

The Leeds Reforms:

Reshaping UK Financial Services Regulation





Simplifying Compliance and Boosting Investment Opportunities

The Mansion House and Leeds Reforms signify a major shift in the UK's financial services regulation strategy, aimed at reinforcing the UK's status as a global financial hub by 2035. The government is focused on streamlining regulatory frameworks, boosting retail investments, and cutting red tape to create a more competitive and growth-oriented financial environment.

These reforms are part of an overarching strategy to enhance the UK's global financial standing through a comprehensive approach to regulation and competitiveness

Key changes in the industry include the Senior Managers and Certification Regime (SMCR), which aims to reduce the lengthy approval process by potentially eliminating pre-approval requirements from the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). This could make the process more efficient while maintaining necessary certification standards.

Efforts are underway to harmonise various regulatory codes, such as FISMA, to streamline compliance processes, reduce duplication, and ease reporting burdens. The PRA's commitment to faster authorisation turnarounds is promising, particularly for noncontroversial roles and startups, through provisional authorisation regimes.

Additionally, the FCA has introduced a wholesale markets digital strategy with a four-point action plan to enhance clarity on Consumer Duty for wholesale firms.

This includes:

- Refining supervision
- Reviewing Consumer Duty rules for distribution chains
- Proposing exclusions for non-UK businesses, and consulting on client categorisation criteria to tighten professional status requirements



These initiatives aim to improve market operations and consumer protection, addressing concerns about poor practices in documentation and assessments.



Regulatory Reforms to Accelerate Market Responsiveness

Cross-cutting reforms are being implemented to streamline regulatory authorisations and reduce statutory deadlines for the FCA and PRA.

This involves decreasing the “have regards” duties, which currently require regulators to consider principles like proportionality, sustainable growth, and consumer responsibility.

The proposal aims to review these principles to determine their relevance and adjust them to enable regulators to act more swiftly and effectively, fostering a dynamic regulatory environment that better supports industry needs.



The mortgage market has experienced significant changes with the latest mortgage guarantee scheme, allowing lenders to insure lending from 90.001% to 95% LTV with favorable amortisation of the commercial fee.

The Bank of England's removal of the LTI multiplier and the FCA's revised approach to stress testing affordability have increased competition, making it easier for individuals with small deposits to purchase homes. While these changes are beneficial, there are concerns about potential risks reminiscent of the pre-financial crisis era. Current measures aim to ensure a long-term positive impact on the housing market.

The capital regime for banks is undergoing revisions towards Basel 3.1, requiring more and better-quality capital. Proposals for proportionate capital rules seek to streamline regulatory text by 70%, clarifying obligations without necessarily changing capital holding requirements.

Captive insurance firms will benefit from tailored regimes, potentially lowering capital requirements and reporting obligations. Resolution regime proposals will simplify recovery and resolution plans for smaller banks, reducing the burden on those with deposits under 100 billion.

These changes, effective from April 2026, will impact investment firms and banks, necessitating a review of their business strategies.

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Government's Vision for Payments Ecosystem and Financial Services Modernisation

The government's vision for the payments ecosystem aims to create a trusted, world-leading infrastructure based on next-generation technology. This vision includes clear, predictable, and proportionate regulation, resilient infrastructure, and pillars of innovation, competition, and security.

The Payment Vision Delivery Committee is tasked with implementing this vision, focusing on interoperability between new and existing forms of digital money, including traditional currency, central bank digital currency, and crypto assets. Strategic outcomes emphasise enabling innovation and competition while ensuring security, reflecting the government's commitment to a robust and adaptable payments ecosystem.

The wholesale markets digital strategy includes legislative changes to end paper share certificates by 2027, transitioning to fully digital share registers. This dematerialisation objective is ambitious due to the prevalence of paper share certificates among private companies.

Another significant change is the introduction of T+1 settlement cycles in October 2027, streamlining payment infrastructure and enhancing automation and tokenisation. These changes aim to modernise the financial services industry and improve operational efficiency.

Consultations on these topics have recently been published, with implementation phased over the next few years. The Financial Services Sector Skills Council (FSSC) is working on a skills compact to address the evolving needs of the industry, ensuring necessary skills are available to drive growth in the financial services sector.

The FSSC has published a future skills framework, highlighting technical competencies such as customer centricity, sustainability, digital skills, data analytics, and AI, as well as behavioural skills like collaborative thinking and adaptability. These initiatives are crucial for preparing the workforce to meet the challenges of a rapidly changing industry and maintaining the UK's competitive edge in global financial markets.

Targeted support for consumers, particularly retail savers, aims to provide tailored communications to customers with idle cash or low-risk appetites, helping them make informed decisions about their investments. **Pilot programmes with banks and building societies will begin in 2026, with feedback and data-driven adjustments expected.**

Organisations interested in participating in this targeted support initiative will need to apply for a new commission and adjust their business models accordingly. This effort underscores the importance of consumer protection and risk management in the financial services industry.



The Future of Regulations for Financial Services

The Mansion House and Leeds Reforms represent a comprehensive approach to repositioning the UK as a leading global financial center. **The government's strategy focuses on simplifying regulations, boosting retail investment, and cutting red tape to foster a more competitive financial environment.**

Changes to the SMCR, Financial Ombudsman Service, capital framework, Consumer Duty, and investment promotion support this goal, creating a streamlined regulatory environment for growth and competitiveness.

The proposed reforms aim to:

- Make regulatory processes more efficient and less burdensome for firms while maintaining essential oversight and accountability
- Reducing the approval timetable for certain roles, streamlining the FCA directory notification process.
- Reforming the Ombudsman Service to help the industry adapt to the changing landscape

The regulatory landscape is undergoing significant transformations aimed at simplifying compliance, enhancing efficiency, and fostering innovation. These changes promise to reduce the reporting burden, streamline authorisation processes, and create a more competitive mortgage market.

The revised capital regime and tailored rules for captive insurers will provide clarity and reduce regulatory text. The government's vision for the payments ecosystem highlights the importance of interoperability and security, ensuring a resilient infrastructure that supports innovation and competition.

The financial services industry is poised for significant transformation driven by regulatory changes, strategic initiatives, and skills development. The FCA's wholesale markets digital strategy, legislative changes, and targeted support for consumers aim to enhance market operations and consumer protection.

The FSSC's skills compact will ensure that the workforce is equipped to drive growth and maintain competitiveness. Stakeholders must stay informed and adapt to the evolving regulatory landscape to capitalise on opportunities and navigate future challenges.





Frequently Asked Questions

What are the Leeds reforms?

The Leeds reforms are part of the financial services growth and competitiveness strategy aimed at repositioning the UK as the world's leading financial centre by 2035. They include simplified regulation, faster approval processes, retail consumer reforms, changes to the SMCR, and updates to the Financial Ombudsman Service.

What changes are proposed for the SMCR?

The proposal includes streamlining and clarifying the SMCR by removing some certification regime requirements from statute and placing them into FCA and PRA rulebooks, giving regulators more flexibility.

What are the cross cutting reforms?

These reforms aim to streamline regulatory authorisations, cut statutory deadlines for the FCA and PRA, and reduce duplication between FISMA and other regulatory codes.





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*Vivek Dodd, CEO
Skillcast*