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FS ADVISORY

Regulatory Update

August 2025



BDO FS Advisory contact points

BDO's Managed Compliance Services Regulatory Update summarises the key regulatory developments.

Our FS Advisory team supports hundreds of clients with various regulatory and non-regulatory matters. Our breadth and depth of expertise gives us a broad perspective on the issues facing the financial services sector. We have aggregated insights from our in-house research, client base, the regulators and professional bodies to support your regulatory considerations and activities.

We hope this pack provides value to you and your colleagues; please do share with us any feedback you may have for our future editions.



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REGULATORY ROUND UP

General

CP25/18 Tackling Non-financial Misconduct in Financial Services

The FCA has issued a [consultation paper](#) to address non-financial misconduct (NFM), such as bullying, harassment, and violence, in the UK financial services sector.

What firms are impacted?

Financial Services and Markets Act 2000 (FSMA) firms and staff as well as firms subject to the FCA's Code of Conduct (COCON).

Summary of the regulatory update:

The paper sets out a rule change to align the scope of its Code of Conduct for non-banking firms with that for banks, making it clear that serious NFM is a regulatory concern across all firms. The FCA is also consulting on additional guidance to help firms interpret and apply these rules, particularly regarding the boundary between work and private life, the seriousness of misconduct, and its relevance to fitness and propriety assessments.

This work builds on the July 2021 Discussion Paper (DP21/2), and is aimed at raising standards, increasing accountability and building trust in financial services, aligned with the [FCA Strategy 2025 to 2030](#).

The publication has the following key elements:

- Guidance on the scope of COCON, including guidance and examples of various boundaries and the factors to consider when determining whether NFM breaches conduct rules.
- Explanatory material on how various types of conduct are relevant to the Fit and Proper test for Employees and Senior Personnel section of the FCA's Handbook.
- Guidance on the relevance of NFM and discriminatory practices in firms to the FCA's assessment of suitability to undertake regulated activities.

What are the key dates/timelines?

The consultation closes on 10 September 2025.

What should firms be thinking about?

Firms should review conduct policies, assess fitness and propriety procedures and raise staff awareness of the scope of NFM.

REGULATORY ROUND UP

General

FG25/3 The Treatment of Politically Exposed Persons for Anti-Money Laundering Purposes

The FCA has published [finalised guidance](#) on the treatment of politically exposed persons (PEPs) for anti-money laundering purposes.

What firms are impacted?

Firms subject to anti-money laundering regulations.

Summary of the regulatory update:

The guidance emphasises a proportionate, risk-based approach in line with the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017. The guidance clarifies that domestic PEPs, their family members, and close associates should generally be treated as lower risk unless other risk factors are present, and outlines detailed definitions, risk indicators, and appropriate enhanced due diligence measures for both lower and higher risk situations. Firms are expected to document their risk assessments and decisions, apply less intrusive measures for lower-risk PEPs, and only treat legal entities as PEPs if a PEP exercises significant control. The key takeaways/action list can be summarised as follows:

- Revisit AML policy framework to ensure explicit alignment with the new Reg35 regime and FG25/3.
- Train staff to distinguish domestic PEPs and apply EDD only where genuinely elevated risks exist.
- Audit your customer letters and scripts for compliance with Consumer Duty expectations on clarity and fairness.
- Keep a documented rationale for every PEP decision to be ready for FCA file reviews.
- FG25/3 explicitly confirms that non-executive directors of UK civil service bodies are not to be treated as PEPs.

What are the key dates/timelines?

The guidance acts as clarification of existing regulations and was published 7 July 2025.

What should firms be thinking about?

Firms should be thinking about updating their AML policies to align with FG25/3, ensuring staff are trained to apply a proportionate, risk-based approach to PEPS as well as documenting all PEP-related decisions clearly to meet the regulatory expectations of the FCA.

REGULATORY ROUND UP

General

FCA and PRA Cut Senior Manager Regime Red Tape to Help Boost Growth; CP25/21 Senior Managers & Certification Regime Review Consultation Paper

The FCA and PRA have issued a [consultation paper](#) and proposed [reforms](#) and to streamline the Senior Managers & Certification Regime (SM&CR) as part of efforts to boost growth in financial services.

What firms are impacted?

FCA and PRA regulated financial services firms, particularly those with senior managers and certified staff subject to accountability and conduct rules.

Summary of the regulatory update:

The proposed changes aim to reduce administrative burdens by removing duplications, providing more flexibility for firms in reporting and certification, and clarifying requirements while maintaining high standards of accountability and consumer protection. These reforms, which are open for consultation until 7 October 2025, seek to make the regime more efficient and less onerous on firms without compromising the integrity or safety of the financial system.

The proposed reforms include:

- Give firms more time and flexibility to submit applications for approving new senior managers when there has been an unexpected or temporary change.
- Strip out duplication where the same individuals are certified for separate functions, which would reduce the number of certification roles by 15%.
- Provide guidance on how to streamline the annual checks firms need to undertake to certify individuals are 'fit and proper' to do their role.
- Allow more time for firms to report updates to senior manager responsibilities.
- Increase how long criminal record checks for senior manager applications are valid for, prior to application submission.
- Help firms to better understand the definition of certain SMF roles.
- Give firms more time to update the directory, which lists certified staff.

What are the key dates/timelines?

The reforms are open for consultation until 7 October 2025.

What should firms be thinking about?

Firms should be thinking about how they can simplify and optimise their SM&CR processes in light of the proposed changes, ensuring they maintain accountability while preparing to take advantage of reduced administrative burdens and greater flexibility.

REGULATORY ROUND UP

General

CP25/20 Consultation Paper on the SI Regime for Bond and Derivatives

The FCA has published a [consultation paper](#) on the systematic internaliser (SI) regime for bonds and derivatives, alongside other changes aimed at enhancing UK market functionality.

What firms are impacted?

Systematic internalisers in all asset classes, trading venues, UK branches of overseas firms undertaking investment services and activities and investment firms.

Summary of the regulatory update:

The paper seeks to initiate discussions on UK equity market structure and transparency, exploring recent market trends and soliciting input on potential reforms.

The primary objective of the consultation is to begin the process of changing some of the rules that were introduced by MiFID 11, which:

- Extended the SI regime to include bonds and derivatives and created transparency obligations specific to SIs in these instruments, in part to level the playing field with trading venues. This rationale no longer holds as the revisions in PS24/14 have modified pre-trade transparency obligations for trading venues for voice and request for quote (RFQ) trading systems that are relevant for the way transparency applies to SIs in bonds and derivatives.
- Prohibited an investment firm which operates an MTF from engaging in matched principal trading on the MTF it operates. This prohibition was recognised in the WMR as a costly and unnecessary constraint.
- Prohibited an investment firm that is an SI from operating an OTF.
- Limited the prices that can be used under the reference price waiver. These limitations may have made it more difficult for trading venues to compete with OTC (over the counter) markets, including those provided by SIs.

The three main changes proposed by the consultation are (i) the removal of the SI regime for bonds and derivatives, as well as structured finance products and emission allowances, (ii) removing the prohibition on an investment firm to execute clients' trades on the MTF they operate on a matched principal trading basis, and (iii) permitting trading venues operating under the reference price waiver to use a broader set of prices than just the primary market, or the most relevant market in terms of liquidity, to cross orders under their systems; this would also include allowing the use of the reference price waiver within the same system where the price is derived from.

What are the key dates/timelines?

The consultation invites feedback by 10 September 2025.

What should firms be thinking about?

Firms should consider how the proposed removal of the SI regime for bonds and derivatives and the related changes to trading venue rules may impact their trading models, transparency obligations, and compliance strategies.

REGULATORY ROUND UP

General

Market Watch 82

The FCA has announced its [latest findings](#) in Market Watch 82, focusing on persistent issues in UK MiFID transaction reporting.

What firms are impacted?

Firms subject to UK MiFID, EMIR, and SFTR transaction reporting requirements.

Summary of the regulatory update:

The report highlights the need for firms to improve remedial timelines, back reporting processes, and the quality of breach notifications, citing common problems such as weak governance, siloed teams, and insufficient root cause analysis. Firms are encouraged to adopt best practices for timely, accurate reporting and transparent communication to strengthen compliance and operational frameworks.

Key areas highlighted as being ongoing issues in firms' transaction reporting include:

- Remediation of reporting issues remains inefficient across many firms, with delays caused by fragmented internal processes, insufficient resources, and weak governance structures. The FCA observed that firms often take too long to submit or implement remedial plans, fail to meet agreed timelines, and revise the scope of issues without clear progress. A lack of proactive compliance culture and centralised accountability is contributing to extended remediation timelines, raising concerns about firms' ability to manage reporting risks effectively.
- Back reporting is frequently delayed or incomplete, limiting the FCA's ability to rely on transaction data for market abuse detection. Common issues include firms failing to correct all affected historical reports even after resolving root causes, poor sequencing of remedial tasks, data governance failures (e.g., inaccessible archived data), and underestimating the strain on business-as-usual operations. These issues reflect deeper weaknesses in compliance oversight, operational planning, and data management.
- Breach notifications often lack the quality and detail required for effective oversight, with many firms omitting or inadequately addressing key elements such as root causes, impacted transaction volumes, remediation plans, and governance escalation. While most firms provide some useful information, the FCA expects clearer links between reported issues and control weaknesses, more precise planning around back reporting, and evidence of strong governance engagement. The regulator has introduced quality monitoring to improve standards and expects firms to align their breach reporting processes accordingly.

What are the key dates/timelines?

Findings were published on 23 July 2025.

What should firms be thinking about?

Firms should be focusing on strengthening their transaction reporting processes, improving governance and accountability, ensuring timely remediation and back reporting, and enhancing the quality and transparency of breach notifications.

REGULATORY ROUND UP

General

FCA to Modernise Rules to Unlock Investment

The FCA has announced [plans](#) to review its client categorisation rules to enhance opportunities for wealthy and experienced investors.

What firms are impacted?

Primarily wholesale, payments, cryptoasset firms, and those involved in capital markets and investment services.

Summary of the regulatory update:

The FCA plan to review its client categorisation rules to create more opportunities for wealthy and experienced investors, aiming to boost capital markets and economic growth. This reform is part of a broader strategy, with 10 growth initiatives already implemented and around 50 more expected by year-end.

The review will ensure investor protections remain proportionate while giving firms greater confidence to engage with high-net-worth clients, supporting competitiveness in financial services. Key initiatives already delivered include:

- Making mortgage rules more flexible to improve access for borrowers.
- Launching PISCES, a private stock market to unlock investment in high-growth private companies.
- Introducing a Digital Securities Sandbox with the Bank of England to foster innovation.
- Expanding support for wholesale, payments, and crypto firms to help them set up in the UK.
- Promoting UK financial services internationally with new presences in the US and Asia-Pacific.

Additional reforms in progress include streamlining prospectus rules, reducing regulatory reporting burden, and simplifying capital rules for investment firms.

What are the key dates/timelines?

N/A

What should firms be thinking about?

Firms should start assessing how potential changes to client categorisation rules could affect their onboarding, compliance processes, and risk frameworks.

REGULATORY ROUND UP

General

CP25/17 Supporting Consumers' Pensions and Investment Decisions: proposals for Targeted Support

The FCA has issued a [consultation paper](#) proposing new rules for “targeted support”, a regulated service allowing firms to provide tailored suggestions to help consumers make better pensions and investment decisions.

What firms are impacted?

Firms that provide or facilitate investment and pension products, particularly those engaging directly with consumers, will be impacted.

Summary of the regulatory update:

- Introduction of “targeted support” as a new regulated activity - FCA proposes a framework allowing firms to give ready made, situation specific suggestions to defined consumer segments, positioned between generic guidance and full financial advice, requiring new Part 4A FSMA permission and supported by a separate legislative amendment to the Regulated Activities Order.
- Accelerated consultation and implementation timetable - CP25/17 closes 29 August 2025 (8-week window), with final rules expected by year end and the authorisation gateway opening in Q1 2026, making this a fast-tracked reform intended to address the long standing “advice gap.”
- FCA to clarify advice guidance boundary and overhaul simplified advice rules - Alongside targeted support, the FCA will revise COBS 9/9A in 2026 to better define simplified advice, remove ambiguity, and encourage flexible, tech-enabled models that meet diverse consumer needs while relying on the Consumer Duty as a core regulatory anchor.

What are the key dates/timelines?

The consultation will close to responses on 29 August 2025.

What should firms be thinking about?

Firms must build governance to align consumers correctly to segments, meet Consumer Duty obligations and manage potential FOS complaint risk to preserve the distinction from traditional advice.

REGULATORY ROUND UP

General

Advice Guidance Boundary Review: Retail Investments Consumer Research

FCA has issued a [report](#) emphasising the significance of the retail investor market in strengthening individual financial futures and the broader economy.

What firms are impacted?

Firms that provide or facilitate investment and pension products, particularly those engaging directly with consumers, will be impacted.

Summary of the regulatory update:

The report outlines the FCA's Consumer Investment Strategy, which aims to create a well-functioning consumer investment market by providing accessible support, useful information, and a realistic approach to risk. Additionally, the FCA discussed the longstanding issue of the advice gap and the ongoing Advice Guidance Boundary Review, which seeks to explore solutions like targeted support to help consumers make informed financial decisions in retail investments and pensions.

The study identifies three main gaps affecting consumers: the advice gap (limited uptake of regulated financial advice), the knowledge gap (poor understanding of investments and risk), and the investment gap (many with sufficient savings are not investing when they could benefit).

The report tests the concept of "targeted support" with reception indicating a positive response among those open to help, but scepticism among the highly disengaged and overconfident investors. The report acknowledges "targeted support" to be part of the solution in a needed broader cultural shift required for better consumer outcomes and a stronger retail investment market.

What are the key dates/timelines?

The report was issued in June 2025.

What should firms be thinking about?

Firms should think about how to design and deliver targeted, trustworthy, and accessible support for retail investors that addresses diverse consumer attitudes and knowledge gaps.

REGULATORY ROUND UP

General

Shining a Light on Private Markets

The FCA has published a [speech](#) given by Sarah Pritchard detailing how private markets are growing in importance and have potential in driving innovation and economic growth.

What firms are impacted?

Firms managing private assets, firms reporting to the FCA on valuations or leverage exposure, and firms with retail investor offering that include private market exposure.

Summary of the regulatory update:

The key points from Sarah Pritchard include:

- Private markets are growing in importance and have significant potential to drive innovation and economic growth. But to grow sustainably and earn investor confidence, the risks and opportunities must be illuminated.
- The FCA is supporting this effort through work to improve understanding of key areas such as valuations and leverage, including at international level. It's clear that stronger data will be key.
- This reflects the FCA's shift towards outcomes-focused regulations: giving firms more freedom to innovate, while making sure investors have the clarity they need to make informed decisions.
- The FCA has highlighted its efforts to improve transparency and investor confidence in private markets through a recent review of valuation practices. While firms generally demonstrated robust approaches, including consistent methodologies and use of third-party advisers, the FCA identified areas for improvement such as managing conflicts of interest and ensuring valuation independence. This forms part of a broader shift towards outcomes-focused regulation. Internationally, the FCA is also contributing to work on leverage in non-bank financial intermediation, emphasising the need for stronger, more consistent data to identify systemic risks and support sustainable market growth.

What are the key dates/timelines?

N/A

What should firms be thinking about?

Firms should be thinking about how to strengthen valuation practices, manage conflicts of interest, and ensure robust governance frameworks around private asset management.

REGULATORY ROUND UP

General

PS25/7 Data Decommissioning: Removing Reporting and Notification Requirements

The FCA has issued a [policy statement](#) confirming the removal of various reporting and notification requirements.

What firms are impacted?

FCA-regulated firms.

Summary of the regulatory update:

The changes made aim to reduce regulatory burden, simplify rules, and lower compliance costs for around 16,000 firms, saving the industry an estimated £1.3 million annually.

The changes include:

- Removal of two regular data returns: FSA039 (Client Money and Client Assets) and Section F of the Retail Mediation Activities Return (RMAR),
- Removal of an individual adviser complaints notification (Form G).
- Removal of an outdated Handbook content as part of its data decommissioning workstream under the Transforming Data Collection (TDC) programme.

In essence, the policy statement simplifies regulatory reporting by removing outdated or less impactful data requirement, allowing firms to focus on more relevant compliance activities and reducing overall costs.

When does it take effect?

These changes came into effect on 27 June 2025.

What should firms be thinking about?

Affected firms do not need to take any specific action as the changes are being implemented by the FCA.

REGULATORY ROUND UP

General

A New Improved Handbook Website

The FCA has announced the launch of a [new Handbook website](#), which is currently in beta version. The new Handbook can be accessed [here](#).

What firms are impacted?

FCA-regulated firms.

Summary of the regulatory update:

The new website maintains all features from the previous website but is aimed at improving various aspects of the interface. These include making navigating and finding required information easier, facilitating better understanding of the connections between FCA rules and a new comparison between different versions of Handbook text to allow users to see what has been added or removed over time.

- The structure and content will remain the same.
- It is currently available as a beta version. You can continue to access the existing Handbook website while the FCA make sure the new one works as expected.
- While in beta phase, the website will continue to be tested and refined, and feedback can be [provided](#).
- The FCA expect to fully roll out the new Handbook website later this year.

What are the key dates/timelines?

The FCA hope to fully roll out the new Handbook website later in 2025.

What should firms be thinking about?

Firms with an account on the current Handbook website will need to create a new account on the new Handbook website.

REGULATORY ROUND UP

General

FCA 2025/25 Training and Competence Sourcebook (Amendment) Instrument 2025

The FCA has adopted the [Training and Competence Sourcebook \(Amendment\) Instrument 2025](#). The instrument, adopted by the FCA, amends the Glossary of Definitions and the Training and Competence Sourcebook (TC) of the FCA Handbook.

What firms are impacted?

Firms subject to the Training and Competence (TC) regime, notably those with certification obligations, are impacted by these amendments.

Summary of the regulatory update:

The FCA 2025/25 Instrument introduces changes to the FCA's Training and Competence (TC) rules within the FCA Handbook. Issued under sections 137A, 137T, and 138C of the Financial Services and Markets Act 2000, the amendments cover updates to the Glossary and the TC sourcebook itself

Key updates include:

- Revision to the list of recognised accredited bodies, removing two bodies and reflecting a name change for one.
- Update of the qualification tables in TC App 4.1 to ensure accuracy, including relocating qualifications that are no longer provided into a separate section.
- Modifications to the Glossary, updating the definition of "accredited body".

When does it take effect?

This instrument comes into force on 27 June 2025.

What should firms be thinking about?

Firms should review and update their Training & Competence frameworks, confirming that any referenced qualification providers are still accredited and updating materials to reflect the revised qualification tables.

ENFORCEMENT ACTION IN JULY 2025

Enforcement Action

Below is an overview of the enforcement action taken by the FCA in July 2025 and the breaches which resulted in the action taking place.

Overview of enforcement action	Breaches	Fine / Penalty
Monzo Bank Limited has received a financial penalty from the FCA due to conduct failings.	Breaches of PRIN 3 and s.55L of FSMA related to conduct in the retail banks sector.	Financial penalty of £21,091,300 imposed and Final Notice issued.
Markos Theodosi Markou has received a financial penalty from the FCA due to breaches of Principle 1 (Integrity).	Breach of Statement of Principle 1 (Integrity) of the Authority's Statements of Principle and Code of Practice for Approved Persons in the Mortgages sector.	Financial penalty of £10,000 imposed and Final Notice issued. Prohibition preventing Mr Markou from performing any regulated activity carried on by an authorised person, exempt person, or exempt professional firm.
James Edward Staley has received a financial penalty from the FCA due to breaches of the Conduct Rules.	Breaches of Individual Conduct Rules 1 (not acting with integrity) and 3 (open and cooperative with the regulators) and Senior Manager Conduct Rule 4 (disclosure of information of which the FCA would reasonably expect notice.	Financial penalty of £1,107,306.92 and Final Notice issued. Prohibition preventing Mr Staley from holding senior management functions.
Jean-Noel Alba has received a financial penalty from the FCA due to not acting with integrity and not dealing openly and honestly with the FCA.	Breaches of APER 1 and 4 and Individual Conduct Rule 1 and 3 (not acting with integrity/dealing with the FCA openly).	Financial Penalty of £1,049,500 and Final Notice issued. Prohibition preventing Mr Alba from performing any function in relation to any regulated activity carried on by an authorised person, exempt person, or exempt professional firm.
Sigma Broking Limited has received a financial penalty related to transaction reporting.	Breaches of PRIN 3 and MiFIR related to transaction reporting in the trading firm sector.	Financial penalty of £1,087,300 and Final Notice issued.

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