOPA [published](#) a question and answer on reporting templates under Article 35 of the SII Directive.

### QUESTION ID 2657: REPORTING TEMPLATES

EIOPA has [updated](#) its FAQ document, adding Question ID 2657, in relation to templates for the submission of information to the supervisory authorities regarding Reporting Templates.

**QUESTION ID 2661: REPORTING TEMPLATES**

EIOPA has submitted an answer to a question in relation to [templates](#) for the submission of information to the supervisory authorities for Article 35 of SII Directive.

**QUESTION ID 2662: REPORTING TEMPLATES**

On 26 July, EIOPA [published](#) a question and answer with regard to templates for the submission of information to the supervisory authorities under Article 35 of the SII Directive.

**QUESTION ID 2665: REPORTING TEMPLATES**

EIOPA has published a Q&A, Question ID: 2665 regarding Reporting [Templates](#).

**QUESTION ID 2666: REPORTING TEMPLATES**

On 25 July, EIOPA [answered](#) a question on the new S.14.02 QRT.

**QUESTION ID 2667: REPORTING TEMPLATES**

EIOPA has published a Q&A, Question ID: 2667 regarding Reporting [Templates](#).

**QUESTION ID 2668: REPORTING TEMPLATES**

EIOPA has published a Q&A, Question ID: 2688 regarding Reporting [Templates](#).

**QUESTION ID 2669: REPORTING TEMPLATES**

EIOPA submitted an [answer](#) to a question about templates for the submission of information to the supervisory authorities in respect of Article 35 of SII Directive.

**QUESTION ID 2681: REPORTING TEMPLATES**

On 25 July, EIOPA [published](#) a question and answer on reporting templates. EIOPA's answer confirms a mismatch in the label of rows ER0421 and ER0422 between the taxonomy (Annotated templates) and the guidance, and clarifies the wording of rows ER0241 and ER0242 with regard to claims covered in the current quarter or claims covered in the current year to date and risks covered or claims incurred.

**QUESTION ID 2693: REPORTING TEMPLATES**

EIOPA has published a Q&A, Question ID: 2693 regarding Reporting [Templates](#).

**QUESTION ID 2697: REPORTING TEMPLATES**

On 25 July, EIOPA [published](#) a question and answer with regard to templates for the submission of information to the supervisory authorities under Article 35 of the SII Directive.

**QUESTION ID 2723: REPORTING TEMPLATES**

EIOPA has published an answer to a question in relation to procedures, formats and [templates](#) of the solvency and financial condition report.



# CORPORATE GOVERNANCE

## FRC ANNUAL REPORT AND ACCOUNTS 2022/23

On 24 July, the Financial Reporting Council (UK) (FRC) published its [Annual Report and Accounts for 2022/23](#), highlighting the FRC's continued focus on delivering its purpose as an assertive regulator driving higher standards, while progressing towards becoming the Audit, Reporting and Governance Authority (ARGA). The FRC has made significant strides in implementing recommendations from the three independent reviews without legislative backing. This includes ongoing workstreams related to the government's response to the corporate governance and audit reform White Paper.

## ANNUAL ENFORCEMENT REVIEW 2023

On 28 July, the FRC published the [Annual Enforcement Review 2023](#). FRC reflects on its performance against the baseline set in its first Annual Enforcement Review in 2019 as well as on its contribution to the FRC's purpose.

## FRC AUDIT ENFORCEMENT PROCEDURE 2023

The FRC has [issued](#) its audit enforcement procedure (AEP). The document sets out:

- ▶ the scope of the AEP;
- ▶ an outline of the AEP process;
- ▶ links to the AEP itself and other supporting documents.

## FRC INSPECTIONS SHOW CONTINUED IMPROVEMENT AT LARGEST AUDIT FIRMS

On 7 July, the FRC released the [annual inspection and supervision results](#) of the largest audit firms (BDO, Deloitte, EY, Grant Thornton, KPMG, Mazars and PwC). Overall, 77% of audits inspected were deemed good or required limited improvement - a year-on-year improvement spanning four years - with a 10% increase compared to the 67% recorded in 2020.

## FRC PUBLISHES REVISIONS TO TAS 400: FUNERAL PLANS

On 17 July, the FRC [published](#) version 3.0 of Technical Actuarial Standard 400: Funeral Plans, effective 17 July 2023. The new version of the Standard includes revisions to ensure it is fit for purpose following the transfer of funeral plan authorisations and supervision from the Funeral Planning Authority to the FCA. Revisions are made to existing provisions in relation to risk identification and valuations carried out under the new FCA regime, as well as new provisions in relation to new responsibilities such as approvals and transfers.

## THEMATIC REVIEW OF CLIMATE-RELATED METRICS AND TARGETS 2023

On 28 July, the FRC issued "[Thematic review of climate-related metrics and targets 2023](#)". This review considers the Task Force on Climate Related Disclosures (TCFD) metrics and targets disclosures of twenty UK premium and standard listed companies operating in four sectors covered by TCFD sector-specific supplemental guidance included in the TCFD Implementing the Recommendations of the Task Force on Climate Related Financial Disclosures document (the 'TCFD Annex'). Four of the companies reported against the TCFD recommendations for the first time, with the others providing a second year of mandated TCFD reporting.

The FRC considered four overarching questions:

- ▶ Has companies' climate-related metrics and targets reporting improved since last year?
- ▶ Are companies adequately disclosing their plans for transition to a lower carbon economy, including interim milestones and progress?
- ▶ Are companies using consistent and comparable metrics?
- ▶ Are companies explaining how their targets have affected the financial statements?

The FRC has set out cross-sector and sector-specific observations and our expectations of companies' future reporting. Better practice disclosures are provided throughout this report to act as a reference point to help companies

continue to develop their climate-related disclosures.

### **UKEB ISSB CONSULTATION AND CALL FOR UKEB INVESTOR ADVISORY GROUP MEMBERS**

The [FRC](#) has:

- ▶ announced that the UK Endorsement Board (UKEB) has launched a campaign to recruit additional members for its Investor Advisory Group (IAG);
- ▶ issued a draft comment letter for public consultation in response to the International Sustainability Standards Board (ISSB) Request for Information; and
- ▶ made a tentative decision at its public Board meeting to endorse the Amendments to IAS 12 International Tax Reform: Pillar Two Model Rules.

The closing date for applications to the IAG is 4 September 2023.

Comments on the consultation should be submitted by 23 July 2023.

### **INSURANCE LEVY 2023-24**

During July, the FRC published a factsheet on the 2023/24 [insurance levy](#). The FRC requests an annual contribution from insurance companies in the form of a voluntary levy. The insurance levy group includes life and general insurance companies which are required to pay the relevant FCA/PRA regulatory fees. The insurance levy charge for 2023/24 will be a levy equivalent to 0.95% of the fees charged by the FCA and PRA. The levy is collected by the FCA alongside its own fees. The FRC's actuarial responsibilities are funded through these non-statutory arrangements on the basis of an understanding with the groups who pay the levy.

### **PENSION LEVY 2023-24**

During July, the FRC published a fact sheet providing details on the [Pension Levy](#) 2023-24.

# INFORMATION COMMISSIONER'S OFFICE

We continue to monitor material being issued by the Information Commissioner's Office (ICO) with a view to highlighting high-level matters that may be relevant to readers. The following has been identified for this month:

## LESSONS LEARNT FROM REPRIMANDS: Q1 2023/24 (APRIL TO JUNE 2023)

The ICO expect organisations to improve their practices as set out in the reprimands it issues. Its expectation is that other organisations will learn from these reprimands, thus improving information handling. A [review](#) by the ICO of the reprimands issued in the past three months has been published during July. This has highlighted three lessons for organisations to improve their data protection practices:

- ▶ Avoid inappropriate disclosure of personal information by having policies in place and training staff.

The ICO reprimanded five organisations for disclosing people's information inappropriately in the past three months.

In these instances, organisations did not have appropriate processes and policies in place or adequate staff training. To avoid similar incidents, organisations should:

- Review all data protection policies, procedures and guidance, including how to detect and report a personal data breach.
- Provide adequate training for staff responsible for redactions and disclosures.
- Ensure appropriate technical and organisational measures are in place to ensure the security and confidentiality of emails sent internally that include personal information, particularly when these contain sensitive or special category data.

- ▶ Respond to information access requests on time.

Organisations must respond to a Subject Access Request (SAR) within one month of receipt of the request. However, this could be extended by up to two months if the SAR is complex.

The ICO has guidance on SARs to enable taking a proactive approach on dealing with requests.

- ▶ Implement a data protection by design and default approach.
  - Development and deployment of any new apps should take a data protection by design and default approach from the very start.
  - Consider the method and means of data processing, with action taken to ensure processing is compliant with data protection law prior to the app being deployed.
  - Data protection guidance should be issued to staff in respect of the use of any apps, with staff required to confirm that issued guidance has been read and understood.

## 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 relevant matters to report.



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