

UK Government Announces Programme of Regulatory Reforms

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On July 15th, the UK Government published the final version of its **Financial Services Growth and Competitiveness Strategy** (the **Strategy**). The Strategy aims to “[roll] back regulation that had gone too far in seeking to eliminate risk” in order to drive growth in the financial services sector. Backed by appropriate consultation and other documents from regulators, key highlights include:

Capital Framework for Banks;

1. raising the assets threshold requirements for own funds and eligible liabilities (**MREL**) to £25-40 billion;
2. MREL to be no higher than the minimum capital requirements for firms with a transfer resolution strategy (and making it clearer when this or a bail-in resolution strategy is necessary);
3. trading and lending requirements under Basel 3.1 are to be introduced on January 1st 2027;
4. making the ringfencing of retail from wholesale banking business more efficient, and allowing ring-fenced banks to provide more business products and services. In addition, the Government is reviewing proposals to allow banks more flexibility to operate internally across the fence;
5. speeding up approval of banks’ internal credit risk models.

Insurance and Reinsurance Markets;

1. consulting on a more flexible regime for risk transformation, including reforming the insurance linked securities market;
2. developing the framework for captive insurance to make it appropriately tailored;
3. in addition, on July 24th the Prudential Regulation Authority (**PRA**) published its final policy on changes to the **insurance special purpose vehicle regulatory framework**. This includes structural changes and an accelerated approval process for ISPVs meeting certain criteria.

Shorter Deadlines for Determining Regulatory Applications;

1. statutory deadlines for decisions by the Financial Conduct Authority (**FCA**) and PRA will be shortened to four months for complete applications for new firm authorisations and 10 months for incomplete applications (down from six and 12 months);
2. applications for new appointments to Senior Manager roles will be decided within two months rather than three;
3. a swift regime to allow innovative start-ups to conduct limited regulated activities quickly.

Significant Changes to the Senior Managers and Certification Regime;

1. consulting on removing the Certification Regime (under which certain, non-Senior Manager functions, are internally certified annually);
2. a reduction in the number of Senior Management Functions, which the Strategy estimates will lead to a 40% cut in these for banks and insurers (these functions require the prior approval of the FCA).

Application of the Consumer Duty to Wholesale Business

1. The Government has asked the FCA to report back on how it plans to deal with concerns raised by wholesale firms (including asset managers) around the broad application of the Duty to wholesale firms engaged in distribution chains that have an impact on retail customers, and on the categorisation of “professional clients.”