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FS ADVISORY

Regulatory Update

December 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 Updates the Statement of Policy on Statutory Investigations into Regulatory Failure and Producing Reports

The FCA has [updated](#) its [statement of policy](#) (SoP) on the matters it takes into account when deciding whether to investigate possible regulatory failure and report findings and recommendations to HM Treasury.

What firms are impacted?

The Statement applies to all FCA-regulated firms, particularly those whose activities could give rise to significant consumer harm, market disruption, or systemic concerns.

Summary of the regulatory update:

The Statement sets out the FCA's approach to investigating and reporting on potential regulatory failures under its statutory powers, which are used sparingly but can have significant regulatory and reputational consequences. The updated Statement provides greater clarity on the circumstances in which the FCA will consider opening a statutory investigation, emphasising that investigations will only be launched where they are considered necessary, proportionate, and in the public interest. The FCA confirms that it must have credible evidence of a potential regulatory failure and that an investigation must be likely to advance its statutory objectives, including consumer protection, market integrity, and effective competition.

A key focus of the Statement is how the FCA will assess whether a matter is sufficiently "significant" to warrant investigation. Factors include the scale of actual or potential consumer harm, the impact on market confidence, whether the issue indicates systemic or repeated shortcomings in regulation or supervision, and the broader public interest in understanding what went wrong.

The Statement also outlines the process for conducting investigations, including governance arrangements, engagement with affected firms and stakeholders, and steps to ensure objectivity and robustness. Where an investigation is carried out, the FCA may decide to produce a public report, and the Statement explains how decisions on publication will be made, including consideration of confidentiality, fairness, and the opportunity for representations by firms or individuals prior to publication.

While the Statement does not expand the FCA's statutory powers, it reinforces the regulator's commitment to transparency, accountability, and learning from regulatory failures, and signals an expectation that firms maintain effective governance, escalation, and risk management arrangements to identify and address issues before they reach the threshold of regulatory failure.

When does it take effect?

The updated Statement of Policy took effect from **November 2025**.

What should firms be thinking about?

Firms should consider whether their governance, issue escalation, and remediation frameworks are sufficiently robust to identify and address potential regulatory failures early, given the FCA's emphasis on significance, transparency, and public reporting.

REGULATORY ROUND UP

General

Prudential Regulatory Reporting by MIFIDPRU Investment Firms - Data Quality Review

The Financial Conduct Authority (FCA) has published its [findings](#) regarding data quality in prudential regulatory reporting as set out in the FCA's prudential sourcebook for MiFID investment firms (MIFIDPRU).

What firms are impacted?

The FCA's findings are relevant to FCA solo-regulated investment firms or groups in scope of the Investment Firms Prudential Regime (IFPR) and the MIFIDPRU sourcebook.

Summary of the regulatory update:

The scope of the review was MIFIDPRU regulatory returns submitted via RegData covering the reporting periods from January 2024 to March 2025. The FCA tested data to see if it was consistent with the guidance in the MIFIDPRU prudential sourcebook, if it was consistent with the comparable data from alternative sources, and if changes in the value of data points over time fall within a credible range. The review found that most firms understand their reporting requirements, with 60% of firms passing the FCA's data quality tests, 30% making progress towards good quality reporting, and 10% not meeting their reporting requirements.

Areas of good practice observed included:

- Consistent reporting across time periods; and
- Cross-validation across returns.

Areas of improvement included:

- Inconsistent reporting across multiple data sources;
- Inaccurate implementation of reporting guidance;
- Inaccurate reporting of type of investment firm; and
- Incorrect reporting units and data entry issues

When does it take effect?

The FCA will start emailing data quality notifications to firms which will highlight when a submission has data that fails at least one of the FCA's tests.

What should firms be thinking about?

Impacted firms should compare the FCA's findings to their arrangements to see if they meet the FCA's expectations. This will help firms identify where they may need to improve controls around regulatory reporting.

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The Berne Financial Services Agreement (BFSA)

The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) have [published](#) guidelines for firms called The Berne Financial Services Agreement (BFSA). Among other things, the BFSA: (i) will make cross-border trade in financial services to wholesale and sophisticated clients easier for UK and Swiss firms, on the basis of mutual recognition; and (ii) creates a new model for regulatory and supervisory cooperation, ensuring our respective domestic objectives and strong regulatory standards are upheld. This model will protect consumers and investors and promote financial stability and market integrity.

What firms are impacted?

UK-authorized Firms providing investment services or insurance services cross-border into Switzerland, as well as Swiss-authorized Firms providing equivalent services into the UK. This is applicable to Firms dealing with professional/wholesale/sophisticated clients only, being those providing services on a cross-border services basis.

For UK insurance Firms, the provisions of the BFSA are limited to general insurance policies for large companies, meaning Retail/SME general insurance and life insurance, as well as Business undertaken by a Swiss branch of a UK insurer, are explicitly out of scope.

Summary of the regulatory update:

The BFSA is an outcomes-based mutual recognition agreement between the United Kingdom and Switzerland. It facilitates cross-border financial services trade, providing new market access in selected areas and securing existing levels of access. New market access allows UK insurance companies to offer certain wholesale insurance services in Switzerland without needing Swiss authorisation, while Swiss firms can offer certain investment services to sophisticated clients in the UK without requiring UK authorisation. As noted, retail clients are expressly excluded, with all activities excluded from the scope outlined within the guidance.

As such, the BFSA removes the need for businesses to navigate unfamiliar rules. This is done by deferring to the relevant regulatory and supervisory rules in the other country.

Under the new guidelines, Firms must meet specific eligibility criteria and provide services only to the defined permitted categories of covered clients. The guidance also outlines certain conditions and requirements relating to disclosures and reporting, as well as client consent (where applicable). Firms must also notify the relevant regulator before relying on the BFSA and must continue to provide information to support supervision, market integrity and financial stability.

Guidance with how to notify is noted within the publication for each type of Firm, with the FCA further noting that interested Firms should also refer to the [BFSA guidance on the FINMA's website](#).

When does it take effect?

Following ratification by the UK and Switzerland, the BFSA will enter into force on Thursday 01 January 2026, when Firms may begin notifying.

What should firms be thinking about?

Firms should assess their alignment with the current eligibility requirements, as well as their compliance with the new relevant regulatory standards. Firms should also assess whether there is a requirement to update internal policies, procedures, and operational systems to align with the new requirements. Training and awareness programs may be necessary to ensure understanding and adherence to the updated guidelines, with consideration given to impact on strategic operations.

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General

Multi-Firm Review of Contracts for Difference Providers' Provision of Price and Value

The Financial Conduct Authority (FCA) has [published](#) a multi-firm review of contracts for difference (CFD) providers' provision of price and value, focusing on compliance with Consumer Duty obligations.

What firms are impacted?

FCA-authorized investment firms active in manufacturing, promoting, or distributing contracts for difference, spread bets or rolling-spot-forex to retail clients.

Summary of the regulatory update:

The FCA reviewed a sample of c25% of regulated CFD providers to understand how they comply with their obligations under the Consumer Duty 'Price and Value' outcome. The sample included a wide range of firms, from some of the largest providers to some of the smallest.

The review, as [highlighted to the CFD sector](#), looked at how CFD firms deliver fair value in areas including bid/offer spread pricing, commissions and overnight funding charges. It also assessed how well CFD firms are using their Consumer Duty fair value assessments to deliver the price and value outcome, including a focus on target market and vulnerable customers.

The FCA observed areas of good practice and were encouraged to see that most firms used the Duty as an opportunity to review the products they offer and the customer experience, undertaking periodic reviews and making improvements where necessary.

The review highlighted some areas for improvement and found that some mid to small sized firms had made few or no changes in response to their Duty, when others had. Additionally, some responses to the survey identified inconsistent consideration and application of the Duty. This applied both to Duty obligations in general and also specifically to the price and value outcome. Further, a minority of firms' annual Consumer Duty board reports mainly focused on a restatement of the Duty's requirements, rather than providing adequate analysis on whether the firm met them.

When does it take effect?

The FCA will engage directly with selected firms in the review to provide more detailed feedback. The FCA will continue to assess firms' ongoing compliance with Duty obligations and how they are delivering fair price and value as part of their ongoing supervisory oversight.

What should firms be thinking about?

Impacted firms should consider the FCA's findings and address any gaps in their delivery of the Duty fair price and value outcome.

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General

PS25/17 The SI Regime for Bonds and Derivatives Including Discussion Paper on Equity Markets

The Financial Conduct Authority (FCA) has [issued](#) a policy statement setting out the final rules on the systematic internaliser (SI) regime for bonds and derivatives, as well as other changes to improve the functioning of UK markets.

What firms are impacted?

The changes will primarily impact investment firms operating within the UK wholesale markets. Specifically, firms involved in the Systematic Internaliser (SI) regime for bonds, derivatives, structured finance products, and emission allowances will be affected. Additionally, firms conducting matched principal trading (MPT) on multilateral trading facilities (MTFs) and those operating organised trading facilities (OTFs) within the same entity as a systematic internaliser will also be impacted.

Summary of the regulatory update:

The FCA has published final rules to implement the proposals set out in [CP25/20](#). These proposals followed changes introduced by [PS24/14](#) which removed pre-trade transparency obligations for SIs in bonds and derivatives, and [PS23/4](#) which removed SI status as a determinant when establishing which party to an OTC trade is obligated to make the details public. All of the proposals consulted on in CP25/20 will be adopted, except for the second proposed change to the reference price waiver, which will be implemented only after further engagement with market participants to ensure it does not weaken the information content of post-trade data. The proposal on a change to post-trade transparency is expected to be finalised in a forthcoming consultation on equity transparency.

Changes the FCA are implementing are as follows:

- Removing the SI regime for bonds, derivatives, structured finance products and emission allowances;
- Removing the prohibition on matched principal trading by appropriately permissioned investment firms operating an MTF;
- Removing the prohibition on an investment firm that is an SI from operating an OTF; and
- Reforming the reference price waiver to allow trading venues to source prices from a broader set of venues.

When does it take effect?

The changes in the policy statement are permissive and create no new obligations on firms unless they chose to avail themselves of the new opportunities afforded by the changes. The final rules came into force on 1 December 2025.

What should firms be thinking about?

Firms who wish to take advantage of the changes should review the final rules and assess any operational or compliance updates needed.

REGULATORY ROUND UP

General

FCA consults on framework for UK equity consolidated tape

The FCA has [published](#) *Consultation Paper 25/31 - The framework for a UK equity consolidated tape* ([CP25/31](#)) on proposals to introduce a UK equity consolidated tape (CT) to help increase capital investment and liquidity in equity markets.

What firms are impacted?

The proposals impact trading venues, approved publication arrangements (APAs), the future equity consolidated tape provider, and firms that use UK equity market data, including buy-side and sell-side participants.

Summary of the regulatory update:

The proposed rules will establish the main regulatory obligations of the equity consolidated tape provider (CTP) and main regulatory requirements for the operation of the CT. They will also establish obligations for trading venues and approved publication arrangements (APAs) to provide information to the CTP.

The new framework aims to:

- improve market effectiveness by providing a clear, consistent view of trading volumes and prices across UK venues;
- support UK listings by giving firms and investors a more complete picture of liquidity in UK equity markets;
- increase participation in UK markets by ensuring easy and affordable access to market data, supporting liquidity; and
- strengthen international competitiveness by enabling informed comparisons of liquidity with major financial centres including the US and the EU.

Responses to CP25/31 are requested by 30 January 2026. The FCA aims to publish a policy statement on the finalised framework in H1 2026.

The FCA plans to begin operation of the equity CT in 2027. After two years of operation, the regulator will review the framework's effectiveness, including whether pre-trade data levels should be varied.

When does it take effect?

The FCA aims to begin operation of the equity consolidated tape in 2027, following final rules expected in H1 2026.

What should firms be thinking about?

Firms should consider how the consolidated tape may affect data provision obligations, market data costs, trading strategies, and reporting systems, and whether to engage with the consultation ahead of the 30 January 2026 deadline.

REGULATORY ROUND UP

General

FCA welcomes legislation to bring ESG ratings providers into regulation

The Financial Conduct Authority (FCA) has [welcomed](#) new government legislation that brings Environmental, Social and Governance (ESG) ratings providers under its regulatory remit. This development marks a key step in strengthening transparency and trust in ESG ratings, which play a vital role in guiding investment and capital allocation decisions.

What firms are impacted?

This primarily impacts firms that produce and distribute ESG ratings, operating in or into the UK, including Firms that produce ESG scores, ratings or benchmarks, or provide ESG assessments used by investors, asset managers or issuers. It may also therefore affect investment firms, asset managers, and other financial institutions that rely on ESG ratings to make informed investment decisions.

Summary of the regulatory update:

The FCA has, in parallel with the Government finalising its legislation, been developing its regime for ESG ratings, with the legislation providing the FCA with the necessary powers to regulate ESG ratings providers. As such, this is deemed a key step towards ensuring transparent, reliable and comparable ESG ratings, with the FCA stating its commitment to working with industry, government and wider stakeholders to ensure its approach to regulation is practical and proportionate.

These changes are also being made to support the FCA's overarching work to enhance the UK's reputation as a global hub for sustainable finance, attracting investment and supporting growth and innovation.

The FCA proposals, informed by the [International Organization of Securities Commissions \(IOSCO\)](#) recommendations, will focus on four key areas:

- Transparency;
- Governance;
- Systems and controls; and
- Conflicts of interest.

The FCA will also be producing guidance to help Firms assess whether their activities will fall under regulation and require FCA authorisation.

When does it take effect?

There is no imposed date as this is the start of a regulator change process, however the FCA clarified that now that the legislation has been laid before Parliament, it intends to consult on its proposed rules before the end of the year.

What should firms be thinking about?

Firms should evaluate their current practices/activities to assess whether these are likely to fall within the future regulated ESG ratings perimeter, identifying areas needing improvement to meet noted expectations. This may include enhancing or implementing systems to ensure clear and comprehensive disclosures about rating processes and criteria, and reviewing/potentially revising rating methodologies to align with regulatory expectations and the FCA's key areas of focus.

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General

Rebalancing risk for growth, the role of the Chief Risk Officer

Sarah Pritchard, deputy chief executive of the FCA, [delivered](#) a speech at the launch of the Chief Risk Officer Network, emphasising the importance of responsible risk-taking to drive growth and innovation in the financial sector.

What firms are impacted?

Firms within the Financial Services sector

Summary of the regulatory update:

Sarah Pritchard, deputy chief executive of the Financial Conduct Authority (FCA), delivered a speech at the launch of the Chief Risk Officer Network, where she discussed several important themes. She emphasized the significance of responsible risk-taking, which is crucial for fostering growth and innovation within the financial sector. Pritchard pointed out that risk management should not hinder innovation but rather support it.

She also talked about the FCA's commitment to moving towards outcomes-based regulation. This approach aims to support innovation by reducing prescriptive rules and focusing on achieving desired outcomes. Pritchard encouraged Chief Risk Officers (CROs) to identify and challenge myths surrounding regulations that may impede progress and innovation.

The FCA's new 5-year strategy was another focal point of her speech. This strategy is designed to make the FCA a smarter regulator, support growth, combat financial crime, and assist consumers in navigating their financial lives. Pritchard outlined practical steps the FCA is taking to rebalance risk and support growth, such as changes to mortgage affordability rules and the introduction of a new private stock market system.

Furthermore, she highlighted the FCA's aim to use technology to improve supervision and reduce data burdens on firms, making regulation more efficient and effective. Pritchard invited CROs to share their insights on regulatory barriers and opportunities for growth, fostering collaboration between the FCA and industry leaders.

When does it take effect?

The speech was delivered on 4 November 2025

What should firms be thinking about?

Firms should focus on responsible risk-taking, embrace outcomes-based regulation, challenge regulatory myths, align with the FCA's strategy, and collaborate with industry leaders to foster innovation and growth.

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