

Being better informed

FS regulatory bulletin

FS regulatory insights

March 2025

In this month's edition:

- FCA sets out asset management supervisory priorities
- UK T+1 Code of Conduct sets expectations for market participants
- EC publishes first set of sustainability Omnibus proposals
- FCA sets priorities for payments firms



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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The regulators continue to focus on the management of emerging risks, with several notable speeches in this area. In the first, Bank of England (BoE) Governor Andrew Bailey outlined the BoE's view of recent trends and shifts in financial market activity and the approaches it may consider to address resulting vulnerabilities. Bailey highlighted the increase in market-based finance - including the rise of multi-manager hedge funds, systematic trading strategies based on statistical models, and non-bank market makers (e.g. principal trading firms) - and the resulting shifts in leverage, pricing power, speed of trading and liquidity provision in the market.

Bailey recognised the potential for a new set of financial stability vulnerabilities to arise from these market shifts, and the role of regulators in managing these. He noted that the BoE's System-Wide Exploratory Scenario and intervention tools such as the Contingent Non-Bank Financial Institution Repo Facility may be effective in identifying and dealing with these vulnerabilities.

Elsewhere, Sarah Pritchard, FCA Executive Director, delivered a speech on the growing scale and importance of non-bank financial intermediation (NBFIs). She highlighted where its use could cause vulnerabilities, such as in cases of poor risk management, concentrated or crowded leverage, and when NBFIs are highly interconnected with the banking sector. The FCA believes that targeted improvements to public and private disclosure can help mitigate the build-up of systemic risk by enabling access to data about the markets and risks firms are exposed to. Pritchard also highlighted the critical role of firms' counterparty credit risk management in managing systemic risk. Pritchard reiterated that industry has an important role to play in developing an appropriate framework that balances the interests of leverage users and providers to improve data availability. She also highlighted that fund managers covered by the Alternative Investment Fund Managers Directive will be an area of focus going forwards, noting potential for targeted changes to the FCA's data collection to support its oversight of leverage use.

Asset management firms should also carefully review the FCA's latest Portfolio letter for asset managers and alternatives. The regulator is focusing on specific supervisory priorities, which firms and Boards must engage with.

Key areas of focus are Private Markets (PMs), with the imminent results of its multi-firm review on PM valuation practices, and a new multi-firm thematic review on conflicts of interest in PMs, looking at governance and the roles of the three lines of defence. Resilience, the recent Bank of England/FCA System Wide Exploratory Scenario findings, and the potential impact of non-bank financial institutions are also highlighted. The FCA also looks to Consumer Duty, in the context of ongoing work on value across the value chain for unit-linked funds, where results are due later this year, and on a new area of managed portfolio services, where a new multi-firm review was announced. Please see our [At a glance](#) publication for more information.

Authorities in the UK and EU continue to progress T+1 settlement reform. The UK Accelerated Settlement Taskforce Technical Group published its final report and set of recommendations for transitioning to T+1 in the UK - you can find more details on this in our [At a glance](#) publication. HM Treasury subsequently accepted the recommendations, and confirmed the UK will move to T+1 on 11 October 2027. The Bank of England and FCA also published speeches on T+1, highlighting their expectations of firms to begin their readiness programmes and testing.

The European Commission, meanwhile, published a legislative proposal to shorten the EU's securities settlement cycle from T+2 to T+1. The proposal will update the Central Securities Depositories Regulation (CSDR), which currently sets the T+2 requirement, while keeping the scope the same. As expected, the change will come into effect on 11 October 2027, in alignment with UK and Swiss markets.

Staying with the EU, the European Commission (EC) launched the first in a series of Omnibus proposals that cover the CSRD, the Corporate Sustainability Due Diligence Directive, the EU Taxonomy, the Carbon Border Adjustment Mechanism Regulation, and the InvestEU Regulation. The proposals aim to simplify sustainability reporting regulation as part of the plan to strengthen competitiveness and boost growth in the EU. The Omnibus package includes a wide range of proposals which would affect EU and non-EU companies. For example, the package proposes reducing the scope of the CSRD by about 80%, and reducing the number of companies required to report alignment against the EU Taxonomy. 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 latest [podcast episode](#) on the future of financial services. Miles Celic, CEO of TheCityUK, and Darren Ketteringham, PwC UK's Financial Services Leader, join the podcast to reflect on the themes of the [Vision 2025 report](#), published by TheCityUK and PwC in 2017, which set out a roadmap for a highly digitised, innovative and customer-centric industry by 2025. Our guests discuss progress made since the report's publication, and the actions needed to prepare the industry for the transformative changes ahead, including technological and workforce transformation, the transition to net zero, and shifting customer demands.

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Conduct

FCA highlights continued focus on culture

FCA Chief Operating Officer Emily Shepperd [spoke](#) on the importance of culture in driving conduct and decision making, on 4 February 2025. Shepperd explained that culture will continue to be a regulatory concern, and stressed that the greater degree of risk-taking required for long-term growth requires a foundation of healthy firm cultures. She said that strong, inclusive cultures where diverse perspectives support better decision-making mean that when risks are taken, they are thoughtful and calculated.

Growth

FCA CEO details 'bold' action to deliver growth

FCA Chief Executive, Nikhil Rath, delivered a [speech](#) at an Association of British Insurers roundtable event on 27 February 2025, detailing the regulator's approach to taking 'bold' action to support the Government's growth agenda. Rath also confirmed that from 27 February 2025, firms have the flexibility to decide whether to keep their Consumer Duty Board champion. Rath highlighted recent steps the FCA has taken to reduce the burden of 'unnecessary' regulation - including through advancing [the proposals](#) it made to the Prime Minister, its [wholesale insurance Discussion Paper](#) (DP), and [Call for Input](#) on simplifying the Handbook in light of the Consumer Duty. Rath noted the FCA expects to 'go further' in its consultation on wholesale insurance, due soon, than the proposals in the DP, including exploring the frequency of assessing fair value and prescription around continuous professional development.

Rath recognised the impact that major claims and redress events (e.g. on motor finance) can have on confidence, and stated that the FCA does not expect further such mass redress events, with its focus placed on its ongoing review of the redress framework. Rath acknowledged industry feedback on the pace of regulatory change, and noted that the FCA is aiming for fewer large scale changes in its next five-year strategy, with more details on this to be set out in March 2025.

Market infrastructure

Accelerated Settlement Taskforce progresses T+1

The UK Accelerated Settlement Taskforce Technical Group (AST) published its [final report and set of recommendations](#) for transitioning to T+1 in the UK on 6 February 2025. The report includes a UK T+1 Code of Conduct (UK-TCC) containing the scope of instruments that will be subject to T+1 settlement, a timetable of recommended actions, and a series of expected behaviours by market participants. The UK-TCC sets out 12 critical actions that must be implemented by all market participants, as well as 26 highly recommended actions.

Following publication of the AST's report, HM Treasury [accepted](#) its recommendations and [confirmed](#) that the UK will move to T+1 on 11 October 2027. This date is intended to provide alignment with EU and Swiss markets.

The AST's report identifies actions firms should take in 2025, 2026 and 2027 to prepare for T+1.

During that time, the AST will continue to monitor and oversee market developments, amending the UK-TCC if needed, and consider testing approaches and arrangements. It will develop and publish a Playbook by the end of June 2026 for market participants to use as they prepare for T+1.

The [Bank of England](#) and [FCA](#) also signalled their support for T+1 through speeches in which they highlighted their expectations of firms to prepare early for T+1 - including securing budgets for implementation programmes in 2025, and starting their readiness programmes and testing. The FCA has also created a dedicated [T+1 webpage](#) for regulated firms to access information. The FCA said it may engage with firms, directly or via trade associations, to understand their preparedness in the run up to the transition date.

Please read our [At a glance](#) summary of the AST's report for more information.

Risk management

FCA discusses NBFI leverage risks

Sarah Pritchard, FCA Executive Director, delivered a [speech](#) on 25 February 2025 setting out the FCA's views on non-bank financial intermediation (NBFI) leverage. Pritchard noted the growing scale and importance of non-bank finance and highlighted where its use could cause potential vulnerabilities, such as in cases of poor risk management, concentrated or crowded leverage, and when NBFIs are highly interconnected with the banking sector.

To address these risks, the FCA believes that targeted improvements to public and private disclosure can help mitigate the build-up of systemic risk by enabling access to data about the markets and risks firms are exposed to. Pritchard highlighted the critical role of firms' counterparty credit risk management in managing systemic risk, citing risk management failings in amplifying recent stress events. Pritchard reiterated that the industry has an important role to play in developing an appropriate framework that

balances the interests of leverage users and providers to improve data availability.

Pritchard noted the FCA uses a suite of metrics to understand the risks related to NBFI leverage, but recognised the challenges in the levers it can pull to mitigate risk and constrain leverage in the market. Pritchard highlighted that fund managers covered by the Alternative Investment Fund Managers Directive will be an area of focus going forwards, noting potential for targeted changes to the FCA's data collection to support its oversight of leverage use. Pritchard also spotlighted the FCA's central role in developing [FSB proposals](#) to address risks from NBFI leverage, encouraging further industry input into its ongoing consultation.

Sustainability

European Commission publishes 'Omnibus' proposals

The European Commission (EC) published on 26 February 2025 [a series of 'Omnibus proposals'](#) that aim to simplify sustainability reporting regulation as part of the plan to strengthen competitiveness and boost growth in the EU. The EC also published [the Clean Industrial Deal](#) which highlights its strategy to boost Europe's industrial competitiveness while advancing decarbonisation. These are far-reaching proposals which limit the scope and simplify the substance of the legislation, while also proposing to delay the application for CSRD and CSDDD.

Included in the package are two omnibus legislative proposals ([1](#) and [2](#)), [Q&A](#) on the proposals, and staff working documents for Omnibus [1](#) and [2](#). The Omnibus includes legislative proposals to amend:

- the [content of the CSRD and the CSDDD](#) for certain sustainability reporting and due diligence requirements (i.e. the 'content' proposals).
- the [application dates for certain aspects of the CSRD and the CSDDD](#) (i.e. the 'stop the clock' proposal).

- the [CBAM Regulation](#).
- the [InvestEU Regulation](#).

The EC also issued a [draft Delegated Act](#) for a four-week consultation (ending on 26 March 2025), proposing changes to the Disclosures, Climate, and Environmental Delegated Acts under the EU Taxonomy. For example:

- limiting the scope of companies required to disclose against the EU Taxonomy.
- introducing the option for 'in scope companies to report on 'partial alignment' for activities (e.g. to foster transition finance).
- introducing a 10% materiality threshold for requiring firms to assess activities' compliance with technical screening criteria.
- simplifying disclosure templates /reducing the number of reported data points.

Please see PwC's [In brief](#) for further detail on the content of the Omnibus proposals, and our [At a glance](#) publication for more analysis of the impact.

2025 FRC UK Stewardship Code Signatories announced

The Financial Reporting Council (FRC) published on 11 February 2025 [the list of 297 successful signatories](#) to the UK Stewardship Code, representing £52.3 trillion assets under management. Signatories' 2025 reports should be against the 2020 Code and may take up the FRC's (voluntary) [interim changes to reporting](#) that allow for more proportionate reporting. The FRC's consultation on Stewardship Code updates closed 19 February 2025. Please see PwC's [At a glance](#) for more information.

FRC publishes final report on UK sustainability assurance market

The Financial Reporting Council (FRC) published on 5 February 2025 [the final report](#) from its 2024 market study into assurance of

sustainability reporting in the UK. The study found that the UK's market for the assurance of sustainability reporting is functioning well. The report notes a growing preference amongst the largest companies to use the Big Four audit firms (including PwC) to carry out sustainability assurance. However, the FRC also noted some concerns over quality consistency given growing demand alongside an established regulatory framework. In addition, it highlighted that the immaturity of the UK sustainability assurance market, and lack of clarity on the UK's regulatory position, could hinder investment, planning and capacity development.

The FRC sets out three remedies to support a well-functioning sustainability assurance market in the UK:

- the timely development of a policy framework for sustainability assurance.
- the creation of a holistic regulatory regime for sustainability assurance.
- addressing the information gap - i.e. better information on the quality of sustainability assurance.

The FRC will continue to provide technical expertise to the Government as it considers the UK's policy position regarding sustainability assurance.

Wholesale markets

FCA confirms final rules for UK commodity derivatives framework

The FCA published [PS 25/1, confirming final rules for a revised commodity derivatives framework](#) in the UK, on 5 February 2025.

The policy statement covers the requirements on position limits, exemptions from those limits, position management controls, the position reporting regime and the ancillary activities test. The FCA's rules place greater emphasis on trading venues to oversee the commodity derivatives regime and attempt to reduce the burden on firms by applying the position limit requirements to a narrower set of contracts.

The main changes from the FCA's earlier proposals, as consulted on, are to the obligation on trading venues to require members to report on OTC positions held by them and their clients, including on overseas venues. The FCA has provided trading venues with greater discretion to determine when such reporting is necessary.

The FCA also confirms that the existing MiFID ancillary activities exemption will remain in place until a permanent solution to simplifying the associated tests can be developed alongside the Treasury.

Trading venues will need to develop their frameworks for compliance with the rules by July 2025. The new rules will then come into effect in July 2026.

Banking and capital markets

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Supervision

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Supervision

FCA sets priorities for payments firms

The FCA issued a [Dear CEO letter](#) on 3 February 2025, outlining key priorities for payments portfolio firms. The FCA emphasises three primary outcomes: effective competition and innovation; financial system integrity; and safeguarding customer funds.

Firms should develop products and services which align with customers' needs, characteristics, and objectives. The FCA supports innovation through its Innovation Hub and Early and High Growth Oversight function, encouraging firms to engage in Tech and Policy Sprints. The implementation of the Consumer Duty is highlighted as essential, with firms expected to have fully integrated its requirements into their operations.

On financial system integrity, the FCA says firms must uphold robust financial crime controls, including effective anti-money laundering (AML) measures. The FCA has previously identified common control failings in AML frameworks and expects firms to address these issues proactively. Additionally, firms should ensure compliance with sanctions systems and controls, as outlined in the FCA's key findings.

The FCA remains concerned about the adequacy of firms' safeguarding arrangements. Common failings include a lack of documented processes for identifying which funds are 'relevant' and must be safeguarded. Firms are expected to have robust systems in place to protect customer funds, ensuring their prompt return in the event of insolvency.

The FCA underscores the importance of high standards to instil trust and confidence, which are essential for innovation, competition, growth and the UK's international competitiveness. Firms are urged to review their practices in line with these priorities, and take appropriate action to mitigate risks to consumers and the financial system.

Asset management

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Advice

FCA shares outcomes of ongoing advice thematic review

The FCA set out [findings](#) from its review of ongoing advice services on 24 February 2025, after seeking data from 22 large advice firms last year. Firms may only levy ongoing charges for an ongoing service, such as suitability reviews. The FCA found that in fewer than 2% of cases, firms had not attempted a review, and as such the FCA does not view this as a systemic issue.

The FCA published examples of good and poor practice on its website, which firms should review. If a firm feels it is unable to provide evidence that it has delivered all the required services, it should conduct a review as far back as 2018.

Conduct

FCA supervisory priorities for alternatives and asset managers

The FCA published its latest [Portfolio letter](#) for asset managers and alternatives firms on 26 February 2025. The FCA is focusing on specific supervisory priorities, which firms and Boards must engage with. These include:

- Private markets (PMs), where the FCA will shortly release the results of its multi-firm review on PM valuation practices. It also announced a new multi-firm thematic review on conflicts of interest in PMs, looking at governance and the roles of the three lines of defence.

- Resilience, and the recent Bank of England/FCA System wide exploratory scenario findings, where the FCA highlights prudent risk management, liquidity management and operational resilience, and oversight of outsourcing to third parties, plus margin preparedness and collateral management practices.
- Consumer Duty, in the context of its ongoing work on value across the value chain for unit-linked funds where results are due later this year, and on a new area of Model Portfolio Services, where a new multi-firm review is announced.

In addition, the regulator announced targeted work in sustainable finance - assessing firms and identifying outliers in the implementation of the labelling, naming and marketing rules. The FCA also notes that PM activity may require commensurate risk management to tackle financial crime risks related to complex ownership structures, and the importance of MAR obligations.

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

Sustainability

FCA delays final rules for SDR extension to portfolio management

The FCA previously consulted from April-June 2024 on extending the Sustainability Disclosure Requirements (SDR) and investment labels regime to portfolio management. On 14 February 2025, the FCA updated [its website](#) to announce that it no longer intends to publish a Policy Statement in Q2 2025, citing the need to ensure this extension is practical for firms and supports the sector's growth. No new timeline is given for the final rules.

Insurance



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Please refer to the Cross-sector announcements section on p. 4 for developments that may be relevant to Insurance

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