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25 September, 2020

Paul Rich & Hilary Neale
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Submitted by E-mail to: dp20-02@fca.org.uk

Dear Ms. Neale & Mr. Rich,

CFA UK response to the FCA regarding DP20/2: A new prudential regime for MiFID investment firms (issued 25 June 2020)

The CFA Society of the UK (CFA UK) is delighted to have the opportunity to share its views on this Discussion Paper from the FCA which brings proposals to address a number of critical issues at the heart of asset management: principally new requirements for capital, liquidity, risk management, governance and remuneration – how each is measured, monitored, disclosed/reported on; how (if possible) these new requirements may be waived; and how investment firms should transition from existing arrangements to these new ones.

CFA UK's mission is to help build a better investor profession for the ultimate benefit of society. Ensuring that investment firms are governed well and have adequate capital and liquidity resources to fully meet both their needs and those of their clients is critical to building public trust and resilience in the sector. A brief overview of both CFA UK and CFA Institute is provided in Appendix 1.

Our responses to the FCA's specific questions in the Discussion Paper are provided in Appendix II, however, we thought it helpful to provide an overview first of the principles which have guided our more detailed answers that follow:

- Financial regulators must set standards that ensure investment firms are adequately capitalised and have sufficient liquidity to withstand economic and financial shocks, ensure solvent wind-down and provide a buffer against systemic risk. The proposed introduction of new rules for investment firms calibrated on their investment activities rather than mirroring banking standards based on banking activities is welcome.
- The sizing of capital and liquidity resources to adequately meet future challenges cannot be precisely quantified and so regulators should err on the side of prudence rather than leniency in their determination. Financial crises and shocks are inevitable phenomena and evidence from this century points to them becoming more extreme as the financial industry continues to globalise and financial firms of all types become increasingly connected and inter-dependent. Capital and liquidity buffers must allow for this providing investors with protection from systemic risks as well as trying to ensure an orderly wind-down of individual firms. At the same time, regulators should acknowledge that these buffers will be utilised during periods of extreme stress; as we've recently seen global firms do during the extreme market conditions seen in

March. We welcome the FCA's proposal to retain powers to require an investment firm to hold additional capital or liquidity resources on a case-by-case basis should it deem this reasonable and where it is fair to do so.

- Competition in asset management is critical to ensuring product innovation and keeping client service at the front-and-centre of all that firms do; with competition comes the inevitability of failing firms.
- Failing investment firms cause tremendous financial and reputational damage. They undermine and even destroy public confidence and trust in the entire sector. The recent high-profile collapse of Woodford IM in the UK is an obvious example of significant reputational damage for the asset management sector and material financial damage. As it is inevitable that some weaker firms will fail, regulatory rules should be written to both calibrate capital and liquidity resources and establish fire-walls to minimise disruption and financial harm to clients and ensure that failing firms can be wound down in an orderly manner. This should be the case at both solo-and group-levels.
- A healthy investment sector will contain a variety of firm structures, such that investors can gain access to a sufficiently large panel of financial services priced competitively. As the investment world is currently going through a phase of consolidation (a greater share of assets under management is controlled by the top-10% of firms by size), great care should be taken to ensure that this concentration does not impact either market integrity or investor protection. As with the banking sector, there is a strong case that large investment firms should have proportionally greater capital and liquidity requirements to reflect from the fact that they control a bigger pool of assets, which naturally results in higher levels of risk to end-investors' capital in cases of liquidity stress/closure. These capital and liquidity buffers should be scalable (potentially exponentially rather than just linearly) to reflect the fact that 'harm' is both reputational as well as economic.
- As the investment world globalises, investment firm capital and liquidity requirements across the globe should coalesce to a level playing-field that allows for fair competition to the ultimate benefit of clients. From this perspective CFA UK welcomes the proposal from the FCA to adopt most of the EU's IFD/IFR regulations. Capital and liquidity rules should not provide firms with loop-holes to exploit and firms should not seek to arbitrage different requirements with the net result of under-capitalising their business or carrying insufficient liquidity to the potential detriment of their clients.
- Strong and rigorous governance is equally as important as having healthy capital and liquidity ratios in the prevention of an investment firm's collapse in the first place and protecting clients from harm. Robust risk management practices both routine and event-driven lie at the heart of that and financial regulators should do all they can to encourage and foster their adoption and development by firms. One incentive would be to potentially scale capital requirements for those firms which were judged to have weak/strong risk management. Client-centric cultures should be fostered to encourage the right employee-behaviours and minimise the frequency and severity of employee financial misconduct.
- Employee remuneration needs to be kept in appropriate proportion if society's trust of the investment profession is to endure. We welcome the FCA's moves to sensibly structure variable pay and to ensure that all components of variable pay are linked to long-term results through deferral, claw-back and malus provisions. CFA UK would support the FCA encouraging linkage of variable pay to non-financial metrics as well as financial metrics such as the use of a 'conduct dash-board' to promote good behaviours.

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CFA UK fully supports the FCA's proposed requirements to ensure both gender-balance and independence on remuneration committees.

- A firms' public disclosure of its compliance with all of these capital, liquidity, risk-management, governance and remuneration practices is helpful in providing transparency and the necessary conditions to allow the market and other stakeholders as well as regulators to verify compliance. To be fully effective, this disclosure needs to be easily accessible and written and compiled to ease and not obfuscate understanding.

CFA UK welcomes the FCA's discussion paper on these matters of fundamental importance to the investment profession and appreciates this opportunity to share its views.

Should you have any questions or points of clarification regarding this letter, please contact Andrew Burton (aburton@cfauk.org) in the first instance.

Yours sincerely,

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With thanks to contributions from:

Sam Betha, CFA, MBA, ACMA, CGMA, IMC, CIR, Ch. MCSI
Nick Evans-Rakowski, CFA, MChem

And the oversight of the Professionalism Steering Committee

Appendix I: About CFA UK & the CFA Institute

CFA UK: serves nearly 12,000 leading members of the UK investment profession. Many of our members work with pension funds, either managing investment portfolios, advising on investments or as an in-house employee responsible for pension investment oversight.

- The mission of CFA UK is to build a better investment profession and to do this through the promotion of the highest standards of ethics, education and professional excellence in order to serve society's best interests.

- Founded in 1955, CFA UK is one of the largest member societies of CFA Institute (see below) and provides continuing education, advocacy, information and career support on behalf of its members.

- Most CFA UK members have earned the Chartered Financial Analyst® (CFA®) designation, or are candidates registered in CFA Institute's CFA Program. Both members and candidates attest to adhere to CFA Institute's Code of Ethics and Standards of Professional Conduct.

CFA Institute: is the global association for investment professionals that sets the standard for professional excellence and credentials.

- The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow.

- It awards the Chartered Financial Analyst® (CFA), and Certificate in Investment Performance Measurement® (CIPM) designations worldwide; publishes research; conducts professional development programs; and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry.

- CFA Institute has members in 162 markets, of which more than 170,000 hold the Chartered Financial Analyst® (CFA) designation. CFA Institute has nine offices worldwide and there are 158 local member societies.

- For more information, visit www.cfainstitute.org or follow us on Twitter at @CFAInstitute and on Facebook.com/CFAInstitute.

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Appendix II: RESPONSES TO QUESTIONS

Capital & Own Funds

Q1: What are your views on the instruments or funds used by non-joint stock investment firms that should count as CET1 capital? Please give specific examples (See paragraphs 4.18 to 4.21).

The basic characteristics for a CET1 instrument are (i) the ability to absorb losses and (ii) permanence.

CFA UK recognises this is a complex area and one in which there is the potential for a wide variety of instruments with different features. That said, CFA UK would suggest at a high-level that, for non-joint stock investment firms, the accounting definitions of equity are generally followed as in both IFRS and UK GAAP these currently include both of the ability to absorb losses and permanence (see EFRAG's Discussion Paper "Classification of Claims" for a full analysis of the characteristics of what is classified as equity under current rules[1]). Clearly, this would need to be re-evaluated if IFRS and/or UK GAAP were to change their underlying principles.

However, CFA UK notes that there are already some exceptions to this: i.e. instruments which do not meet the definition of equity under IFRS but which are classified as such under the exceptions in paragraphs 16A and 16B of IAS 32 Financial Instruments: Presentation. In these cases, although accounting definitions of equity would apply, accounting standards requirements may not necessarily result in these answers. In these circumstances, CFA UK can only suggest that the FCA considers the feedback from respondents to this discussion paper and if necessary consults further on specific structures.

As a final aside, although not raised specifically in the question or the DP20/2 paper, CFA UK would recommend that prudentially valued software assets should not be deducted from capital, similar to the requirements in CRR2, potentially up to a capped maximum amount. This helps to create a fairer playing field and aligns with credit institutions who likewise do not need to deduct software intangibles from capital. This is especially important in the future of asset and wealth management, as such technology will be key to closing the advice gap and discouraging firms from making such investments could hamper efforts in this area.

Additionally, while not raised in the consultation we note monetary amounts are set in Euros. While we appreciate the equivalence aspects around this, we expect this will introduce additional cost and complexity into the systems of a number of UK firms and sterling denominated limits may be both simpler and fairer to the UK financial system.

Own Funds Requirements

Q2: What level of detail would you find helpful when calculating the fixed overheads requirement (FOR)? (See paragraphs 5.13 to 5.15).

[1] EFRAG: Classification of Claims (2014): (http://old.efrag.org/files/EFRAG%20Output/Classification%20of%20Claims/EFRAG_DP_Classification_of_Claims.pdf)

To the extent possible guidance should follow that developed by the EBA, with any additional clarification merely reflecting UK specific factors.

Q3: What are your views on how any negative values or liabilities an investment firm manages within a portfolio, for example from derivatives or leverage, should be treated when measuring AUM? (See paragraph 6.13).

Given that the purpose of K-AUM is to assess the size of risk with respect to risk to client assets (RtC), netting off negative values should only be permitted where risk relating to those assets has been truly reduced (by the derivative or loan):

- As regards derivatives, CFA UK believes that AUM can be measured on a net basis in certain circumstances and would point to the UCITs netting rules (which for example permit netting of FX hedges against foreign currency bonds) as a precedent and basis for this. However, we are aware that some firms would welcome updated guidance concerning identifying such risk-reducing transactions.
- Where leverage has been provided to a client by a firm, CFA UK would be generally not inclined to allow the firm to net-off the loan against the AUM, regardless of whether the loan has been provided on an asset-finance/non-recourse basis, or not. Such loans very often contain margin call provisions, so that some or much the risk has effectively remained with the client.

K-factor Requirements

Q4: Do you have any comments on delegation from or to another financial entity when calculating K-AUM? (See paragraphs 6.17 to 6.18).

CFA UK broadly agrees with the principle of avoiding double counting of capital. CFA UK notes that many firms may therefore need to be required to obtain confirmation from other firms that the AUM in question has been included in their equivalent AUM-based capital requirement regime.

Q5: Do you agree with our view on how to measure CMH and ASA? (See paragraphs 6.24 and 6.31).

Yes, CFA UK agrees with the proposals. Requirements should be consistent with and based on existing CASS values wherever possible.

Q6: Do you agree with our views on how to measure COH, and when it does not apply? (See paragraphs 6.39 to 6.40, and 6.43 to 6.44).

Yes, CFA UK agrees with the proposals.

Q7: Do you agree with our views on the treatment of 'cash trades' for DTF and COH? (See paragraphs 6.49 to 6.50)?

Yes, CFA UK agrees with the proposals, noting that both buyer and seller will need to record the same amount in each of their respective calculations.

Q8: Do you agree with our views on how to calculate the notional value for derivatives for DTF and COH? (See paragraph 6.51)?

Yes, CFA UK agrees with the proposals.

Q9: Do you have any comments on the use of K-CMG 'on a portfolio basis'? (See paragraph 6.61).

Yes, CFA UK agrees with the proposals.

Q10: When calculating K-TCD for foreign exchange derivative contracts, do you agree with our view on what 'domestic currency' can mean? (See paragraph 6.92).

Yes, CFA UK agrees with the proposals.

Prudential Consolidation

Q11: Do you have any comments on the composition of an investment firm group including the concepts of 'control' and 'ancillary service undertaking'. (See paragraphs 7.14 and 7.15).

CFA UK agrees that the composition of an investment firm should include the concepts of 'control' and 'ancillary service undertaking'. CFA UK would further note that any requirements should mirror those described in existing banking regulation, however, since those are implemented in UK law, and to ensure no unnecessary differences arise.

Q12: Do you have any comments on how to calculate consolidated FOR, consolidated PMR, and consolidated KFR? (See paragraphs 7.22 to 7.46).

Consistent with our answer to question 1, CFA UK believes that the calculations for consolidated FOR, consolidated PMR and consolidated KFR should be based on accounting principles to every extent possible, with any deviation from this having a high bar and requiring full disclosure and explanation. If necessary, an accounting consolidation should be performed for the relevant entities in any event.

Group Capital Test

Q13: What are your views on the conditions, both of which must be met, before an investment firm group may be given permission to use the GCT? (See paragraph 8.5)

Given the UK's impending departure from the EU, it is not clear how the Group Capital Test could sensibly apply in relation to a UPIHC or an IFTC absent an equivalence regime.

In particular, the FCA should be able to obtain suitable information on the Union parent's systems referred to in paragraph 8.17.

CFA UK also suggest that tests should be met on an ongoing basis, as well as on initial application.

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Concentration Limits

Q14: Do you have any comments on our views on the limits that apply for K-CON and our worked examples for calculating it? (See paragraphs 9.23 to 9.24, 9.26, and 9.33)

CFA UK has no comment on this matter.

Liquidity

Q15: Do you have any comments on the list of assets that may count towards meeting an investment firm's minimum liquidity requirement? (See Figure 10.1)

There are many different factors to judge a given asset's liquidity. Most of these have been considered in Regulation (EU) 2015/61 articles 11 – 13.

However, one important point CFA UK wish to raise, especially in relation to SME equities and corporate bonds, is the issue of block trades and the proportion of the total tranche or issuance that can be held by a firm and still be eligible for a haircut. For example, where an investment firm holds (say) 25% of a total tranche this holding in aggregate is far less liquid than a holding of up to (say) 5% of the same tranche or issuance or indeed an outstanding tranche or issuance four-times the size. An investment firm looking to quickly sell a full 25% block could more easily encounter market weakness executing the order and it might take a number of days or even weeks depending on various factors. This became clear, for illustration, in the wind-up of some of Woodford IM's listed equity positions; it would apply equally to small orphan corporate bond issues (or indeed large holdings of any illiquid asset).

The FCA could easily make a number of more finely calibrated alterations to the haircuts based around EU 2015/61 to more closely reflect the actual liquidity profile of various assets. There is a cost and potential inefficiency to over-complicating these, however. More generally the hair-cuts in EU 2015/61 are set at very conservative levels and any gradation would for the most part be in the direction of reducing the hair-cut for more highly liquid assets rather than increasing it on the least liquid.

However, in the interests of providing a full response, CFA UK notes that:

- the approach adopted in EU 2015/61 is binary rather than gradual. For example:
    - covered and corporate bonds need to be EUR250million in tranche size to qualify for a hair-cut, but the hair-cut is not further reduced even if the tranche size is (say) EUR2,000million.
    - term-to-run is rightly identified as a liquidity criterion, with corporate bonds of under 10 years qualifying for a hair-cut, yet bonds just a day longer not qualifying for any. Also, shorter-term bonds are not given a lower hair-cut.
    - bonds that have been issued within the last 3-months are much more liquid than seasoned issuances.

- in relation to corporate and covered bonds, EU 2015/61 ignores:

  - the extent to which an issuer has a built-out curve and is a benchmark issuer in the market or has just (say) one single large issue outstanding.
  - whether the bond issue is specifically included in benchmark indices. As indices perform an important role in fund composition those bonds which are part of an index will be more liquid than those that are not, in most cases regardless of the size of the tranche.

- there are a number of significantly more sophisticated liquidity models available off the shelf (e.g. Bloomberg liquidity cost score analysis) which the FCA could consider reviewing in constructing a better methodology.

Risk management, Governance & Review process

Q16: What are your views on the structure and content of the elements being covered in the proposed new 'Pillar 2' framework. (See Figure 11.3 – paragraph 11.68)

CFA UK recognises that Figure 11.3 is designed to be only a summary view mapping the requirements of the current regime to their equivalents in the new regime. As such, it provides helpful guidance but we note the absence of a set of organised and detailed definitions at this stage. CFA UK looks forward to responding to more detailed proposals from the FCA in due course.

Q17: Do you agree with our proposal regarding additional own funds requirements and specific liquidity requirements? This includes the articulation of requirements and guidance, stacking order and the use of VREQs to set own funds and specific liquidity requirements. (See paragraphs 11.77 to 11.100).

CFA UK looks forward to the FCA's future publication of more detailed proposals. In principle these proposals look sensible but, as is often the case, a clearer understanding of the examples in figures 11.4 – 11.7 would be gained if actual calculations were used rather than just pictorial charts, possibly accompanied by a description in each case of the hypothetical firm's business model to help contrast the four examples.

Q18: What are your views on the proposed approach for the transition from existing IFPRU/BIPRU ICGs? (See paragraph 11.102).

CFA UK would ask that the FCA provide further clarity to the scenario in the third sub-bullet of 11.102 relating to investment firms that are required to hold more capital under the new regime than was the case under the previous regime. As "the current guidance would no longer be considered valid" this would seem to imply (but is not explicitly stated) that investment firms in this position would have to find new capital resources in order to meet its requirements under the new regime. CFA UK would welcome the FCA's confirmation that this is the case and that the transitional arrangements outlined later in chapter 19 would apply.

Regulatory reporting requirements

Q19: What are your views on the level of detail required to meet regulatory reporting requirements? (See Chapter 12).

As CFA UK is not itself an investment firm and is not involved in the detail of these regulatory reports, CFA UK does not wish not to comment other than to state that it whilst it welcomes the dispensation on SNIs to have to report annually rather than quarterly it would ideally expect them to be capable of producing this information quarterly for internal risk management purposes.

Remuneration

Q20: What are your views on the scope and application of a new remuneration code? (see paragraphs 13.7 to 13.18).

CFA UK believes it is critical that the new rules must be applied on a consistent basis and without obvious loopholes that allow easy circumvention. Therefore:

- CFA UK believes the remuneration provisions must be applied on a consolidated as well as a solo basis.
- As regards subsidiaries based in third countries, CFA UK supports the FCA's suggested regime of firms needing to apply for a waiver on a case-by-case basis where the member of staff concerned was involved in UK business for each of their subsidiaries established in a third country. This would mirror the extra-territoriality arrangements in SMCR for overseas staff. Where overseas staff have no involvement with UK business, CFA UK suggests that the requirement to apply for a waiver should be dropped.
- CFA UK welcomes the proposed additional guidance on non-financial factors for determining remuneration, as this is an area where the factors should be measurable, and objective and the thresholds appropriately set in order to deliver the desired outcome. CFA UK notes that some firms now use "conduct dashboards" to help determine part or all of an employee's variable remuneration. CFA UK welcomes the intention behind this development, though notes there are challenges in applying this concept in practice in all settings.
- CFA UK is supportive of following the EBA technical standards on identifying MRTs as this helps to maintain consistency for multinational firms and thereby reduces cost and operational complexity, while still ensuring strong consumer protection and giving flexibility for UK specific aspects. CFA UK agrees that firms should be encouraged to adopt remuneration principles on a firm-wide basis and not just limit them to Material Risk Takers ("MRTs"), however.
- Whilst not asked specifically within the Discussion Paper, CFA UK strongly believes fund manager variable pay should be linked to achievement of their fund's objectives and not their fund's commercial success as measured often by the accumulation of AuM or the level of performance fees.
- CFA UK supports what it understands to be the FCA's intention to make these new provisions effective for each firm from the start of its first full accounting year after the implementation date and not to require that the proposals take effect from the implementation date.

Q21: Do you think it would be appropriate for us to include in a new remuneration code a general proportionality rule similar to that contained in the IFD? (See paragraphs 13.44 to 13.50).

CFA UK notes the FCA's intention to consult further on this and would prefer to reserve judgement until it sees the full proposals. CFA UK regards the remuneration provisions for non-SNI firms to be sound, especially in the encouragement of and focus on long-term performance, and so in principle would hope that most SNI-firms would aspire to adopt them regardless, where appropriate.

Q22: Do you agree with our interpretation of gender-balanced remuneration committee? Do you think it would be appropriate for us to include it as a requirement in a new remuneration code? (See paragraphs 13.71 to 13.72).

CFA UK would support the FCA's view that the new requirement for a 'gender-balanced' committee would require firms to promote a culture of inclusion and ensure 'appropriate' representation rather than prescribing 'equal' representation on the remuneration committee. CFA UK further notes there are other minorities who are poorly represented at such levels today and would encourage the FCA to consider whether this approach should be broadened to ensure diversity protections are not just limited to gender considerations.

Q23: Do you agree it would be appropriate for us to include in a new remuneration code rules and guidance on retention, deferral and ex-post risk adjustment? (See paragraphs 13.95 to 13.116)

CFA UK believes the FCA is right to recognise that circumstances at individual firms will vary, so there is a need for guidance as well as rules in this area. To the extent that this can be well codified, CFA UK supports the FCA including this in a new remuneration code and looks forward to the FCA's future consultation on this.

In response to the specific query raised in clause 13.103 CFA UK is supportive of setting the limit at £500,000 to support consistency and continuity.

Waivers & CRR Permissions

Q24: Do you agree with the list of existing CRR-based permissions that we have identified as continuing under a new regime? (See Figure 16.2 in paragraph 16.6)

No comment.

Collective Portfolio Management Investment Firms

Q25: Do you agree with our intended future treatment of CPMIs? (See Chapter 17)

CFA UK supports the FCA's future intended treatment of CPMIs and the principle and objective of establishing a level playing-field for all firms undertaking MiFID business. We agree that "the potential for harm" for identical businesses would be equivalent regardless of the regime under which the business is conducted. To not regulate CPMIs in this fashion would risk creating opportunities for regulatory arbitrage which in principle should be avoided.

Competent Authority Discretions

***Q26:* What are your views on whether a MiFID investment firm should be able to 'opt-in' to a regime based on CRR? (See paragraphs 18.4 to 18.8).**

CFA UK sees the attractions of having one regulatory regime for all firms and at a theoretical level would prefer not to endorse an option that would appear to give firms the opportunity to arbitrage one regulatory regime against another. That said, CFA UK recognises there may be some practical consequences for those firms currently supervised under CRD/CRR of making the transition and notes the FCA's intention to consult on this further.

***Q27:* What would be most appropriate way for SNI investment firms to report on the results of their ICARA process? (See paragraphs 18.11 to 18.14).**

CFA UK supports that the FCA:

- would require SNIs to put in place and carry out an ICARA process, albeit one that is 'light-touch' and proportionate to that firm's business activities. Sound risk management and governance processes should be a pre-requisite for all investment firms.
- could conduct an SREP and, as a consequence of its findings, require an SNI to hold additional own funds.
- will require all SNIs to meet the IFR's liquidity provisions in full.

***Q29:* Do you agree with our intended approach to remuneration exemptions for smaller non-SNI investment firms and individuals? (See paragraphs 18.29 to 18.38).**

CFA UK is supportive of the FCA's proposed approach and thresholds.

***Q30:* Do you agree with our intended approach to replicating the effect of the discretions on instruments used and alternative arrangements for variable remuneration? (See paragraphs 18.39 to 18.42)**.

CFA UK is supportive of the FCA's proposed approach and believes this is proportionate given the risks.

***Q31:* Do you have any comments on the other competent authority options and discretions discussed in Chapter 18?**

CFA UK has no additional comments.

<u>IFR Transitional Provisions</u>

***Q32:* Do you agree that any transitional provisions for the Permanent Minimum Requirement ("PMR") should also extend to the Initial Capital Requirement ("ICR")? (See paragraphs 19.9 to 19.22)**

CFA UK believes it would be wrong to permit a new firm to open for business on the old lower capital requirement and then fail in the short-term as it could not meet the new capital requirements at the end of the transition period. This would also align with the treatment that

CFA UK understands the FCA wishes to adopt (see para 19.16) in respect of firms that change business model during the transition period (and which are also not extended transitional capital provisions). CFA UK therefore would not support the FCA extending the transitional provisions for the PMR to the ICR.

Q33: ***Can you identify any other scenarios that are not covered by IFR transitional provisions? (See paragraph 19.23)***

No comment.

General

Q34: ***Do you have any other comments on the content of a new prudential regime for investment firms as described in this DP?***

CFA UK recognises that the creation of a new prudential regime for such a diverse range of firms with different business models is a massive undertaking and notes the FCA's intention to consult further in a number of areas. CFA UK suspects that the target implementation date of 26 June 2021 intended to match the EU's own implementation deadline for the IFD/IFR may prove ambitious for some areas of its proposals. CFA UK encourages the FCA to continue to work closely with the EU and the EBA to ensure a high degree of consistency and alignment between the UK and the EU is achieved.

Q35: ***Are there any specific areas where you believe that the requirements could be made even more appropriate for investment firms?***

CFA UK has no other additional comments.