



**THE  
GLOBAL  
CITY**

**A&O SHEARMAN**

# Regulating for growth: **A cultural shift for a competitive UK**





# Foreword

**The United Kingdom’s overriding priority is to achieve stronger, sustainable growth that improves people’s lives and ensures we can compete in an ever-changing world.**

The City Corporation’s 2024 ‘Vision for Economic Growth’ sets out how the United Kingdom’s thriving financial services sector can be at the vanguard of this mission: boosting jobs, encouraging investment and stimulating growth in the wider economy. This includes attracting overseas firms to the United Kingdom, exporting financial services and expertise around the world and channelling capital from savers to investment opportunities across the United Kingdom.

The regulatory system has the power to enable — or discourage — this financial services activity, and therefore jobs, investment and economic growth. Proportionate regulation enables competitive markets, but too much regulation has a stifling effect. The passing of the Financial Services and Markets Act 2023 was a watershed moment. For the first time, it gave the regulators license to consider the impact of regulation on growth via the secondary objective on international competitiveness and growth.

Since the Act was passed there has been a healthy debate on how regulators can encourage growth whilst fulfilling their primary objectives of protecting consumers and preserving financial stability. At the heart of this is our collective appetite for risk.

Historically, incentives on politicians and regulators to avoid criticism when failures happen has encouraged excessive risk aversion in the system. The Chancellor Rachel Reeves has been clear that we need to leave this approach behind and “enable and support more responsible and informed risk taking across the economy”. The FCA has responded by committing to rebalance risk in its new five-year strategy. At the 2024 City Dinner, the Financial Conduct Authority’s CEO Nikhil Rathi said that “the secondary growth objective is liberating” and “we are now having a much-needed, more candid conversation about our collective risk appetite”.

We at the City of London Corporation also believe that we need to regulate for growth, not just against risk, with our work guided by this year’s mayoral theme, Growth Unleashed, which seeks to drive growth by reigniting the City’s dormant animal spirits and championing innovation.

This report takes the debate on risk and growth from an abstract plane to practical recommendations that will help change mindset and ensure our regulatory system unabashedly prioritises growth.

It takes a system wide approach as different parts of the regulatory ecosystem impact each other. For example, action by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) to build a predictable regulatory system can be undermined if firms still have to manage unpredictable decisions from the Financial Ombudsman Service (FOS) and are subject to shocks on mass redress.

The report acknowledges the significant steps that the regulators have already taken and seeks to build on them with new proposals. In particular, it proposes that the regulators more clearly articulate, via discussions with HM Treasury, the balance between growth and risk appetite, sparking a mature public conversation about the correct implementation of the secondary competitiveness and growth objective. It also acknowledges recent calls from the regulators for greater clarity around appropriate risk appetite and, while the report does not offer a complete solution, it sets out recommendations and a series of proposed regulatory principles which may help progress thinking on how to calibrate risk.

We would like to thank the senior practitioner group for developing these ideas based on their extensive cross-sector experience. The group really grappled with the topic and we are confident that members of the group will want to remain engaged on this issue going forward. Particular thanks are due to AO Shearman for pulling them into a compact and cohesive report with an interlocking set of recommendations.

We thank the government and regulators for prompting this debate and the work they have already done to stimulate growth. We also acknowledge that the onus for change does not just lie with regulators: firms, government and Parliament all have a role to play. But let there be no doubt: we must go further and faster to reignite our appetite for risk and support growth.



**The Rt Hon the Lord Mayor,  
Alastair King**



**Policy Chairman of the City of  
London Corporation, Chris Hayward**

***“This report takes the debate on risk and growth from an abstract plane to practical recommendations that will help change mindsets and ensure our regulatory system unabashedly prioritises growth.”***

# Overview

Nearly two years after the secondary competitiveness and growth objective (SCGO) became legally binding, HM Treasury and the UK financial services regulators have taken positive steps towards embedding it within the regulatory system.<sup>1</sup> These efforts are welcomed by industry. However, global competition is fierce; there is an urgent need to double down on the work already done to ensure the UK retains its competitive advantage as a leading financial services centre. This report offers suggestions from the perspective of firms, as part of an ongoing, open dialogue with the government and the UK regulators to build on the work that has already been done. It includes recommendations for actors across the financial services ecosystem to help drive a broader and deeper cultural shift towards competitiveness and growth, further enhancing the UK's competitive position globally. It also proposes a series of illustrative regulatory principles to contribute to the debate on how the government and regulators may determine the appropriate level of risk to be permitted in the pursuit of growth.

“Growth” means the UK's economic growth, including the growth of the financial services sector. It is measured by Gross Domestic Product (GDP), GDP per capita, trading, investment and the number of jobs in the economy, for example. “Competitiveness” is how the UK compares with other countries as a destination of choice for doing business, including financial services business. Relevant metrics include the stock and flow of international lending, securities issuance, insurance underwriting and assets under management.

Regulators operate in a challenging macro-economic environment.<sup>2</sup> Financial services regulation is only one of several levers which must work together to drive change. Government and firms are also responsible for driving competitiveness and growth in the financial services sector: the government, through industrial strategy and fiscal, monetary and trade policies, including the appropriate use of tax incentives; industry, through continuing to innovate and serve customers with new products and services within the parameters of regulation.<sup>3</sup> There is a sense, acknowledged by regulators, that more can be done within the regulatory parameters to implement the SCGO<sup>4</sup> and to tackle burdens, inefficiencies and uncertainties in the existing regulatory regime. The implementation of the SCGO was discussed in the recently published House of Lords report, *Growing pains: clarity and culture change required*,<sup>5</sup> which provides a helpful counterpoint to, and in many places confirmation of, the recommendations that follow. As the FCA itself has observed, a new approach to the SCGO must be driven by both regulatory change and a shift in the mindset of regulators.<sup>6</sup> These should be urgently addressed to protect and reinforce the UK's position as a pre-eminent global financial centre.

The report contains recommendations grouped into three categories:

- **Tone from the top:** recommendations that will reinforce the government and regulators' commitment to competitiveness and growth.
- **Core policy reforms:** recommendations to reform core policy areas that will have a broader positive ripple effect on competitiveness and growth.
- **Day-to-day operations:** recommendations focused on the day-to-day operations of the regulators to help foster a growth mindset within the regulators, support innovation and improve the lived experiences of firms.

It also sets out an illustrative set of high-level principles for FCA and PRA oversight of the financial sector in a manner that supports growth and competitiveness. It is hoped that this can contribute to the ongoing discussion on the regulators' appropriate risk appetite.

Prudential policy can have a significant impact on investment and lending levels. However, this report does not cover prudential requirements for banks and insurers as sector specific trade associations are best placed to develop policy in this space.

*“Global competition is fierce; there is an urgent need to double down on the work already done to ensure the UK retains its competitive advantage as a leading financial services centre.”*

**The UK financial services industry: a key economic driver**

**1.1 million**

**people employed in financial services in the UK**

**£294bn**

**The financial services industry accounts for 13% of the UK's economic output (2023)**

**£110bn**

**The financial and professional services industry contributed £110bn in tax revenue in 2023, or 12% of total tax revenue**

Source: Our global offer to business, City of London Corporation, 2025





Recommendations

Tone from the top	
Recommendation 1	Improve oversight and implementation of the secondary competitiveness and growth objective.
Recommendation 2	Apply the secondary competitiveness and growth objective more fully in practice to supervision and enforcement.

Core policy reforms	
Recommendation 3	Reform the FOS to enhance predictability of decisions and cooperation with the FCA.
Recommendation 4	Apply consumer protection regulation more proportionately.
Recommendation 5	Maximise the potential of targeted support for retail investors.
Recommendation 6	Promote international trade in financial services through regulatory cooperation.

Day-to-day operations	
Recommendation 7	Publish, more frequently, pertinent information regarding authorisations and approvals.
Recommendation 8	Adopt a more balanced Senior Manager and Certification Regime.
Recommendation 9	Prioritise initiatives which drive innovation.
Recommendation 10	Enhance the cost benefit analysis process and use of Practitioner Panels.



**PART A:**  
**Tone from the top**





## 1. Resetting the approach to the secondary competitiveness and growth objective

The SCGO<sup>7</sup> has been in effect for a relatively short period and will inevitably take time to embed. Progress is being made: the FCA and PRA have publicly endorsed the objective and described at a high level how they intend to reflect it in policy and their approach to rulemaking,<sup>8</sup> confirming this through their responses to HM Treasury's remit letters and the Financial Services Regulation Committee's inquiry into the SCGO.<sup>9</sup> They have also described actions they have taken to implement the SCGO,<sup>10</sup> with some encouraging examples already seen in rulemaking reforms.<sup>11</sup>

Nevertheless, more could be done to advance the SCGO as far as “reasonably possible”, in line with the statutory requirement. This requires a rebalancing of risk appetite across the system in pursuit of competitiveness and growth, beginning with government and Parliament. The regulators face significant potential criticism when things go wrong, which can incentivise a conservative approach. As things stand, government gives broad expectations through remit letters, while the regulators balance varying objectives and ‘have regards’ in an implicit way. Parliament holds the regulators accountable when firm failures inevitably occur. As expressed by the regulators, there is now a need for a mature public conversation between government, Parliament and the regulators on how best to advance the SCGO whilst continuing to comply with the primary objectives and mitigate or accept risk, in particular the risks worth taking in pursuit of growth. To be most effective, this conversation will need to proceed on the basis of a shared understanding of the dimensions of risk being regulated for, and a clear articulation of risk appetite. In this context, we would note the value many businesses obtain from a simple, clear articulation of risk appetite in one concise document, to guide the activities of the enterprise.<sup>12</sup> Calibration of regulatory risk appetite is a matter of ongoing debate between regulators and the government.<sup>13</sup> While the recommendations in this report do not provide a complete solution, they aim to encourage both parties to articulate more clearly their position on how best to pursue growth and strongly endorse further conversations on the subject of acceptable risk, involving industry where possible and appropriate.

The regulators should then implement that through a more proactive approach to the SCGO<sup>14</sup> and clearer signposting as to how this policy approach is being implemented. The regulators’ view that preserving market integrity and stability will support competitiveness and growth<sup>15</sup> is correct, but it is not sufficient. The SCGO is an independent objective that should be pursued “so far as reasonably possible” when the regulators carry out their general functions in line with the primary objectives.

To pursue it effectively, the regulators should conceive, plan and take action to positively impact economic growth and international competitiveness. Annex 1 sets out an illustrative set of principles for how the FCA and PRA can do this in a manner that supports growth and competitiveness. These principles should guide the regulators when carrying out their activities, including when consulting on new rules or rule changes, so that competitiveness and growth are properly and transparently considered (see Section 10 below). Further efforts should also be made to actively review the existing body of regulation and identify changes that can materially impact competitiveness and growth.<sup>16</sup> As the Chancellor acknowledged in her 2024 Mansion House speech, “*the UK has been regulating for risk, but not regulating for growth*”.<sup>17</sup> That must change.

This recalibrated risk appetite must then be embraced by industry. Firms balance many risks. Their approach to risk and the consequences that has on the running of their business is influenced by their interactions with the regulators. If the regulators adopt the recalibrated risk approach advocated for in this report, industry will need to respond to that by: (i) engaging with the regulators to enable industry to respond to that approach; and (ii) trusting the regulators and taking a more open approach to accepting more risk themselves. An example can be seen in the adoption of AI, particularly generative AI by firms. The FCA's principles-based approach to AI regulation has garnered praise, but, while many firms are adopting AI solutions, they sometimes err on the side of caution, wary of the uncertainty that comes with a less prescriptive approach to regulation.<sup>18</sup> If regulators are being asked to revise their risk appetite in the pursuit of growth, industry must respond in kind. This is acknowledged by many industry members — at the City of London Corporation's Chief Risk Officer event in May 2025, 97% of respondents to a survey agreed that the financial services sector needs to be more comfortable taking managed risks to support economic growth in the UK. This extends to professional services firms, which must take account of their clients' competitiveness and growth goals while ensuring they operate within the bounds of the law.

# 97%

**respondents to a City of London Corporation survey of Chief Risk Officers said that the financial services sector needs to be more comfortable taking managed risks to support economic growth in the UK**



**RECOMMENDATION 1: Improve the oversight and implementation of the secondary competitiveness and growth objective.**

Oversight by Parliament and the government

The Treasury Select Committee (TSC) should consider more explicitly the regulators’ SCGO when conducting inquiries. In its work, the TSC should take account of how the SCGO was applied and the balances between growth and risk that were sought. If the recommendations in this report are adopted, the TSC should also take account of any principles published by the regulators (such as those proposed in Annex 1).

HM Treasury should produce clearer guidance on what is meant by “growth” and “competitiveness” and the connection with the regulators’ objectives.<sup>19</sup> This might include asking the regulators to consider the impact of their actions on macro-economic indicators such as GDP per capita trading,, investment and jobs.<sup>20</sup> The macro-economic indicators would supplement the metrics which the regulators have already agreed to publish<sup>21</sup> and their views on the drivers of productivity. HM Treasury’s guidance would build on its recently stated objective to challenge and shift excessive risk aversion in the system.<sup>22</sup>

In its policy paper, New approach to ensure regulators and regulation support growth (2025 Action Plan), HM Treasury announced that performance reviews would be conducted to hold regulators to account for their performance against their statutory duties and strategic steers from the government. Earlier this year, the FCA asked for a steer on risk tolerance, noting that “[e]nabling more informed risk-taking requires enduring acceptance, as the Chancellor has recognised, that we need to prioritise resources and that there will be failures. This acceptance needs to be shared across all our accountability mechanisms, including in Parliament.”<sup>23</sup> HM Treasury should use the performance reviews to agree with the regulators the opportunities that exist to promote economic growth and, critically, the risks to executing on these opportunities. HM Treasury should also endeavour to include some form of industry input in these performance discussions, for example by inviting one or more of the HM Treasury NEDs to join the review.<sup>24</sup> In the interests of transparency, the government should write to the regulators following the performance review with a summary of the conversation, including their views on growth opportunities and an acceptance of the risks and/or risk mitigation measures entailed in pursuing those opportunities. This correspondence on growth and risk tolerance can then be used by Parliament to inform how to hold the regulators to account. This process could enable a shared understanding, or at least a mature debate, on acceptable risk and growth in financial services.

Implementation by regulators

The regulators should rearticulate, in their SCGO reporting,<sup>25</sup> their interpretation of the SCGO, its interaction with the primary objectives and the appropriate calibration of growth vs risk in key areas, reflecting the recommendations in this report, the government’s 2025 Action Plan<sup>26</sup> and any guidance or feedback received from HM Treasury as discussed above. The rearticulation would not constitute policy change but would more accurately reflect what Parliament was trying to achieve in FSMA 2023. The SCGO reports should also continue to discuss how policymaking initiatives reflect the SCGO. To ensure transparency and accountability, the regulators should continue to provide the same level of detail on implementation of the SCGO once they move reporting from standalone SCGO reports to their annual reports after 2025.<sup>27</sup>

The effective implementation of this revised approach must also be more evident. Despite the SCGO reports, there remains a sense within industry that not enough is being done in practice to advance competitiveness and growth. Areas of focus may include over-regulation, which significantly increases the cost of doing business in the UK (discussed further in this report)<sup>28</sup> and the sometimes-lengthy process of regulatory change, which impacts predictability of the UK’s regime. While the regulatory initiatives grid<sup>29</sup> is helpful, the breadth of issues the regulators seek to tackle impacts the speed of execution and introduces uncertainty about rule changes for an extended period of time. As indicated in its 2025-2030 strategy,<sup>30</sup> the FCA is already planning to focus on a smaller number of more significant reforms, an approach supported by this report.

Metrics are an important tool to drive cultural change.<sup>31</sup> Targets for metrics should be set, reviewed and, if necessary, raised, perhaps on the basis of an annual review, so that standards are constantly being improved. For example, if statutory deadlines for authorisation applications are being met 99% of the time, the regulators should use more ambitious or additional targets (such as Net Promoter Score targets).

***“The FCA is planning to focus on a smaller number of significant reforms, an approach supported by this report.”***





# £307bn

The financial and professional services sector produced £307bn in economic output. 12% of the entire economic output in the UK in 2024.

# £175bn

Financial services drove exports by £120bn. Related professional services drove exports by £55bn.

# £1.6bn

The UK attracted £1.6bn of capital investment in foreign direct investment (FDI).

Source: The role of financial and professional services in the UK (factsheet), City of London Corporation, 2025



## Spotlight: Monetary Authority of Singapore

The Monetary Authority of Singapore's Financial Services Industry Transformation Map (ITM) 2025 is a useful case study on how growth strategies and metrics can be used to promote an international finance services centre. The ITM sets out five priorities such as digitising financial infrastructure and fostering a skilled workforce. It also has clear growth targets (per annum) for the sector:

## 4-5%

value added growth

## 3,000-4,000

net jobs created

## Responsible risk-taking by firms

The risk functions of firms have an important role to play in capitalising on the growth opportunities presented by this enhanced approach to the SCGO. To achieve this, there should be a stronger sense of trust and collaboration between regulators and regulated firms. This will be built through greater regulatory predictability, which can be developed in part through the proposals discussed in sections 2 and 3 below. It will also be supported by the tone from the top, with regulators publicly championing an outcomes-based approach and backing that up with proportionate supervision that allows firms to achieve those outcomes. Practical actions to support this include holding policy sprints, using subject expert groups and engaging with firms or trade associations before publishing consultations. The regulators already use these techniques and we would encourage further use of them in the implementation of the SCGO (including through enhanced communication on the work of Practitioner Panels, discussed in Recommendation 10). The more comfortable firms feel with the regulators' expectations, the less likely that they will perceive additional freedom to operate as a risk.

On the 21st of May the City of London Corporation hosted the Chief Risk Officers (CROs) Summit. The summit was attended by almost 200 CROs and explored how they can manage risk effectively to optimise growth. The City Corporation commits to building on this event by setting up a 'CRO network', which will meet quarterly to continue the conversation on how CROs can use risk management to support the growth of their firms. This conversation will help encourage responsible risk taking within firms. The City Corporation will also explore hosting a 'Risk Summit' in Spring 2026.



## 2. Application of competitiveness and growth to supervision and enforcement

The SCGO does not apply to individual authorisation, supervision and enforcement decisions, but does apply to the policies and principles that govern them<sup>32</sup> including, for example, the FCA's published approach to supervision,<sup>33</sup> the PRA's approach to banking supervision<sup>34</sup> and insurance supervision,<sup>35</sup> and the FCA's Enforcement Guide.<sup>36</sup>

Anecdotal feedback from firms suggests the SCGO is not being applied to its fullest extent,<sup>37</sup> particularly in supervisory and enforcement practice. This may in part be the result of post-financial crisis reforms which encouraged a “hard line” approach to supervising firms in the interests of safety and stability. To confidently pursue the regulators’ recalibrated approach to risk, however, industry requires a justifiably proportionate and transparent approach to supervision. A firm’s lived experience of being regulated will influence its decisions on its UK presence, the extent to which it offers new products and services to customers, and its confidence in innovating and in deploying new technology. At the centre of this experience is the amount of resource and time firms put into managing the supervisory relationship<sup>38</sup> (such as responding to information requests and managing s.166 independent reviews) and how engaged and constructive the relationship is. The PRA rightly identifies efficient regulatory processes as a key way in which it can implement the SCGO<sup>39</sup>. The FCA has made progress in accelerating the pace of its investigations.<sup>40</sup> Firms need swift decisions from regulators (months, not years) on internal model applications and other business critical decisions (discussed further in Recommendation 7 below).

This requires a shift in the regulators’ mindset. This report does not advocate a “low enforcement” approach but the practice of supervision and enforcement, as set out in regulatory policy, should proactively advance the SCGO.<sup>41</sup> Supervising large and complex firms is hard, but firms (particularly smaller firms) are entitled to expect a balanced approach, allowing them to spend more time building better businesses. A greater degree of transparency should be pursued in some areas of supervision—the regulators’ publication of waivers<sup>42</sup> is a good example of openness and is to be encouraged in other areas where possible. In its 2025-2030 strategy,<sup>43</sup> the FCA expressed plans to reform how it supervises firms, which is welcome.

### RECOMMENDATION 2: Apply the secondary competitiveness and growth objective more fully in practice to supervision and enforcement.

To ensure the secondary objective fully flows through the ecosystem, it must be embedded as a core consideration in supervisory and enforcement practice. The regulators should launch a public discussion on how to implement this, gathering the views of industry and other key stakeholders. Key outcomes would be to improve understanding of the commercial context in which firms operate and the challenges they face, how risks materialise and can be managed in practice, and how different kinds of firms could best strive to ensure compliance. Greater openness to fully evaluating the information shared by firms about their compliance, building on this detailed commercial knowledge, may enable the regulators to make more informed judgements about the appropriateness of firms’ individual actions. The public discussion should also consider areas where the regulators could be more transparent in their supervision, subject to protecting private information where necessary.

Continual assessment of whether the regulators are deploying the most proportionate regulatory tools in light of the relevant circumstances would also be beneficial — this includes evolving supervisory “asks” in light of changing risks. To support this, regulators should publish metrics that help track the impact of their activities (e.g. more granular information on the cost of s166 skilled persons reports<sup>44</sup>). The evidence and metrics should be included in the regulators’ ongoing SCGO reports. They may also consider leveraging the increasing amount of data available from regulatory returns and third-party sources to benchmark behaviour — if that indicates that a certain issue is occurring at an industry-wide level, the regulators may need to investigate the matter more broadly.

*“A firm’s lived experience of being regulated will influence its decisions on its UK presence.”*

*“The secondary objective must be embedded as a core consideration in supervisory and enforcement practice.”*

42,000 firms

The FCA regulated the conduct of about 42,000 firms and supervises 41,000 of these for their financial risk, making it Europe’s largest prudential regulator.

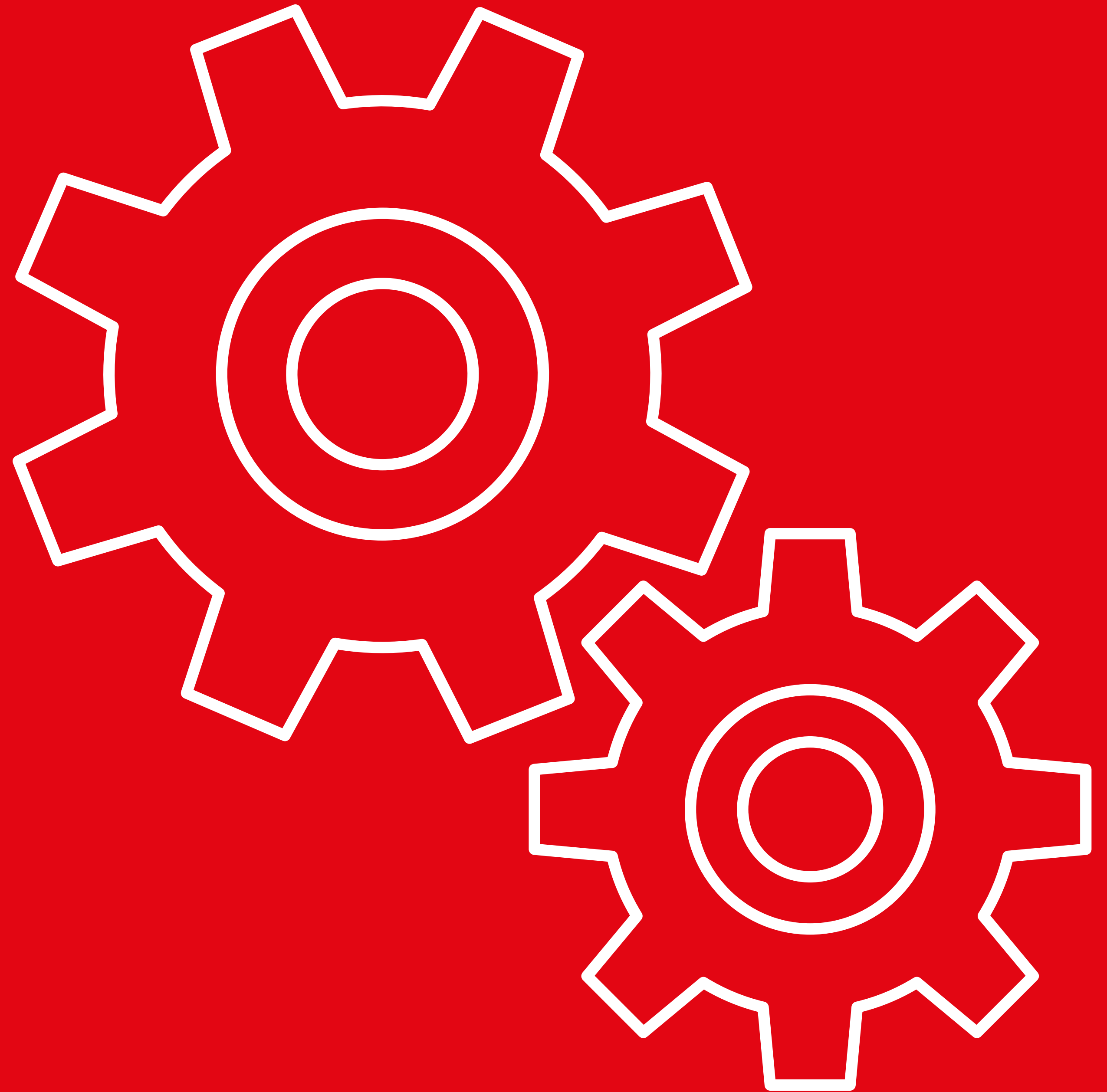
1,292 firms

The PRA regulates 1,292 firms and groups. These consist of the UK’s largest banks, building societies credit unions and insurers.

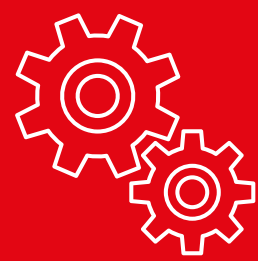
Sources: FCA 2025-30 Strategy, PRA Business Plan 2025/26



**PART B:**  
**Core policy reforms**







### 3. Predictability

Predictability in rulemaking and enforcement is vital to the credibility and the attractiveness of the UK as a location for conducting financial services business, enabling firms to operate their businesses with confidence. Lack of predictability can disincentivise firms from starting up and growing in the UK and can materially impact the profitability, and therefore the competitiveness, of operating in the UK.

There are plenty of examples of good rulemaking—the UK’s long tradition of strong, predictable Parliamentary law-making, for example, and the government’s approach to AI regulation, which has been praised for its common-sense, principles-based approach.<sup>45</sup> As discussed in section 1, predictability of rulemaking by the regulators may be bolstered by a narrower focus on key areas of regulatory reform, which would make it easier for industry to plan ahead. However, this positive approach to rulemaking risks being undermined by the approach to enforcement and redress which is impacting the UK’s broader reputation — the motor finance case being a key example.

There are serious concerns with the quasi-judicial role of the FOS, which decides what is “fair and reasonable” in its opinion in “all the circumstances of the case”<sup>46</sup> which takes into account things like the law regulators’ rules and guidance and codes of practice<sup>47</sup> as opposed to a strict application of the law. The FOS notes that it follows the rules in the FCA handbook, but that its decisions may differ from those of a court applying legal rules.<sup>48</sup> This injects significant uncertainty into the system, making the UK a less attractive destination for business and harming international competitiveness.<sup>49</sup> Firms increasingly ask what the FOS response may be when designing propositions, effectively making FOS judgements a second layer of regulation.

The joint FCA/FOS call for input on modernising the redress system recognises the problem, but industry concerns remain.<sup>50</sup> It is critical the redress system delivers on its core aim, providing swift redress to customers where firms have made mistakes, without operating as a parallel regulatory system. This ensures better outcomes for consumers, firms and the market.

#### RECOMMENDATION 3: Reform the FOS to enhance predictability of decisions and cooperation with the FCA.

HM Treasury should reform the FOS so that it operates more predictably in accordance with legislation and regulatory rules, while continuing to provide a vital alternative dispute resolution service for consumers.<sup>51</sup>

HM Treasury should consider embedding the following into the FOS system: (i) FOS decisions should adhere to law and regulation as opposed to overlaying an arbitrary and subjective test of “fairness”; this should include ensuring behaviour aligns with the standards set by the Consumer Duty; and (ii) the FOS should follow a system of precedent akin to the UK’s common law system, following previous judgements except where they are clearly found to be wrong, and avoid applying the law retrospectively.

HM Treasury announced an investigation into FOS reforms in March this year,<sup>52</sup> which is expected to conclude by summer 2025. This initiative and related reforms should be prioritised, and HM Treasury should work closely with industry to ensure all pertinent issues are investigated. The FCA, FOS and Financial Services Compensation Scheme are core members of the Wider Implications Framework<sup>53</sup> — a structure for regulators to cooperate on issues with significant implications. Its terms of reference state that it welcomes representations from firms and consumer groups and that stakeholders can be invited to meetings. Better communication between industry participants and regulators through the Wider Implications Framework could improve predictability on issues with significant implications. As part of the FCA’s and FOS’s duty to coordinate<sup>54</sup> and agreement to regularly meet to discuss matters of mutual interest,<sup>55</sup> the FOS and the FCA should also commit to meeting on a quarterly basis to discuss areas which are consistently, and legitimately, the source of complaint and use this as a basis to prompt improvements to the regulatory regime where possible.

*“HM Treasury should reform the FOS so that it operates more predictably in accordance with legislation and regulatory rules.”*





*“The FCA’s consultation on ‘Simplifying the insurance rules’ is a good example of a smarter approach to the Consumer Duty.”*

*“The Advice Guidance Boundary Review provides a once in a generation opportunity to better meet UK retail investor needs.”*



#### 4. Supporting the responsible evolution of risk culture through better demarcation between wholesale and retail regulation

Regulatory efforts should continue to pursue a better demarcation between regulating and supervising wholesale and retail activities. In practice, this means a much stronger focus on proportionality and tailoring protections based on firms’ size, maturity and nature of business as well as customers’ knowledge, experience and resources. This Section 4 looks at the demarcation between wholesale and retail. Section 5 explores how engaging with industry could enable regulation that better supports consumer outcomes.

Wholesale activities that do not directly involve retail consumers should not be subject to rules designed for the protection of consumers. To do so imposes a disproportionate regulatory burden on wholesale business and makes the UK less attractive than countries that do not impose similar obligations. There are ongoing efforts in the UK to delineate more clearly between retail and wholesale regulation, such as the MiFID Org Reg reforms, and the FCA’s consumer duty rule review<sup>56</sup>, which should continue.

A case in point is the insurance market, where there is a world of difference between retail insurance and the London Market, which offers specialty and corporate insurance. The London Market — including brokers and underwriters working in both the Lloyd’s and company markets — primarily deals with sophisticated clients with specific needs who are almost always corporate entities, often international, with their own extensive risk management functions, legal advisers and/or use of expert brokers for additional expert advice. London Market firms — both brokers and underwriters — have been drawn into retail consumer regulation that requires additional resources and increases compliance costs, but provides no meaningful protections for sophisticated corporate clients who want and need the flexibility to negotiate bespoke policies that match their particular risks.

Better delineation between retail and wholesale regulation goes hand in hand with simplification of the regime and helps with more streamlined reporting, which makes for a more attractive, competitive UK. A survey of CROs by the City of London Corporation found that simplification of regulation was the single most important thing the regulators could do to foster growth and innovation in the financial services sector.<sup>57</sup> To this end, a more proportionate and risk-based approach needs to apply to relevant PRA rules such as Solvency II reporting reductions. The PRA should consider further reducing reporting requirements under Solvency II. One option is to remove or reduce Q4 Solvency II reporting, given that the same information is required in annual returns. The Solvency and Financial Condition Report should also be reviewed with a view to simplification and streamlining. It currently runs to hundreds of pages which are typically only lightly updated year on year, and a shorter narrative summary accompanied by relevant data may be more appropriate.

More broadly, the regulators should feel empowered to embrace a shift in mindset when supervising wholesale firms. Corporate clients are generally much less vulnerable than retail investors and regulators could grant wholesale firms greater latitude to take calculated, responsible risks in the interest of growth. The principles in Annex 1 enable the regulators to do this — for example, Principle 3 advocates appropriate regulatory recognition of market expertise, which would set a high threshold for regulatory intervention in wholesale markets, requiring clear and compelling evidence of a significant market failure and a robust analysis demonstrating that intervention is superior to market-led solutions. It is then vital that the wholesale firms in question capitalise on that opportunity, feeding it through into their individual activities and approach to risk.

#### Spotlight: Commercial and Specialty insurance

The London Market employs 60,000 people and contributes nearly £50bn to the UK economy — 2% of GDP overall. It is the world’s largest specialty insurance market — nearly twice as large as its nearest competitor and earns \$107 bn in income every year. Almost three quarters of that is from overseas.<sup>58</sup> The London Market excels in insuring and reinsuring large and high-exposure risks, including marine, aviation, energy, and emerging risks like climate change. It is clearly a very different type of market to domestic retail insurance and so requires a proportionate and bespoke approach.

The London Market employs

**60,000 people**



#### **RECOMMENDATION 4: Apply consumer protection regulation more proportionately.**

The FCA should consider providing greater clarity on how, if at all, the consumer duty applies to products and services that do not directly interact with retail customers<sup>59</sup>. Given the increased sophistication of wholesale counterparties and the existence of a clear and proportionate wholesale regulatory regime, there is scope for limiting the application of the consumer duty or providing clearer guidance in certain areas which have no direct relation to consumers.

The FCA's consultation paper on "Simplifying the Insurance Rules"<sup>60</sup> is a good example of the regulators taking a smarter approach to the consumer duty in the insurance sector, consulting with industry to understand how regulation can be made more proportionate and risk-based.

More broadly in the insurance sector, HM Treasury's proposals to introduce a new regime for captive insurers<sup>61</sup> presents another opportunity for more proportionate regulation (albeit not focused on consumers). The regulators should ensure that this is designed and structured in a balanced and proportionate way, considering the reduced prudential risk assessment of the relevant captive vehicle. If the UK captive regime is to be internationally competitive, it is imperative that the regulatory approval and supervision processes (rather than just the regulatory framework) are fit for purpose. If the UK cannot match the timescales and user-friendly processes adopted by its competitor jurisdictions, it will not be internationally competitive.

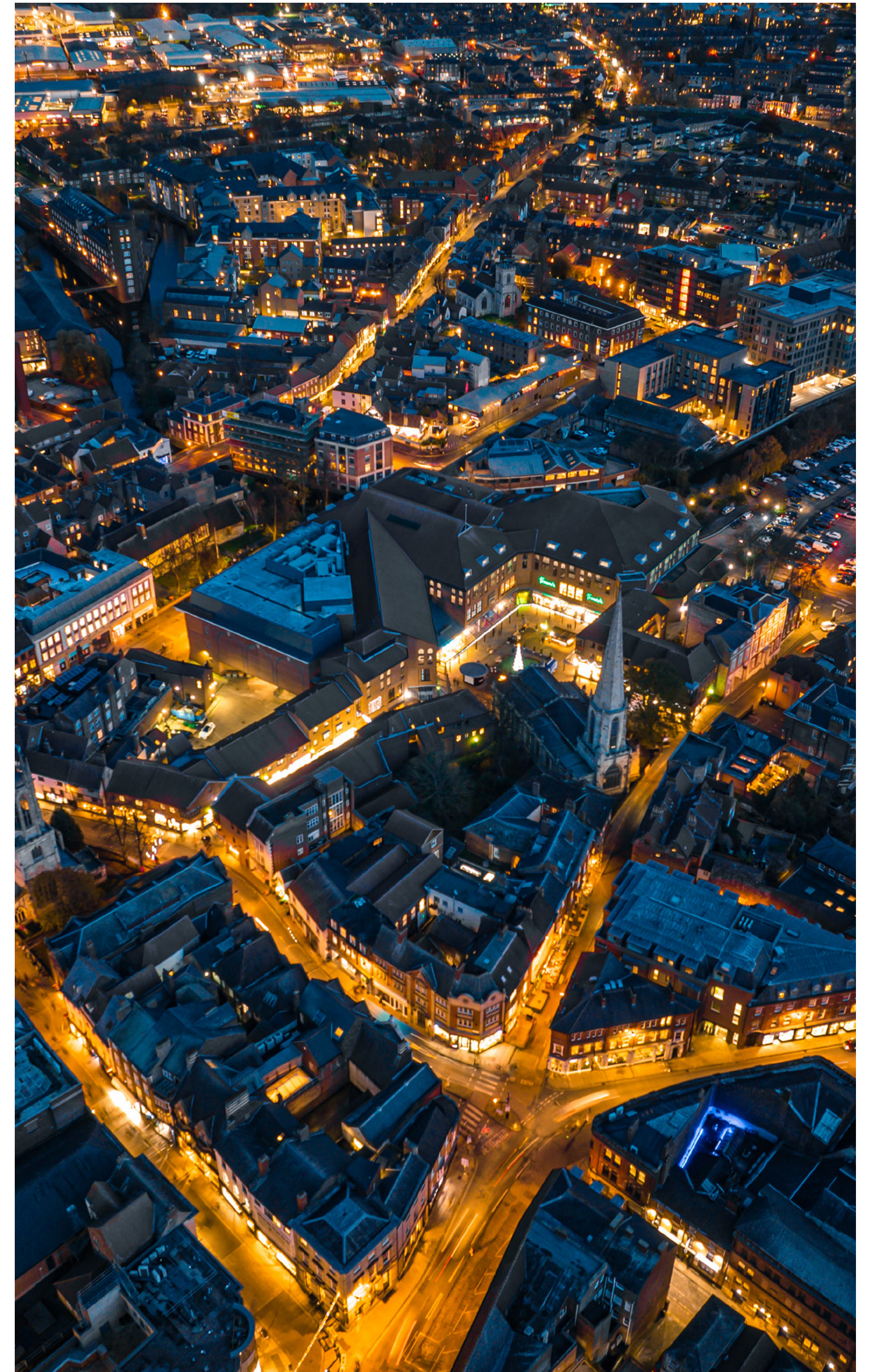
#### **5. Industry and regulators working together to support better retail investor outcomes**

Supporting retail customers to invest more where appropriate is vital in making investment more accessible, which will boost savings, promote financial inclusion and help provide capital to UK firms.<sup>62</sup> Research suggests a major barrier to individual investment is the perceived difficulty of investing, including a lack of familiarity with the products, choices between products, and ease of investing.<sup>63</sup> The Advice Guidance Boundary Review provides a once in a generation opportunity to better meet UK retail investor needs and democratise investment.

The FCA's initiatives to tackle this issue are to be applauded, including the proposal of 'Targeted Support'<sup>64</sup>, proposals to widen access to corporate bonds for retail investors<sup>65</sup> and its consumer investment policy sprint<sup>66</sup>, with further work expected in the coming months<sup>67</sup>. The FCA has now published its proposals on targeted support and simplified advice. In parallel, the regulators should continue to work alongside industry to educate and empower retail investors<sup>68</sup>, and should continue to encourage industry to deliver innovative, consumer-friendly investment opportunities. In turn, industry needs to focus on serving consumer needs and not simply selling financial products.

The consumer duty<sup>69</sup> has an important role to play. If implemented correctly, it can facilitate investment by individuals whilst promoting competition. However, there is nervousness within industry regarding the application of the duty and how it may be enforced by regulators given it is a relatively new regime with no major enforcement cases to date. The guidance on the consumer duty proposed in Recommendation 4 should help to provide greater certainty. Regulatory certainty more broadly is also important for firms; they must be confident that if they interact with retail investors in line with the regulatory framework they will not be liable for ex post redress if the customer's investments do not perform as well as hoped or expected. The issues and recommendations discussed in section 3 (Predictability) with respect to the FOS are relevant here, emphasising the need for FOS decisions to be based on the legal and regulatory framework.

***"Firms need to play their part by taking a risk positive approach and making full use of the flexibility that 'targeted support' offers."***





**RECOMMENDATION 5: Maximise the potential of targeted support for retail investors.**

The regulators and industry should work together to provide targeted support for individual investors, enabling and empowering them to engage with the investment market where it serves their needs. Perhaps the most important interventions to date are the targeted support proposals under the Advice Guidance Boundary Review. On 30 June the FCA published proposals on targeted support in pensions and retail investments and reforms on simplified advice. It should continue to collaborate with firms to develop workable propositions under the new rules—and the regulatory sandbox is an excellent mechanism to enable this. For this to happen, firms also need to play their part by taking a risk positive approach and making full use of the new flexibility. The FCA should also work with industry to identify further opportunities to encourage consumer uptake of financial advice for those who can afford it. At the same time, the FCA should reassure firms that, provided their targeted support is designed within applicable regulatory rules, they can be confident there is no risk of ex post compensation schemes. In this way, targeted support provides a good opportunity for the FCA and FOS to signal certainty to industry.

There is a need to simplify the journey for retail investors in terms of declarations and risk warnings. Barclays’ research<sup>70</sup> shows consumers often interpret risk of loss as risk of losing everything. This was cited as the top barrier to investing by individuals who choose not to do so. Capital may be at risk when investing, but many investments are relatively low risk: this should be reflected in the information retail investors are given. The incoming UK Retail Disclosure Regime is an opportunity to create risk disclosures that prioritise informing and educating customers about investment risk, rather than simply issuing warnings.<sup>71</sup>

This report supports further examination of existing industry recommendations, including Recommendation 5 of Barclays “A New Message to Tell Sid”<sup>72</sup> and other industry proposals (including those of the Investment Association<sup>73</sup> and BlackRock<sup>74</sup>) and would encourage the regulators to engage with industry groups on this issue.

**Spotlight: £430bn investment gap**

Analysis undertaken by Barclays<sup>75</sup> of data from the FCA Financial Lives Survey suggests that even after establishing a prudent emergency fund, there remains an estimated £430bn of UK consumer cash savings, held by 13 million individuals, that could be invested. Stimulating retail investment can drive economic growth and, as the FCA states, people historically have seen better returns through investing excess savings for longer-term needs.

**£430bn**  
**UK consumer cash savings**

**13m**  
**individuals**

**6. International trade – reinforcing the UK’s open financial services ecosystem and a strategic and systemic use of deference and equivalence**

It is vital that the UK remains open to international businesses looking to operate from or provide services within the UK with the reciprocal ability to export from the UK financial services around the world. This is more so given today’s increasing cross-border frictions. The current macro-economic and political environment presents a time-limited and unique opportunity for the UK to reinforce its credentials as a distinctive international financial services hub.

Encouraging overseas business into the UK supports the flow of capital, expertise and knowledge on which innovation and growth depends. Openness is achieved, amongst other things, through greater alignment and interoperability with the regulatory regimes of other countries (save where there are objective reasons for regulatory divergence). This report supports the regulators’ approach to aligning with international frameworks and corresponding frameworks in key global financial services centres where appropriate and practicable.<sup>76</sup> The UK’s programme of Economic and Financial Dialogues and Financial Dialogues provide a useful platform to discuss complex issues such as market access, supervisory data and capital market connectivity or areas of cooperation around shared themes, but they currently do not cover all of the key financial centres. The UK is also still regarded as an expensive jurisdiction to conduct business in, with firms reporting a much higher cost of regulatory compliance. While beyond the scope of this report, openness of the regulatory regime must also be supported by stronger fiscal incentives (such as favourable tax regimes) to ensure the UK remains an operating jurisdiction of choice.

Equally important is preserving the appetite for the export of UK financial services to third countries, particularly given increasing competition from new and emerging financial services hubs. Where regimes are different and there is scope for a significant increase in trade, the UK should ideally look to develop mutual recognition agreements.<sup>77</sup> The Berne Financial Services Agreement is an excellent example of what is possible and could be used as a template for similar markets. Where mutuality is not pursued, there may be scope for the UK to unilaterally recognise overseas regimes. Tools for doing this include deference<sup>78</sup> and equivalence<sup>79</sup> arrangements.

HM Treasury’s approach to the UK Short Selling Regulations (SSRs) is a good example of an outcomes-based approach to deference. There are also signs of a more open approach to equivalence in the EU—see, for example, the replacement of equivalence in areas of EMIR 3 and removing equivalence as a hurdle to a non-EU benchmark accessing the EU market under the EU Benchmark Regulation.<sup>80</sup> Despite this, HM Treasury has yet to adopt a comprehensive, consistent policy approach to deference and equivalence.

**RECOMMENDATION 6: Promote international trade in financial services through regulatory cooperation.**

HM Treasury, with the support of the regulators, should adopt a more strategic and proactive approach to obtaining mutual recognition agreements and developing deference and equivalence regimes. Equivalence assessments should be made on an outcomes-based basis, rather than line by line. HM Treasury should prioritise those areas of the regulatory framework which are likely to have the most positive impact on cross-border trade in financial services, in particular with key global financial services centres which are of the greatest importance to the UK. Areas of regulation which are perceived to generate friction should be prioritised for reform—these may include subsidiarisation requirements for bank, the SMCR regime (discussed in Recommendation 8) and aspects of new regimes such as solvent exit analysis and operational incident reporting.<sup>81</sup>

HM Treasury should also conduct a periodic review of dialogue coverage with other financial centres, assessing the global financial services landscape to identify emerging centres and proactively expanding dialogue as new centres rise. It should establish an initial discussion with UAE counterparts, as a key emerging financial centre, to set up a formal Financial Dialogue or Economic and Financial Dialogue focusing on FinTech, sustainable finance, regulatory cooperation, digital assets, anti-money laundering and investment facilitation. These dialogues should dovetail and be mutually reinforcing with work that industry is doing to promote trade, for instance by engaging with trade associations in other countries<sup>82</sup> and establishing joint industry groups across regions.<sup>83</sup>



**PART C:**  
**Day-to-day interactions**  
**which drive cultural change**





# PART C: Day-to-day interactions which drive cultural change



While the FCA and PRA are working on setting the right tone from the top, the SCGO has yet to be fully operationalised.<sup>84</sup> When aggregated over time, everyday interactions between firms and their regulators have a significant impact on how firms operate, their cost of operating, their ability and willingness to support growth, and their perception of the competitiveness of the UK's regulatory system, something which was acknowledged in HM Treasury's November 2024 remit letters.<sup>85</sup>

Operational changes to core everyday processes have the potential to drive the desired cultural shift throughout the regulatory system and, in turn, the culture of regulated firms. Such changes can enhance regulatory expertise, improve regulatory engagement and result in better outcomes. Greater advantage could be taken of opportunities to provide feedback on regulatory activity: 360-degree surveys conducted by the FCA, for example, enable it to take account of industry feedback, while more effective use can be made of the Practitioner Panels and cost benefit analysis process to identify the most effective supervisory approaches.



## 7. Improving authorisation and approval processes

Market participants have reported that authorisation and approval processes are slow and inefficient. This conflicts with the regulators' own statistics. The FCA, for example, says it is meeting its statutory timelines for authorisation applications in 99.1% of cases.<sup>86</sup> Despite greater transparency from the regulators (evidenced by their enhanced disclosure<sup>87</sup> on authorisations and approvals), there appears to be a disconnect between what the regulators are reporting and what firms experience. This may be due to how performance is being calculated<sup>88</sup> and/or how firms experience the process. This disconnect may already be being addressed through HM Treasury demanding more from the regulators in terms of publishing targets.<sup>89</sup>

In addition to length of time, how the processes are conducted is also important. Approvals for authorisations and internal models can be particularly slow. The regulators are alert to this and are already working on a number of positive initiatives designed to improve firms' experiences. The FCA, for example, has launched its pre-application support service<sup>90</sup> offering support to all crypto, wholesale and payments firms seeking to become authorised. The regulators are also partnering with HM Treasury, the Office for Investment and the City of London Corporation to establish an 'investment hub' that will make it easier for firms to navigate the UK regulatory landscape and broader barriers to entry.<sup>91</sup>

This report acknowledges these and other recent industry proposals<sup>92</sup> and encourages the regulators to build on them. The 'investment hub', for example, should establish clear feedback loops through which positive and constructive comments are gathered from international businesses setting up in London, cascaded to senior management, shared with appropriate policy and supervisory colleagues and used to further improve the efficiency of regulatory execution.

Contact points within the FCA in particular could be improved. While industry feedback has been positive about the PRA's appointment of a dedicated contact, the FCA does not offer an equivalent. The scope of the FCA's supervisory responsibility is significantly greater than the PRA's — 42,000 for conduct purposes and 41,000 for prudential purposes<sup>93</sup> compared to around 1,500 supervised by the PRA<sup>94</sup> — making it much more challenging to provide a similar service. However, ensuring firms (particularly those from overseas) have a clear and consistent line of contact with the professionals at the FCA that understand the concerns of their particular business is key to improving interactions.

The authorisation and approval processes also offer fertile ground on which to engage with applicants on new business models or business models that are being deployed overseas.

### **RECOMMENDATION 7: Publish, more frequently, pertinent information regarding authorisation processes and assessment outcomes.**

The FCA has made efforts to offer workshops and presentations on the subject of authorisation expectations. There may be further steps they can take to improve the likelihood that firms will have a successful outcome on their first application. For example, firms would value the opportunity to meet with the relevant regulator at the outset of the authorisation process, giving them an opportunity to present their business plans and better understand the regulator's expectations. The regulators could provide more guidance on the detail of the information required in applications, which is not always clear from authorisation application forms themselves. For overseas firms establishing branches in the UK, the regulators should consider reliance on home authorisation, providing certainty for strong overseas businesses that they will be welcome in the UK.

To improve transparency and predictability, the regulators could publish metrics on their decisions, including, for example, the total number of firms applying for authorisation in a given period and the proportion that were successful versus unsuccessful. Monitoring data could be published, such as the proportion of cases which required escalation to sponsoring firms (including summary trend data on the reasons for escalation) and the average time it takes to assign a case handler. Additional data should be published to provide greater transparency on the regulators' performance at each stage of the authorisation process. This data should be selected and metrics calculated carefully to ensure it cannot be misinterpreted or misrepresented. As proposed in Recommendation 1, targets can be set and, if met, then raised following an annual review of performance. There should also be greater accountability of individual case officers for their performance. Firms should have some recourse where individual applications are handled less well — this may be via escalation to senior management or an opportunity to provide real-time feedback on the process.



Consideration should also be given to introducing incentives for the regulators to achieve their targets. A requirement to explain significant under-performance against metrics may help to focus minds on their importance at all levels of the organisation. On the flip side, positive endorsement should be given for strong performance, with no expectation of perfection. Options include: providing recognition to senior management for meeting growth and competitiveness targets; career advancement opportunities tied to positive implementation of the SCGO (such as secondments or sabbaticals with industry firms and trade associations<sup>95</sup>); training programmes which explore the nexus between regulation and economic growth (e.g., university or business school courses, or secondments to other regulators).

HM Treasury should conduct a review into how the regulators calculate their performance of supervisory activities against statutory timelines, including the period of time from submission of an application to authorisation or approval, as well as the process they undertake and their interaction with applicants. This ties in with HM Treasury's proposal to review the FCA's and PRA's key performance indicators to provide faster, more proportionate authorisations<sup>96</sup> and with calls from industry for the regulators to provide more detailed metrics.<sup>97</sup>

## 8. Reform of Senior Managers and Certification Regime (SMCR)

The SMCR has been identified as an area of friction for firms. Issues include:

- i. the speed of approvals;
- ii. negative perceptions about the regime by overseas firms, sparked by a lack of familiarity, perceived complexity and a lack of transparency in the approvals process;
- iii. a failure to recognise and coordinate with equivalent overseas regimes, which creates an administrative burden for firms; and
- iv. disproportionate burdens of the Certification Regime, which can capture a range of staff who have no direct impact on customers, creating unnecessary administrative and compliance costs.

Negative experiences can deter businesses from establishing in the UK and individuals from coming to work in the UK. This is especially true given that it is often those individuals who are responsible for making such decisions who directly experience the frictions. On the other hand, engaging positively with these individuals sends a strong signal as to the UK's openness for business.

## RECOMMENDATION 8: Adopt a more balanced Senior Managers and Certification Regime.

The announcement of a consultation on removing the current certification regime in the first half of 2026 is to be applauded. As part of that, the FCA and PRA should explore if there is scope to reduce the intensity of the SMCR hurdle for senior executives who have been approved by regulators in major financial services centres that operate in line with international standards, or who have been approved in the UK already and are seeking to move to another UK firm as a senior manager. There are a number of ongoing initiatives aimed at resolving SMCR-related issues at the government, regulator and industry level.<sup>98</sup> Bold reforms should be embraced given the barrier the SMCR constitutes, in particular for overseas personnel.





## 9. Promoting an innovation mindset

Innovation and technology are vital to the competitiveness and growth of the UK financial services sector and its ability to protect consumers and combat financial crime. The UK's regulators have an impressive track record on embracing innovation and are taking an explicitly “tech positive” approach. However, the pace of technological change is relentless and the UK cannot afford to fall behind. There should be a sharp focus on ensuring rules allow innovation and technology to flourish. The broader ongoing review and revision to the regulatory framework, including the move to more principles-based, proportionate and outcomes-focused rules, is generally conducive to this.<sup>99</sup> This should be coupled with a cultural shift within the regulators to ensure innovation is a priority across their organisations, not solely the preserve of a specialist team.

As part of its 2025 Action Plan,<sup>100</sup> HM Treasury plans to build on a package of measures proposed by the FCA to help innovative firms begin conducting regulated activities, including issuing “minded to approve” notices to help firms with early-stage fundraising and streamlining certain legislative requirements to enable innovative firms to carry out certain regulated activities. The FCA has also committed to assign a dedicated case officer to each firm in the FCA's regulatory sandbox and to dedicate 50% more supervisors to early and high-growth firms.

The FCA has made innovation a key pillar of its seven drivers of productivity<sup>101</sup> and has already introduced a number of initiatives to encourage it, including: the My FCA portal<sup>102</sup> for registered and authorised firms, which uses technology to help firms submit regulatory returns, work out annual fees, etc; Early and High Growth oversight,<sup>103</sup> which gives enhanced FCA supervision for firms in their first few years after authorisation; Sandboxes<sup>104</sup>, TechSprints<sup>105</sup> and other innovation services;<sup>106</sup> and the FCA's proposed live AI testing service.<sup>107</sup>

The PRA also acknowledges that its approach to regulation should place more emphasis on innovation<sup>108</sup> and has taken some steps towards this, hosting a pilot roundtable on innovation in July 2024 and establishing an AI consortium, for example.<sup>109</sup> Interaction between regulators and firms through these initiatives provides plenty of scope for sharing of knowledge and expertise and for learning.

### RECOMMENDATION 9: Prioritise initiatives which drive innovation.

The regulators should continue to identify opportunities across their organisations and regulatory toolkits to support innovation, further sharpening their focus on technology to ensure they keep pace with change. The UK's approach to AI regulation provides a good model for supervision of new and emerging business models, using existing frameworks to empower the use of new technology. On a practical level, the regulators should continue to encourage the development of RegTech and invest in improvements to authorisation and supervision processes for new and growing companies (building on the proposals in Recommendation 7), giving them the support they need to succeed. Close collaboration between industry and the regulators will also help perpetrate a pro-innovation mindset across the regulators.<sup>110</sup>

The regulatory sandbox was a pioneering innovation by the UK regulators which has been replicated by almost 100 regulators globally.<sup>111</sup> Research has shown firms derive real value from participating in a sandbox.<sup>112</sup> However, there remains scope to use them more effectively — Innovate Finance has described the “Valley of Death” which some high-growth FinTechs experience when migrating from sandboxes to the full regulatory environment.<sup>113</sup> Firms should have the expectation that if they go into a sandbox, they will emerge successfully and be able to operate in a non-sandbox environment.<sup>114</sup> Where appropriate, firms could be offered the prospect of flexing regulatory rules once they emerge (e.g., by offering limited permissions or reduced regulatory capital requirements), creating a pathway that enables firms to scale over time. Equally, the regulators could actively learn lessons from sandbox experiences and be willing to adapt regulatory frameworks where appropriate to support innovative firms.

#### Spotlight: FCA approach to AI

The FCA takes a risk-based, principles-driven, and adaptive approach to supervising AI use in firms. Specifically, it has not created new AI specific regulation but instead expects firms to manage the risks of AI within the scope of the existing regulatory framework (e.g. Consumer Duty, SMCR, operational resilience principles). This is a good example of a proportionate approach which allows firms to innovate and for the FCA to manage risks without creating new rules and compliance costs.





# £8.3 billion

FCA estimate of the annual average benefits from its policy work from April 2020 to March 2023

# £688m to £2.4bn

FCA estimate of the total one-off direct costs firms may incur to comply with the Consumer Duty

# 6 CBAs

The PRA CBA panel reviewed 6 CBAs between July and October 2024

Sources: FCA Positive Impact Report, CP 21/36, Financial Conduct Authority, PRA Cost Benefit Analysis Panel Annual Report 2024

## 10. Cost benefit analysis and Practitioner Panels

The regulators have made significant improvements in their Cost Benefit Analyses (CBAs), resulting in examples of some strong CBAs. Others, however, could be improved. CBAs are an area of ongoing focus for the regulators — efforts that have already been made to improve them will inevitably take time to filter through in practice and there is more positive work in the regulatory pipeline.

At the time of writing, key outstanding issues are that:

- CBAs tend to focus on direct benefits and costs to growth and competition arising from a proposed regulation (e.g., higher compliance and IT spend). There is less focus on the indirect benefits and costs to the UK's competitiveness and growth.
- CBAs are currently only required to analyse the costs and benefits of a specific rule change<sup>115</sup>. To be of greatest use, they should take account of the cumulative costs of all regulatory changes occurring around the same time. Firms rarely deal with one regulatory change at a time, especially given the pace of regulatory change in recent years.
- There is an assumption that preserving market integrity and stability will support competitiveness and growth. That may be correct, but it is not sufficient by itself.

CBAs do not appear to consider the broader indirect impacts of new regulations in a sufficiently rigorous way or contemplate broader negative side effects. By improving the deployment of Cost Benefit Analyses, the regulators may be able to more appropriately reflect competitiveness and growth when developing policy and rules.

Practitioner Panels<sup>116</sup> offer effective early engagement on areas of regulatory policy from the perspective of industry. The Panels publish annual reports on their areas of focus and retain close links with trade associations to ensure their views are properly taken into account, but there is no regular process for publicising the details of Panels' discussions with the regulators. While the regulators are required to publish, from time to time, their responses to the Panels' representations,<sup>117</sup> there is scope for better communication on the issues being addressed by the Panels, to enhance transparency and draw industry's attention to the proposals under discussion.

## RECOMMENDATION 10: Enhance the cost benefit analysis process and use of Practitioner Panels.

This report supports the FCA CBA Panel annual report recommendations,<sup>118</sup> which are also relevant to PRA CBAs, namely:

1. CBAs should be conducted both earlier and later in the policy development cycle, in addition to when a policy has been selected.
2. the scope of CBAs should be expanded beyond the making of individual rules<sup>119</sup> to a broader consideration of the cumulative impact of proposed policies and guidance which are expected to have a substantial impact on markets and consumers<sup>120</sup>
3. and the regulators should develop a clear policy on how their use of CBAs takes account of their statutory objectives, including the SCGO.

In addition, CBA exercises need in practice to be more rigorous in setting out the direct and indirect competitiveness and growth-related benefits and costs that may flow from a policy, which could link to the focus areas identified in the regulators' SCGO reports (as developed in line with the recommendations of this report).<sup>121</sup> Consideration should be given to introducing industry experts who can provide additional expertise in identifying hidden costs and may be well placed to advise on maximising competitiveness and growth in the policy areas under discussion.

The regulators are making good use of Practitioner Panels prior to public consultation to discuss significant policy issues. In some cases, the FCA has provided summary information on its early options analysis in CBAs and consultation papers<sup>122</sup>, with plans to continue developing this approach in CBAs. Publishing regulators' Practitioner Panel discussions, or aspects of them, may further enable industry to engage intellectually at an earlier stage and facilitate better final policy outcomes.

*“Practitioner Panels offer effective early engagement on regulatory policy.”*

*“CBAs need to be more rigorous in setting out the direct and indirect competitiveness and growth-related benefit's and costs.”*



# Annex 1: Illustrative set of Principles for FCA and PRA oversight of the financial sector in a manner that supports growth and competitiveness

## Context

A competitive, innovative, and growing financial services industry is critical to the UK's economic prosperity. Effective, outcomes-focused regulation will help to secure this positive outcome. When functioning efficiently, the industry supports the UK's wider economy by:

- Providing businesses with the essential credit, capital, and payment services needed to operate, innovate, invest, and expand, and enabling risk-taking through appropriate insurance and risk management products.
- Allowing individuals to manage their finances, build wealth, purchase homes, and protect against unforeseen shocks, thereby underpinning consumer confidence and financial wellbeing.
- Enabling institutional investors and insurers as investors to access a wider set of investment opportunities and generate steady returns for investors.
- Attracting international capital and expertise, generating substantial export earnings, and financing complex global projects.

*“A competitive, innovative and growing financial services industry is critical to the UK’s economic prosperity.”*

*“Proportionate regulation is essential to underpin confidence in market led outcomes.”*

## Principles

Proportionate regulation is essential to underpin confidence in these market-led outcomes. The following principles will therefore guide the regulators in delivering their statutory objectives in a way that is responsive to the evolution of markets, talent, and technology.

4. Risk-based supervision: Recognising that primary responsibility for risk management rests with a firm’s governance and control functions, supervisory intensity should be calibrated based on a firm’s demonstrated risk profile and potential impact, not on theoretical harms. Supervisory dialogue should be the primary tool for engagement. Formal processes and intensive supervisory interventions will be reserved for clear breaches of regulatory requirements or where engagement has proven ineffective.
5. Innovation and competition driven approach: The regulators will operate on the principle that innovation and competition are the most effective drivers of positive outcomes for consumers and markets. The regulatory framework should therefore be designed with the goal of facilitating the safe adoption of new technologies and removing barriers to entry.
6. Recognition of market expertise: In retail financial markets, the focus will be on ensuring that market practices deliver good outcomes. In wholesale financial markets, the regulators should presume that market outcomes are efficient given the expertise of participants. The threshold for regulatory intervention in wholesale markets will be high, requiring clear and compelling evidence of a significant market failure, and a robust analysis demonstrating that intervention is superior to market-led solutions.

7. Commitment to regulatory efficiency: The regulators will commit to minimising compliance costs. To this end, the regulators will avoid regulatory overlap and will ensure the regulatory framework is internally consistent. From a practical perspective digital-first and machine-readable reporting will be deployed where feasible. For routine applications (such as for senior managers or permissions), the FCA’s online systems for submitting and tracking applications should be enhanced to deliver greater transparency at each stage of the process, indicating the application status and any outstanding issues.
8. Evidence-based policymaking: In developing new policy, regulators will rigorously assess whether policy goals can be met in a more efficient manner. Post-implementation reviews will be used to assess whether rules are delivering their intended benefits effectively and to remove or reform those that are not.





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In discussions to inform the report, the senior practitioners gave their personal views which do not necessarily represent the views of their organisation. Contributing organisations do not necessarily agree in whole or in part with the conclusions and recommendations in this report, which is issued by the City of London Corporation.

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# Endnotes

<sup>1</sup> This report focuses on the activities of the UK Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA). The important contributions of other regulators responsible for financial services industry oversight (e.g., the Payment Systems Regulator (PSR) and the Competition and Markets Authority (CMA)) in the broader financial services ecosystem is acknowledged, and where appropriate the proposals in this report may be adopted more widely. The secondary objective will in practice be applied to payments regulation once the PSR is rolled into the FCA. The CMA has a slightly different objective: to promote competition for the benefit of consumers to make markets work well for consumers, businesses and the economy. HM Treasury has published a growth-focused Strategic Steer for the CMA which provides specific direction for that regulatory body (see HM Treasury (2023) *Strategic steer to the Competition and Markets Authority*. Available at: [Strategic steer to the Competition and Markets Authority - GOV.UK](#)).

<sup>2</sup> See New Financial (2024) A Focus on Market Outcomes: *Evaluating the UK Regulatory Framework*, which includes a discussion of the wider context in which the regulators operate. Available [here](#).

<sup>3</sup> See New Capital Consensus (2025) *Reviving UK Investment Flows*. Available at: [Reviving UK Investment Flows \(1\).pdf](#). The report recognises the interplay between different participants within the financial services “systems”, and the need to consider the system holistically.

<sup>4</sup> As discussed in further detail in the body of the report, the SCGO has not been applied to supervision and enforcement policy as robustly as it might have been. There have also been missteps and avoidable own-goals in policymaking, such as the FCA's enforcement and transparency proposals and the proposed regulatory framework on diversity and inclusion, both of which have been shelved. See FCA (2025) *Update on the FCA's enforcement transparency proposals*. Available at: [Update on the FCA's enforcement transparency proposals | FCA](#).

<sup>5</sup> See House of Lords Financial Services Regulation Committee, Growing pains: clarity and culture change required. An examination of the secondary international competitiveness and growth objective (HL Paper 133, 2024-25) (**HL Report on SCGO**). Available at: [Growing pains: clarity and culture change required. An examination of the secondary international competitiveness and growth objective](#). The City of London Corporation's contribution (via written and oral evidence) to the Inquiry that preceded the HL Report on SCGO was entirely independent from the preparation of this report.

<sup>6</sup> See Pritchard, S (2025) ‘Funding our future: Building brilliant companies on the UK's public markets’, speech at Quoted Companies Alliance Annual Conference, 5 June. Available at: Funding our future: Building brilliant companies on the UK's Companies Alliance Annual Conference, 5 June. Available at: [Funding our future: Building brilliant companies on the UK's public markets](#).

<sup>7</sup> Under the SCGO, the regulators are tasked with advancing the international competitiveness and growth of the UK economy, including, in particular, the financial services sector. They must do this “so far as reasonably possible” when discharging their general functions in a way which is compatible with or advances the primary objectives.

<sup>8</sup> See: FCA (2025) ‘Our approach to supervision’ (Available at: [Our approach to supervision | FCA](#)); PRA (2023) *The Prudential Regulation Authority's approach to banking supervision*. Available at: [The Prudential Regulation Authority's approach to banking supervision](#); and PRA (2023) *The Prudential Regulation Authority's approach to insurance supervision*. Available at: [The Prudential Regulation Authority's approach to insurance supervision](#). The approach is also discussed in more detail in the regulators' SCGO reports, discussed in endnote 10.

<sup>9</sup> HM Treasury wrote to the PRC and FCA in November 2024 (see HM Treasury (2024) Letter to the Prudential Regulation Committee (PRC) regarding recommendations on its role to support the government's growth mission, 14 November. Available at: [HM Treasury letter to Prudential Regulation Committee](#); and HM Treasury (2024) Letter to the Financial Conduct Authority (FCA) regarding recommendations on its role to support the government's growth mission, 14 November. Available at: [HM Treasury letter to Financial Conduct Authority](#)) and both have since set out their responses (see: PRC (2024) PRC response to HM Treasury letter, 18 December. Available at: [PRC remit letter response.pdf](#); and FCA (2024) FCA response to HM Treasury letter, 9 December. [FCA's response to Treasury remit letter 2024](#)). As discussed in endnote 5 above, the Financial Services Regulation Committee's inquiry into the regulators' approach to the SCGO received evidence from HM Treasury, the FCA and the PRA, among others, on the SCGO and the regulators' implementation of it (see Financial Services Regulation Committee Inquiry, *FCA and PRA's secondary competitiveness and growth objective*. Available at: [FCA and PRA's secondary competitiveness and growth objective - Committees - UK Parliament](#), culminating in the HL Report on SCGO).

<sup>10</sup> Both regulators have published statutory reports on their implementation of the secondary competitiveness and growth objective (see FCA (2024) *Secondary international competitiveness and growth objective (SICGO) metrics*. Available at: [Secondary international competitiveness and growth objective \(SICGO\) metrics | FCA \(FCA 2024 SCGO report\)](#); PRA (2024) *Competitiveness and growth: embedding the PRA's new secondary objective*. Available at: [Competitiveness and growth: embedding the PRA's new secondary objective | Bank of England \(PRA 2024 SCGO report\)](#); and PRA (2025) *Competitiveness and growth: the PRA's second report*. Available at: [Competitiveness and growth - the PRA's second report.pdf \(PRA 2025 SCGO report\)](#)). Both have expressed the need to balance the primary and secondary objectives – the FCA's stated approach is to facilitate “*the new secondary objective when advancing our primary objectives of consumer protection, market stability and effective competition in the interest of consumers*”; the PRA notes that “*The PRA can only advance its secondary objectives when advancing its primary objectives*”. The FCA has adopted initiatives to support the implementation of the objective, including an economic research competition (FCA (2024) *Economic research competition*. Available at: [Economic research competition | FCA](#)) and the publication of a literature review of regulation and growth (FCA (2024) *Research Note: The growth gap: a literature review of regulation and growth*. Available at: [The growth gap: a literature review of regulation and growth | FCA](#)). In a speech in February 2025, Nikhil Rathī talked about the “Gordian knot of growth”, accepting that the growth challenge was an urgent problem and seeking bold thinking “*around articulation of the Government's risk appetite*”. (See Rathī, N. (2025) ‘The Gordian knot of growth’, speech at Association of British Insurers roundtable, 27 February. Available at: [The Gordian knot of growth | FCA](#)).

<sup>11</sup> See, for example, the regulators' MiFID Org consultations, proposed reforms under EMIR, the Advice Guidance Boundary Review, the PRA's proposals on remuneration reform, the Matching Adjustment Investment Accelerator and the FCA's proposals on simplification of insurance rules (CP25/12), which is a particularly strong example of the regulators embracing their mandate.

<sup>12</sup> As described in FCA guidance “FG20/1: Our framework: assessing adequate financial resources”: “*The risk appetite is the overarching level of risk that a firm is willing to accept to generate acceptable returns. Firms are expected to identify and understand the risks that arise from their activities and the way they conduct their business. These risks should be measured, and firms should have a clear and quantified risk appetite which is communicated, understood and followed across the firm.*” (See FCA (2020) *FG 20/1 Our framework: assessing adequate financial resources*, p. 15. Available at: [Our framework: assessing adequate financial resources](#)).

<sup>13</sup> See Rathī, N. (2025) ‘The Gordian knot of growth’, speech at Association of British Insurers roundtable, 27 February. Available at: [The Gordian knot of growth | FCA](#), discussed in endnote 10 above. The FCA and PRA also each gave evidence to the House of Lords' Financial Services Regulation Committee Inquiry into the SCGO on this subject and it is discussed in the HL Report on SCGO at pp. 96-98 (see endnote 5).

<sup>14</sup> The Independent Evaluation Office (IEO) identified in its 2024 evaluation report that the PRA was not equally proactive in embedding the SCGO across all activities and areas of the organisation, stating “*The IEO found scope to embed the SCGO more firmly into relevant PRA processes, thereby helping to maintain a consistent and appropriately proactive approach to the objective throughout the organisation*” and “*There are notable examples of areas where the PRA has proactively enhanced interactions to be more open, accessible and responsive with firms...However, this level of proactivity was not evident in all areas*” (see IEO (2024) *IEO evaluation of the PRA's approach to the secondary competitiveness and growth objective*. Available at: [IEO evaluation of the PRA's approach to the secondary competitiveness and growth objective | Bank of England](#)). The PRA responded to the IEO's report in the PRA 2024 SCGO Report (see endnote 10 above), acknowledging ways in which it could take forward the IEO's recommendations, but there is still scope for a more proactive approach to implementation from both regulators.

<sup>15</sup> The PRA identifies “*Maintaining trust among domestic and foreign firms in the PRA and UK prudential framework*” as one of three key direct actions it can take to facilitate the secondary objective, on the basis that “*Trust is one of the most important ingredients for the competitiveness of the financial sector and to underpin economic growth in the medium to long term*” (see endnote 10 above, PRA 2024 SCGO Report, p. 11). The FCA's first observation in the FCA 2024 SCGO report is that “*Clean, trusted and stable markets mean consumers and businesses have the confidence to spend, save, invest and innovate*” and goes on to comment that “*With partners, we are stepping up to reduce the damage to growth and competitiveness from fraud, scams and financial crime*” (see endnote 10, FCA 2024 SCGO report, p. 6).

<sup>16</sup> The regulators have started to adopt this approach – in the case of the PRA, for example, introducing the Strong and Simple regime for smaller banks, discontinuing the Building Societies Sourcebook SS20/15 and taking a proportionate approach to Basel III. The FCA has also shown evidence of it, such as CP25/12 on simplifying insurance rules.

<sup>17</sup> The Rt Hon Rachel Reeves MP (2024) ‘Mansion House 2024 speech’, speech at Mansion House, 14 November. Available at: [Mansion House 2024 speech - GOV.UK](#).

<sup>18</sup> See UK Finance (2023) *The impact of AI in financial services: opportunities, risks and policy considerations*, which states that “*firms feel constrained by uncertainty over what the regulatory framework will look like, how it will operate in practice and how certain key challenges will be solved.*” Available at: [The impact of AI in financial services.pdf](#).



<sup>19</sup> The regulators have each attempted to articulate what “growth” and “competitiveness” mean in the context of the secondary objective. The FCA has said that “*Growth should be in the interests of consumers as well as businesses and we should not act in a way which benefits short-term growth and competitiveness at the cost of long-term prosperity*” (see endnote 10, the FCA 2024 SCGO Report, p. 9). The PRA has concluded that the SCGO “*supports standard setting aimed at boosting the competitiveness of PRA-regulated firms, providing that such actions would be consistent with not harming the growth of the UK in the medium to long term, which requires strong standards reducing the risks of financial instability*” (see PRA (2023) Paper 2: The links between prudential regulation, competitiveness and growth, p. 4. Available at: [the-links-between-prudential-regulation-competitiveness-and-growth.pdf](#) (**PRA Paper 2**)). The PRA has developed a proposed understanding of medium to long-term growth as being “*the increase in the level of economic activity over a five to ten year horizon as measured by gross domestic product (GDP)*” (PRA Paper 2, p. 9) but has struggled more with defining international competitiveness in this context, noting it is “*arguably the least straightforward element to define because there is less consensus on what this means*” (PRA Paper 2, p. 10). HM Treasury discussed competitiveness and growth in its Call for Evidence on the Financial Services Growth and Competitiveness Strategy, stating what its objectives are in the context of growth and competitiveness, but more clarity and granularity could be provided (see HM Treasury (2024) *Financial Services Growth and Competitiveness Strategy – Call for Evidence*, para 3.6. Available at: [Financial Services Growth\\_\\_Competitiveness Strategy - Call for Evidence\\_.pdf](#)).

<sup>20</sup> The PRA previously considered the value of reporting on “tracking indicators”, a broader set of macro-indicators of competitiveness and growth over which the PRA would have limited direct influence but which would nonetheless be useful in understanding developments in the UK economy and financial sector. They would not be direct metrics of the PRA’s performance but would help to contextualise the PRA’s functions. See PRA(2023) *Paper 1: How to measure the contribution of prudential regulation to competitiveness and growth* (**PRA Paper 1**), pp. 17-18. Available at: [how-to-measure-contribution-of-prudential-regulation-to-competitiveness-and-growth.pdf](#).

<sup>21</sup> The regulators have published metrics in their respective SCGO reports to demonstrate how they have advanced the SCGO, taking account of HM Treasury’s consultation on metrics to measure the regulators’ implementation of the SCGO (see HM Treasury (2023) *Financial Services Regulation: Measuring Success - Response to the Call for Proposals*. Available at: [Financial Services Regulation - Measuring Success - Response to the Call for Proposals.pdf](#)). These metrics include, for example, the number of new entrants and exits from the UK market (in the case of the FCA) and the number of new domestic vs overseas firms authorised (in the case of the PRA).

<sup>22</sup> See HM Treasury (2025) Policy paper: *New approach to ensure regulators and regulation support growth*, para 4. Available at: [New approach to ensure regulators and regulation support growth](#) (**HM Treasury 2025 Action Plan**).

<sup>23</sup> See FCA (2025), Letter from Nikhil Rathī to the Prime Minister, Chancellor and Secretary of State regarding a new approach to ensure regulators and regulations support growth. Available at: [FCA letter on a new approach to ensure regulators and regulations support growth](#).

<sup>24</sup> HM Treasury NEDs “*are experts from outside government with significant experience of working with the public and/or third sectors and have strong financial and commercial expertise*.” (See HM Treasury, ‘Non-executive board member: Gay Huey Evans CBE’. Available at: [Gay Huey Evans CBE - GOV.UK](#)).

<sup>25</sup> See s. 26, Financial Services and Markets Act 2023 (**FSMA 2023**) (Competitiveness and growth objective: reporting requirements).

<sup>26</sup> See endnote 22 above, HM Treasury 2025 Action Plan.

<sup>27</sup> See s. 26(1), (3) and (4), FSMA 2023 (Competitiveness and growth objective: reporting requirements), which requires the regulators to publish two reports on how they have complied with their respective duties to advance the SCGO. The reports are required to be published in 2024 and 2025. Taking account of the need to manage the volume of publications the regulators produce, they will publish information on the SCGO implementation in annual reports after 2025.

<sup>28</sup> One area not specifically discussed in this report, but which illustrates this point, is the UK’s regulatory capital framework. The HL Report on SCGO (see endnote 5 above) identified this as an area where the UK requirements “*have become onerous and complex*” and that this “*negatively impacts on competition*”.

<sup>29</sup> Financial Services Regulatory Initiatives Forum (2025) [Regulatory Initiatives Grid](#). The Regulatory Initiatives Grid (RIG) can help industry in planning for change. The increase in the proportion of joint regulatory initiatives over the years illustrates that the RIG can help improve coordination between regulators, which can in turn reduce regulatory burden and support growth.

<sup>30</sup> FCA (2025) *Strategy 2025 to 2030*. Available at: [Our strategy 2025 to 2030](#).

<sup>31</sup> See endnote 20, PRA Paper 1 above.

<sup>32</sup> The regulators’ “general functions” include: (i) making rules and technical standards; (ii) issuing codes and general guidance; and (iii) determining the general policy and principles that govern how to exercise certain functions, which include supervision and enforcement functions (see section 1B(6), FSMA). The PRA has acknowledged that “*Firm-specific decisions are made under policies where the SCGO is engaged*” (see endnote 10 above, PRA 2024 SCGO Report, FN 12).

<sup>33</sup> See FCA (2025) ‘Our approach to supervision’ (Available at: [Our approach to supervision | FCA](#)).

<sup>34</sup> See PRA (2023) *The Prudential Regulation Authority’s approach to insurance supervision*. Available at: [The Prudential Regulation Authority’s approach to insurance supervision](#).

<sup>35</sup> See PRA (2023) *The Prudential Regulation Authority’s approach to insurance supervision*. Available at: [The Prudential Regulation Authority’s approach to insurance supervision](#).

<sup>36</sup> See the ENFG Chapter of the FCA Handbook, as amended by FCA, PS25/5 (2025) *Our Enforcement Guide and greater transparency of our enforcement investigations* (available at: [PS25/5: Our Enforcement Guide and greater transparency of our enforcement investigations](#)).

<sup>37</sup> In a survey of CROs, for example, respondents were asked how they would characterize the regulators’ own willingness to further the SCGO, where “0” meant they had shown no evidence of furthering it and “5” meant they had embraced the secondary objective. The FCA was given an average score of 2.1 and the PRA an average score of 2.3. (Survey of CROs at City of London Chief Risk Officers Summit, 21 May 2025, London.)

<sup>38</sup> In a survey of CROs, for example, respondents were asked to estimate the time their business function spent dealing with supervisory requests they thought were unnecessary or could be handled more efficiently, where “0” was no time and “5” was a substantial amount of time. They responded with an average score of 3.4. (Survey of CROs at City of London Chief Risk Officers Summit, 21 May 2025, London.)

<sup>39</sup> See endnote 10, PRA 2024 SCGO report.

<sup>40</sup> See FCA (2025) Letter from Nikhil Rathī to the Chair of the Treasury Select Committee on FCA enforcement work and diversity & inclusion, which notes that the FCA has “*significantly increased the pace and focus of our enforcement works...Five recent investigations closed with a public outcome in less than 16 months, compared to an average length of 42 months in 2023/4*”. Available at: Our letter to the Treasury Select Committee on the FCA’s enforcement work and diversity & inclusion.

<sup>41</sup> For example, the PRA’s recent requirements around funded reinsurance (PRA (2024) *SS5/24: Funded reinsurance*. Available at: [Funded reinsurance](#)), which could have been dealt with through direct dialogue between the PRA and those firms that were not achieving acceptable outcomes, instead of requiring change by all firms including those who did achieve the best outcomes.

<sup>42</sup> See s. 138B, FSMA 2000.

<sup>43</sup> FCA (2025) *Strategy 2025 to 2030*, p. 9. Available at: [Our strategy 2025 to 2030](#).

<sup>44</sup> In 2023/34, the FCA used the s166 power in 83 cases (see FCA (2024) *Annual Report and Accounts 2023/2024*, pp. 148-150. Available at: [Annual Report and Accounts 2023/24](#)). This was a 77% increase from 2022/23 (see EY (2025) *What to expect: UK Financial Services Regulation in 2025*, p. 16. Available at: [ey-uk-what-to-expect-uk-financial-services-regulation-in-2025-02-2025.pdf](#) (**EY Report**)). The PRA used the power significantly less frequently, and its usage has actually decreased since 2022/23 (see EY Report, p. 16).

<sup>45</sup> See Office for Artificial Intelligence (2023) *Policy paper: A pro-innovation approach to AI regulation* (Available at: [A pro-innovation approach to AI regulation - GOV.UK](#)).

<sup>46</sup> s. 228(2), FSMA 2000: “A complaint is to be determined by reference to what is, in the opinion of the ombudsman, fair and reasonable in all the circumstances of the case.”

<sup>47</sup> See FCA Handbook, DISP 3.6.4: “*In considering what is fair and reasonable in all the circumstances of the case, the Ombudsman will take into account: (1) relevant: (a) law and regulations; (b) regulators’ rules, guidance and standards; (c) codes of practice; and (2) (where appropriate) what he considers to have been good industry practice at the relevant time.*”

<sup>48</sup> See FOS (2025) *How we make decisions*. Available at [How we make decisions – Financial Ombudsman service](#).

<sup>49</sup> For example, members are aware of a number of cases in relation to ‘reviewable whole of life’ insurance policies where the FOS has recently started using guidance issued by the FCA in 2016 as a reference point when considering pre-2016 cases. The Ombudsman’s core argument appears to be that the 2016 guidance did not introduce new regulatory requirements but merely clarified existing ones. Arguably, the publication of clarificatory guidance in 2016 shows that the regulators’ expectations were demonstrably not clear enough prior to that date, and so it is unreasonable to hold firms to a post-2016 standard before then. This retrospection causes uncertainty about what the FOS might take into account when making decisions.

<sup>50</sup> The FCA and FOS have published a Call for Input on modernising the redress system (see FCA (2024) *Call for Input: Modernising the Redress System*. Available at: [Call for Input: Modernising the Redress System | FCA](#)), including proposals to rely more on an outcomes-focused approach to regulation. However, industry has expressed concern that the Call for Input failed to tackle the key issues at the heart of the instability and unpredictability afflicting the redress framework, in particular that the FOS acts as a de-facto regulator.

<sup>51</sup> Economic Secretary to the Treasury Emma Reynolds MP announced in June 2025 plans for the FOS to be overhauled to prevent it from behaving as a quasi-regulator, with the potential for a new appeal process so that companies can challenge its decisions. See “Arnold, Martin, “*Minister promises to curb powers of UK’s financial ombudsman*”. Financial Times, 26 June 2025. Available at: [https://www.ft.com/content/241ad986-0e5f-4d8a-945d-c856f1b4f4f](#)

<sup>52</sup> See endnote 22 above, HM Treasury 2025 Action Plan, section 3.1.

<sup>53</sup> See FCA (2024), ‘Wider Implications Framework’. Available at: [Wider Implications Framework | FCA](#).

<sup>54</sup> See s.415C, FSMA and the Wider Implications Framework.

<sup>55</sup> As part of their Memorandum of Understanding, the FCA and FOS have agreed to “*meet and communicate regularly...to discuss matters of mutual interest, such matters may include...trends emerging from recent closed complaints*”, para 23 (see FCA (2024) *Memorandum of Understanding between the Financial Conduct Authority and the scheme operator, the Financial Ombudsman Service (The Financial Ombudsman Service)*. Available at: [Memorandum of Understanding between the FCA and the Financial Ombudsman Service Limited.](#))



<sup>56</sup> See FCA (2025) *FS25/2 Immediate areas for action and further plans for reviewing FCA requirements following introduction of the Consumer Duty*, which discusses proposals to review core definitions of retail consumers and SMEs to aid understanding and simplify the application of the rules. The proposals will be discussed at an FCA summit on 3 July 2025 and have the potential to address some of the challenges around proportionality for the consumer duty and wholesale firms. Available at: [FS25/2: Immediate areas for action and further plans for reviewing FCA requirements following introduction of the Consumer Duty](#).

<sup>57</sup> Survey of CROs at City of London Chief Risk Officers Summit, 21 May 2025, London.

<sup>58</sup> London Market Group (2024) 'The London Market grows contribution to UK economy to £50bn'. Available at: [The London Market grows contribution to UK economy to £50bn - London Market Group](#).

<sup>59</sup> The FCA has made efforts to ensure its expectations around the consumer duty are clear – see, for example, FCA (2024), 'Consumer Duty implementation: good practice and areas for improvements'. Available at: [Consumer Duty implementation: good practice and areas for improvement | FCA](#). The FCA intends to continue sharing examples of good and poor practice so firms can see how the consumer duty is driving change and help them deliver good outcomes for consumers. It plans to hold an in-person summit in summer 2025 to discuss the consumer duty rule review and to publish a further statement to outline its programme of work and progress to date in September 2025.

<sup>60</sup> See FCA (2025) CP25/12: *Simplifying the insurance rules: Proposed amendments following DP24/1 and discussion on further changes for insurance and funeral plans*. Available at: [cp25-12.pdf](#).

<sup>61</sup> See HM Treasury's consultation on captive insurance (HM Treasury (2024) *Captive insurance: Consultation*). Available at: [Captive insurance - GOV.UK](#).

<sup>62</sup> See House of Commons Library (2025) *Government support for retail investment*, p. 3. Available at: [CDP-2025-0084.pdf](#).

<sup>63</sup> See Barclays Bank (2025) *A New Message to tell Sid: "We found that potential investors were much less engaged than existing investors by concepts such as tax incentives as a reason to start investing. When we tested different messaging material, they engaged more with messages that highlighted that investing was simple and accessible – reflecting their perception that currently it was neither of those things."* Available at: [A New Message to tell Sid.pdf](#).

<sup>64</sup> See FCA (2024), 'Feedback: Advice Guidance Boundary Review'. Available at: [Feedback: Advice Guidance Boundary Review | FCA](#).

<sup>65</sup> See the FCA's written evidence to the Financial Services Regulation Committee's Inquiry on the FCA and PRA's secondary competitiveness and growth objective, pp. 16-17 (Available at: [committees.parliament.uk/writtenevidence/137811/pdf/](#)).

<sup>66</sup> See FCA (2025), 'FCA concludes consumer investment policy sprint'. Available at: [FCA concludes consumer investment policy sprint | FCA](#). The policy sprint allowed the FCA to test at pace targeted support, helping to inform the FCA's consultation on final policy proposals and helping firms to develop proofs of concept before the rules are live.

<sup>67</sup> For example, the FCA plans to publish a further consultation paper addressing risk warnings to dispel myths and clarify the flexibility that exists for firms (although this was not yet published at the time of writing).

<sup>68</sup> See, for example, the steps the FCA is taking as part of the Advice Guidance Boundary Review (see FCA (2024) 'Feedback: Advice Guidance Boundary Review'. Available at: [Feedback: Advice Guidance Boundary Review | FCA](#)).

<sup>69</sup> See FCA, 'Consumer Duty'. Available at: [Consumer Duty | FCA](#).

<sup>70</sup> See Barclays (2024) *Empowering retail savers to engage with investing: the role of public policy*. Available at: [Final Report - Empowering retail savers to engage with investing \(digital version\).pdf](#).

<sup>71</sup> See FCA (2024) 'Reforms to financial services retail-disclosure requirements'. Available at: [Reforms to financial services retail-disclosure requirements | FCA](#).

<sup>72</sup> See endnote 63, Barclays, *A New Message to Tell Sid*.

<sup>73</sup> See the Investment Association's written evidence to the Financial Services Regulation Committee's Inquiry on the FCA and PRA's secondary competitiveness and growth objective (2025). Available at: [The Investment Association - Supplementary written evidence \(SCG0058\)](#).

<sup>74</sup> See BlackRock's response to the Financial Services Growth & Competitiveness Strategy Call for Evidence (2024). Available at: [hmt-financial-services-growth-competitiveness-strategy-call-for-evidence-121824.pdf](#).

<sup>75</sup> See Barclays (2024) *Empowering retail savers to engage with investing: the role of public policy*. Available at: [Empowering retail savers to engage with investing: the role of public policy](#).

<sup>76</sup> The FCA expressed its commitment to meeting international standards and continuing to advocate for global cooperation and openness in its 2025-2030 strategy (FCA (2025) Our strategy 2025 to 2030. Available at: [Our strategy 2025 to 2030](#) (accessed 11 May 2025). The PRA confirmed its approach of "responsible openness towards international business" in its Business Plan for 2025-2026 (PRA (2025) *Prudential Regulation Authority Business Plan*. Available at [Prudential Regulation Authority Business Plan 2025/26 | Bank of England](#) (accessed 11 May 2025).

<sup>77</sup> As defined under s. 24, FSMA 2023.

<sup>78</sup> Where preferential treatment is granted to firms whose home regulatory regimes are of sufficient quality.

<sup>79</sup> A form of unilateral deference where one jurisdiction recognises another's particular rules as equivalent to their own.

<sup>80</sup> See the reforms made under EMIR 3 ([Regulation - EU - 2024/2987 - EN - EUR-Lex](#)) and the EU Benchmarks Regulation ([https://finance.ec.europa.eu/news/benchmarks-2025-01-30\\_en](https://finance.ec.europa.eu/news/benchmarks-2025-01-30_en)).

<sup>81</sup> See: FCA (2024) *CP24/28: Operational Incident and Third Party Reporting*. Available at: [CP24/28: Operational Incident and Third Party Reporting | FCA](#); and PRA (2024) CP17/24 – *Operational resilience: Operational incident and outsourcing and third-party reporting*. Available at: [CP17/24 – Operational resilience: Operational incident and outsourcing and third-party reporting | Bank of England](#). Industry members have expressed some concerns with the proposals, which it is hoped the regulators will take into account and engage in further dialogue with firms.

<sup>82</sup> See, for example, FSDC (2025) 'FSDC and TheCityUK Forge Strategic Partnership with Memorandum of Understanding to Strengthen Financial Sector Collaboration'. Available at: [FSDC and TheCityUK Forge Strategic Partnership with Memorandum of Understanding to Strengthen Financial Sector Collaboration](#).

<sup>83</sup> See, for example, the BritishAmerican Business trade association, which aims to strengthen the economic corridor between the US and UK by convening companies on both sides of the Atlantic and promotes policies to support trade and investment.

<sup>84</sup> This is acknowledged by the BoE's Independent Evaluation Office, which recommended that the PRA ensure staff across the organisation have a consistent understanding of the new objective and what they need to do to support it ([Competitiveness and growth: embedding the PRA's new secondary objective | Bank of England](#)).

<sup>85</sup> See HM Treasury (2024) Letter to the Prudential Regulation Committee (PRC) regarding recommendations on its role to support the government's growth mission, 14 November. Available at: [HM Treasury letter to Prudential Regulation Committee](#); and HM Treasury (2024) Letter to the Financial Conduct Authority (FCA) regarding recommendations on its role to support the government's growth mission, 14 November. Available at: [HM Treasury letter to Financial Conduct Authority](#).

<sup>86</sup> See FCA (2025) 'FCA Authorisations operating service metrics 2024/25 Q4' (Available at: [FCA Authorisations operating service metrics 2024/25 Q3 | FCA](#)).

<sup>87</sup> See endnote 85, above and PRA (2025) 'Prudential Regulation Authority Authorisations Performance Report 2024/25 – Q4', including annual summary data. Available at: [PRA Authorisations Performance Report Q4 2024/25](#).

<sup>88</sup> For example, there is a "stop-the-clock" mechanism which stops time in certain circumstances when further information is sought (namely, change in control and senior manager applications). This stop the clock time is excluded when calculating the percentage of applications that are within the statutory deadline (although it is included when calculating lower, median and upper quartiles).

<sup>89</sup> HM Treasury has asked the regulators to publish clear, time-bound targets for processing authorisations and their performance against those targets, as well as stress-testing those targets, asking industry how they can improve their service and producing action plans on how they will do so. (See endnote 22 above, HM Treasury 2025 Action Plan).

<sup>90</sup> FCA (2025) 'Pre-application support service (PASS)'. Available at: [Pre-application support service \(PASS\)](#).

<sup>91</sup> See HM Treasury 2025 Action Plan, endnote 22 above and The Lord Mayor Alastair King (2025), speech at the 2025 Annual Lord Mayor's Event, the Guildhall, London, 14 April. Available at: [The 2025 Annual Lord Mayor's Event | Gresham College](#).

<sup>92</sup> See TheCityUK (2023) *Improving regulatory efficiency on authorisations*. Available at: [TheCityUK - Improving Regulatory Efficiency on Authorisations](#); and London Market Group (2022) Making the UK more competitive: Metrics for Success. Available at: [London Markets Group - Regulation – Metrics for success](#).

<sup>93</sup> See FCA (2025) 'About the FCA'. Available at: [About the FCA | FCA](#).

<sup>94</sup> See PRA (2025) 'What is the Prudential Regulation Authority (PRA)?'. Available at: [What is the Prudential Regulation Authority \(PRA\)? | Bank of England](#).

<sup>95</sup> See, for example, the secondment proposals under the City of London Corporation's *Vision for Economic growth (see City of London Corporation (2024) Vision for Economic Growth – a roadmap to prosperity*. Available at: [Vision for Economic Growth — a roadmap to prosperity](#)).

<sup>96</sup> See endnote 22, HM Treasury 2025 Action Plan, para 3.5.

<sup>97</sup> See [Lords Financial Services Regulation Committee - Innovate Finance Evidence and Response to Supplementary Questions](#), p. 3.

<sup>98</sup> See HM Treasury, [Senior Managers & Certification Regime: a Call for Evidence](#) (30 March 2023); FCA and PRA, [DP23/3: Review of the Senior Managers and Certification Regime \(SM&CR\)](#) (30 March 2023).

<sup>99</sup> Breedan, S. (2024) 'Aiming for calm seas in our market reforms', speech at City & Financial Global's City Week 2024, 20 May. Available at: [Aiming for calm seas in our market reforms | FCA](#). The FCA has reiterated this commitment to an outcomes-focused approach in other areas of supervision, including in relation to AI – see FCA (2025) *Engagement Paper: Proposal for AI Live Testing, "Our principles-based and outcomes-focused regulatory approach gives firms flexibility to innovate in the way they provide financial services. We have been clear that we will avoid additional regulation for AI by relying on existing frameworks."* (Available at: [Engagement Paper 2025: Proposal for AI live testing](#)).



<sup>100</sup> See endnote 22, HM Treasury 2025 Action plan, para 3.5.

<sup>101</sup> See FCA (2023), *Secondary international competitiveness and growth objective*. Available at: [Secondary international competitiveness and growth objective statement](#).

<sup>102</sup> See FCA (2025) ‘My FCA’. Available at: [My FCA | FCA](#).

<sup>103</sup> See FCA (2024) ‘Early and High Growth Oversight’. Available at: [Early and High Growth Oversight | FCA](#).

<sup>104</sup> See FCA (2024) ‘Regulatory Sandbox’. Available at: [Regulatory Sandbox | FCA](#).

<sup>105</sup> See FCA (2025) ‘TechSprints’. Available at: [TechSprints | FCA](#).

<sup>106</sup> See FCA (2023), ‘Our innovation services’. Available at: [Our innovation services | FCA](#).

<sup>107</sup> See FCA (2025), ‘AI Lab’. Available at: [AI Lab | FCA](#).

<sup>108</sup> See endnote 19, PRA Paper 2, p. 5.

<sup>109</sup> See PRA (2024), ‘PRA pilot roundtable on innovation’. Available at: [PRA pilot roundtable on innovation | Bank of England](#); and PRA (2025), ‘Artificial Intelligence Consortium’. Available at: [Artificial Intelligence Consortium | Bank of England](#).

<sup>110</sup> Secondment programmes (involving secondees from industry into regulators and vice versa) have been proposed over the years and could enhance understanding and technical expertise of both the regulators and those they are regulating. A strong model should be sought for an effective secondment framework – suggestions have already been made by industry bodies on how one might work. If it were pursued in the technology sector, industry secondees should ideally be drawn from innovation teams and other priority sub-divisions to ensure the strongest flow of ideas into the regulators.

<sup>111</sup> See Rusu, J. (2025) ‘Global responses to digital asset regulation’, speech at TheCityUK International Conference 2025, 24 April. Available at: [Global responses to digital asset regulation | FCA](#).

<sup>112</sup> See Deloitte and Innovate Finance (2019) *A journey through the FCA regulatory sandbox*. Available at: [A journey through the FCA regulatory sandbox](#). The FCA’s Supercharged Sandbox also offers firms the opportunity to safely test and experiment with AI - see FCA (2025), ‘AI Lab’. Available at: [AI Lab | FCA](#).

<sup>113</sup> Ibid.

<sup>114</sup> We would note here Innovate Finance’s proposal of dedicated supervisory teams or Scale-Up Units to support scale-up firms (see Innovate Finance’s written response to the Financial Services Regulation Committee’s Inquiry on the FCA and PRA’s secondary competitiveness and growth objective, p. 2. Available at: [Lords Financial Services Regulation Committee - Innovate Finance Evidence and Response to Supplementary Questions](#)).

<sup>115</sup> S.138IA(1), FSMA 2000 requires the FCA to provide advice in relation to cost benefit analyses for the purposes of s.138I, FSMA 2000, which itself requires the FCA to conduct a CBA on specific draft rules. The FCA is separately trying to develop a better understanding of the broader costs of regulation and how it can reduce these through streamlining activities.

<sup>116</sup> See FCA (2025) ‘Practitioner Panel’ (available at: [Practitioner Panel | FCA](#)) and PRA (2025) ‘Practitioner Panel and Insurance Practitioner Panel (available at: [Practitioner Panel and Insurance Practitioner Panel | Bank of England](#)).

<sup>117</sup> See ss.1R and 2N, FSMA 2000.

<sup>118</sup> See FCA Cost Benefit Analysis Panel (2024) Interim Annual Report: May-September 2024. Available at: [CBA Panel Annual Report AR](#).

<sup>119</sup> ss.138I and 138J, FSMA 2000 set out the statutory requirement with respect to CBAs, requiring the FCA and PRA respectively to publish a CBA before making any rules.

<sup>120</sup> The FCA’s Statement of Policy on CBAs confirms that, alongside the statutorily required CBAs on rulemaking, it will also produce a CBA when it issues new guidance that may result in significant costs being incurred, such as in CP22/18, ‘Guidance on the trading venue perimeter’. See FCA (2024) *Statement of Policy on Cost Benefit Analyses*. Available at: [Statement of Policy on Cost Benefit Analyses](#). It may also produce analysis of the expected impacts of other types of intervention when not statutorily required – when deciding whether to do so, it balances the expected impact of its intervention against the time it will add to the process and the administrative burden to stakeholders of gathering relevant evidence.

<sup>121</sup> The FCA’s Statement of Policy on CBAs sets out the FCA’s policy approach to the assessment of the impacts on the secondary objective in its CBAs. See FCA (2024) *Statement of Policy on Cost Benefit Analyses*. Available at: [Statement of Policy on Cost Benefit Analyses](#).

<sup>122</sup> See, for example, FCA (2024) *CP24/8 Operational Incident and Third Party Reporting*, available at: [CP24/28 Operational Incident and Third Party Reporting](#); FCA (2019) CP19/28 Motor finance discretionary commission models and consumer credit commission disclosure, available at: [CP19/28: Motor finance discretionary commission models and consumer credit commission disclosure; FCA \(2021\) CP21/30 Debt packagers: proposals for new rules](#), available at: [CP21/30: Debt packagers: proposals for new rules](#).





#### About the Global City campaign:

The Global City campaign is the City of London Corporation's overarching initiative to promote the UK as a world-leading international financial centre. It showcases the UK as a great place for financial and professional services firms to invest, locate and grow.

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#### About the City of London Corporation:

The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK.

We aim to:

- Contribute to a flourishing society
- Support a thriving economy
- Shape outstanding environments

By strengthening the connections, capacity and character of the City, London and the UK for the benefit of people who live, work and visit here

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