What to expect: UK financial services regulation in 2026

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Introduction

Global financial regulation stands at a crossroads. The accelerating pace of change, technological disruption, and diverging regional agendas are now converging in 2026, bringing the geopolitical and economic impacts of this new reality into sharp focus. As governments prioritise growth and competitiveness, jurisdictions are re-evaluating the post-global financial crisis settlement on financial stability. This shift is prompting regulators worldwide to consider how to balance the competitiveness of their regimes with the need to maintain stability, as competition and regional divergence increasingly shape the regulatory landscape.

At the same time, external threats are increasing. Cyberattacks have escalated in both frequency and sophistication, with high-profile incidents underscoring the risks of data breaches and operational disruptions. Meanwhile, financial crime is intensifying, fuelled by bad actors using new technologies. These developments are putting regulators under mounting pressure to address vulnerabilities to fraud, money laundering and organised crime.

In parallel, emerging technologies that have contributed to these risks are also driving change in the delivery of financial services, with firms exploring ways to improve operational efficiency, reduce costs and transform customer experiences.

This paper focuses on UK regulation, linking these global trends to the national market, and highlighting changes that will be key to firms in 2026. Its sister publication, our Global Regulatory Outlook 2026, looks at how these trends are impacting regulation and, perhaps more importantly, regulatory divergence at an international level.

Executive summary

Growth has become the central theme driving the UK's political and regulatory agenda. The government has set a clear direction: for too long the country has been regulating for risk, and it is time to regulate for growth. In 2025, it has set out these ambitions and clarified its goals with the publication of its financial services competitiveness strategy[1]. As a result, expectations of regulators are now clearer.

1 "Financial Services Growth and Competitiveness Strategy", UK Government, Financial_Services_Growth_Competitiveness_Strategy_final.pdf, 15 July 2025

The Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA) have, in turn, responded, setting out their own action plans. As we approach 2026, HM Treasury will be looking for evidence of delivery and will begin assessing whether the regulators are translating ambition into action.

This shift is formalised through the Regulation Action Plan, which introduces stronger performance and accountability measures.[2] Financial services regulators will be tracked via a new Regulator Dashboard displaying Key Performance Indicators (KPIs) and may be subject to independent expert reviews.

Nonetheless, regulatory priorities remain complex. External threats such as cyberattacks and market volatility continue to weigh heavily on regulators' minds, alongside unresolved issues stemming from the March 2023 banking turmoil. The ongoing motor finance redress also reflects a challenge: how to allow for greater consumer risk without opening the door to widespread consumer harm.

This tension between growth and risk has led to different responses from the PRA and FCA. The PRA has made it clear that it has relatively limited appetite to compromise on ensuring the delivery of its objective to maintain the safety and soundness of authorised institutions, and indeed sees it's best contribution to growth as securing a resilient financial services sector.[3] The FCA, by contrast, has been more vocal in signalling a shift in its approach and policy framework, aligning more visibly with the growth agenda.

However, in practice the FCA has continued its emphasis on outcomes-based regulation. Even as it seeks to support innovation and competitiveness, the FCA remains focused on safeguarding consumer protection, a key statutory duty that inevitably limits the scope for major deregulatory moves.

The next year will be pivotal, and the industry should watch closely to see how regulators' approaches to growth are judged by HM Treasury. Should progress fall short, more direct intervention may follow.

Against this background, firms that will succeed will:

- Demonstrate support for the growth agenda, using it as a means to engage with government and regulators to influence policy.
- Stay alert to enduring regulatory priorities, and in particular recognise those areas that are unlikely to see a reduction in regulatory rules or standards.
- Leverage any reduction in regulatory burden and seize emerging opportunities to drive strategic growth.
- Harness new technologies to boost efficiencies, whilst anticipating and managing regulatory concerns, including meeting expectations under outcomes-based regulation.
- For firms operating internationally, accept that there will be longer-term regulatory divergence that will be a cost of doing business, and seek to manage those costs where possible.

2 "Regulation Action Plan – Progress Update and Next Steps", HM Treasury, Regulation_Action_Plan_-_Progress_Update_and_Next_Steps_.pdf, 21 October 2025

3 "Competitiveness and growth: the PRA's second report", Prudential Regulation Authority, Competitiveness and growth: the PRA's second report, 26 June 2025

Insight into this report

The first section looks at the increasing pressure on the UK's regulators to focus on supporting economic growth by making the UK a more attractive base for global firms, unlocking productive investment, and reducing unnecessary regulatory burdens. This focus on growth is shaping how regulators will approach regulation in 2026, with policy decisions and supervisory priorities increasingly viewed through the lens of their impact on productivity, innovation and investment.

The second section considers what firms can expect from the supervisory approach of the FCA and the PRA. Whilst both regulators have aligned themselves with the government's growth agenda, their supervisory approaches reflect subtle but important differences in how they balance growth with regulatory objectives. The FCA is adopting a more data-driven, outcomes-focused and proportionate approach, streamlining communications and leveraging technology to support innovation and good consumer outcomes. In contrast, the PRA, whilst also increasingly data led, remains firmly committed to financial stability, maintaining traditional supervisory tools and a consistent emphasis on resilience and systemic risk, even as it explores targeted simplification.

The third section looks at how developments have driven four priority areas that will be important for all firms across financial services:

- **Financial crime:** Continued intense scrutiny and enforcement targeting financial crime, with a focus on fraud, anti-money laundering (AML), and emerging risks from digital innovation. Firms are expected to enhance controls, data quality and governance to keep pace with evolving threats.
- **Operational resilience and cyber**: With new standards in force, regulators will shift focus to supervisory scrutiny, requiring firms to embed resilience into change programmes, manage third-party dependencies, and treat cyber risk as a principal concern.
- **Artificial Intelligence (AI) in compliance**: AI will require firms to maintain robust governance, risk management and explainability of AI systems, with compliance teams actively overseeing AI deployment to safeguard fair and ethical outcomes.
- **Navigating volatility**: Amid heightened economic and geopolitical uncertainty, regulators will continue to emphasise proactive risk identification, robust stress testing and contingency planning, with a focus on ensuring firms' resilience and preparedness for market disruptions.

Finally, the fourth section considers how the regulatory drivers and supervisory approach are setting sector specific priorities across: insurance, wealth and asset management, pensions, capital markets and wholesale banking, retail banking and payments.

The growth agenda

UK government has set out an ambitious growth strategy, with availability of investment capital and the broader strength of financial services as critical pillars.

Economic growth is essential as government finances are under pressure following a rise in public debt over a period including the 2008 financial crisis and the COVID-19 pandemic. In January 2008, before the financial crisis, net public debt stood at 34.8% of Gross Domestic Product (GDP).[4] Recent data shows that it has risen to 96.1% of GDP.[5]

In addition, the period of historically low interest rates following the financial crisis has ended, increasing the cost of funding the deficit.

Meanwhile, on the other side of the balance sheet, the population is ageing. In 2022, 19% of the UK population were aged 65 or over, with the figure forecast to rise to 27% by 2072.[6] This is creating pressure to increase spending in areas including health and pensions, and reduces the relative size of the working population.

At the same time, the ability to raise tax receipts has been limited during a period of low economic growth. In recent decades, growth was boosted by immigration rather than productivity gains. As the government seeks to raise the contribution of productivity, it needs to establish a dynamic economy that is attractive to capital and investment.

Financial services regulation has been in the spotlight given its role in facilitating the efficient allocation of investment capital. Regulation both directly reduces the amount of investable capital, via prudential requirements, and imposes costs that, especially when rules go beyond necessary minimums or firms "gold plate" compliance, restrict innovation and growth.

The challenges faced are not unique to the UK, and many of the drivers are global, with pressure internationally to adopt policies that drive growth and increase domestic employment, such as the "America First" doctrine. The resulting policies, alongside wider geopolitical pressures, including armed conflict, have shrunk the space for genuine international cooperation and agreement, including on regulatory standards.

Whilst the current global environment and reductions in international cooperation can pose a significant challenge for firms operating across jurisdictions, the situation also presents an opportunity for the UK to leverage financial services for growth.

Regulatory levers can be used in a number of ways, and we expect regulators to apply this lens when making decisions. Options include:

- Making the UK a more attractive base for global firms, or reducing the incentives to leave – for example, easing capital requirements, offering concierge-style regulatory support, and speeding up authorisations.
- Moving more UK savings into productive investment – for example, through the Advice-Guidance Boundary Review.[7]
- Driving more productive use of capital held in the UK, with longer-term investing, and higher-risk and higher-return investing – for example, via pension reforms.
- Reducing unnecessary regulatory burdens on firms – for example, via reforms to the Senior Managers and Certification Regime (SM&CR), redress reforms, and more targeted data collections.
- Supporting high-growth firms that are scaling within the UK – for example, via the launch of a new Scale-Up unit, led jointly by the FCA and PRA.[8]

4 "Working Paper no.7, Table 1.1", Office for Budget Responsibility, WorkingPaper7a.pdf, September 2014
5 "Public sector finances, UK: July 2025", Office for National Statistics, Public sector finances, UK July 2025.pdf, 21 August 2025
6 "The UK's changing population", UK House of Commons Library, The UK's changing population, 16 July 2024
7 "Feedback: Advice guidance boundary review", FCA, Feedback: Advice Guidance Boundary Review | FCA, 15 November 2024
8 "Chancellor unveils plans to 'supercharge' growth of innovative financial services firms", HM Treasury, Chancellor unveils plans to 'supercharge' growth of innovative financial services firms - GOV.UK, 24 October 2025.

To support the growth agenda, the FCA is considering how to rebalance risk and unlock areas where regulation could be changed or removed. Nikhil Rathi, Chief Executive of the FCA, has highlighted that the regulators recognise the role they play in shaping how the market functions.[9]

However, there is also an inherent tension between enabling broader access, such as through reforms to affordability standards, and the potential for adverse outcomes for some consumers. To address this, the regulators will want the government to take shared ownership of risk appetite and articulate it in risk metrics.

The growth agenda is likely to shape the UK regulatory environment in the years ahead as regulatory policy focuses on measures that can either directly or indirectly reduce burdens or incentivise productive investing in the UK. The agenda was outlined with the publication of the Leeds Reforms, which will dominate the regulatory agenda in the years ahead.[10] They sit alongside the ambitious pension reforms outlined in Workplace Pensions: A Roadmap.[11] The impact of this agenda will be felt across all sectors covered in this report.

9 "Reappointment Letter to the Board of the Financial Conduct Authority - Nikhil Rathi to Chancellor", HM Treasury, Reappointment Letter to the Board of the Financial Conduct Authority - Nikhil Rathi to Chancellor (Accessible) - GOV.UK, 10 April 2025

10 "Leeds Reforms to rewire financial system, boost investment and create skilled jobs across UK", HM Treasury, Leeds Reforms to rewire financial system, boost investment and create skilled jobs across UK - GOV.UK, 15 July 2025

11 "Workplace pensions - a roadmap", Department for Work and Pensions, Workplace pensions: a roadmap - GOV.UK, 5 June 2025

FCA and PRA supervisory approach

In 2025, the FCA revised its supervisory approach, moving to one that is data-driven, targeted and measured. Whilst the FCA remains vigilant and proactive, there is a conscious effort to be more proportionate in any interventions. The PRA will continue to pursue its agenda of instilling stability and confidence in the financial system through its regulatory regime.

Number of FCA and PRA Enforcement Cases

FCA	2023/24	2024/25
Open enforcement cases	188	130
Voluntary Requirements / written undertakings	104	199
Own initiative requirements (OIREQ)	17	7

PRA - Open investigations[12]	2023	2024
Firms	5	6
Individuals	11	10
TOTAL	16	46
PRA - Enforcement actions		
TOTAL	3	3

Regulators' dual focus

In line with the government's growth agenda, regulators have signalled the importance of smarter regulation as a means to support growth and competitiveness.[13] Recent reforms have focused on rulebook simplification, streamlining reporting and the authorisation processes to unlock investment and growth. On top of these process reforms, structural changes to the regulatory model are also underway. In the payments sector, the Payment Systems Regulator (PSR) will be consolidated into the FCA to simplify the regulatory regime, with legislative process to follow in 2026.[14] In the insurance sector, the PRA and FCA are looking to reduce burdens by relying more on Lloyd's of London's assessments.[15]

FCA: outcome-based regulation

A cornerstone of the FCA's refined approach is being data-led and focused on outcomes, rather than setting out prescriptive rules. This approach will likely shape future regulation and supervision technologies, including AI and other emerging technologies such as distributed ledger technology (DLT).[16]

PRA: financial stability

The way in which the PRA is delivering on the growth objective is different. There is no appetite from the Bank of England to "compromise on basic financial stability",[17] and the PRA has signalled it is remaining firm: that there is "not a fundamental trade-off between growth and financial stability".[18] As such, firms can expect traditional supervisory tools and approaches to be deployed by the regulator, although, noting the volatility discussed in the cross-cutting priorities section, firms should expect heightened supervisory focus on how they are anticipating and responding to systemic risk and vulnerabilities.

12 "The Bank of England's approach to enforcement", Bank of England (BoE), The Bank of England's approach to enforcement | Bank of England, 31 July 2025

13 "Rebalancing risk to facilitate innovation and growth", Financial Conduct Authority (FCA), Rebalancing risk to facilitate innovation and growth | FCA, 22 September 2025

14 "Regulatory Initiatives Grid", Financial Conduct Authority (FCA), Regulatory Initiatives Grid | FCA, 14 April 2025

15 "Lloyd's managing agent authorisation process to be streamlined to support growth", Bank of England, Lloyd's managing agent authorisation process to be streamlined to support growth | Bank of England, 7 July 2025

16 "CP25/25: Application of FCA Handbook for Regulated Cryptoasset Activities", Financial Conduct Authority (FCA), CP25/25: Application of FCA Handbook for Regulated Cryptoasset Activities | FCA, 15 October 2025

17 "Oral evidence: Bank of England Financial Stability Reports, HC674", House of Commons, Treasury Committee Oral evidence: Bank of England Financial Stability, 22 July 2025

18 "Are we underestimating changes in financial markets? - speech by Andrew Bailey", Bank of England (BoE), Are we underestimating changes in financial markets? - speech by Andrew Bailey | Bank of England, 11 February 2025

Change in tone

The FCA has streamlined its communications with firms. From April 2025 onwards, the FCA stopped its practice of issuing "Dear CEO" or portfolio letters, and instead opts for more focused, firm-specific communications. The FCA also increased engagement through a monthly Regulation Round-up newsletter and LinkedIn articles posted by FCA directors to convey expectations less formally. This change in tone – echoed in speeches about adopting a "proportionate approach" to regulation – reflects an intent to reduce unnecessary burdens on firms whilst still upholding standards.

The PRA, meanwhile, is not deviating from its consistent emphasis on maintaining financial stability in its communications, and any tonal shift from the PRA does not reflect a substantive change in regulatory or supervisory approach. Identifying new and emerging risks is a strategic priority for the PRA, and it is expressing the importance of flexibility and responsiveness to new and emerging risks into its approach.[19] There is also appetite at the PRA to simplify where this makes sense. To that end, the PRA is seeking to reduce reporting requirements for banks through the Future Banking Data project.[20]

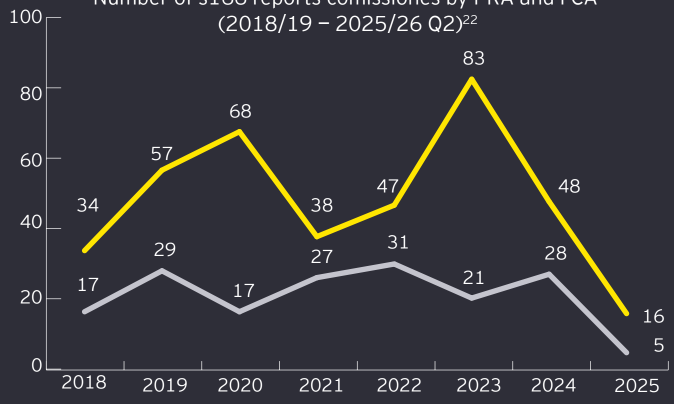
Skilled person reviews

Latest skilled person review data has signalled a return to a more reserved use of s166s, reflecting an intent to opt for engagement before escalating to a s166.[21]

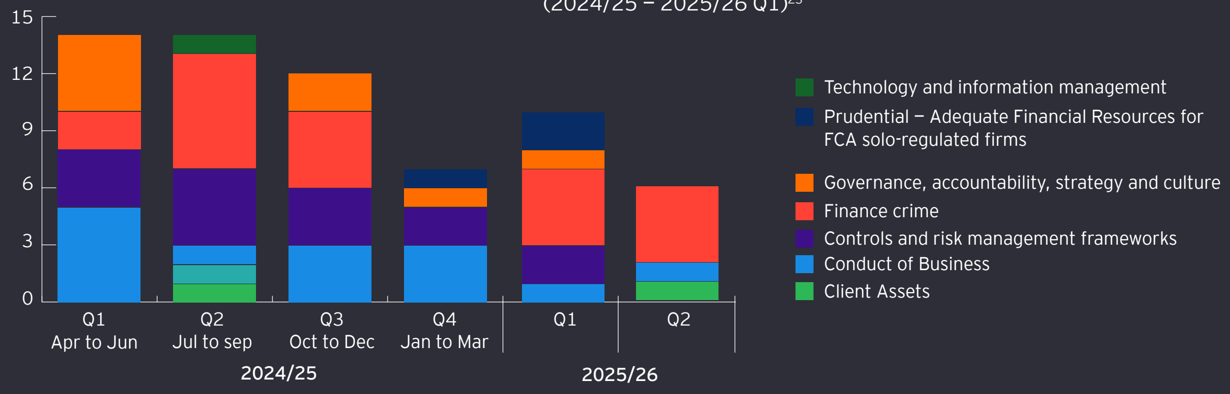
Nonetheless, in the last six months, we saw a spike of s166 reviews commissioned by the PRA under the Prudential Lot, with a particular focus on the quality of data submitted in regulatory returns.

Firms should continue to expect heightened supervisory intensity that is targeted to specific risks including, financial crime, stress-testing, threat-led penetration testing, and thematic reviews, alongside business-as-usual supervision.

Number of s166 reports comissiones by PRA and FCA (2018/19 – 2025/26 Q2)[22]



FCA – Number of s166 reports commissioned (2024/25 – 2025/26 Q1)[23]



19 "Prudential Regulation Authority Business Plan 2025/26", Prudential Regulation Authority, Prudential Regulation Authority Business Plan 2025/26 | Bank of England, 10 April 2025

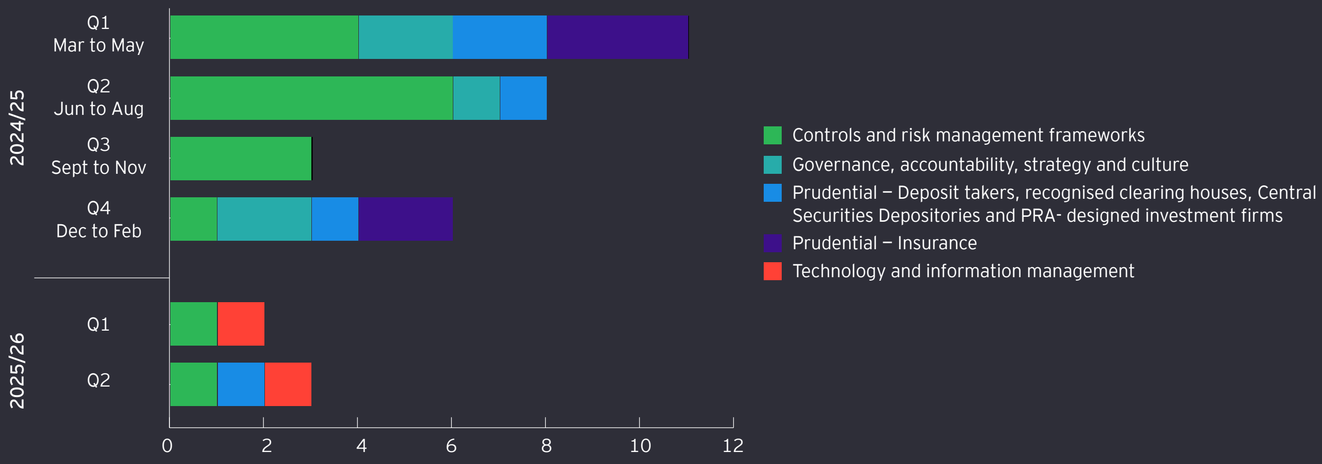
20 "CP21/25 - Future banking data review: Deletion of banking reporting templates", Prudential Regulation Authority, CP21/25 - Future banking data review: Deletion of banking reporting templates | Bank of England, 22 September 2025

21 "Skilled person reviews", Financial Conduct Authority (FCA), Skilled person reviews | FCA, 24 November 2025; "Supervision", Bank of England (BoE), Supervision | Bank of England, 19 September 2025

22 "Skilled person reviews", Financial Conduct Authority (FCA), Skilled person reviews | FCA, 24 November 2025; "Supervision", Bank of England (BoE), Supervision | Bank of England, 19 September 2025

23 "Skilled person reviews", Financial Conduct Authority (FCA), Skilled person reviews | FCA, 24 November

PRA – Number of s166 reports commissioned (2024/25 – 2025/26 Q2)[24]



A new skilled persons framework

From April 2026 onwards, the regulators will adopt a new version of the skilled persons framework.[25] Whilst this is a routine refresh (the panel is re-tendered every four years), there are notable changes to the framework which signal emerging supervisory priorities.

Two new specialist "Lots" will be introduced: Market Abuse, and Trade and Transaction Reporting. Market abuse investigations, which previously came under the broader Financial Crime Lot, have been separated in response to the growing trend of market-abuse related s166s.

Similarly, separating Trade and Transaction Reporting into its own Lot signals a focus on the integrity of markets data, helping to ensure firms are accurately reporting trades so the market remains transparent and clean. This aligns with a wider push on market integrity: as the UK encourages capital markets growth, the FCA is keen to prevent any erosion of reporting standards or increase in market misconduct that could come with more activity.

Other traditional Lots, such as Client Assets and Safeguarding and Conduct of Business remain, but not without adjustments. For example, the Conduct of Business Lot now explicitly references the four Consumer Duty outcomes, reinforcing the focus on outcomes through supervisory tools.

We expect further refinement of supervisory tools and frameworks in line with the government's cross-cutting reform agenda. The direction of travel is clear: smarter, proportionate regulation, with greater clarity and consistency for the industry. Firms should prepare for a supervisory landscape that is more responsive, collaborative and targeted, but not less demanding in its expectations of good outcomes for consumers and the financial system.

24 "Supervision", Bank of England (BoE), Supervision | Bank of England, 19 September 2025
25 Ibid.

Cross-cutting priorities

1. Financial crime

Financial crime remains a central pillar of the FCA's 2025–2030 strategy.[26] Rather than any easing of expectations, the FCA is maintaining its efforts – evidenced by continued enforcement activity.[27]

In 2026, fraud will remain a key focus, as it represents the largest share of financial crime. Regulators will assess the impact of the Payment Systems Regulator (PSR) authorised push payment (APP) fraud reimbursement rules, whilst the new corporate "failure to prevent fraud" offence, effective from 1 September 2025, may bring early enforcement cases.[28] Money mules will also continue to be an area of focus for the FCA, following the FCA's findings earlier in 2025 that demonstrated the underestimation of this threat and underreporting of money mules to the national fraud databased.[29]

Anti-money laundering (AML) will also see heightened scrutiny. The FCA has committed to proactive reviews of AML controls in high-risk firms, with recent enforcement actions underscoring its readiness to act on deficiencies.[30] Whilst most firms are already under the FCA's financial crime supervision, the HM Treasury's upcoming reforms will formalise and expand the FCA's remit, particularly in areas where oversight was previously fragmented.[31]

Emerging technologies and innovations, including cryptoassets, are also under the spotlight. Firms can expect clearer guidance as the FCA finalises its expectations under the new crypto regime and addresses financial crime risks linked to digital innovation. In addition, whilst AI-enabled financial crime and fraud is on the rise, firms are increasingly utilising AI to combat financial crime. The FCA will continue to scrutinise the use of AI deployment to combat financial crime.

The FCA is leveraging data and technology to strengthen its oversight and become a more proactive regulator. This includes initiatives such as social media sweeps, collaboration with the National Economic Crime Centre's Data Fusion Project, and synthetic data pilots aimed at improving AML detection and market surveillance.[32] As the regulator becomes more agile in its use of data for supervision, firms are expected to follow suit by enhancing their own use of data and technology to detect, prevent and respond to financial crime.

UK firms will also need to be mindful of international expectations. The new EU AML regulator, Anti-Money Laundering Authority (AMLA), is due to start its direct AML supervisory of selected large EU firms, and is consulting on its new AML rulebook, which will impact those UK firms under its supervision.[33] Meanwhile, in the US, FinCEN's March 2025 amendment narrowed beneficial ownership reporting, limiting foreign entity disclosures.[34] The August 2025 executive order on debanking also complicates AML controls by restricting banks from offboarding customers based on reputational risk.[35]

26 "Our strategy 2025-2030", Financial Conduct Authority, Our strategy 2025 to 2030, 25 March 2025

27 "Showing financial crime the red card - Speech by Steve Smart", Financial Conduct Authority, Showing financial crime the red card | FCA, 11 September 2025

28 Offence of 'failure to prevent fraud' introduced by ECCTA", UK Home Office, Offence of 'failure to prevent fraud' introduced by ECCTA - GOV.UK, 6 November 2024

29 "Firms' use of the National Fraud Database (NFD) and money mule account detection tools", Financial Conduct Authority, Firms' use of the National Fraud Database (NFD) and money mule account detection tools | FCA, 23 January 2025

30 "FCA annual work programme 2025/26", Financial Conduct Authority, FCA annual work programme 2025/26 | FCA, 8 April 2025

31 "Reform of the Anti-Money Laundering and Counter-Terrorism Financing Supervision Regime Consultation Response", HM Treasury, AML_Supervision_Reform_Response_Document_FINAL.pdf, 21 October 2025

32 "Showing financial crime the red card - Speech by Steve Smart", Financial Conduct Authority, Showing financial crime the red card | FCA, 11 September 2025
"Ground breaking public private partnership launched to identify criminality using banking data", National Crime Agency, Ground breaking public private partnership launched to identify criminality using banking data - National Crime Agency, 26 July 2024

33 "(EU) 2024/1620 of the European Parliament and of the Council of 31 May 2024 establishing the Authority for Anti-Money Laundering and Countering the Financing of terrorism", Official Journal of the EU, https://eur-lex.europa.eu/eli/reg/2024/1620/oj/eng, 31 May 2024

34 "FinCEN Removes Beneficial Ownership Reporting Requirements for U.S. Companies and U.S. Persons, Sets New Deadlines for Foreign Companies", US Financial Crimes Enforcement Network, FinCEN Removes Beneficial Ownership Reporting Requirements for U.S. Companies and U.S. Persons, Sets New Deadlines for Foreign Companies | FinCEN.gov, 21 March 2024

35 "Executive Order 14331 Guaranteeing Fair Banking for All Americans", Executive Office of the President, Federal Register: Guaranteeing Fair Banking for All Americans, 7 August 2025

What should firms do?

- Conduct a thorough review of their financial crime controls, paying particular attention to areas under closer scrutiny by the FCA including AML, fraud detection and market abuse.
- Be prepared to demonstrate efforts to continuously improve their monitoring of evolving threats. This includes leveraging relevant technologies and integrating new regulatory expectations where applicable.
- Review governance structures, maintaining sufficient oversight to prepare for heightened risk of enforcement and the ability to evidence how preventing financial crime is a key priority of senior management and tied to strategic priorities.
- Monitor FCA output closely to help navigate closer scrutiny effectively, given the regulator's strategic approach that will prioritise certain areas.

2. Operational resilience and cyber

Following a wave of new regulatory measures introduced in 2024/25, the focus in 2026 will shift from policy development to supervisory scrutiny. Key regulatory priorities include the knock-on impact of a firm's disruption on other firms in the market, third parties, cyber-preventative controls and communications plans. The updated PRA Supervisory Statement SS2/21 is expected to expand the scope of third-party risk management to include non-outsourcing third-party arrangements.[36]

The first formal designations under the new regime for Critical Third Parties (CTPs) will be made in 2026, with the FCA and PRA able to review and recommend service providers to HM Treasury.[37] UK Incident reporting rules will also come into effect, placing mandatory reporting requirements on firms.[38]

Cyber risk remains the top operational concern for both firms and regulators. The PRA's cyber stress test findings published in the second half of 2025 revealed weaknesses in systemic impact awareness and contingency planning for transaction processing.[39] These areas will be a key focus in 2026, alongside continued use of threat-led penetration testing and the PRA's cyber resilience questionnaire. Operational resilience continues to be a global regulatory priority.

What should firms do?

- Undertake gap assessments around the incoming incident response rules.
- Comprehensively embed robust testing and include preventative testing under the resilience umbrella.
- Understand the impact of the inclusion of non-outsourcing third parties on their existing programmes.
- Consider integrated platforms and coherent data models that allow them to operate resilience programmes efficiently and respond to future change.
- Treat operational resilience and cyber risk as principal risks with clear board-level ownership, and embed operation resilience into strategic planning and decision-making.

36 PS6/25 – International firms: Updates to SS5/21 and branch reporting", Prudential Regulatory Authority, PS6/25 – International firms: Updates to SS5/21 and branch reporting | Bank of England, May 2025

37 "PS16/24 – Operational resilience: Critical third parties to the UK financial sector", Prudential Regulatory Authority, PS16/24 – Operational resilience: Critical third parties to the UK financial sector | Bank of England, 12 November 2024

38 "CP24/28: Operational Incident and Third Party Reporting", Financial Conduct Authority, CP24/28: Operational Incident and Third Party Reporting | FCA, December 2024

39 "Thematic findings from the 2024 Cyber Stress Test", Prudential Regulatory Authority, Thematic findings from the 2024 Cyber Stress Test, 9 July 2025

3. AI in compliance

The adoption of AI in financial services is rapidly reshaping the risk and compliance landscape. As firms move beyond traditional automation and embrace more sophisticated, agentic AI systems capable of autonomous decision-making and adaptation, new questions are raised around accountability, transparency and ethical use. Agentic AI brings the promise of transformative benefits, from enhanced fraud detection and credit decisioning to more personalised customer service and operational efficiency. However, these advances also introduce new complexities around accountability, transparency, and the potential for unintended consumer harm.

In response to this evolving environment, the FCA has made a strategic decision. Rather than introducing a new, prescriptive rulebook for AI, it will supervise AI deployments within existing regulatory frameworks.[40] This outcomes-based, technology-neutral approach places significant responsibility on firms to demonstrate that AI technologies deliver fair, robust and explainable outcomes for consumers. The FCA's stance is clear: compliance teams must be actively involved in the oversight of AI, embedding governance, risk management, and consumer protection.

In May 2025, the Bank of England and the FCA formed an AI Consortium to solicit feedback from stakeholders regarding the capabilities, development, and utilisation of AI within UK financial services.[41] This platform will support the Bank of England's and the FCA's ongoing efforts to manage associated risks and challenges, whilst encouraging the responsible use of AI.

The move towards agentic AI amplifies the need for strong governance and oversight. These systems can act independently, learn from new data, and adapt their behaviour in ways that may not always be fully predictable. Compliance teams must be able to monitor, test, and explain AI-driven decisions.

The FCA expects firms to be able to demonstrate that their AI systems are fair, unbiased and aligned with the principles of the Consumer Duty.

Ultimately, firms that invest in robust AI governance, risk management, and compliance training will be best placed to harness the benefits of AI whilst meeting regulatory expectations. The ability to demonstrate accountability, explainability, enhanced risk management and consumer-centric outcomes will be key differentiators as AI becomes ever more central to financial services.

40 AI and the FCA: our approach, https://www.fca.org.uk/firms/innovation/ai-approach, Financial Conduct Authority (FCA), 9 September 2025.

41 Artificial Intelligence Consortium, https://www.bankofengland.co.uk/research/fintech/artificial-intelligence-consortium, Bank of England, 2 May 2025.

What should firms do?

- Maintain a comprehensive and regularly updated inventory of all AI technologies deployed across the business, maintaining clear ownership, periodic review, and robust governance over their use.
- Embed AI-specific risk management into existing frameworks, conducting regular assessments for bias, fairness, and responsible use, and establishing mechanisms for employees to flag potential AI-related risks.
- Strengthen governance structures by establishing or enhancing AI oversight committees with compliance representation, defining clear roles and responsibilities, and requiring compliance review at key stages of AI development and deployment.
- Develop monitoring and reporting frameworks to track AI performance and risk metrics, with regular reporting to senior management and the board, and independent validation to help ensure effective oversight.
- Invest in ongoing training and awareness programmes for compliance teams, to help ensure they remain up to date with AI technologies, risks, data governance and regulatory expectations, and encourage participation in industry forums and horizon scanning.
- Integrate risk and compliance early and actively in AI project lifecycles, with regular cross-functional collaboration and feedback loops between compliance, risk, and business teams to maintain a joined-up approach to AI oversight.

4. Navigating volatility

In the face of increasing volatility stemming from shifting political and economic norms, and geopolitical uncertainty, firms are finding that their established resilience strategies are under strain. The PRA will continue to pursue its core agenda that seeks to prevent financial firm failure and contagion to the financial system.

There are various updates to the resolution framework to consider. This includes updates reflecting the Bank of England's experience from resolving the 2023 banking turmoil, and the introduction of the new bank recapitalisation mechanism.[42] It also includes updates designed to help ensure a proportionate framework, such as raising indicative thresholds for minimum requirement for own funds and eligible liabilities (MREL) to £25bn-£40bn and increasing the Resolution Assessment Threshold.[43]

With the backdrop of the macro-economic environment, the PRA is focused on the impact of volatility on firms. Banks continue to be challenged by the economic environment, coupled with the unpredictability of global drivers. This environment is impacting banks' lending books'.

In June 2026, the second and final statutory term of the current Deputy Governor of the Bank of England and Chief Executive of the PRA is due to end. New leadership of the PRA will raise questions about whether it will mean a change in direction for prudential regulation in the UK.

What should firms do?

- Embrace a proactive stance in identifying disruptions and implementing robust contingency plans.
- Continue to invest in stress-testing capabilities, with a particular focus on speed and agility, and deeper dives on specific risks.
- Expect heightened supervisory focus on higher-risk lending.
- Maintain regular validation and back testing of risk models to help ensure they remain robust under changing market conditions.
- Boards and senior management should conduct regular horizon-scanning and maintain a current awareness of their external operating environment.
- Non-systemic banks, building societies and insurers should expect regulatory focus on solvent exit preparedness, with the PRA expected to engage closely as the ease of entry and exit rules come into force.

42 "Maintaining a fit for purpose resolution regime", Bank of England, Maintaining a fit for purpose resolution regime | Bank of England, 15 July 2025

43 "Amendments to the Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)", Bank of England, Amendments to the Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL) | Bank of England, 15 July 2025; "CP14/25 - Amendment to Resolution Assessment threshold and Recovery Plans review frequency", CP14/25 – Amendments to Resolution Assessment threshold and Recovery Plans review frequency | Bank of England, 15 July 2025

Sector perspectives

Capital markets and wholesale banking

Capital markets are seen as a key area where regulatory reform can start to drive growth. Whilst there has been limited appetite for rebalancing risk in capital markets and wholesale banking in recent years, in 2026 this debate will be central to the Chancellor's aim to reintroduce informed risk-taking into the system.[44]

Alongside targeted initiatives, such as the launch of the PISCES trading platform and other efforts to boost UK wholesale markets, the debate will consider the appropriateness of the current level of regulation.[45] HM Treasury is likely to keep a keen eye on FCA proposals to rebalance the regulatory burden to consider if they go far enough. Over the coming year, firms will also have to navigate other ongoing developments such as wholesale market digitalisation, the T+1 settlement transition, and the final stages of the Wholesale Markets Review.

1. Booking models and related controls

Regulators have been actively refining and expanding their expectations for international banking branches, citing lessons from previous bank failures and the growing prevalence of complex cross-border desk structures. This forms part of a broader regulatory shift across jurisdictions, with the EU's incoming Capital Requirements Directive (CRD) VI Third Country Branch Regime, focusing on booking models, set to come into force next year, and an uptick in split activity driven by evolving regulatory demands globally. [46]

What to expect in 2026:

- In May 2025, the PRA finalised its international bank supervision and booking model approach.[47] Implementation activities for firms will begin in the first half of 2026, such as the deadline for reporting of deposits and whole-firm liquidity.
- Firms have already been experiencing increased bilateral engagement from the PRA and this will continue into 2026.
- Changes to streamline whole-firm liquidity reporting to come into effect in the first half of 2026.

What should firms do?

- Undertake a self-assessment against the updated SS5/21 booking arrangement expectations and be prepared to share findings with the PRA.[48]
- For firms operating in the EU, reassess your UK booking model framework, in light of any restructuring in the EU, including in the wider corporate group, due the EU's CRDVI regime.
- Assess home and host obligations to help ensure compliance across all jurisdictions.

44 "Leeds Reforms to rewire financial system, boost investment and create skilled jobs across UK", HM Treasury, Leeds Reforms to rewire financial system, boost investment and create skilled jobs across UK - GOV.UK, 15 July 2025

45 "Private Intermittent Securities and Capital Exchange System (PISCES)", HM Treasury, Written statements - Written questions, answers and statements - UK Parliament, 15 May 2025

46 "Amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks", European Parliament, https://www.europarl.europa.eu/doceo/document/TA-9-2024-0362_EN.html#title1, 24 April 2024

47 "PS6/25 - International firms: Updates to SS5/21 and branch reporting", Prudential Regulatory Authority,PS6/25 - International firms: Updates to SS5/21 and branch reporting | Bank of England, 20 May 2025

48 "PS6/25 - International firms: Updates to SS5/21 and branch reporting", Prudential Regulatory Authority, PS6/25 - International firms: Updates to SS5/21 and branch reporting | Bank of England, 20 May 2025

2. Capital and liquidity requirements

Capital levels have been stable since the finalisation of the post-Global Financial Crisis capital framework, which has underpinned the resilience of the UK banking sector. Bank of England's Financial Policy Committee (FPC) has noted that since these reforms were implemented there have not been significant amendments to the capital framework for UK banks until late 2025 when the FPC released its assessment of appropriate capital requirements for the banking system.[49]

What to expect in 2026:

- The final PRA policy statement for Basel 3.1 is expected in January 2026, with a transition period for firms by the implementation date in January 2027.[50] Draft policy statements outline lower capital requirements for SME exposures, infrastructure exposures and trade-finance related activities.[51]
- The FPC and PRA will gather evidence on topics emanating from its review of appropriate capital requirements for the banking system.[52]
- A review of the implementation of the leverage ratio by the FPC.[53]
- A review of the PRA's liquidity supervisory framework, including potential changes to regulatory reporting.

What should firms do?

- Finalise actions to assess and plan for Basel 3.1 transition and implementation. This includes assessing whether to use internal models.
- Consider the varying implementation schedules and local specifications set by global regulators for Basel 3.1 and the Fundamental Review of the Trading Book (FRTB).
- Monitor the implications of the international implementation of Basel 3.1, including appropriate scenario planning should a more fundamental shift in financial regulation in some jurisdictions eventuate.
- Expect close supervision from the PRA on liquidity and funding risks, and assess the implications of the PRA's proposals for liquidity and funding planning.

49 "Financial Stability Report, July 2025", Bank of England, Financial Policy Committee, Financial Stability Report - July 2025, 9 Julyn 2025

50 "Bank of England announces measures to promote banking resilience, capital certainty, competition and growth", Bank of England, Bank of England announces measures to promote banking resilience, capital certainty, competition and growth | Bank of England, 15 July 2025

51 "PS9/24 – Implementation of the Basel 3.1 standards near-final part 2", Prudential Regulation Authority, PS9/24 – Implementation of the Basel 3.1 standards near-final part 2 | Bank of England, 12 September 2024

52 "Financial Stability in Focus: The FPC's assessment of bank capital requirements", Bank of England, Financial Policy Committee, Financial Stability in Focus December 2025, 2 December 2025

53 "Financial Stability in Focus: The FPC's assessment of bank capital requirements", Bank of England, Financial Policy Committee, Financial Stability in Focus December 2025, 2 December 2025

3. Non-Banking Financial Institution (NBFI) exposures

The steady rise in non-bank liquidity providers has brought non-bank financial institutions (NBFIs) increasingly into focus for regulators, due to their growing influence on financial stability and role in recent market stress episodes. In 2025, there was a surge in regulatory activity considering these concerns. This included the publication of a trio of global Financial Stability Board reports, discussions by the Bank of England's Financial Policy Committee, the launching of a House of Lords inquiry, and a regulatory discussion paper examining NBFI dynamics in the gilt market.[54, 55, 56] Central to these discussions are concerns around transparency, systemic resilience, and the potential unintended consequences of regulation for financial markets and the wider economy.

What should firms do?

- Monitor developments from UK regulators and other jurisdictions over 2026, factoring in the potential for regulatory divergence. Anticipate greater scrutiny and build a strategy for regulatory engagement and monitoring.
- Re-assess risk management processes against regulators' expectations, to help ensure boards and senior management understand and address regulators' concerns.
- Consider whether investment in data analytics and aggregation capabilities are required to meet potentially increased expectations for internal risk management.

What to expect in 2026:

- Regulators are likely to provide a clearer picture of how they intend to respond to the risk of NBFI exposures, whilst aligning with other initiatives that support private markets such as the launch of PISCES.
- Regulators will seek to gain a clearer view on the extent of the role of NBFIs, through greater focus on transparency and disclosures, making data public where possible, and considering potential measures to manage concentration and stability risks.
- The outcome of the House of Lords inquiry and the findings of the gilt market discussion paper will be published.

54 "Leverage in Nonbank Financial Intermediation: Final report", Financial Stability Board, Leverage in Nonbank Financial Intermediation: Final report - Financial Stability Board; "Enhancing the Resilience of Nonbank Financial Intermediation: Progress report", Financial Stability Board, Enhancing the Resilience of Nonbank Financial Intermediation: Progress report - Financial Stability Board; "FSB Workplan to Address Nonbank Data Challenges", Financial Stability Board, FSB Workplan to Address Nonbank Data Challenges - Financial Stability Board, 9 July 2025

55 "Growth of private markets inquiry launched", UK Parliament, Growth of private markets inquiry launched - Committees - UK Parliament, 2 July 2025

56 "Enhancing the resilience of the gilt repo market", Bank of England, Enhancing the resilience of the gilt repo market | Bank of England, 4 September 2025

4. Combating market abuse

Market abuse remains a key priority under the FCA's 2025-2030 strategy to combat financial crime, with risks intensifying during periods of volatility, such as those driven by tariff agendas throughout 2025.[57] In response, the regulator continues to emphasise transaction reporting and surveillance as critical controls, alongside the need for a strong risk culture underpinned by robust policies and procedures.[58] The FCA is also considering how to address market abuse risks linked to innovative financial products, so that regulations evolve with market innovation.

What to expect in 2026:

- A greater focus on the treatment of inside information and addressing weaknesses in firms' management of conflicts of interest
- Finalisation of cryptoasset market abuse rules
- Regulators to continue to improve market transparency and surveillance through improving data capabilities and progressing the tendering process for the bond and equities consolidated tapes

What should firms do?

- Review any good and poor practices identified by the FCA.
- Tighten controls around inside information, including insider lists, market soundings, and wall-crossing procedures. This should include assessing UK Market Abuse Regulation (UK MAR) and Conflict of Interest (CoI) policies and procedures.
- Strengthen the ability to demonstrate your approach is bolstered by strong governance, with clear accountability and challenge across the three lines of defence.
- Prepare for upcoming cryptoasset regulation by assessing surveillance, disclosure and governance frameworks for digital markets.
- Consider whether investment in data analytics and aggregation capabilities are required to meet potentially increased expectations on internal risk management.

57 "Our strategy 2025-2030", Financial Conduct Authority, Our strategy 2025 to 2030, 25 March 2025
58 "Market Watch 83", Financial Conduct Authority, Market Watch 83 | FCA, 8 September 2025

5. Consumer Duty application for wholesale firms

After the expectation was set by the Chancellor at Mansion House in July 2025, the FCA has started to review the application of the Consumer Duty requirements to wholesale firms. The regulator has already published guidance clarifying expectations for co-manufacturers and proposals to update the client categorisation framework, with potential rule changes to follow.[59,60] In 2026, the FCA will reveal further detail on the role that wholesale firms are expected to take to deliver good customer outcomes. The question will be whether HM Treasury assesses that this balance goes far enough in supporting deregulatory efforts to promote economic growth, or whether it will pursue other options, such as legislation, to achieve its desired outcomes.

What to expect in 2026:

- The FCA will publish consultations on the application and requirements of the Duty, including through distribution chains, as well as on proposing to remove business with non-UK clients from scope.
- Final outcomes of the review are expected in Q4 2026.
- HM Treasury will be observing these outcomes and may consider additional efforts to rebalance the regulatory burden.

What should firms do?

- Engage with the regulator to help shape the new rules.
- Assess whether any potential rollback or clarification of rules could impact your current approach to Consumer Duty compliance.
- Throughout any regulatory change, keep in mind longstanding regulatory expectations that remain in place (e.g., the FCA's Product Intervention and Product Governance (PROD) rules or the importance of a robust risk culture).

59 "Statement on firms working together to manufacture products or services", Financial Conduct Authority, Statement of firms working together to manufacture products or services, 8 December 2025

60 "CP25/36: Client categorisation and conflicts of interest", Financial Conduct Authority, CP25/36: Simplifying client categorisation andconflicts of interest rules, 8 December 2025

Insurance

The insurance industry will continue to be under the spotlight in 2026 as consumer groups have called for stronger protection and a reset of the General Insurance market.[61]

In 2026, the FCA will maintain its focus on claims-handling, consumer understanding and oversight arrangements, leveraging the Consumer Duty as a key supervisory tool. The PRA has been focusing on how firms are responding to changes in the external environment. The PRA is encouraging innovation that supports safety and soundness, and economic growth, whilst monitoring risks from developments like funded reinsurance (FundedRe).[62]

1. Stress testing

Stress testing is front of mind for the PRA and for insurers. Over the past 24 months, the Bank of England has conducted both a Bank Capital Stress Test and a System-wide Exploratory Scenario, highlighting the opportunities for firms to learn lessons from hypothetical stressed financial market conditions.[63] In addition, the PRA Life Insurance Stress Test (LIST) has concluded, with results published in November 2025.[64]

What to expect in 2026:

- The inaugural Dynamic General Insurance Stress Test (DyGIST) is set to be commenced by the PRA in May 2026.[65]

What should firms do?

- Invest resources and funds to maintain an effective and fit-for-purpose stress testing programme.
- Prepare for DyGIST and action on PRA feedback, taking into account the regulator's focus on liquidity resilience and liquidity risk appetites.
- Focus on adequacy of reserving standards and maintaining underwriting discipline, noting the broader geopolitical and natural catastrophe environment.
- Maintain integrity and justification in Solvency Capital Requirement (SCR) calculations and assumptions.
- Conduct scenario testing regarding cyber underwriting risk (including consideration of AI).

61 "Addressing poor consumer outcomes in home and travel insurance", Which?, Addressing poor consumer outcomes in home and travel insurance, 23 September 2025

62 "Funded realignment: balancing innovation and risk – speech by Vicky White", Bank of England (BoE), Funded realignment: balancing innovation and risk – speech by Vicky White | Bank of England, 18 September 2025

63 "Stress testing the UK banking system: Key elements of the 2025 Bank Capital stress test", Bank of England, Stress testing the UK banking system: Key elements of the 2025 Bank Capital stress test | Bank of England, 24 March 2025; "The Bank of England's system-wide exploratory scenario exercise final report", Bank of England, The Bank of England's system-wide exploratory scenario exercise final report | Bank of England, 29 November 2024

64 "Approach to life insurance stress test 2025", Prudential Regulation Authority, Approach to life insurance stress test 2025, 10 July 2024

65 "Update on the 2026 Dynamic General Insurance Stress (DyGIST)", Prudential Regulation Authority, Update on the 2026 Dynamic General Insurance Stress Test (DyGIST) | Bank of England, 18 July 2025

2. Solvency UK regime

The PRA has released its final policy statement implementing the Solvency II Review.[66] The PRA will be looking at how the recently implemented reforms are protecting policyholders and supporting long-term investments, and firms should be acting to meet these objectives.

What to expect in 2026:

- With the new rules in effect, the regulator will focus on guaranteeing full implementation of the Solvency UK regime by firms.

What should firms do?

- Prepare for changes in Life Insurer Risk Margin Calculation, potentially enabling them to invest more in their business and improve their financial stability.
- Embed required updates to modelling approaches, and obtained PRA waiver approval, where needed.
- Update capital requirement and SCR reporting, following relaxation for third-country branches.

3. Supervision of new innovations in life insurance

The PRA has spoken about the role of innovation in the life insurance sector in 2025, and how innovation can support safety and soundness.[67] With the growth of the bulk purchase annuity market and the growing popularity of FundedRe arrangements to meet firms' needs for capital, the PRA has said it is considering systemic risk that could emerge, as well as how innovation in capital frameworks can support resilience and growth.[68] The LIST also incorporated a FundedRe recapture scenario in 2025 to enable the PRA to understand this market.[69]

What to expect in 2026:

- The PRA will monitor activity in the bulk purchase annuity market, where management of pension liabilities is taken on by life insurers.
- The International Association of Insurance Supervisors (IAIS) and the PRA will monitor trends in global and UK markets that are driving the prevalence of FundedRe arrangements. The regulators are concerned that firms are using different approaches to valuation and regulation, which could lead to systemic risk.

What should firms do?

- Life insurers who are managing pension liabilities must meet regulatory expectations.
- Ensure management of systemic risk from use of FundedRe, with the PRA flagging conflicts of interest management and reinsurance arrangements as areas of interest.
- Prepare for heightened supervisory focus on FundedRe activities.
- Be mindful of any potential consultation on changes to the treatment of FundedRe.

66 "PS12/25 - Restatement of CRR and Solvency II requirements in PRA Rulebook - 2026 implementation", Prudential Regulation Authority, PS12/25 – Restatement of CRR and Solvency II requirements in PRA Rulebook – 2026 implementation | Bank of England, 17 July 2025

67 "Funded realignment: balancing innovation and risk – speech by Vicky White", Bank of England (BoE), Funded realignment: balancing innovation and risk – speech by Vicky White | Bank of England, 18 September 2025

68 "Funded realignment: balancing innovation and risk – speech by Vicky White", Bank of England (BoE), Funded realignment: balancing innovation and risk – speech by Vicky White | Bank of England, 18 September 2025

69 "Approach to life insurance stress test 2025", Prudential Regulation Authority, Approach to life insurance stress test 2025, 10 July 2024

4. Appointed Representatives (AR)

In August 2025, HM Treasury published a policy statement setting out targeted legislative reforms to strengthen oversight within the Appointed Representatives (AR) regime.[70] The upcoming consultation builds on years of thematic reviews, and a Call for Evidence conducted by the FCA and HM Treasury. Despite the introduction of enhanced rules in 2022, an FCA review in 2024 found persistent shortcomings where poor oversight by principal firms resulted in increased risk of poor outcomes for consumers under the AR regime. The government intends to retain the AR framework but has proposed new reforms to strengthen accountability within the regime.

What to expect in 2026:

- Joint consultation from the FCA and the Financial Ombudsman Service (FOS), which will likely address implementation mechanics, such as how the regime can be applied proportionately across different business models.
- A new FCA gateway requiring firms to obtain specific permission before appointing an AR.
- Extension of the FOS's remit to cover ARs, which will allow consumers to directly raise complaints against ARs. This also intersects with broader redress reform efforts.

What should firms do?

- Proactively monitor regulatory developments and allocate resources to implement any changes.
- Review and update their AR oversight framework to help ensure clear reporting and escalation.
- Tighten onboarding and complaints handling processes to mitigate reputational risk under expanded FOS jurisdiction.
- Revise contracts and governance documentation to clarify responsibilities and reflect new liability exposures.

5. Consumer Duty

The FCA's evolving approach to Consumer Duty reflects a dual focus: simplifying the insurance rules whilst taking actions to address areas where poor consumer outcomes persist. Concurrent workstreams focus on reducing regulatory burden and tackling issues identified through the FCA's engagement with the market. In its September 2025 Consumer Duty update, the FCA reiterated the Price and Value outcome as an ongoing priority for 2026.[71]

What to expect in 2026:

- More proportionate application of the Consumer Duty for smaller firms operating in the commercial insurance market and international firms.
- Targeted intervention on fair value and claims-handling, following publication of final market study reports on retail insurance and premium finance.

What should firms do?

- Greater clarity how the Consumer Duty applies to manufacturers and distributors, including their roles and responsibilities in distribution chains.
- Review the Consumer Duty's applicability across commercial insurance and international operations.
- Conduct gap analyses against the forthcoming FCA market studies findings (due in December 2025) and the Consultation Paper scheduled for H1 2026
- Simplify and test customer communications to help ensure robust evidence of consumer understanding, particularly in relation to policy documentation.

70 "Policy statement: The Appointed Representatives Regime", HM Treasury, 250808_ARs_Policy_Statement_-_final_for_publication.pdf, 11 August 2025

71 "Consumer Duty requirements review: update", FCA, Consumer Duty requirements review: update | FCA, 30 September 2025

Payments

The regulatory landscape for payments will remain highly active and strategically important in 2026.

The sector is moving from vision to execution, with the National Payments Vision (NPV) and digital roadmap shaping priorities across infrastructure, innovation and consumer protection.[72] Regulatory bodies, including the FCA, the Bank of England, and the Payment Systems Regulator, which will merge with the FCA in an attempt to streamline oversight and reduce duplication across regulatory bodies, are formalising oversight roles and testing new frameworks for resilience and interoperability. Firms must navigate a complex environment where rapid technological innovation, evolving digital money, and global regulatory developments are impacting every stage of the payments lifecycle.

1. Activating the National Payments Vision

Regulators and industry stakeholders are now moving from strategy to delivery. The Vision Engagement Group is shaping priorities around infrastructure, access and innovation, with 2026 marking the start of early implementation for key roadmap items such as merchant fee reform and digital identity alignment. Regulatory bodies will begin formalising oversight and testing frameworks for resilience and interoperability, whilst Pay.UK's enhancements to the Faster Payments Service (FPS) continue to roll out. Work on variable recurring payments is expected to lower processing fees for banks.

What to expect in 2026:

- Early implementation of NPV roadmap items, including the new industry-owned and -led Delivery Company, merchant fee reform and digital identity alignment.
- Regulatory bodies to formalise oversight and begin testing frameworks for resilience and interoperability.
- Continued enhancements to the FPS and development of the forward-looking roadmap.
- Increased engagement between firms and regulators to help shape standards and align capabilities, particularly in relation to digital assets.
- Balancing the UK agenda with operational EU requirements from new Financial Data Access (FiDA) framework, PSR and PSD3 obligations[73]

What should firms do?

- Prepare for increased regulatory engagement and contribute to shaping industry standards.
- Align internal capabilities and technology with the evolving payments ecosystem.
- Monitor and adapt to changes in infrastructure, access and innovation priorities.

72 "National Payments Vision", HM Treasury, National Payments Vision - GOV.UK, 14 November 2024

73 "Financial data access and payments package", European Commission, Financial data access and payments package - Finance - European Commission, 28 June 2023; "Proposal for a Regulation of the European Parliament and of the Council on a framework for Financial Data Access and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010, (EU) No 1095/2010 and (EU) 2022/2554", European Commission, EUR-Lex - 52023PC0360 - EN - EUR-Lex, 28 June 2023

2. The future of digital money

Under the NPV, the Bank of England is focused on the future of money, and better use of new digital technologies in the area of payments, including measures to mitigate fraud. The Bank of England is continuing to explore a central bank digital currency (CBDC), or "digital pound," for both retail and wholesale use, in line with the evolution of digital payments.

In 2025, the UK continued its consultation process on the proposed two-tier regulatory framework for stablecoins through the FCA and the Bank of England. The Bank of England has emphasised the need for more stringent regulation of systemic stablecoins.[74] This includes requirements for maintaining asset reserves at the Bank of England and potential user holding limits - measures that differ significantly from the regulatory approaches adopted by most other jurisdictions. The UK's stance may be shaped by divergent international strategies regarding digital money, with the US advancing the issuance of US dollar-denominated stablecoins under its recently enacted GENIUS Act regulatory framework.[75] This framework is expected to facilitate certain dollar-backed stablecoins in achieving global prominence. Meanwhile, the European Union continues to develop its CBDC, the digital euro, with a decision anticipated in mid-2026, amid ongoing concerns about potential US dominance in this sector.

What to expect in 2026:

- The PRA finalising its policy on stablecoins and firms' exposures to cryptoassets.[76] This may align with a potential revision to the Basel Committee on Banking Supervision (BCBS) rules on the prudential treatment of cryptoassets.[77]
- The FCA developing the day-to-day rules that cryptoasset firms will need to comply with, including the proposed regulatory regime for cryptoasset trading platforms, intermediaries, lending and borrowing, staking and decentralised finance (DeFi) activities.

What should firms do?

- Engage with the FCA and the Bank of England to prepare for the proposed regulatory regime for stablecoins and other cryptoassets, setting out how regulatory clarity could help drive use of these digital assets, enhance diversification of portfolios and drive uptake.
- Assess how these proposed regulatory changes may affect business models and operations.

74 "From new ideas to new market structures, how innovation is reshaping the financial system – speech by Sasha Mills", Bank of England, From new ideas to new market structures, how innovation is reshaping the financial system – speech by Sasha Mills | Bank of England, 8 October 2025

75 "GENIUS ACT", US Congress, Text - S.1582 - 119th Congress (2025-2026): GENIUS Act | Congress.gov | Library of Congress, 18 July 2025

76 "Proposed regulatory regime for sterling-denominated systemic stablecoins", Prudential Regulatory Authority, Proposed regulatory regime for sterling-denominated systemic stablecoins | Bank of England, 10 November 2025

77 "Prudential treatment of cryptoasset exposures", Basel Committee on Banking Supervision, Prudential treatment of cryptoasset exposures, 16 December 2022

3. Modernising supporting infrastructure

The Bank of England is examining the potential application of blockchain-based technologies, such as wholesale (CBDCs) on third-party ledgers, as well as non-blockchain alternatives, including synchronisation features in the Bank of England's Real-Time Gross Settlement Renewal Programme (RTGS2), to improve the settlement capabilities of central bank money. UK Finance and the Regulated Liability Network (RLN) initiated a pilot project in September 2025 to investigate the issuance of UK tokenised deposits.[78] This pilot, scheduled to continue until mid-2026, is designed to assess the possible effects on customers, businesses and the UK economy, focusing on areas such as payment control, fraud prevention, and settlement efficiency.

Payment service providers (PSPs) and banks continue to enhance their use of blockchain technology for the interoperability and accessibility of cross-border payments. The challenge for regulators is keeping up with the pace of technology whilst protecting financial and market stability, and mainitaining good governance, risk management and controls surrounding the enhanced digital settlement infrastructure, and also mitigating fraud.

What to expect in 2026:

- Further developments from the Bank of England in enhancing the future of the UK financial markets infrastructure, now RTGS2 has been delivered.
- The Bank of England and the FCA to use their experience from the Digital Securities Sandbox (DSS) its use of innovative technology such as distributed ledger technology (DLT) in the trading and settlement of digital securities, and the input of new financial markets infrastructure (FMI) providers in developing their evolving regulation and supervision of market settlement.

What should firms do?

- Engage with the Bank of England to help ensure that the evolution of the payment infrastructure continues to meet the needs of consumers and businesses, fostering innovation and competition.
- PSPs should engage with banks, FinTech companies, and other stakeholders to foster collaboration, to develop innovative solutions and share best practices in adapting to regulatory changes.

78 "UK Finance announces live pilot phase to deliver tokenised sterling deposits", UK Finance, UK Finance announces live pilot phase to deliver tokenised sterling deposits | Insights | UK Finance, 26 September 2025

4. Open banking and open payments

In 2026, the FCA will continue progressing its five-year strategy, which aims to deepen trust and support growth in open banking, with open finance expected by the end of 2027.[79] The enhanced use of blockchain technology is expected to play a crucial role in the future of open banking.

What to expect in 2026:

- Following the passing of the Data (Use and Access) Act 2025, a new regulatory framework is expected to unleash the full potential of open banking, supporting innovation and competition. It may draw on developments in the EU payments package under the proposed PSD3/PSR and FiDA elements, whilst seeking to enhance the commerciality of APIs providing secure data access dashboards.[80]
- Open Banking Limited will continue to coordinate how variable recurring payments are made.
- The FCA will work on developing open finance strategies together with incorporating the PSR, under its remit.

What should firms do?

- Firms and trade associations should continue working together with the FCA, PSR and Open Banking Limited to develop advancements in variable recurring payments and use of open banking for e-commerce, together with enhancements to consumer protection.
- Stay closely engaged with the PSR, FCA, Innovate Finance and Open Banking Limited by monitoring consultations and announcements.
- Prepare for changes in their own policies and processes in light of envisaged changes.

Sector perspectives

79 "Our strategy 2025-2030", Financial Conduct Authority, Our strategy 2025 to 2030, 25 March 2025

80 "Financial data access and payments package", European Commission, Financial data access and payments package - Finance - European Commission, 28 June 2023

5. Safeguarding and operational resilience

Safeguarding requirements for payments and e-money firms remain under close scrutiny, with the FCA continuing to identify weaknesses in customer fund protection. The FCA's Safeguarding Policy Statement, released in August 2025, confirms that safeguarding guidance will move into the Client Assets Sourcebook (CASS) as the new CASS 15.[81] This transition marks a significant step, embedding safeguarding requirements into the core regulatory framework and raising expectations for firms' compliance and governance.

In 2026, firms should expect the potential for more integrated and integrated supervision as the PSR merges into the FCA, with consumer protection, safeguarding, and operational resilience remaining top priorities. Firms should expect follow-ups on Dear CEO letters, thematic reviews, and the first authorised push payment (APP) fraud review.

What to expect in 2026:

- Continued FCA scrutiny of safeguarding arrangements and operational resilience, with a focus on compliance with CASS 15.
- The FCA and the PSR to continue their work in enhancing consumer protection, including the first annual review of APP fraud.
- Regulatory consolidation and the merger of the PSR into the FCA will drive more integrated supervision and reporting requirements.

What should firms do?

- Confirm safeguarding arrangements are watertight, with robust reconciliation and segregation of funds, fully compliant with CASS 15.
- Strengthen operational resilience and be able to demonstrate fund protection during disruption, including clear incident response plans.
- Prepare for changes in supervisory expectations and reporting requirements as regulatory consolidation progresses.
- Embed the new APP fraud regime and be ready for increased scrutiny on fraud prevention and consumer protection.

81 "PS25/12: Changes to the safeguarding regime for payments and e-money firms", Financial Conduct Authority, PS25/12: Changes to the safeguarding regime for payments and e-money firms | FCA, 7 August 2025

6. Cross-border payments

The surge in global trade, e-commerce, and digital finance has increased demand for rapid, secure cross-border payments. Financial technology, including blockchain, agentic AI and generative AI are offering faster and cheaper solutions to support this. The G20 has prioritised enhancing cross-border payments to make them faster, cheaper and more transparent, with a roadmap aiming for significant improvements by the end of 2027.[82] However, the Financial Stability Board's (FSB) latest progress report notes that more progress is needed to meet the G20's targets.[83] Whilst some KPIs had improved, such as the global speed of remittances and wholesale cross-border payments, challenges remain such as the average cost of payments and transparency of data to end-users.

What to expect in 2026:

- The Bank of England to continue to contribute to the global Financial Stability Board's Committee on Payments and Market Infrastructures discussions on cross border payments.
- The FCA is likely to keep an eye on EU developments including PSD3/PSR proposals on increasing transparency of payment reporting requirements and consider how to reflect in UK regulation.
- The PSR to finalise its proposals following its market reviews into cross-border fees.

What should firms do?

- FinTechs and PSPs should monitor regulatory developments and update their cross-border payments protocols to reflect changes to AML and data privacy policies where appropriate.
- Consider using the latest IT, distributed ledger and blockchain technology where appropriate.
- For those firms that have transferred to to ISO2022, monitor post ISO20022 developments.

82 "Enhancing Cross-border Payments: Stage 3 roadmap", Financial Stability Board, Enhancing Cross-border Payments: Stage 3 roadmap - Financial Stability Board, 13 October 202

83 "G20 Roadmap for Enhancing Cross-border Payments – Consolidated progress report for 2025", Financial Stability Report, G20 Roadmap for Cross-border Payments: Consolidated progress report for 2025 - Financial Stability Board, 9 October 2025

Pensions

Proposed reforms to the pensions landscape are central to the government's growth agenda and offer a once-in-a-generation opportunity to pension providers. The objectives of the reforms are to improve value for money whilst directing more of the capital held in pensions to longer-term productive investments.

There is a genuine desire to move the focus on value discussions away from cost to a broader sense of the value delivered. In addition, defined contribution funds hold a historically low proportion of UK-based assets – falling from 50% of total assets in 2012 to around 20% today.[84]

The government has published a "roadmap" setting out more detail on all the reforms and the likely timetable for implementation.[85] The headline from this is that Royal Assent for the underpinning legislation is expected in 2026, with reforms fully implemented by the end of 2030. Alongside the key legislative and regulatory initiatives, industry participants have agreed to move significant amounts of pension investments to private assets (10%) and to invest a minimum amount within the UK (5%).[86]

1. Scheme consolidation

The government is seeking to force pension schemes to operate at greater scale across the whole pensions landscape – including defined benefit, defined contribution and local government schemes. The objective is to improve governance, lower costs and allow for investment strategies that better reflect the long-term objectives of the scheme members. The pensions landscape has seen significant consolidation in recent years. The number of defined contribution schemes with fewer than 100 members more than halved in the past decade.[87] Concerns remain that smaller schemes are unable to operate as efficiently, resulting in higher charges and a more conservative investment strategy. The minimum size for main-scale default arrangements of £25bn is expected to be mandatory by 2030. There will be limited exemptions, a time-limited pathway for midscale schemes and a "new entrant" pathway.

What to expect in 2026:

- Royal Assent for the Pensions Bill will provide firms with certainty over the reforms but also fire the starting gun for a major consolidation within the pensions sector.
- Firms will have four years to reach the minimum scale requirements, so work in 2026 will be critical to help ensure a smooth transition.

What should firms do?

- With the market set for a period of consolidation, firms need to prepare, investing in the right technology to allow the benefits of scale.
- If firms are operating a scheme beneath the target level, they should start thinking now about strategic choices: to grow or to merge.

84 "Workplace pensions: a roadmap", Department for Work and Pensions, https://assets.publishing.service.gov.uk/media/68960008e7be62b4f06431bf/workplace-pensions-roadmap.pdf, June 2025

85 Ibid.

86 "Pensions schemes back British growth", HM Treasury, Pension schemes back British growth - GOV.UK, 13 May 2025

87 "Workplace pensions: a roadmap", Department for Work and Pensions, https://assets.publishing.service.gov.uk/media/68960008e7be62b4f06431bf/workplace-pensions-roadmap.pdf, June 2025

2. Pensions pot consolidation

One challenge facing firms seeking to scale up the size of their pension schemes has been the process of consolidation internally within a provider. Different schemes developed over time have different benefits with the process of consolidation requiring firms to contact each of the members individually to get agreement to a move to a new scheme. Recognising this challenge, the government is proposing to introduce a contractual override. This will help ensure that defined contribution (DC) scheme providers can move or consolidate schemes and members' pots to reduce fragmentation.

What to expect in 2026:

- The contract override is not likely to be introduced until 2028. In 2026 the focus will be on the detail of the final Pensions Scheme Bill and subsequent developments in FCA rule consultations.

What should firms do?

- Assess where legislative and regulatory support is needed to support consolidation. In particular, consider the steps required and potential barriers to success.
- Review schemes currently in operation to identify where consolidation could deliver benefits, and where there are risks to customers from transfers.
- Develop plans for consolidation with mitigation where risks to customers are identified.
- Develop and test communications in preparation.

3. Small pots

Auto enrolment has led to millions more people saving into a pension, and meant that each time they change employer a new pot is created. As a result, millions now have multiple pension pots with different providers.

However, the resulting small pots cost more to serve, with the government estimating that about £240m a year is wasted as a result.[88]

The proposed solution is a new authorised function allowing providers to operate a consolidator scheme whereby pension pots worth up to £1,000 are automatically transferred into a small number of schemes.[89] In the first instance, an individual's pot would be allocated to a provider, and from that point any future pots would be transferred to the same provider, consolidating them into one pension scheme.

What to expect in 2026:

- The implementation of small pots consolidation is designed to start once the main efforts to consolidate the market have come into effect. In the short run, legislation and policy developments at the FCA will shape this future regime.

What should firms do?

- Explore opportunities to use consolidation to build lifetime relationships with savers.
- Consider strategic choices now on whether to seek to become a consolidator and how to engage with new pension savers.
- Develop systems for managing consolidation of pots.

88 "Written evidence from NOW: Pensions (APS0053)", UK parliament, committees.parliament.uk/writtenevidence/36073/html/, 2020

89 "Pensions Scheme Bill", UK parliament, Pension Schemes Bill, 18 September 2025,

4. Value for money framework

A key government objective is to encourage funds to invest more pension savings in private and longer-term assets. To support this, the government recognises the need for value for money assessments to focus on more than cost alone.[90]

A new value for money frameworks is therefore being introduced across all DC work-based pension schemes – both contract- and trust-based. They aim to improve both the investment performance of schemes and remove poor performing schemes from the market.

The framework is designed to fit within existing Consumer Duty processes. Contract-based schemes or parts of multi-employer arrangements that do not meet value-for-money standards will be required to close to new employers until all in-scope arrangements comply. Firms already have independent governance committees in place, but these changes will provide a much more rigorous framework for making value assessments and shift the emphasis from cost to value. Findings from assessments will be standardised and so will be much more comparable between firms.

What to expect in 2026:

- In the next year we expect to see significant progress in the value for money regulations process. The FCA has already published their consultation on the value for money framework.[91] We expect that the FCA will seek to finalise this after the Pensions Bill receives Royal Assent.

What should firms do?

- Start to review data held and seek to close any gaps in advance of the value for money framework being introduced.
- Review schemes to identify where weaknesses in specific employer schemes are likely to fall short of standards set in the new value for money framework and take action where necessary.

90 "Pension scheme investments", House of Commons Library, Pension scheme investments - House of Commons Library, 18 November 2024

91 "CP24/16: The Value for Money Framework", Financial Conduct Authority, CP24/16: The Value for Money Framework | FCA, 8 August 2024

Retail banking

The regulatory landscape for retail banks will remain highly active in 2026. Firms must continue to navigate a complex environment where customer protection, financial crime, operational resilience, and strategic agility are under increased supervisory scrutiny. As the FCA advances the government's growth agenda, the Consumer Duty will move from implementation to maturity, serving as a major supervisory tool and means for regulatory intervention when consumer outcomes are at risk.

At the same time, reforms by the PRA over recent years have underpinned the resilience of the UK banking sector. The PRA's strategic priority to maintain the safety and soundness of the banking sector and promote continuing resilience is reflected in the Basel 3.1 reforms scheduled for implementation and in the PRA's supervisory strategic focus areas.

1. Redress reform

The Supreme Court's recent judgment on motor finance commission arrangements clarified the legal position on both discretionary and non-discretionary commission arrangements (DCAs and non-DCAs).[92] With customers of an expected 14 million motor finance agreements due to receive redress under an industry-wide compensation scheme, firms are likely to be subject to wider scrutiny of historical sales practices and redress frameworks.[93]

Regulators are actively considering changes to Financial Ombudsman Service (FOS) jurisdiction and legal standards, aiming for greater consistency and transparency.[94] Firms could potentially face retrospective risk across other product areas if redress principles broaden, prompting the potential need to proactively review legacy products and sales practices in an attempt to mitigate future remediation costs and reputational damage.

What to expect in 2026:

- Changes to FOS jurisdiction and legal standards
- Clarification on when firms should offer proactive redress
- Continued scrutiny of legacy products and historic sales practices

What should firms do?

- Conduct proactive reviews of legacy products and sales practices.
- Strengthen internal redress frameworks and governance.
- Monitor developments in redress policy and prepare for retrospective risk.

92 Hopcraft and another (Respondents) v Close Brothers Limited (Appellant); Johnson (Respondent) v FirstRand Bank Limited (London Branch) t/a MotoNovo Finance (Appellant); Wrench (Respondent) v FirstRand Bank Limited (London Branch) t/a MotoNovo Finance (Appellant), UK Supreme Court, https://supremecourt.uk/uploads/uksc_2024_0157_0158_0159_judgment_2bb00f4f49.pdf, 1 August 2025

93 https://www.fca.org.uk/news/press-releases/14m-unfair-motor-loans-compensation-proposed-scheme, Financial Conduct Authority (FCA), 7 October 2025

94 CP25/22 Modernising the Redress System, https://www.fca.org.uk/publication/consultation/cp25-22.pdf, Financial Conduct Authority (FCA), 15 July 2025

2. Buy now, pay later (BNPL) and Consumer Credit Act reform

Buy now, pay later (BNPL) regulation is expected to be introduced via amendments to the Consumer Credit Act, following recent consultations.[95] The reform aims to modernise provisions and bring BNPL into FCA oversight, with clearer affordability and disclosure rules. Firms offering BNPL or unsecured credit will need to overhaul documentation, onboarding and customer communications.

Other firms may look to enter the market through the launch of BNPL products once the regulatory framework is clarified, creating a wait-and-see dynamic in the market. This shift may level the playing field between regulated lenders and FinTechs but will increase the compliance burden for all providers. Firms should monitor where customers who are de-marketed by regulation (e.g., those excluded from BNPL due to affordability concerns) migrate and confirm that any alternative products meet their needs.

What to expect in 2026:

- BNPL regulation introduced via amendments to the Consumer Credit Act.
- Clearer rules on affordability, disclosure and oversight.
- Increased compliance burden for all credit providers.

What should firms do?

- Overhaul documentation, onboarding and customer communications for BNPL.
- Monitor market entry opportunities and competitive dynamics.
- Track customer migration from de-marketed products and and assess whether alternatives deliver good outcomes

3. Inclusive design

Regulators are increasingly embedding inclusive design into conduct expectations, especially under Consumer Duty and vulnerability guidance.[96] The FCA's ongoing reviews, including those into SME business accounts and credit card communications, reinforce the need for inclusive, clear and accessible information for all customer groups.[97] Inclusive design will shift from a discretionary initiative, demonstrating best practice, to a compliance obligation, with potential for greater supervisory scrutiny. Firms must embed inclusive principles into product development, communications and service channels to avoid foreseeable harm.

What to expect in 2026:

- Inclusive design will be increasingly treated as a compliance obligation, not a discretionary initiative.
- Increased supervisory scrutiny of how firms accommodate and deliver outcomes to customers with diverse needs (e.g., neurodiversity, language, accessibility).
- The FCA will assess how inclusive design is embedded in product development, communications, and service channels.
- Joint guidance from the FCA and the Information Commissioner's Office on managing vulnerability and data protection obligations.

What should firms do?

- Proactively identify and address diverse customer needs.
- Integrate and embed inclusive design into governance, product lifecycle and customer service.
- Prepare for increased regulatory scrutiny on how the needs of diverse customer groups are met.

95 CP25/23: Deferred Payment Credit (unregulated Buy Now Pay Later): proposed approach to regulation, https://www.fca.org.uk/publications/consultation-papers/cp25-23-deferred-payment-credit-proposed-approach-regulation, Financial Conduct Authority (FCA), 7 October 2025

96 Delivering good outcomes for customers in vulnerable circumstances - good practice and areas for improvement, https://www.fca.org.uk/publications/good-and-poor-practice/delivering-vulnerable-customers, Financial Conduct Authority (FCA), 7 March 2025

97 Our Consumer Duty focus areas, https://www.fca.org.uk/publications/corporate-documents/consumer-duty-focus-areas, Financial Conduct Authority (FCA), 30 September 2025

4. Increasing risk in the consumer system

In 2025, the FCA and the government have introduced several reforms aimed at stimulating the mortgage market and supporting broader economic growth. The focus has been on enabling access for a broader range of borrowers through revising affordability and advice rules, supporting later-life lending, term extensions, and digital transformation.

These reforms reflect a strategic shift toward enabling innovation and expanding access to credit, even if it means tolerating higher levels of consumer and systemic risk. Government growth ambitions and mortgage market reforms are encouraging innovation and expansion in lending. However, this also increases risk to consumers, making effective disclosure and customer understanding more important than ever. Moreover, it also increases banks' credit risk exposures to the property market. Regulators are signalling tolerance for more risk-taking, provided firms maintain robust capital and liquidity buffers. The PRA is closely monitoring interest rate risk, credit risk modelling and stress testing to help ensure resilience.

What to expect in 2026:

- Regulators to be more open to calibrated risk-taking, to support economic growth and maintain international competitiveness, but will closely monitor how banks manage the balance between growth and maintaining discipline.
- The PRA to consult on its credit risk model approvals process, following its 2025 discussion paper on proposing more responsive and agile credit risk model approvals.
- The FCA to use the Consumer Duty to scrutinise how banks deliver fair value, transparency and customer understanding, particularly in SME banking products and the credit card market.
- Potential rule change around the advertisement of consumer credit, and requirements for retail banking disclosures.

What should firms do?

- Review and recalibrate affordability models and disclosures to reflect regulatory flexibility, and help ensure customers understand their personal risk.
- Enhance governance and management information to evidence fair outcomes and resilience, especially in higher-risk lending.
- Embed the Consumer Duty principles in product design, pricing and customer communications.
- Provide clear, effective disclosures so customers understand their own risk appetite and can make informed decisions.
- Engage with regulators on transformation programmes and product innovation, ensuring robust risk management and customer protection.

5. Capital and liquidity requirements

Reforms by the PRA over recent years have underpinned the resilience of the UK banking sector, notably Basel 3.1 and the Small Domestic Deposit Takers (SDDT) regimes. Over 2026 and 2027 firms will be focused on implementing subsequent capital changes, whilst also monitoring the impact of any amendments to the ring-fencing regime and the overall capital stack.

What to expect in 2026:

- The PRA to monitor firms' progress implementing Basel 3.1 and SDDT.
- The PRA to review its liquidity supervisory framework and assess whether changes to the liquidity framework are warranted, including potential changes to regulatory reporting.
- The review of the UK ring-fencing regime to report in early 2026. The Bank of England remains steadfast in seeking to retain the core elements of the regime.[98]
- The FPC and PRA will gather evidence on topics emanating from its review of appropriate capital requirements for the banking system, and the FPC will also undertake a review of the implementation of the leverage ratio.[99]

What should firms do?

- Finalise their plans for assessing and planning for their transition to the Basel 3.1 or the SDDT regime, including capital optimisation.
- Consider the varying implementation schedules and local specifications set by global regulators for Basel 3.1 and Fundamental Review of the Trading Book (FRTB), and incorporate within their approach to implementation, where appropriate.
- Assess any modifications to the ring-fencing regime, which could lead to an expansion of the products and services offered by ring-fenced banks potential changes to the governance regime and a reduction in the separation between banking groups.
- Expect close supervision from the PRA on their liquidity and funding risks and assess the implications of the PRA's proposals for liquidity and funding planning.

98 "Oral evidence: Bank of England Financial Stability Reports, HC 674", House of Commons, Treasury Committee, 22 July 2025 - Bank of England Financial Stability Reports - Oral evidence - Committees - UK Parliament, 22 July 2025

99 "Financial Stability in Focus: The FPC's assessment of bank capital requirements", Bank of England, Financial Policy Committee, Financial Stability in Focus December 2025, 2 December 2025

Wealth and asset management

The promotion of retail investment is a key plank of the government's growth agenda. It includes regulatory initiatives aimed at future-proofing the current regime as well as boosting retail investment, such as reforms to the Alternative Investment Fund Managers Regulations (UK AIFMD), Senior Managers and Certification Regime (SMCR), funds rules, remuneration rule changes, and the launch of a retail investment strategy.

In parallel, the FCA continues to tackle issues identified around vulnerability, fair value and unsuitable advice.[100] Outcomes-focused regulation prioritises data, systems, controls, and governance, whilst external risks like cybercrime, AML, and the emergence of non-traditional asset classes are increasingly under scrutiny. As firms head into 2026, they will face two challenges: maximising the opportunities from any reduced regulatory burdens and new technology, whilst managing risks from geopolitics, cybercrime and ongoing regulatory expectations.

1. Advice Guidance Boundary Review

The Advice Guidance Boundary Review has received renewed impetus under the government's financial services growth and competitiveness strategy.[101] The introduction of targeted support and simplified advice is seen as a key lever to address the UK's risk aversion to retail investment. The first changes under the review will be implemented in 2026.

What to expect in 2026:

- The pre-application support service (PASS) for new targeted support offerings opened in 2025, and the FCA will open the authorisation gateway in March 2026 to enable services to be rolled out in the second half of the year.[102]
- Firms will also need to consider preparation for the simplified advice regime in parallel, with a consultation paper on FCA rules due out in January 2026.
- The FCA will be looking closely at how firms assess their target markets and test customer understanding to get these new services right.

What should firms do?

- Enhance customer acquisition and retention, improve understanding of customer bases, and consider expanding support offerings to grow assets under management (AUM) and assets under administration (AUA).
- Help ensure that services provided are right for the target market and consider the implications for complaints and redress risk.
- Test new offerings and communications and implement robust ongoing monitoring.

100 "Our Consumer Duty focus areas", Financial Conduct Authority, Our Consumer Duty focus areas | FCA, 30 September 2025

101 "Financial Services Growth and Competitiveness Strategy", UK Government, Financial_Services__Growth___Competitiveness_Strategy_final.pdf, 15 July 2025

102 "Advice guidance boundary review", Financial Conduct Authority, Advice Guidance Boundary Review | FCA, 10 October 2025

2. Communications

The FCA is undertaking wider efforts to take a lighter touch, more flexible approach to the design and delivery of customer communications, leaning on the Consumer Duty. Specifically, the FCA is replacing the current rules under Packaged Retail Investment and Insurance-based Products (PRIIPS) regulations, Undertaking for the Collective Investment of Transferable Securities (UCITS) regulations and Non-UCITS Retail Schemes (NURS) rules with a new product information framework, the Consumer Composite Investments (CCI) regime.[103] To help ensure a more balanced approach to the risks and benefits of investing, the FCA is also supporting industry-led action to move towards informing, rather than warning, consumers about the benefits and risks of investing.

What to expect in 2026:

- 2026 will be the transitional period for firms to align themselves with the new expectations under the CCI regime.
- January 2026 will see the outcome of a regulatory review of approaches to risk warnings.

What should firms do?

- Test how best to deliver information, and at which points across the customer journey, given the greater flexibility in how to communicate information to customers.
- Review their current approach to testing consumer understanding, assessing the customer journey, utilising testing, and embedding ongoing monitoring to establish the best approaches.
- Demonstrate consideration of what communications mean for different customer cohorts, including customers with vulnerability characteristics.

3. Control framework

The FCA has identified recurring issues with weak controls, particularly in the wealth management space.[104] The FCA sees particular weaknesses in wealth management controls over appointed representatives, and insufficient consideration for how controls need to evolve as a result of consolidation.

What to expect in 2026:

- After publishing the findings of its multi-firm review in the second half of 2025, the FCA will look more deeply into any systemic issues identified and expect shortcomings to be addressed.[105]
- The regulator will ultimately view recurring control issues as a sign of failings by senior management.

What should firms do?

- Assess existing controls and governance processes, providing clear evidence of senior management ownership.
- Maintain robust MI that allows for continued oversight of appointed representatives.
- Understand firm activities and how they map through to risks, standards and controls.
- Understand how controls need to evolve to manage new risks.

103 "PS25/20 Supporting informed decision making: Final rules for Consumer Composite Investments", Financial Conduct Authority, PS25/20: Supporting informed decision making: Final rules for Consumer Composite Investments, 8 December 2025

104 Multi-firm review of consolidation in the financial advice and wealth management sector, Financial Conduct Authority, Multi-firm review of consolidation in the financial advice and wealth management sector | FCA, 31 October 2025

105 Ibid

4. Alternative investment fund management

The government and regulators have been working towards a new regime for alternative investment fund managers to remove "cliff-edge" effects of the current regime and introduce additional flexibility for smaller firms.[106] This sits alongside a growing investment by wealth and asset management firms into private markets and non-traditional asset classes.

What to expect in 2026:

- With a government consultation on repealing the legislative elements having closed in 2025, the FCA is due to consult on detailed rules in the first half of 2026.
- The regulator will be considering how to balance building a competitive regime, whilst effectively managing the risk of investment in non-traditional asset classes. This is likely to include development of detailed rules and supervisory activity.

What should firms do?

- Review new classifications and the implications for compliance.
- Assess where approaches to comply with previously prescriptive rules could be changed under new flexibilities whilst still meeting regulatory expectations.
- Firms managing non-traditional asset classes will need to assess whether their systems and controls are enhanced and remain fit for purpose.

106 "Call for Input: Future regulation of alternative fund managers", Financial Conduct Authority, Call for Input: Future regulation of alternative fund managers | FCA, 7 April 2025

107 "FCA Crypto Roadmap", Financial Conduct Authority, FCA Crypto Roadmap, February 2025

5. Cryptoasset regime

A comprehensive regulatory regime for cryptoassets is being introduced to address consumer protection, financial promotions, and prudential standards. Authorised and unauthorised firms may face challenges in interpreting and implementing new FCA requirements. In 2025, the FCA published consultations on, among other requirements, the application of the handbook, any relevant carve-outs, and a prudential sourcebook applicable to a new segment of crypto firms currently not in scope of the Prudential Sourcebook for MiFID Investment Firms (MiFIDPRU).[107]

What to expect in 2026:

- The regulators will undertake further consultations to finish shaping the regime for certain activities, and publish detailed proposals for further conduct and prudential requirements.
- The FCA intends to publish all remaining policy statements in relation to its cryptoasset regime, which will provide final clarity.
- There will then be a period for firms to get ready before the FCA opens the authorisation gateway. More information on specific timelines will be provided by the regulator.

What should firms do?

- Map out which cryptoasset activities the firm intends to undertake and identify the new permissions or authorisations required under the FCA's regime. Treat 2026 as the year to prepare for authorisation and prepare for new rules.
- Strengthen risk management frameworks to address the unique risks of cryptoassets, including volatility, liquidity, valuation, operational resilience, and financial crime.
- Upskill senior management and compliance teams on cryptoasset risks, regulatory expectations, and operational requirements, and engage early with regulators and industry initiatives to stay ahead of rule changes.

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