Financial Conduct Authority Cost Benefit Analysis Panel Annual Report

(1 April 2025 – 31 March 2026)

Presented to Parliament pursuant to
Financial Services and Markets Act 2023

FCA
Cost Benefit
Analysis Panel

Financial Conduct Authority

Financial Conduct Authority Cost Benefit Analysis Panel - Annual Report 2025/2026

Presented to Parliament pursuant to Section 47 of the Financial Services and Markets Act 2023 and The Financial Services and Markets Act 2023 (Panel Remuneration and Reports) Regulations 2023

July 2026

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at

Cost Benefit Analysis Panel
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

ISBN 978-1-5286-6652-7

E03626861

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

Contents

Chair's foreword

The period covered by this second Annual Report of the Financial Conduct Authority (FCA) Cost Benefit Analysis (CBA) Panel has been a momentous one for UK financial regulation.

In July 2025, Chancellor of the Exchequer Rachel Reeves announced the Leeds reforms, which she dubbed "the widest ranging set of changes to financial regulation in over a decade" and "a prospectus for driving growth for the UK in an increasingly uncertain and competitive global market." Those reforms built on the government's New Approach to Regulation and Growth unveiled in March, the FCA's 2025-30 Strategy published in the same month, and the exchange of letters between the Chancellor and the FCA CEO, Nikhil Rathi, on his reappointment in April.

All stakeholders in the UK financial system share the desire to see the UK financial system support growth – and the promotion of growth and international competitiveness has been a secondary statutory objective of the FCA since 2023. But the FCA has other, primary statutory objectives as well: protecting consumers, enhancing market integrity, and promoting competition. In February 2026, Chair of the House of Commons Treasury Select Committee (TSC) Meg Hiller wrote in the *Financial Times* that she was "concerned about the apparent imbalance between business and consumer voices". She "acknowledge(d) that burdens can be reduced without harm", but insisted that "a balance must be struck."

Dilemmas such as these are not symptoms of a regulatory system in crisis: they are signs of one in rude good health. The existence of trade-offs between the interests of different stakeholder groups, and between different statutory objectives, is an inevitable feature of policy-making in a sophisticated regulatory system designed to govern a pluralistic and democratic economy.

The purpose of CBA – and the reason it was introduced as a statutory requirement for all material new interventions in 2000 – is precisely to gather evidence on, to articulate, and, where possible, to quantify these trade-offs. The objective is that by doing so the FCA is able to make better decisions; stakeholders are better able to participate in public consultations; and the rationale for regulation is more transparent and more accountable.

Over the past year, the need for UK financial regulation to navigate such trade-offs – between business and consumers, between growth and financial stability, and across many other dimensions – has been clearer than ever. As a result, the value which the discipline of CBA brings to the policy-making process has never been more obvious. Likewise, the responsibility given to the independent CBA Panel by FSMA 2023, to help the FCA maximise that value has rarely been more important.

During the period covered by this Annual Report, the Panel discharged that responsibility by reviewing and providing advice on a total of 13 CBAs, accounting for just over 40% of the total number of CBAs published by the FCA, and covering proposed policy interventions in a wide range of wholesale and retail financial markets.

The FCA's commitment to the discipline and transparency that CBA requires is impressive, and the Panel believes it makes a material contribution to policy-making. Of course, there is always room for learning and improvement – and in this Annual Report we detail a range of methodological and procedural challenges which we have encountered in the FCA's use of CBA, and make recommendations as to how we think the FCA can resolve them.

But the Chair of the TSC correctly concluded that the essence of the challenge for policymakers is always to "analyse and reanalyse, before drawing the line of acceptable harm.

Dr Felix Martin
Chair, FCA Cost Benefit Analysis Panel

Background

CBA is a standard tool used globally to ensure that policymaking is evidence-based, proportionate and accountable to stakeholders. Internally, CBA helps to improve the quality and proportionality of public policy by providing policymakers with a key analytical tool for assessing the likely impacts of proposed interventions. Externally, it helps to build the credibility and effectiveness of policy by providing stakeholders with a clear and transparent account of the trade-offs involved. Submitting draft policy decisions to high-quality CBA helps to ensure that: (i) the overall costs and benefits of proposed policies are assessed using clear causal reasoning and the best available evidence; (ii) there is a common analytical basis on which consultation with interested parties about the proportionality of proposed policies can take place; and (iii) policy is made in the best interests of society as a whole. In the United Kingdom, standard frameworks for the use of CBA are set out in HM Treasury's *Green Book and the Better Regulation Framework*[1].

CBA has therefore been a central part of FCA and Payment Systems Regulator (PSR) policymaking for many years. Because of its analytical, explanatory and accountability functions, CBA is a key part of the policymaking cycles of both the FCA and the PSR. The Financial Services and Markets Act 2000 introduced a requirement for the FCA to undertake and publish a CBA when consulting on proposals to make or amend rules. Similarly, the Financial Services (Banking Reform) Act 2013 requires the PSR to undertake and publish CBAs of significant proposed policies.

Independent expert scrutiny of policy-making prior to public consultation is an established feature of the UK's public policy architecture. Transparent, independent and objective feedback on proposed policy provides an important public good by improving the quality and credibility of the evidence and analysis on which consultation with stakeholders is based. It increases the likelihood that public debate takes place systematically, constructively and on common analytical ground. Over the past quarter-century, a range of panels, boards and public bodies have been established to provide independent expert review of proposed public policy ahead of consultation or parliamentary debate. The Office for Budget Responsibility and the Regulatory Policy Committee are well-known examples.

The CBA Panel exists to provide such independent, expert review and advice on the FCA's and the PSR's CBAs of proposed policies. The Panel was established by the Financial Services and Markets Act 2023 as a panel of independent experts tasked with reviewing and advising on the FCA's and the PSR's CBAs of proposed policies, and on their use of CBA more generally. The purpose of the Panel is to provide transparent, independent, expert and practitioner feedback to the FCA and the PSR prior to public consultation, focusing specifically on the deployment of CBA, with the ultimate objective of strengthening the quality and credibility of their policymaking.

1 Noting however, that the FCA is not bound by these frameworks in the same way as Central Government Departments, and follows its own Statement of Policy which is closely related.

Set-up

Why the CBA Panel was established

The United Kingdom's departure from the European Union provided an opportunity to review the financial services regulatory framework to ensure that the overall approach to regulation was appropriately tailored to the UK context. In 2020, as part of its consultation on the *Financial Services Future Regulatory Framework Review*, HM Treasury consulted on proposals to strengthen the accountability and scrutiny of financial services regulators' rulemaking, including through enhanced independent scrutiny of the evidence underpinning regulatory proposals, such as CBA.

Following a further consultation by HM Treasury in 2021, the government set out its plans in 2022 to bring forward legislation requiring the FCA, PSR and the Prudential Regulation Authority (PRA) to establish statutory panels to advise on CBA. The objective was to improve the quality of regulators' CBAs and to increase stakeholders' confidence that there is regular, independent and expert input into the regulators' use of CBA.

Statutory basis and obligations

The FCA CBA Panel is an independent statutory panel established by the Financial Services and Markets Act 2023 (FSMA). The Panel is tasked with providing review and advice to the FCA and the PSR on their use of CBA. The Panel became operational in May 2024, ahead of the statutory duty for the FCA and PSR to consult the CBA Panel on the preparation of CBAs, which came into effect on 1 August 2024.

Unlike the FCA's other independent statutory panels (such as the Financial Services Consumer Panel and the Markets Practitioner Panel), the CBA Panel is not a representative panel intended to convey the views of particular stakeholder groups to the FCA Board. Instead, it is an independent, expert panel with a statutory role within the policymaking cycle, focused specifically on the quality and use of CBA.

The FCA has legal obligations under the Financial Services and Markets Act 2000 (as amended) to undertake and publish a CBA when consulting on proposals to make or amend rules, and where final rules differ significantly from the draft proposals. The PSR also has legal obligations under the Financial Services (Banking Reform) Act 2013 to undertake and publish CBAs in relation to significant proposed policies. In practice, this includes CBAs accompanying consultations on generally applicable requirements.

Statutory duties of the CBA Panel

The statutory duties of the CBA Panel are then to:

- provide the FCA and the PSR with advice in relation to the preparation of CBAs to be published with FCA rules and PSR generally applicable requirements upon which it has been consulted;
- provide advice to the FCA and the PSR in relation to the preparation of their respective Statements of Policy on CBA;
- keep under review how the FCA and the PSR are performing generally in carrying out their duties to undertake CBA;
- provide the FCA and the PSR with any recommendations the Panel considers appropriate as a result of that review; and
- produce an annual report, which is provided to HM Treasury and Parliament.

The FCA has a statutory duty to consider representations made to it by the CBA Panel.

Membership

Members of the CBA Panel are senior level specialists and include a combination of CBA experts, individuals with experience in financial services, and economists. Panel members include individuals employed by FCA authorised firms, in line with statutory requirements, though all members are appointed in an individual capacity and not as representatives of any organisation. Members are recruited through open competition and are formally appointed by the FCA Board. The appointment of the Chair is subject to the approval of HM Treasury. All members are required to comply with the FCA's conflicts of interest policy.

A full list of Panel members during the reporting period is set out in Annex 2.

Principles of operation

The CBA Panel operates in accordance with four guiding principles:

Independence. The CBA Panel is established by statute and operates independently of the FCA, the PSR and external stakeholders. Its independence is central to its role in supporting accountability and credibility in the use of CBA.

Objectivity. The Panel is not a representative body. Members are expected to contribute their individual expertise and experience to support objective consideration of the costs and benefits of proposed policies.

Transparency. Summaries of the Panel's advice on individual CBAs are published alongside relevant consultation papers. The Panel also reports annually on its assessment of how the FCA and PSR are performing in carrying out their duties to undertake CBA.

Constructiveness. The Panel operates as a 'critical friend' to the FCA and PSR. Its work is intended to improve the quality and accountability of policymaking without imposing unnecessary delay or cost.

Terms of reference and ways of working

The Panel operates in accordance with Terms of Reference agreed by the inaugural Chair and Panel members, and approved by the FCA Board. These Terms of Reference set out the Panel's scope, statutory duties, membership and governance arrangements, and describe how the Panel interacts with the FCA and PSR in fulfilling its statutory role. The work of the Panel is supported by a secretariat provided by the FCA.

The Panel provides advice on individual draft CBAs that meet the relevant criteria set out in the FCA's and PSR's Statements of Policy on CBA. For the FCA, draft CBAs that the Panel reviews meet the materiality threshold of +/- £10 million in expected equivalent net annual direct costs to business. The PSR Statement of Policy (SoP) on CBA does not include a materiality threshold, therefore the PSR is required to refer all CBAs accompanying a consultation on a generally applicable requirement to the CBA Panel. In addition to formal reviews, the Panel also provide early informal advice on emerging CBAs at the request of the FCA or PSR.

For the purposes of reviewing individual CBAs, the Panel operates a flexible model under which smaller groups of members may be convened to undertake initial scrutiny, with recommendations subsequently reviewed and ratified by the full Panel. This approach supports the efficient allocation of expertise and enables the provision of timely advice without materially impacting the pace of policymaking.

The Panel meets quarterly, to consider the FCA's and PSR's overall performance in carrying out their CBA duties, discuss thematic issues, agree recommendations and conduct other Panel business, including preparation of the Annual Report. Additional meetings may be held as required, for example on specific FCA research or thematic topics.

The CBA Panel's work programme during the reporting period and forward look

Activity during the reporting period Work programme during the reporting period (1 April 2025 – 31 March 2026)

This reporting period marks the first full year in which the statutory duty for the FCA to consult the CBA Panel on relevant CBAs was in force. As a result, the Panel's activities during the period reflect a clear shift from the initial set-up and bedding in phase described in the previous Annual Report, to a more established, business as usual operating model.

In total, the FCA published **32 CBAs** during the reporting period. Of these, **13** (see Annex 1) were referred to the Panel for statutory review, in most cases due to breaching the materiality threshold of £10m equivalent annual net direct cost to business (EANDCB). This volume was equivalent to around **41%** of the total CBAs published, representing a substantial increase compared with the previous year and aligning closely with the referral volumes anticipated when the Panel was established. These reviews spanned a wide range of policy areas. In addition, for the first time, the Panel carried out a statutory review at Policy Statement stage, relating to the Motor Finance Consumer Redress Scheme. This marked an important development in the Panel's work, demonstrating how Panel scrutiny of CBA can operate across different stages of the policy-making cycle.

Beyond the CBAs referred for statutory review, **four also benefited from early engagement with the Panel** during their development. This early engagement took place on a non statutory basis, at the request of the FCA, and typically involved high level discussion of analytical structure, assumptions, and potential sources of evidence prior to formal referral. The Panel considers this form of early interaction to be particularly valuable in helping to identify key analytical risks at an early stage, reducing the likelihood of more substantive issues arising later in the process.

The Panel provided advice to the PSR on one CBA during the reporting period, but this was not a statutory review.

Reviews were undertaken using the Panel's established flexible operating model, with sub groups of members leading detailed review work where appropriate, before recommendations were considered and agreed by the full Panel.

Forward look

Looking ahead to the next reporting period, the Panel expects a **continued volume of statutory referrals**, and a **further increase in early engagement** on CBAs at the development stage. As the Panel is demand-led, the timing of statutory reviews is based on the current pipeline of policy activity, as such, the Panel expects to review **at least nine CBAs in the second quarter of 2026**.

As the Panel's work continues to evolve, it expects to place increasing emphasis on helping to ensure that CBA is used not only as a statutory requirement, but as a practical analytical tool to support proportionate, evidence-based policy-making. The Panel will continue to keep under review how the FCA is performing generally in its use of CBA and will reflect further observations and recommendations in future Annual Reports.

Panel operations and resourcing

The Panel is supported by a secretariat, furnished by the FCA, which provides managerial, administrative, and analytical support.

The level of analytical resource provided in 2025-26 by the Economics Department in particular has played an important role in establishing and maintaining the Panel's operations, enabling it to function effectively and deliver on its objectives during its initial phase.

The Panel notes that the FCA is operating within a broader context of reprioritisation and resource constraint, including pressures arising from significant areas of work. Against this backdrop, the Panel considers it important that the resourcing of its secretariat remains sufficiently stable and sustainable over time, to support the Panel in continuing to operate effectively and fulfil its statutory role.

Recommendations

The CBA Panel is required by FSMA 2023 to keep under review how the FCA and PSR are performing generally in their use of CBA. The Panel deems this Annual Report to be the most appropriate document in which to summarise its findings and recommendations in respect of this general obligation.

2025-26 represented the first full year of the Panel's operation, and provided a steady flow of CBA referrals from the FCA. As described in the Background section, the Panel's workflow stepped up materially in 2025-26. The FCA published 46 Consultation Papers in the period, of which 32 (70%) included CBAs. Of these 32, 13 (41%) were referred to the Panel for statutory review. Separately, the FCA consulted the Panel informally on four CBAs of potential policy interventions at the early stages of their preparation.

The PSR had a much more limited policy-making pipeline in 2025-26, and no statutory review of any PSR CBAs was published by the Panel as a result. One PSR CBA was referred to the Panel in the course of the period but the intervention in question was ultimately not progressed as a General Direction.

The strong pipeline of CBAs referred to the Panel in 2025-26 has generated a number of common recommendations on the FCA's use of CBA, as well as providing an opportunity to monitor the recommendations made in the 2024-25 Annual Report. Below, we first briefly revisit the main recommendations made in the 2024-25 Annual Report. We then draw out seven themes that have emerged from the Panel's recommendations concerning CBA methodology in statutory reviews in 2025-26. Finally, we make two new recommendations concerning the FCA's CBA process. Given the lack of any reviews of PSR CBAs and the decision during the year to merge the PSR into the FCA, the Panel has not made any new recommendations regarding the PSR's use of CBA.

Review of recommendations from 2024-25 Annual Report

Staging | Using CBA at earlier and later stages of the FCA's policy development cycle

The Panel recommended that the FCA considers how it might use CBA more systematically both at the initial stages of its policy-making cycle and in monitoring and evaluation once policies have been introduced. In particular, the Panel emphasised the role of CBA for early options analysis[2] and as a framework for ex-post impact evaluation.

In response to the Interim Annual Report, the FCA indicated that it would strengthen the use of CBA at earlier stages of policy development, including through increased early engagement with the Panel, alongside further development of its approach to ex-post

2 As referenced in Chapter 6, Shortlist appraisal, HMT Green Book

impact evaluation. Over the current reporting period, early engagement has become more established, with a number of CBAs benefiting from informal input prior to formal referral, helping to shape analytical approaches at an earlier stage.

However, this has not yet translated into the consistent use of CBA as a framework for structured options analysis in published CBAs. There is also no clear evidence of a systematic approach to using CBA for post-implementation monitoring and evaluation. Both therefore remain areas where further development would strengthen practice, as reflected in the Panel's recommendations in this year's Annual Report.

Scope | Applying CBA to a broader range of contexts in the FCA's policymaking

The Panel recommended that the FCA consider extending the use of CBA beyond minimum statutory requirements. In particular, it emphasised the broader application of CBA across policy-making, including the assessment of cumulative impacts and the use of CBA in cases where proposed interventions are expected to have a significant impact on markets or consumers, even where it is not strictly required.

In its response, the FCA highlighted further analytical work on wider impacts, including development of a Total Economic Value framework and consideration of cumulative effects. Over the current reporting period, there is some evidence of targeted work in these areas, including efforts to consider cumulative impacts within specific policy programmes, such as for the cryptoasset regime.

Statutory objectives | Clarifying how the FCA's CBA takes into account its statutory objectives

The Panel recommended that the FCA consider further how CBA should reflect its statutory objectives and regulatory principles, and that this be addressed in the next iteration of the FCA's Statement of CBA Policy.

In its response, the FCA indicated that it is exploring how to incorporate this into the next iteration of its Statement of Policy on CBA. It also noted that CBAs already set out the expected economic impacts of proposals, including those relevant to its statutory objectives – such as effects on consumer outcomes, competition, market integrity and growth – and that these are complemented by compatibility statements setting out how interventions align with its statutory objectives and regulatory principles.

However, there is not yet a clearly defined approach setting out how these considerations are applied within CBAs. Further work in this area would help ensure that impacts linked to the FCA's objectives, including the secondary international competitiveness and growth objective, are identified and assessed more consistently. This is reflected in the Panel's recommendations in this year's Annual Report.

New methodology recommendations

1. Presentation and impact

Challenge | For the FCA's CBAs to have impact, it is essential that they can be easily understood by all stakeholders. CBA is the key analytical discipline the FCA's executive and board use to navigate trade-offs and ensure proportionality in its policy-making. It also plays a central role in the public consultation process, enabling stakeholders to engage on the basis of a sound evidence base and clearly articulated economic reasoning. Finally, it represents an important accountability mechanism whereby the FCA can articulate publicly the economic rationale for its policy-making. Clear and accessible presentation of the FCA's CBAs is therefore essential to their effectiveness. Yet CBA can be a highly technical exercise, involving sophisticated analytical techniques. In a number of reviews over 2025-26, the Panel advised that the structure and presentation of CBAs obscured the key pieces of evidence and analysis underlying the proposed interventions. Examples included *Deferred Payment Credit (unregulated Buy Now Pay Later): proposed approach to regulation (CP25/23); Supporting consumers' pensions and investment decisions: proposals for targeted support (AGBR) (CP25/17); The framework for a UK equity consolidated tape (CP25/31); and Improving the UK transaction reporting regime (CP25/32)*.

Recommendation | CBAs should take care to present their core analytical findings clearly and accessibly, and proactively solicit stakeholder feedback in order to maximise impact. The Panel recommends that the FCA ensures that CBAs always include a clear and concise executive summary that provides a transparent line of sight to the underlying analysis. In general, CBAs should be prepared with impact and therefore stakeholder engagement front of mind. Clarity of analysis should therefore be prioritised over exhaustiveness, with detail included as an additional annex. The Panel recommends that the practice of directly soliciting feedback on specific questions during the consultation process, commonly deployed in the main body of Consultation Papers, should be extended to CBAs as a matter of course and the volume and quality of responses adopted as one metric of the impact of CBAs. The Panel also notes its own responsibility to assist in this area, since the process of referral to the Panel prior to publication is an opportunity to suggest improvements, and presentation can often be refined at a relatively late stage.

2. Division of labour between background economic analyses and individual CBAs

Challenge | CBA of specific proposed policy interventions in rapidly evolving markets requires nesting in systematic analyses of the underlying economics of those markets. Because of the large, diverse, and innovative nature of the UK's financial system, the FCA is frequently required to make rules for markets which are evolving rapidly or are entirely novel. The detailed CBA of any individual proposed rule, meanwhile, typically depends upon a clear understanding of the economics of the broader market to be regulated. Some CBAs therefore find themselves needing to reconstruct the underlying economics of the market as best as possible in an *ad hoc* manner in order to support the analysis of the particular proposed rule in question. This has both substantial and presentational drawbacks: insufficient resources can be devoted to understanding the overall market; and the CBA becomes unhelpfully long. In 2025-26, the Panel advised that this challenge was particularly evident in the CBAs accompanying the sequence of cryptoasset consultations (*Regulating cryptoasset activities* (CP25/40), *Regulating cryptoassets: Admissions & disclosures and market abuse regime for cryptoassets* (CP25/41) and *Application of FCA Handbook for regulated cryptoasset activities part 2* (CP26/4)), where the absence of an overarching background analysis of the market for cryptoassets limited the clarity of the problem definition, the counterfactual, and the assessment of wider impacts.

Recommendation | Systematic background analysis of the economics of key markets should be undertaken and published, as background to individual CBAs of proposed interventions. The Panel has advised that a solution to this challenge is for the FCA to undertake systematic analyses of the underlying economics of such markets to provide an analytical framework that can underpin multiple CBAs. Such background studies could then be published alongside, but separately from, the CBAs of individual proposed rules. This approach would provide an opportunity both to improve the FCA's and stakeholders' understanding of the new and rapidly evolving markets, and to simplify and improve the presentation of the CBA of proposed new rules. The Panel welcomes the fact that the FCA is planning to adopt this model for the forthcoming consultation on the Aggregate Cryptoasset Regime; and that it has indicated that it is planning a similar approach for the UK pensions market following constructive early engagement with the Panel on upcoming pensions-related work.

3. Focus of analytical effort within CBAs

Challenge | Application of a single analytical template across the wide range of interventions made by the FCA can lead to a lack of focus on key decision-relevant issues. The FCA's mandate requires it to make interventions in a very wide range of areas. To be effective as aids to decision-making, it is therefore essential that CBAs devote their scarce analytical resources to the most decision-relevant issues, aligning the depth of analysis with the significance of the costs, benefits and uncertainties involved. In several cases during 2025-26, however, there were cases where analytical effort within a CBA was not proportionate to the economic importance of different impacts. In the CBA accompanying *Regulating cryptoasset activities* (CP25/40), for example, the Panel noted that relatively minor cost items can receive as much commentary as much larger impacts, and recommended applying proportionality so that the largest and most decision-critical elements including the benefits case and wider economic impacts receive commensurate attention. A factor which commonly contributes to this challenge is the use of a relatively fixed analytical template for CBA irrespective of the nature of the intervention. Consistency in format is, *ceteris paribus*, a good thing. However, for proposals which seek to remove prescription or which are deregulatory in nature, for example, applying this full template including detailed causal chain analysis can add length and complexity without adding insight. Thus in the CBA *accompanying Improving the UK transaction reporting regime* (CP25/32), the Panel therefore recommended that the analysis be shortened and simplified, and advised streamlining or removing the causal chain analysis on the basis that the proposals primarily reduce regulatory burden rather than change behaviour.

Recommendation | CBAs should target their analytical resources on those trade-offs with the highest significance for the policy decision at hand. The FCA should refine its SoP to make clear that CBAs should adopt a more targeted approach, focusing evidence-gathering and analytical resources on the most material uncertainties, trade-offs, and policy design choices, and making explicit that doing so is more important than being exhaustive.

4. Specification of baselines and counterfactuals

Challenge | Clear specification of the baseline and counterfactual is essential to CBA, especially in cases where the FCA's intervention implements an HM Treasury decision. If the baseline and counterfactual scenarios are not (i) realistic and (ii) clearly specified, a CBA loses its ability to explore convincingly the incremental impact of proposed interventions. In 2025-26, a number of CBAs were assessed as falling somewhat short in this critical respect. In the analysis accompanying *Deferred Payment Credit (unregulated Buy Now Pay Later): proposed approach to regulation* (CP25/23), for example, neither the baseline nor the counterfactual was clearly specified. In the CBAs supporting *Regulating cryptoasset activities* (CP25/40) and *Application of FCA Handbook for regulated cryptoasset activities part 2* (CP26/4), meanwhile, assumptions about how markets would evolve in the absence of intervention were not articulated clearly. A particular example of this challenge often arises where the FCA's proposed intervention is designed to implement an HM Treasury legislative decision, an economic appraisal of which has already been undertaken in the form of a statutory Impact Assessment. In such cases, the relevant counterfactual is not a "do nothing" scenario, but a "do minimum" implementation scenario. This distinction has not always been made clearly, leading in some cases to duplication of analysis already undertaken by HM Treasury rather than a focus on the cost and benefits of FCA implementation choices. Examples include the CBA accompanying *Deferred Payment Credit (unregulated Buy Now Pay Later): proposed approach to regulation* (CP25/23), and the sequence of cryptoasset CBAs.

Recommendation | CBAs should ensure that their baseline and counterfactual scenarios are clearly and realistically specified and that where the proposed intervention implements an HM Treasury decision, it is the costs and benefits of the FCA's proposed decision which is analysed. Clear specification of the baseline and counterfactual should facilitate the targeting of analytical resources on the key trade-offs which inform decision-making (see above). In particular, where the FCA's intervention implements a decision made by HM Treasury, and HMT has already undertaken its own statutory Impact Assessment, it should reduce the need for duplication and allow the FCA to streamline its own analysis.

5. Use of international comparative evidence

Challenge | Analysing the costs and benefits of proposed interventions without adducing international comparative evidence can miss important factors relevant to the FCA's statutory objectives. In an open economy like the UK's, consumers can source many financial services from both on- and offshore providers, many UK providers face competition not just from domestic competitors but from international ones, and some UK providers may have flexibility to domicile in other jurisdictions. In light of both the FCA's primary statutory objectives and its Secondary International Competitiveness and Growth Objective (SICGO), these facts mean that comparative evidence drawn from other relevant jurisdictions can be important to analyse properly the impact of a proposed intervention, and in particular of regulatory divergence. In a number of cases in 2025-26, international competitiveness was cited as part of the rationale for intervention, but was not supported by comparative analysis. In the CBA supporting *Rules for reforming the UK Securitisation Framework* (CP26/6), for example, the absence of cross-jurisdictional evidence limited the ability to assess whether the proposed changes would improve the UK's relative position. Similar issues arose in *Regulating cryptoasset activities* (CP25/40), despite the centrality of cross-border dynamics to understanding the market.

Recommendation | CBAs should make sure to use international comparative evidence where appropriate, and particularly in areas where competitiveness considerations form a central part of the policy rationale. With regard to the SICGO in particular, international benchmarking can provide a practical means of informing CBAs where growth impacts are difficult to quantify directly. More fundamentally, it enables CBAs to identify and, where possible, quantify opportunity costs in particular, the effects of regulatory divergence on competitiveness and market activity.

6. Treatment of cumulative impact of regulation

Challenge | The cumulative impact of a proposed intervention can be significant even if its individual impact when considered in isolation is modest. Individual CBAs tend necessarily to be focused on the incremental effects of specific proposed interventions. While this is consistent with the statutory framework, and indeed with much CBA practice internationally, it limits their ability to capture how regulatory measures interact when taken together. This is particularly relevant in areas where multiple reforms are introduced in sequence, or where firms are subject to a broad and evolving set of requirements. This issue has been frequently highlighted by stakeholders, including most recently by the House of Lords Financial Services Regulation Committee's June 2025 report Growing Pains: clarity and culture change required An examination of the secondary international competitiveness and growth objective, which concluded that regulators do not currently have a sufficiently clear understanding of the cumulative burden of regulation on firms, and recommended that the FCA and PRA, together with their respective CBA Panels, create a joint cost of compliance working group to study how the regulators may develop their understanding of cumulative compliance cost and integrate this into their CBA process.

Recommendation | The FCA should develop a more systematic approach to assessing the cumulative impact of regulatory interventions. In its response to the HOL FSRC report, the FCA acknowledged the importance of assessing and understanding the cumulative burden of regulation, while expressing concern that attempting to do so might involve soliciting large volumes of information from regulated firms. In the Panel's view, the proportionality of data gathering is always a valid consideration but the lack of a systematic approach to incorporating cumulative costs (and benefits) into CBAs is in some cases a serious shortcoming, in view of both the FCA's primary statutory objectives and the SICGO. It therefore recommends that tackling this difficult issue is made a priority, with the objective being to formulate a coherent policy on how the FCA assesses the cumulative impact of interventions in CBA in for inclusion in the SoP, for example by undertaking Post-Implementation Reviews at a higher thematic level across several interventions.

7. Consistency of analysis

Challenge | CBAs sometimes adopt inconsistent methods to analyse apparently identical trade-offs, reducing credibility and potentially leading to confusion. The FCA undertakes a high volume of CBAs of a very diverse pipeline of proposed policy interventions. Despite the existence of its comprehensive SoP, this volume and variety sometimes leads to inconsistent methods being applied. This is a particular risk where the markets in question are novel or rapidly evolving.

This challenge of inconsistency was particularly evident, for example, in the *cryptoasset programme (Regulating cryptoasset activities* (CP25/40), *Regulating cryptoassets: Admissions & disclosures and market abuse regime for cryptoassets* (CP25/41), *Application of FCA Handbook for regulated cryptoasset activities part 2* (CP26/4)), where similar questions around market definition, counterfactual assumptions and the treatment of benefits arose across successive consultations, and were sometimes analysed differently, without being resolved at programme level. This reduces comparability and limits the cumulative value of the analysis.

A related challenge is ensuring consistency between the FCA's CBAs and HMT Impact Assessments. This relationship is not always clearly articulated in practice, creating uncertainty about the respective roles of the two analyses and, in some cases, leading to duplication or gaps. In 2025-26, this was evident in *Deferred Payment Credit (unregulated Buy Now Pay Later): proposed approach to regulation* (CP25/23) and across the cryptoasset work, where the boundary between HMT's policy assessment and the FCA's implementation analysis was not consistently drawn. Consistency is also important across regulators. In areas such as securitisation regulation, where responsibility is shared between the FCA and the PRA, differences in analytical approach can make it difficult for stakeholders to form a clear view of the overall impact of the combined policy framework.

Recommendation | The FCA should ensure methodological consistency across its CBAs, both over time, across related policy proposals, and, as far as possible, with related economic assessments by other official bodies. The Panel advises that greater coherence within individual policy programmes, between institutions, and over time is essential to strengthening the credibility and usefulness of CBAs.

New process recommendations

1. Monitoring and evaluation

Challenge | Systematic monitoring and evaluation of the impact of policy interventions post-implementation is essential to ensure policy remains up to date, proportionate, and effective. It is widely acknowledged globally that systematic monitoring and evaluation of interventions following implementation is an essential stage in the regulatory policy cycle. In the UK's case, FSMA 2023 recognises this and required the FCA to develop procedures to ensure it is done. The FCA therefore finalised its Rules Review Framework (RRF) in 2024. The RRF introduces three forms of review which demand increasing analytical resources: Evidence Assessments (typically relying on existing supervisory data and generally not published); Post-Implementation Reviews (typically relying on existing supervisory data and generally published); and Impact Evaluations (the most intensive form of review, where costs and benefits are more comprehensively re-evaluated and outcomes compared to what was foreseen when the intervention was originally introduced). Thus far, however, implementation of the RRF remains limited. Only one Impact Assessment has been published since the introduction of the RRF (EP25/1: Our ban on contingent charging and other remedies in 2020: effects on market structure, pricing, and uptake of advice); and only one other in the past five years (EP23/1: An evaluation of our 2019 overdrafts intervention).

Recommendation | CBAs should be accompanied by a clear, explicit, and time-bound plan for post-implementation monitoring and evaluation. In its 2024-25 Annual Report, the Panel recommended that the FCA use CBA more systematically to monitor and evaluate the impact of its policy interventions post-implementation. The 2024 introduction of the RRF is an important step forward in this regard, but has yet to fulfil its promise. Its menu of three methods for monitoring and evaluation, of increasing resource intensity, which provides a clear framework within which the FCA can economise on analytical resources, makes sense. In order to ensure that the RRF is properly operationalised, however, the Panel recommends that in the case of interventions which have undergone CBA at the consultation stage, the FCA set out a clear, explicit, and time-bound plan for which of the three options it will deploy and when. This would provide greater transparency for stakeholders and encourage the use of CBA for post-implementation monitoring, in line with the Panel's recommendation in its 2024-25 Annual Report.

2. Statement of CBA Policy

Challenge | The FCA has published a *Statement of Policy on Cost Benefit Analysis* but policy must necessarily evolve over time as new methodological challenges emerge and are resolved. The 2023 FSMA required that the FCA publish a Statement of Policy on Cost Benefit Analysis both to govern its own practice and to assure transparency and accountability to stakeholders. Meanwhile, the FCA undertakes a large volume of CBAs each year, and therefore frequently finds itself at the cutting edge of new methodological and procedural challenges. To benefit fully from the lessons learned as a result (and especially from the RRF), it is thus important that the SoP is not static, but is a living document which is regularly updated to reflect and facilitate institutional learning.

Recommendation | The FCA should set out a formal framework for making its *Statement of Policy on Cost Benefit Analysis* a living document. In her foreword to the FCA's new Statement of Policy on Cost Benefit Analysis,published in July 2024, the FCA Chief Economist wrote that the FCA will "regularly refresh our statement of policy and welcome views about the approach and techniques we use." Such regular revision constitutes an excellent way to ensure that the SoP a living document, in line with international best practice. Presently, the schedule for revision has not been formalised. Setting out a regular revision schedule on which lessons learned are incorporated into the SoP would materially improve the CBA process.

Annex 1

Advice published during the reporting period

Name of Consultation Paper / Policy Statement	Date of publication	Link to Consultation Paper / Policy Statement	Link to CBA Panel's advice
Stablecoin issuance and cryptoasset custody	19/05/2025	CP25/14	CBAP-0003
Supporting consumers' pensions and investment decisions: proposals for targeted support (AGBR)	14/05/2025	CP25/17	CBAP-0006
Deferred Payment Credit (unregulated Buy Now Pay Later): proposed approach to regulation	06/06/2025	CP25/23	CBAP-0004
Application of FCA Handbook for Regulated Cryptoasset Activities	02/09/2025	CP25/25	CBAP-0007
Motor finance consumer redress scheme	12/09/2025	CP25/27	CBAP-0009
The framework for a UK equity consolidated tape	15/09/2025	CP25/31	CBAP-0008
Improving the UK transaction reporting regime	26/09/2025	CP25/32	CBAP-0010
ESG (Environmental, Social, Governance) ratings: Proposed approach to regulation	01/10/2025	CP25/34	CBAP-0011
Regulating cryptoasset activities	06/10/2025	CP25/40	CBAP-0013
Regulating cryptoassets: Admissions & disclosures and market abuse regime for cryptoassets	27/10/2025	CP25/41	CBAP-0012
Application of FCA Handbook for regulated cryptoasset activities – part 2	10/11/2025	CP26/4	CBAP-0014
Aligning listed issuers' sustainability disclosures with international standards	08/12/2025	CP26/5	CBAP-0005
Rules for reforming the UK Securitisation Framework	01/02/2026	CP26/6	CBAP-0015
Motor finance consumer redress scheme Policy Statement	30/03/2026	PS26/3	CBAP-0016

Annex 2

List of Panel members

Dr. Felix Martin
Non-Resident Senior Fellow at the Center for Global Development in Washington, DC
Chair

Professor Mark Freeman
Professor of Finance and Associate Dean of the Faculty of Social Sciences University of York
Deputy Chair

Peter Andrews
Senior Adviser at Oxera Consulting LLP

Stephen Gifford
Economist, Member of the Regulatory Policy Committee & Office for the Internal Market Panel

Alan Trotter
Chief Financial Officer EMEA at Invesco

Benjamin Ellis
Chief Compliance Officer
Revolut UK

Professor Sarah Smith
Professor of Economics (University of Bristol)

Dr. Daniel Fujiwara
Director of Economics and Social Value, Social Value Portal

Ed Harley
Head of Compliance, Vanguard UK

Frances Haque
Chief Economist for Santander UK

Catherine Connolly
Founder, Economicsense

Cost Benefit Analysis Panel
Financial Conduct Authority
12 Endeavour Square
London E20 1JN
Email: CBAPanel@fca.org.uk
Website: https://www.fca.org.uk/panels/cost-benefit-analysis-panel

FCA
Cost Benefit
Analysis Panel

E03626861
978-1-5286-6652-7