

# The Definitive Guide to FCA PS25/23

Non-Financial Misconduct readiness for SM&CR firms

**1 Sep 2026**

New COCON & FIT guidance in force

**37,000**

non-bank SM&CR firms newly in scope

**COCON 1.1.7FR**

the new conduct-rule provision

## Defensible, not invasive

On 12 December 2025 the FCA published PS25/23, finalising how non-financial misconduct; bullying, harassment and violence is treated under the Conduct Rules (COCON) and the Fit and Proper test (FIT). From 1 September 2026 the regime extends from banks to all SM&CR firms. The rule does not ask you to surveil your people. It asks you to act proportionately, on material risk, with a record you can stand behind. This guide is the working diagnostic to get there.

## How to use this guide

Pages 2–3 explain what the rule does and, just as important, what it does not require. Pages 4–10 are a seven-point readiness checklist: score where you stand today, note the evidence you can produce, and flag the gaps. Re-run it as you build toward the deadline.

## The self-scoring scale

- Met** — In place, documented, and defensible.
- Partial** — Exists but incomplete, undocumented, or untested.
- Gap** — Identified as needed but not yet built.
- Not Started** — No work begun on this item.

## WHAT PS25/23 ACTUALLY DOES

# From an HR issue to a regulatory one

- 1 It amends COCON and FIT.** PS25/23 amends the Code of Conduct (COCON) sourcebook and the Fit and Proper (FIT) guidance to explain how non-financial misconduct can breach the Conduct Rules and bear on fitness and propriety.
- 2 It extends the regime to non-banks.** From 1 September 2026, serious bullying, harassment and violence between colleagues can be a COCON breach at all SM&CR firms—roughly 37,000 non-bank firms in addition to banks—via the new provision COCON 1.1.7FR.
- 3 NFM is broadly defined.** The FCA deliberately avoided a closed list. NFM is “essentially any misconduct not of a clearly financial nature,” with bullying, harassment, sexual misconduct and violence named explicitly.
- 4 Seriousness and culpability matter.** A breach turns on conduct being sufficiently serious, and on the individual being personally culpable. The bar is set high on purpose.
- 5 It is not retrospective.** Conduct occurring before 1 September 2026 is assessed under the version of the Handbook in force at the time.
- 6 The non-bank carve-out is narrow.** Conduct is out of scope only where both the perpetrator and the subject work in a function that does not deal with the firm's financial services business. Treat it narrowly.
- 7 It does not absorb all of the Equality Act.** For non-banks, the new rule covers harassment but does not extend COCON to every form of conduct prohibited under the Equality Act, such as discrimination or victimisation—though such conduct may still be relevant to Fit & Proper.

## READING THE RULE CORRECTLY

# Proportionate. Material. Defensible.

Private-life conduct matters only where there is a material risk it shows up at work. The misread that loses compliance buyers is “scan everything.” The rule rewards the opposite: targeted, proportionate, privacy-respecting judgement.

### WHAT THE RULE REWARDS

- ✓ Proportionate checks on material risk
- ✓ Acting on conduct—violence, harassment, criminality
- ✓ A privacy-respecting, consent-aware process
- ✓ A consistent, auditable decision record
- ✓ Managers acting where they reasonably can

### WHAT IT DOES NOT ASK FOR

- × Proactive monitoring of staff social media
- × Flagging lawful or “offensive” opinions
- × Investigating trivial or implausible claims
- × Anything that breaches UK data-protection law
- × Holding managers liable for what they could not know

### The takeaway

The FCA's bar is high by design. Firms that read PS25/23 as a mandate to surveil will over-reach and create privacy and employment-law exposure. Firms that read it as a mandate to act proportionately on material risk and to prove they did—will be both defensible and compliant-minded.

# 1 Map Your COCON & FIT Population

SCOPE

## WHAT PS25/23 EXPECTS

From 1 September 2026, COCON 1.1.7FR applies to all FSMA Part 4A firms with staff subject to the Conduct Rules (COCON) or the Fit and Proper test (FIT)—roughly 37,000 non-bank firms in addition to banks. Knowing exactly who is in scope is the first move.

## WHAT GOOD LOOKS LIKE

A documented map of your COCON and Certification population, with the narrow non-bank carve-out (conduct out of scope only where both the perpetrator and the subject work in a function that does not deal with the firm's financial services business) applied conservatively, not as a loophole.

## EVIDENCE TO HAVE ON FILE

- In-scope population mapping
- SMF and Certification roster
- Documented rationale for any carve-out applied

## WHAT THE FCA WILL LOOK FOR

A clear, defensible view of who the rules cover and that any carve-out was applied narrowly and in good faith.

Where do you stand today?  Met  Partial  Gap  Not Started

2

## Update Conduct Policies & Training

FOUNDATION

### WHAT PS25/23 EXPECTS

PS25/23 amends COCON to make clear that serious bullying, harassment and violence between colleagues can be a Conduct Rule breach. Firms must update conduct policies and train staff and managers on what is now in scope.

### WHAT GOOD LOOKS LIKE

Refreshed conduct policy reflecting COCON 1.1.7FR; role-differentiated training covering the seriousness and personal-culpability thresholds; and guidance for managers, who are not expected to act on misconduct they could not reasonably have known about or had no authority to address.

### EVIDENCE TO HAVE ON FILE

- Updated conduct policy with version history
- Training curriculum and completion records
- Manager guidance on reasonable knowledge and authority

### WHAT THE FCA WILL LOOK FOR

Genuine, role-appropriate training and policies that reflect the firm's actual operations—not a generic refresh.

Where do you stand today?  Met  Partial  Gap  Not Started

# 3 Build NFM Into Fit & Proper

ASSESSMENT

## WHAT PS25/23 EXPECTS

PS25/23 explains how NFM forms part of the Fit and Proper (FIT) assessment. Relevant conduct; including some conduct outside work can bear on whether someone is fit and proper for a role.

## WHAT GOOD LOOKS LIKE

A FIT framework that references NFM explicitly, applies it consistently at hiring and on an ongoing basis for senior and certified staff, weighs seriousness and relevance proportionately, and documents the reasoning behind each decision.

## EVIDENCE TO HAVE ON FILE

- FIT assessment template referencing NFM
- Documented assessment decisions and rationale
- Periodic re-assessment cadence

## WHAT THE FCA WILL LOOK FOR

Consistent, proportionate, well-documented fitness decisions—not ad hoc or reactive judgement calls.

Where do you stand today?  Met  Partial  Gap  Not Started

4

## Align References & Disciplinary Processes

PROCESS

### WHAT PS25/23 EXPECTS

Firms must investigate, evaluate and, where appropriate, report significant NFM; including through regulatory references. The new rule is not retrospective: conduct before 1 September 2026 is judged under the Handbook in force at the time.

### WHAT GOOD LOOKS LIKE

Regulatory-reference processes that capture relevant, substantiated NFM findings; investigation and disciplinary procedures that produce fair, consistent, documented outcomes; and clear handling of the pre- and post-deadline distinction.

### EVIDENCE TO HAVE ON FILE

- Updated regulatory-reference procedure
- Investigation and disciplinary SOP
- Outcome log demonstrating consistency

### WHAT THE FCA WILL LOOK FOR

Fair, consistent process and accurate references—evidence the firm acts on substantiated findings without over- or under-reaching.

Where do you stand today?  Met  Partial  Gap  Not Started

**5**

## Proportionate Screening at the Right Points

OPERATIONALISE

### WHAT PS25/23 EXPECTS

PS25/23 does not require blanket monitoring of staff or candidates, and lawful opinion is off-limits. Where firms do screen, it should be proportionate, consent-aware, and focused on material risk at genuine decision points.

### WHAT GOOD LOOKS LIKE

Screening triggered at defined points—senior and certified hires, regulatory references, escalations scoped to the conduct the FCA names (harassment, violence, criminal indicators), consent-aware, and aligned to UK data-protection law. Never standing surveillance.

### EVIDENCE TO HAVE ON FILE

- Screening policy with defined triggers
- Material-risk scope definition
- Consent and candidate-notice approach

### WHAT THE FCA WILL LOOK FOR

Proportionality and purpose that screening targets material conduct risk and is not a fishing expedition into lawful private life.

**HOW FERRETLY HELPS** Ferretly delivers conduct-focused detection across 13 behavioural categories mapped to what PS25/23 treats as material. with point-in-time, consent-aware checks and frame-by-frame video analysis—surfacing material risk with lawful opinion excluded from UK assessments.

**Where do you stand today?**     Met     Partial     Gap     Not Started

6

## Data Protection & Privacy (UK GDPR)

LEGAL PINCH POINT

### WHAT PS25/23 EXPECTS

Any background or social-media screening engages UK GDPR and employment law. A lawful basis, proportionality, and a data-protection impact assessment are not optional and disproportionate or covert screening can itself create liability.

### WHAT GOOD LOOKS LIKE

An identified lawful basis, a completed DPIA, data minimisation, a defined retention schedule, and clear candidate or employee notice all before any screening goes live.

### EVIDENCE TO HAVE ON FILE

- Completed DPIA
- Lawful-basis assessment
- Privacy notice and retention schedule

### WHAT THE FCA WILL LOOK FOR

(Where relevant) That screening is lawful, proportionate, and documented—the same defensibility the FCA expects, viewed through the data-protection lens.

**FLAG** This is the legal pinch point. Screening that is disproportionate, covert, or unbounded can breach UK GDPR or employment law even where the FCA intent is sound. Get data-protection and legal sign-off before launch.

Where do you stand today?  Met  Partial  Gap  Not Started

# 7 Keep a Defensible Decision Record

DEFENSIBILITY

## WHAT PS25/23 EXPECTS

The FCA's emphasis is on acting correctly on material risk and being able to prove it. The job is not to see everything—it is to make consistent, objective decisions and hold the evidence trail.

## WHAT GOOD LOOKS LIKE

A standardised assessment output with the rationale captured for every decision, an audit-ready trail, and periodic consistency review so similar cases are treated alike across the firm.

## EVIDENCE TO HAVE ON FILE

- Standardised decision-record template
- Audit trail of assessments and outcomes
- Consistency / QA review record

## WHAT THE FCA WILL LOOK FOR

A coherent, consistent, retrievable record showing decisions were deliberate, proportionate, and evidence-based.

**HOW FERRETLY HELPS** Ferretly returns Red / Yellow / Green findings with a clear rationale and an audit-ready record—a consistent, objective basis for your Fit & Proper and conduct decisions. You make the call.

Where do you stand today?     Met     Partial     Gap     Not Started

WHY FERRETLY

# The regulation is the spec sheet

PS25/23 does not just permit a different kind of screening—it requires one. Each expectation the FCA sets maps directly to how Ferretly is built. Tools designed to find everything now create the exposure; Ferretly was designed to find what is material.

WHAT PS25/23 REQUIRES	HOW FERRETLY IS BUILT FOR IT
<b>Proportionate checks on material risk</b>	Point-in-time checks triggered at defined decision points—senior and certified hires, regulatory references, escalations. Never standing surveillance.
<b>Conduct, not opinion</b>	13 behavioural categories scoped to the conduct the rule names—harassment, violence, criminal indicators. Lawful opinion is excluded from UK assessments.
<b>A privacy-lawful process</b>	Consent-aware, data-minimised checks with a defined scope—giving your DPIA and lawful-basis assessment most of their raw material.
<b>A consistent, auditable record</b>	Standardised Red / Yellow / Green findings with a clear rationale—similar cases treated alike, every decision retrievable.
<b>The firm owns the decision</b>	Findings and categorisation, not recommendations. Ferretly surfaces material risk; your team makes the Fit & Proper call.

**The architecture point**

Most screening approaches were built to maximise what they find. Under PS25/23, over-collection is no longer a feature—it is privacy and employment-law exposure. Scoping discipline is now the differentiator, and it cannot be retrofitted with a settings page.

**The status-quo point**

At most firms the alternative is not another vendor—it is an informal web search. Ad hoc searches see everything, including lawful opinion, apply no consistent standard, and leave no record. The rule’s consistency and evidence expectations make that indefensible.

## HOW FERRETLY FITS

# Built to support Fit & Proper decisions

- 1 Conduct-focused detection across 13 behavioural categories** Mapped to what PS25/23 treats as material; harassment, violence, extremist and criminal indicators with lawful, controversial opinion excluded from UK assessments.
- 2 Frame-by-frame video intelligence** Risk increasingly lives in video, not just text. Ferretly analyses the actual content keyword-only tools miss.
- 3 Triggered when it matters** Senior and certified hires, regulatory references, escalations—proportionate, point-in-time checks at the decision points the rules turn on.
- 4 Findings, not verdicts** Red / Yellow / Green with a clear rationale and an audit-ready record. Ferretly surfaces material risk; your team makes the Fit & Proper call.

## Get defensible before the deadline

A 30-minute readiness review mapped to your Fit & Proper process—no slideware. We will walk your in-scope population, decision points, and evidence trail against PS25/23. SOC 2 Type II · UK-GDPR aware.

**Book a readiness review → [ferretly.com/uk/ps25-23](https://ferretly.com/uk/ps25-23)**

*This guide is provided for general informational purposes and does not constitute legal, compliance, or regulatory advice. It summarises the FCA's PS25/23 and related guidance as at June 2026; firms should verify all requirements against the FCA Handbook and take their own legal and data-protection advice before relying on it. Ferretly supports, but does not by itself ensure, compliance with PS25/23.*