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FS ADVISORY

Regulatory Update

September 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 Removes More Data Returns, Helping 36,000 Firms

The FCA has [announced](#) that 36,000 firms will now no longer need to submit a nil return when completing certain tasks relating to disciplinary action (REP008), saving them time and reducing burden.

What firms are impacted?

FCA-authorized firms.

Summary of the regulatory update:

This announcement is part of the FCA's continued effort to make data reporting more proportionate by reducing and removing regulatory returns for 95% of all authorized firms.

As part of the FCA's [Transforming Data Collection](#) programme, they consulted in June 2025 to:

- Decommission REP022 (General Insurance Pricing Attestation) and retail investment advisers (RIA) complaints.
- Reduce the frequency of reporting for REP009 (Consumer Buy-To-Let Mortgage Aggregated Data).
- Remove the requirement to submit nil returns for REP008 (Notification of Disciplinary Action relating to conduct rules staff - other than senior manager functions).

This is in addition to the [3 returns removed](#) earlier in 2025, reducing burden for 16,000 firms.

What are the key dates/timelines?

The update came into effect on 28 August 2025.

What should firms be thinking about?

Firms should review these changes and adjust their reporting processes accordingly.

REGULATORY ROUND UP

General

FCA Continues to Simplify Supervisory Communications

The FCA has [announced](#) that it is simplifying its multi-firm and thematic reviews.

What firms are impacted?

FCA-regulated firms serving retail customers (e.g., banks, insurers, asset managers, advisers, fintechs)

Summary of the regulatory update:

As part of the FCA's [Consumer Duty requirements review](#), the FCA is streamlining their supervisory publications to make their priorities clearer, and support their commitment to smarter, more effective regulation.

The simplification entails labelling multi-firm and thematic reviews published before 2022 as "historical" (around 80% of reviews) to make it easier for firms to find up-to-date supervisory communications. Historical documents will remain accessible via existing links, and the FCA will continue publishing and evaluating reviews in line with its strategy.

In terms of next steps, the FCA will soon be publishing a small number of market reports, instead of issuing Dear CEO or portfolio letters. These will include information relevant to different types of firms and insights from their supervisory work.

What are the key dates/timelines?

The update was published on 28 August 2025. The simplification process is ongoing.

What should firms be thinking about?

Until these market reports are published, firms should continue to refer to relevant [supervisory communications](#) for guidance while the FCA continues to review their approach to other historical communications.

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, group-based product suggestions to help consumers make better pensions and investment decisions, particularly those underserved by current advice and guidance.

What firms are impacted?

Pensions and investment firms including fund and wealth managers, platforms and SIPP operators; Pension trustees and trust-based pension schemes; Banks, building societies and other firms such as friendly or mutual societies; Financial advice firms (particularly Chapter 9 on simplified advice); Trade bodies, professional and consultancy firms; Consumers, groups representing consumers' interests and those who support consumers with their decision-making.

Summary of the regulatory update:

Recognising the complexity of these decisions, the FCA is consulting on a new regulatory proposition aimed at providing targeted support for consumers making pensions and investment decisions. This initiative follows previous discussions and consultations, aiming to enhance consumer confidence and understanding in financial decision-making.

CP25/17 sets out proposals to introduce a new form of support, called "targeted support", which will enable firms to provide suggestions designed for groups of consumers with common characteristics to help them make financial decisions.

It is a flexible framework for firms, including conduct standards, disclosure, and governance requirements. Additionally, it clarifies the distinction between targeted support, simplified advice, and holistic advice, and address issues such as costs, complaints, and direct marketing.

This consultation also sets out the FCA's early thinking and direction of travel on simplified advice and clarifying the Advice Guidance Boundary.

When does it take effect?

The consultation closed on 29 August 2025, with a policy statement expected by the end of 2025.

What should firms be thinking about?

Impacted firms should consider how they can implement "targeted support".

REGULATORY ROUND UP

General

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

The FCA has [published](#) their review of how asset managers, life insurers, and FCA-regulated pension providers are meeting climate reporting rules based on the Taskforce on Climate-related Financial Disclosures (TCFD).

What firms are impacted?

Asset managers, life insurers, and FCA-regulated pension providers

Summary of the regulatory update:

The review found that these rules have improved firms' consideration of climate risks and transparency, but firms face challenges with data availability, complex disclosures for retail investors, and overlapping sustainability reporting requirements.

Key findings include:

- Risk management - Rules improved firms' consideration of climate risks, integration into strategy, and transparency with clients.
- Audience - Disclosures useful for institutional investors but too complex for retail investors, leading to low retail engagement.
- Accessibility - Entity-level reports easy to find, but product-level reports often hard to locate, limiting use by retail investors.
- Data - Firms can report backward-looking data (e.g., emissions) but struggle with forward-looking scenario analysis, reducing comparability.
- Proportionality - Asset managers see TCFD rules as too granular and duplicative across regimes; call for simplification and streamlining.
- Regulatory clarity - Firms request clarity on the future of TCFD rules and alignment with international ISSB standards.

The FCA plans to streamline sustainability reporting, maintain good outcomes for clients, and promote international consistency and will continue to work with the Government and industry to develop a practical future regime. Firms must continue to meet their requirements in the ESG Sourcebook, ensuring reports are accessible and include all required scenarios.

When does it take effect?

The review findings were published on 6 August 2025, with ongoing engagement planned to guide next steps.

What should firms be thinking about?

Firms should focus on simplifying their reporting processes and ensuring compliance with both TCFD and SDR rules, while staying informed about future regulatory developments.

REGULATORY ROUND UP

General

FCA Generating and using synthetic data for models in financial services - governance considerations

The FCA has [published](#) the Synthetic Data Expert Group's (SDEG's) [second report](#) on using synthetic data for models in financial services

What firms are impacted?

Firms using synthetic data for models.

Summary of the regulatory update:

The FCA has published the second and final report from the Synthetic Data Expert Group (SDEG)—*Generating and Using Synthetic Data for Models in Financial Services: Governance Considerations* (August 2025). Building on the SDEG's first [March 2024 report](#), this latest publication shifts focus from synthetic data use cases to the governance frameworks needed to deploy such capabilities responsibly.

The report is not guidance; it highlights insights and best practices identified by SDEG members. The considerations and actions to assess, manage, and mitigate outlined are non-exhaustive and will require further iteration as synthetic data usage expands. However, they show how synthetic data considerations can fit within, or complement, existing governance frameworks for conventional models and data usage.

The SDEG identifies nine core governance principles: accountability, transparency, fairness, safety, explainability, privacy/security, human oversight, suitability, and continuous monitoring. These principles are meant to embed synthetic data within existing frameworks for AI ethics and model risk management, helping to mitigate bias, protect privacy, and maintain auditability.

Key recommendations include conducting risk-value assessments pre-project, ensuring clear organisational ownership, incorporating audit trails, and using rigorous validation techniques (e.g., Train-Synthetic-Test-Real) to verify synthetic data effectiveness.

When does it take effect?

The report is published and effective immediately. No new regulatory obligations follow.

What should firms be thinking about?

Affected firms should consider embedding the nine governance principles into their existing frameworks.

REGULATORY ROUND UP

General

FCA 2025/39 Data Decommissioning (No 2) Instrument 2025

The FCA has [published](#) the Data Decommissioning (No 2) Instrument 2025.

What firms are impacted?

Insurance firms, supervisory bodies, and complaint resolution entities.

Summary of the regulatory update:

The instrument introduces a series of amendments to the FCA Handbook, including changes to the Insurance: Conduct of Business sourcebook (ICOBS), Supervision manual (SUP), and Dispute Resolution: Complaints sourcebook (DISP).

Key changes include:

- ICOBS - removal of attestation requirements (6B.2.60 to 6B.2.63).
- SUP - if a firm has nothing to report under section 64C of the Act or SUP 15.11.13R(4) for a particular reporting period, there is no requirement to make a nil return and so the firm should not send a notification for that period. Additionally, reporting period under the MCD Order for CBTL firms is changed from four calendar quarters beginning 1 April to 12 months beginning 1 January.
- DISP - removal of information requirements (1.10.2A).

When does it take effect?

The instrument took effect on 1 August 2025.

What should firms be thinking about?

Firms should review the amendments to ensure compliance and adjust their reporting and documentation processes accordingly.

ENFORCEMENT ACTION IN AUGUST 2025

Enforcement Action

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

Overview of enforcement action	Breaches	Fine / Penalty
Poojan Sheth has received a financial penalty and prohibition from the FCA due to breaches of Market Abuse Regulations ('MAR') and Financial Services and Markets Act 2000 ('FSMA').	Breaches of MAR and FSMA related to market abuse, market manipulation, failing to act with integrity and lack of fitness/propriety in the investment bank sector.	Financial penalty of £57,600 imposed and Final Notice issued, including a prohibition.
Jorge Lopez Gonzalez has received a financial penalty and prohibition from the FCA for breaches of MAR and FSMA.	Breaches of MAR and FSMA related to market abuse, market manipulation, failing to act with integrity and lack of fitness/propriety in the investment bank sector.	Financial penalty of £100,000 imposed and Final Notice issued, including a prohibition.
Diego Urrea has received a financial penalty and prohibition from the FCA for breaches of MAR and FSMA.	Breaches of MAR and FSMA related to market abuse, market manipulation, failing to act with integrity and lack of fitness/propriety in the investment bank sector.	Financial penalty of £223,400 and Final Notice issued, including a Prohibition.

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