

Being better informed

FS regulatory bulletin

FS regulatory insights

June 2025

In this month's edition:

- PRA finalises international banks supervisory approach
- HMT confirms BNPL regulation and outlines CCA reform
- FCA proposes more tailored commercial insurance regime
- FCA pushes ahead with stablecoin framework



Executive summary



Welcome to this edition of 'Being better informed', our monthly FS regulatory bulletin, which aims to keep you up to speed with significant developments and their implications across all the financial services."



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May brought a number of significant regulatory developments. For international banks, the PRA confirmed updates to its supervisory requirements and branch reporting. It issued a policy statement broadly confirming the introduction of updates to its Supervisory Statement (SS5/21) as consulted on, with targeted changes and clarifications to reflect industry feedback. The PRA's new supervisory expectations take effect immediately. Firms are expected to complete a self-assessment against the revised PRA booking model expectations to a timeline agreed with their supervisory contact. Changes to branch reporting and the related updated guidance will take effect from 1 March 2026. Please see our [At a glance](#) briefing for more information.

The PRA also opened the first phase of its two-stage review of Pillar 2A capital methodologies and guidance. It consulted on proposals to address the resulting impacts on Pillar 2 stemming from its near-final rules to implement the Basel 3.1 standards. It also aims to enhance guidance and transparency for firms – for example, by clarifying the methodologies the PRA uses to inform the setting of Pillar 2A capital. A second phase will follow, involving a more in-depth review of individual Pillar 2A methodologies. The CP proposes targeted amendments across four risk areas: credit, operational, pension-obligation, and market & counterparty credit risks.

Elsewhere, HM Treasury (HMT) is taking forward reforms to consumer credit regulation. It confirmed plans to bring unregulated buy-now-pay-later products within the FCA's perimeter, taking forward proposals broadly as consulted on. Key aspects include: information disclosure, consumer protections, a temporary permissions regime, and affordability assessments. A consultation from the FCA on the regime is expected shortly, with regulation expected to take effect from mid-2026.

HMT also issued the first of two consultations, setting out proposed reforms to the Consumer Credit Act (CCA), which aim to modernise regulation of the sector and create a modern, flexible regulatory environment overseen by the FCA. The Government plans to repeal much of the CCA and related secondary legislation, with the FCA expected to recast appropriate conduct requirements in its Handbook using a principles and outcomes-based approach. Changes to the CCA will require primary and potentially secondary legislation. Please read our [At a glance](#) briefing for further analysis.

Turning to the FCA, the conduct regulator finalised rules to allow UK fund managers to adopt a joint payment option for investment research and execution services ('re-bundling'), if they wish. The revised rules aim to enhance competition, improve access to research, and maintain investor protection through tailored guardrails, reversing previous unbundling provisions. In an update to the previous draft rules, firms can adopt this at a firm, rather than fund level, if appropriate, which may make it more attractive. However, the FCA has also set a high hurdle that adoption by authorised retail funds will be treated as a significant change, requiring pre-notification to unit holders and FCA approval. Firms wishing to utilise the option will also need to mitigate the risks of reverting to opaque bundled payments.

The FCA also progressed reforms aimed at streamlining its rulebook. This includes proposals to simplify mortgage lending rules, for example by widening the scope of when lenders are permitted to offer customers a remortgage without carrying out an affordability assessment. The regulator also issued a consultation which aims to streamline the insurance rulebook, and provide a more tailored regime for commercial insurance business. It proposes a new definition to be used for determining the contracts and customers that

fall outside of the scope of its conduct rules in ICOBS, PROD and the Consumer Duty, which would mean the rules apply to a smaller number of commercial customers. Our [At a glance](#) publication provides further analysis.

Please read on to find out more about these and other developments. You can also visit our PwC [webpage](#) for further regulatory insights, including our recent [podcast episode](#) on navigating geopolitical risk.

Next month we'll be revamping your regular BBI email, with a greater focus on in-depth analysis of the most significant regulatory developments - we hope you like the new look, and please get in touch if you have any feedback or would like to discuss any of the featured developments.

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Cross sector announcements

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Digital assets

FCA sets out blueprint for UK crypto trading oversight

The FCA [published](#) a discussion paper (DP) on regulating crypto activities on 2 May 2025. The DP sets out the FCA's proposed regulatory framework for cryptoasset trading platforms, intermediaries, lending and borrowing, restructuring the use of credit, staking and decentralised finance (DeFi).

The FCA proposes that cryptoasset trading platforms (CATPs) serving UK clients should be authorised, operate on a non-discretionary basis, and manage conflicts of interest, particularly where they trade on their own account or offer affiliated services. The FCA is consulting on whether to restrict or separate principal trading. Direct retail access would be allowed but subject to clear obligations. A UK legal presence is proposed to support supervision.

Intermediaries such as brokers and dealers would also need to be authorised. The proposed regime would cover conduct, safeguarding, prudential standards and consumer protection, especially for vertically integrated firms.

Crypto lending and borrowing would be brought within the perimeter. The FCA proposes requirements for transparency, asset segregation, and controls on rehypothecation. It is also considering restricting the use of credit for crypto purchases by retail consumers.

For staking, the FCA is seeking views on how to apply regulatory requirements where services resemble existing regulated activities. For DeFi, the focus is on regulating identifiable parties with control or influence.

The DP closes on 13 June 2025 and will be followed by regulatory consultations throughout 2025 and 2026, as per the [FCA's crypto roadmap](#).

FCA sets out proposals for stablecoin issuance and cryptoasset custody

The FCA [published](#) a consultation on the regulation of fiat-backed stablecoin issuance and cryptoasset custody on 28 May 2025.

For stablecoin issuance, the FCA proposes that UK-established firms serving UK retail consumers must be authorised. Issuers would need to assess risks in the stablecoin's design and ensure it is fully backed at all times by high-quality, liquid assets in the same fiat currency. Backing assets must be held with regulated custodians, segregated, and placed in statutory trust. Daily reconciliations would be required, with shortfalls addressed through top-ups, redemptions, or burning. Redemption must be available at par, with funds returned by the next business day and fees limited to operational costs. Issuers must oversee any outsourcing and publish quarterly disclosures. These proposals apply to single-fiat stablecoins. The FCA is seeking feedback on multi-currency models and notes that systemic issuers may face additional Bank of England oversight.

For custody, the FCA proposes that firms must segregate client assets in non-statutory trusts and maintain accurate, independent records. Daily reconciliations and secure private key management would be required. Reused assets would fall outside the trust. Third parties must recognise trust arrangements. Firms would also be subject to disclosure, audit, and reporting requirements. CASS 7 would apply where firms hold client fiat.

The consultation closes on 31 July 2025.

Read our [At a glance](#) publication for more information.

FCA sets out proposals for cryptoasset capital requirements

The FCA [published](#) a consultation on a proposed prudential regime for cryptoasset firms on 28 May 2025. The consultation sets out detailed proposals for a new prudential regime (CRYPTOPRU) for UK-authorised cryptoasset firms.

The regime is intended to align with frameworks like MIFIDPRU while addressing crypto-specific risks. The FCA proposes that firms would need to meet an Own Funds Requirement (OFR) based on the highest of a Permanent Minimum Requirement (PMR), a Fixed Overheads Requirement (FOR), or a K-Factor Requirement (KFR). PMR is proposed at £350,000 for stablecoin issuers and £150,000 for custodians. K-Factors would reflect activity-based risks, such as 2% of average issuance for stablecoins and 0.04% of assets safeguarded by custodians.

Under the proposals, capital must be held in defined proportions: at least 56% in CET1, at least 75% in CET1 and AT1 combined, and up to 100% with all tiers. Firms may meet all requirements with CET1 alone. Liquidity proposals include a Basic Liquid Assets Requirement (BLAR) and, for stablecoin issuers, an additional Issuer Liquid Asset Requirement (ILAR) to cover price volatility in backing assets.

Firms would also need to monitor and manage concentration risk across exposures and counterparties. Further proposals on group-level rules and an ICARA-style process will follow in CP2. The consultation closes on 31 July 2025 and will be followed by further consultations throughout 2025 and 2026, as per the [FCA's crypto roadmap](#).

Read our [At a glance](#) publication for more information.

Market infrastructure

BoE emphasises CCP financial resilience

The Bank of England's (BoE) Deputy Governor for Financial Stability, Sarah Breeden, delivered a [keynote](#) address on 14 May 2025, setting out the BoE's view on strengthening resilience of central counterparties (CCPs), and ensuring market practices do not lead to excessive pro-cyclicality or facilitate excessive leverage in the system.

Breeden emphasised the importance of adopting a system-wide approach to regulation to ensure the actions of CCPs do not amplify shocks in times of stress. In particular, Breeden highlighted the potential for CCP margin practices to contribute to macroprudential financial stability risk by increasing liquidity demand in times of stress, leading to a procyclical response. Breeden noted the BoE's contribution to the [BCBS-CPMI-IOSCO review](#) on margining practices and confirmed the Bank will begin work this year to implement the recommendations in the UK.

Breeden also recognised that the preparedness of market participants is critical. Through the FSB, Breeden confirmed that final recommendations on its NBFI leverage work are currently being prepared. The Bank also plans to issue a Discussion Paper later in 2025 on reforms to market structure to enhance gilt repo market resilience. Finally, Breeden identified risks associated with portfolio margining, emphasising that market participants and CCPs need to apply conservative assumptions about correlation breaks to prepare for scenarios where relationships between correlated products become less predictable or unreliable.

Reporting

FCA proposes enhancements to complaints reporting

The FCA published a Consultation Paper ([CP25/13](#)) on 22 May 2025, proposing updates aimed at streamlining and improving the quality of complaints reporting by regulated firms. The FCA proposes to:

- Consolidate five existing returns into one.
- Require firms to report at an individual rather than group level.
- Update complaint categorisation (including by aligning to Consumer Duty and vulnerable customer requirements), and clarify reporting guidelines, to improve consistency and accuracy of information.
- Require firms to report the new singular return on a six-monthly cycle, which will require some firms to move to this from annual reporting.

While the regulator anticipates the changes will result in efficiencies for firms, they will bring implementation costs. The consultation closes on 24 July 2025. The FCA plans to publish a policy statement later in 2025 and provide firms with a year's implementation period.

Sustainability

ESMA consults on new standards for ESG rating providers

The European Securities and Markets Authority (ESMA) published a [consultation paper](#) on 2 May 2025 setting out draft technical standards (RTS) under [the ESG Rating Regulation](#), which entered into force on 27 November 2024. ESMA is responsible for providing draft RTS to the European Commission (EC) on authorisation, recognition, separation of activities and disclosures by 2 October 2025.

This consultation outlines requirements for ESG rating providers operating in the EU while also considering the need for proportionality and the objective of simplification and burden reduction. Key proposals include requirements for:

- Authorisations i.e. requirements for authorisation and recognition for both EU and non-EU entities
- Organisational conduct i.e. conduct of business rules to mitigate risks of conflicts of interest where providers carry out additional activities beyond ESG ratings, including organisational requirements for all ESG providers and specific technical and control measures that apply to certain specified activities
- Transparency obligations i.e. requirements to ensure the required information is disclosed as comparably and consistently as possible.

The consultation closes on 21 July 2025. ESMA will issue a final report in Q4 2025 and submit the draft RTS to the EC by the end of October 2025 (at the latest). ESG rating providers active in the EU as of 27 November 2024 must notify ESMA by 2 August 2026 - or by 2 November 2026 if classified as small providers - to continue operating and seek authorisation or recognition.

TNFD releases guide for board directors

The Taskforce on Nature-related Financial Disclosures (TNFD) released its [guide](#) on 6 May 2025, aimed at helping senior executives integrate key nature-related dependencies, impacts, risk and opportunities into their decision-making.

The guide provides a structured set of 12 questions that Boards can use to assess how nature-related risks and opportunities are being managed across governance, strategy, risk, and capital allocation. Questions are grouped across five themes:

1. Understanding nature's relevance to the business (four questions).
2. Integrating nature into decision-making (three questions).
3. Understanding the external context, including regulatory developments (two questions).
4. Understanding the level of competence in the firm on nature-related issues (two questions).
5. Board reflections (one question).

This guide is the first in a series. Guides targeting other audiences will be published over the next 12 months.

Commission issues call for evidence to support SFDR impact assessment

The European Commission (EC) launched [a call for evidence \(CfE\)](#) on 14 May 2025 to support the preparation of an impact assessment on potential revisions to the Sustainable Finance Disclosure Regulation (SFDR). The EC aims to address undue burdens on firms and to simplify and streamline the requirements. The CfE invites stakeholders to provide views on the EC's understanding of the current challenges and potential reform options, as well as to submit relevant evidence on the likely impacts of those options. The reform options are:

1. Improving the existing disclosure regime; or
2. Establishing a new system of product categorisation and labelling.

This CfE follows an assessment process that began in December 2022. The EC says feedback suggests the SFDR has increased transparency and provided more detailed ESG information to investors, but that implementation challenges have reduced the effectiveness of the SFDR.

A revised SFDR would aim to simplify requirements and therefore improve clarity, remove inconsistencies and address data availability issues.

The consultation closed on 30 May 2025. A formal initiative to revise SFDR is expected in Q4 2025, reflecting the Commission's objective to simplify sustainability reporting and reduce the regulatory burden for companies.

EC newsletter highlights new milestones for ESRS, EU Taxonomy

The European Commission (EC) published a [sustainable finance newsletter](#) on 21 May 2025, offering a consolidated update on the EU's ESG regulatory agenda. The newsletter provides a high-level summary of the main ongoing workstreams and their planned timelines, including the Omnibus proposals, the EU Taxonomy, and the Sustainable Finance Disclosure Regulation (SFDR). In particular, the newsletter offers new detail on the European Sustainability Reporting Standards (ESRS) and revised timings for the EU Taxonomy:

- ESRS: While EFRAG is expected to submit draft revised ESRS by 31 October 2025, the EC intends to introduce a 'quick-fix' delegated act in the interim aimed at ensuring that companies preparing reports for FY24 are not subject to additional disclosure requirements in FY25 and FY26.
- EU Taxonomy: A delegated act will be adopted in June 2025, following the February 2025 consultation accompanying the Omnibus package. The EC also plans a consultation in early 2026 as part of its broader review of the technical screening criteria, with a revised delegated act targeted for adoption in Q2 2026. Changes would apply from 2027 (for FY26 reporting), with voluntary early adoption possible in 2026 (for FY25). Additional activities are

expected to be added to the EU Taxonomy, with timing to be confirmed.

Wholesale markets

HMT establishes PISCES legal framework

HMT laid [legislation](#) on 15 May 2025 establishing the legal framework for the Private Intermittent Securities and Capital Exchange System Sandbox (PISCES).

The Government also confirms that it will legislate to allow relevant contracts to be amended to ensure employees retain tax advantages on share options that are traded on PISCES. It was previously confirmed in the autumn Budget that PISCES transactions will also be exempt from Stamp Taxes on shares.

PISCES will be a new form of regulated trading venue for periodic trading of private company shares. The regulatory framework will be developed via a Sandbox, for which the FCA will publish its final rules shortly after the legislation comes into force on 5 June 2025. Market participants wishing to operate PISCES trading events can then apply to the FCA, with a view to the first trading events taking place later in 2025.

Banking and capital markets

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Capital

PRA proposes Pillar 2A capital methodology changes

The PRA published [CP12/25](#) on 22 May 2025, outlining proposed updates to Pillar 2A capital methodologies. The consultation sets out Phase 1 of the PRA's proposals to address consequential impacts of the near-final PRA rules that would implement the Basel 3.1 standards, as well as improve the transparency, clarity and proportionality of the broader Pillar 2A capital framework. The proposed changes include:

- Credit risk: Removal of benchmarking methodology (including the internal ratings-based (IRB) benchmarks), and the introduction of two systematic methodologies for exposures to central governments or central banks (CG/CB) and regional government and local authorities (RG/LA). The CP also proposes to introduce expectations on the use of credit scenarios in the Internal Capital Adequacy Assessment Process (ICAAP).
- Operational risk: Introduction of expectations on scenario analysis in firms' ICAAP operational risk scenario analysis and clarifications to the PRA's approach to setting Pillar 2A operational risk capital requirements.
- Pension obligation risk: Removal of PRA-prescribed stress scenarios and exemption of fully bought-in or sufficiently well-funded schemes from the Pillar 2A pension risk assessment.

- Market risk and counterparty credit risk: Further clarity on existing methodologies used for setting Pillar 2A capital requirements for these risks.

The consultation closes on 5 September 2025. Pension obligation risk and market risk and counterparty credit risk changes would apply from 2 March 2026, and firms would be able to apply the proposals in ICAAP submission from this date onwards. Implementation of the remaining proposals will be aligned to the date of the PRA's implementation of Basel 3.1 standards.

Read our [At a glance](#) publication for more information.

Consumer credit

HMT confirms BNPL regulation

HM Treasury (HMT) confirmed plans to bring unregulated buy-now-pay-later (BNPL) products within the FCA's perimeter, in a [consultation response](#) on 19 May 2025. It also published the [draft Statutory Instrument](#) which will bring the regime into force. HMT is taking forward proposals broadly as consulted on in its October 2024 [consultation paper](#). Key aspects include: information disclosure, consumer protections, a temporary permissions regime, and affordability assessments.

The term BNPL refers to a type of credit which is currently exempt from consumer credit regulation under article 60F(2) of the Financial Services and Markets Act 2000; interest-free instalment credit which allows borrowers to split the cost of purchases into regular repayments within a 12-month period and in 12 or fewer instalments.

HMT intends to bring these products, where offered by a third-party lender, into the FCA's remit. Agreements provided directly by merchants (i.e. the provider of goods and services that the agreement finances) will remain exempt from regulation.

Once the SI is made, the FCA will have 12 months to consult on and finalise rules for BNPL lending, with regulation expected from mid-2026. A consultation from the FCA on the proposed rules will be published shortly.

Our [At a glance](#) publication provides more detail.

HMT kicks off CCA reform

HMT issued the [first of two consultations](#) on 19 May 2025, setting out proposed reforms to the Consumer Credit Act (CCA), which aim to modernise regulation of the sector and create a more flexible regulatory environment overseen by the FCA. The first consultation outlines the Government's overall vision for reform, as well as its approach to information requirements, sanctions and criminal offences. A further consultation will follow on the scope of regulation and rights and protections under the CCA.

The Government plans to repeal much of the CCA and related secondary legislation, with the FCA expected to recast appropriate conduct requirements in its Handbook using a principles and outcomes-based approach. Provisions that create third-party rights and cannot be replicated in FCA rules are expected to remain in legislation.

The consultation closes on 21 July 2025. Changes to the CCA will require primary and potentially secondary legislation, as well as a detailed rulemaking process by the FCA, and appropriate transitional periods.

Mortgages

FCA proposes simplified mortgage rules

The FCA launched a [consultation](#) on 7 May 2025, proposing reforms to simplify mortgage lending rules. The aim is to make it easier for consumers to make changes to their mortgage, in line with the Government's drive to boost economic growth, with a further consultation on additional reforms expected in June 2025. The FCA proposes:

- Removing the prohibition on execution-only sales where there is 'interactive dialogue' with a customer - allowing firms more freedom to interact with customers during execution-only sales.
- Removing the requirement for a full affordability assessment when reducing the term of a mortgage.
- Widening the scope of when it is permissible for lenders to offer customers a remortgage without carrying out an affordability assessment.
- Retiring two pieces of guidance which the FCA believes have fulfilled their purpose: FG13/7 (dealing fairly with interest-only borrowers who risk being unable to repay their loan) and FG24/2 (supporting borrowers impacted by rising living costs).

In a [speech](#) published alongside the consultation, Emad Aladhal, FCA Director of Retail Banking, emphasised that the proposals aim to respond to evolving consumer needs such as later life lending. He challenged lenders to develop innovative approaches.

Stakeholders are invited to provide feedback on the consultation by 4 June 2025, and the FCA plans to issue a policy statement in Q3 2025.

Supervision

PRA finalises international banks supervision and booking model approach

The PRA published a policy statement ([PS6/25](#)) on 20 May 2025, confirming updates to its supervisory requirements and branch reporting for international banks. PS6/25 broadly confirms the introduction of updates to its Supervisory Statement (SS5/21) as consulted, with targeted changes and clarifications made to reflect industry feedback. These include:

- increasing two indicative branch risk appetite thresholds by 30%; to £130m and £650m
- amending the definition of certain thresholds to no longer include references to transactional deposits, and reporting data to no longer require transactional breakdown
- clarifying the scope of application of booking model expectations and modifying booking responsibility language
- providing flexibility and clarifications on liquidity reporting.

The PRA's new supervisory expectations take effect immediately. Firms are expected to complete a self-assessment against the revised PRA booking model expectations to a timeline agreed with their supervisory contact. Changes to branch reporting and the related updated guidance will take effect from 1 March 2026.

Read our [At a glance](#) for more information.

Asset management

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Research

Investment firms benefit from additional payment option for research

The FCA finalised rules in [PS25/4](#) to give UK fund managers the option to adopt a joint payment option for investment research and execution services ('re-bundling'). The revised rules aim to enhance competition, improve access to research, and maintain investor protection through tailored guardrails, reversing previous unbundling provisions.

The final rules allow firms to adopt this at a firm, rather than fund level, if appropriate, although it will be treated as a significant change, requiring pre-notification to unitholders and FCA approval.

Firms wishing to utilise the option will need to mitigate the risks of reverting to opaque bundled payments by meeting the FCA's requirements including:

- Written policies covering governance and controls for joint payments.
- Budget setting at fund or aggregated strategy level.
- Clear cost allocation and periodic value assessment.
- Enhanced disclosures for authorised funds, including proportionate increases in research spending.

The rules took effect on 9 May 2025.

Supervision

FCA reviews business models of smaller asset managers

On 8 May 2025, the FCA published [findings](#) from a review of smaller asset managers and alternatives firms' business models, identifying governance, risk management and operational resilience shortcomings.

The review focused on firms managing up to £1bn AUM, covering both traditional asset managers and those in the alternatives space, as flagged in its now historic 2022 portfolio letter.

The review assessed business models, governance arrangements, risk management, conflicts of interest, liquidity management and operational resilience. While some firms demonstrated strong alignment of business strategy with consumer interests and effective governance structures, the FCA found several examples of weaknesses. These included insufficient board oversight, lack of independent challenge, poorly embedded risk and compliance functions, and weak liquidity stress testing practices. The FCA expressed concern about firms operating with 'thin' governance models that risk undermining accountability and strategic planning, particularly in a market environment where cost pressures and margin erosion are prompting rapid changes in business models.

Additionally, the regulator noted that some firms inadequately managed conflicts of interest, particularly in the context of affiliated service providers, and had limited understanding of their operational dependencies on third parties. The FCA reiterated its expectations that all firms, regardless of size, must meet the Threshold Conditions and ensure sound governance and oversight. Firms should review their practices against the FCA's findings and be prepared for follow-up supervisory engagement. The FCA notes that some of the review findings may also apply to larger firms in the sector.

Insurance

In this section:

Conduct

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Conduct

FCA proposes more tailored commercial insurance regime

The FCA published [Consultation Paper CP25/12](#) on 14 May 2025, proposing reforms to streamline the insurance rulebook, and provide a more tailored regime for commercial insurance. The regulator is consulting on proposals from its July 2024 Discussion Paper ([DP24/1](#)). This includes a new definition for determining the contracts and customers that fall outside the scope of conduct rules in ICOBS, PROD and the Consumer Duty. The distinction between SMEs and larger commercial customers is currently made using the term 'contracts of large risks', based on thresholds of turnover, balance sheet size and employee numbers. In addition, some products are always classed as large risks.

The FCA proposes a new definition ('contracts of commercial or other risks'), based on lower thresholds, aligned to the definition of 'eligible complainant' in the Dispute Resolution rules. The definition will maintain the product-specific provisions from the current definition. The change means the conduct rules would apply to a smaller number of commercial customers.

The regulator also proposes giving co-manufacturing firms the option to appoint one lead insurer (or managing agent) to comply with its rules, in instances where more than one party is involved in designing an insurance product. In addition, the FCA suggests removing the requirement in for firms to review the value of their non-investment insurance products at least every 12 months. Instead, firms would be required to determine the appropriate frequency of reviews.

The FCA sets out additional areas of discussion, including plans to further limit the scope of its rules outside the UK. These would require an additional consultation before being taken forward.

Read our [At a glance](#) for more information.

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