EXPLANATORY MEMORANDUM TO

THE FINANCIAL SERVICES AND MARKETS ACT 2000 (EXEMPTION) (AMENDMENT) ORDER 2026

2026 No. 157

1. Introduction

1.1 This Explanatory Memorandum has been prepared by His Majesty's Treasury ("the Treasury") and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Lord Livermore, the Financial Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Matthew Henty, Deputy Director for Science Technology and Access to Finance at the Treasury confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Taliesin Renouf at the Treasury can be contacted by email at the following address with any queries regarding the instrument: taliesin.renouf@hmtreasury.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This Order amends the Financial Services and Markets Act 2000 (Exemption) Order 2001 (S.I. 2001/1201) ("the Exemption Order").

4.2 The Exemption Order exempts certain persons from the general prohibition set out in section 19 of the Financial Services and Markets Act 2000 ("FSMA"), which provides that no person may carry on a regulated activity in the United Kingdom unless they are authorised or exempt.

4.3 The purpose of this Order is to grant British Business Bank plc ("BBB") and "the relevant subsidiaries" (BBB Investment Holdings Limited; BBB Mandates Limited; BGP General Partner I LLP; British Business Aspire HoldCo Ltd; British Business Finance Ltd; British Business Financial Services Ltd; British Business Investments Limited; British Patient Capital Limited; and Nations and Regions Investments Limited), as well as the National Housing Bank Limited ("NHB") a Part 1A exemption from FSMA, so that BBB, its relevant subsidiaries, and the NHB are exempt from the general prohibition in respect of all regulated activities of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544) ("the RAO").

Where does the legislation extend to, and apply?

4.4 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales, Scotland and Northern Ireland.

4.5 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the whole of the United Kingdom.

5. Policy Context

What is being done and why?

5.1 BBB's sole shareholder is the UK Government, through the Department for Business and Trade (DBT). Established in 2014, the BBB operates as the UK's economic development bank. It delivers government objectives by designing and managing a range of programmes that increase the supply and diversity of finance for smaller businesses, working through over 200 intermediaries. Its activities include, inter alia, providing guarantees to lenders, supporting start-up and growth finance, and attracting private capital into venture and growth markets. Through these interventions, the BBB aims to help businesses start, scale, and thrive in the UK, thereby driving economic growth and fostering a more inclusive financial system.

5.2 FSMA's broad perimeter captures a number of BBB's activities where the intent is to support the delivery of key government policies and deliver policy-driven objectives. As BBB's remit and mandate have expanded since 2014, certain initiatives have required complex structures to ensure that relevant exclusions from the regulatory perimeter would apply. This requires extensive legal review and, in some cases, engagement with the Financial Conduct Authority (FCA) to confirm activities as outside the regulatory perimeter. This creates significant recurring costs and can delay delivery by up to 12-months per initiative.

5.3 BBB's new Five-Year Strategic Plan (2025–2030) (published alongside the November 2025 Budget[1]) envisages BBB launching further enhanced initiatives over the next five years commencing in early 2026. These initiatives could include activities that would be specified activities under FSMA. Without an exemption, delivery would need to be scaled back and/or remain subject to lengthy, costly legal and regulatory engagement and/or full authorisation.

5.4 The BBB has a regulated subsidiary, BBB Investment Services Ltd ("BBB-ISL"). This entity provides services to the British Growth Partnership ("BGP"), an initiative announced by the Chancellor of the Exchequer in October 2024 to encourage more UK pension fund investment into the UK's fastest growing, most innovative companies. This utilises the BBB's market access and position as the largest domestic investor in UK venture capital to facilitate a larger amount of domestic capital and funds, supported by a broader base of institutional investors (i.e., pension funds) into UK growth companies. The BGP is intended to be a series of funds or vehicles. This entity will be outside of the scope of the exemption.

5.5 Granting this exemption provides a comprehensive and proportionate solution that removes these barriers, reduces cost and delay, and enables timely delivery of BBB's expanded mandate. Notably, the National Wealth Fund (NWF) is a comparable public financial institution, and is exempt under Part 1A of the Schedule to the Exemption Order.

5.6 NHB's sole shareholder is the Homes and Communities Agency (trading as "Homes England"), a non-departmental public body and statutory corporation created by the Housing and Regeneration Act 2008. Homes England is sponsored by the Ministry of Housing, Communities and Local Government. Announced at Spending Review 2025, the NHB will provide a range of debt, equity and guarantee instruments to facilitate direct and indirect financing of housing development and regeneration in England and

[1] BBB's Five-Year Strategic Plan (2025) can be found online at: https://www.british-business-bank.co.uk/about/research-and-publications/five-year-strategic-plan

Wales, supporting the delivery of HM Government. Subject to Treasury agreement, the NHB will be able to deploy products from April 2026, with some existing HE products transferred over to the NHB.

5.7 As with BBB, FSMA's broad perimeter captures a number of activities which NHB will carry on, most notably the issuance of guarantees, which can take the form of insurance contracts, and entering into novel investment vehicles including collective investment schemes.

5.8 Granting the exemption ahead of public launch would permit NHB to offer a full range of products early into its creation, without participating in costly or complex regulatory engagement. As with BBB and its subsidiaries, providing the exemption is in line with government treatment of the comparable public financial institutions.

What was the previous policy, how is this different?

5.9 Previously, BBB operated without a FSMA exemption, relying on narrow exclusions, case-by-case legal opinions, and selective FCA permissions (for example, via BBB-ISL for discrete activities), which imposes ongoing material costs and delivery risks as noted above.

5.10 Under the proposed instrument, BBB (and its unregulated subsidiaries) will be exempt from the general prohibition for all RAO activities, including insurance, thereby removing the need for repeated perimeter testing and clearances, and avoiding delays to planned initiatives.

5.11 The approach is consistent with the recent update to NWF's regulatory treatment, exempting it from the general prohibition in respect of all regulated activities, including those specified by article 10 of the RAO.

5.12 NHB will be launched in April 2026, subject to final decision by the Treasury. Homes England currently has a limited exemption set out in paragraph 48 of the Schedule to the Exemption Order relating to arranging, advising on, entering into or administering a regulated mortgage contract within certain parameters. Homes England will continue to retain that exemption. Following NHB's launch, NHB may undertake new types of transaction not currently undertaken by Homes England to provide additional support for housing development. As with BBB, the exemption for NHB in respect of all RAO activities will remove the need for repeated perimeter testing and clearances and avoid delays to planned initiatives.

6. Legislative and Legal Context

How has the law changed?

6.1 Section 19 FSMA provides the general prohibition (no person may carry on a regulated activity in the UK unless authorised or exempt). Under section 22 FSMA, a regulated activity is an activity specified in the RAO relating to specified investments and carried on by way of business. The Exemption Order lists persons who are exempt from the general prohibition.

6.2 This instrument amends the Exemption Order by adding BBB and the relevant subsidiaries, and NHB, to Part 1A of the Schedule. Persons listed in Part 1A are exempt under Article 3A, which provides that they are exempt from the general prohibition for any regulated activity specified in the RAO. This means BBB and NHB will be exempt from all RAO-specified regulated activities, including those under article 10.

6.3 This Order is made under section 38 of FSMA. Section 38(1) provides that the Treasury may, by order, provide for specified persons or persons falling within a specified class, to be exempt from the general prohibition in section 19 of FSMA. Section 38(3)(a) provides that the order may provide for an exemption to have effect in respect of all regulated activities.

Why was this approach taken to change the law?

6.4 Officials assessed a range of legislative and non-legislative interventions. Other options were discounted due to limited scope, higher cost/complexity, slower implementation, and/or residual legal risk. A Part 1A exemption offers the most proportionate and durable solution, aligned to precedent for treatment of the NWF, and enabling BBB to deliver its effectively on its Strategic Plan from early 2026 and at better value for money for taxpayers, and NHB deliver against HM Government housing priorities following its launch.

7. Consultation

Summary of consultation outcome and methodology

7.1 There is no statutory requirement to consult before making an order under section 38 FSMA, and no formal consultation process was undertaken. Nevertheless, relevant Government departments, the Prudential Regulation Authority, who are responsible for regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK, and the Financial Conduct Authority, who are responsible for regulating the conduct of financial firms in the UK to ensure markets work well for individuals, businesses and the economy, were engaged before making this Order. Stakeholders raised no objections to proceeding, and agreed the risks of doing so are low given BBB's public policy role and existing HMG oversight. Stakeholders also noted the precedent of and parallels with the existing treatment of NWF (a comparable public financial institution).

7.2 Separate engagement with the Prudential Regulation Authority and Financial Conduct Authority took place regarding the exemption sought for NHB, with no objections raised to proceeding.

8. Applicable Guidance

8.1 The Treasury does not intend to issue guidance on the content of this Order.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been produced for this instrument because no, or no significant, impact on business or the voluntary sector is foreseen. An Impact Assessment is also not necessary, because this is a measure affecting businesses that are controlled by public authorities, and therefore does not affect "business activity" as set out in the Better Regulation Framework.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies arising directly from the instrument.

9.3 The legislation does not impact businesses directly.

9.4 There is no, or no significant, impact on the public sector beyond the operations of BBB, its relevant subsidiaries and NHB.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 We do not plan to do any other monitoring and review because there is no impact on business.

10.2 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, the Financial Secretary to the Treasury (Lord Livermore) has made the following statement:

"It is not proportionate to include a review clause in this instrument because the SI does not impact on business."

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").