

Regulatory Update

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1. FCA UPDATES & DEVELOPMENTS

1.1 FCA Review highlights progress and gaps in Off-Channel Communication Controls

On 7 August 2025, the Financial Conduct Authority (FCA) published [findings](#) from its multi-firm review into off-channel communications, those occurring outside of monitored and recorded channels permitted by firms.

The review focused on eleven wholesale banks and assessed enhancements to internal policies, surveillance, and management information (MI) frameworks. While most firms continued to identify breaches of internal policies, persistent issues highlighted the need for behavioural improvements alongside detection efforts.

Key findings include:

- **Policy Frameworks:** Firms have updated their policies to reflect emerging technologies such as smartwatches and new messaging platforms. Improvements include streamlined processes for staff to self-disclose off-channel communications, restrictions on the use of personal numbers in automated replies, and efforts to ensure global consistency in recording policies. However, firms must ensure that global approaches are appropriately tailored to meet UK regulatory standards.
- **Surveillance Enhancements:** Surveillance systems have been expanded to detect a wider range of communication formats, including emojis, GIFs, voice notes, and video messages. Some firms have introduced AI-based tools to reduce false alerts and improve efficiency. Monitoring of low usage rates on approved communication channels and the provision of corporate devices are being used to mitigate off-channel risks.
- **Third-Party Vendors (TPVs):** The use of TPVs to support communication monitoring is increasing. However, firms reported challenges such as service outages, transcription inaccuracies, and delays in data availability. The FCA reiterated that firms remain fully responsible for meeting SYSC 10A obligations and cannot delegate regulatory accountability to external providers.
- **Management Information (MI):** Larger firms have implemented detailed MI frameworks, including breach tracking, training completion rates, and vendor performance metrics. Smaller firms tend to rely on group-level reporting and RAG thresholds. Where MI is less developed, firms may lack the contextual insight needed to identify trends and inform decision-making.
- **Consequence Management:** Firms are using role-specific and scenario-based training, often incorporating real surveillance examples, to improve staff understanding and engagement. This approach has been found to enhance the effectiveness of consequence management strategies.

The FCA encourages firms to assess staff understanding of record-keeping responsibilities, identify barriers to compliance, review TPV oversight arrangements, evaluate surveillance models, and ensure senior management involvement and appropriate leadership tone. The FCA will continue to engage with firms to monitor progress and determine whether further regulatory action is required.

1.2 FCA removes REP008 Nil Return Requirement for 36,000 Firms

On 28 August 2025, the Financial Conduct Authority (FCA) [announced](#) further reductions to regulatory reporting requirements, aimed at easing the compliance burden for authorised firms. As part of its Transforming Data Collection programme, the FCA confirmed the removal of the requirement to submit nil returns for REP008, which relates to disciplinary action taken against conduct rules staff other than Senior Managers under the Senior Managers and Certification Regime (SM&CR). REP008 applies to all employees subject to the Conduct Rules, including contractors and temporary staff, but excludes certain ancillary roles. Disciplinary actions involving Senior Managers must be reported separately via Connect using Form D or Form C. As of 28 August 2025, firms are no longer required to submit a nil return if no disciplinary action has occurred. This change applies to reporting periods ending on or after 31 August 2025. Nil return tasks will still appear in RegData but will be automatically removed after the due date, with no late fee applied.

This change affects approximately 36,000 firms, allowing them to avoid submitting a return when there is no relevant data to report. The FCA stated that this adjustment reflects its commitment to collecting only data that adds supervisory value and to reducing unnecessary burdens.

Additional changes consulted on in June 2025 include the proposed decommissioning of REP022 (General Insurance Pricing Attestation), removal of RIA complaints reporting, and reduced frequency for REP009 (Consumer Buy-To-Let Mortgage Aggregated Data). These follow three earlier return removals in 2025, which benefited 16,000 firms.

1.3 FCA Review Highlights Challenges and Progress in Climate Reporting

On 6 August 2025, the Financial Conduct Authority (FCA) published [findings](#) from its multi-firm review into climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers. The review assessed how firms are complying with the FCA's climate reporting rules, which are aligned with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.

The FCA reviewed a sample of entity and product-level TCFD reports and engaged with firms and trade associations. It found that the rules have helped firms integrate climate risks into decision-making and improve transparency. However, firms reported challenges with data availability, scenario analysis, and the complexity of disclosures for retail investors.

Key observations include:

- Risk management: Firms are increasingly treating climate change as a material risk and embedding it into strategy.
- Audience: Disclosures are more useful for institutional investors than retail clients, with limited engagement at product level.
- Accessibility: Entity-level reports were generally easy to find, but product-level reports were less accessible.
- Data: Backward-looking metrics were easier to report than forward-looking scenario analysis, with many firms omitting required scenarios.
- Proportionality: Firms raised concerns about overlapping disclosure regimes and called for simplification.
- Regulatory clarity: Firms requested guidance on the future of TCFD rules and alignment with international standards.

Next steps include clarifying how firms can report under both TCFD and Sustainability Disclosure Requirements (SDR) and exploring ways to streamline the sustainability reporting framework. The FCA aims to simplify disclosures, maintain good outcomes, and promote international consistency.

1.4 FCA receives 315 Whistleblowing Reports in Q2 2025

On 13 August 2025, the Financial Conduct Authority (FCA) published its [whistleblowing data](#) for the second quarter of 2025, covering the period from April to June. During this time, the FCA received 315 new whistleblowing reports, up from 281 in Q1 and 253 in the same period last year. These reports contained a total of 1,130 allegations.

The majority of reports were submitted via the FCA's online reporting form, with most whistleblowers providing contact details to support follow-up engagement. The FCA emphasised the importance of protecting whistleblower identities and maintaining secure communication channels.

The FCA closed 350 reports during the quarter, of these:

- 8 reports (2.3%) led to significant action, such as enforcement steps or restrictions on firms or individuals
- 147 reports (42%) resulted in action to reduce harm, including supervisory engagement
- 181 reports (52%) informed FCA work without direct action
- 11 reports (3.1%) were recorded for future reference
- reports (0.6%) were classified as other

The FCA also reiterated its internal commitment to whistleblowing, with Board-level engagement and mandatory training to ensure appropriate handling of disclosures.

1.5 FCA Simplifies access to Supervisory Communications

On 28 August 2025, the Financial Conduct Authority (FCA) [announced plans](#) to simplify how firms access supervisory communications. The FCA will begin labelling pre-2022 multi-firm and thematic reviews as historical, while keeping them publicly accessible. This change is intended to help firms more easily identify current supervisory priorities.

The FCA also confirmed that it will stop issuing portfolio letters and instead publish market reports that consolidate insights and guidance relevant to different types of firms. Until these market reports are available, firms should continue to refer to existing supervisory communications, including Dear CEO and portfolio letters.

1.6 FCA Review Highlights Weaknesses in Algorithmic Trading Controls

On 21 August 2025, the Financial Conduct Authority (FCA) published a [multi-firm review](#) assessing the algorithmic trading control frameworks of principal trading firms (PTFs). The review focused on compliance with MiFID RTS 6 organisational requirements and followed previous supervisory communications, including a Dear CEO letter issued in August 2023.

The FCA engaged with ten firms and identified several areas for improvement across governance, development, testing, risk controls and market abuse surveillance.

Key observations include:

- Governance: Some firms failed to address all RTS 6 elements in their self-assessments. Compliance teams often lacked technical expertise and were not sufficiently involved in oversight. Algorithm inventories were incomplete or lacked clarity on operator approvals.
- Development and testing: Conformance testing was inconsistently defined, with poor record-keeping and limited focus on conduct risks. Some firms lacked formal adoption procedures and clear ownership of testing processes.
- Risk controls: Pre- and post-trade control ownership was unclear in some cases, and compliance staff had limited visibility over these controls.
- Market abuse surveillance: Several firms had outdated or under-resourced surveillance systems, with delays in investigating alerts due to governance gaps and staffing constraints.

The FCA encourages firms engaged in algorithmic trading to review and strengthen their control frameworks in light of these findings. The FCA confirmed that supervisory assessments in this area will continue.

2. REGULATORY REFORM

2.1 New Rules for Public Offer Platforms under COBS 23

On 1 August 2025, the Financial Conduct Authority (FCA) published [Handbook Notice 132](#), detailing changes made to the FCA Handbook under statutory powers exercised on various dates in June and July 2025.

The most notable update is the introduction of new rules for Public Offer Platforms (POPs) under COBS 23, which will come into effect on 01 January 2026. These rules form part of the broader Public Offers and Admissions to Trading Regime (POATR), replacing the UK Prospectus Regulation.

Key elements include:

- Establishment of a regulated activity for operating as a Public Offer Platform (POP), enabling offers of unlisted securities exceeding £5 million to be made to the public via POPs.
- Introduction of a due diligence and disclosure framework for POP operators and issuers, including onboarding assessments and investor risk disclosures.
- Bespoke rules covering information gathering and due diligence on issuers and securities and specific disclosures to investors
- Liability and redress mechanisms for POP-facilitated offers

2.2 Framework for Public Offers Under POATR

On 1 August 2025, the Financial Conduct Authority (FCA) published Handbook Notice 132, which introduces a new chapter to the Conduct of Business Sourcebook: COBS 23. The rules under [COBS 23](#)

will apply from 1 January 2026 and form part of the Public Offers and Admissions to Trading Regime (POATR), replacing the UK Prospectus Regulation.

COBS 23 sets out the regulatory framework for firms operating as Public Offer Platforms (POPs), a newly defined regulated activity. These platforms will facilitate public offers of unlisted securities exceeding £5 million. The rules clarify the scope of application, including authorisation requirements and operational standards for POPs.

Key areas covered include due diligence obligations on issuers and securities, investor disclosure requirements, and the integration of Consumer Duty principles. POPs are expected to act as gatekeepers, assessing whether offers should proceed based on regulatory standards and investor protection considerations.

2.3 HM Treasury sets out Legislative Reforms to Appointed Representatives Regime

On 11 August 2025, HM Treasury issued a [Policy Statement](#) outlining proposed legislative reforms to the Appointed Representatives (ARs) regime. The reforms aim to strengthen oversight and improve accountability within the regime to address risks identified by the FCA and address cases where the Financial Ombudsman Service (FOS) does not currently have jurisdiction because the AR's activities are not ones for which the principal firm is responsible.

The Government proposes two key changes. First, principal firms will be required to obtain FCA approval before taking on ARs, replacing the current automatic arrangement. This would allow the FCA to assess suitability and impose conditions where necessary. Second, the FOS's jurisdiction will be expanded to cover complaints against ARs directly, where the principal firm is not responsible for the conduct in question. This is intended to enhance consumer protection and ensure fair access to redress.

The Government will consult further on the implementation of these proposals, which are part of a broader effort to improve regulatory outcomes and reduce harm in financial services.

2.4 FCA Approves LSE as first PISCES Platform Operator

On 26 August 2025, the Financial Conduct Authority (FCA) [approved](#) the London Stock Exchange (LSE) to operate a PISCES platform, marking the launch of the world's first regulated private stock market. PISCES, short for Private Intermittent Securities and Capital Exchange System, enables trading of shares in private companies through intermittent events, such as periodic auctions or time-limited continuous trading.

The platform will operate within the FCA's financial market infrastructure sandbox, allowing the regulator to test and refine the framework ahead of a permanent regime expected by 2030. The approval follows collaboration between government, regulators, and market participants to support innovation and capital market reform.

The FCA views PISCES as a key milestone in its strategy to unlock capital investment and improve access to growth companies. The LSE's Private Securities Market is expected to launch later in 2025, offering a new funding route for private businesses and expanding investor access.

Waystone Compliance Solutions

Waystone Compliance Solutions offers a new and unique approach to compliance services at a corporate level. Formed by merging four specialist compliance companies, we have the capabilities to help you manage regulatory risk right across your organisation and covering the UK, Middle East, United States, and Asia. We can provide key services from initial registration and licensing to compliance programme integration. Our compliance solutions span business strategies, market activities, operational and technology infrastructure, not to mention sales and marketing procedures.

Our aim at Waystone is simple: to enable our clients to navigate the complex regulatory environment with confidence. At Waystone, we have brought together the experience, the expertise, and the global reach to give you the certainty you need to address the ever-changing regulatory world. And by doing so, provide you with a secure route on the road to success.

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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:

Email: compliancesolutions@waystone.com

Website: <https://compliance.waystone.com/>

Or write to us at:

6th Floor,
125 Wood St,
London,
EC2V 7AN,
England

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