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FS ADVISORY

Regulatory Update

March 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

Our T+1 journey starts now

The FCA has published a [speech](#) delivered by Mark Francis, interim director of wholesale markets sell-side, at the UK Accelerated Settlement Taskforce industry event

What firms are impacted?

Broker-Dealers and Investment Banks, Asset Managers and Institutional Investors, Custodians and Clearing Houses, as well as Technology and Service Providers.

Summary of the regulatory update:

Among other things, Francis spoke about the FCA's expectations for firms regarding a timely implementation of the T+1 requirement by October 11, 2027. In addition, he commented on the FCA's approach to supporting T+1, noting it will focus on engagement with firms, communication and market monitoring

Key points from the speech include:

- The FCA has welcomed the recommendations of the Accelerated Settlement Taskforce final report alongside the government and the Bank of England.
- T+1 will make markets more efficient, improve liquidity, and support the growth and competitiveness of the UK.
- The FCA have published a 'one-stop shop' [web page for industry](#), in order to support T+1, and they will continue to support firms with the transition.

When does it take effect?

Full implementation of T+1 will take place on October 11, 2027.

What should firms be thinking about?

Firms should engage with the recommendations and begin their preparations for the transition. The FCA encourages firms to act on the following: Read carefully the AST report; Plan early; Budget to execute the plan; and Act to implement and test the changes, on a timely basis.

REGULATORY ROUND UP

General

Policy Statement (PS25/1) on reforming the Commodity Derivatives Regulatory Framework

The FCA has [published](#) *Policy Statement 25/1- Reforming the commodity derivatives regulatory framework* ([PS25/1](#)).

What firms are impacted?

Trading venues in the UK admitting commodity derivatives, financial firms and commercial users trading commodity derivatives, central counterparties (CCPs) clearing commodity derivatives, as well as trade associations and NGOs involved in commodity derivatives regulation.

Summary of the regulatory update:

PS25/1 sets out the FCA's final rules and guidance on strengthening the resilience of UK commodity derivatives markets under a variety of market conditions. The new rules introduce enhanced surveillance requirements and a framework to give trading venues a clearer picture of market risks from relevant over-the-counter (OTC) positions.

Position Limit Changes - The revised framework refines position limits to focus only on 14 critical contracts that pose systemic risks. Trading venues will have the discretion to determine related contracts that may influence pricing and settlement conditions of critical contracts

OTC Position Reporting - To strengthen market oversight, trading venues will have the authority to require periodic reporting of OTC positions based on assessed risks. While firms initially raised concerns about additional reporting burdens, the FCA has provided flexibility by allowing trading venues to calibrate requirements based on market dynamics.

Exemptions from position limits for liquidity - the FCA introduced new exemptions from position limits for liquidity providers and financial firms hedging commercial risks for non-financial clients, expected to enhance market liquidity and support commercial users reliant on commodity derivatives for hedging purposes.

When does it take effect?

The final rules come into force on 6 July 2026. Trading venues can start receiving and processing applications for exemptions from 3 March 2025. Exemptions granted under the current regime will continue to apply until 5 July 2026.

What should firms be thinking about?

Firms trading commodity derivatives should review how the new position limit framework affects their trading strategies and risk management. Compliance teams must assess reporting obligations, especially regarding OTC positions, and coordinate with trading venues on position management controls.

REGULATORY ROUND UP

General

Portfolio Letter: Asset Management and Alternatives - Supervisory Strategy

The FCA has [published](#) a template version of its letter to CEOs of firms in the asset management and alternatives sector.

What firms are impacted?

Firms in the asset management and alternatives sector, particularly those involved with private markets, retail customers, and sustainable finance.

Summary of the regulatory update:

The letter sets out the FCA's supervisory strategy for 2025, which focuses on three key priorities:

- Supporting confident investing in private markets - the FCA advises firms to consider the findings of its multi-firm review on private market valuation practices (due to be released shortly) to ensure their valuation processes are robust, with a strong governance framework and audit trail. The FCA expects boards and valuation committees to be given regular, sufficient information on valuations to ensure effective oversight. In 2025, the FCA will also start a multi-firm review focusing on conflicts of interest at firms managing private assets.
- Building firm and financial system resilience against market disruption - Informed by the vulnerabilities identified in the recent Bank of England (BoE) system-wide exploratory scenario (SWES) [report](#), the FCA will focus on prudent risk management, liquidity management and operational resilience. It will continue to monitor liquidity risk and ensure that the International Organization of Securities Commissions (IOSCO) recommendations on liquidity management for collective investment schemes (CIS) are in place across its systems. The FCA will also consider findings on margin preparedness from both the SWES and the Financial Stability Board's (FSB's) final report on liquidity preparedness for margin and collateral calls, and discuss actions with relevant firms.
- Securing positive outcomes for consumers - In 2025, the FCA will start a multi-firm review of managed portfolio services (MPS), looking at how firms are applying the Consumer Duty. It will share good practice on how firms are doing this.

When does it take effect?

No exact date, but firms are expected to consider the outlined priorities and integrate them into their strategies promptly.

What should firms be thinking about?

The Firm should consider reviewing governance and risk management frameworks to align with the FCA's priorities; ensure robust valuation processes, manage conflicts of interest effectively, and enhance their operational resilience; focus on delivering good consumer outcomes and comply with sustainable finance regulations; and strengthen financial crime prevention measures and market abuse controls.

REGULATORY ROUND UP

General

CP25/2: Further changes to the public offers and admissions to trading regime and the UK Listing Rules

The FCA has issued a [consultation paper](#) on further changes to the public offers and admissions to trading regime and the UK Listing Rules.

What firms are impacted?

Issuers, prospective issuers, investors, companies, advisors, brokers, law firms, accountancy firms, investment banks, sponsors, trade bodies, professional bodies, academics, and UK exchanges involved with UK regulated markets or primary Multilateral Trading Facilities (MTFs).

Summary of the regulatory update:

This consultation paper aims to support the new Public Offers and Admissions to Trading Regulations (POATRs) for companies admitting securities to regulated markets, following its consultation CP24/12.

The proposals set out by the FCA in this consultation paper include, among other things:

- aligning prospectus requirements for non-equity securities to a single standard based on the current disclosure requirements for 'wholesale' denominations, rather than having separate standards for lower denomination bonds;
- providing new guidance that defines which certain (non-complex) low denomination corporate bonds issued by listed companies can be appropriate for the 'mass market'; and
- implementing consequential changes to the FCA Handbook, including transitional provisions, to enhance the rules proposed in CP24/12.

Taken together, these proposed changes aim to further promote efficient and effective capital raising by companies across debt and equity capital markets in the UK and encourage wider access for investors to investment opportunities.

When does it take effect?

Comments must be submitted by 14 March 2025.

What should firms be thinking about?

Firms should evaluate how the proposed changes might impact their current and future capital-raising activities, review the alignment of prospectus requirements for non-equity securities, assess the new guidance on low denomination corporate bonds, and understand the transitional provisions in the FCA Handbook. Additionally, Firms should consider engaging with consultation process.

REGULATORY ROUND UP

General

CP25/3 Consultation on Further Proposals for Firms Operating Public Offer Platforms

The FCA has issued a [consultation paper](#) on further proposals for firms operating public offer platforms (POPs) to support the implementation of the new POP regime, which facilitates companies making public offers of securities to a broad range of investors outside public markets when raising more than £5m.

What firms are impacted?

Firms considering making a public offer; firms considering becoming POP operators (e.g, crowdfunding operators, corporate finance firms, etc); investment advisors; law firms advising on public offers; accountancy firms; other firms or professional bodies involved in public offers; relevant trade associations and representative groups.

Summary of the regulatory update:

The POP regime, part of the new Public Offers and Admissions to Trading Regulations 2024 (POATRs), replaces the current UK Prospectus Regulation.

The consultation paper (CP) provides initial thoughts on how the FCA intends to authorise firms seeking to operate POPs, and their intended supervision approach for these firms.

The FCA are also using this CP to set out initial views on how a potential transitional regime could operate while they determine Variation of Permission requests existing firms may wish to submit to the FCA during an hypothetical initial application period. The approach on a potential transitional regime, including the details on how it could in practice work, is subject to agreement with the Treasury.

In addition, the FCA are seeking feedback on specific Handbook and non-Handbook changes which include the following:

- The extension of the compulsory jurisdiction of the [Financial Ombudsman](#) to the new regulated activity of operating a POP.
- The fees we propose to charge POP operators, including the Financial Ombudsman and [Financial Services Compensation Scheme](#) (FSCS)-related levies.
- PERG guidance on, among other aspects, the regime for firms approving the financial promotions of unauthorised persons.

When does it take effect?

The consultation was open since January 2025. Comments should be submitted on or before 14 March 2025.

What should firms be thinking about?

Firms should evaluate whether they plan to operate a public offer platform (POP) or approve financial promotions for unauthorised persons under the new regime. Those interested in running a POP should review the FCA's initial thoughts on authorisation and supervision and anticipate potential requirements. Additionally, Firms should consider engaging in the consultation process if necessary.

REGULATORY ROUND UP

General

No 126 Handbook Notice 126

The FCA has as published [Handbook Notice No. 126](#), detailing legislative changes made by the FCA Board on 30 January 2025, specifically to the Collective Investment Schemes Sourcebook (Concentration Limits) Instrument 2025.

What firms are impacted?

Operators and Fund Management Companies managing UCITS schemes.

Summary of the regulatory update:

The amendment focuses on the concentration limits applicable to Undertakings for Collective Investment in Transferable Securities (UCITS) schemes, particularly those structured as umbrella funds with multiple sub-funds. Previously, the concentration rule applied at the umbrella level, potentially restricting investment strategies within individual sub-funds. The revised rule now applies at the sub-fund level, allowing for more flexible fund-of-funds structures while maintaining appropriate risk diversification.

Feedback from consultation showed support for these changes, with clarifications provided on certain rules and an extended transitional period of 12 months. The amendments aim to promote effective competition and consumer protection without significant cost increases.

When does it take effect?

These changes took effect on 31 January 2025.

What should firms be thinking about?

Firms managing UCITS schemes should assess their current investment strategies to leverage the increased flexibility afforded by the rule change. This may involve restructuring fund-of-funds offerings or developing new products that capitalize on the ability to apply concentration limits at the sub-fund level.

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General

FCA 2025/2 Markets in Financial Instruments (Non-Equity Transparency Rules) (Amendment) Instrument 2025

The FCA has adopted the [Markets in Financial Instruments \(Non-Equity Transparency Rules\) \(Amendment\) Instrument 2025](#), which makes changes to the Market Conduct sourcebook (MAR) in accordance with the Annex to this instrument.

What firms are impacted?

Trading venue operators, transparency investment firms, and Approved Publication Arrangements (APAs).

Summary of the regulatory update:

The FCA 2025/2 instrument amends the Markets in Financial Instruments (Non-Equity Transparency Rules), aiming at enhancing transparency and accessibility in financial markets.

It exercises powers under various articles of EU regulations and sections of the Financial Services and Markets Act 2000. The instrument introduces changes to the Market Conduct sourcebook (MAR), focusing on trade data requirements and transparency rules. Trading venue operators must ensure trade data is available on a reasonable commercial basis, with non-discriminatory access. Systematic Internalisers must make quotes accessible to market participants.

Additionally, the instrument addresses waivers from pre-trade transparency requirements and continuity of transparency requirements for investment firms and APAs. The changes are phased, with different parts coming into force on different dates (specified below), impacting how firms manage and report trade data.

When does it take effect?

Parts 1 and 3 of the instrument take effect on 5 February 2025, while Parts 2 and 4 take effect on 1 December 2025.

What should firms be thinking about?

Firms should assess how these changes affect their data reporting and transparency obligations. Firms need to ensure that systems and processes are updated to comply with the new requirements.

REGULATORY ROUND UP

General

Primary Market Technical Note: Open-Ended Investment Companies - Primary Market / TN / 423.2 (Amendment)

The FCA issued an [amended primary technical note](#) on open-ended investment companies to assist issuers and practitioners in interpreting various UK financial regulations

What firms are impacted?

UK and overseas open-ended investment companies seeking listing on the UK Official List; UCITS-compliant schemes and European exchange-traded fund (ETF) issuers; and Investment firms and fund managers dealing with collective investment schemes.

Summary of the regulatory update:

This guidance addresses common queries and represents FCA guidance as defined in section 139A FSMA. This includes:

- **Listing Process for Open-Ended Investment Companies** - The FCA reaffirms that the listing category for open-ended investment companies (OICs) applies to UK-authorized investment companies with variable capital and overseas recognised schemes (such as UCITS-compliant schemes). It is not available to unrecognised overseas schemes. Additionally, new applications require a sponsor and follow the same listing process as premium listing categories, with key differences. **Listing**
- **Documentation & Prospectus Regulation** - The Prospectus Regulation does not apply to open-ended investment companies, so they cannot issue a prospectus under this regulation. Instead, under UKLR 234.2.3R, they must issue a listing particulars document with the same disclosure requirements as a Prospectus Regulation-compliant prospectus. UCITS prospectuses are not accepted as substitutes for listing particulars.
- **Working Capital Statements** - If the issuer is an authorised open-ended fund or a UCITS scheme within the EEA, the FCA may not require a working capital statement in the listing particulars.
- **New Classes of Securities for Multi-Class or Umbrella Funds** - If an open-ended investment company creates a new class of securities without increasing share capital, it does not need a new listing application. Instead, it must arrange a listing hearing to amend the Official List. Market practice is to issue an information-only circular rather than updated listing particulars.
- **Transferability & Compliance with UKLR Rules** - Open-ended investment companies must comply with UKLR 126, LR 16.1.1R, and UKLR 3.2 to ensure securities are freely transferable and free from transfer restrictions. Firms must ensure the type of authorisation order they seek does not conflict with UK listing requirements.

When does it take effect?

N/A.

What should firms be thinking about?

Firms should review listing documentation processes to ensure compliance with the FCA's requirements, as well as assess transfer restrictions and authorisation orders to ensure necessary eligibility criteria are met.

REGULATORY ROUND UP

General

Helping Markets Thrive and Managing Systemic Risk: The FCA's Approach to Non-bank Leverage

The FCA has published a [speech](#) delivered by Sarah Pritchard, Executive Director of Consumers, Competition and International at the Investment Association (IA) Roundtable on NBFI leverage with IA members.

What firms are impacted?

Asset managers, PE and Hedge Funds, and Non-bank lenders.

Summary of the regulatory update:

In her speech, Ms. Pritchard addressed the increasing significance of non-bank financial institutions (NBFIs) in global finance. She emphasises the need for improved public and private disclosure to mitigate systemic risks and highlights the importance of international collaboration in addressing these risks. The speech also outlines the FCA's role as a regulator in monitoring leverage use and developing appropriate metrics and tools to manage potential risks.

Key points from the speech include:

- The UK non-bank finance sector manages approximately £14.3 trillion in assets and continues to grow. Its use of leverage can help boost returns, enhance efficiency, and manage risks. However, when it is concentrated or crowded leverage can become a vulnerability and source of systemic risk.
- The FCA believes that targeted improvements to public and private disclosure could go a long way in mitigating the build-up of systemic risk from non-bank financial intermediation (NBFI) leverage.
- Regulators need to have the necessary data, systems and tools in place to effectively monitor NBFI leverage use and identify systemic risk.
- The FCA is playing a leading role in this area, and co-chairing a working group to support the ongoing Financial Stability Board (FSB) consultation on a suite of proposals on monitoring and addressing systemic risk arising from NBFI leverage.

When does it take effect?

Potential implementation of new regulations, contingent on consultation outcomes, would occur post-2026.

What should firms be thinking about?

Firms should strive to stay informed about FCA announcements and industry discussions related to NBFIs and adjust leverage strategies if necessary to align with potential regulatory changes.

REGULATORY ROUND UP

General

The FCA and Practitioner Panel Joint Survey for 2025 Launches

The FCA, in collaboration with the Practitioner Panel, launched the [2025 survey](#) to gather feedback from all regulated firms on the FCA's regulatory performance.

What firms are impacted?

All FCA-regulated firms.

Summary of the regulatory update:

The survey will be carried out on the FCA's behalf by Verian (formerly known as Kantar Public), an independent social research organisation. This initiative aims to assess the FCA's effectiveness in regulating the financial industry and to identify areas for improvement.

In this update, the FCA also sets out its actions in response to feedback from the 2024 survey. These include:

- Introducing new measures to support growth, including overhauling UK listing rules, reforming retail disclosure regulations, and launching an AI Lab to support innovation.
- Initiating efforts to simplify the FCA Handbook, seeking input on reducing complexity in retail conduct rules and guidance.
- Developing a new firm portal, "My FCA," set to launch in Spring 2025, to facilitate easier data submissions and reviewed regular data returns to ensure relevance.

When does it take effect?

The survey was launched on 30 January 2025, with results expected to be published in summer 2025.

What should firms be thinking about?

Firms should consider engaging in the survey to provide the FCA with feedback. After which, the Bank should stay updated on changes resulting from the survey to anticipate adjustments in compliance and operational strategies, as well as how product offerings may be affected.

ENFORCEMENT ACTION IN FEBRUARY 2025

Enforcement Action

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

Overview of enforcement action	Breaches	Fine / Penalty
Mako Financial Markets Partnership LLP has received a financial penalty from the FCA due to inadequate systems and controls for fighting financial crime.	Breaches of PRIN 2 and PRIN 3 related to the risk of financial crime in the trading firm sector.	Financial penalty of £1,662,700 imposed and Final Notice issued.

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