



HM Treasury

# Financial Services Growth and Competitiveness Strategy

## **Regulatory Environment - Cross-Cutting Reforms**

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July 2025



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# Chapter 1

## Background

1.1 In March, the government published its Regulation Action Plan, the *New Approach to Ensure Regulators and Regulation Support Growth*, setting out its ambition for a regulatory system that:

- Supports growth;
- Is targeted and proportionate;
- Is transparent and predictable; and
- Adapts to keep pace with innovation.

1.2 Regulation is particularly important to the financial services sector: more than 60% of respondents to our Call for Evidence on the Financial Services Growth and Competitiveness Strategy viewed the regulatory environment as the most important of the five policy pillars included in determining the growth and competitiveness of the UK's financial services sector.

1.3 The Financial Services Growth and Competitiveness Strategy, published on 15 July 2025, sets out the government's approach to delivering a regulatory environment for financial services that is proportionate, predictable and internationally competitive.

1.4 Through the Call for Evidence, the government sought input on specific improvements to the regulatory environment, as well as how regulation can support responsible and informed risk-taking.

1.5 This consultation covers a number of changes the government is proposing in relation to the overarching regulatory framework, designed to ensure that it is effective and proportionate and in line with the government's overall ambition on regulation.

1.6 The government is also consulting separately on a number of significant improvements to specific aspects of the regulatory framework. This includes legislative changes that will help to significantly streamline the Senior Managers and Certification Regime (SM&CR) and deliver the ambition – shared with regulators – to reduce the regulatory burdens of SM&CR by 50%. The government is also consulting on proposals to make significant changes to the framework for financial services redress.

### *Proportionate regulation and responsible and informed risk-taking*

1.7 The UK has an internationally-respected system of financial regulatory institutions, frameworks and rules, and a strong reputation as a trusted custodian of the global financial system.

1.8 Stakeholders were clear throughout the co-design process of the Strategy that the UK's reputation for predictable, stable regulation is an important element of competitiveness. The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) were recognised as being expert and well-resourced. Respondents also noted the government's and regulators' work to cohere standards on the global stage was a key element of the UK's attractiveness. The government received positive feedback on the impact of the FCA's and PRA's secondary objectives to facilitate the growth and international competitiveness of the UK economy, introduced in 2023, with respondents reflecting that they have resulted in a change to the way that the regulators work – considering growth and competitiveness more consistently and meaningfully, while still maintaining a strong focus on their other objectives.

1.9 However, from the Call for Evidence, there were clear messages that the risk appetite within the UK's financial services system is too low and is currently limiting innovation and growth. In particular, regulation was generally seen by respondents as too one-size-fits-all, not recognising the different levels of risk appetite and expertise that are applicable in relation to different activities or different customers.

1.10 There are several drivers behind the risk appetite of the financial services system. Some of those sit with the sector itself, and firms' willingness to take risks and try new products and new ways of doing things – including embracing new technology that is available. Some is also driven by wider societal views, and the risk appetite of consumers.

1.11 The regulators themselves also have a very important role to play in determining the overall level of risk within the financial system, and in ensuring that risk is managed appropriately.

1.12 Within the regulatory environment, the approach that the regulators take to different types of risk was highlighted in the Call for Evidence by a number of respondents. In particular, it was felt that regulation did not pay enough attention to the concept of proportionality, both with regard to the size of firms and the risk of the activities they undertake.

1.13 Ultimately, it is the responsibility of each regulator to set their own approach to risk and proportionality, in line with their objectives and the frameworks set in law. As part of this, the regulators must also have regard to the government's economic policy, as set out in remit letters.

1.14 However, the government recognises that the legal framework has a key role in influencing the regulators' risk appetite, and society's views on risk.

1.15 The Financial Services and Markets Act 2023 ("FSMA 2023") made a number of changes to the framework that governs the main financial services regulators, the PRA and the FCA, including giving both regulators a secondary objective to facilitate, subject to aligning with relevant international standards, the international competitiveness of the UK economy (in particular the financial services sector) and its medium to long-term growth.

1.16 In November 2024, the Chancellor issued new remit letters to the FCA, Prudential Regulation Committee, Financial Policy Committee, and Payment Systems Regulator with a focus on growth. In particular, the Chancellor challenged the regulators to go further to enable and encourage responsible and informed risk taking by businesses and consumers – recognising that while things may go wrong, we have systems in place to manage the impact.

1.17 The FCA has made significant progress on policies to advance their secondary competitiveness and growth objective, including reforms to the Prospectus regime and the introduction of the new Private Intermittent Securities and Capital Exchange System. The FCA is also taking measures to reduce regulatory burden in the wholesale markets. For example, it introduced an additional option for MiFID investment firms and pooled funds to make it easier to procure investment research across borders, particularly benefiting smaller firms.

1.18 The PRA has also made significant progress to advance its secondary competitiveness and growth objective. It has simplified the remuneration regime to enhance firms' ability to attract and retain talent, and it is progressing with reforms to simplify the prudential regime for small banks. The PRA also recently published a consultation on establishing a 'Matching Adjustment Investment Accelerator' to increase the ability of the insurance sector to invest in the UK economy.

1.19 The government also welcomes the commitments made by the PRA and FCA in the Regulation Action Plan, including to reduce the regulatory reporting requirements for firms and the FCA providing greater pre-application support for firms during the authorisation process, and action to improve access and flexibility for mortgage borrowers.

1.20 The government will continue to hold the regulators to account by ensuring that regulation is appropriately facilitating growth and competitiveness while also advancing their other objectives. This will include ensuring that a proportionate approach is taken to regulation, and to rebalance the attitude to risk in the sector, in an appropriate way.

## Regulation of wholesale activity

1.21 The government also recognises the importance of distinguishing between different types of activity, and treating these in a manner that is proportionate to the sophistication and risk appetite of the persons who engage in them. This is particularly true for firms that serve wholesale clients, who do not provide services to ordinary UK consumers. Wholesale firms and their clients have a different ability to bear risk and a different risk appetite to regular UK consumers.

1.22 Responses to the Call for Evidence showed a consistent feeling that the FCA applied an approach to regulation that was too one-size-fits-all. This was felt, in particular, by asset managers and other wholesale firms. Within this, the scope and application of the Consumer Duty was raised as a notable case of consumer protection extending to firms who do not serve retail consumers or sell products directly to them.

**1.23 As a result, the Chancellor has asked the FCA to report back to her, by the end of September, on how it plans to address concerns about the application of the Consumer Duty for firms primarily engaged in wholesale activity. The FCA will set out, in its report, how it plans to deal with concerns about the way the Consumer Duty is working for wholesale firms engaged in distribution chains which impact retail consumers and provide certainty on the categorisation of professional clients. It will test its plans with market participants, industry and consumer groups before reporting back.**

### *Cross-cutting improvements to the regulatory environment*

1.24 The Call for Evidence also highlighted a number of areas where the regulatory environment could be adjusted to improve regulatory performance.

1.25 This consultation sets out a number of targeted reforms the government proposes to make to the regulatory environment, and seeks the views of all stakeholders on these proposals.

# Chapter 2

## Reforms to the regulatory environment

As set out in the Chapter above, this Chapter **sets out a number of targeted reforms the government proposes to make to the regulatory environment.**

### Review of Key Performance Indicators

**2.1** In the Regulation Action Plan, the government set out its ambition to improve the transparency and performance of the regulators. As part of that, the government committed to review the FCA's and PRA's Key Performance Indicators (KPIs) related to authorisations and other applications. A robust authorisations regime is needed to ensure firms meet the necessary standards to operate in the UK. The regime must also be efficient and the government's review has therefore focused on ensuring that the regulators' KPIs are as ambitious as possible so decisions are faster and more proportionate.

**2.2** The FCA's and PRA's statutory deadlines for processing authorisation and other applications were set a number of years ago, with some of them going back as far as 2000. The regulators have significantly improved their performance against existing statutory deadlines in recent years.<sup>1,2</sup> However, evidence from responses to the Call for Evidence and subsequent engagement through the co-design process show that firms still feel that this process can be long and onerous compared to that in comparator jurisdictions.

**2.3** Following a review of the FCA's and PRA's performance against a range of statutory deadlines, the government has decided to focus on the applications which are most relevant to the experience firms have on a daily basis, and have the greatest impact in supporting the competitiveness of the UK regulatory environment. These are:

- New firm authorisations
- Variations of permissions
- Senior manager approvals

**2.4 The government will therefore set ambitious new deadlines for determining applications for new firm authorisations, variations**

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<sup>1</sup> <https://www.fca.org.uk/data/fca-authorisations-operating-service-metrics>

<sup>2</sup> <https://www.bankofengland.co.uk/prudential-regulation/authorisations>

**of permission, and senior manager applications.** This will promote substantially quicker determinations of applications for firms seeking to set up or grow in the UK. The FCA and the PRA will begin reporting progress against these deadlines, with some exceptions, from early 2026.

**2.5** The table below sets out the current statutory deadlines and the government’s proposed changes for these application types.

**Table 2.A Proposal for Statutory Deadlines**

Application type	Current deadline	Proposed change
New firm authorisations	6 months complete application	4 months
	12 months incomplete application	10 months
Variations of permission	6 months complete application	4 months
	12 months incomplete application	10 months
SMCR approved persons	3 months	2 months

**2.6 The government has also agreed stretching, non-statutory targets for processing certain types of applications, where they will seek to go faster than the statutory deadlines where possible. The FCA and PRA will begin reporting on these in early 2026.** This will provide further clarity and transparency to firms seeking authorisation about the timelines they can expect to experience. These targets are set out in letters from the FCA and PRA published on 15 July 2025, and confirm that:

**2.7** The FCA will report against the following targets:

- Variation of Permissions applications: 3 months for complete applications / 6 months for incomplete applications, where the permission sought is aligned with the firm’s existing business model
- Applications for authorisations and registrations for payments and e-money firms: 3 months for complete applications and 10 months for incomplete applications (while the statutory deadlines will remain at 3 months for complete and 12 months for incomplete applications)

- 35 day median for SMCR approved persons applications

**2.8** The PRA will report against the following targets:

- 3 months for complete new firm authorisation applications from insurance firms that qualify for the wholesale insurance accelerated authorisation pathway
- 6 weeks for complete new firm authorisation applications from insurance special purpose vehicles
- 10 working days for complete new firm authorisation applications from insurance special purpose vehicles that qualify for an accelerated pathway
- 45 day median for SMCR approved persons applications

**2.9** These new targets will help track progress towards these new statutory deadlines, and the Treasury will monitor the regulators' progress against these.

**Q1: Do you agree with government's proposals to prioritise shortening the statutory deadlines for new firm authorisations, variation of permissions, and senior manager authorisations?**

**Q2: Do you agree with the proposed new statutory deadlines for various applications set out in the tables above?**

## Streamlined authorisation conditions

**2.10** Slow authorisation timelines can make the UK less attractive to international firms and, working with the regulators, the government will support a new streamlined authorisation regime for innovative start-ups (sometimes referred to as giving provisional licences or "L-Plates"). This will allow relevant firms to conduct limited regulated activities with streamlined conditions. The government is carefully considering how such a regime could support growth and competitiveness by making it easier for firms to start up and grow, while maintaining the appropriate standards for firms wishing to provide regulated financial services. The government will consult on this proposal in the autumn.

## Long-term strategy

**2.11** A consistent theme of responses to the Call for Evidence was that the regulatory system was felt not to have a driving, overall, long-term strategy with clear goals.

**2.12** Some industry stakeholders noted that government and the regulators do not seem to consistently consider the cumulative effects

of their policies and the interaction of supervision and rulemaking. This point has also been recognised by the Lords Financial Services Regulation Committee's recent report.<sup>3</sup> Respondents also noted that the government needs to set out a clear long-term strategy that the regulators can support.

**2.13** The government is acting to address this through the publication of the Strategy.

**2.14 To ensure that the regulators always set clear public goals and priorities within their remits, the government will legislate, when Parliamentary time allows, to require the FCA and the PRA to set out long-term strategies for how they will advance their objectives, including their secondary objective to facilitate growth and international competitiveness.**

**2.15** This will ensure that stakeholders, including regulated firms in the sector, are able to fully understand the UK's strategy towards the sector. This will also ensure that government and Parliament are able to effectively hold the regulators to account for how they translate their objectives into different priorities. The strategy documents would be relatively high level and focus on regulators' top priorities and the outcomes they aim to achieve over that time.

**2.16** For example, the FCA has recently published a 5-year strategy document which reflects these characteristics, shifting from its previous 3-year strategies. The document has been well received by stakeholders, and this proposal builds on that positive momentum.

**2.17** This new statutory requirement would require each regulator to set out how they propose to advance their objectives, including through rulemaking and setting general policies and principles for how they perform their supervisory functions. This will encourage and enable the regulators to take a more strategic approach to regulation and supervision. These strategies will have to be reviewed at least once every five years.

**2.18** The regulators will need to have regard to the government's remit letter when setting these long-term strategies. The regulator would be required to review their strategies in light of any new Treasury recommendations. To assist regulators in maintaining a consistent long-term approach, the government would aim for its remit letters to cover the long term as well.

**Q3: Do you agree with the government's proposal to require the regulators to produce long-term strategies?**

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<sup>3</sup> Financial Services Regulation Committee, *Growing pains: clarity and culture change required - An examination of the secondary international competitiveness and growth objective*.

## Regulatory principles and other “have regards”

2.19 In March, the Chancellor announced in the Regulation Action Plan that the Treasury would review the regulators’ “have regards” in order to identify opportunities to rationalise them and ensure a focus on their priorities.

2.20 These include the eight regulatory principles in section 3B of the Financial Services and Markets Act 2000 (“FSMA 2000”), the recommendations made by the Treasury on government economic policy (the remit letters), and a number of other provisions that the regulator must “have regard” to when carrying out their functions.

2.21 The government is determined to ensure that the UK’s regulatory environment enables the regulators to act strategically in the long term. However, sometimes the “have regards” have the opposite effect. Currently, the FCA and the PRA must consider each principle and recommendation individually when discharging any of their general functions, such as making rules or determining general policies and principles. This creates a disproportionate burden on the regulators, reducing their agility. It produces a lot of information, but this information can be too granular to support an overall assessment of how the regulator is performing in relation to various key considerations.

2.22 However, the regulatory principles, remit letter, and other “have regards” have an important role to play, particularly in providing transparency, and supporting the government’s and Parliament’s oversight of the regulators and ability to hold them to account.

2.23 **The government will legislate, when Parliamentary time allows, to change the way that “have regards” work by removing the requirement to consider each “have regard” when the regulators make day-to-day decisions, and instead require the regulators to have regard to the regulatory principles and remit letter when producing their new long-term strategies.** This will make it easier for the regulators to act in an agile way when they make rules or policy, while supporting transparency and oversight.

2.24 **Q4: Do you agree with the government’s proposal to streamline the requirement to have regard to the regulatory principles and remit letter by linking this to the regulators’ long-term strategy?**

2.25 In addition to the regulatory principles in FSMA 2000, regulators are subject to a number of “have regards” focussed on principles of good regulation in the Legislative and Regulatory Reform Act 2006 (LRRRA) and the accompanying Regulators’ Code of Practice.

2.26 There is some overlap between this overarching framework and the FSMA framework, which was heavily revised in response to the financial crisis. The FCA and PRA have reported that as a result they sometimes go through additional processes in order to deliver on their core responsibilities.

2.27 The government will consider how to clarify the interaction between the LRRA and the Regulators' Code and other have regards and duties.

## Regulator reporting requirements

2.28 In addition, the government recognises that a large number of reporting requirements have been placed on the FCA and the PRA since they were created in 2013. The number of different documents now required places a burden on the regulators and complicates engagement with, and scrutiny of, the regulators by others.

2.29 The government considers that there is scope to rationalise the current approach to both enhance effective scrutiny of, and reduce unnecessary burdens and duplication for, the regulators. It will review the overall reporting structure to focus it on the regulators' core functions and objectives, minimising the number of documents stakeholders and Parliament must engage with for effective scrutiny.

**Q5: What published documents from the PRA or FCA do you find most helpful? What information do you consider most important?**

# Chapter 3

## Responding to the consultation

**2.30** This consultation will remain open for 8 weeks, closing on 9 September 2025. We are inviting stakeholders to provide responses to the questions set out in the consultation, which are reproduced below:

- **Q1: Do you agree with government's proposals to prioritise shortening the deadlines for new firm authorisations, variation of permissions, and senior manager authorisations?**
- **Q2: Do you agree with the proposed statutory deadlines for various applications set out in the tables above?**
- **Q3: Do you agree with the government's proposal to require the regulators to produce long-term strategies?**
- **Q4: Do you agree with the government's proposal to streamline the requirement to have regard to the regulatory principles and remit letter by linking this to the regulators' long-term strategy?**
- **Q5: What published documents from the PRA or FCA do you find most helpful? What information do you consider most important?**

### Who should respond?

**2.31** The government is interested in receiving representations from all interested parties and stakeholders.

### How to submit responses

**2.32** Please submit responses via the email to:

[FSRegulatoryEnvironment@hmtreasury.gov.uk](mailto:FSRegulatoryEnvironment@hmtreasury.gov.uk)

Or post to:

Financial Services Strategy

HM Treasury

1 Horse Guards Road

SW1A 2HQ

## Processing of personal data

**2.33** This section sets out how we will use your personal data and explains your relevant rights under the UK General Data Protection Regulation (UK GDPR). For the purposes of the UK GDPR, HM Treasury is the data controller for any personal data you provide in response to this consultation.

### Data subjects

**2.34** The personal data we will collect relates to individuals responding to this consultation. These responses will come from a wide group of stakeholders with knowledge of a particular issue.

### The personal data we collect

**2.35** The personal data will be collected through email submissions and are likely to include respondents' names, email addresses, their job titles and opinions.

### How we will use the personal data

**2.36** This personal data will only be processed for the purpose of obtaining opinions about government policies, proposals, or an issue of public interest.

**2.37** Processing of this personal data is necessary to help us understand who has responded to this consultation and, in some cases, contact respondents to discuss their response.

**2.38** HM Treasury will not include any personal data when publishing its response to this consultation.

### Lawful basis for processing the personal data

**2.39** Article 6(1)(e) of the UK GDPR; the processing is necessary for the performance of a task we are carrying out in the public interest. This task is consulting on the development of departmental policies or proposals to help us to develop effective government policies.

## Who will have access to the personal data

2.40 The personal data will only be made available to those with a legitimate business need to see it as part of consultation process.

2.41 Consultation responses, including personal identifiers, will be shared with other government departments where relevant for the purposes of this policy development.

2.42 As the personal data is stored on our IT infrastructure, it will be accessible to our IT service providers. They will only process this personal data for our purposes and in fulfilment with the contractual obligations they have with us.

## How long we hold the personal data for

2.43 We will retain the personal data until work on the consultation is complete and no longer needed.

## Your data protection rights

2.44 Relevant rights, in relation to this activity are to:

- request information about how we process your personal data and request a copy of it
- object to the processing of your personal data
- request that any inaccuracies in your personal data are rectified without delay
- request that your personal data are erased if there is no longer a justification for them to be processed
- complain to the Information Commissioner's Office if you are unhappy with the way in which we have processed your personal data

## How to submit a data subject access request (DSAR)

2.45 To request access to your personal data that HM Treasury holds, please email: [dsar@hmtreasury.gov.uk](mailto:dsar@hmtreasury.gov.uk).

## Complaints

2.46 If you have concerns about Treasury's use of your personal data, please contact our Data Protection Officer (DPO) in the first instance at: [privacy@hmtreasury.gov.uk](mailto:privacy@hmtreasury.gov.uk).

2.47 If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner at [casework@ico.org.uk](mailto:casework@ico.org.uk) or via this website: <https://ico.org.uk/make-a-complaint>.

### **HM Treasury contacts**

This document can be downloaded from [www.gov.uk](http://www.gov.uk)

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