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A Renewed Agenda for UK Financial Markets

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Introduction

The UK has undertaken a significant programme of financial markets reform, creating a more modern and competitive regulatory framework. The challenge now is to ensure these reforms deliver tangible outcomes for the wider economy: deeper markets, stronger liquidity, more productive investment, and greater capacity for businesses to scale, hire and compete. This paper sets out a forward-looking agenda for UK financial markets, focused on enhancing wholesale markets, enabling the adoption of digital and DLT-based infrastructure, meaningful reform of the prudential regime, and advancing regulatory initiatives that strengthen competitiveness, reduce unnecessary frictions and help channel capital into the companies, infrastructure and innovations that will drive long-term growth in the UK.

A Decade of Financial Markets Reforms

Over the past decade, UK policymakers have undertaken a significant programme of financial-services and capital-markets reform. This followed the immediate post-crisis period, when policy was rightly focused on resilience, stability and risk reduction. Those reforms strengthened the financial system, but they also added complexity and, in some areas, limited the ability of markets to support economic activity.

Policymakers have increasingly sought to rebalance the regulatory framework towards growth and competitiveness, while maintaining high regulatory standards. A series of reviews and reform programmes (including the UK Listing Review, the Wholesale Markets Review, the Edinburgh Reforms, the Mansion House and Leeds reform agendas) have sought to modernise the UK financial markets and reinforce the UK's position as a leading international financial centre.

These reforms have delivered meaningful changes, including the modernisation of the listing regime, prospectus reform, reforms to the securitisation framework, the development of consolidated tapes across bond and equity markets, and efforts to improve the attractiveness of UK public markets.

Looking forward, the next phase of reforms must not only focus on improving the regulatory landscape and the attractiveness of doing business in the UK, but on ensuring that the overall framework supports capital formation, and investment-led growth across the economy. With a significant programme already underway, the priority should be to continue working through the Financial Services Growth and Competitiveness Strategy to ensure these measures translate into stronger investment, deeper capital markets and wider economic benefits across the UK.

The Importance of Financial Markets

Financial markets are a cornerstone of the UK economy and a vital enabler of long-term growth. AFME's latest analysis demonstrates their significant contribution: around 30% of financing for UK non-financial corporates is raised through public markets, while the UK accounted for 17% of global financial-services exports in 2025. Their importance extends well beyond financial services, by connecting savings with productive investment, capital markets help finance housing, transport and energy infrastructure, support business expansion and innovation. Crucially, they direct investment into companies, projects and communities across every nation and region of the UK, helping to spread opportunity and underpin economic growth throughout the country.

The UK remains one of the world's leading financial centres but maintaining that position will require targeted reform to address rising competitive pressures. At the same time, there are clear signs that the UK's position as a global leader cannot be taken for granted. IPO activity has declined in recent years, household investment patterns have shifted, and international competition for capital, listings and financial activity has increased. More broadly, the Government's own figures show that real output in financial services remains below pre-2010 levels, productivity has weakened, and the UK's share of global exports has declined. In a more competitive and uncertain global environment, these trends underline the need for a sustained focus.

AFME and its members continue to support the Financial Services Growth Strategy, particularly its recognition of the sector as a key driver of UK economic growth and of the role capital markets play in enabling firms to scale, invest, hire and expand both domestically and internationally. In the current environment, marked by geopolitical risk, tighter financial conditions, and significant long-term investment needs in infrastructure, the energy transition to net-zero, and digital technologies, the UK's regulatory framework must enable firms to channel capital efficiently to the real economy.

In this context, AFME places a strong emphasis on a regulatory framework that supports growth, enhances the UK's international standing, and enables innovation and investment. The UK does not require a reinvention of its wholesale market framework. The priority is to remove the remaining frictions that hinder the effective functioning of markets and limit the deployment of capital. A continued commitment to the reform agenda is therefore essential and an early opportunity to demonstrate this is the timely passage of the Financial Services and Markets Bill, which is currently progressing through the House of Lords.

Taken together, the reforms outlined in this paper will help unlock investment, improve productivity and strengthen the UK's position as a leading international financial centre. However, this agenda cannot be delivered in isolation from the wider policy framework. In particular, the UK needs tax regimes for the sector that are stable, competitive and supportive of investment. Tax policy should provide certainty, support growth, and avoid imposing unnecessary burdens on a sector that plays a central role in financing the economy and reinforcing the UK's international standing.

Capital Markets as Enablers of Regional Growth

The benefits of strong capital markets are felt across every region and nation of the UK. From advanced manufacturing in the Midlands, to life sciences in the North West, fintech in Scotland, clean energy projects in Wales and investment in Northern Ireland, access to capital is a prerequisite for long-term growth. A successful financial services strategy should therefore help mobilise investment into every part of the UK, supporting firms that create skilled jobs, strengthen local supply chains and create opportunities in towns and cities beyond the capital.

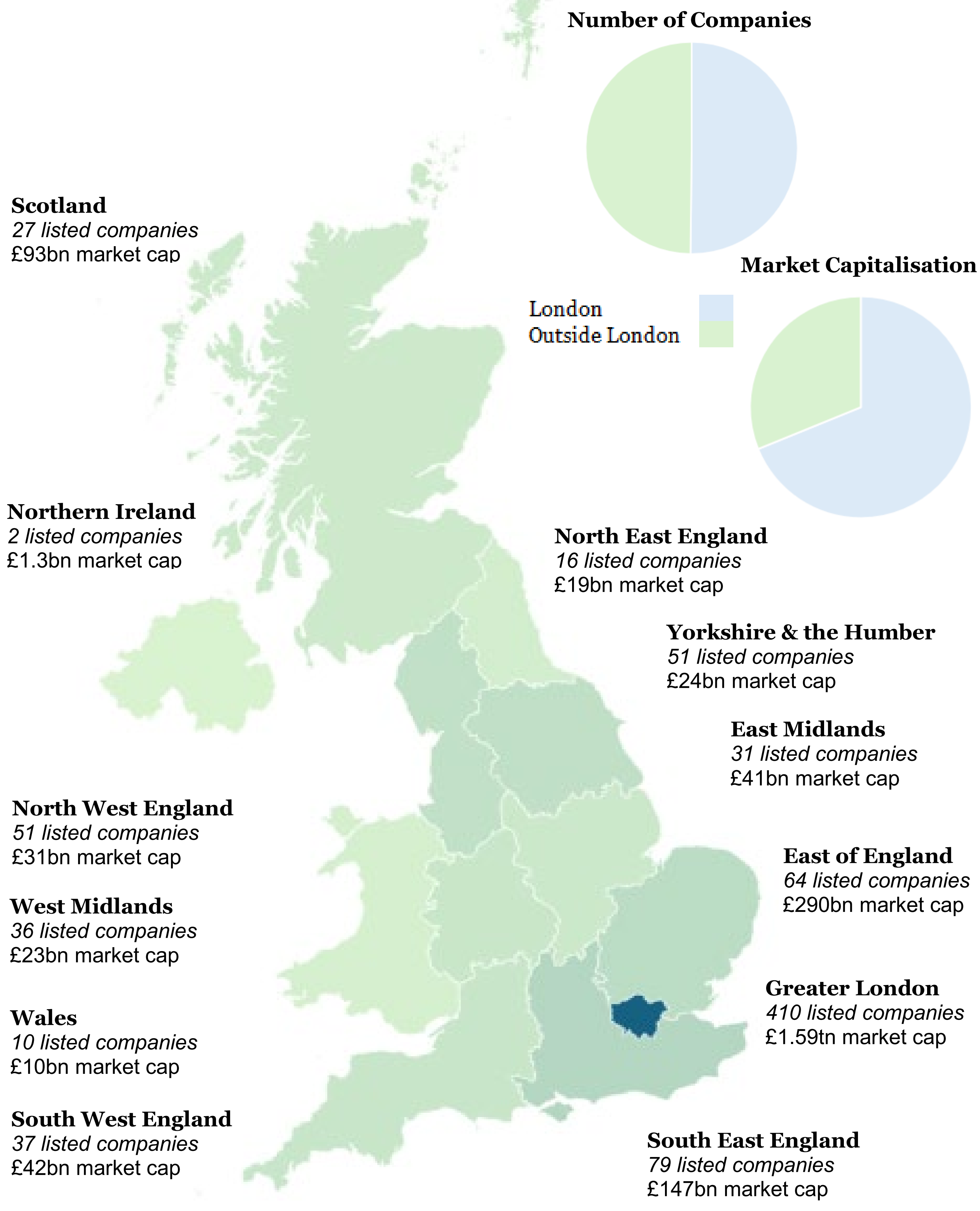
The impact of capital markets across the UK is evident in the location of listed companies: (businesses whose shares are admitted to trading on a public stock exchange) allowing investors to buy and sell ownership in these companies. While listed companies represent only one part of the UK's wider financial markets, their geographic spread provides a clear illustration of the sector's reach across the country.

AFME's analysis shows that UK capital markets support growth across the whole country, not just in London. While London remains the UK's principal beneficiary, with 410 listed companies and around £1.59 trillion in market capitalisation, around half of the companies analysed are headquartered outside the capital, with the rest of the UK accounting for 407 companies with a combined market capitalisation of approximately £720 billion, demonstrating that access to public markets is a national growth issue: one that supports regional employers, enables investment in productive assets and helps companies raise the capital needed to expand.

The regional footprint is particularly strong in the East of England, South East England and Scotland, which together account for more than £529 billion in market capitalisation. Cambridge is the standout non-London cluster, with 20 companies and around £220 billion in market value, while other major centres include Slough (£74.7 billion), Edinburgh (£51.3 billion), Reading (£38.5 billion), St Albans (£34.4 billion), Leicester (£27.5 billion) and Bristol (£24.0 billion).

Regional growth and international competitiveness should therefore be viewed as reinforcing objectives rather than competing priorities. The UK's ability to attract global capital, financial activity and investment strengthens the UK's ability to support businesses and projects across the country. Equally, stronger regional economies create new investment opportunities, deepen capital markets and reinforce the UK's position as a leading international financial centre. Capital markets policy should therefore be seen as a key component of the UK's wider agenda for growth, productivity and economic resilience.

Distribution of Listed Companies across the UK



Region	Number of Companies	Market Cap
London	410	£1,589,433,738,276
Outside London	407	£720,368,591,960

Supporting liquid and efficient UK wholesale markets

A coordinated approach across primary, secondary and non-equity markets is essential to ensure that capital is deployed efficiently across the economy. Deep, liquid and well-connected markets reduce the cost of finance for issuers, improve returns for investors and support the flow of funding into productive activity. Maintaining this focus will allow the UK to build on its existing strengths and sustain its position as a leading international hub for wholesale financial markets.

Primary markets

The UK has recently completed a significant programme of reforms to its primary market rulebook, including modernising the listing regime, simplifying prospectus requirements, enabling dual-class share structures, and improving access to capital for growth companies. These reforms were necessary and welcome, and have strengthened the UK's attractiveness as a listing venue. The key question now is whether they can translate into sustained improvements in market activity and outcomes.

While IPO activity has shown some recovery, it remains below historical levels (in line with global trends), underlining the challenge of converting these recent reforms into a durable pipeline of listings. This highlights that primary market regulatory reform, while essential, is not sufficient on its own. Broader market conditions, including liquidity, investor participation and the overall cost of capital, play a decisive role in determining whether issuers choose to raise capital in the UK.

The next phase of reforms should therefore focus on ensuring that the wider regulatory landscape supports the effectiveness of primary markets. This includes reinforcing investor confidence, broadening participation and ensuring that issuers can access capital efficiently over time. Without this, the full benefits of recent reforms are unlikely to be realised in practice, and the UK risks missing future opportunities to attract the companies of tomorrow to UK public markets.

Secondary markets

Secondary markets are central to the well-functioning of UK's wider capital markets. While they do not provide funding directly, they impact companies' ability to raise capital, as investors' willingness to participate in primary issuance depends on confidence in their ability to trade securities efficiently. Deep and liquid secondary markets support effective price formation, reduce transaction costs and broaden participation among domestic and international investors, helping turn savings into productive capital at lower cost.

Secondary-market conditions are now a key determinant of the UK's attractiveness as a capital market, destination across both equity and non-equity instruments. Well-functioning markets lower the cost of capital for issuers, support resilience across market conditions, and sustain long-term investment. Conversely, weaker liquidity or fragmentation can increase costs, reduce participation and undermine economic growth.

Market structure and transparency

The design of the UK equity consolidated tape will be a key test, which must be designed to materially improve transparency and liquidity while remaining commercially viable. It should include attributed pre-trade as well as post-trade data from the outset, ensuring that market participants have access to a complete and timely view of available liquidity.

A tape limited to post-trade data would provide only a partial view of the market, reducing its usefulness to traders and investors. A compromise solution that does not significantly enhance transparency risks becoming a missed opportunity, rather than a catalyst, for improved market functioning. Ensuring that the tape delivers meaningful benefits to end users will therefore be critical to its success, including by improving access to information, supporting better execution and helping attract a broader investor base to UK markets.

More broadly, market structure reforms should preserve competition and execution choice within a stable and predictable regulatory framework. Targeted refinements (rather than repeated or wholesale redesign) are more likely to support, and result in, long-term investment in market infrastructure and maintain resilience.

Non-equity markets

Non-equity wholesale markets, including credit, rates and securitisation, are central to the UK's role as a global financial centre and to the financing of the real economy. These markets support corporate borrowing, infrastructure finance, sovereign funding and institutional investment, providing essential channels through which savings are transformed into long-term productive capital. They also represent a core area of the UK's international competitiveness, particularly in cross-border capital flows and risk management.

Ensuring these markets remain deep, liquid and resilient requires a stable and proportionate regulatory framework that supports market-making, risk intermediation and efficient secondary trading. Liquidity conditions in fixed income markets have become more variable in recent years, particularly during periods of stress, reflecting a combination of regulatory constraints, evolving market structure and changes in the provision of liquidity. Addressing these dynamics is important to maintaining market resilience and supporting efficient capital allocation.

Policy efforts should therefore focus on ensuring that regulation appropriately supports liquidity provision, maintaining openness to global capital flows, and reinforcing the infrastructure that underpins these markets including repo and securitisation markets. Given the interconnectedness of equity and non-equity markets, a coherent cross-market approach, while recognising the specific characteristics of each, as reflected in the Financial Services Growth Strategy, will be essential to strengthening the effectiveness of UK wholesale markets.

Recommendations

Supporting Diversity in Trading Mechanisms: Reforms to the equity systematic internaliser (SI) regime and wider trading framework should preserve a clear distinction between trading venues and bilateral liquidity providers, avoiding duplicative transparency requirements or obligations that weaken incentives to provide liquidity. Maintaining a diverse trading ecosystem is essential for effective price formation and high-quality execution across the market. Equity market reforms should be developed through a single, coherent framework rather than in isolation, with changes to SIs, waivers and transparency calibrations considered together to minimise unintended consequences such as liquidity shifts, increased fragmentation or distorted incentives, thereby better supporting overall market resilience and efficiency.

Deliver a High-Quality Equity Consolidated Tape: A consolidated tape should be established as a core piece of UK market infrastructure, providing comprehensive, standardised and timely data across trading venues. To maximise its effectiveness, the tape should include robust post-trade data and meaningful pre-trade information from launch, operate under strong governance and clear service standards, and be widely accessible at a cost that supports broad participation. Alignment with EU developments should also be considered where appropriate to support cross-border consistency.

Simplification and Alignment of Regulatory Reporting Frameworks: Regulatory reporting frameworks should be simplified and aligned around clear supervisory use cases. Low-value or duplicative data requirements should be removed to reduce operational burdens on firms and improve the consistency and quality of reported data. Greater alignment across reporting regimes should be prioritised to ensure that regulators receive more usable and coherent information without imposing unnecessary costs on market participants.

Continue progress on post-trade reform and settlement efficiency: Post-trade reform should be prioritised as a central component of improving market efficiency. This includes delivering a coordinated and internationally aligned transition to T+1 settlement, supported by clear regulatory guidance, structured industry testing, and a pragmatic approach to supervision. In parallel, dematerialisation initiatives should be progressed to reduce operational friction, enhance market resilience, and support more efficient overall market functioning.

Scaling digital and DLT-based market infrastructure

DLT and tokenisation are becoming increasingly relevant to mainstream capital markets – not only is technological modernisation necessary, but it can also deliver tangible benefits for issuers, investors and the wider economy through lower costs, improved access to capital and more efficient financing of productive investment. AFME's 2025 DLT market report says global DLT fixed-income issuance reached €4.8 billion in 2025, stablecoin market capitalisation reached $297 billion by year-end, and DLT-based repo activity on some platforms exceeded $300 billion per day on average. Our report on the impact of DLT in capital markets shows that tokenisation is already being applied in securities issuance, collateral management and fund operations, with live examples demonstrating efficiency gains and greater transparency.

The publication of the first report from the UK's Wholesale Digital Markets Champion, Chris Woolard, represents an important milestone in the implementation of the Government's Wholesale Financial Markets Digital Strategy. The report concludes that the UK has already established many of the legal, regulatory and market foundations necessary to support tokenised wholesale financial markets, and that the focus should now shift towards execution and adoption. In particular, it highlights the need to prioritise practical use cases in areas such as repo, collateral, fixed income and settlement infrastructure, while building on initiatives including the Digital Gilt Instrument and the Digital Securities Sandbox. Importantly, the report recognises that achieving the full benefits of tokenisation will require coordinated action across industry, HM Treasury, the Bank of England and the FCA, alongside a clear roadmap for interoperability, liquidity and market scale. Its emphasis on delivery, rather than further experimentation, aligns closely with AFME's longstanding view that the next phase of market digitalisation should focus on creating the conditions for commercially viable and widely adopted DLT-based capital markets.

The next challenge is moving from experimentation to scale. AFME's 2026 paper on the future architecture of DLT-based capital markets sets out a model built around interoperable networks, public-permissioned ledgers, links between central bank and commercial bank money, and clearer rules for collateral eligibility and settlement. More broadly, AFME's DLT work shows that, with the right policy and regulatory foundations, DLT could help simplify issuance, automate post-trade processes, reduce operational costs and deliver practical benefits for investors. The UK now has a practical opportunity to support this agenda through DIGIT. HM Treasury's February 2026 announcement on the Digital Gilt Instrument pilot says DIGIT is a key pillar of the Government's Wholesale Financial Markets Digital Strategy and that its purpose is to help the UK understand how it can capitalise on DLT, deliver efficiencies and reduce costs for firms. AFME's has previously welcomed the Government's digital strategy and called for a longer-term commitment to DLT gilt issuance and a regulatory framework that can support DLT-based capital markets at scale.

HM Treasury has confirmed that the first digital gilt issuance will take place by Q1 2027 and indicated that preparations are already underway for potential future issuances. The announcement of new connectivity arrangements between the issuance platform and the London Stock Exchange Group is also an important step towards supporting investor access and ensuring that tokenised securities can operate alongside existing market infrastructure. Together, these developments mark the potential transition from pilot activity towards the practical adoption of tokenisation in mainstream capital markets and provide an opportunity for the UK to establish itself as a leading jurisdiction for digital market infrastructure.

The case for DLT is that it has the potential to modernise issuance and settlement processes, reduce operational friction and make market infrastructure more efficient and resilient. If scaled effectively, these gains could lower barriers to issuance, improve collateral mobility and support faster, more reliable financing of productive investment.

Recommendations

Publish a clear UK roadmap for DLT-enabled capital markets: A clearer UK roadmap for DLT-enabled capital markets should be published to provide certainty on sequencing, regulatory design and long-term integration with existing market infrastructure. Moving beyond pilot activity towards scalable use cases would help anchor industry expectations, support investment decisions, and ensure that digital-market reforms are aligned with broader capital markets objectives. This would shift the focus from experimentation to implementation and support the development of production-ready solutions at scale.

Use DIGIT as a catalyst for broader market development: The Digital Gilt Instrument (DIGIT) initiative should be used as a catalyst for broader market development rather than a standalone innovation project. Positioning DIGIT within a wider strategy would help build market familiarity, support infrastructure readiness, and encourage participation across the full ecosystem of issuers, investors and intermediaries. Repeated issuance and expanded use cases should be prioritised to test end-to-end functionality and help embed DLT within the UK's capital markets over time.

Prioritise interoperability and settlement connectivity as preconditions for scale: Interoperability and settlement connectivity should be prioritised as preconditions for scaling DLT-enabled capital markets. Effective connectivity between DLT-based and traditional infrastructure, including asset and cash settlement solutions, is essential to avoid fragmentation and support liquidity. Ensuring interoperability across platforms, and with existing post-trade systems, would enable broader participation, improve market efficiency, and support the transition from isolated pilots to integrated, scalable market activity.

Making the prudential framework more proportionate, usable and supportive of growth

Prudential reform should be understood as a central component of the broader competitiveness agenda. The key question is not whether resilience should remain the cornerstone of the framework, but whether the current calibration appropriately supports lending, underwriting, market-making and long-term investment. A more proportionate framework would support banks' ability to finance infrastructure, housing and business investment, while preserving the resilience that underpins confidence in the system. There is a growing case for bold, holistic reform of the UK bank capital framework, focused on ensuring that capital requirements more accurately reflect underlying risk, reduce unnecessary conservatism and support the UK's position as a leading global financial centre.

Evidence submitted in response to the Financial Policy Committee's review of UK bank capital requirements highlights that the issue extends beyond headline capital benchmarks. The functioning of the broader capital stack in practice is equally important. A more proportionate and better-calibrated framework would improve banks' ability to intermediate efficiently across wholesale and capital markets. This has direct implications for real-economy outcomes, including lowering the cost of equity and debt financing for UK companies, enhancing price discovery and strengthening conditions for productive investment. Where capital is freed up and the cost of equity declines, there is greater scope for more competitive pricing and an expansion in viable lending and financing opportunities.

The UK authorities already have significant flexibility to act within the existing international framework and need not delay reform pending changes to global standards. There are clear opportunities to improve the design and interaction of risk-weighted and leverage-based requirements, the treatment of domestic exposures, and the usability of the capital buffer framework. Targeted changes in these areas could enhance efficiency while maintaining overall resilience.

The Bank of England's own analysis underlines that this is a broader question than any single technical metric. In its December 2025 Financial Stability in Focus paper, the FPC notes that the banking system plays a vital role in the UK economy, accounting for around 85% of lending to households and just under half of lending to corporates, while also playing an increasingly important role in supporting market-based finance 'the FPC has identified priority areas which include: the usability of buffers, the functioning of the leverage ratio framework, and the interactions between different elements of the capital stack, particularly in relation to domestic exposures.

Prudential reform is not about lowering standards. Rather, it is about maintaining a robust framework while addressing avoidable overlap, conservatism and inefficiencies that may unnecessarily constrain the financial system's ability to support households, businesses and long-term growth. The focus is therefore on calibration, usability and coherence, rather than deregulation.

Recommendations

Build on the FPC review to deliver a genuinely holistic reform of the capital framework: AFME welcomes the FPC's commitment to reviewing the UK capital framework and pursuing reforms to the leverage ratio and buffer usability. The next phase should focus on ensuring that reforms are considered across the framework as a whole. Isolated adjustments will be insufficient where multiple, overlapping constraints continue to interact across the capital stack, and a holistic approach is needed to reduce complexity and ensure reforms translate into meaningful increases in firms' capacity to support the real economy.

Prioritise meaningful leverage ratio reform and enhanced buffer usability: The FPC's recognition that changes are required to the leverage ratio framework is a welcome step forward. Further reform is needed to ensure that the leverage ratio operates as a genuine backstop rather than a binding constraint, including through closer alignment with international standards, removal of unnecessary gold-plating and consideration of areas where calibration may be overly conservative. Alongside this, continued ambitious efforts to improve buffer usability and provide greater clarity on the operation of the PRA buffer will help ensure that regulatory buffers can be used as intended during periods of stress.

Ensure prudential reform supports growth, competitiveness and market capacity: A well-calibrated prudential framework should support both financial resilience and economic growth. Reforms should enable banks to provide lending, underwriting and market-making capacity more effectively, strengthening the provision of finance to households and businesses while supporting investment, market liquidity and the UK's competitiveness as a global financial centre. The forthcoming reforms should be assessed against their ability to expand usable capacity in practice, including whether they help viable firms access finance, support employment and unlock productive investment.

Maintain momentum on domestic reforms while pursuing international alignment: AFME supports continued international engagement and regulatory alignment. However, this should not delay reforms that can already be taken forward domestically. The UK has an opportunity to enhance the effectiveness and competitiveness of its prudential framework through targeted reforms that maintain resilience while addressing unnecessary constraints on firms' ability to support growth and investment.

Treat capital, liquidity and supervisory reform as a single, coherent programme: The benefits of capital reform will only be fully realised if considered alongside liquidity requirements, supervisory expectations and Pillar 2 frameworks. These elements operate as interconnected components of the prudential regime and should be reviewed as part of a coordinated package. A more integrated approach would reduce unnecessary complexity, avoid duplicative constraints and deliver a clearer, more proportionate and more effective framework overall.

Cross-cutting enablers for competitive UK Financial Markets

There are a number of cross-cutting policy issues that shape the attractiveness, efficiency and usability of UK capital markets. AFME's recent public and internal work shows that these issues are not peripheral; they affect how easily capital is raised, how efficiently investors can operate, and how competitive the UK remains relative to peer jurisdictions. Cross-cutting reforms are therefore needed to remove avoidable frictions, improve market access and ensure that the UK remains a place where capital can be put to productive use at scale.

Tax and the wider investment environment

Tax policy is also an important part of the capital-markets competitiveness agenda - reducing distortions in capital formation can increase investment, productivity and long-term economic growth. AFME's recent report on bank taxes shows that fragmented and overly burdensome tax policies can undermine growth, competitiveness and investment.

This matters because capital markets do not operate separately from the wider economic environment. Tax can influence market activity, the cost of capital and the attractiveness of the UK as a place to do business. Stamp taxes on shares act as a disincentive to investment and capital formation. The 2024 Oxera report for the Centre of Policy Studies demonstrates that stamp duty directly increases the post-tax cost of equity for UK-listed companies by 0.65–0.79%, and projects substantial macroeconomic gains from stamp duty abolition, with potential long-term GDP increases of between 0.2% and 0.7%.

UK banks face the highest statutory and effective tax rates among major financial hubs. In 2025 the total tax rate for a UK bank was 46.4% compared to 42.2% for a Dutch bank, 38.9% for a German bank and 27.9% for a US bank. There are no bank specific taxes in the US, Asia or the Middle East, and in the EU, many of the bank taxes introduced in the aftermath of the global financial crisis have been replaced by contributions to the EU's Single Resolution Fund, to which regular contributions have now been suspended. The Bank Levy was introduced to ensure that banks make a fair contribution to public finances in light of the potential risks they pose to the financial system, but HMRC annual statistics show that total tax receipts from banks are significantly higher than before the global financial crisis, and changes in the regulatory environment mean that the costs of any future bailouts can be recovered from the sector.

Align tax to the UK's wider capital-markets agenda: In the short term, this should include a commitment not to introduce any new taxes on banks or to increase the bank levy or bank corporation tax surcharge for the remainder of this Parliament (in line with the commitments in the Corporate Tax Roadmap in respect of corporation tax rates and tax reliefs) and would give banks the same certainty and stability the government has given to other businesses and would facilitate long-term planning and decision making, ensuring that the UK remains an attractive location for financial services and enabling the sector to play a vital role in scaling-up businesses, supporting households, and contributing to public revenues.

The Government should also review the impact of stamp taxes on shares, modernising VAT rules for financial services, and ensuring the wider tax framework supports investment, growth and the UK's international competitiveness. Tax policy should be understood not only as a revenue issue, but also as a determinant of the attractiveness of UK markets.

Investment research and corporate access

A healthy capital market depends on a healthy information ecosystem. AFME has publicly argued that the UK should remain a centre of excellence for investment research and has supported reforms to make the payment framework for research more flexible and more internationally competitive. High-quality research helps investors identify opportunities, supports accurate valuation and gives companies, particularly smaller and mid-cap firms, a better route to the capital they need to grow.

The wider case for reform is straightforward. Investment research and corporate access both support investor understanding, price discovery and capital formation, also for smaller and mid-cap companies. The current regime places UK investment managers at a growing competitive disadvantage internationally, particularly relative to US and global firms that are able to fund corporate access more flexibly through bundled research and execution arrangements. In practice, this affects UK firms' ability to compete for access to company management teams, conferences, roadshows and other investment-relevant interactions. AFME's UK policy work argues that a more flexible and proportionate approach would support the UK's competitiveness as a centre for investment research and capital-markets activity.

Extend payment optionality to corporate access: Extend payment optionality to corporate access to support more flexible and effective engagement between issuers and investors. Greater flexibility in how corporate access is paid for would better reflect its integral role in the investment decision-making process and its close link to research and capital allocation. Enabling a broader range of payment models would help remove competitive frictions, support participation by smaller firms, and improve outcomes for end investors without undermining established guardrails.

Market Data Costs

Market data is a vital part of the functioning of modern capital markets. Under the UK MiFID framework, trading venues, data providers and systematic internalisers are required to make market data available on a reasonable commercial basis (RCB), with the requirement that pricing should be based on the cost of producing and disseminating that data, with the inclusion of a reasonable margin.

In practice, however, the current application of the RCB framework by market data providers has resulted in complex and opaque market data licences as well as unjustified, steep increases in the level of equities and fixed income data costs. The current landscape inhibits buy-side and sell-side firms, with a direct impact on market growth, competitiveness and innovation. High and unpredictable data costs can also reduce participation, constrain analytical capability and make it harder for firms to allocate capital efficiently.

Strengthen the RCB framework: Market data pricing should be subject to a more robust regulatory framework, complemented by a stronger supervisory oversight. A tighter framework around pricing, combined with simplified licensing structures and improved fee comparability would reduce operational burdens, improve access, and ensure market data better supports innovation and competition.

Dematerialisation

The UK is progressing dematerialisation through the Digitisation Taskforce, including the establishment of a Technical Group and a target to remove physical share certificates by end-2027. AFME supports reforms that modernise capital market infrastructure, reduce unnecessary complexity and cost, and strengthen the efficiency and resilience of UK markets. Any move towards dematerialisation should be assessed against its impact on market efficiency, legal certainty, operational resilience, and the effective functioning of intermediated market models that underpin deep and liquid capital markets.

A fully digitised shareholding system can reduce operational friction, improve corporate communications, strengthen investor engagement and provide a foundation for future innovation across UK capital markets. Alongside initiatives such as T+1 settlement, the Digital Gilt Instrument and wider tokenisation efforts, DEMAT forms part of a coherent programme of market modernisation intended to ensure that the UK's financial market infrastructure remains efficient, internationally competitive and capable of supporting future growth.

Progress dematerialisation in a way that strengthens market efficiency and participation: Dematerialisation reforms should be designed to reduce operational friction and cost, rather than introduce new layers of complexity for issuers, intermediaries and investors. Implementation should be aligned with broader capital markets reforms to ensure a coherent market structure, supporting long-term growth, strong investor participation, and the continued effectiveness of the UK's intermediated model.

Regulatory simplification and transaction reporting review

A further cross-cutting issue is the cumulative burden of transaction reporting and operational compliance. The FCA has recognised that transaction reporting is one of the most significant and costly compliance burdens facing investment firms and that the objective should be to deliver high-quality supervisory data while keeping the framework proportionate, efficient and aligned across regimes. AFME's response to the FCA's work on transaction reporting argues that reducing duplication, simplifying reporting workflows and aligning obligations where possible can improve data quality while also reducing cost.

The wider point is that simplification should not be confused with lower standards. AFME has framed this as part of a broader effort to make regulation clearer, more proportionate and more predictable. A meaningful and ambitious review can deliver the same, or better, outcomes for supervisors while freeing up resources that firms can use to support clients and capital markets. Ultimately, this would help create a more competitive and innovative financial system that supports investment, improves service quality and strengthens outcomes for customers.

Pursue a broader simplification agenda for regulatory reporting and operational compliance: The aim should be to reduce duplication, improve data quality and lower unnecessary compliance costs without weakening standards. This would support a more efficient market environment and help ensure that regulatory processes do not create avoidable friction for investment and intermediation.

Disclaimer

This document is prepared for discussion purposes only and does not constitute legal, regulatory, tax or investment advice. It reflects AFME’s policy analysis and member perspectives at the time of publication and should be read in that context.

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