Mansion House briefing

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Chancellor pledges to bring back risk-taking to boost growth in her 'Leeds Reforms'

Rachel Reeves unveiled her 'Leeds Reforms' at her Mansion House speech, which she declared to be the "most wide-ranging package of reforms to financial services regulation in more than a decade." These reforms which were also set out in the government's accompanying Financial Services Growth and Competitiveness Strategy – were aimed at "driving growth for the UK in an increasingly uncertain and competitive global market".

The Chancellor's reform package was set out in four parts: (1) rolling back regulation that has gone too far in seeking to eliminate risk; (2) targeted changes in the areas where the UK already has particular strengths, such as sustainable finance and fintech; (3) changes to capital requirements to allow more lending and (4) measures to boost retail investment.

Whether these Leeds Reforms actually represent the "most wide-ranging package of reforms in a decade" is open to debate. The changes in capital requirements, ring-fencing and mortgage lending rules are likely to be significant over the long-term and represent a decisive change in direction from post-crisis regulation. Reeves has declared these rules had gone too far and that "the pendulum has swung too far on risk". Relaxing these rules should result in more lending into the economy, although some have warned that this will store up risks in future.

In addition, the peeling back of conduct regulation will certainly be welcomed by parts of the City, particularly the return of the Financial Ombudsman Service to an impartial dispute resolution service, as well as the reforms to the Senior Managers and Certification Regime and, in time, the Consumer Duty.

However, the immediate reaction to the reforms to boost retail investment and revitalise UK's capital markets from the City has been lukewarm so far. The keynote measure of a 'tell Sid'-style campaign to convince UK savers to buy shares rather than have cash savings is unlikely, in its own, to do much to revive the UK's listings market. More concrete measures were notable by their absence, such as the proposal to decrease the cash ISA limit to encourage shares investing, or on mandating pension funds to invest in British equities. Some will be disappointed that there were no tax incentives for firms to list in the UK and that more will need to be done to prevent companies from listing overseas, rather than on the London Stock Exchange.

Moreover, the Chancellor's aim to ensure the UK financial services sector remains competitive is likely to be tested by growing fears over tax rises in the autumn, particularly if some form of 'wealth tax' on the sector materialises.

Summary of key announcements

Prudential and Banking Regulations

> HM Treasury will undertake a short review of the ring-fencing regime, working with the Bank of England and reporting into the Economic Secretary to the Treasury. The review will report by early 2026.

> The UK will introduce Basel 3.1's new requirements for lending and trading activities on 1 January 2027 with the exception of modelling requirements for market risk which will be implemented on 1 January 2028.

> The Bank of England will raise the assets threshold for MREL requirements to £25-40 billion.

Conduct Regulation

> The deadlines for new firm authorisations and variations of permission will be cut by two months – moving from six months to four months for complete applications, and 12 months to 10 months for incomplete applications.

> The Financial Ombudsman Service (FOS) will be returned to its original purpose as an impartial dispute resolution service which quickly and effectively deals with complaints against financial services firms.

> The Chancellor has asked the Financial Conduct Authority (FCA) to report back to her by the end of September on how it plans to address concerns about the application of the Consumer Duty for firms primarily engaged in wholesale activity.

> Deadlines for the appointment of senior managers will be cut by a month, moving from three months to two months. The government is also consulting on legislative changes that will provide the regulators with flexibility to make the Senior Managers and Certification Regime more proportionate.

Capital Markets and Retail Investing

> Continue to review and reform the Markets in Financial Instruments Directive framework, in partnership with the FCA and reform the Benchmarks Regulation to reduce the burden on UK firms.

> Prioritise reforms to over-the-counter derivatives in the European Market Infrastructure Regulation – this will follow the publication of draft reforms to the UK's regulatory regime for central counterparties which are being published this week.

> The FCA will publish an engagement paper on potential reforms to the market risk framework for the Investment Firms' Prudential Regime by the end of the year and launch a consultation in 2026.

> A Listings Taskforce will be established to support businesses to list and grow in the UK.

> It was expected that the government would introduce wide ranging reforms to cash ISAs by reducing the allowance for tax-free cash savings. Plans have not been completely ruled out in the future as the government will continue to consider reforms to ISAs and savings to achieve the right balance between cash savings and investment.

> Work with the FCA to roll out targeted support for consumers by ISA season 2026 – allowing banks to alert customers about specific investment opportunities to consider shifting money from a low-return current accounts to higher-performing stocks and shares investments.

> There will be an industry-led 'Tell Sid'-style campaign promoting the benefits of retail investment to consumers.

> Long-Term Asset Funds will be moved from the Innovative Finance ISA to the Stocks & Shares ISA from April 2026, so that more people can access longer-term investment options.

Venture Capital

> Work to streamline the Alternative Investment Fund Managers Regulations, bringing forward the next phase of this work in early 2026, and pursuing an ambitious package of reforms for venture capital fund managers to ensure the rules are properly calibrated to the activity these firms undertake.

> Review regulation for venture capital funds by early 2026.

Mortgage Rules

> The government introduced a new, permanent Mortgage Guarantee Scheme. The scheme will be available to lenders from July 2025, helping to support homebuyers with a deposit as small as 5%.

> The Bank of England is allowing more lending at over 4.5 times a buyer's income – which could help 36,000 more people buy a home over its first year.

> The Bank of England is also helping Nationwide support an additional 10,000 first-time buyers by lowering income thresholds for its 'Helping Hand' mortgage.

Fintech

> The government will work closely with regulators to ensure regulatory regimes support the emergence of disruptors and incentivise technology adoption.

> The government will introduce a new Scale-Up Unit which will build on the joint FCA and Prudential Regulation Authority's (PRA) New Bank and Insurer Start-Up Units, as well as the Innovation Pathways and Early & High Growth Oversight functions.

> The Chancellor has announced that the government will invest in Data Sharing Infrastructure Initiatives, with up to £12 million to be invested in these initiatives from April 2026.

> The government will appoint an AI champion in financial services, focussing on driving growth and improving consumer outcome.

> In addition to enabling the widespread adoption of digital identity through the Data (Use and Access) Act, the FCA will launch a Smart Data Accelerator which will help shape regulatory policy for Open Finance.

> The government also announced £4 billion of additional capital lending to the IS-8 sectors (as set out in government's industrial strategy), providing finance for start-ups and scale-ups.

Digitisation

> The government committed to bring forward a 'Payments Forward Plan' by the end of 2025 to sequence initiatives across the retail and wholesale payments ecosystems.

> The government will, through the Payments Vision Delivery Committee, establish a new model to deliver the next generation of retail payments infrastructure.

> Continue to explore the possibility of a digital currency, in the form of the digital pound and create a stablecoin regulatory framework.

> Advance work on tokenised settlement instruments such as in the Digital Securities Sandbox.

> The government will enable a Distributed Ledger Technology based settlement in central bank money on private platforms through the Bank of England omnibus accounts.

> New functionalities will be added to the Real Time Gross Settlement service.

Captive Insurance

> The government will consult on a more flexible transformation regime, to ensure that insurance for evolving risk, such as climate or cyber risks, can access capital markets funding.

> A new, tailored regime for captive insurance, to streamline the process of self-insurance and risk management, including through protected cell companies.

> The government published their response to the consultation on captive insurance in which they confirmed that the government will work closely with financial regulators to introduce a new UK framework for captive insurance companies.

> By Summer 2026, the PRA will consult on new rules for captive insurance. The FCA's proposals will be developed and consulted on in parallel.

> The new date for implementation of the new UK captive insurance framework is mid-2027.

> The government's view that the UK's framework for captive insurance companies should initially differentiate between two types of captives, direct-writing and reinsurance.

Sustainable Finance

> The FCA, in partnership with the PRA and the Green Finance Institute, will spearhead a transition finance pilot, engaging the market on scaling transition finance.

> The government has said that they will regulate ESG ratings providers.

> The government committed to building capacity on nature through the UK Consultation Group of the Taskforce on Nature-Related Financial Disclosures.

> This will be alongside ensuring that the Financial Policy Committee and Prudential Regulation Committee will continue to support government efforts on the net zero transition.

> As launched at London Climate Action Week, the government is supporting the growth of the voluntary nature and carbon markets to drive forward investment in net zero.

> The government will consult on proposed next steps for the UK Sustainability Reporting Standings, on how best to implement the 1.5°C goal of the Paris Agreement.

> Following the Pensions Investment Review, the government will be implementing reforms to unlock Defined Contribution pension investment in transition assets.

> The government will not proceed with the development of a UK Green Taxonomy. The consultation presented findings that other policies were of higher priority to accelerate investment into the net zero transition.