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DISSERTATION TITLE

**IMPACT OF EVOLVING REGULATORY REQUIREMENTS
ON UK BANKS' FINANCIAL RISK MANAGEMENT AND
STABILITY**

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Abstract

This research is focused on scrutinizing the intricate relationship between the changing regulatory landscape, financial risk management practices, and the overall financial stability in the UK banking industry. The study takes the regulatory changes brought about by the global financial crisis of 2008, the pandemic, and Brexit as the main factors that have altered the banks' governance, risk, and decision-making aspects. The authors of the study applied a qualitative, interpretivist research methodology and collected data from secondary sources such as regulatory documents, scholarly articles, and public disclosures of the leading UK banks.

A thematic analysis method is used to reveal the operationalization of the regulatory intent, the institutions' responses, and the outcomes of the financial stability across the three dimensions. The results show that the crisis prompted regulatory changes, mainly the Basel III capital and liquidity requirements, to considerably fortify risk governance and magnify the toughness of UK banks.

The areas of capital adequacy, liquidity, stress testing, and board-level risk overseeing have all together lessened excessive risk-taking and improved shock-absorption capacity during economic crises, with the COVID-19 pandemic being one such period. Meanwhile, the study points out significant trade-offs as well. Higher regulatory intricacy and compliance expenses have been a burden on profit, operational adaptability, and innovation, especially at a time when interest rates are low.

The research points out that the regulations are slowly starting to pay more attention to the non-classical risks, particularly the environmental, social, and governance (ESG) and climate-related financial risks. ESG is considered to be a beneficial factor in risk management as it encourages a long-term view and a stable environment. It brings up the issues of data availability, modelling capacity, and governance accountability.

The study indicates that the evolving supervisory frameworks have been primary in the stabilization of the UK banking sector. However, they have also impacted the sector with some operational and strategic costs. The success of regulation is measured by how well the regulatory aims, institutional flexibility, and sustainable financial performance are aligned to each other.

DECLARATION

I, Ayush Mishra declare that this dissertation has been composed by myself, that the work contained herein is entirely my own except where explicitly stated otherwise in the text, and that this work has not been submitted for any other degree or qualification, in whole or in part, except as specified.

Signature: Ayush Mishra (2428533)

Date: 03 - February - 2026

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CHAPTER 1: INTRODUCTION

1.1. Background & Problem Statement

Background

The stability of the financial sector in a country plays a crucial role in the sustainability of GDP, international trade and business growth. The banking industry in the United Kingdom significantly contributes to the nation's employment, GDP, market stability, and liquidity. However, the efficiency and stability of the financial sector hugely rely on the effectiveness of financial regulations and risk management frameworks. As per the views of Oyeniya *et al.* (2021), these financial regulations and frameworks guide organisations in balancing liquidity, credit and operational risks. However, the global banking industry was heavily disrupted during the GFC (Global Financial Crisis) in 2008 (Needham and Needham, 2023).

As a result, a massive regulatory development has taken place to protect against all plausible systemic collapses in the global banking sector. The banking industry of the UK is no exception and has introduced new effective regulations based on the evolving requirements to ensure sectorial stability, consumer protection, and financial growth. Previously, the responsibilities associated with the financial regulatory structure in the UK were split between the Bank of England, the Treasury and the FSA (Financial Services Authority). In 2012, FSA was abolished under the comprehensive reconstruction through the Financial Services Act 2012 (Ferran, 2023).

Accordingly, PRA (Prudential Regulation Authority) was introduced as a new regulatory body to strengthen the prudential supervision of financial institutions, including banks, investment firms and insurers. In addition, FCA (Financial Conduct Authority) was established as an independent regulatory body to improve consumer protection, regulatory compliance and market integrity (Howell, 2023).

The UK has been working on implementing Basel III to finalise and strengthen post-GFC regulatory reforms. According to Birindelli *et al.* (2022), these financial reforms based on Basel III involve liquidity standards, higher capital requirements, and leverage ratios to protect the financial sector from systemic collapse in the future. The UK announced Brexit in 2020, which ended its membership in the European Union (EU). It outlines the essence of the required regulatory changes to deal with international business and foreign investments. Primarily, TPR

(Temporary Permissions Regime) was introduced for EEA firms to operate businesses in the UK for a limited term. However, it was replaced by an equivalent-style framework, Overseas Funds Regime (OFR) under the Financial Services and Markets Act (FSMA) 2023, to allow overseas investments in the UK market (Ferran, 2023). The FSMA 2023 empowered HM Treasury to replace the EU guidelines with effective UK regulations. Besides this, it supports PRA and FCA to promote financial growth, international competitiveness, consumer protection and sectorial stability (Lim, 2024). Furthermore, FCA supervises consumer safety, service and product designs, and ESG compliance of financial firms according to the guidelines of Consumer Duty. These evolved regulations have significantly contributed to financial risk management and stability.

Problem statement

Banking organisations in the United Kingdom have gone through a continuous evolving regulatory requirement in the post-GFC period. Hence, these organisations faced challenges in coping with continuous regulatory changes and adhering to compliance to maintain stability. The strict supervisory control of FCA and PRA to strengthen risk management sometimes creates red tape and additional pressure on banks regarding regulatory compliance (Joshi, 2025). On the other hand, the digital presence of banking services and crypto-banking has exponentially enhanced the operational risks of data safety, online fraud and consumer safety. Hence, the effectiveness of the consumer Duty under FSMA 2023 in consumer protection is still a sceptical matter. Accordingly, the FSMA 2023 has changed the regime of foreign investments in the UK, which highlights financial growth and competitiveness (Menicucci, 2025).

The number of regulatory reforms unveiled in the UK banking sector after the 2008 Global Financial Crisis and Brexit is quite extensive though the extant academic literature has been making a one-sided emphasis on the quantitative metrics such as capital adequacy, liquidity ratios and stress-test results. Qualitative data exploring the impacts of these regulatory alterations in terms of their ability to reconstruct the internal risk governance frameworks, strategic decision making and organisational reactions among UK banks are limited. Specifically, the regulatory landscape in the post-Brexit and the increased importance of addressing prudential supervision through the application of ESG-related risks are under-researched in terms of governance and strategy. This dissertation fills this gap through a

qualitative study of regulatory purpose and the institutional adjustment in the UK banking industry.

1.2. Research Aim

The aim of the research is to identify the impact of evolving regulatory requirements on UK banks' financial risk management and stability.

1.3. Research Objectives

- To critically examine the development of the UK banking regulatory framework in the post-2008 Global Financial Crisis as well as Brexit.
- To assess the impact the regulatory reforms have had on internal financial risk management systems and governance systems of UK banks.
- To investigate the trade-offs between innovation, profitability, regulatory compliance and financial stability.
- To determine the impact of the emerging regulatory priorities such as ESG integration on strategic decision-making at the UK banks.

1.4. Research Questions

- ❖ **RQ1:** What has been the impact of changing regulatory requirements on the practice of post-2008 global financial risk management in banks in the UK?
- ❖ **RQ2:** How do regulatory changes impact the financial risk management and governance system of the UK banks?
- ❖ **RQ3:** What are the trade-offs between innovation, profitability, regulatory compliance and financial stability?
- ❖ **RQ4:** What are the possible impacts of compliance pressures on the strategic decision-making of the risk management teams at the UK banks?

1.5. Significance of the study

Financial stability and risk management have become the primary focus of the UK banking sector to avoid situations like the GFC 2008. In the post-GFC period, the financial sector of the UK introduced multiple regulatory modifications based on the Basel III guidelines to optimise operational supervision and regulatory compliance. Later, in the post-BREXIT period, the UK introduced new changes in the financial industry to promote operational ease, financial growth,

global competitiveness, and consumer safety. However, the digital presence of banking services has significantly increased operational risks, data breaches, and financial fraud (Wewege, Lee and Thomsett, 2020).

Hence, this research will analyse the effectiveness of new regulations like OFR and consumer drive to evaluate their effectiveness in mitigating risks. Besides this, it will examine the role of financial regulatory bodies and Basel III in improving market stability. Henceforth, the study will provide data-driven insights on how the evolving regulations in the UK strengthen economic risk management and stability.

1.6. Brief Research Methodology

Research philosophy

Research philosophy guides researchers on the type of knowledge that needs to be gathered to accomplish research objectives. According to Alharahsheh and Pius (2020), interpretivism philosophy assumes that reality can be varied based on personal perspectives and experiences. Hence, interpreting different behaviour and individual opinions helps acquire socially constructed knowledge. Therefore, this study will incorporate interpretivism philosophy to interpret different ideas on financial regulations and risk management in the UK.

Research design

This study will explore the influence of evolving regulatory requirements on financial stability and risk management. Hence, an exploratory research design will be followed to focus on less-explored areas based on the existing knowledge. Here, a qualitative design will be used to accumulate information from academic and industrial sources.

Research approach

It refers to the entire process involving identifying relevant sources, gathering information, analysing data and interpreting outcomes (Kumar and Ujire, 2024). This research aims to examine the effectiveness of new regulations in the UK in managing financial stability and risks, rather than measuring the impact in numeric value. Hence, the inductive approach will be used to collect relevant data to recognise patterns and interpret them to make constructive insights.

Data collection and sampling

The secondary data collection method will be included to gather knowledge from existing relevant sources (Mazhar *et al.* 2021). The purposive sampling technique will be used to collect data from those sources that were published between 2020 and 2025 and shared evolved financial regulations in the post-BREXIT period. Materials will be identified and selected based on their credibility, reliability and relevance in terms of financial regulations and risk management in the UK. Crucial information will be gathered from the following sources:

Source type	Examples
<i>Academic literature</i>	Books, peer-reviewed journals, and authentic websites
<i>Official publications</i>	Basel Committee reports, policy statements of PRA and FCA, and industrial reports
<i>Organistaional documents</i>	Annual reports of UK banks

Table 1.6. Data sources

(Self-developed)

Data analysis

It is the process of organising, interpreting and analysing the collected data. A thematic analysis will be included to interpret qualitative data collected from reliable secondary sources. Multiple themes will be developed based on the research objectives and findings to generate meaningful insights against the formulated research questions.

Ethical considerations

The ethical concerns are comparatively low as the study will follow a secondary method. However, data will be collected only from reliable, published and publicly available sources. Additionally, all the sources will be properly cited and referenced to avoid plagiarism by following the guidelines of the university.

1.7. Structure of the rest of the project

Literature review: The next chapter is a literature review where existing theoretical concepts on the research topic will be synthesised from existing literatures along with conceptual framework and literature gaps.

Methodology: The third chapter will include a detailed discussion on the selected methodology for the research with in-depth justifications.

Finding, analysis and discussion: In this chapter, thematic analysis will be conducted, and a critical discussion will be made to summarise the results.

Conclusion and recommendations: It is the final chapter where the outcomes will be summarised, and some recommendations will be developed based on the findings.

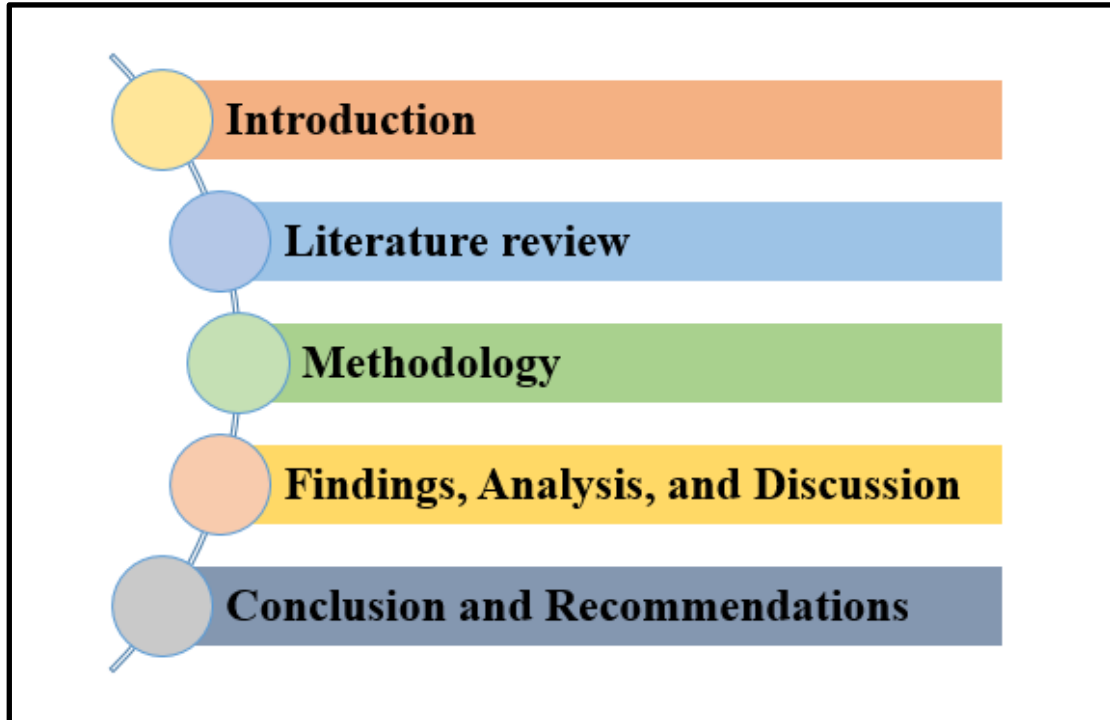


Figure 1.7: Research outline

(Self-created)

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

The banking industry in the United Kingdom has experienced a radical change in the past 20 years. This happened due to a mixture of financial crisis, regulatory development, globalisation, and technological revolution. The 2008 Global Financial Crisis (GFC) has not only shown that capital adequacy, liquidity management, and risk governance are systemically vulnerable, but it also has demonstrated the need to introduce more regulatory regimes (Jungo *et al* 2020). Thereafter, regulators and practitioners have underlined the importance of regulatory oversight in achieving financial stability which allows the bank economy to keep moving (Issue Information. 2022).

The UK regulatory activity has gone past the conventional macroprudential regulation of individual financial institutions ensuring the stability of the whole financial structure. This change in interconnectedness and potential contagion are able to respond to systemic risks. Mostly, in this time of increased technological complexity and interconnectedness across the world. Simultaneously, the history of risk management practices has now become part of regulatory compliance.

Methods such as Value at Risk (VaR), stress testing, and scenario analysis have become a part of regulatory regimes, whereas new risks, including cyber threats and climate financial risks, have expanded the scope of conventional risk management. Recovery after pandemic after the pandemic and the focus on the ESG also represents flexibility of regulatory requirements and the ongoing requirement to change.

This study highlights the development of the UK banking regulatory framework since 2008. It reveals the existing gaps in the research, specifically with respect to post-Brexit regulatory effects, ESG integration, and qualitative aspects of the governance culture.

2.2. Evolution of the UK Banking Regulatory Framework Post-2008

The financial crisis of 2008 showed some inherent weaknesses in the banking system. These involve too much leverage, a lack of liquidity and risk governance structures failures. The PRA is mandated by the Bank of England to ensure the safety and soundness of individual financial institutions. On the other hand, the FCA concentrates on consumer protection,

integrity market and regulation. This difference is an indication of a purposeful shift toward specialized regulatory supervision. The dual structure also facilitates the alignment of the UK with the international standards in regulation while considering Basel III implementation. Basel III, which was launched in the world as a reaction to the GFC, gave tough capital requirements, leverage, and liquidity requirements to make the banks more resilient to financial shocks.

The main indicators are the Liquidity Covering Ratio (LCR) and Net Stable Funding Ratio (NSFR), which is crucial to the fact that banks will have a necessary amount of high-quality liquid assets and long-term stable funding (Garbarino et al. 2021). In the United Kingdom, Basel III was reflected in the local legislation in the form of the Capital Requirements Directive IV and V (CRD IV/V).

The Bank of England acted as a market maker of last resort in the autumn of 2022 by purchasing the UK government bonds that were being "fire-sold" by liability-driven investment (LDI) funds (Senner *et al.* 2025). Theory models, including Hypothesis of Minsky and the Theory of Too-Big-To-Fail (TBTF) explain that long-term stability can be counterintuitive and risk taking. The development of UK regulation has adapted to new risk factors that are not related to the traditional financial indicators. Among the material sources of systemic instability, the Bank of England identifies climate-related risks, fintech innovations, and cyber threats as the primary ones (Chae et al. 2021).

The Supervisory Statement SS1/21 of the PRA highlights the need to incorporate governance, culture, as well as accountability into the risk frameworks where the responsibility of top management is aligned with its strategic goals and regulatory expectations. The flexibility of the UK regulatory frameworks was also tested by the COVID-19 pandemic. The capital buffers were also eased and arrangements made sure to keep credit flowing.

This showed regulatory flexibility during stress events. In addition, ESG disclosure and investment labeling schemes by the FCA. In contrast, the process of the UK banking regulatory framework development since 2008 can be seen as the dynamic interplay between the rigor of prudential and protective measures.

2.3. Regulatory Capital, Liquidity Requirements, and Risk Management Practices

Liquidity requirements and regulatory capital are the fundamental posts of the post-crisis banking regulatory framework, which determines the way the UK banks deal with financial

risk and remain stable. The 2008 Global Financial Crisis made regulators realise the lack of capital buffers. Therefore, the corresponding local version known as the Capital Requirements Directive IV/V (CRD IV/V) added quantitative requirements to enhance the balance sheet of the banks and enhance the risk management. Among the most influential regulatory changes, the capital adequacy requirements focus on quality capital such as Common Equity Tier 1 (CET1).

The UK banks will now have greater minimum capital ratios with other buffers such as the capital conservation buffer and the countercyclical capital buffer. Capital surcharges are also imposed on systemically important banks due to the possibility to transmit systemic risk. These interventions aim to ensure the banks are in a position to absorb the unexpected losses and still be in a position to offer the necessary financial services. Empirical research indicates that increased capitalisation has made UK banks more resilient (Olawale *et al.* 2024).

This trade-off points to a constant tension between economic efficiency and prudential soundness. Liquidity regulation, as well as capital reforms, is now an essential aspect of contemporary risk management. The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) have been introduced to ensure that banks have sufficient liquid resources and stable funding ratios even in the short and long-term stress conditions. Moreover, this has added to the confidence levels during times of market stress, including the COVID-19 pandemic (Mateev *et al.* 2021).

Regulatory frameworks are pushing towards use of sophisticated quantitative tools such as Value at risk (VaR), stress testing, scenario analysis process and internal capital adequacy assessment process (ICAAP). The banks are obliged by the supervisory authorities to show that these tools are incorporated into strategic decision-making instead of being viewed as compliance exercises (Adeniran *et al.* 2024).

Although these have been done, the literature puts constraints related to excessive dependence on quantitative models. Before the crisis of 2008, model-based approaches had tended to underprice tail risks, as well as fail to reflect systemic interdependencies. Post crisis regulation has thus put more of an emphasis on the governance, culture and qualitative judgement as a necessary supplement to quantitative risk measures.

The article Supervisory Statement SS1/21 of the PRA focuses on the duty of senior management and boards to guarantee that they have established effective risk cultures in which

risk appetite models are in line with the regulation expectations and the strategic objectives. The climate risk, specifically, presents both physical as well as transition risks which can influence the asset values, asset credit quality and liquidity status.

The UK regulators have responded by applying climate considerations to stress-testing frameworks and supervisory expectations, which forces banks to consider environmental, social, and governance factors in their risk management systems (Rogge *et al.* 2023).

2.4. Impact of Regulatory Compliance on Financial Stability and Performance

The second issue that arises is the effect that regulatory compliance has on the financial stability and the financial performance. The issue of regulatory compliance has become a characteristic of the operational conditions of UK banks not only in terms of the risk management practices but also in terms of financial stability of their performance (Oyeniya *et al.* 2021). Regulatory reforms after 2008 were mainly aimed to build systemic resilience through limiting over-risk taking, improving transparency and maintaining sufficient capital and liquidity buffers.

In terms of financial stability, the shock absorbing capacity of UK banks has been enhanced by the fact that more stringent regulation has been made. The increased capital ratios and liquidity position have minimized chances of bank failures and minimized the spread of financial distress within the system.

Empirical evidence shows well-capitalised banks are in better positions to survive in times of unfavourable macroeconomic situations, as was the case in times of increased uncertainty like the COVID-19 pandemic (Ahmed *et al.* 2022). Bank of England regulatory stress-testing exercises which further strengthen this resilience in that it helps to identify weaknesses in the early stage and force banks to act accordingly. It has thus emerged that prudential regulation has become a key process by which the systemic risk is reduced in the UK banking industry.

An additional finding in the literature is the heterogeneous effects of regulation with regard to different types of banks. Large, systemically important institutions will be required to meet more requirements, including capital surcharges and greater oversight of their supervisors. These actions, although they seek to internalise systemic externalities through the too-big-to-fail problem, can also encourage the reorganisation of banks, a decrease in risk-weighted assets, and a shift in operations to less regulated parts of the financial system.

2.5 Compliance Pressure and Strategic Decision-Making in UK Banks

The changing regulatory demands have greatly increased compliance stress on the banks in the United Kingdom and have influenced the level of strategic decision making. In the wake of the post-global financial crisis reforms and continuing tightening of supervisory procedures by UK and international regulators, compliance has ceased being a purely operational issue and has been turned into a strategic issue that is central to the governance, risk management and long-term planning systems. According to Adeniran *et al.* (2024), regulatory compliance is becoming a more strategic force than a control mechanism.

Their paper on strategic risk management points out that financial institutions are forced to match the business strategies to the regulatory expectations to sustain and be resilient. This means that the regulatory risk assessment filters decisions of capital allocation, product development and expansion of the market in the UK banking environment. The pressure on compliance consequently alters the strategic priorities which makes banks to take downward risk factors, improve internal controls and invest an excessive amount of money in compliance infrastructure to prevent regulation fines and reputational losses (Adeniran *et al.* 2024). Corporate governance is the key mediating variable in intermediating between the compliance pressure and strategic decision-making.

According to Efunniyi *et al.* (2024), an improved system of governance facilitates accountability and transparency which allow banks to react more efficiently to the requirements of regulators. Their analysis indicates that boards and top management are incorporating compliance aspects in their strategic supervision to the extent that regulatory risks, financial and operational risks are addressed. In the case of UK banks, such a governance led approach implies that their strategic decisions such as mergers or acquisitions or modifications in lending policies are under intensive scrutiny of compliance which enhances their stability at the cost of their strategic freedom (Efunniyi *et al.* 2024).

This is also the case with compliance pressure that influences the financial strategies of banks in the context of taxation, transfer pricing and over cross border operations. Elumilade *et al.* (2022) prove that the corporate tax strategies, preserving its compliance and optimising the approaches demand a close strategic thinking and adherence to the regulatory frameworks.

The management of liquidity and financial risk also depicts the extent to which compliance pressure affects strategic decision-making. In their research on the largest commercial banks

in the UK, Eltweri *et al.* (2024) consider liquidity risk as an essential factor of financial performance. They found that regulatory liquidity requirements including liquidity coverage and stable funding ratios impact directly on the asset-liability management strategies of banks. This causes the UK banks to implement risk-averse strategies, promote governance alignment and organisational legitimacy according to the Institutional Theory. Ezech *et al.* (2024) note that the traditional banking systems tend to have challenges in supporting the changing regulatory reporting, monitoring and data governance standards.

Their systematic review demonstrates that digital transformation plans such as automation, advanced analytics and integrated risk management systems help banks to manage compliance more effectively. The literature reveals that compliance pressure has turned into one of the key determinants of strategic decisions making in UK banks. Adeniran *et al.* (2024) and Efunniyi *et al.* (2024) emphasise the fact that the regulatory compliance is being integrated into the strategic risk management and governance as well as it is influencing leadership decisions at the top level.

The facts presented by Elumilade *et al.* (2022) and Eltweri *et al.* (2024) confirm that the compliance requirements affect the financial and liquidity strategies yet limit the flexibility of the strategies. Ezech *et al.* (2024) show that the digital transformation enables banks to balance the regulatory conformity and operational profitability.

2.6 Critiques, Gaps, and Future Directions in Banking Regulation

Existing literature on banking regulation highlights that the regulatory frameworks have become more fragmented and less proactive. Scholars argue that regulation has struggled to keep in line with structural changes in banking, technological innovation, sustainability imperatives and evolving risk profiles while post-crisis reforms have enhanced resilience. One of the primary criticisms that Hübenbecker (2024) outlines is that the role of banks in the future is under-researched academically and in terms of policies.

This scoping review shows that regulatory research is still based on trying to prevent crises and mitigate past risks while not analysing future banking models, competition and systemic changes. This retrogressive disposition impairs the regulatory flexibility in mitigating the emergent risks such as digital discontinuity, platform banking and non-bank financial intermediaries. Another research gap in banking regulation is sustainability and environmental risk. In a literature review on green finance, Akomea-Frimpong *et al.* (2022) believe that

regulatory interest in sustainable finance has grown though empirical research is developing as well as uneven.

The authors present a gap in the existing knowledge of the efficiency of green regulatory tools and emphasise the necessity of a study that will directly correlate environmental regulation with the results of financial stability. This gap is applicable with the increased involvement of regulators in the analysis of sensible supervision related to climate risks.

Wali *et al.* (2023) argue that regulatory reforms fail to address weaknesses in the governance in banks as well as include board competence, risk culture and accountability mechanisms. This presents a gap between regulation aim and practice that would require that future regulation frameworks shift towards governance quality, leadership competency and ethical decision making.

The bibliometric analysis offered by Nguyen (2024) indicates that the research on banking regulation continues to be overly focused on the traditional risks of the banking system in credit, market and liquidity risks without focusing on addressing the emerging and interconnected risks. These risks are cyber risk, climate risk, geopolitical instability and technological dependencies. The Regulatory Lag Theory brings out that the banking regulation is constantly trailing behind innovation, sustainability and forming loopholes that need a dynamic and progressive and interdisciplinary regulation.

Nejad (2022) holds that regulatory schemes usually struggle to encourage innovation by risking stifling the growth and extend the risk. It is observed that the literature has no empirical support on the impact of regulation on innovation/stability alignment. Nejad (2022) does not find interdisciplinary literature that links regulatory policy and technological innovation to market behaviour to enable flexible and innovation- oriented regulations to be developed by regulators. One common criticism in these studies is that banking regulation is rather than dynamic. Regulation has become more complex though does not necessarily become adaptive.

The studies by Hübenbecker, (2024) and Nguyen (2024) advocate forward-looking forms of regulation which include scenarios planning, technological foresight and systemic interdependencies. Comparatively, Akomea-Frimpong *et al.* (2022) and Wali *et al.* (2023) state that regulation must encompass the concept of sustainability and the quality of governance as a part of the main set of standards rather than a secondary issue.

Future research directions point toward an anticipatory and integrated regulatory paradigm. The major gaps are in the integration of sustainability, good governance, innovation responsiveness and emerged risk coverage. These gaps need to be filled by a transition to more forward-looking and interdisciplinary regulatory frameworks that would embrace financial stability in the global economy.

The available literature offers a reasonable understanding of post-crisis regulatory reforms where three significant gaps exist. Initially, most of the literature is based on quantitative models and provides little information on the impact of changes in regulation on internal governance practices and strategic decision-making in banks. Second, the post-Brexit regulatory environment, mainly regulatory divergence and supervisory discretion has not been the subject of qualitative analysis specific to the UK.

Third, despite the growing regulatory awareness about the importance of ESG risks, little studies have been conducted to analyse how the considerations are actualised in the framework of bank-level risk management. The dissertation contributes to the literature in that it seeks to fill these gaps with the help of a qualitative, document-based research on regulatory publications and institutional disclosures in the UK banking industry.

2.7 Theoretical underpinning

2.7.1 Regulatory Lag Theory

The Regulatory Lag Theory describes the time lag that may often exist between the appearance of new financial risks and their formal regulation that is meant to regulate them (Ceballos Ferroglio *et al.* 2024). In dynamic financial markets like the banking industry of the UK, new products, digitalisation and global interrelatedness often progress at a rate outpaced by supervisory systems.

This will cause a time frame where banks will be operating according to dated rules, and this could expose them to excessive risk-taking before regulators can act upon such. The 2008 Global Financial Crisis is commonly regarded as a classic case of regulatory lag, in which capital and liquidity regulations were not adjusted to the actual magnitude of leverage, securitisation and shadow-banking practices.

The UK experience of post-crisis reforms, including Basel III, CRD IV/V and the establishment of the PRA and FCA, were efforts to seal this gap. However, emerging sources of risk again demonstrate how regulation is fighting to keep up, such as fintech disruption, cyber threats, and climate-related exposures. Regulatory Lag Theory thus aids in understanding why financial stability efforts are usually responsive as opposed to being proactive (Klein *et al.* 2022). It also brings out the price of the late intervention, such as stock market volatility, loss of social trust and the high cost of bridging reforms.

2.7.2 Institutional Theory

The Institutional Theory focuses on the fact that organisational behaviour is also influenced by economic rationality, but formal rules, social norms and legitimacy pressures (Risi *et al.* 2023). Regulatory expectations, professional standards and the necessity to preserve the confidence of the people are the sources of influence on the risk management practices in UK banking. The specific structure and reporting system that banks implement is not only due to its efficiency, but it also happens to be acceptable to the regulators, investors and society in general.

It is mainly defined as an appropriate behaviour. After the crisis of 2008, the UK regulators facilitated more robust governance, accountability, and ethical culture with the help of such tools as the Senior Managers and Certification Regime and PRA Supervisory Statements. The institutional Theory gives the reason why banks reacted to redesign their risk committees, compliance departments, and disclosure frameworks.

The theory also explains the difference between the application of the same rules in institutions. The complex risk models and ESG reporting are usually institutionalised in large banks in the UK to indicate accountability, whereas smaller banks might use simplified models because of limited resources.

Compliance thus becomes a legitimising process, more so than a risk management process. Another way in which the institutional Theory sheds light on post-Brexit uncertainty is the fact that UK banks are faced with the challenge of maintaining domestic regulatory identity as well as global standards to remain credible in the market.

2.8 Conceptual Framework

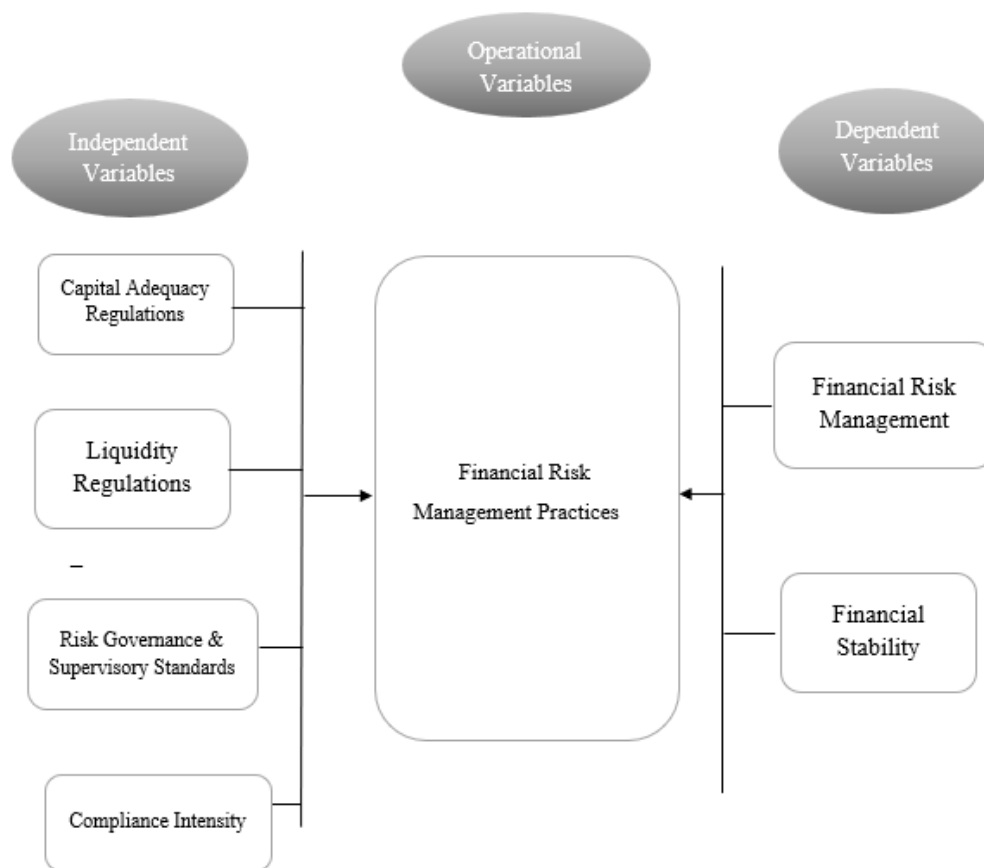


Figure 2.8.1: Conceptual framework

(Source: Self-developed)

2.9 Conclusion of Chapter

This chapter has critically analysed the literature on the effects of changing regulatory requirements in the financial risk management and stability of the UK banks. It was revealed in the discussion that the UK regulatory architecture was fundamentally changed in the post 2008 reforms by Basel III, CRD IV/V, and the dual supervisory model of PRA and FCA. These requirements enhanced the capital sufficiency, liquidity robustness and governance requirements, which made the system more stable.

However, the review also showed that there are still tensions between the prudential goal and the profitability of the banks, their lending power and their strategies. The regulatory capital and liquidity requirement review demonstrated how risk management processes have

progressed to be more model based, where the stress testing, the ICAAP and scenario analysis have become integrated into decision-making processes.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

In this study, the secondary qualitative research strategy is followed, aiming to examine how regulatory requirements have changed and how these changes affect the financial risk management and stability of UK banks. It significantly followed an interpretive approach, which focuses more on extracting knowledge from the available literature and industrial data rather than producing new primary data. Using thematic trends observed in financial reports and regulatory publications, the study offered more elaborate insights into the effects of regulatory change on risk management practices.

The official publications that will be used to create data include the Financial Stability Reports released by the Bank of England, the policies of the FCA and PRA, and the guidelines of the Basel Committee. Along with that, data collection included collecting evidence-based data of corporate reports, such as annual and sustainability reports of such large banks in the UK (HSBC, Barclays, Lloyds). Peer-reviewed literature, books, and trusted professional websites have also been optimised to ensure academic rigour.

The purposive sampling strategy has been estimated by focusing on the existing sources published from 2020 to 2025 in order to capture the recent developments, such as the impact of COVID-19 and the post-Brexit transition. The study also involved the thematic analysis method to determine the repetition patterns and trends among the chosen sources to constitute meaningful themes of regulation, risk management as well as financial stability.

3.2 Research Philosophy

Interpretivism is a research philosophical approach that focuses on the understanding of social phenomena by the subjective meaning and experiences of individuals (Junjie and Yingxin, 2022). In contrast to positivism that aims at objective measurement, interpretivism widely focuses on the context, present viewpoints and the intricacy of human behaviour. According to it, reality is constructed socially, making it suitable for using qualitative formulations that establish patterns, themes, and meaning as opposed to numerical formulations.

According to Ikram and Kenayathulla (2022), interpretivism is adopted for seeking to understand the implications behind the visibility of behaviours, policies and institutional

practices and may be achieved through the analysis of texts, documents, and stories. This philosophy is especially appropriate for being applied to studies concerning the regulatory, organisational, and cultural aspects of financial systems.

The utilisation of interpretivism in analysing the effects of changing regulatory expectations on the management of financial risks and the stability of UK banks possesses several benefits. First, it has enabled the researcher to underpin subtle meanings that exist in regulatory texts, financial reports and corporate disclosures, which tend to encourage complex institutional priorities.

Second, interpretivism helped in thematic analysis by allowing recognition of the patterns from different materials such as policy statements, academic literature and annual reports of banks. Third, it was also flexible for exploring evolving post-Brexit and COVID-19 perspectives not only as technical adaptations to regulatory changes but also as socially and economically embedded processes.

Lastly, this philosophy increased the relevance of the study by offering interpretative data, in which banks view, adjust, and cope with regulatory pressures. Thus, the interpretivism reinforced a stronger capacity to relate the evolution of regulatory to the larger consideration of financial and risk management practices.

Therefore, the interpretivism strengthened development of the regulatory requirements to more general consideration of the financial stability, organisational behaviour and risk management practices among the UK banks. On the other hand, a positivist research philosophy was inappropriate in this study given the nature of the research problem and nature of knowledge. Positivism presupposes that reality is objective, measurable, and observable, and usually it is based on quantitative data, hypothesis testing, and statistical generalisation (Maksimovic *et al.* 2023).

Although this method is useful in the analysis of the causal relationship between capital ratios and profitability, it lacks the interpretative and contextual aspects of regulatory change. The changing regulatory environment in the banking sector in the UK is not simply a system of rules that can be measured. But a socially constructed system that is formed through institutional norms, regulatory interpretations, cultures of governance and strategies of banks in response to the changes.

Ikram and Kenayathulla (2022) claim that positivism methods tend to undermine the role of meaning, perception, and institutional context, which form the focus of the regulatory behaviour and compliance processes. Moreover, the study attempts to discuss regulatory evolutions in dynamic and challenging settings, such as regulatory autonomy in post-Brexit, post-pandemic, and the embodiment of ESG and climate-sensitive risk models. Such developments are associated with uncertainty, discretion in regulations and adaptive reactions, which can hardly be objectively measured.

Interpretivism enables the researcher to study these dynamics by applying a qualitative approach to policy documents, supervisory statements, and bank disclosures, which will reveal implicit and hidden rationales and strategic behaviours in the decision to comply. Positivism on the other hand would demand well-defined and constant variables, the latter of which might not represent the dynamism of the UK regulatory system in the financial sector appropriately.

3.3 Research Design

According to the nature of the research goals, the right research design should be chosen to ensure the objectives of the research are managed in a systematic and meaningful manner. The research design that has been adopted in this study is an exploratory research design due to the dynamic and multifaceted characteristics of the regulatory environment, which is influencing the UK banks and the current transformation of financial risk management practices.

An exploratory research design is especially suitable where the field of research is dynamic in terms of regulation, new practices and debates that are yet to be resolved and need to be explored in more depth as opposed to testing a hypothesis (Makri and Neely, 2021).

The UK banking market has undergone a steady regulatory transformation since the 2008 global financial crisis, with the adoption of Basel III reforms, capital and liquidity requirements, stress testing procedures, macroprudential regulation, and post-Brexit regulatory changes. Thus, an exploratory design helps this research to reveal some patterns, relationships and themes which have not been thoroughly explored in the previous literature.

An exploratory research design is particularly appropriate in situations where the study is based on the analysis of secondary data, as it allows an independent study of the regulatory documents, policy reports, financial disclosures, and academic research without the strict analytical structures. In this study, the secondary sources of data are publications of the Bank

of England, the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA), international regulators, and peer-reviewed journals are analysed to obtain information about the trends in regulations and risk management adaptation of the UK banks.

This strategy helps in establishing the new regulatory effects on capital adequacy, liquidity management, credit risk assessment, and stress testing practices. This is in contrast to explanatory research design, which aims at establishing causal relationships, whereas exploratory research design aims to come up with a conceptual comprehension of the research problem.

Since banking regulation and financial stability are multifaceted concepts, it is difficult to achieve direct causality because of the existence of interacting economic, political, and institutional variables. The exploratory design enables the study to analyse these complexes in their entirety, which gives rise to narrow areas of focus as new knowledge is discovered when conducting the exploration.

The exploratory design is consistent with the study's aim to investigate how the changing regulatory requirements are redefining financial risk management governance frameworks instead of quantifying their performance using quantitative modelling. Using the exploratory method, the study has been able to examine regulatory intent, difficulties in implementation, institutional reactions, and perceived financial stability implications.

It is especially useful in the UK setting, where the regulatory uncertainty post-Brexit has changed the supervisory expectations and the risk governance frameworks. An exploratory analysis will enable the study to capture these dynamics of transition as well as give insights that are not yet implemented in empirical data.

Overall, the implementation of an exploratory research design is acceptable for the given study as the research type gives an opportunity to conduct a thorough analysis of the changes in regulatory requirements and their influences on the financial risk management and stability of UK banks. This design allows for the thoroughness of secondary data, the adaptability of regulatory context, and the creation of informed knowledge that can have a significant impact on the academic and policy-focused debates.

3.4 Research Approaches

The choice of a suitable research method is a primal move towards ensuring that the research design conveniently answers the research questions and the aim of the study. The proposed research based on the investigation of the effect of changing regulatory requirements on the management of financial risk and stability of banks in the UK considers an interpretivist paradigm of the qualitative research approach. The logic behind such a decision lies in the type of the research problem, the features of the regulatory frameworks and the kind of knowledge that has to be created by the study.

Philosophically, the study is guided by interpretivist philosophy which stipulates that social and organizational realities are not hard or objectively defined but are rather shaped by human meaning, institutional practices and contextual forces (William, 2024). The UK banks address the regulatory requirements by reforming governance, changing risk appetite and making decisions at strategic levels which do not remain on a mechanical basis but are interpreted.

In the context, an interpretivist style lets the study investigate the construction and translation of regulatory meaning into financial risk management practices. The study assumes qualitative design due to the fact that the subject of the study is more than the measurement of regulatory outcomes due to the desire to know how regulations impact.

Quantitative methods are useful in examining the financial errors, stress-test results or capital buffers (Albanese *et al.*, 2023). However, they do not explain how and why the change in regulations can transform the internal governance structure, compliance cultures and risk management ideologies. The research questions that are addressed in the study are regulating pressure, the complexity of compliances, strategic constraints and institutional adaptation which are qualitative.

The study relies on the secondary qualitative research approach where existing regulatory texts, institutional reports and academic literatures are used. This method is specially suitable in the banking study where the primary data (internal risk models, supervisory evaluation or top management views) can be limited by confidentiality and regulation (Tanbour *et al.*, 2025).

Secondary research will enable the research to study authoritative and publicly available references, which are indicative of both regulatory intent and institutional reaction (Cheong *et*

al., 2023). The document-based approach to qualitative analysis also allows a longitudinal and contextual time study of the evolution of regulations.

Altogether, the selected research method can be explained by the ideas that it is consistent with the aims of the study, enables the exploration of the role of institutions in a more profound manner and offers a strong framework of interpretation of the complex phenomena in the institutions. The qualitative approach that is interpretivist is used to ensure that the research produces subtle observations on the dynamism of the relationship between regulation, risk management and financial stability within the UK banking sector.

Although quantitative models have been extensively applied in banking studies to determine capital adequacy, profitability and liquidity performance, they are weak in reflecting regulatory intent, governance interaction and strategic reactions to regulatory pressure. This dissertation thus uses the qualitative method to explore the interpretation, internalisation and operationalisation of regulatory requirements in banks in the UK. These insights cannot be seen using numerical data, mainly in the environment of post-Brexit regulation and supervision based on ESG. Recognising this limitation presents methodological awareness and strengthens the suitability of a qualitative design for the research objectives.

3.5 Data Collection Methods

3.5.1 Data Sources

The research paper is based on the collection of secondary data which includes the systematic use of available information on the topic of research existing in the open and publicly accessible sources. Secondary data collection is very popular in the area of financial regulations of the large amount of documentation generated by the institutions and the scholars (Arthur and Owen, 2022). As the research will be regulatory and policy-based, the secondary data will offer the depth, feasibility and credibility of the research. Practical and ethical consideration are also involved in the decision to not use primary data collection.

The main research instruments that are the interviews or questionnaires with banking professionals, might be limited by inaccessibility or confidentiality as well as the possibility of a response bias. On the other hand, the secondary data enables the study to access formally published and peer-reviewed resources that represent institutional standpoints and regulatory

benchmarks. There are three overarching categories of secondary sources that are used in the data collection process, all of which have a different analytical aim.

Policy and Regulatory Documents

The dataset is based on regulatory and policy documents adopted by the Bank of England, Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and the Basel Committee on Banking Supervision. Such papers encompass Financial Stability Reports, supervisory statements, capital and liquidity requirements, stress-testing models and ESG related regulatory reports (Joosen, 2024). These channels express regulatory goals, oversee expectations and compliance standards that have direct impacts to risk management constructs of banks. The study will be able to trace the manner in which regulatory priorities have been changing and how stability-oriented measures are integrated into the UK banking system by analysing regulatory texts.

Institutional and Corporate Reports

The response of institutions to regulatory requirements through annual reports, risk disclosure, governance statements and sustainability reports of the systematically important UK banks including HSBC, Barclays and Lloyds is scrutinized. These banks constitute a significant portion of the banking industry in the UK and are under a close scrutiny in matters of regulation (Maina, 2023). Corporate disclosures can offer information about the operationalisation of regulatory expectations in the internal risk management systems such as capital planning, liquidity management, ESG risk integration and governance reforms (Maroun, 2022). They can also enable the research to determine discrepancy or correspondence between the intent of regulations and the practice of institutions.

Academic and Peer-reviewed Literature

Theoretical framing and critical analysis are supported with peer-reviewed journal articles, academic books and reports of the international financial institutions. The contextualisation of regulatory developments in the literature on financial stability, systemic risk, macro-prudential regulation and regulatory trade-offs enhance the analytical background of the work and help to determine the gaps in the research.

3.5.2 Sampling Strategy

The methodology of purposive sampling is used in the study to make sure that the selected documents are valid, relevant and have the same objective as per the research. The research targets the period between 2020 and 2025 to cover important trends in the area including post-pandemic regulatory intervention, post-Brexit regulatory division and increased attention to the financial risks associated with ESG. The inclusion criteria are relevant to UK regulators, institutional control and explicit concentration on financial risk management or financial stability. This is a focused method that facilitates the depth of analysis and is relevant at the same time in these contemporary times.

3.5.3 Data Analysis

The current study analyses the data with the help of the qualitative thematic analysis approach that is effective in implementing the investigation of regulatory documents, institutional reports and academic literature. The data analysis analytically reflects on the impact of changing regulatory demands on the financial risk management practices and the establishment of stability of the UK banks. Since the research is oriented on interpretivism, the thematic analysis would allow identifying patterns, meanings and relationships underlying regulatory and organizational reports instead of considering the numerical measurement as a sole method (Ahmed *et al.*, 2025).

The analysis of the data is formatted as a cyclical process. At first, all the chosen documents such as regulatory publications by the Bank of England, PRA, FCA, Basel Committee reports and corporate disclosures of large UK banks were read over and over again to gain familiarity with data. This step made the researcher have a comprehensive insight on the regulatory priorities, the compliance expectations and institutional narratives with regard to risk management and stability.

After familiarisation, the preliminary coding is done by identifying pertinent portions of the texts and labelling them in a manner that was representative of important regulatory and risk management concepts. It was both an inductive and a deductive process based on the objectives of the research and the available literature including capital adequacy, liquidity risk, governance structures and risks related to ESG and inductive as it enabled new insights to be promoted directly by the data including regulatory burden, strategic constraints and post-Brexit uncertainty.

At the following level, related codes were clustered under larger themes of analysis. These themes represented repeat patterns of several sources and echoed the main dimensions of research questions. The last step was the interpretation and synthesis during which themes were analysed concerning the aim and goals of the study (Christou, 2022). This step allowed the researcher to go beyond describing and formulating analytical understandings on how change in regulation influences practice of financial risk management and stability in the banking system. Triangulation was performed by cross-comparing regulatory documents, corporate reports and academic literature which increased the validity and strength of the analysis.

3.6 Ethical Considerations

Even though this study will be based on secondary data only, the issue of ethics is a significant element of the research design. The research follows the accepted academic and institutional ethical standards to guarantee integrity, transparency and responsible scholarship in the research process. At the beginning, the priority is made on academic honesty and avoiding plagiarism. Regulatory publications, corporate reports and academic literature are all properly referenced and mentioned in the study. Good attribution guarantees that the original authorship is not violated and the study is scholarly (Nneoma *et al.*, 2023).

Secondly, the interpretation of the data is done with caution. Regulatory and corporate documents are interpreted in their institutional and temporal context in order to prevent the misinterpretation or selective reporting. The research does not overstate the results or make any conclusions that are not sufficiently supported by evidence. Thirdly, the principle of transparency and methodological clarity is maintained based on the explicit description of the research methodology, data selection criteria and methods of data analysis.

Such transparency enables the readers and examiners to judge the reliability of the findings and improves reproducibility of the study (Pigg *et al.*, 2025). Since the study will not deal with human participants, organisational information that is confidential and sensitive as personal information, the risk of ethical issues during the research will be minimal. However, the study meets the institutional ethical standards in universities and it is aligned with the best practice in the study of academic research.

3.7 Conclusion

This section has discussed the data analysis plan, ethical implication and methodological integrity that the study was based on. As qualitative thematic analysis is a systematic and sensitive method, it is used to examine the effects of changing regulatory requirements on the practices and stability of financial risk management in the UK banks. The study encompasses both the intent of regulation and the response of organisations by studying regulatory documents, institutional disclosure and academic literature. The research has been conducted in a way that has ensured that ethical principles are taken into consideration in a bid to have academic honesty, responsible interpretation and transparency during the research process. Overall, these methodological decisions create a strong background to the latter findings and discussion chapters. The previous chapter of reviewing literature uses this method of analysis to display and apply the findings of the study concerning the research questions and objectives.

CHAPTER 4: FINDINGS / RESULTS AND ANALYSIS

4.1 Summary of Findings or Results

Strengthening of Risk Governance and Capital Adequacy

The study of Jungo et al., (2020) reveals that after the 2008 Global Financial Crisis (GFC), the factors such as capital adequacy, liquidity management and risk governance proved to be quite vulnerable. Thus, the regulators and practitioners have emphasised on the need of regulatory frameworks to strengthen financial stability. The regulatory reforms such as Basel III and the implementation of the CRD IV/V by the UK banks have enhanced stricter capital requirements. This approach particularly focused on the high-quality capital such as Common Equity Tier (CET1) and other buffers for the systematically important institutions.

Hence the banks considered these measures to reinforce the ability to deal with unexpected financial losses and thus enhance financial resilience in the long run (Garbarino *et al.*, 2021). The expectations of the government for risk governance and capital adequacy includes board level accountability, risk culture and responsibility of board level accountability. The Prudential Regulation Authority's Supervisory statement SS1/21 ensures that the risk appetite frameworks are adhered to holistic and ethically enhanced ground risk governance (Adeniran *et al.*, 2024). Hence it is well understood that this theme suggests that regulatory intervention is of huge significance to enhance stronger governance practices within the UK banks.

The literature suggests that these benefits are not without cost while strengthened capital adequacy and governance requirements have improved the resilience of UK banks. Authors such as Garbarino *et al.* (2021) focus on increased loss-absorbing capacity though other authors such as Adeniran *et al.*, (2024) believe that excess much capital conservatism can limit lending and reduce the intermediation of the economy. This observation is in line with the Institutional Theory which explains how regulatory pressure changes the organisational behaviour by emphasising legitimacy and judgement over aggressive growth strategies. Therefore, regulatory capital discipline acts as a financial cushion besides as a governance tool which plans the strategic risk tolerance in the UK banks.

Regulatory Influence on Financial Risk Management Practices

The regulatory frameworks are highly involved with the financial risk management practices of the UK banks. Moreover, the regulatory frameworks ensure that the various kinds of risk assessment tools such as Value at Risk (VaR), stress testing, scenario analysis and Internal Capital Adequacy Assessment processes (ICAAP) are implemented to minimise financial risks (Adeniran *et al.*, 2024). Moreover, due to the high efficiency of these tools, they are considered as integration components of financial risk management processes and not just mere compliance mechanisms.

Hence the UK banks are able to efficiently manage their financial risks with the help of these tools. The study of Ahmed, (2022), reveals that stress testing is considered as one of the critical advisory and managerial instruments which is used to manage the financial vulnerabilities of the UK banks. Hence this tool improves the performance of the UK banks in the dynamic economic conditions. However, the qualitative models must not be excessively used in this regard.

These results support the discussion that regulation after a crisis has changed risk management from a technical process to a governance expertise. Although Ahmed (2022) emphasises that stress testing is an effective managerial tool, other researchers warn against excess use of quantitative models which may give a false impression of safety by evaluating the systemic risks. This strengthens the trend of regulatory change to qualitative judgement, board supervision and risk culture which indicates that successful risk management in banks of the UK is increasingly reliant on the combination of human judgement and analytical models as opposed to quantitative procedure.

Impact on Financial Stability and Performance

It is observed that broad consensus enhances regulatory compliance which positively contributes to the financial stability of the banking system of the United Kingdom. The increase in the factors such as capital and liquidity buffers contributes to the reduction of the likelihood of the bank failures. This in turn limits the contagion effects during times of economic crisis including the pandemic times in the UK (Ahmed, 2022; Mateev et al., 2021). Thus, the regulatory stress testing frameworks are implemented by the Bank of England to strengthen the systemic resilience through identification of the capital shortfalls at the initiation of the process.

Thus, with the help of regulatory frameworks, the financial stability and performance of the UK banks are enhanced. Mixed evidence is extracted from the literature regarding the impact of the regulatory frameworks on the performance of the banks. These practices are more common in the low-interest rate environments and must be considered to improve banks' performance in the long run (Oyeniyi et al., 2021). Hence these findings indicate a proper trade-off between the financial stability, regulatory benefits and operational efficiency in regard to performance related costs of the UK banks.

The conflicting evidence that has been found in the literature indicates that there is a basic regulatory trade-off between financial stability and operational efficiency. Although the probability of bank failures has decreased drastically due to improved capital and liquidity buffers. Scholars such as Oyeniyi *et al.* (2021) believe that the costs of compliance and limited expansion of the balance sheets can negatively impact profitability, mainly in the extended period of low-interest rates. This implies that regulatory effectiveness measurements are based on the long-term sustainability of banking performance and credit provision rather than stability measurements in the UK economy.

Strategic Decision-Making and Compliance Pressure

A major finding of this literature is that regulatory compliance highly influences the strategic decision-making capabilities of the UK banks. The study of Oyeniyi *et al.*, (2021) reveals that the compliance pressures help to reshape the business models, asset allocation strategies and risk-taking behaviour. Moreover, the banks which are systematically more important face additional capital surcharges and scrutinization from the supervisors. Thus, this factor helps in the reduction of risk weighted assets and enhances reconsideration of the growth strategies to meet the regulatory expectations. The finding of the existing studies indicate that the compliance pressure of the regulatory frameworks has uneven impact on the banking sector. This is because the large banks are positioned in such a way that they can easily absorb the compliance costs while the smaller banks face financial and operational burdens due to regulatory expenses. Hence this affects several factors within the banking sector such as competitiveness, innovation, market entry and strategic orientation of the banks.

The findings have shown that compliance with regulations has been observed to be an operational requirement though an overall strategic decision-making factor. Although compliance pressures promote prudence and risk avoidance, they can also restrict strategy

flexibility and innovativeness to smaller institutions with limited resources. This is in line with Regulatory Lag Theory which infers that regulatory systems frequently find it difficult to match the pace of market innovation, generating dissonance between regulatory regulation and strategic responsiveness (Oyeniyi *et al.* 2021). Consequently, UK banks are becoming more conservative and compliance-based in their approaches to maintain their legitimacy.

Emerging Risks with the Banks

As per the study of Chae *et al.*, (2021), expansion of the regulatory frameworks can enhance the focus on the emerging and non-traditional risks. This can be related to the fact that the UK regulators are increasingly considering the importance of financial stability issues. Thus, these threats include conventional credit and liquidity risks and cyber threats and fintech driven disruptions. The regulatory responses require the banks to deal with the environmental, social and governance (ESG) considerations for risk management and stress testing practices (Rogge, 2023). Thus, the UK banks must consider adapting to this environment and modify their regulatory frameworks to mitigate the issues of data availability, modelling uncertainty and capability of governance.

Increasing regulatory emphasis on ESG and climate-related risks is also a major conceptual change in the definition of financial stability. There is a long-term, uncertain and quantifiable nature of the ESG risks compared to the traditional risks which makes them hard to manage using the current risk models and governance frameworks. Although regulators look at ESG integration as critical to systemic resilience, the literature suggests that banks encounter significant challenges with regards to data quality, scenario modelling and accountability models. This implies that ESG regulation is currently a more complex matter that raises the compliance burden and highlights the necessity to a more agile and standardised supervisory guidance.

4.2 Analysis of Results

The study provides a critical analysis of the findings derived from the thematic evaluation of secondary data sources. The analysis of the secondary data on UK banks is presented here and includes regulatory and academic reports and history as well as financial disclosures. The results indicate that rapidly changing regulations are significantly affecting risk management for banks as well their strategic decision making and the overall stability of banks in the UK.

Strengthening of Risk Governance and Capital Adequacy

Through regulatory reforms introduced after the financial crisis of 2008, many UK banks have strengthened their risk governance framework and implemented Basel III standards. Alongside the implementation, it is also required of supervision over UK banks which improved capital and liquidity positions through higher levels of capital adequacy ratios (O'Connell, 2023). The result has demonstrated an increasing trend of embedding regulatory expectations within the internal structures of UK banks through the establishment of independent Risk Committees. It also demonstrated the development of formalised Risk statements and guidelines at the highest levels of governance.

These changes have had a significant positive impact on financial stability as they have reduced levels of excessive risk-taking and enhanced banks. The implementation of Capital Conservation Buffers and Stress Testing requirements has resulted in banks being required to adopt a much more forward-thinking approach to risk management. The evidence reflects the inherent trade-off between stability and profitability that can be found throughout the study. The evidence also demonstrates that the introduction of a regulatory-driven capital discipline has improved the resilience of some banking institutions.

Regulatory Influence on Financial Risk Management Practices

Results of the research illustrate how the evolution of regulatory requirements has materially affected the Financial Risk Management practices of UK Financial Institutions. Most financial institutions continue to primarily use traditional risk measurement methods such as Value-at-Risk and Credit Risk Models (Bandyopadhyay, 2023). Also, now it is required to utilise additional techniques such as Stress Testing, Scenario Analysis and Supervisory Review Process required by regulation. Additionally, as a result of regulatory expectations, financial institutions are implementing increased transparency in their risk measurement models and validation procedures (Chae, 2021).

The analysis indicated that there are also concerns regarding regulatory complexity due to the frequency of updates of guidelines and reporting standards that have occurred resulting in an increased cost. While navigating through these types of Challenges has been problematic for Financial Institutions, the overall effect of Regulatory Evolution appears to have been stabilising.

Impact on Financial Stability and Performance

The findings from the secondary study strengthen the evidence that the Evaluation of Regulation has played an important role in building resilience for UK banks, particularly through the COVID-19 Pandemic. Strong Liquidity Coverage Ratios allowed banks to absorb market disruption while still paying attention to the financing needs of economic activity (Tran et al., 2022). The research demonstrates that regulatory actions taken during a crisis, provided regulatory flexibility that affect long-term stability goals.

This flexibility has built community confidence in the regulatory frameworks and reduced systematic risks. However, when assessing the performance perspective, the findings are mixed. While banks' operational stability has increased, evidence exists that the increase in regulatory compliance costs has produced a decreased profitability for banks. This regulatory effectiveness must be evaluated by long-term sustainable financial performance.

Strategic Decision-Making and Compliance Pressure

The regulatory influences on UK banks' strategic development are another significant trend of this secondary study. This shows how the regulatory framework has affected the banks' strategic priorities relating to product development, geographical growth, and allocation of investment (Liu, 2024). As a result of these influences, banks now appear more reluctant to pursue them compared to other options. However, they continue to embrace the advantages of being secure and following the rules when making their business decisions. Risk management became increasingly important for banks to develop senior management that indicates a movement towards a proactive approach to regulatory strategy (Adebayo, 2025). A proactive strategy identifies future trends in regulations and how these trends will impact banks' business activities.

Emerging Risks with the Bank

According to the secondary study analysis, there has been an increased recognition of the growing significance of non-traditional risk within current and future frameworks. It primarily focused because of the regulatory direction from the Financial Conduct Authority and Bank of England in relation to requiring banks to implement a process to assess climate-related risks within their risk management programs (Moudud-UI-Huq, 2023). The analysis demonstrates that the current process of ESG integration is still evolving. The inclusion of environmental,

social and governance (ESG) factors is causing banks to rethink their approach to managing and defining their risks and is changing the way they think about or define their risks.

Based on regulations, banks are required to assess long-term environmental risks in addition to their normal assessment of financial risks. Such an evaluation of environmental risk creates additional challenges for banks in terms of data availability, modelling capability, and governance accountability (Li, 2023). While regulatory requirements related to ESG include additional complexity, the analysis supports the view that it addresses climate change and sustainability related systematic risks.

Implication of the Results

Evolving regulations have transformed how UK banks manage the risks associated with their operations and how resilient they are to financial shocks. While regulatory reform has improved the strength of governance within the banking sector and increased resilience to financial shocks, there are also negative impacts in terms of increasing operational complexity and limiting profitability. However, the findings demonstrate a clear link between the evaluation of regulation, the evolution of risk management practices, and the financial stability of banks in the UK.

CHAPTER 5: DISCUSSIONS

5.1 Discussion of Results

These findings of this research mostly go in line with the existing literature that states that regulatory change has been a decisive factor in changing the ways risk are governed, financial risk management practices, and the entire stability of the UK banks in the wake of the 2008 Global Financial Crisis. Previous literature has again and again pointed out that the crisis has disclosed severe flaws in capital adequacy, liquidity management, and governance structure, which ultimately revealed the vulnerability of the banking system and the intervention of regulators in a stronger manner (Jungo et al., 2020).

Consistent with these arguments, the results indicate that capital positions have become more substantially stronger with the introduction of Basel III and its operationalization through CRD IV/V in the UK, specifically, by increasing the Common Equity Tier 1 (CET1) requirements and by adding more buffers to systemically important institutions. These actions have enhanced the ability of the banks to absorb the losses and endure the times of increased financial strain that agree with previous findings of Garbarino and Guin (2021).

Nevertheless, the findings indicate that the reinforcement of existing capital ratios is not the only method to explain why the new findings are based on the further conceptualization of the meaning of capital adequacy in banks. Capital requirements are being incorporated into broader governance frameworks, rather than been viewed as a regulatory minimum, capital requirements are more focus on board accountability, risk culture, and ethical responsibility.

Such observation indicates the arguments behind Adeniran *et al.* (2024) emphasis on risk governance being ineffective without quantitative controls as well as the role of qualitative oversight and leadership commitment. Simultaneously, the results indicate that such increased expectations of governance can slow down the process of decision-making and limit managerial discretion, meaning that enhanced governance can also pose certain operational problems.

On the financial risk management practices, the results are quite close to the existing literature that has revealed that the regulatory pressure has enhanced the use of advanced risk assessment instruments among the banks in the UK. Value at Risk (VaR), stress testing, scenario analysis, and Internal Capital Adequacy Assessment Processes (ICAAP) are now being properly

incorporated into the risk management procedures of banks as opposed to being viewed as one-off compliance activities only (Adeniran *et al.* 2024). This confirms the thesis of Ahmed (2022) that stress testing, specifically, has over the years developed to become a key instrument of management that is employed to determine weaknesses and improve resilience to unfavourable macroeconomic conditions.

Simultaneously, the results resonate with issues about the drawbacks of overdependence on quantitative models expressed in the literature. The failure of such models to anticipate systemic and tail risks prior to the financial crisis has led regulators to place greater emphasis on qualitative judgement, governance oversight, and organisational culture. This shift reflects a broader recognition that technical sophistication alone is insufficient to manage complex financial risks, and that human judgement and accountability remain critical components of effective risk management.

The immediate effects of capital adequacy and governance structures strengthen the apprehension of banks about their risk. However, compliance with regulators has been through a change of informal mechanism. It gradually integrated institutional attitudes towards the terms of uncertainty, prudence, and sustainability in the long term. This shift in behaviour of banks can be seen through their giving importance to resilience and continuity than to short-term profitability. However, instead of saturating themselves with aggressive growth strategies, the banks showed caution in terms of their balance sheet expansion.

This process explains that regulation is not purely an external constraint but rather a disciplining force. It significantly influences organisational norms and their primary strategic priorities over time (Khan *et al.*, 2022). The analysis also underlines that the effectiveness of regulation in the UK's banking sector should not only be measured by the usual indicators such as capital ratios or liquidity measures. The effectiveness is to be measured by the extent to which the regulatory frameworks support the banks' anticipatory capacity.

Also, it is demonstrated that stress testing and scenario analysis performed by the supervisors have been significantly important in this. These instruments motivate the banks not to rely on past data only and to have a more active perception of risk, especially during times of economic uncertainty. The future oriented attitudes prioritise the stability of the financial system as it decreases the probability of abrupt and chaotic changes during stressful times.

The findings signify that the growing intricacy of these regulations is the main reason for creating new coordination problems within banks. Compliances have been shared rather widely among the departments of risk management, finance, sustainability, legal, and strategy units. Through such integration increases supervision, it also amplifies the danger of inflexibility and the delay of decision-making. The argument also points out that regulatory pressure might create internal tensions which could be a factor in the loss of strategic agility.

This underlines the need for a system of regulation that is responsive to the situation, whereby the demands of the supervisors are in line (Tran *et al.*, 2022). It increases the ability and reduces the complexity of the institution rather than being applied uniformly across the sector. Additionally, the research points out the significance of the credibility and consistency of regulation in financial stability.

The UK regulatory response to the COVID-19 crisis, which was marked by temporary capital buffer releases and a little flexibility. This trust not only increased the impact of the policies but also reduced the uncertainty at a critical time. Thus, it provides the regulations, which are both credible and adaptive, and can stabilise the market without giving up the long-term prudential objectives. The research results also push the argument regarding post-Brexit regulatory self-government further.

The UK's move away from the EU in terms of regulations would be an opportunity for it to make its financial regulations more in line with its own needs. However, it would cause uncertainty for the banks that operate globally at the same time. The research implies that the UK might have more influence in its strategy but the banks must struggle with more complicated compliance due to the existence of global and domestic standards co-existing (Ferran, 2023).

This contradiction underscores the need for regulatory coordination and clarity, particularly in the case of institutions that are present in more than one jurisdiction. Additionally, the research highlights that the increasing importance of ESG factors and climate risks is a major change in the concept of financial stability.

Regulators are no longer treating sustainability as just a matter of reputation or ethics. They are increasingly framing the risks associated with ESG as financial threats with long-term implication. This practice increases the banks' long-term resilience to allocate resources for developing new analytical capabilities.

In addition to the direct improvement of capital adequacy and institutionalisation of the risk governance frameworks, the findings indicate that, regulatory reform in the UK banking sector has led to a more fundamental institutional shift in the perception, internalisation, and management of risk.

Regulation ceases to be merely an external mean of enforcement but is more and more becoming an internalised organisational logic to inform managerial cognition and long-term strategic orientation. It is consistent with the views of institutional theory that state that, over time, the constant institutional pressure may transform organisational norms, values, and decision-making patterns instead of just binding the behaviour (Khan et al., 2022).

The results also indicate that the business model of UK banks has been changed post-crisis as the new regulatory system has made them conservative and resilience oriented. Although this change has increased the stability in the systems, it brings about certain fears regarding potential risk aversion and poor credit intermediation especially among small and medium-sized enterprises (SMEs). A number of studies claim that overly conservative regulation can unintentionally hamper productive investment and innovation in the actual economy, particularly in the extended periods of low-interest rates (Oyeniyi *et al.*, 2021). This indicates that there is a serious policy dilemma in the sense that as regulation increases the financial stability it can also create second-order economic impacts that are beyond the banking industry.

The extension of prudential supervision to incorporate the ESG and climate-related risks is another conceptual extension of financial risk. In contrast to the conventional financial risks, climate and sustainability risks are distinguished by the prolonged time perspective, uncertainty of data and a complicated channel of transmission. The results show that the UK regulators have done well in integrating these risks in their stress tests and supervisory requirements, but the banks are still in the process of maturing their operations. This confirms the new literature indicating that integration of ESG risk is still more of an exploration, not prediction, with significant reliance on scenario-based judgement instead of an effective quantitative modelling (Li, 2023). However, this regulatory focus can become an innovation spur in risk analytics and governance systems in the long-term perspective.

Moreover, the Brexit regulatory environment also presents an extra strategic uncertainty level. Although the regulatory autonomy provides the UK with flexibility in adapting prudential rules to local financial conditions, the risk of a divergence between the EU standards will add to the

complexity of compliance to international banks that will operate in the UK. The results indicate that consistency, transparency, and cooperation with the international standard-setting organizations will be critical to the effectiveness of the regulations in this regard, so as to prevent fragmentation of the regulatory system.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Summary of main findings

This paper aimed to explore how changing regulatory demands are affecting the financial risk management practice and stability among the UK banks. Various important findings were drawn that cumulatively sum up the transformational nature of regulation in regulating the current UK banking environment by employing qualitative thematic analysis of regulatory reports, corporate reports and literature. Among the key research findings is the fact that prudential regulation has been playing a major role in enhancing the resilience and stability of the UK banks.

The changes in regulation that have been brought about by the global financial crisis, and which have been heightened in the post-pandemic phase have increased capital adequacy, liquidity buffers and stress-testing mechanisms. The Basel III requirements, coupled with the attention paid to them by the Prudential Regulation Authority (PRA), has forced banks to take a more conservative risk profile and a higher-quality capital. These have made the systems more resilient and enhanced the ability of banks to absorb financial shocks.

It is also found that changing regulatory demand has essentially changed internal financial risk management frameworks. Risk management has ceased being a compliance-based operation to a strategic governance tool that has been integrated into organisational decision-making. The UK banks have tightened their risk governance frameworks, enhanced the position of chief risk officers and incorporated regulatory expectations on enterprise-wide risk assessment mechanisms. Stress testing, scenario analysis and risk appetite models have become the focal point of regulating compliance with the strategic planning.

The other important finding is associated with the increasing regulatory focus on non-traditional and emerging risks in the form of environmental, social and governance (ESG) risks. The study concludes that the UK banks are becoming increasingly dependent on integrating financial risks associated with climate in their risk management and disclosure systems. This change is indicative of a wider regulatory understanding of the fact that long-term financial stability is strongly interconnected with the questions of sustainability. Although this has led to improved forward-looking risk assessment, it has also made the banks have complex methods of risk assessment in addition to increased problems in the data analysis.

Regardless of the fact that regulation plays a positive role in stability, the results show that both the regulatory complexity and the compliance burden have grown significantly. Banks are subject to converging and changing regulatory demands especially in the post Brexit landscape where regulatory divergence has brought about ambiguity. Operational pressures on banks have been instigated by compliance, reporting requirements and governance requirements at the cost of innovation and strategic flexibility.

In general, the study concludes that although changing regulatory demands have increased the stability and resilience of the banks in the UK, they also have augmented operational complexity and the level of compliance intensity. Effectiveness of regulation does not just lie in the strength of regulatory frameworks but also in the capability of the banks to incorporate regulatory expectations in adaptive and forward-looking risk management systems.

6.2 Conclusion based on the research objectives

In this section, the study clearly connects the findings with the research objectives to show how each of the objectives has been accomplished

Research objective 1: The first objective that sought to critically examine the development of the UK banking regulatory framework since 2008 was met by critically examining post-crisis reforms such as Basel III, CRD IV/V and the establishment of the PRA and FCA. The results validate that the evolution of regulation changed the UK banking system towards more critical prudential regulation, better governance frameworks and greater resilience of the system.

Research objective 2: The second objective attempted to examine the role of changing regulatory demands in influencing financial risk management practices. It showed that regulation has shifted the role of risk management based on compliance-based activity and strategic governance. It has been found that stress testing, ICAAP, risk appetite frameworks and other advanced tools are now integrated into strategic decision-making procedures while complying with the regulations.

Research objective 3: The third objective investigated the trade-offs between regulatory compliance, profitability, financial stability and innovation. This demonstrated that improved regulation has strengthened financial stability while increasing compliance cost, strategic flexibility and constrained lending capacity in low-interest-rate and post-Brexit contexts.

Research objective 4: The fourth objective highlighted new regulatory priorities such as the UK banks are progressively integrating ESG and climate-related risks measures into their risk management system. Although, this integration is not balanced, and it poses issues of data availability, modelling uncertainty and accountability of governance.

6.3 Conclusion based on the research questions

In this section, the conclusion arrived at in direct relation to research questions that are guiding the study, hence bringing the analytical insights of the research together.

Research Question 1: What has been the impact of changing regulatory requirements on the practice of post-2008 global financial risk management in banks in the UK?

The initial research question focused on how the changing regulatory requirements have impacted the financial risk management practice in the UK banks. The research paper finds that the phenomenon of regulatory evolution has been central in transforming risk management, which was a reactive compliance task, to a strategic and governance asset. The regulatory provisions of the PRA, FCA, and international standards have forced the banks to institutionalise risk governance, improve transparency and use state-of-the-art risk measurement instruments. This has consequently seen financial risk management at UK banks become more organised, proactive and cross-cutting at the organisational level.

Research Question 2: How do regulatory changes impact the financial risk management and governance system of the UK banks?

The second research question was based on how much the regulatory changes have led to the stability of the UK banking sector. It is evident that the findings revealed that changing regulatory needs have enhanced financial stability through the increased capital resilience, better liquidity management and stricter stress-testing capacity. The UK banks are in a position to endure macroeconomic shocks, market volatility and systemic stress better than during the pre-crisis time. The government regulation has thus worked in minimizing the systemic risk and regaining confidence in the banking system.

Research Question 3: What are the trade-offs between innovation, profitability, regulatory compliance and financial stability?

This research paper concludes that the regime modifications have been considerably and mostly stabilizing to the financial health and performance of the UK banks. The Basel III and CRD IV/V post-crisis reforms have increased capital sufficiency, liquidity status, and risk management, which have improved the risk resistance of banks to economic shocks. Although these steps have enhanced the stability of the system and minimized the risk of bank collapse, they have also raised the compliance expenses and limited profitability and lending capacity. Regulatory changes have facilitated long-term financial health, and sustainability, with the current trade-offs between stability, operational efficiency, and performance being persistent.

Research Question 4: What are the possible impacts of compliance pressures on the strategic decision-making of the risk management teams at the UK banks?

The third research question concerned the compliance pressures on the strategic decision-making of the risk management teams that were connected with the changing regulatory needs of the UK banks. The research ends by finding out that although regulation has provided stability, it has brought forth some hurdles concerning the complexity of regulation, cost of compliance and a limitation on strategy. The regulatory climate that has emerged after Brexit has brought more uncertainty and the demands of ESG-driven regulations have brought more demands in the field of analytical and reporting. These issues demonstrate the necessity to have proportional and flexible regulatory frameworks that would strike the balance between stability goals and efficiency in operations.

Lastly, the research finds that the connection between stability is dynamic as opposed to being static. The best form of regulation is to ensure that there is consistent matching between the regulatory objectives and the institutional capabilities. Banks which have incorporated advanced regulatory expectations in their strategic risk management models will be in a better position to attain compliance with stability in the long run. In conclusion, the study shows that the changing regulatory needs have associated with the UK banks financial risk management and stability predominantly in a positive way though with significant trade-offs in operations. The results highlight the significance of regulatory consistency, institutional flexibility and prospective risk regulation in maintaining a robust and uniform banking system in the UK.

6.4 Recommendations

6.4.1 Practical Recommendations

The practical viewpoint calls for the UK banks to put their energy in taking risk management even deeper into the strategic decision-making process. It would mean that they no longer consider it as an independent compliance function. However, it is true that some regulatory instruments such as stress testing, ICAAP, and capital planning have already been implemented in the banks. They are being used in a manner that will further strengthen the alignment of these tools with the business strategy, capital allocation, and long-term growth in the areas of the bank (Birindelli, 2022).

The result of this would be a situation where the regulatory compliance will be the one that first imposes the boundary of the resilience without doing the innovations. However, banks will have to scale up their investments in data infrastructure and modeling capabilities to the next level. The current risk models that are predominantly backward-looking, might not be able to totally reflect the transition.

Additionally, the regulators such as PRA and the FCA should not flag the adoption of a proportional and adaptive supervisory method. Also, the regulators should keep on using such practices with significant standards. Its complexity and risk profile would support maintaining stability by shaping regulatory intensity according to the institutional size.

6.4.2 Theoretical Recommendations

The privacy of bank regulation and crisis prevention must be viewed from a wider lens in the near future. It demonstrates the financial market as an effect of risks that are interconnected and actively managed through the regulatory processes. This would acknowledge the influence of culture, motivation, and management on the character of risk-taking.

The outcomes are in with the theories that argue financial stability rather than purely numerical situation is a socially constructed and institutionally embedded outcome. Moreover, current regulation theories could be a step further in the direction of better comprehension of regulatory adaptation and the role of regulators.

The UK's handling of the COVID-19 pandemic is an example of how regulatory flexibility can keep the financial system stable (Mateev, 2021). The growing regulatory attention to ESG risks points to the necessity of prolonging financial risk management theory to the future.

The risk theories that give importance to short-term volatility and historical data might not be suitable for dealing with climate and sustainability-related risks. The incorporation of ESG factors into prevailing risk theory would offer a more extensive platform for the comprehension of long-term financial stability.

6.4.3 Policy Recommendations

Policy wise, regulators such as PRA and FCA must keep to a proportional and adaptable regulatory strategy which regards the level of supervision to the scale and risk profile of institutional size. This would contribute to alleviation of excessive compliance loads and financial stability. Furthermore, the ESG risk integration should be subject to further standardisation to be less uncertain and enhance inter-institutional standardisation. Strategic coordination of the regulations in the post-Brexit environment would also increase the level of certainty among internationally operating UK banks and facilitate long-term competitiveness.

6.5 Limitation of Research

Though the research delivers significant understandings of regulatory requirements' effect on UK banks', it points out some limitations which need to be recognised. The research relies solely on secondary qualitative data, which consist of academic literature, regulatory publications, and financial corporate reports. Although the sources are credible and authoritative, the lack of primary data limits the ability to get first-hand perspectives on the regulatory implementation difficulties. Consequently, the study conveys written interpretations rather than the experiences of the organisations themselves. Additionally, the research employs an interpretivist and qualitative methodology which gives preference to depth of understanding rather than empirical generalisation.

Thematic analysis provides rich insights into the regulatory evolution and risk governance, yet the findings cannot be statistically generalized to all the UK banks. Using financial ratios or econometric models could have been a way to apply quantitative analysis and present the effects of regulation on banks' profitability or stability. Also, the research looks at the period of 2020 to 2025 only to be able to get the main developments in the areas of post-pandemic,

post-Brexit, and ESG-driven regulations (Duong *et al.*, 2023). Although this aspect makes the research contemporary and relevant, it also restricts the long-term comparative analysis. However, the impacts of regulations are usually gradual and span over a long time.

Thus, short-term observations may not be able to capture the full extent of structural outcomes in the long run. The primary focus of this research is on the large and systematically important banks in the UK, as these institutions are the most active in providing disclosures.

6.6 Recommendations for Future Work

- UK banks should include the use of primary data collection methods in their future research such as semi-structured interviews, risk managers, and top managers.
- Organisations should use a variety of methodologies that are primarily quantitative or mixed in nature to enhance the quantitative findings.
- Organisation's future research could have a fruitful outcome if the regulatory impacts are assessed through longitudinal studies which last long.
- The UK's regulatory regime and that of the EU or US could be compared to each other which would be a good source of information about the efficacy of different regulatory systems.
- Institutions need to look into the experiences of small and medium-sized banks that operate purely online and new banks that aim to take over the market. These banks may have to pay more for compliance and have a limited scope of operation.
- Companies should focus on the banks' creation of models, governance structures, and technical support for handling ESG and climate related financial risks.
- Organisations should look into how the regulatory frameworks have been changing as digital banking and financial technologies' risks, rules keep growing in order to manage cyber security while ensuring financial stability.

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