GUIDANCE FOR FINANCIAL PLANNING FIRMS

*A Money Wise UK Regulatory Paper*

# Model Portfolios and the Regulatory Perimeter

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**WHAT FCA DP25/3 MEANS FOR ADVISERS, PLANNERS AND CONSULTANCIES**

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EXECUTIVE SUMMARY

## Where does the FCA actually draw the line?

The FCA has published a discussion paper asking whether model portfolio services should be regulated more like funds. Cue a wave of commentary claiming every firm running an MPS is about to need full authorisation. That is not what DP25/3 says.

The paper does raise a genuine question the industry has quietly avoided for years: who is actually managing the money, and does their permission cover it?

This paper sets out what DP25/3 means in practice for three groups: MPS providers, financial planners building their own portfolios, and consultancies building portfolios for advisers who are not themselves authorised.

> ***Retirement and investment propositions built on model portfolios need to know exactly where the regulatory perimeter sits, not assume it.***

CONTEXT

## What DP25/3 Actually Is

It is a discussion paper, not a consultation. Feedback closed on 6 March 2026, and the FCA has said it may hold a formal consultation afterwards. Nothing in it is confirmed policy. That distinction matters, because the direction of travel is clear even if the rules are not.

The FCA's starting position is that MPS have become a significant part of how consumers invest, and that a retail consumer experiences a model portfolio as a single managed product, much like a fund. The regulatory treatment does not currently reflect that.

> ***"There are also often complex chains between distributors and manufacturers. This might not help consumers understand what protections or outcomes to expect." — FCA, DP25/3, para 2.18***

That single sentence is the most important line in the paper for anyone in this market. It is the FCA naming its discomfort with opaque manufacturer-to-distributor chains, and it is the thread running through all three questions that follow.

QUESTION 1

## Will MPS Providers Have To Be Authorised?

Largely, they already are, and this is where the coverage gets sloppy. The FCA draws a clear line between two types of MPS, and the authorisation position already differs between them.

- Managed or discretionary MPS, involving ongoing rebalancing and investment decisions, already sits inside a regulated activity. It requires a Part 4A permission for managing investments, plus full suitability assessments. A firm running discretionary MPS without that permission is already outside the perimeter today, DP25/3 or not.
- Static MPS, the pre-set and unmanaged kind, triggers product governance obligations under PROD because the firm is distributing financial instruments, but does not automatically require discretionary permissions.

### Money Wise UK thoughts

What DP25/3 actually proposes is not a new authorisation gate. It is asking whether MPS should face fund-like disclosure and product governance standards, closer to the new Consumer Composite Investments regime, so consumers can compare an MPS to an authorised fund on genuinely equivalent terms. That is a disclosure question, not an authorisation question, but it is not a light-touch one. Standardised risk scoring and CCI-style documentation is real compliance cost for firms already running MPS properly.

QUESTION 2

## Planners Building Their Own Portfolios

This depends entirely on what “building” means in your firm.

- If you run discretionary MPS for your own clients under your firm's existing permissions, nothing changes on the authorisation front. You are already regulated for it. What could change is the disclosure burden.
- If you build static, in-house model portfolios as a structuring tool rather than exercising ongoing discretion, you are already caught by COBS 6.1ZA disclosure rules and PROD as a distributor. The direction of travel suggests this gets more prescriptive, not less.

### Money Wise UK thoughts

No adviser using their own FCA permission to build portfolios for their own clients is looking at a new authorisation requirement here. The risk is compliance overhead, not perimeter exposure. If your model portfolio process is already properly governed and documented, treat this as an early signal to tighten disclosure, not a reason to panic.

QUESTION 3

## Consultancies Building Portfolios For Advisers

This is the question worth paying closest attention to, because it is a perimeter issue rather than a paperwork issue, and it is a pattern that exists across this market whether or not anyone involved would describe it that way.

Picture a consultancy that designs, names and hands over a model portfolio to an advisory firm, which then presents it to clients as its own proposition. The consultancy itself holds no FCA permissions. Where does responsibility actually sit, and who is genuinely making the investment decisions?

The answer turns on one question: who is exercising real investment management judgement, and who is simply distributing?

- Research, methodology and construction support, where the authorised adviser firm retains genuine independent judgement, reviews the portfolio, adopts it deliberately and takes suitability responsibility, can reasonably sit outside the regulated perimeter. This is broadly the same territory as technical or paraplanning support.
- Setting the asset allocation and making the ongoing investment decisions, where the adviser firm functions as a distribution wrapper rather than an independent decision-maker, starts to look like unauthorised management of investments wearing a consultancy label.

### Money Wise UK thoughts

DP25/3 does not name this model directly. But the FCA's discomfort with opaque manufacturer-distributor chains, and its push towards fund-like product governance, raises the temperature on it considerably. Firms operating this way should expect more scrutiny of where genuine investment decision-making actually sits in the chain, not just who is named on the paperwork.

FINAL THOUGHTS

## It will not be the cleverest branding that wins.

It will be the firms who can already answer, in plain terms, who built the portfolio, who decides what happens next, and why.

HOW WE HELP, NEXT STEPS

## How Money Wise UK Can Help

We help financial planning firms and consultancies pressure-test where the regulatory perimeter actually sits, before the FCA asks the question for them.

> ***Portfolio governance reviews, mapping who exercises genuine investment judgement across your MPS and CIP distribution chain.***
>
> ***CRP® documentation support, evidencing suitability, ongoing discretion and provider due diligence.***
>
> ***Consultancy across proposition design, compliance and client communication for firms using or building model portfolios.***

Let's talk through your model portfolio governance.

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Consultancy, insight and practical tools for financial planners.

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