NATIONAL REGULATORY SERVICES

What's on the Horizon

August 2025

There has been a lot of news and some action but not possibly at the pace expected with a number of FCA initiatives in play:

1. **Mifid Updating**

There may be some changes to Transaction Reporting requirements which currently runs to 65 fields and is a burden on many firms. It is possible that the number of fields will reduce and a single sided report model has been suggested where the venue and brokers report to the regulator only.

2. **SMCR**

Removal of the current certification regime from legislation is a commitment of the FCA and more is expected on this shortly.

3. **Repeal and replacement of the Capital Requirements Regulation**

The definition of 'own funds' is likely to change to be more relevant for investment firms, it was originally based on prudential requirements for banks.

4. **PISCES - The Private Intermittent Securities and Capital Exchange System**

A new type of private stock market that allows intermittent trading of private company shares. It is hoped that PISCES will support investment in growth companies and boost the competitiveness of UK markets. In June 2025, the FCA published its final rules, including the "PISCES Sourcebook". It is envisaged trading on the exchange will commence in the Autumn of 2025. More details to follow.

5. **Settlement**

UK to move to T+1 settlement cycle from October 2027.

6. **Reduction in Regulatory Reporting**

Not really happened yet with only one minor report (nil returns for REP008) being dropped so far.

7. **Failure to Prevent Fraud**

Comes into force 1st September 2025 , the new corporate criminal offence of failure to prevent fraud takes effect. Introduced in the Economic Crime and Corporate Transparency Act 2023, an organisation will be criminally liable if:

- a specified fraud offence is committed by its employee, agent or other "associated person" (and not necessarily with the knowledge of a company manager) for the benefit of the organisation; and
- the organisation did not have reasonable fraud prevention procedures in place.

"Large organisations" are in scope. These are organisations meeting two out of three of the following criteria: more than 250 employees, more than £36 million turnover and more than £18 million in total assets. Entities that do not meet the criteria may nonetheless elect to review their fraud prevention systems and controls to ensure they are "fit-for-purpose".

For subscribers to the Compliance Manual service a new section has been introduced covering this.

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8. **Announcing Investigations**

The FCA have changed their stance on their plans to announce investigations into firms, they had intended to do an introduce a 'public interest' test replacing 'exceptional circumstances' when selecting cases for publication which understandably caused a bit of a ruckus in the industry and from government, 'Name and Shame' is not exactly helpful for firms or their clients. They have now confirmed that the 'public interest' test change is no longer happening.

But it should be noted that policy statements have confirmed a shift towards assertive supervisory action, with enforcement cases being more selective and targeted. Data published has evidenced that speed is becoming more important with some investigations taking less than sixteen months, rather than an average 42 months, as in 2023/2024.

The FCA is focusing its enforcement resources on a smaller number of cases – since April 2023, open operations are down c 42%, from 220 to 128, as at 1 June 2025. Where the regulator decides to proceed with an investigation, this is more likely to be strategically selected and therefore more likely to end some form of enforcement.

This may be a double-edged sword for firms in that they are less likely to be investigated but more likely to face a negative outcome plus increased public attention alongside any other FCA requirements.

The timing and format of any enforcement announcements will vary, depending on the circumstances.

9. **Regulator in Cross Hairs**

Whilst the FCA stated in June its commitment to supporting economic growth it also acknowledged the findings of a House of Lords report criticising both the FCAs and PRAs culture of risk aversion. Statements such as "*The burden of compliance in the UK is perceived to be disproportionately high. Firms have told us that they are inundated by information requests.. significant degree of "mission creep..";* *"The regulators do not have a clear understanding of the cumulative burden of regulation..";* *"The FCA does not do enough to distinguish between firms that cater to wholesale and retail markets"* reinforce this.

The report cites inconsistencies in the quality of supervision, with a vast discrepancy between the supervision of the largest institutions and the rest of the sector. Too many regulatory thresholds constituting "cliff edges" may hinder smaller firms' ability to grow (a "sliding scale" might be preferable). The Consumer Duty is widely criticised – for lack of clarity around those to whom it applies, and how to comply, and a lack of pace in removing redundant or duplicative rules

More to follow on this

If you have wish to discuss anything in this document or other matters please do not hesitate to contact us by emailing enquiries@rawlinsreg.co.uk or by telephone 0330 043 4288

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