UK Finance

HM Treasury consultation on the Regulatory Environment - Cross-Cutting Reforms

UK Finance response

September | 2025

Executive Summary

1. UK Finance is pleased to respond to HM Treasury's (HMT) consultation on the regulatory environment – cross-cutting reforms. We are the collective voice for the banking and finance industry. Representing 300 firms across the sector, we are a centre of trust, expertise and collaboration at the heart of financial services, championing a thriving sector and building a better society.

2. HMT rightly identifies the regulatory environment as a key policy pillar in determining the growth and competitiveness of the UK's financial services sector. More broadly, the Chancellor's acknowledgment that the UK has been regulating for risk, not for growth is a prescient diagnosis of the UK regulatory framework in the period since the financial crisis. A better calibrated approach to risk - through the Government's reform agenda and focus on delivering economic growth - will help the financial services sector better support UK businesses, consumers and the Government's growth mission.

3. We are supportive of the efforts of this government to deliver these reforms. This consultation marks the latest stage of this process and furthers key measures set out in HMT's Regulatory Action Plan, released earlier this year. Our response provides feedback on the key areas of focus highlighted in the consultation, including the following key themes:

    - **A holistic approach to improving authorisations is needed:** We support the Government's proposals to improve the efficiency and timeframes of regulatory authorisations, and welcome the thought already being given to these issues by regulators. Delivering swifter outcomes will require the regulators to have case officers with the right expertise, and greater speed must be accompanied by greater predictability of outcomes. Furthermore, faster processes must not lead to unintended consequences, such as a reduction in the quality of due diligence.

    - **We support long-term regulator strategies that deliver real benefits:** UK Finance supports the proposal for regulators to produce long term strategies. However, it is critical that these strategies can adapt to change in the regulatory environment and that government provides direction on what the regulators should include within them. It is critical that these strategies do not become tick box exercises and are properly scrutinised by external stakeholders, such as parliamentary committees.

    - **Linking regulatory principles to long term strategies could have merit:** This is one way in which government and Parliament could provide a longer-term steer on the outcomes it wants each regulator to deliver. However, it is critical that government examines the value of retaining certain key principles that would be useful for regulators to consider more regularly as they discharge their functions, as well as considering which principles could be reformed or removed.

    - **Publications are key to regulators' communication with the sector and could be improved:** Regulators should consider how their publications can be adapted over time to ensure their continued usefulness in the future. Key to this is the

Regulatory Initiatives Grid (RIG), which we think could be adapted so it better serves as an "air traffic control" mechanism. In particular, we think the RIG could be used to more effectively by regulators to prioritise and sequence mandatory change across the industry to help reduce the cost of regulatory compliance.

4. The issues covered by this consultation represent only a small part of the Government's proposals to reform the regulatory framework. Our members would welcome more clarity on how wider reforms will be taken forward, including the target to reduce the cost of regulatory compliance by 25 per cent, and the development of HMT's new unit to identify unnecessary regulations. Progress in these areas could free up resources for firms to direct at growth-driving activities.

5. HMT rightly raises the scope and application of the Consumer Duty in the consultation paper. We have recommended that wholesale firms not dealing directly with retail clients should be exempt from the Consumer Duty, to reduce the cost and complexity of regulation while supporting the provision of innovative products and services. We welcome the Chancellor's request that the FCA should assess how the Consumer Duty applies to wholesale firms and will continue to work with our members and the FCA to support this work.

6. Thank you for taking the time to consider this consultation response. Please do get in contact with **tom.reynolds@ukfinance.org.uk** if you have any questions about our submission.

Answers to consultation questions

Question 1: Do you agree with government's proposals to prioritise shortening the deadlines for new firm authorisations, variation of permissions, and senior manager authorisations?

7. We support the Government's proposals which will help improve the efficiency of authorisations in UK financial services. As the consultation notes, authorisations play an important function, contributing to the integrity of the financial services sector. The regime ensures appropriate due diligence is carried out to provide the right permissions to new firms and individuals wishing to undertake regulated financial services activities.

8. The FCA and PRA have both recognised the role of faster authorisations in supporting growth and competitiveness. In their letters to the Prime Minister on steps they are taking to support growth, each regulator set out how they are improving their respective regimes. We welcome this focus, as improving their operational efficiency will help to improve the attractiveness of the UK as a destination for inward investment by financial services firms.

9. We encourage the regulators to return to the theme of a "service mindset" first set out by Sarah Rapson, then Director of Authorisations at the FCA in 2018.[1] This model

[1] Speech by Sarah Rapson, then Director, Authorisations at the Financial Conduct Authority, *An update on our approach to authorisation and our Brexit preparations*

encourages an approach to authorisations that is adaptive, transparent, timely and consistent. We believe that such an approach would support the operational effectiveness of the FCA and improve the attractiveness of the UK as an investment destination. In particular, we think regulators should seek to speed up authorisations for well-governed businesses that have demonstrated sophisticated risk management.

10. Speed, while important, is only one factor in an efficient authorisations regime. Efforts to increase the pace of authorisations should be accompanied by measures to support the transparency and predictability of authorisations. It is also important to enhance the expertise of case officers - for example through secondments from industry.

11. Measuring the speed of authorisations more accurately is also important. Currently, some delays are not represented in the data relating to applications responded to within the statutory timeline – for example, when a regulator 'stops the clock' on an authorisation case, this is not always reflected. More granular data on each authorisation process, including the number of cases regulators have paused and the reasons for these delays, would help improve the transparency of the overall regime.

12. In addition to the various application types covered by HMT's consultation paper, we believe the Government should also set statutory deadlines for banking capital model approvals. Our members note the critical importance of such approvals, which have a significant bearing on the growth and competitiveness of the financial services sector. We believe 12 months would be a suitable deadline for such approvals.

Question 2: Do you agree with the proposed statutory deadlines for various applications set out in the tables above?

13. Yes, we support the proposal in the consultation paper to reduce the deadline for new firm authorisations and the variation of permissions from six months to four months for complete applications and from 12 months to 10 months for incomplete applications, and to reduce the deadline for SMCR approved persons from three months to two months.

14. Given the global nature of financial services, firms today have a choice of jurisdictions from which they can conduct international business. The speed at which they can establish new operations, expand existing ones and, where necessary, secure timely regulatory approval for senior staff, is an important factor in a jurisdiction's appeal to international firms.

15. Shortening the deadlines in these respective areas, as HMT is proposing – along with the introduction of statutory deadlines for banking capital model authorisations as we propose above – would enable these firms to establish and scale up their UK operations with more confidence and certainty.

16. This would support the UK's international competitiveness at a time when other jurisdictions such as Frankfurt and Paris are actively competing to attract such firms. The shortened statutory deadlines would bring the UK closer to jurisdictions such as Singapore, where authorisation applications to conduct banking business typically take three to four months to be processed.

17. This is especially critical for the UK, whose financial centre is already uniquely international in nature, and therefore potentially more vulnerable – as other financial centres continue to compete aggressively for investment – to shifts in where firms choose to conduct their international business and locate their talent. Over 40% of assets in the UK banking sector are held by foreign-owned banks according to the Bank of England, underscoring the UK's global financial reach.

18. The PRA and FCA's authorisations operating service metrics for Q1 2024/25 show that the regulators are largely already meeting their statutory obligations, with particularly strong performance in the case of the PRA. We therefore believe a reduction in authorisation timeframes is achievable.

19. However, we encourage the Government to work with regulators to ensure that the introduction of shorter deadlines does not lead to unintended consequences, such as an increase in rejection proceedings being initiated, more due diligence failings, or an increase in FCA and PRA fees if additional resource is needed to meet new statutory authorisation deadlines.

20. Equally, HMT should keep the deadlines under review, and if they see potential for them to be shortened further, they should do so. Given the international nature of the UK as a financial centre, HMT and the regulators should track how the UK's authorisation timelines continue to benchmark against other jurisdictions, and ensure the UK doesn't fall behind rival financial centres.

21. The introduction of shorter deadlines should also be supported by measures to improve the predictability of authorisations and expertise of case officers, which would help improve the overall effectiveness of the regime.

Question 3: Do you agree with the government's proposal to require the regulators to produce long-term strategies?

22. We agree that it would be helpful for the regulators to produce long-term strategies setting out how they will advance their objectives, but think it is important to consider how they would dovetail with the recurring reports that the FCA and PRA already produce, most notably their annual business plans, and also the RIG.

23. A statutory requirement for long-term strategies would provide a clearer, more transparent mechanism for embedding key public policy goals, including maintaining the UK's role as an international financial centre. Mandating the FCA and PRA to publish five-year strategies will help align their activities with the Government's growth mission – and the Financial Services Growth and Competitiveness Strategy (FSGCS). This, in turn, will improve the overall stability and predictability of financial services policy and regulation.

24. Other jurisdictions already take strategic approaches to financial services regulation, and we encourage HMT to reflect on those existing models and how their strengths could be integrated into the UK regulators' approach.

25. For example, Singapore's MAS regularly publishes strategic priorities, including through the Financial Services Industry Transformation Maps, which launched in 2017 and sets out four-year strategies and specific targets linked to value-added growth, jobs created and productivity growth. Australia's APRA publishes four year rolling corporate plans as required under section 35(1)(b) of the Public Governance, Performance and Accountability Act 2013. In the US, the Government Performance and Results Act (GPRA) requires federal agencies to create multi-year strategic plans. This inter alia includes the SEC and CFTC and while the Federal Reserve Board is not covered, it voluntarily complies too.

26. We think the introduction of five-year strategies – with a clear steer on how the FCA and PRA plan to approach key and emerging themes, what level of policy intervention the market should expect, and at least some detail on specific policy activities or regulatory interventions each regulator is planning over the five-year horizon – would give the sector more certainty about how their regulatory environment may evolve.

27. When the FCA published its 5 Year Strategy for 2025-30, it was positive to see its vision for rebalanced risk, to support growth and improve lives. To make the document more useful to industry, it would be helpful to see examples of tangible changes the regulator will be considering, or planning to make, to achieve this vision.

28. We believe the five-year strategies proposed by HMT should contain milestones and timed deliverables, insofar as this is possible, as part of the regulators' planned approach to delivering their secondary competitiveness and growth objective. HMT should consider prescribing what information the strategies should contain, and keep this under regular review, including as part of HMT's planned annual reports on the progress of the FSGCS.

29. When the regulators develop new five-year strategies, we think it is important for them to engage proactively and comprehensively with industry. This would support investor confidence and help to secure buy-in from industry. HMT's active engagement with industry as it developed the FSGCS is a good model for how we feel the development of long-term strategies should be approached.

30. Complementing the five-year strategies, we think the regulators should use their existing annual business plans to set out the specific, more tactical, steps they will be taking to deliver the key goals and actions in their long-term strategies.

31. The regulators' annual business plans should also be used to report on progress to date with the delivery of the long-term strategies, including progress against their primary and secondary objectives. We also think the annual business plans should be used to actively promote the regulators' rule review mechanisms, for industry to provide feedback.

32. Should government proceed with the proposal to require regulators to produce longer-term strategies, we also think there should be a mechanism for reviewing them to allow for flexibility (for example, if unanticipated events impact the strategies, or policy priorities change significantly). To identify the need for any potential adjustments, we propose that HMT requires the regulators to consult or survey the sector and wider stakeholders annually, to gather views on how effectively the priorities of the long-term strategies

continue to reflect the regulatory and wider sector environment. This could also be done as part of the annual business plan.

33. In addition, Parliament should play a role in holding the regulators to account for their strategies – and ensuring the strategies remain fit for purpose – through dedicated inquiries on them each year, led by the Treasury Committee and the Lords Financial Services Regulation Committee.

34. One broader consideration in the development of long-term strategies for the regulator is that, in addition to the PRA and FCA, there are various other regulators and public bodies whose remits impact the financial services sector. HMT should give thought to how FCA and PRA's long-term strategies would align with the strategies and activities of those bodies, to avoid overlap, duplication or contradiction.

Question 4: 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?

35. There could be merit in the Government's proposal to link the 'have regards', which include eight regulatory principles, and remit letters to the regulators' long-term strategy. This is one way in which government and Parliament could provide a longer-term steer on the outcomes it wants each regulator to deliver.

36. However, we believe there are some 'have regards' that the regulators should continue to consider in their day-to-day decisions, when discharging any of their general functions, and through consultations. The following 'have regards' are some examples of those we think should be retained and not diminished in any way[2]:

    - **Transparency:** "the principle that the regulators should exercise their functions as transparently as possible".
    - **Proportionality**: "the principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction".
    - **Consumer responsibility:** "the general principle that consumers should take responsibility for their decisions".

37. While not an exhaustive list, we believe that the 'have regards' set out above are some of those that should remain part of the regulators' day-to-day decision making. While it could be helpful to link the regulators' 'have regards' to their long-term strategies, this may not be sufficient to ensure they always "trickle down" to every decision the regulators make at all levels, particularly for decisions or policy areas that are not explicitly referenced in the strategies – in these instances the 'have regards' provide useful policy guardrails. Indeed,

[2] Section 3b of FSMA 2023

one of our members took a stronger view and would like to see *most* 'have regards' continue to be considered on a more regular basis, particularly for consultations.

38. In addition to the 'have regards' set out above, Cost Benefit Analysis (CBA) Panels will also support a proportionate approach to policymaking by providing analysis on the effectiveness of proposed policy. Therefore, we recommend the regulators, with encouragement from government, should increase the number of policy issues overseen by the panels over time.

39. More broadly, we believe there is an opportunity to review the number of regulatory principles the regulators are currently subject to as part of its work. While these principles play an important role in ensuring the regulators take account of important factors in their day-to-day work and decision making, we are concerned that they have become too numerous to allow for effective policy development and could hinder the regulators' efforts to deliver against their primary and secondary objectives.

40. Therefore, before any decision is taken on linking the 'have regards' to regulators' long-term strategies, we recommend that the Government review the 'have regards', as originally committed to in the Government's Regulation Action Plan, in collaboration with stakeholders, to consider how and to what extent they could be streamlined or merged. The sector should be consulted as part of this review, to gather the views of the whole industry.

Question 5: What published documents from the PRA or FCA do you find most helpful? What information do you consider most important?

41. There are several published documents that the sector finds useful, but the regulators should consider how their publications could be adapted over time to ensure their continued usefulness. To this end, the regulators should have a mandated requirement to review annually all existing firm generic and sector communications for an assessment of relevance. Alternatively, when updating guidance or undertaking thematic reviews or market studies, regulators should use the opportunity to highlight any existing publications which could be retired as a result of the work being undertaken.

42. Where possible, the regulators should avoid multiple publication formats when communicating with and updating expectations on firms. When making policy or adjusting expectations, regulators should use transparent and consistent processes to obtain industry feedback. As firms increasingly utilise machine learning, regulators should ensure that communications are compatible with technology to support efficiency in the system.

43. We consider below some of the most prominent sector wide publications used by our members, and suggest ways in which they could be improved:

    - **Market Reports**: We welcome the recent announcement that the FCA will retire its Dear CEO letters and instead replace them with the planned 'market reports', which will include communications relevant to different types of firms and insights from its supervisory work. This should give our members more clarity and certainty about the FCA's approach to its work and what is expected of individual firms. We were pleased to have recently convened a roundtable with the FCA and our members, to explore how best to optimise these market reports going forward. We urge the FCA to consult formally with the sector to ensure these market reports reflect a wide range of views and support the needs of the whole sector.

- **Regulatory Initiatives Grid (RIG):** We support the objective of the RIG to support firms to understand and plan for reforms that may impact them in the near future. However, we believe urgent improvements are required to address the complexity of the document, and ensure it functions as originally intended, as an "air traffic control" mechanism. This role is vital to ensure regulators prioritise key initiatives and sequence proposals appropriately to avoid firms being asked to implement multiple regulatory changes at the same time.

  We think the RIG needs to provide clearer and fuller details on future regulatory timelines, and better prioritise and sequence regulatory initiatives, to ensure firms can more effectively manage responding to consultations, implementing new regulation and delivering the associated mandatory change programmes. This would help to reduce the costs of regulatory compliance.

  The RIG itself should be published at fixed intervals, without significant delays in publication where possible, to give the sector more certainty to plan ahead. It should be clearer about how much time has passed since consultations have closed without response, as well as upcoming consultations. Critically, the information contained within the RIG should be accurate, consistent and of high quality.

- **Secondary Competitiveness and Growth Objective (SCGO) reports:** These were useful publications, required by the Financial Services and Markets Act (FSMA) 2023, to set out how the regulators have furthered their new objective. The requirement to publish yearly publications has now ended. In line with our comments above, we recommend that the regulators signal their overall approach to their objective in their strategy publications, along with yearly updates as part of their annual business plans. We believe the regulators should demonstrate ambition in furthering their SCGOs and would like to see the new objective delivering significant, tangible policy changes. When reporting against the SCGOs, the regulators should clearly assess and demonstrate the impact of their policy changes on the growth and competitiveness of the sector, and consider how the UK benchmarks against competitor jurisdictions.

- **Consultation papers:** To ensure high quality engagement from industry, we think the regulators should demonstrate adherence to the Cabinet Office guidance on consultation principles, which sets out eleven key guidelines for effective public consultations. These principles emphasise the importance of timing and duration of consultations and provide guidelines for publishing outcomes from consultation processes. The principles establish that when a consultation spans all or part of a holiday period, authorities should consider how this may affect consultations and take appropriate mitigating action. The principles also set out that a response should be published to a consultation within 12 weeks, or that an explanation should be published explaining why that is not possible.

- **Annual business plans:** As we set out in our response to question 3, we believe the FCA and PRA should use their annual business plans to report on progress to date with the delivery of the long-term strategies, including progress against their primary and secondary objectives. We also think the annual business plans should be used to actively promote the regulators' rule review mechanisms, for industry to provide feedback.