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CRR3: EU Commission adopts RTS on specification of long and short positions

The EU Commission has adopted a Delegated Regulation setting out regulatory technical standards (RTS) on the method for identifying the main risk driver and determining whether a transaction represents a long or a short position under the market risk amendments introduced by the third Capital Requirements Regulation (CRR3).

The proposed general method to identify the main risk drivers hinges on sensitivities defined under the market risk standardised approach (FRTB-SA) or on add-ons defined under the standardised approach for counterparty credit risk (SA-CCR). For the determination of the direction of the positions, the methodology is aligned with the one set out in the RTS on SA-CCR.

A simplified method has also been included, covering relatively simple instruments, such as fixed-rate bonds, floating-rate notes, stocks, forwards, futures, simple swaps and plain vanilla options.

DORA: RTS on subcontracting ICT services supporting critical or important functions published in Official Journal

Commission Delegated Regulation (EU) 2025/532 setting out RTS under the Digital Operational Resilience Act (DORA) to specify the elements that a financial entity has to determine and assess when subcontracting ICT services supporting critical or important functions has been published in the Official Journal.

The Delegated Regulation will enter into force on 22 July 2025.

ESAs consult on integration of ESG risks in financial stress tests for banks and insurers

The European Supervisory Authorities (ESAs) have published a consultation paper on their joint draft guidelines on ESG stress testing under the Capital Requirements Directive (CRD4) and Solvency II.

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The aim of the guidelines is to ensure that competent authorities (CAs) for the banking and insurance sectors consistently integrate environmental, sustainable and governance (ESG) risks into their supervisory stress testing activities. The guidelines are addressed to CAs and should be applied when performing supervisory stress tests, either by integrating ESG-related risks into their existing framework or by measuring the impact of ESG risks under adverse scenarios in a complementary assessment, where applicable according to the sectoral legislation.

The draft guidelines establish a common framework for developing ESG-related stress testing methodologies and standards across the EU's financial system. They provide guidance on the design and features of stress tests with ESG elements, and on the organisational and governance arrangements these stress tests would need to have.

Comments are due by 19 September 2025.

EMIR: EBA publishes technical advice on fees for validating *pro forma* models

The European Banking Authority (EBA) has published technical advice on fees to validate *pro forma* models under the European Market Infrastructure Regulation (EMIR).

The advice makes a series of recommendations to the EU Commission including:

- ensuring the Delegated Act on fees allows for all costs, direct or indirect, relating to the activities linked to the central validation function of *pro forma* models to be covered;
- practical details of the methodology for calculating the 12-month average notional amount of non-centrally cleared OTC derivatives, in order to simplify the approach and ensure proportionality amongst all counterparties in the determination of the annual fee; and
- the payment modalities and the information to be communicated to the EBA for the determination of the individual fees and the invoicing process.

CRR: EBA publishes guidelines on acquisition, development and construction exposures to residential property

The EBA has published final guidelines on acquisition, development and construction (ADC) exposures to residential property under the CRR. The guidelines specify the conditions under which institutions may apply a risk weight of 100% instead of 150% to ADC exposures that meet defined credit risk-mitigating requirements.

The first condition is that a significant portion (at least 50%) of total contracts are either pre-sale contracts with a cash deposit equal to or above 10% of the sale price, pre-lease contracts with a cash deposit equal to or above three times the monthly lease rate, or sale and lease contracts. This condition has been included in the guidelines as originally consulted on.

The second condition is that the obligor has substantial equity at risk, that is, obligor-contributed equity amounting to at least 25% of the residential property's value upon completion. This condition has been revised to lower the equity threshold from 35% in response to industry feedback and data.

Other amendments made to the guidelines include:

- allowing public housing projects to meet the first condition if applicant demand exceeds unit supply, even at municipality level; and
- reducing the equity requirement for public housing to 20%, and broadening the scope of eligible equity to include committed subsidies, grants, and preferential junior loans.

CRR: EBA consults on draft amended guidelines on definition of default

The EBA has launched a public consultation on its draft amended guidelines on the application of the definition of default under the CRR. The EBA is proposing to maintain the existing 1% threshold for net present value (NPV) loss in debt restructuring, based on the following three considerations:

- that the current framework is already flexible and risk-sensitive, allows effective restructuring without misclassifying defaults, and is aligned with established accounting principles;
- that maintaining consistency with existing prudential standards helps safeguard the progress made in reducing non-performing loans and prevents regulatory arbitrage; and
- that a stable threshold supports reliable credit risk modelling, ensuring accurate capital and provisioning assessment across portfolios under both IRB and IFRS 9.

The EBA is also proposing to increase the exceptional treatment of days past due at invoice level from 30 to 90 for non-recourse factoring arrangements to better reflect the economic reality of purchased receivables.

Comments are due by 15 October 2025.

CRR: EBA consults on guidelines for credit conversion factors

The EBA has launched a consultation on draft guidelines on the methodology institutions shall apply for their own estimation and application of credit conversion factors (CCFs) under the CRR.

The EBA has leveraged existing guidance including the guidelines on probability of default (PD) and loss given default (LGD) estimation with the aim of ensuring alignment and coherence across key risk parameters in the internal ratings based (IRB) approach. It has recognised the relatively lower materiality and narrower scope of CCF compared to PD and LGD, and aims to introduce simplified approaches where appropriate to support the efficient implementation of risk sensitive methodologies without compromising prudence.

Comments are due by 15 October 2025.

Sustainable finance: UK Government consults on climate-related transition plan requirements and sustainability reporting

The UK Government has launched three consultations on its plans to support banks and large companies in developing climate transition plans.

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The three consultations cover:

- how the Government should take forward climate-related transition plan requirements to provide the market with credible and decision-useful information;
- new UK sustainability reporting standards (UK SRS), which are based on the International Sustainability Standards Board (ISSB) standards and intended to provide clear, comparable information for investors on sustainability related financial risks and opportunities to enable them to make informed investment decisions; and
- the Government's proposal for greater regulatory oversight of third-party assurance services for sustainability-related financial disclosures.

Comments on all three consultations are due by 17 September 2025.

Draft Markets in Financial Instruments (Miscellaneous Amendments) Regulations 2025 laid

The draft Markets in Financial Instruments (Miscellaneous Amendments) Regulations 2025 have been laid in Parliament according to the affirmative procedure.

At Mansion House 2024, the Chancellor announced plans for further technical changes to the wholesale markets framework. This included revoking detailed firm-facing regulations within the Markets in Financial Instruments Directive Organisation Regulation (MiFID Org Reg) and replacing them in the Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA) rulebooks.

The draft regulations restate the key definitions within the MiFID Org Reg in domestic financial services legislation. A subsequent commencement SI will be made to revoke the MiFID Org Reg and bring into force this instrument. HM Treasury will do this in co-ordination with the FCA and PRA implementing rules to replace the firm-facing provisions from the MiFID Org Reg.

FCA consults on changes to ancillary activities test

The FCA has launched a consultation (CP25/19) on changes to the ancillary activities test (AAT). The AAT allows firms to be exempt from authorisation as an investment firm when their trading in commodity derivatives, emission allowances or derivatives of emission allowances qualifies for use of the ancillary activities exemption (AAE).

CP25/19 has been published alongside HM Treasury's near-final draft Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2025, which will revoke the existing AAT to replace it with a new, simplified version and provide the FCA with the necessary powers to put in place the replacement test.

The FCA is proposing to establish three separate and independent tests to assess whether a firm can use the AAE. These will include a new annual threshold or '*de minimis*' test, which will exempt firms that undertake trading in commodity derivatives on a relatively small scale. They will also include the existing trading and capital employed tests, that are currently part of the AAT's main business test, but the FCA is proposing some modifications to these.

Comments on CP25/19 and the draft SI are due by 28 August 2025. The new ancillary activities regime will come into force on 1 January 2027.

FCA consults on SI regime for bonds and derivatives

The FCA has launched a consultation (CP25/20) on the systematic internaliser (SI) regime for bonds and derivatives as well as on other changes intended to improve the functioning of UK markets.

Amongst other things, the FCA is consulting on:

- the removal of the prohibition on matched principal trading by firms operating a multilateral trading facility (MTF);
- changes to reference price waiver rules to allow trading venues greater flexibility; and
- the removal of the prohibition on an investment firm that is an SI from operating an organised trading facility (OTF).

CP25/20 also includes discussion questions on equity markets to inform a consultation planned for 2026.

Comments are due by 10 September 2025.

FCA consults on proposals for targeted financial support

The FCA has launched a consultation (CP25/17) on draft rules for a new type of financial advice called 'targeted support'. It has also set out plans to reform the framework for simplified advice.

The proposals are intended to reduce the so-called 'advice gap' by improving consumer access to a choice of guidance, targeted support, simplified advice and full financial advice. The proposals would enable authorised firms to provide more support to consumers with their pensions and investments, by making suggestions appropriate to consumers with similar circumstances and characteristics. The FCA believes the proposals support its ambition that consumers should have access to the help and guidance they need, at a cost they can afford, when they need it, to make informed financial decisions.

The UK Government intends to publish proposed amendments to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 to enable the future implementation of targeted support alongside the Chancellor's Mansion House Speech in July 2025.

Comments on the FCA's consultation are due by 29 August 2025.

FCA clarifies expectations regarding non-financial misconduct in financial services and consults on further guidance

The FCA has published a consultation paper (CP25/18) on tackling non-financial misconduct in financial services, which includes a policy statement finalising the FCA's proposal to align the conduct rules for cases of serious non-financial misconduct in non-banks with those for banks. The new rule amending the scope of the Code of Conduct (COCON) in non-banks will apply from 1 September 2026, to line up with the conduct rule breach reporting period for most firms.

The FCA is also consulting on whether further guidance would be helpful and proportionate for firms as they implement the rule change. The draft guidance covers how firms should consider non-financial misconduct when assessing whether an individual is fit and proper to work in financial services. This

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includes how firms should consider the use of social media and the relevance of behaviour in private and personal life.

Comments are due by 10 September 2025.

FCA sets out regulatory fee and levy rates for 2025/26

The FCA has published a policy statement (PS25/8) setting out its final regulatory fee and levy rates for 2025/26, including feedback on consultation paper CP25/7. The total fees payable by fee-payers in 2025/26 is GBP 711.9 million.

PRA sets out regulated fees and levies for 2025/26

The PRA has published a policy statement (PS10/25) providing feedback to its consultation (CP8/25) on the regulated fees and levies for 2025/26 and setting out the PRA's final policy, as follows:

- the fees rates to meet the PRA's Annual Funding Requirement (AFR) for the financial period Saturday 1 March 2025 to Saturday 28 February 2026; and
- amendments to the Fees Part of the PRA Rulebook.

PRA issues policy statement on updates to UK policy framework for capital buffers

The PRA has issued a policy statement (PS8/25) setting out its final policy material relating to the amendments to the UK framework on capital buffers. In line with the approach set out in CP10/24, HM Treasury is also making amendments to the framework. These amendments together result in some regulatory material on the UK capital buffers framework being removed from the statute book and replaced by PRA policy material.

The implementation date for the changes is 31 July 2025.

House of Lords Financial Services Regulation Committee launches inquiry into growth of private markets

The House of Lords Financial Services Regulation Committee has launched an inquiry into the growth of private markets in the UK following reforms introduced after 2008.

In particular, the inquiry will examine whether the regulatory capital and liquidity reforms introduced after 2008 have reduced banks' ability or willingness to lend, pushing risk away from the banking sector and towards private markets. It will also look into how much visibility the Bank of England has on the size of these private markets, their interconnections with the banking sector, and any potential spillover risks.

The Committee has issued a call for evidence, with responses due by 18 September 2025.

BaFin issues general decree on withdrawal of exemptions granted under GwG

The German Federal Financial Supervisory Authority (BaFin) has issued a general decree (Allgemeinverfügung) withdrawing (zurücknehmen) exemptions granted under the German Anti-Money Laundering Act (Geldwäschegesetz - GwG) with effect from 10 July 2027.

Pursuant to section 1 para 1 GwG in the versions applicable until 20 August 2008, obligated parties (Verpflichtete) within the meaning of section 2 para 1 nos 1 to 9 GwG could be exempted from certain provisions of the GwG. The Federal Banking Supervisory Office (Bundesaufsichtsamt für das Kreditwesen), as BaFin's predecessor, and subsequently BaFin itself, made use of this option and issued unlimited exemptions, which were subject to revocation (Widerrufsvorbehalt).

The withdrawal is prompted by the EU Anti-Money Laundering Regulation (Regulation (EU) 2024/1624), which introduces a new and more restrictive legal framework for exemptions. Once the Regulation starts to apply on 10 July 2027, the existing exemption decisions would therefore conflict with applicable law.

FSTB and SFC consult on legislative proposals for regulating digital asset dealing and custodian services

The Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission (SFC) have launched a joint public consultation on the legislative proposals for establishing licensing regimes for digital asset (DA) dealing and custodian service providers. The proposals are intended to empower the SFC to license and supervise DA dealers and custodians, and enforce relevant regulations. The consultation period will end on 29 August 2025.

The key proposals include:

- a licensing regime for DA dealing service providers under which:
  - any person who carries on a business of providing DA dealing services in Hong Kong will have to be licensed by or registered with the SFC, irrespective of whether the DA dealing services are provided through a physical outlet or other platforms;
  - both simple dealing services (e.g. smaller-scale conversions between different DAs or between DAs and fiat money) and more complex services (e.g. brokerage activities, block trading activities, and other activities of advisors or asset managers) will be in scope under the licensing regime;
  - relevant fit-and-proper and regulatory requirements will apply – these include financial resources, knowledge and experience, risk management, financial reporting and disclosure, conduct of business, information and notifications, record keeping, proper protection of client assets, and investor protection safeguards; and
- a licensing regime for DA custodian service providers under which:
  - any person carrying on a business in Hong Kong of providing DA custodian services will have to be licensed by or registered with the SFC. The provision of DA custodian services as a business means, by way of business, the safekeeping of (i) DAs on behalf of clients; or (ii) instruments enabling transfer of DAs of clients on behalf of clients; and
  - relevant fit-and-proper and regulatory requirements will apply – these include proper protection of client assets, financial resources, knowledge and experience, risk management, financial reporting and disclosure, conduct of business, information and notifications, and record keeping.

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Both licensing regimes will be fully implemented on the date the relevant statutory provisions come into effect, with no deeming arrangement.

SFC announces commencement date of new position limits for key exchange-traded derivatives

The SFC has announced that with effect from 2 July 2025, position limits for the futures and options contracts will be increased by: (a) 50% to 15,000 position delta for Hang Seng Index; (b) 108% to 25,000 position delta for Hang Seng China Enterprises Index; and (c) 43% to 30,000 position delta for Hang Seng TECH Index.

The relaxation of position limits is intended to provide market participants with greater flexibility in managing positions, while also enhancing the liquidity and efficiency of both the derivatives and broader markets.

The SFC's announcement follows the publication of its April 2025 consultation conclusions on proposed increase of position limits for exchange-traded derivatives based on the three major stock indices in Hong Kong.

MAS consults on proposed framework for ex-post resolution levies for banking sector

The Monetary Authority of Singapore (MAS) has launched a consultation seeking feedback on the proposed framework for imposing ex-post levies on the banking sector, comprising banks, merchant banks and finance companies (individually 'Bank' and collectively 'Banks'), to recover the cost of resolving a distressed Bank (ex-post levies framework) under Division 10 of Part 8 of the Financial Services and Markets Act 2022 (FSMA).

The consultation follows the enhancements made to the resolution regime for financial institutions (FIs) in Singapore in 2016. The MAS' resolution regime is intended to achieve an orderly resolution when a financial institution is no longer viable, such that financial stability and the continuity of critical functions performed by FIs and financial market infrastructures are maintained.

The MAS is consulting on the following for the ex-post levies framework:

- the use of average uninsured deposit balances to compute levies, and for the resolution levies of Banks within the banking sector to be proportionate to their share in the Singapore market;
- the timing for computing levies, and the period for collecting levies;
- the treatment for collecting levies from exiting Banks and new entrants to the banking sector; and
- the treatment of the deposit insurance fund if such fund is used to contribute to the resolution fund.

The MAS has indicated that:

- the cost of resolving a distressed Bank will initially be covered by a resolution fund, set up under the FSMA to fund the costs of any resolution measures taken by the MAS and administered by an independent trustee;
- the proposed framework will be effected through regulations; and
- it intends to consult on ex-post levies frameworks for other sectors in future.

Comments on the consultation are due by 31 July 2025.

MAS issues circular on governance and management of variable capital companies

The MAS has issued a circular highlighting key observations from its 2024 review of variable capital companies (VCCs) and their managers. The circular also sets out the MAS' supervisory expectations and highlights good practices for VCC managers in their governance and management of VCCs.

The MAS has identified areas where certain VCCs and/or VCC managers may not be fully adhering to regulatory requirements, including where some VCCs:

- did not have appropriate custody arrangements in place, despite investing in certain types of assets (such as listed equities and fixed income instruments) that require independent custody arrangements; and
- appointed additional directors who are neither directors nor representatives of the VCC manager. The MAS has reminded managers that where such VCC directors are engaged in regulated activities (e.g., deal sourcing, investment research, or other client facing activities such as business development), they must be appointed as representatives of the VCC manager.

The MAS has also highlighted that some VCC managers were managing multiple VCCs that neither held assets nor had investors, despite these VCCs having been incorporated for more than a year. The MAS expects managers to wind down VCCs that have been assessed as unviable and dormant for an extended period of time.

In addition, some VCC managers were observed not to be conducting substantive fund management activity for VCCs (e.g., where VCCs hold illiquid assets on behalf of a single investor or a few connected investors, and where these assets were previously owned by the investors). The MAS has emphasised that VCC managers should be actively involved in all aspects of investment and risk management of the VCC, including portfolio construction, investment due diligence and analysis, and should not:

- provide a conduit for customers to structure investments or assets in the form of fund units, without providing any substantive input or influence over the merits or suitability of the investment or assets, or assuming responsibility for their investment performance;
- set up VCCs that merely serve as a conduit for the offer of funds managed by other fund managers; or
- purely engage in marketing of the VCCs.

Further, where the VCC manager is appointed as the eligible financial institution of the VCC, the manager is expected to ensure that the required anti-money laundering and countering the financing of terrorism measures are carried out on behalf of the VCCs.

The MAS has indicated that, while the circular is based on its observations of VCCs, the supervisory expectations outlined are also relevant to other types of fund structures where applicable.

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MAS proposes to enhance product highlights sheets and streamline framework for complex products

The MAS has launched a consultation seeking feedback on proposals to enhance the requirements for product highlights sheets (PHSs) and streamline the framework for complex products.

The MAS' proposals are set out in two parts:

- enhancing the PHS – amongst other things, the MAS proposes to:
  - make design and content enhancements to the PHS templates to improve investor understanding of key product information. For example, complex products will be indicated with a red header band on the first page (while a yellow band would need to be used for non-complex products). The MAS also proposes to introduce standardised complexity disclosure statements for non-complex and complex products;
  - improve consistency in existing PHS requirements across various investment products. To this end, the requirements as to the form and content of PHSs currently set out in subsidiary legislation would be shifted to forms on the MAS's website. Also, the existing differentiation in page limits for PHS for different products would be removed and standardised to 8 pages regardless of the use of diagrams; and
  - classify investment-linked policies (ILPs) as a complex product, regardless of the complexity classification of the sub-funds; and
- streamline the complex products framework – amongst other things, the MAS proposes to:
  - simplify the nomenclature for complex products by replacing the terms 'excluded investment products' (EIPs) and 'specified investment products' (SIPs) with 'non-complex' and 'complex' products, respectively. The existing framework for prescribing non-complex products (i.e., current EIPs) will be retained, with all other capital markets products deemed complex products (i.e., current SIPs);
  - streamline distribution safeguards for complex products. Currently, investors seeking to invest in complex products are required to go through an advisory process unless they (a) meet certain financial knowledge and investment experience thresholds (customer knowledge assessment (CKA) or Customer Account Review (CAR), depending on whether the SIP is listed or unlisted), or (b) satisfactorily complete the relevant learning module provided by an independent body to demonstrate understanding in complex products. The MAS proposes to introduce the product knowledge assessment (PKA) as an alternative means to evaluate an investor's knowledge of a complex product. Issuers would be given the discretion to design questions for the PKA that are aligned with the MAS's regulatory objectives;
  - combine the CKA and CAR into one set of criteria termed as CKA, while retaining the current criteria. Also, financial advisers will not be required to perform the PKA and CKA (collectively, knowledge and experience assessment (KEA)) when advising on complex products, as they would have already performed a financial needs analysis and explained the product features during the full advisory process;

  - the requirement for mandatory financial advice to be provided where the investor does not have the qualifications, experience, or knowledge to invest in a complex product will, except in the case of those who require added protection, be removed, and financial institutions must provide warnings to such an investor. A financial institution may execute the transaction after obtaining the investor's explicit acknowledgment to proceed despite the warnings; and
  - impose enhanced safeguards for investors who require added protection – these selected clients will be required to go through a mandatory financial advisory process before they purchase complex products.

Comments on the consultation are due by 1 September 2025. The MAS has indicated that a separate consultation on the draft amendments to the relevant notices will follow. It proposes to provide a transition period of six months from the date when the amended notices take effect.

NCCS, MTI and EnterpriseSG consult on draft voluntary carbon market guidance

The National Climate Change Secretariat (NCCS), the Ministry of Trade and Industry (MTI), and Enterprise Singapore (EnterpriseSG) have launched a joint public consultation seeking feedback on draft guidance on how companies can voluntarily use carbon credits as part of a credible decarbonisation plan.

The public consultation follows industry feedback on the need for the Government to provide guidance on the voluntary carbon market, including how companies can use carbon credits as part of a credible decarbonisation plan and how to determine a high-quality carbon credit. NCCS, MTI and EnterpriseSG have worked with the Singapore Sustainable Finance Association and industry partners across the carbon credit value chain to draft guidance for companies looking to purchase carbon credits.

The draft guidance is part of the Singapore Government's broader strategy to promote a vibrant, high-integrity carbon market and is intended to:

- align to approaches that governments have agreed to adopt as buyers of carbon credits under Article 6 of the Paris Agreement, where relevant;
- emphasise that carbon credits should have high environmental integrity;
- enjoin companies to prioritise all feasible abatement efforts before considering the use of credits to address remaining emissions; and
- clarify that corresponding adjustments do not apply to credits purchased by companies looking to meet their voluntary climate commitments as these credits are not counted towards nationally determined contributions.

Comments are due by 20 July 2025.

FSA publishes Action Program 2025 for effective implementation of corporate governance reform

The Financial Services Agency (FSA) of Japan has published the 'Action Programme for Corporate Governance Reform 2025', outlining its future policy priorities for the effective implementation of corporate governance reform. The action programme is intended to encourage companies and investors to

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adopt self-driven changes in mindset and foster dialogue based on cautious trust, thereby contributing to sustainable corporate growth and enhanced corporate value over the medium to long term.

The FSA's policy priorities include:

- enhancing earning power:
  - promote better capital allocation (e.g., reducing excess cash holdings);
  - expand disclosure of human capital strategies and employee compensation metrics in the annual securities report (ASR);
- improving information disclosure and investor engagement:
  - follow up on disclosure of the ASR prior to the annual general meeting (AGM);
  - organize matters related to shareholder meeting procedures (e.g., reduce paper use);
  - refine and potentially streamline the disclosure items in the ASR;
- strengthening shareholder meeting functions:
  - launch a consortium to support discussion to empower independent outside directors and the board secretariats;
- resolving market environment issues:
  - review and reduce cross-shareholdings;
  - promote the consideration of issues related to parent-subsidiary listings and group management parent-subsidiary relationships and group management; and
- promoting sustainability-oriented management:
  - possibly set a safe harbour rule for a misstatement in sustainability information section in ASRs; and
  - disseminate Japan's perspective on the development of global standards for human capital disclosure.

RECENT CLIFFORD CHANCE BRIEFINGS

The Hague Convention of 2 July 2019 on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters has come into force in the UK

On 1 July 2025, the Hague Convention of 2 July 2019 on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (Hague 2019) came into force in the UK.

This briefing paper discusses Hague 2019 coming into force in the UK.

https://www.cliffordchance.com/briefings/2025/07/the-hague-convention-on-the-recognition-and-enforcement.html

FCA final rules on non-financial misconduct in the financial services sector

The FCA published on 2 July 2025 its much-anticipated approach in relation to non-financial misconduct consisting of: (1) a Policy Statement amending its Code of Conduct ('COCON') sourcebook to set out new rules for non-financial misconduct ('NFM') in the Financial Sector ('NFM Rules') (aimed at aligning non-banking firms with the scope of certain NFM that applies to banking firms): (2) a fresh consultation on possible accompanying guidance (CP25/18) to support all firms in applying rules in COCON and FIT consistently, in so far as they relate to NFM. The NFM Rules will apply from 1 September 2026. The FCA is consulting until 10 September 2025 on whether to proceed with the guidance.

The FCA focus in its approach is on bullying, harassment and violence – where it is sufficiently serious to be in the regulatory perimeter. The NFM Rules are part of the FCA's 2025 to 2030 strategy that aims to raise standards, increase accountability and build trust in financial services.

This briefing paper explores the NFM Rules and the draft guidance, highlighting what has changed since the original consultation, outlining consultation proposals not taken forward and suggesting preparatory steps that in-scope firms should consider taking.

https://www.cliffordchance.com/briefings/2025/07/fca-final-rules-on-non-financial-misconduct-in-the-financial-services-sector.html