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FS ADVISORY

# Regulatory Update

July 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: PS25/5 Our Enforcement Guide and Greater Transparency of Our Enforcement Investigations

The FCA has issued a [policy statement](#) responding to feedback on its proposals to revise the Enforcement Guide (ENFG).

#### *What firms are impacted?*

All FCA-regulated firms, and firms conducting activities for which they should be authorised or registered but are not.

#### *Summary of the regulatory update:*

This Policy Statement (PS) sets out the FCA's response to feedback on proposals to revise the Enforcement Guide (ENFG), including greater transparency about enforcement investigations. The revised ENFG is in Appendix 1. To support online use of the Handbook and distinguish the archived version, the FCA will abbreviate the new Enforcement Guide to ENFG.

First published in 2007, the ENFG had grown significantly over time, becoming partly outdated and hard to navigate. The FCA consulted on streamlining, focusing, and updating it in Consultation Paper (CP) CP24/2, first published in February 2024, as part of their commitment to simplify the Handbook.

The first part of the CP included proposals for a new investigation publicity policy, aiming for a measured increase in transparency where there is a public interest, reflecting recommendations from the Public Accounts Committee. Following feedback and engagement, the FCA published a revised second part of the CP in November 2024.

Revisions were broadly welcomed, but industry and trade bodies expressed concerns about naming regulated firms under investigation. After considering these concerns and noting the lack of broad consensus, the FCA decided to limit policy changes. This was outlined in our March 2025 letter to the Treasury Select Committee.

In the final ENFG, the FCA retained the exceptional circumstances test from their existing publicity policy for regulated firms but introduced three targeted exceptions with broad support, allowing the FCA to:

- Announce and name subjects in suspected unauthorised or criminal unregulated activities
- Reactively confirm investigations in certain situations
- Share anonymised information

The FCA have also implemented most other changes consulted on in CP24/2 and made further adjustments based on feedback.

#### *When does it take effect?*

The new ENFG accompanying this PS, including the policy on investigation publicity, came into force on 3 June 2025.

#### *What should firms be thinking about?*

Firms should focus on understanding the FCA's revised Enforcement Guide, particularly the new transparency measures and targeted exceptions, to ensure compliance and manage potential impacts on reputation.

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### TN 402.2 Co-Investment Between Closed-Ended Funds and Their Investment Managers' Employees

The FCA has published a [Primary Market Technical Note](#) on co-investment between closed-ended funds and their investment managers' employees. The FCA emphasises that any such arrangements must be clearly and adequately disclosed to investors in prospectuses.

#### *What firms are impacted?*

Listed Venture Capital Trusts (VCTs) and other listed investment funds considering co-investment arrangements with their investment managers' employees are impacted.

#### *Summary of the regulatory update:*

The Primary Market Technical Note addresses the practice of co-investment between closed-ended funds, such as Venture Capital Trusts (VCTs), and key employees of their investment managers.

This practice involves employees co-investing in the equity of investee companies alongside the VCT, which is seen as a way to align interests between the employees and the fund. However, concerns arise that the VCT might not be able to invest its full quota due to these arrangements.

The FCA emphasises the importance of clear and adequate disclosure to allow investors to form informed opinions on these arrangements. When a VCT or any other listed fund with such arrangements produces a prospectus, the FCA will ensure comprehensive coverage of the arrangements.

Key employees of the investment manager involved in these co-investment arrangements are generally treated as 'persons exercising significant influence' under UK Listing Rules (UKLR) 8. Establishing these arrangements typically constitutes a classifiable related party transaction unless an exemption applies. If employees are required to invest on the same terms as the VCT without discretion, the investment may not be deemed a related party transaction. Otherwise, class tests must be conducted for each investment to determine the necessary actions for the listed fund.

#### *What are the key dates/timelines?*

This note was published in April 2025.

#### *What should firms be thinking about?*

Firms should ensure transparent disclosure of co-investment arrangements and assess whether these arrangements constitute related party transactions, considering the implications for compliance with UK Listing Rules.

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### FCA: Removes Regulatory Returns No Longer Needed

The FCA has [proposed](#) to remove unnecessary data reporting, that will benefit nearly all firms, helping to reduce burden and unlock economic growth.

#### *What firms are impacted?*

All FCA-regulated firms.

#### *Summary of the regulatory update:*

The FCA is taking steps to streamline regulatory reporting by removing unnecessary data returns, aiming to reduce the burden on firms and support economic growth. Following a consultation to eliminate three regulatory returns, the FCA has identified additional returns that are no longer needed.

The proposed changes include:

- 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 SMF managers).
- These changes will be reflected in the FCA Handbook, further simplifying reporting requirements. This initiative aligns with the FCA's five-year strategy to become a smarter regulator by making data collection more proportionate.

To assist firms with streamlined reporting, the FCA has launched My FCA, a platform providing firms with a single sign-in for all regulatory tasks. This development aims to enhance efficiency and ease the administrative load on firms, allowing them to focus more on their core activities.

#### *When does it take effect?*

This update was published on 6 June 2025.

#### *What should firms be thinking about?*

Firms should prepare to adjust their reporting processes in line with the new requirements and explore the My FCA platform to simplify their regulatory tasks.

# REGULATORY ROUND UP

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### FCA: Responds to the Government's Pension Investment Review

The FCA has [responded](#) to the Government's Pension Investment Review by emphasizing its commitment to ensuring consumers receive good value from their pension savings through the introduction of a value for money (VFM) framework.

#### *What firms are impacted?*

Firms involved in pension asset allocation are impacted by the Treasury's Pension Investment Review.

#### *Summary of the regulatory update:*

The FCA has responded to the Treasury's Pension Investment Review, which includes a survey on asset allocation. The focus is on ensuring consumers receive good value from their pension savings, a key objective of the FCA's work on introducing a value for money (VFM) framework. Last year, the FCA consulted on proposals for this framework, which included suggestions for asset allocation data disclosure.

The FCA plans to contact relevant firms later this year, requesting data in early 2026 to gain insights into how firms approach asset allocation. This data will help refine the proposed rules, ensuring they effectively promote value for money in pension savings.

The FCA is collaborating closely with the Government and The Pensions Regulator (TPR) to align proposals for both contract-based and trust-based pension markets wherever possible. This cooperation aims to create a cohesive approach to pension regulation, enhancing the value consumers receive from their pension investments.

#### *When does it take effect?*

The FCA plans to contact firms later in 2025, with data collection expected in early 2026.

#### *What should firms be thinking about?*

Firms should prepare to provide detailed asset allocation data and consider how their strategies align with the FCA's VFM framework to ensure compliance and enhance consumer value.

# REGULATORY ROUND UP

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### TN 405.2 Primary Market Technical Note 405.2: Investment Management Agreements and Independence of the Board

The FCA has published [Technical Note 405.2](#) to clarify the expectations under Listing Principle 2, which requires issuers to deal with the FCA in an open and cooperative manner. The note emphasises that this obligation extends beyond ongoing matters to include situations where issuers must engage the FCA ahead of transactions or when they are no longer compliant with continuing obligations.

#### *What firms are impacted?*

Listed investment funds with investment management agreements that may limit board independence are impacted.

#### *Summary of the regulatory update:*

The Primary Market Technical Note highlights the importance of board independence in listed investment funds, particularly concerning investment management agreements. UK Listing Rules (UKLR) 11.2.16R and 11.4.13R require boards to effectively monitor and manage key service providers, including investment managers, both at admission and on an ongoing basis. The board acts as a counterbalance to the investment manager, ensuring shareholder interests are safeguarded.

Boards must have appropriate contracts with service providers and be able to act if contractual provisions are breached or no longer serve shareholders' best interests. Traditionally, boards could terminate management agreements and appoint new managers if performance was unacceptable, though this might incur costs and be limited during initial investment periods.

Concerns arise with new applicants whose agreements restrict board termination rights, such as agreements that only allow termination if the fund is wound up, continue indefinitely, or impose prohibitive termination fees. These conditions may hinder the board's ability to challenge the investment manager effectively.

While UKLR 11 does not specify provisions for management agreements, boards should ensure terms do not fetter their independence. Sponsors must articulate how boards meet UKLR requirements despite onerous termination provisions. The FCA may question compliance if agreements prevent board termination or contain unusual terms compared to similar funds. Sponsors are encouraged to engage early if concerns arise.

Prospectuses should disclose any unusual termination provisions and their impact, though disclosure alone does not address eligibility concerns.

#### *What are the key dates/timelines?*

This note was published in April 2025.

#### *What should firms be thinking about?*

Firms should review investment management agreements to ensure board independence is not compromised and engage with the FCA early if agreements contain unusual or onerous termination provisions.

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### TN 401.2 Primary Market Technical Note 401.2: Acquiring Assets Effected by Way of a Scheme of Reconstruction

The FCA has published a [Primary Market Technical Note](#) on acquiring assets effected by way of a scheme of reconstruction.

#### *What firms are impacted?*

Listed closed-ended investment funds acquiring assets through a scheme of reconstruction are impacted.

#### *Summary of the regulatory update:*

The Primary Market Technical Note addresses the acquisition of assets by listed closed-ended investment funds through a scheme of reconstruction. This typically occurs when a closed-ended investment fund reaches the end of its life, offering investors the option to 'roll over' their investment into a new vehicle. The new vehicle acquires assets from the winding-up fund based on demand for the roll-over option and issues shares to participating investors. This acquisition is generally executed via a scheme of reconstruction.

Additionally, listed closed-ended investment funds may acquire assets from existing funds in a 'fund merger', also effected by a scheme of reconstruction. In both scenarios, the question arises whether the acquisition of assets from the winding-up vehicle should be treated as a classifiable transaction. This is crucial as such acquisitions often exceed 25% of the acquirer, potentially triggering a notification requirement under UKLR 7.3.1R or necessitating a shareholder circular and vote in the case of a reverse takeover.

UKLR 11.5.1R applies in these situations. If the FCA is satisfied that the assets acquired by the existing listed vehicle align with its published investment policy, these transactions will fall under the exemption in UKLR 11.5.1R and will not be classifiable.

#### *What are the key dates/timelines?*

This note was published in April 2025.

#### *What should firms be thinking about?*

Firms should ensure that asset acquisitions align with their published investment policy to benefit from the exemption under UKLR 11.5.1R, avoiding classification as a transaction requiring notification or shareholder approval.

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### FCA: Enforcement Guide Instrument 2025

The FCA has adopted the [Enforcement Guide Instrument 2025](#), which details amendments to existing guides.

#### *What firms are impacted?*

FCA-regulated firms, especially managers of collective investment schemes.

#### *Summary of the regulatory update:*

The guide provides comprehensive information on the conduct of enforcement investigations, the use of statutory powers, settlement processes, and publicity during investigations.

The relevant amendments are those made to the ENFG and the FCG:

- the Enforcement Guide (ENFG) is relevant for firms managing regulated collective investment schemes. Specifically, reference is made to ENFG App 1.3, which details the FCA's policies and procedures for using enforcement powers in this area. The amendment clarifies that managers of collective investment schemes should consider the enforcement guidance when ensuring compliance and managing risk. This inclusion aligns the guide with broader FCA efforts to improve consistency and transparency in enforcement policies across regulated activities.
- Financial Crime Guide (FCG), which helps firms counter financial crime risks. It reaffirms that while firms may meet financial crime obligations without strictly following the good practice examples in the FCG, the FCA expects them to be aware of and consider this guidance when designing systems and controls. It also references the Joint Money Laundering Steering Group (JMLSG) guidance, which remains an important benchmark. The FCA will consider whether firms have followed relevant provisions of JMLSG guidance when assessing potential breaches. Furthermore, it clarifies that the FCA's enforcement approach, detailed in ENFG sections (such as ENFG 3.4 and ENFG 6.1.2G), informs decisions on breaches and penalties. The updates emphasize that guidance is not binding but is relevant in enforcement assessments and illustrate how firms can meet regulatory standards.

In combination, these annexes reinforce the FCA's push for firms to proactively integrate enforcement guidance into governance, compliance, and risk management frameworks, ensuring policies remain aligned with evolving regulatory expectations and maintaining an effective defence against potential enforcement action.

#### *When does it take effect?*

This instrument came into force on 3 June 2025.

#### *What should firms be thinking about?*

Firms should integrate updated enforcement guidance into their compliance frameworks and be aware of how FCA guidance informs enforcement decisions.

FOR MORE INFORMATION:

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