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FS ADVISORY

Regulatory Update

April 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

Strategy 2025-2030

The FCA has published its [five-year strategy for 2025-2030](#).

What firms are impacted?

All FCA-regulated firms.

Summary of the regulatory update:

The five-year strategy elaborates on four main priorities. These include:

1. **Becoming a Smarter Regulator** - The FCA plans to evolve into a more agile, tech-enabled regulator. By harnessing the power of data and advanced analytics, including AI, the regulator will better anticipate emerging risks and challenges. This will enable the FCA to respond more quickly to regulatory issues, streamline processes, and create more efficient and targeted interventions. The goal is to improve the effectiveness of regulation while minimizing unnecessary burden on firms.
2. **Supporting Sustained Economic Growth** - The FCA aims to foster a competitive financial services sector that supports the UK economy's long-term growth. This includes enabling innovation in fintech and financial products, improving access to finance for businesses, and enhancing the UK's position as a global financial hub. By promoting an environment that encourages investment and technological advancement, the FCA seeks to support firms in driving economic growth.
3. **Helping Consumers Navigate Their Financial Lives** - Ensuring that consumers are well-supported and informed in managing their financial lives is a core focus of the FCA's strategy. This involves providing better financial education, clearer information, and more accessible services. The regulator will focus on improving consumer outcomes by addressing issues such as financial vulnerability and ensuring that firms provide products and services that meet the diverse needs of consumers, particularly those facing financial difficulties.
4. **Fighting Financial Crime** - The FCA is committed to tackling financial crime, including fraud, money laundering, and other illicit activities. The regulator plans to improve collaboration across the financial sector, leverage data-sharing technologies, and strengthen its enforcement capabilities to detect and prevent financial crime. By doing so, the FCA aims to protect consumers and ensure the integrity of financial markets.

When does it take effect?

This strategy was published on 25 March 2025 and is currently in effect.

What should firms be thinking about?

Firms should strive to stay informed about the FCA's evolving regulatory approach and align business strategies with these priorities.

REGULATORY ROUND UP

General

FCA Outcomes and Metrics 2025 to 2030

The FCA has outlined its [desired outcomes and metrics](#) for consumers, markets, and the wider economy over the next five years.

What firms are impacted?

All FCA-regulated firms.

Summary of the regulatory update:

These outcomes and metrics builds upon with the FCA’s recent publication of its five-year strategy for 2025-2030, aligning with four priorities they have set out. For each metric, the FCA included data sources, baseline values, and recent trends, to track progress. The metrics are described as follows:

Strategic Theme	Metric(s) Description
A smarter regulator - more efficient and effective	<ul style="list-style-type: none"> Continued improvement in firms’ perceived effectiveness of the FCA in regulating the financial services industry
Supporting growth	<ul style="list-style-type: none"> Maintain the UK’s position as one of the top global (i) Financial and (ii) FinTech centres in the world More firms use FCA innovation and tailored authorisation services Increase in financial services exports Increase in access to capital for businesses
Helping consumers navigate their financial lives	<ul style="list-style-type: none"> Increase in the proportion of consumers who hold certain key products Increase in the proportion of consumers (with £10k or more in investible assets), who hold any mainstream investment Increase in consumer satisfaction with their financial services providers
Fighting financial crime	<ul style="list-style-type: none"> Continue to slow the growth in investment fraud victims and losses Continue to slow the growth in APP fraud cases and losses Increase in cleanliness of UK markets through the FCA’s 3 market cleanliness statistics

While these are the primary metrics, the FCA will also monitor others related to specific activities and update annually. Acknowledging the limitations of chosen metrics, the FCA aims to enhance them in line with government strategies and future plans.

When does it take effect?

The outcomes and metrics were published on 25 March 2025 and is currently being utilised and tracked.

What should firms be thinking about?

No action required from firms. Update is included for awareness.

REGULATORY ROUND UP

General

Multi-Firm Review of Liquidity Risk Management at Wholesale Trading Firms

The FCA has published a [paper](#) summarising its observations from the multi-firm review of liquidity risk management at a range of wholesale trading (sell-side) firms, particularly brokers, in scope of the Investment Firms Prudential Regime (IFPR).

What firms are impacted?

Wholesale trading (sell-side) firms, particularly brokers, in scope of the Investment Firms Prudential Regime (IFPR).

Summary of the regulatory update:

The review focused on how effectively a sample of firms were managing liquidity risk in the context of their trading activities and operational structures, especially given their important role in ensuring market functioning and stability.

The FCA finds that while many firms' approaches were appropriate and proportionate to the nature, scale and complexity of their business models, some had weaker approaches that were not commensurate with their size, complexity and the instantaneous nature of their liquidity risks. Compared to stronger peers, several firms had weaknesses in their approach to liquidity stress testing that left them potentially vulnerable to severe market events.

Key concerns include:

- Firms lacking granular understanding of their intra-day liquidity needs
- Inconsistent or weak governance around liquidity risk appetite and controls
- Limited or unrealistic liquidity stress testing
- Overreliance on back-up facilities or parent support without formalised agreements
- Insufficient documentation and challenge in Internal Capital Adequacy and Risk Assessment (ICARA) processes

Additionally, the publication sets out areas of good practice and poor practice regarding governance and risk culture; stress preparedness; contingency funding plans (CFP) and wind-down plans (WDP); and liquidity risk management capabilities.

The FCA will use these findings to inform ongoing supervisory activity and has encouraged firms to self-assess against the observations in the review.

When does it take effect?

Firms are expected to reflect on and respond to supervisory expectations now.

What should firms be thinking about?

Firms should assess its liquidity risk management and ensure ICARA processes fully capture trading exposures and funding flows; ensure that any reliance on intra-group liquidity is formalised and included in stress testing and wind-down planning.

REGULATORY ROUND UP

General

Consumer Support Outcome: Good Practices and Areas for Improvement

The FCA has published the [findings of its review](#) of firms' approaches to the consumer support outcome of the Consumer Duty, highlighting good practices and areas for improvement.

What firms are impacted?

All regulated financial services firms providing retail-facing services.

Summary of the regulatory update:

The FCA's review of the Consumer Duty's *Consumer Support Outcome* evaluates how well firms are supporting retail customers in line with the new expectations introduced under the Consumer Duty regime. The FCA reviewed firms across several sectors—including banking, insurance, lending, and investments—and found mixed results.

The FCA found that some firms demonstrated strong practices such as embedding inclusive service design, offering accessible multichannel support, and having robust governance to monitor and improve service. For example, good firms tracked customer experiences through end-to-end journeys, used data to identify friction points, and empowered frontline staff to resolve issues promptly.

However, the FCA found widespread areas for improvement. Issues included long wait times for phone support, poor access to help for vulnerable customers, rigid or poorly designed digital journeys, and a lack of effective escalation processes. Many firms failed to test how well customers could achieve their financial objectives or resolve problems with existing systems.

The FCA reiterated that *customer support is not just a service function but a critical part of delivering fair outcomes under the Consumer Duty*. Firms must ensure customers can use products and services effectively throughout their lifecycle—not just at the point of sale.

When does it take effect?

The findings were published on 7 March. Firms are expected to reflect on and address areas for improvement now.

What should firms be thinking about?

Firms should test and enhance customer support journeys across channels to ensure accessibility and good outcomes, especially for vulnerable customers. Additionally, firms should use real data to identify friction points and embed governance to monitor and improve service quality.

REGULATORY ROUND UP

General

FS25/2 Immediate Areas for Action and Further Plans for Reviewing FCA Requirements Following Introduction of the Consumer Duty

The FCA has published a [feedback statement](#) outlining their plans to simplify regulatory requirements for firms following the introduction of the Consumer Duty.

What firms are impacted?

All FCA-regulated firms, with greater emphasis on banks, insurers, asset managers, consumer finance providers, and investment firms,

Summary of the regulatory update:

The statement details an action plan focusing on reviewing foundational regulations, future-proofing disclosures, reducing administrative burdens, and streamlining requirements. The FCA aims to provide more flexibility, predictability, and efficiency for firms, enabling innovation and better consumer outcomes. This initiative stems from the FCA wanting to address longstanding concerns from firms about the length and complexity of its rules and guidance.

In July 2024, the FCA published a Call for Input (CfI) to understand how they could simplify its requirements following the introduction of the Duty. The FCA received 172 responses from a wide range of stakeholders and held a series of meetings, roundtables, and events.

As a result, the FCA has identified targeted steps to amend or simplify discrete areas of its rules. Most respondents supported simplification of the FCA's requirements in principle, but opinions varied on the approach and timeline. The majority did not want a wholesale review of the FCA Handbook but encouraged steps to amend or simplify it in discrete areas. The FCA will seek further input on its action plan and will share an update on its programme of work in September 2025 this year.

The document also summarizes feedback received from stakeholders, noting general support for simplification but differing opinions on the approach and potential risks involved.

What are the key dates/timelines?

- Q3 2025 - Launch of a beta version of the FCA Handbook website, aiming to improve accessibility of the feedback tool for rule reviews.
- Summer 2025 - In-person summit to discuss proposed changes and gather stakeholder input.
- September 2025 - Publication of a further statement detailing the FCA's programme of work and progress updates.

What should firms be thinking about?

Firms should monitor upcoming rule simplifications and ensure their compliance frameworks are aligned with the Consumer Duty and other regulatory changes.

REGULATORY ROUND UP

General

Delivering Good Outcomes for Customers in Vulnerable Circumstances - Good Practice and Areas for Improvement

The FCA has published a [guidance report](#) providing an evaluation of how firms are treating customers in vulnerable circumstances, highlighting examples of good practice and areas needing improvement

What firms are impacted?

All regulated financial services firms providing retail-facing services.

Summary of the regulatory update:

This guidance is part of the FCA's ongoing commitment to share more information on how firms are embedding the Consumer Duty, so firms can learn from the good practice and areas for improvement they have seen.

The FCA found good practices amongst firms. These include effective use of data to monitor outcomes, offering flexible and tailored consumer support, clear and timely communications, and incorporating consumers' experiences into product and services development processes.

Simultaneously, the review found areas for improvements such as ineffective outcomes monitoring, failure to give appropriate support, failure to communicate clearly to meet the needs of vulnerable customers, as well as a lack of tailored training and embedding consumers' needs into product and service design.

When does it take effect?

The findings were published on 7 March. Firms are expected to reflect on and address areas for improvement now.

What should firms be thinking about?

Firms should assess their current practices against the FCA's guidance, ensuring they proactively identify and support vulnerable customers, adapt services to meet diverse needs, and foster a culture of empathy and flexibility. Regular training and robust monitoring systems are essential to uphold these standards.

REGULATORY ROUND UP

General

Handbook Notice 127

The FCA has published [Handbook Notice No 127](#), which describes the changes to the FCA Handbook and other material made by the Board under their legislative and other statutory powers on 30 January and 27 February 2025. It also refers to the development stages of that material, enabling readers to look back at developmental documents if they wish.

What firms are impacted?

UK-authorized investment firms, fund managers, asset managers, and operators of collective investment schemes; Firms subject to Supervision Manual (SUP) reporting requirements and handbook obligations.

Summary of the regulatory update:

This notice provides an overview of recent updates made to the FCA Handbook in March 2025. It outlines changes made by four individual instruments, each addressing different regulatory topics ranging from sustainability to short selling. The notice refer to several legal instruments that amend various sections of the Handbook.

The key areas of focus include:

- The FCA 2025/6: Collective Investment Schemes Sourcebook (COLL) (Miscellaneous Amendments) Instrument 2025, which amends several parts of the Collective Investment Schemes Sourcebook. The amendments relate primarily to clarification of disclosure requirements, operational risk controls, and updates to reflect consistency with cross-referenced legislation. These changes are designed to improve clarity, transparency, and operational efficiency in the management of investment schemes.
- Changes were introduced through the FCA 2025/7: Supervision Manual (SUP) Sourcebook Amendment, covering areas such as regulatory reporting, supervision obligations, and notification protocols. This aligns with the FCA's goal of strengthening governance and ensuring timely information flow from firms to the regulator.
- The notice also confirms that all amendments went through the appropriate consultation processes or fall within areas where the FCA is permitted to update the Handbook without formal consultation, where necessary and appropriate. The changes take effect on various dates as specified within the instruments (most commonly in April or May 2025).
- This notice continues the FCA's regular practice of ensuring the Handbook remains up to date and fit for purpose, in support of the FCA's strategic objectives including consumer protection, market integrity, and effective competition.

When does it take effect?

Most changes take effect from April or May 2025, depending on the specific instrument.

What should firms be thinking about?

Firms should review these amendments to ensure updated compliance with reporting, disclosure, and governance expectations.

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FCA 2025/6 Sustainability Labelling and Disclosure of Sustainability-Related Financial Information (Amendment) Instrument 2025

The FCA has published the [Sustainability Labelling and Disclosure of Sustainability-Related Financial Information \(Amendment\) Instrument 2025](#). Modules of the FCA's Handbook of rules and guidance are amended in accordance with the annexes to this instrument.

What firms are impacted?

Firms conducting business involving sustainability-related promotions and disclosures - including Asset managers and fund providers; investment product distributors (especially digital platforms); banks and investment firms making ESG claims in any customer-facing materials; and any firm subject to ESG sourcebook obligations, including those approving financial promotions.

Summary of the regulatory update:

FCA 2025/6 delivers critical updates across the Handbook to implement and clarify the new sustainability labelling and disclosure regime for investment products. This instrument builds on prior ESG-focused rules and introduces new requirements and guidance in line with the FCA's anti-greenwashing agenda.

The key areas of focus include:

- The anti-greenwashing rule under ESG 4.3.1R is confirmed to apply to all FCA-authorized firms, regardless of whether they operate sustainability-labelled products. Any communications or financial promotions referencing environmental or social characteristics must be clear, fair, and not misleading.
- Firms offering labelled products must now notify clients when a sustainability label is removed or changed, and distributors are required to present ESG notices prominently alongside marketing materials. Pre-contractual disclosures must include clear, specific, and relevant information – including KPIs and measurable metrics. Enhanced sustainability reports are to be published annually, with the first due within 16 months from initial application.
- A significant change introduces a new obligation to provide on-demand sustainability information where required by clients with regulatory disclosure obligations. This must be delivered in a timely manner and in a usable format, with compliance only expected after April 2026.
- The instrument makes extensive changes to modules including ESG, Glossary, ICOBS, MCOB, BCOBS, CMCOB, FPCOB, and CONC, updating definitions and providing cross-sector guidance. It formalises and extends the FCA's approach to managing sustainability-related claims and ensures consistency across product distribution and marketing.

When does it take effect?

The instrument was effective from 28 February 2025; On-demand sustainability information to be mandatory after April 2026.

What should firms be thinking about?

Firms should ensure their marketing and disclosures around ESG products or claims are fully compliant with anti-greenwashing rules and begin preparations to deliver on-demand sustainability data by April 2026.

ENFORCEMENT ACTION IN MARCH 2025

Enforcement Action

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

Overview of enforcement action	Breaches	Fine / Penalty
The London Metal Exchange (LME) has received a financial penalty from the FCA relating to wholesale conduct in the Recognised Investment Exchanges sector.	Breaches of REC 2.5.1 paragraph 3(1) and 3(2)(h) and Article 18(3)(a) and (4) of MiFID RTS 7.	Financial penalty of £9,245,900 imposed and Final Notice issued.

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