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FS ADVISORY

Regulatory Update

October 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

FCA: Market Watch 83

The FCA has [published](#) Market Watch 83, the latest edition of its newsletter covering market conduct and transaction reporting issues

What firms are impacted?

Firms most likely to be impacted are corporate finance advisers, brokers, and investment banks involved in capital markets or M&A transactions

Summary of the regulatory update:

In this edition, the FCA sets out its findings from a series of reviews into corporate finance firms' systems and controls for handling inside information about their corporate clients.

The reviews assessed the effectiveness of firms' UK Market Abuse Regulation (MAR) policies and procedures. In some cases, The FCA also considered conduct relating to personal account dealing (PAD) and managing conflicts of interest. Issues covered in the publication include:

- Managing the number of market sounding recipients (MSRs);
- Risk of unlawfully disclosing inside information during a market sounding;
- Sharing a standard set of deal-specific information; and
- Multiple brokers market sounding for a transaction.

The FCA expects firms to ensure that handling of inside information is tightly controlled, with clear audit trails, limited disclosure on a "need-to-know" basis, and effective governance and oversight. Firms—particularly smaller corporate brokers—should strengthen formal procedures, training, and documentation around MAR compliance.

When does it take effect?

FCA Market Watch 83 took immediate effect upon publication (8 September 2025) as supervisory guidance.

What should firms be thinking about?

Firms should assess the effectiveness of their controls for handling inside information, particularly around market soundings, information sharing, conflicts of interest, and personal account dealing, to ensure full compliance with UK MAR expectations.

REGULATORY ROUND UP

General

Memorandum of Understanding: Berne Financial Services Agreement

The FCA has [announced](#) that it has signed a Memorandum of Understanding (MoU) with the Bank of England and the Swiss Financial Market Supervisory Authority (“FINMA”) to facilitate supervisory cooperation and information sharing under the Berne Financial Services Agreement (“BFSA”).

What firms are impacted?

UK and Swiss firms offering insurance or investment services across borders

Summary of the regulatory update:

The MoU sets out detailed procedures for notifications, reporting, and ongoing dialogue between the authorities. It clarifies how and when authorities will inform each other of cross-border activities, share relevant supervisory and compliance information, and coordinate intervention powers where necessary, including actions such as restricting or suspending activities that pose risks to consumers or market integrity.

The agreement also establishes regular channels for communication, joint supervisory meetings, and mechanisms for resolving disagreements, providing a structured framework for cooperation in supervising firms providing insurance and investment services across the UK-Switzerland corridor.

The MoU will take effect on the date the BFSA enters into force, formalising the regulatory framework for cooperation between the UK and Swiss authorities in cross-border financial services supervision.

More information about the process if your firm is looking to check eligibility, apply and understand what the agreement means for your situation, can be found [here](#).

When does it take effect?

The MoU will take effect on the date the BFSA enters into force, in early 2026.

What should firms be thinking about?

UK and Swiss firms offering insurance or investment services across borders should be aware that supervisory oversight will be more coordinated and that information may be shared between the FCA, the Bank of England, and FINMA under the terms of this MoU. Firms should ensure their cross-border compliance and reporting frameworks are robust to reflect this enhanced cooperation.

REGULATORY ROUND UP

General

Response to Government Consultation on Future of Payment Systems Regulation

The FCA has [published](#) a statement from Executive Director, Payments and Digital Finance and Payment Systems Regulator Managing Director David Geale in response to the Government's consultation on future payment systems regulation.

What firms are impacted?

The firms likely to be impacted are payment service providers, electronic money institutions, banks, fintech firms, and other participants in the UK payments ecosystem that operate or plan to operate payment systems, including those offering innovative or digital payment solutions

Summary of the regulatory update:

Additionally, HM Treasury has [published](#) a [consultation paper](#) which sets out details of the Government's proposed policy approach for abolishing the Payment Systems Regulator (PSR) and integrating its functions within the FCA, and the broader design of the new regulatory framework. In March 2025, the Government announced that it will consolidate the PSR primarily within the FCA, as part of the Regulatory Action Plan. The proposals will see the FCA take on the PSR's responsibilities, including for promoting competition and innovation in payment systems and the services provided by payment systems, as well as supporting the interests of consumers and businesses.

In the FCA statement responding to this consultation, Geale emphasized the importance of a proportionate and adaptable regulatory framework that fosters innovation while ensuring consumer protection and financial stability.

Key points from the FCA's response include:

- **Support for a Proportionate Regulatory Approach:** The FCA advocates for a regulatory environment that balances oversight with the need to encourage innovation and competition within the payments sector.
- **Emphasis on Consumer Protection:** Ensuring that consumers benefit from secure, efficient, and accessible payment systems is a priority for the FCA.
- **Adaptability to Technological Advancements:** The FCA highlights the necessity for the regulatory framework to be flexible enough to accommodate rapid technological changes in the payments landscape.
- **Collaboration with Industry Stakeholders:** The FCA calls for ongoing dialogue with industry participants to ensure that regulatory measures are effective and aligned with market developments.

When does it take effect?

There are no immediate regulatory changes. Any changes to payment systems regulation will take effect once the Government finalizes policy and the FCA/PSR implements the new rules.

What should firms be thinking about?

Firms should be thinking about how future payment systems regulation could affect their operations, compliance frameworks, and innovation strategies, including ensuring they are prepared to meet potential new requirements on consumer protection, operational resilience, and regulatory reporting, while staying agile to adapt to evolving rules and technological changes in the payments sector.

REGULATORY ROUND UP

General

CP25/25 Application of FCA Handbook for Regulated Cryptoasset Activities

The FCA has [published](#) Consultation Paper 25/25 - Application of FCA Handbook for Regulated Cryptoasset Activities ([CP25/25](#)).

What firms are impacted?

The firms likely to be impacted are cryptoasset businesses carrying out regulated activities in the UK. Additionally, banks, fintechs, and investment firms that interact with or provide services to these crypto businesses may also be affected.

Summary of the regulatory update:

CP25/25 incorporates a discussion section (in chapters six and seven) and specific proposals (in chapters one to five).

Chapters one to five cover the application of the following to crypto firms:

- The High Level Standards and supervision;
- Senior Management Arrangements, Systems and Controls (“SYSC”);
- Guidance on operational resilience; and
- Business standards.

Chapters six and seven discuss the application of the Consumer Duty, access to the Financial Ombudsman Service (FOS), the Conduct of Business Sourcebook (COBS) and the Product Intervention and Product Governance Sourcebook (PROD).

CP25/25 follows HM Treasury’s April 2025 draft legislation to bring certain crypto activities under the FCA’s remit. Activities that the FCA will regulate once the final statutory instrument (SI) is made include: issuing qualifying stablecoins; safeguarding qualifying cryptoassets and specified investment cryptoassets; operating a qualifying cryptoasset trading platform (“CATP”); intermediation; and staking.

When does it take effect?

Responses to chapters six and seven of CP25/25 are requested by 15 October 2025; responses to chapters one through five are requested by 12 November 2025.

What should firms be thinking about?

Firms should be thinking about how the FCA’s proposals could affect their compliance with the Handbook, including ensuring that systems, controls, governance, and reporting processes are aligned with regulatory expectations for crypto activities, and preparing for enhanced supervision, conduct standards, and potential enforcement risks.

REGULATORY ROUND UP

General

Mansion House Commitment on the Consumer Duty's Application to Wholesale Firms

The FCA has [written](#) to the HM Treasury to report back on the FCA's plans to address concerns about the application of the Consumer Duty for firms primarily engaged in wholesale activity.

What firms are impacted?

The firms likely to be impacted are wholesale firms that design, manufacture, or distribute financial products to retail customers.

Summary of the regulatory update:

The letter sets out a four-point action plan as well as steps the Treasury may wish to consider. The FCA will:

1. Provide more clarity on its supervisory approach and expectations under the Duty when firms work together to manufacture products for retail customers;
2. Consult on plans to update the client categorisation framework;
3. Consult on changes to rules on the application and requirements of the Duty, including through distribution chains, in the first half of 2026; and
4. Propose to remove business with non-UK customers from the scope of the Duty, also in the first half of 2026.

These actions are intended to ensure that the Consumer Duty remains proportionate and focused on protecting UK retail customers, while providing clarity for wholesale firms on how to apply the Duty in complex distribution and product manufacturing arrangements.

When does it take effect?

Proposed changes to rules on the application of the Consumer Duty, including through distribution chains and scope exclusions for non-UK customers, are expected to be implemented in the first half of 2026.

What should firms be thinking about?

Wholesale firms that design or distribute products for retail clients should review their product governance and distribution arrangements in light of the FCA's forthcoming guidance and consultations. They should also consider potential impacts on client categorisation, distribution oversight, and compliance frameworks, particularly for products sold to UK retail customers versus non-UK clients. Firms should monitor FCA updates to prepare for proposed rule changes and ensure readiness to implement any revised obligations in early 2026.

REGULATORY ROUND UP

General

OPBAS Suspicious Activity Report (SAR) project: Phase 2 themes and next steps

The FCA's Office for Professional Body AML Supervision ("OPBAS") has [published](#) a letter setting out its findings and actions for the legal and accountancy sector Professional Body Supervisors ("PBS") in relation to the Suspicious Activity Report ("SAR") project.

What firms are impacted?

The letter directly impacts PBSs, however it also provides some best practice guidelines which are applicable to all regulated firms.

Summary of the regulatory update:

The FCA's letter outlined the important role that the legal and accountancy sector PBSs play in driving up SAR quality. Since publication, OPBAS has progressed risk-based and phased activity on SARs quality. The letter also sets out key themes to support wider understanding and maximise opportunities to further improve SAR quality, including:

- (i) Clear and accessible SARs;
- (ii) Proportionate inclusion of relevant information; and
- (iii) Appropriate use of relevant glossary codes.

The FCA also identified these opportunities to improve effectiveness:

- (i) Referencing open-source information;
- (ii) Clarity on intended action; and
- (iii) Joining the dots - linking to other SARs.

OPBAS is actively working with partners in the UK Financial Intelligence Unit ("UKFIU") to support a series of training sessions on SAR quality. Meanwhile, all PBSs should continue to look for ways to enhance their approach to SARs to improve SAR quality which in turn can improve system co-ordination, threat understanding and risk management.

When does it take effect?

The letter reflects ongoing supervisory expectations.

What should firms be thinking about?

Firms should be thinking about how to enhance the quality of their SARs per the guidance set out in the FCA's letter.

REGULATORY ROUND UP

General

Showing Financial Crime the Red Card

The FCA has [published](#) a speech delivered by Joint Executive Director of Enforcement and Market Oversight, Steve Smart, at the 1LoD Financial Crime Summit in London on 11 September 2025

What firms are impacted?

The speech is relevant to all regulated firms.

Summary of the regulatory update:

Smart's speech focused on the critical role of financial crime prevention in maintaining trust, market integrity, and sustainable growth. He stressed that financial crime is not a victimless issue and it undermines confidence in the UK's financial system and damages economic resilience. Mr Smart outlined the FCA's progress in combating and disrupting criminal activity, including major enforcement actions, criminal convictions, and significant fines for AML failings. He also noted the FCA's proactive measures to disrupt fraud at source, such as removing fraudulent apps and websites and tackling misleading promotions.

Mr Smart emphasised that success in tackling financial crime relies on smart prioritisation and collaboration - directing resources where they have the greatest impact and working closely with other regulators, law enforcement agencies, and industry. He highlighted the FCA's focus on technology and data innovation, referencing projects such as the NECC Data Fusion initiative and the forthcoming AML Synthetic Data sprint to improve intelligence and detection.

Reaffirming that fighting financial crime remains a core FCA priority, Mr Smart called on firms to strengthen systems and controls, enhance data-driven detection capabilities, and actively contribute to collective efforts to disrupt criminal activity across the financial sector.

When does it take effect?

The speech reflects the FCA's current supervisory and enforcement priorities, so firms are expected to align their systems, controls, and practices immediately with the approaches and expectations highlighted in the speech.

What should firms be thinking about?

Firms should be thinking about how to strengthen their systems and controls to prevent, detect, and disrupt financial crime, including enhancing AML and fraud frameworks, improving data and intelligence capabilities, ensuring timely reporting, and actively collaborating with regulators, law enforcement, and industry partners to reduce risk and protect market integrity.

REGULATORY ROUND UP

General

Rebalancing Risk to Facilitate Innovation and Growth

The FCA has [published](#) a speech by Chief Economist Kate Collyer setting out a shift to "smarter regulation" that supports UK growth by giving firms and consumers more room to innovate while safeguarding market integrity. Further, the FCA has [published](#) a speech by Jessica Rusu, its chief data, information and intelligence officer, highlighting how innovation and technology underpin the FCA's strategy, including initiatives like the Supercharged Sandbox and AI Live Testing to enable safe AI experimentation.

What firms are impacted?

The speech is relevant to a wide range of firms, particularly banks, fintechs, investment firms, mortgage lenders, and cryptoasset businesses, as well as innovative or scale-up firms seeking to leverage Open Finance or new investment opportunities. These firms are likely to be directly affected by reforms in capital markets, data sharing initiatives, and proposed crypto regulation.

Summary of the regulatory update:

Rebalancing Risk to Facilitate Innovation and Growth

Collyer's speech argues that appropriate risk-taking is essential to boost productivity, competition, and consumer outcomes, and that regulation is being rebalanced to enable beneficial risk. Practical reforms cited include opening new investment opportunities, easing mortgage rules, and reforming capital markets to support innovation and growth.

Regulating for Growth - The Future is Now

The speech by Rusu underscores the UK's leadership in global fintech investment, supported by proposed crypto regulation and the launch of a Scale-up Unit to help innovative firms grow. It also details the Smart Data Accelerator as a foundation for Open Finance, enabling secure data sharing to drive innovation and improved consumer outcomes.

When does it take effect?

The speeches reflect the FCA's strategic direction and supervisory priorities, so there is no specific effectiveness date.

What should firms be thinking about?

Firms should be thinking about how to take advantage of new opportunities for innovation and growth while managing risks appropriately.

ENFORCEMENT ACTION IN SEPTEMBER 2025

Enforcement Action

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

Overview of enforcement action	Breaches	Fine / Penalty
An individual has been convicted for breaching the Data Protection Act, but acquitted of fraud and unauthorised business offences, following a prosecution brought by the FCA.	Breaches of the Data Protection Act.	The individual was fined £100 and ordered to pay a £30 surcharge for the data protection breach.
First court appearance for three 'influencers' charged in FCA-led global crackdown on illegal promotions.	The individuals are alleged to have encouraged social media followers to invest in foreign exchange trading through high-risk products, without having the authorisation to promote these investments.	All three defendants have pleaded not guilty and will appear at Southward Crown Court for a hearing on 8 October 2025.

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