

Financial Services and Markets Act 2023 & Edinburgh/Mansion House Reforms

Regulatory reform in the UK Asset Management industry continues at pace, and a significant aspect of the governing laws and frameworks around the industry is provided by the passing of the Financial Services and Markets Bill, into the fully fledged Financial Services and Markets Act 2023. This, (coupled with the Edinburgh and (more recently) the Mansion House reforms), sets out to show how the industry can develop to consolidate the UK as a leading financial services hub going forward. Here we provide a brief overview of the key aspects of the Reforms, and how they pertain to Asset Management.

The **Financial Services & Markets Act (FSMA) 2023** is a piece of legislation that was passed by Parliament in June 2023. It covers multiple aspects of the finance industry, (not just asset management), and provides the legal framework for the Edinburgh and Mansion House Reforms, (as well as other future reforms).

The **Edinburgh Reforms** were announced by the UK Chancellor of the Exchequer in December 2022, and (building on these) the **Mansion House Reforms** were announced in July 2023 to provide additional context. Together they form a set of policy proposals focused on the UK's financial services sector with the aim of promoting growth, competitiveness, and integrity.

The main difference between the FSMA 2023 and the Edinburgh and Mansion House (EMH) reforms is that the FSMA 2023 is a legal framework, while the EMH reforms are policy proposals. In addition, the FSMA 2023 is focused on improving the resilience of the financial system, while the EMH Reforms are focused on making the financial system more competitive and innovative. Rather than focus on the legal framework as set out in FSMA 2023, the below is a summary of the EMH reforms that have the biggest impact on UK Asset Managers

Some of the EMH aspects which will happen are as follows: -

- **Repeal of the EU PRIIPs regulation:** Proposal to repeal the PRIIPs regulation and replace it with a more flexible regime. This could make it easier for firms to market their products to retail investors.
- **Overhaul of the UK prospectus regime:** Proposal to overhaul the prospectus regime to make it simpler and more efficient.
- **Introduction of a new green finance strategy:** Market Participants could play a key role in implementing the green finance strategy and promoting sustainable investment in the UK.
- **Repeal the EU legislation on the European Long-Term Investment Fund (ELTIF)** reflecting that the new UK Long-Term Asset Fund (LTAF) will provide a better fund structure for the UK market.

But there are also some which are not firm, but are being considered including: -

- Accelerated Settlement review (to T+1)
- Proposal for the reversal of the unbundling rules under MiFID II for research and execution commissions. The FCA will review this carefully before issuing any revised rules.



- Proposals for developing a Digital Securities Sandbox (DSS) to set up financial market infrastructures that utilise digital asset technology, under a modified legislative and regulatory framework.
- Review of the Short-selling regime
- Review reforming the Senior Managers & Certification Regime

In terms of timeframes, there are variations depending on the types of reform being considered. Reforms will be implemented at times deemed appropriate for each one, rather than everything all coming in at the same time. Some of the potentially most significant changes will only emerge at the end of 2024, and others will also stretch beyond the date of the next UK General Election (which is to be no later than 28/1/2025).

Please get in touch with us should you wish to discuss how ISC Ltd can help you – reg-change@iscltd.com