

## Corporate & Financial Weekly Digest

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### FSA Signals Fundamental Changes to Trading Activity Regulation

On August 25, the UK Financial Services Authority (FSA) published a discussion paper (*The Prudential Regime for Trading Activities - a Fundamental Review DP10/4*) proposing fundamental changes to the regulation of the trading activities of banks and investment firms. The FSA considers that its proposed regulations will address key elements of risks currently posed to the financial system.

The proposals cover three key areas:

1. **Valuation**—more comprehensive regulation of valuation of trading positions and investigations into valuation uncertainty
2. **Coverage, coherence and the capital framework**—a restructuring of the capital framework, improving coherence and reducing structural arbitrage in the banking and finance sector
3. **Risk management and modelling**—measures targeting firms' risk management and modelling standards, aligning both with regulatory objectives

The closing date for responses is November 26. The FSA anticipates that it will issue a feedback statement and final rules in the first half of 2011.

The discussion paper can be found [here](#).

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