

Regulatory Update

UK, July 2025

Issued 12 August 2025



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1. FCA UPDATES & DEVELOPMENTS

1.1 FCA Annual Whistleblowing Data 2024/25 – New Trends and Regulatory Response

On 24 June 2025, the Financial Conduct Authority (FCA) published its [Prescribed Persons Annual Report](#) for 2024/25, covering whistleblowing disclosures received between 1 April 2024 and 31 March 2025.

During the reporting period, the FCA received 1,131 whistleblowing reports, resulting in 908 actions, including supervisory engagement and enforcement activity. The most frequently reported issues related to compliance, fitness and propriety, consumer detriment, and organisational culture.

The FCA continues to refine its whistleblowing processes to improve transparency and effectiveness. Key developments include:

- Enhanced feedback mechanisms, allowing whistleblowers to receive more detailed responses where legally permissible.
- Updated online guidance, clarifying the FCA's remit and improving accessibility for individuals submitting disclosures.
- Ongoing engagement with UK and international stakeholders to explore potential whistleblower incentivisation models, although no formal reward scheme has been introduced.

Whistleblowing reports were most commonly submitted via the FCA's webform, which remains the preferred channel for disclosures.

Those with a longer memory than the FCA, it seems, will recall the July 2014 [Financial Incentives for Whistleblowers](#) note by the FCA and PRA for the Treasury Select Committee where the regulators reported that its research showed that introducing financial incentives for whistleblowers would be unlikely to increase the number or quality of the disclosures they receive.

1.2 FCA Consults on Non-Financial Misconduct Guidance and Confirms New Conduct Rule

On 2 July 2025, the Financial Conduct Authority (FCA) published Consultation Paper [CP25/18](#), setting out a new conduct rule and proposed guidance on non-financial misconduct (NFM). The paper includes a Policy Statement confirming changes to the Code of Conduct (COCON) and a consultation on further guidance within both the COCON and Fit and Proper Test (FIT) sourcebooks.

The FCA has confirmed that from 1 September 2026, a new rule COCON 1.1.7FR will apply to non-bank firms, expanding the scope of COCON to cover serious misconduct such as bullying, harassment, and violence that violates dignity or creates an offensive environment. This aligns the treatment of NFM in non-banks more closely with that in banks, where the scope of COCON is broader.

The FCA expects this rule change to result in an increase in conduct rule breach notifications related to NFM, particularly in non-bank firms. However, the application of the rule will be limited where misconduct relates solely to parts of the business not involved in regulated or SMCR financial activities.

The consultation also proposes new guidance to help firms apply the COCON and FIT rules in relation to NFM. Responses to the consultation are due by 10 September 2025.

1.3 FCA Highlights Transaction Reporting Expectations in Market Watch 82

On 23 July 2025, the Financial Conduct Authority (FCA) published [Market Watch 82](#), its regular newsletter on market conduct and transaction reporting. This edition focuses on supervisory observations from the UK MiFID transaction reporting regime.

The FCA highlights several areas where firms should review and strengthen their practices, including:

- Remedial timelines: Firms are expected to address reporting issues promptly and proportionately.
- Back reporting: Where errors are identified, firms should ensure complete and accurate retrospective submissions.
- Error and omission notifications: The FCA reminds firms of their obligation to notify it of breaches in transaction reporting requirements.

The FCA encourages firms to integrate these observations into their existing controls and governance frameworks. It does not expect the guidance to create additional burdens but views it as a reinforcement of existing regulatory expectations.

1.4 FCA Issues Finalised Guidance on PEPs for AML Purposes and Clarifies Civil Service Exemptions

On 7 July 2025, the Financial Conduct Authority (FCA) published Finalised Guidance ([FG25/3](#)) on the treatment of Politically Exposed Persons (PEPs) for anti-money laundering (AML) purposes. The guidance follows a multi-firm review and consultation ([GC24/4](#)) and is intended to help firms apply a proportionate, risk-based approach when dealing with PEPs.

Key clarifications include:

- UK PEPs should generally be treated as lower risk, reflecting the updated legal position.
- Non-executive board members of UK civil service departments should not be treated as PEPs solely due to their role.
- Firms have greater flexibility in assigning senior manager sign-off for PEP relationships, provided those individuals have sufficient AML knowledge and authority.
- Money Laundering Reporting Officers (MLROs) are expected to oversee PEP controls and ensure they align with the Regulations, FG25/3, and the Consumer Duty.

Subsequently, on 15 July 2025, the FCA issued a correction to FG25/3, reinforcing that non-executive board members of UK civil service departments should not be classified as PEPs. This amendment aims to reduce unnecessary compliance burdens and improve consistency in interpretation.

These updates form part of the FCA's broader effort to improve the effectiveness of AML controls while ensuring firms maintain proportionate and risk-sensitive practices.

1.5 HMT Confirms AML Reforms following MLR Consultation and Publishes 2025 National Risk Assessment

On 17 July 2025, HM Treasury (HMT) published a consultation response titled: [Improving the effectiveness of the Money Laundering Regulations \(MLRs\)](#).

The key outcomes and planned changes from this consultation response include:

- Enhanced Due Diligence (EDD): HMT will refine EDD requirements, particularly for complex transactions, to ensure they remain proportionate, and risk based.
- Pooled Client Accounts: The government will clarify due diligence expectations for pooled client accounts to reduce ambiguity and promote consistency across firms.
- Cryptoasset Service Providers: Reforms will be introduced to the registration and change-in-control processes for cryptoasset businesses, aligning with broader efforts to regulate digital finance.
- Draft Statutory Instrument (SI): A draft SI will be published in the coming months for technical feedback, with the intention to lay it before Parliament later in 2025, subject to scheduling.

The updated assessment:

- Refreshes the UK's understanding of economic crime threats.
- Confirms that economic crime threat priorities will now be published annually as part of the Economic Crime Plan 2 (2023–2026).

These reforms aim to streamline compliance, improve clarity, and strengthen the UK's AML framework while ensuring regulatory expectations remain proportionate and risk-sensitive.

Alongside the consultation response, HMT and the Home Office published the 2025 [National Risk Assessment \(NRA\)](#) of Money Laundering and Terrorist Financing. The NRA identifies several top threats to the UK's financial system. These include:

Top Money Laundering Threats

- Fraud – Continues to be the most significant predicate offence for money laundering in the UK
- Sanctions Evasion – Increasingly relevant due to geopolitical tensions and expanded sanctions regimes
- Acquisitive Crime – Including burglary, theft, and robbery, often linked to laundering through cash-intensive businesses
- Drugs – Remains a major driver of money laundering, particularly through cash and informal systems
- Cyber Crime – Growing threat due to the rise in ransomware and online scams
- Organised Immigration Crime
- Tax Evasion
- Modern Slavery and Human Trafficking
- Online Child Sexual Exploitation and Abuse
- Environmental Crime
- Bribery and Corruption

Top Terrorist Financing Threats

- UK-based terrorists using small-scale, low-cost methods

- International terrorist groups exploiting global financial systems
- Ideologically motivated financing, including far-right and Islamist extremism
- Links between Serious and Organised Crime (SOC) and terrorist financing, both domestically and internationally

Emerging and Cross-Cutting Risks

- Cryptoassets – Increasing use in both money laundering and terrorist financing
- Artificial Intelligence (AI) – Potential misuse in financial crime
- Professional Enablers – Legal, accounting, and trust services used to obscure illicit funds
- Trade-Based Money Laundering
- Property and High-Value Assets – Including art and luxury goods

1.6 NCA and FCA Set Joint Economic Crime Priorities for 2025

On 21 July 2025, the National Crime Agency (NCA) and the Financial Conduct Authority (FCA) published a [joint statement](#) outlining nine system priorities to tackle economic crime across the UK's regulated sector. These priorities are designed to strengthen the UK's defences against financial crime, improve coordination between public and private sectors, and ensure firms are equipped to respond to evolving threats.

Key Priorities Include:

- Combatting cash-based money laundering, particularly through high-risk sectors and unregistered businesses.
- Disrupting the use of money mules, especially among vulnerable populations and young people.
- Targeting fraud linked to overseas jurisdictions, including investment scams and cross-border laundering networks.
- Improving data sharing and intelligence flows between law enforcement, regulators, and the private sector.
- Enhancing the use of technology and analytics to detect suspicious activity and improve reporting quality.

The joint priorities reflect a whole-system approach to economic crime, aligning with the UK's Economic Crime Plan 2 (2023–2026) and the 2025 National Risk Assessment.

1.7 UK Government drops plans for Green Taxonomy following consultation

On 15 July 2025, HM Treasury published its [Consultation Response](#) on the proposed UK Green Taxonomy, concluding that it will not proceed with implementing a taxonomy as part of the UK's sustainable finance framework.

Key Takeaways:

- No UK Green Taxonomy: After extensive stakeholder engagement and analysis, the government determined that a taxonomy would not be the most effective tool to support the UK's green transition.
- Focus on Alternative Measures: Instead of pursuing a taxonomy, the government will focus on other mechanisms to combat greenwashing and channel capital towards sustainable activities.

- Policy Direction Shift: This marks a significant shift from earlier proposals and reflects concerns around usability, complexity, and alignment with existing UK and international frameworks.
- The decision is expected to influence how firms approach ESG disclosures and sustainable finance strategies, particularly those previously preparing for taxonomy alignment.

2. REGULATORY REFORM

2.1 FCA to review client categorisation rules and publishes latest SICGO report

On 10 July 2025, the Financial Conduct Authority (FCA) [announced plans](#) to review its client categorisation rules as part of a broader initiative to unlock investment and support capital markets. The review aims to modernise the classification regime to provide greater clarity on the rules and protections applicable to different customer groups, particularly within wholesale markets.

The FCA intends to rebalance risk and promote a bolder regulatory approach that enables firms to raise capital more easily. The proposed changes are expected to create more opportunities for wealthy and experienced investors, while maintaining appropriate safeguards for retail clients.

This initiative forms part of the FCA's wider strategy to drive economic growth and competitiveness and builds on other reforms such as the launch of a private stock market (PISCES).

The announcement was accompanied by the FCA's latest [Secondary International Competitiveness and Growth Objective \(SICGO\) report](#), which outlines progress made between July 2024 and July 2025. The FCA confirmed that future updates on SICGO will be integrated into its annual reporting cycle.

2.2 Mansion House 2025: Government sets out Strategic Reforms to Boost Investment and Streamline Regulation

On 15 July 2025, the Chancellor of the Exchequer delivered her second [Mansion House speech](#), outlining the government's strategic direction for the UK financial services sector. The speech was accompanied by a series of regulatory announcements aimed at enhancing competitiveness, unlocking investment, and modernising the UK's financial regulatory framework.

Key developments include:

- The launch of a new Listings Taskforce, in partnership with the Office for Investment, designed to attract more companies to IPO in London and strengthen the UK's position as a global financial centre.
- A clear signal from the government that it is “rolling back regulation that has gone too far in seeking to eliminate risk”, indicating a shift toward a more proportionate and innovation-friendly regulatory approach.
- Proposed reforms to the [Senior Managers and Certification Regime](#) (SMCR), with HM Treasury, the FCA, and the PRA publishing consultation papers to streamline the regime. These changes aim to reduce administrative burden while maintaining accountability standards. For further details, see [Waystone UK's article on the SMCR reform proposals](#).

- An HM Treasury consultation on the FS Sector Strategy: Regulatory Environment - Cross-Cutting Reforms, which includes a focus on the Consumer Duty. The FCA has been asked to report by the end of September on how the Duty applies to wholesale firms, particularly those involved in distribution chains that impact retail consumers. The consultation also explores professional client categorisation and seeks feedback on how the Duty can be applied proportionately.

These announcements form part of a broader strategy to reshape the UK's financial regulatory landscape and support long-term growth. For further insights, see [Waystone UK's coverage of the Mansion House speech](#).

3. ENFORCEMENT ACTION

3.1 H2O Deputy CEO Fined £1M and Banned for Misleading FCA

On 25 July 2025, the Financial Conduct Authority (FCA) announced through a [press release](#), that it has fined Jean-Noël Alba, former Deputy CEO of H2O AM LLP, £1,049,500 and banned him from performing any regulated activity in the UK financial services industry.

Key Findings:

- Deliberate Misconduct: The FCA found that Mr Alba deliberately misled the regulator during its investigation into H2O's investments in illiquid bonds linked to controversial financier Lars Windhorst.
- Failure to Act with Integrity: Mr Alba was found to have lacked honesty and integrity, breaching Principle 1 of the FCA's Statements of Principle for Approved Persons.
- Impact on Regulatory Oversight: His actions obstructed the FCA's ability to supervise H2O effectively, undermining trust in the regulatory system.

This enforcement action follows broader scrutiny of H2O's governance and investment practices and reflects the FCA's continued focus on individual accountability and market integrity.

Waystone Compliance Solutions

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If you wish to discuss how Waystone can assist you with any of the issues raised in this regulatory update, please contact us at the details below:

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