

Regulatory Update

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Regulatory Update April 2025 – UK Region

This UK regulatory update includes a roundup of the latest news and publications from the Financial Conduct Authority (FCA) including the HMT Consultation on the future regulation of AIFMS, the seeking of feedback on finalising the Consumer Composite Investment Regime and the April update to the Regulatory Initiatives Grid.

1 FCA UPDATES AND DEVELOPMENTS

1.1 FOS and FCA Publish 2025/26 Plans, Budget, and Annual Work Programme

On 3 April 2025, the Financial Ombudsman Service (FOS) published its [Plans and Budget for 2025/26](#), outlining key steps to improve its service delivery and responsiveness. Among its priorities is reducing the volume of non-car commission complaints awaiting resolution and improving the time taken to provide customers with case outcomes.

It also confirmed its intention to continue working on motor finance commission (MFC) complaints, where possible, within the scope of ongoing legal and regulatory proceedings. The FOS plans to continue its transformation efforts, focusing on increasing its capacity to handle cases more efficiently, building greater flexibility into its workforce to respond to changes in demand, and offering more insight to the wider financial industry.

From the start of the financial year, changes to the funding model will see professional representatives charged a case fee for accessing the service. The FOS will also be engaging with the Economic Secretary to the Treasury's review and responding to feedback from its joint Call for Input with the Financial Conduct Authority (FCA), which explored whether the FOS should have a future role in handling mass redress events.

Following this, on 8 April 2025, the FCA released its [Annual Work Programme for 2025/26](#), setting out its regulatory focus for the year ahead. Its work is structured around four strategic priorities: becoming a smarter, more agile regulator; supporting economic growth; helping consumers navigate financial choices; and tackling financial crime.

As part of its efforts to become a smarter regulator, the FCA will streamline data collection and improve how it engages with regulated firms. This includes reducing routine data requests—three have already been identified for removal—expanding the My FCA platform to include online invoicing and introducing 'flexi collections' within RegData to ease the submission of ad-hoc information. The FCA will also continue to digitise and simplify its authorisation process and enhance its supervisory approach by reviewing how firms are categorised.

In terms of supporting growth, the regulator will implement a new prospectus regime, introduce the PISCES market for private companies, reform remuneration rules, and update investment disclosure regulations. New initiatives include reviewing capital requirements for specialist trading firms, simplifying rules for commercial insurance, and continuing work on pension reforms.

To foster digital innovation, the FCA will progress the digital securities sandbox and begin mapping a regulatory framework for digital assets, starting with the asset management sector. The regulator will consult on potential changes to the £100 contactless payment limit and explore digital service improvements such as electronic verification of death to speed up bereavement-related insurance claims. Powers expected under the forthcoming Data (Use and Access) Bill will also help develop open finance regulations, with a particular focus on SME lending.

Reducing regulatory burdens remains a priority. Ongoing work includes simplifying the transaction reporting regime, improving the Senior Managers & Certification Regime, and streamlining fund rules to better accommodate innovation, including tokenised funds. New work will involve refining rules and guidance post-Consumer Duty and extending the Pre-application Support Service (PASS) across a wider range of firms, including crypto and payments.

On consumer matters, the FCA intends to respond to the Supreme Court's ruling on motor finance complaints within six weeks, with further consultation possible depending on the outcome. It will also consult in May 2025 on changes to remortgaging and mortgage advice to reflect the higher standards of the Consumer Duty, with a wider review of the mortgage market planned for June.

New work in this area includes supporting the regulation of Deferred Payment Credit by developing a new disclosure framework and encouraging firms to adopt innovative ways to support consumer financial resilience.

Finally, to combat financial crime, the FCA will develop a new, data-led detection system to better identify risks across the regulated sector and take timely enforcement action.

1.2 HMT Consultation and FCA Call for Input on the Future Regulation of Alternative Investment Fund Managers (AIFMs)

On 7 April 2025, HM Treasury (HMT) published a consultation on the [regulatory framework for Alternative Investment Fund Managers \(AIFMs\)](#), accompanied by a Call for Input from the Financial Conduct Authority (FCA). These parallel initiatives aim to modernise and streamline the UK's approach to regulating AIFMs, in line with the government's broader goal of reducing regulatory burdens on businesses by 25%.

A Coordinated Approach to Reform: The [FCA's Call for Input builds](#) on its earlier 2023 discussion paper (DP23/2), which sought views on updating the UK asset management regime. Many respondents expressed a need for a simpler and more proportionate framework tailored to the UK market. Together with HMT's consultation, the FCA's latest paper reflects a shared commitment to enhancing the competitiveness and clarity of the UK's regulatory environment for fund managers.

Key HMT Proposals: HMT's consultation outlines several proposals for refining the legal and regulatory framework for AIFMs:

Removal of legislative thresholds: The Government proposes to remove the legislative thresholds for the Small Regimes. This will enable the FCA to determine proportionate and appropriate rules for AIFMs of all sizes, having regard to their investment activities and investor base, as well as the specific risks they pose; see below.

SEFs and RVECA: The Government proposes to retain the existing rules for the regulation of managers of SEF and RVECA Funds and consider their regulation in full as a separate workstream.

Policy Proposal for the Small Registered Regime: Abolishing existing legislative thresholds that divide sub-threshold AIFMs into Small Authorised and Small Registered Regimes, if implemented, would bring currently exempt firms, such as certain property and internally managed companies, within the FCA's authorisation

perimeter. This means they would be required to seek FCA authorisation and comply with a proportionate set of rules, based on their size. The Government proposes requiring managers of sub-threshold Unauthorised Property Collective Investment Schemes to seek FCA authorisation, as managers of AIFs, and is considering requiring the managers of sub-threshold Internally Managed Companies to seek FCA authorisation, as managers of AIFs.

Listed Closed-Ended Investment Companies: HMT proposes keeping these firms within the scope of the AIFM regulations, including those currently below the AIFMD threshold, to support financial stability. However, the regulatory regime they will have to follow will be streamlined and duplicative requirements removed; see below.

External Valuation

HMT notes that, while the AIFM regulations allow for AIFMs to appoint external valuers to carry out a valuation of an AIF, they also set out that the external valuer is liable to the AIFM, for any losses caused by the valuer being negligent or intentionally failing to perform its tasks. It also notes that this liability makes valuers cautious about

taking on business and makes it challenging for them to obtain professional indemnity insurance. This particularly impacts funds investing in longer-term assets which may be more complex to value. HMT is considering whether growth in the market for external valuation services would be facilitated by removing the legal liability of the external valuer and removing this concept from legislation. In this respect, HMT asks for input on whether the liability for external valuers should be reviewed, and would any additional safeguards be required.

Key elements of the FCA's Call for Input

Proposed thresholds:

- Upper threshold – £5bn NAV*
- Mid-sized Firms threshold – between £100m and £5Bn NAV*
- Small firms threshold – below £100m NAV*

The FCA suggests that there may be a better case for basing these determinations on net asset value rather than leveraged AUM as currently.

Moving between thresholds is proposed to be a notification event, not requiring a variation in permission.

Proportionate Regulation

The FCA is considering that, while the largest firms would be subject to a regime like the current rules for full-scope UK AIFMs, they may disapply unnecessarily burdensome rules from all firms and apply certain rules only to firms doing specific activities.

While mid-sized firms would follow a comprehensive regulatory regime that is consistent with the rules that apply to the largest firms, covering all major aspects of fund management as outlined in the existing AIFMD-derived rules in Chapter 3 of the Investment Funds sourcebook (FUND), along with other AIFMD-derived standards in Senior Management Arrangements, Systems and Controls (SYSC) and the Conduct of Business sourcebook (COBS). However, to allow greater flexibility and proportionality, the FCA is not planning on imposing more detailed procedural requirements – typically those in the Level 2 Regulation – except where necessary to set appropriate standards, specify exceptions, or clarify expectations. The FCA expects that its expected outcomes will be clearer for these firms, and there will be more flexibility in how they achieve those outcomes.

Small firms under the new proposed thresholds would see a significant reduction in detailed and prescriptive requirements. They would also have greater flexibility.

Leverage

The FCA is planning to evaluate the adequacy and effectiveness of current AIFMD provisions in addressing risks from leverage in line with the [FSB's consultation on recommendations to address financial stability risks arising from leverage in non-bank financial intermediation](#). It is considering whether it needs to be clearer about our expectations of risk management by highly leveraged firms and requested feedback on the best ways to do this; recognising that different approaches might be needed for different types of activities and investments.

Applying the rules to firms undertaking different activities

In its desire to make the rules more proportionate, the CFI provides illustrations on how it might rewrite the risk management rules to conform with talking a proportionate approach. These are to be found at Annex 1 of the CFI.

Making the rules clearer

The FCA plans to restructure rules into thematic categories that correspond to phases of a fund's lifecycle, such as:

- Structure and operation of the firm – covering general standards of governance and behaviour and basic systems and controls requirements
- Pre-investment phase – covering requirements during product design and development and disclosure requirements to prospective investors
- During investment – covering ongoing obligations while a product is in operation and periodic investor information disclosure requirements
- Change-related – covering rules that apply when a manager changes something about the product and rules that apply or require disclosure when something specific happens

This is intended to improve clarity and usability and reflects the FCA's suggestions in [CP24/24: The MiFID Organisational Regulation](#), where it discusses rationalising its information and disclosure rules and improving the rules for Article 3 firms. We can hope that the FCA's willingness to rationalise the rules for AIFMs carries over to rationalising other parts of the Handbook, notwithstanding the initial time and effort this will involve.

Remuneration

The FCA discusses reviewing the AIFM remuneration rules alongside those for UCITS firms and MiFID Investment Firms; hopefully, with the outcome of one unified set of requirements.

Capital Requirements

The FCA explains that it will review the regime's prudential requirements and how they apply to different-sized firms.

Business restrictions

The FCA will review the business restriction that means that Full-Scope AIFMs are only permitted to undertake AIFM management functions, the management of UCITS or, if they have the necessary permissions, the management of portfolios of investments and investment advice. The FCA recognises that this restriction creates costs and inefficiencies, requiring firms to create new legal entities to carry on sell-side activities. The FCA is considering the business restriction when it considers how the conduct and prudential rules will apply to firms in the new regime.

Regulatory Reporting

The FCA notes that the existing reporting regime, which has remained unchanged since its introduction, is no longer adequate and it wants to recast the regime so that it collects meaningful information in a way that is

future proof, helps it understand the market and monitor the collective and individual risks posed by firms. The FCA wants to achieve a more effective reporting regime that is proportionate in its demands on firms.

Timelines and Next Steps: Both HMT and the FCA are seeking feedback by 9 June 2025. Subject to this feedback and the government's decisions, the FCA intends to consult on detailed new rules in the first half of 2026.

1.3 Consultation Paper PC25/7 – Proposed FCA Fee Rates

The FCA has published [Consultation Paper CP25/7](#), titled "FCA Regulated Fees and Levies: Rates Proposals for 2025/26". The paper outlines the regulator's proposed fee rates and levy allocations for the upcoming financial year. It is primarily of administrative interest, setting out how the FCA plans to recover its annual funding requirement from regulated firms.

1.4 Nikhil Rathi reappointed as the Chief Executive of the FCA

Nikhil Rathi has been [reappointed as Chief Executive of the FCA](#), with his new term set to run until October 2028. The reappointment was confirmed by HM Treasury and reflects continued confidence in Rathi's leadership since he first took on the role in 2020.

1.5 Takeaways for Non-Banking Clients from FCA's Review on Vulnerable Customer Treatment

On April 12, 2025, the FCA published the results of its [review into how UK retail banks and building societies treat vulnerable customers](#), specifically those experiencing bereavement and dealing with Power of Attorney (PoA). Although the findings are aimed at the banking and building society sectors, the following general points are more broadly applicable:

1. Policies and Procedures for Vulnerable Customers: The FCA highlighted the importance of having structured policies and procedures for supporting vulnerable customers.

Benefit for Clients: Implementing clear policies for identifying and addressing the needs of vulnerable individuals can enhance the customer experience, ensure compliance with consumer protection laws, and help prevent reputational damage.

2. Staff Training and Awareness: A key finding was that effective staff training was crucial in ensuring that employees can recognize and support vulnerable customers.

Benefit for Clients: Providing staff with the tools and knowledge to identify and respond to vulnerable customers can prevent misunderstandings and improve service quality, ultimately reducing legal and reputational risks.

3. Monitoring and Feedback: The review pointed out the importance of outcome testing and monitoring to assess whether vulnerable customers are receiving the expected support.

Benefit for Clients: Regular monitoring of customer outcomes through feedback mechanisms can help businesses spot areas for improvement and ensure that their services or products are truly meeting the needs of vulnerable individuals.

4. Governance and Internal Oversight: The FCA emphasised the need for governance structures to oversee the treatment of vulnerable customers and ensure that firms are meeting their obligations.

Benefit for Clients: Strong governance and oversight allow organizations to manage risks more effectively, ensure consistency in service delivery, and provide a safeguard against potential complaints or legal challenges.

5. Mapping the Customer Journey: The FCA's review stressed the importance of considering the entire customer journey, especially for vulnerable customers.

Benefit for Clients: By analysing and improving the customer journey, organisations can ensure that interactions are as smooth and accessible as possible, particularly for those requiring extra assistance.

Although the FCA's review targets banks, the overarching principles of supporting vulnerable customers, such as developing clear policies, providing staff training, ensuring effective monitoring, and mapping the customer journey, are relevant across firms falling within the scope of the FCA's Consumer Duty.

1.6 FCA Releases Primary Market Bulletin 55 with Consultation on Knowledge Base Updates and Digital Reporting for Annual Statements

On April 17, 2025, the Financial Conduct Authority (FCA) issued [Primary Market Bulletin 55](#), which contains a guidance consultation ([GC25/1](#)) addressing potential updates to its Knowledge Base and the implementation of digital reporting for annual financial statements. The bulletin also includes final guidance ([FG25/1](#)) on proposed changes discussed in Primary Market Bulletin 53. Responses to GC25/1 are due by May 15, 2025.

1.7 FCA Announces Changes to Simplify Supervisory Communications Process

On April 24, 2025, the Financial Conduct Authority (FCA) [announced](#) plans to streamline its supervisory communications with firms. This initiative is part of the FCA's ongoing review of Consumer Duty requirements, aimed at enhancing the efficiency of its regulatory framework. Starting April 30, 2025, the FCA will discontinue issuing portfolio letters and instead release a smaller number of market reports covering key supervisory insights. Historical portfolio and Dear CEO letters will be labelled as 'historical' but remain publicly accessible. Firms are advised to continue referring to existing letters until the market reports are published later in 2025. The FCA will also keep evaluating its historical communications approach.

1.8 FCA Issues Final Guidance for Insolvency Practitioners on Managing Regulated Firms

On 28 April 2025, the Financial Conduct Authority (FCA) published [Finalised Guidance 25/2](#), offering updated advice for insolvency practitioners (IPs) on how to handle regulated firms. This follows the 2024 consultation ([GC24/1](#)), which sought views on amendments to the original guidance [FG21/4](#) from 2021. The changes reflect shifts in the legal and regulatory landscape, including the introduction of the Consumer Duty and the Payment and Electronic Money Institution Insolvency Regulations 2021. Effective from 28 April 2025, the guidance provides clear steps for IPs to ensure firms continue to meet regulatory requirements after their appointment. A Feedback Statement also accompanies the guidance, addressing responses to issues such as client assets and trading during insolvency.

1.9 UK Finance Releases Third Version of Financial Abuse Code to Strengthen Support for Victims

On April 30, 2025, UK Finance launched the third edition of its [Financial Abuse Code](#), initially introduced in 2018 and updated in 2021. This version features a revised seven-pillar framework that aligns with Consumer

Duty standards. The updated Code provides general guidance for firms on how to assist individuals affected by financial abuse, urging them to apply the principles proportionally based on factors like company size and customer demographics. The Code is now in effect, and UK Finance will continue to encourage more companies to participate while collaborating with various stakeholders to address key issues and advocate for an economic task force.

1.10 FCA Announces Decision not to proceed with Extending the SDR regime to Portfolio Management

On April 29, 2025, the Financial Conduct Authority (FCA) provided an update on its consultation paper, [CP24/8](#), regarding the extension of the Sustainability Disclosure Requirements (SDR) and investment labels to portfolio management. The FCA had previously introduced measures for fund managers and consulted on extending them to portfolio managers.

In its update, the FCA reviewed feedback from [CP24/8](#), focusing on areas such as the application of rules to bespoke portfolios, implementation timelines, and the labelling of portfolios. Respondents highlighted challenges with agent-as-client models and requested more time to adjust to the new regime. There were also calls for clarity regarding naming and marketing rules for portfolio management services.

While support for extending the SDR to portfolio management was widespread, the FCA decided that now is not the right time to finalise the rules at this time. Instead, it will prioritise a review of model portfolio services and how firms are applying the Consumer Duty. In the interim, the FCA reminded firms of their obligation to comply with anti-greenwashing rules effective from May 31, 2024.

2 REGULATORY REFORM

2.1 Key Regulatory Issues Discussed in HMT- FCA Meeting Published April 2025

On April 11, 2025, a summary was [published](#) of a meeting held on March 24, 2025, between Emma Reynolds, the Economic Secretary to the Treasury (EST), and Nikhil Rathi, Chief Executive of the Financial Conduct Authority (FCA). The discussion focused on matters raised in the FCA's December 2024 Perimeter Report and highlighted several important regulatory topics:

1. Spread Betting on Non-Financial Indices

The FCA expressed concern that spread betting products linked to non-financial benchmarks—such as sports or political events—lie outside the current regulatory boundary. While there is growing public interest in bringing these under regulatory oversight, both the FCA and Treasury agreed that it is important to improve consumer understanding of the risks involved, rather than automatically assume regulation is required.

2. Reforming the Consumer Credit Act

The FCA pointed out inconsistencies in how small business lending is regulated, particularly how regulatory coverage varies depending on the business structure and loan size. For example, lending to sole traders and small partnerships is regulated under the Consumer Credit Act if the amount is under £25,000, while lending to limited companies is not. The Treasury plans to launch a consultation soon to explore updates to the Act.

3. Role of Investment Consultants

The value of high-quality advice from investment consultants was discussed, especially in the context of supporting pension reform. The Treasury noted that it will publish its response to the Pensions Investment Review shortly and intends to coordinate with the FCA after its release.

4. Oversight of Appointed Representatives

The FCA raised the issue of weak oversight by some principal firms over their appointed representatives, which can result in harm to consumers. The regulator supports further action, including potential legislative changes. The Treasury acknowledged these concerns and emphasised the need for a balanced approach that protects consumers without placing excessive burdens on firms.

The meeting reflects ongoing efforts to adapt the regulatory framework in response to market developments and emerging risks.

2.2 FCA Shares April 2025 Update on PISCES and Pre-Application Support

On April 10, 2025, the Financial Conduct Authority (FCA) released an [update](#) regarding the Private Intermittent Securities and Capital Exchange System (PISCES) and the availability of pre-application support for prospective operators. This follows the closure of the FCA's consultation (CP24/29) on the PISCES sandbox in December 2024. The update is aimed at giving firms an early indication of the FCA's current thinking as they continue developing their plans.

Key Points from the Update:

1. No Major Changes to Initial Proposals

The FCA confirmed it does not plan to significantly alter its original consultation proposals. In particular, it will not require a 'sweeper' model for additional company disclosures. However, a range of technical adjustments is being proposed to the FCA Board, which are outlined in a table included in the statement.

2. Final Rules Expected in June 2025

The FCA aims to publish a Policy Statement in June 2025, which will include the final rules for PISCES. Any deviations from the updates shared in this statement will be clearly indicated.

3. Pre-Application Support Now Available

Firms interested in becoming PISCES operators can now seek early feedback from the FCA. This includes comments on their draft rulebooks and proposed operating models. Notably, firms do not need to wait for the final rules to be published to begin this engagement.

2.3 FCA Proposes Streamlining of Regulatory Reporting Through Data Decommissioning

On 16 April 2025, the Financial Conduct Authority (FCA) published Consultation Paper [CP25/8](#), proposing the removal of certain outdated reporting and notification requirements as part of its ongoing data decommissioning initiative. The proposals include eliminating the need to submit Form G, FSA039, and Section F of the RMAR, as well as cleaning up obsolete forms and guidance from the FCA Handbook. Aimed at reducing the regulatory burden on firms, these changes are part of a wider effort to streamline data collection.

The FCA notes that this is just the beginning, with further reforms to regulatory reporting anticipated later in the summer. The consultation closes on 14 May 2025.

2.4 FCA Seeks Feedback on Finalising Consumer Composite Investment Regime, with More Updates Expected

On 16 April 2025, the Financial Conduct Authority (FCA) published Consultation Paper [CP25/9](#), detailing further proposals on the product information regime for consumer composite investments (CCIs). This consultation follows [\(CP24/30\)](#) and focuses on remaining issues to enhance the CCI framework. Key proposals

include removing the obligation for firms to calculate implicit transaction costs, simplifying cost disclosure rules, introducing transitional provisions for smoother implementation, and updating other sections of the FCA Handbook.

The consultation is open until 28 May 2025, and a final policy statement with the FCA's response to both consultations is expected later in 2025.

The FCA also signals ongoing engagement with stakeholders, with more potential changes anticipated in the summer to finalise the regime.

2.5 FCA Proposes Simplified Regulatory Capital Rules for Investment Firms

On 24 April 2025, the Financial Conduct Authority (FCA) published Consultation Paper [CP25/10](#), proposing changes to the definition of regulatory capital (own funds) for FCA investment firms. The FCA aims to simplify the existing rules by consolidating requirements into MiFIDPRU 3, removing references to the UK Capital Requirements Regulation (UK CRR) that were designed for banks, and making the rules clearer and more accessible for investment firms. While the proposals focus on simplifying compliance, they do not alter the levels of regulatory capital that firms must hold.

The consultation closes on 12 June 2025, with the FCA targeting the final rules to be implemented by 1 January 2026. Further updates on the framework are expected later in 2025, following the consultation.

2.6 HM Treasury Publishes Draft Legislation for Cryptoassets Regulation in the UK

On 29 April 2025, HM Treasury (HMT) published a draft statutory instrument (SI) titled the [Financial Services and Markets Act 2000 \(Regulated Activities and Miscellaneous Provisions\) \(Cryptoassets\) Order 2025](#), outlining provisions for a new [regulatory regime for cryptoassets](#) in the UK. This draft legislation follows HMT's earlier proposals from October 2023 and November 2024 to establish a framework for regulating cryptoassets, including stablecoins, and is a crucial step in bringing crypto-related activities under UK financial services regulation.

The new regime will create a range of regulated activities, including operating cryptoasset trading exchanges, issuing stablecoins, and implementing market abuse, admissions, and disclosure regimes. The aim is to integrate crypto firms with UK customers into the regulatory perimeter, requiring them to meet standards for transparency, consumer protection, and operational resilience, similar to traditional financial firms.

Key Proposals in the Draft SI:

The draft SI introduces several significant amendments to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO):

1. **Definition of Key Terms**

The legislation defines “qualifying cryptoassets” and “qualifying stablecoin” (the main classes of cryptoassets targeted by the new regime). These definitions classify them as specified investments under the Financial Services and Markets Act 2000 (FSMA), making them subject to regulation.

2. **Regulated Activities**

Certain activities related to cryptoassets, such as cryptoasset trading, stablecoin issuance, and custody services, will be classified as regulated activities. Firms engaging in these activities will need to be authorised by the FCA.

3. **Financial Promotion and Anti-Money Laundering (AML) Regulations**

Amendments to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 will ensure that cryptoassets fall under the existing financial promotion framework. Additionally, changes to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 will extend AML regulations to cryptoasset firms operating within the UK.

4. Clarification of Asset Types

The draft legislation distinguishes between “qualifying stablecoins,” tokenised deposits, and electronic money to ensure clear regulatory categorisation. These changes aim to prevent confusion and potential overlap in the regulatory treatment of different types of cryptoassets.

Next Steps:

HMT is seeking technical feedback on the draft SI, with a deadline for comments set for 23 May 2025.

Following this consultation, HMT plans to publish the final SI as soon as possible. Statutory provisions for market abuse, admissions, and disclosures will be outlined in separate publications later.

In a related announcement, the UK and US governments highlighted plans to continue their engagement through the UK-US Financial Regulatory Working Group, aiming to support the responsible growth of digital assets globally. HMT also confirmed plans to publish the Financial Services Growth and Competitiveness Strategy on 15 July 2025, which will further shape the UK’s approach to financial services regulation, including digital assets.

Commentary and Industry Impact

The draft legislation marks a crucial milestone in the development of a robust regulatory environment for cryptoassets in the UK. However, industry experts, including HMT’s Hannah Meakin, caution that while the draft offers clarity on the scope of the new regime, it remains a high-level framework that will require further refinement. The proposed scope of qualifying cryptoassets and stablecoins, as well as the activities that will be regulated, will likely be the subject of ongoing debate.

Despite the broad alignment with previous proposals, some distinctions have been made, such as the territorial scope of the legislation and the treatment of crypto firms that only serve institutional clients. Non-UK firms that operate in the UK market but deal exclusively with institutional clients will not need to register under the Money Laundering Regulations, though they will still be required to notify the FCA and comply with AML obligations.

Looking ahead, the FCA is expected to provide further details on the application process for crypto firms and outline when firms can begin submitting their applications for regulatory permissions. These next steps will likely be featured in forthcoming FCA consultations, as part of the broader crypto roadmap to flesh out the regulatory details.

2.7 Regulatory Initiatives Grid

The [Regulatory Initiatives Grid](#) issued on 14 April 2025 sets out the planned regulatory initiatives for the next 24 months. The following might be of interest to our readers:

- Modernising the redress framework and external redress guidance: The FCA and the Financial Ombudsman Service (FOS) have jointly launched a consultation to gather perspectives on updating the redress system. The goal is to create a structure that more effectively supports consumers and allows firms to operate with confidence and long-term vision. This review will also reassess the existing rules and guidance that firms must follow when addressing customer harm and initiating internal redress efforts.
- Capital deduction for redress: personal investment firms: The FCA has released proposals that would require Personal Investment Firms to allocate capital early on to cover potential liabilities tied to redress. This change is intended to ensure that firms are financially prepared to handle customer compensation when needed, thereby enhancing consumer protection and market integrity.

- Review of the UK Funds Regime: This initiative involves a comprehensive review of the UK's fund ecosystem, including its tax structure and associated regulations. Asset management has been highlighted as a key area within the government's financial services and industrial strategies. Current consultations are seeking input to help shape future priorities.
- Improving Money Market resilience as part of the UK's commitment to the Financial Stability Board (FSB) 2021 review of March 2020 Dash for Cash: In line with international commitments, UK regulators are working to strengthen the resilience of Money Market Funds (MMFs). Proposed changes involve incorporating MMF regulation into domestic frameworks and addressing vulnerabilities revealed during the 2020 market stress events.
- Liquidity risk management in funds: UK regulators are looking to enhance liquidity risk practices in investment funds. This will be guided by international standards set by the FSB and IOSCO and will also address remaining issues tied to daily-dealt property funds.
- Research payment optionality for pooled funds: The FCA is introducing a flexible approach for investment research costs in pooled funds. Fund managers may now choose to pay for research directly from scheme assets, provided they adhere to defined safeguards designed to protect investors.
- Consultation on Improving the Effectiveness of the Money Laundering Regulations: HM Treasury is pursuing updates to the Money Laundering Regulations 2017 to enhance their efficiency and alignment with current risks. These reforms follow findings from recent reviews and aim to improve clarity and proportionality for businesses subject to the rules, without compromising on the core anti-money laundering objectives.
- Incident and Outsourcing, and Third-Party Reporting: A new policy initiative aims to improve how firms report operational disruptions. It will also gather details on outsourcing and third-party arrangements to help regulators monitor risks around resilience, market concentration, and competition. The Bank of England is concurrently consulting on similar matters for financial market infrastructure firms.
- Streamlining COLL assessment of value reporting: Following its March 2025 Feedback Statement on the Consumer Duty, the FCA plans to revisit the Assessment of Value reporting requirements under COLL. The intention is to identify opportunities to reduce complexity and make the reporting process more efficient for firms, while maintaining transparency for consumers.

3 ENFORCEMENT

3.1 FCA Sets Out Enforcement Priorities for the Next Five Years

On 16 April 2025, the Financial Conduct Authority (FCA) outlined its [enforcement priorities](#) in a speech delivered by Therese Chambers, the FCA's Joint Executive Director of Enforcement and Market Oversight, at NYU's Program on Corporate Compliance and Enforcement Spring Conference.

The FCA emphasised its ongoing collaboration with US agencies, reinforcing the importance of international partnerships in tackling misconduct. The speech highlighted the FCA's commitment to deterring misconduct through timely and visible enforcement actions. Over the next five years, the FCA will focus on several key

priorities: combating money laundering, preventing fraud via regulated firms, safeguarding the integrity of UK markets, and establishing a secure framework for crypto regulation that protects consumers.

Ms Chambers also stressed the importance of individual accountability. She called for senior leaders within regulated firms to be transparent and honest with the FCA, warning that those whose actions or omissions result in harm must be held responsible.

3.2 FCA Unveils Strategy to Tackle Market Abuse

On 29 April 2025, the Financial Conduct Authority (FCA) outlined its approach to [combating market abuse in a speech delivered by Therese Chambers](#), its Joint Executive Director of Enforcement and Market Oversight, at the Market Abuse and Market Manipulation Summit.

The speech highlighted the FCA's new five-year strategy for 2025-2030, which includes a dedicated focus on fighting financial crime, with market abuse being a critical element of this strategy. Ms Chambers outlined the FCA's ongoing work to tackle market abuse, including efforts around transaction reporting, with a consultation paper on the subject due later in 2025.

Key priorities discussed included targeting organised crime groups (OCGs), particularly those involved in insider trading, and tackling insider information leaks and unlawful disclosures. The FCA has been using "disruptive tools" such as arrests and cross-agency collaboration to address these issues. Additionally, the FCA has ramped up its efforts in the Fixed Income, Currencies & Commodities markets and is intensifying its international engagement, recognising that market abuse is a global challenge requiring coordinated action.

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