

REGULATORY INTELLIGENCE

OPINION: Pie in the sky or sensible proposition: UK government asks regulators to ensure they support growth, not hinder it

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Rachel Reeves, the Chancellor of the Exchequer, met with UK regulatory leaders at Downing Street in March. The meeting promoted the Labour government's "pledge to cut the administrative cost of regulation on business by a quarter, make Britain the best place to do business and drive economic growth."

The following agencies were represented:

- Financial Conduct Authority (FCA)
- Prudential Regulation Authority (PRA)
- Environment Agency
- Natural England
- Medicines and Healthcare Products Regulatory Agency
- Health and Safety Executive
- Information Commissioner's Office
- Regulatory Innovation Office

Alongside firms in the UK financial services sector, trade groups, compliance professionals and other financial regulatory lawyers, the author has focused on these proposals for a clientele spanning multinational and global asset management groups, trading firms, brokers and smaller family financial services businesses. All have asked whether the proposals are merely wishful thinking, whether cutting red tape in the UK is sensible or even realistic — or whether the initiative is all political "spin" absent of substance.

The government's [press release](#) on the meeting is optimistic and tells a good story. It elicited catchy headlines about making regulation "proportionate and risk-based" and compliance "less onerous" while cutting red tape, all packaged as an "Action Plan [that] will save businesses across the country billions of pounds by cutting the number of regulators, streamlining their core legal duties and cracking down on complexity in the regulatory system."

"The world is changing, and that's why we must go further and faster to deliver on our Plan for Change to kick-start economic growth. Today, we are taking further action to free businesses from the shackles of regulation. By cutting red tape and creating a more effective system, we will boost investment, create jobs and put more money into working people's pockets," Reeves said.

Scratching the surface to examine the proposals in detail, there appears to be significant work required before any concrete steps can be taken to cut red tape and meaningfully reduce regulation, particularly in the financial services sector.

'Action Plan'

The [Action Plan](#) aims to establish "the strategic vision and actions that will be taken to create a regulatory system that drives growth while continuing to protect millions of people." Still, it seems woefully lacking in substantive reforms targeting financial firms and market participants. The most promising elements for the sector are a range of FCA and PRA "pledges" in [Annex A](#), including:

- Assignment of a dedicated case officer for every firm operating in the FCA sandbox.
- A 50% increase in dedicated supervisors for early and high-growth firms to help them navigate the regulatory system and support their growth.
- Pre-application support for all wholesale payment and crypto firms.
- More frequent indications that the FCA is "minded to approve" start-ups to help them secure funding.
- Simplified mortgage and advice rules to expand home ownership.
- FCA work to review contactless payment limits, including removing the £100 limit on individual payments.
- Accelerating a review of capital requirements for specialised trading firms.
- Reduced regulatory reporting requirements for firms.

Only the reporting reduction seems related to the Labour government's pledge to cut the administrative cost of regulation. Apart from this line item, little more was said, potentially creating the impression that the Action Plan was designed to generate soundbites or merely pay lip service to market sentiment.



Whether firms will see fewer reporting requirements remains a significant unknown or, as Donald Rumsfeld, the former U.S. Secretary of Defense, famously said, a "known unknown."

This all comes less than three months after Prime Minister Keir Starmer said "the regulators, the blockers and bureaucrats" were part of an "alliance of naysayers" who mean that "we can't get things done in our country."

Surely, the regulators relish more rules and regulations — it is, after all, the reason they exist. Getting them to prune rules voluntarily is akin to convincing turkeys to vote for Christmas dinner. It remains unclear how many genuine and worthwhile changes emerge to benefit financial services firms and market participants.

If sensible changes are made, there could be some real benefit. Excessive reporting and compliance are a cost to and burden on businesses; compliance has gone from a "cottage industry" 30 years ago to a multibillion-pound necessity employing thousands of people. A lot of FCA reporting is mandatory and offers a negligible advantage to firms, their customers or the markets. This includes granular transparency obligations for fund managers, benefiting only the FCA's analytical operations. Investors in funds often fail to read all the information fund managers are required to report.

Additionally, there are scenarios where both sides of a transaction must report, so the FCA gets the same information twice, which is duplicative and unnecessary. An example is the reporting of derivative transactions under the European Market Infrastructure Regulation, where both counterparties have to report the same trade to an FCA-registered trade repository.

Edinburgh Reforms

For all its faults, the previous Conservative government made sensible proposals for post-Brexit reform in the financial services sector, cutting away EU-driven requirements from the UK rulebook that the industry considered unnecessary or stifling.

The [Edinburgh Reforms](#), announced on December 9, 2022, contained many reasonable and pragmatic amendments. They were presented as a once-in-a-generation transformation and included 31 measures to revamp and revitalise UK capital markets and advance long-overdue reforms.

Approximately 13 of these appear to have been completed in the past two and a half years, including changes to prospectus rules, the Securitisation Regulation and the Short Selling Regulation. These, however, are tweaks rather than root-and-branch alterations, and in some cases, the FCA has merely commenced a review before taking concrete action. This may therefore amount to a missed opportunity, and if the government, the FCA and the PRA are serious about cutting red tape, there is already a sensible roadmap in place.

Regulators must hold their nerve

Surprisingly, given that there was no pre-leaked "trailer," on April 7, the [government](#) and the [FCA](#) published announcements concerning a new, less onerous post-Brexit regime for UK-based asset managers with between 100 million and 5 billion euros in assets under management. The government hopes this will save time and money and enhance the UK's position as a dominant hub for private equity and hedge funds in Europe.

The FCA is [consulting](#) on the proposal until June 9 and has said it will then consult on detailed rules in the first half of 2026, subject to feedback and decisions by HM Treasury. If successful, the proposals could make it more straightforward for institutional asset managers to operate in the UK, with fewer regulations and less cumbersome reporting.

It is too soon to say if this effort will yield genuine change or end up as a damp squib. The author, despite his general scepticism, feels there may yet be hope for meaningful regulatory reform, though it remains an open question whether the government and the FCA can hold their nerve and follow through.

(Neil Robson, [Katten](#))

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