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FS ADVISORY

Regulatory Update

March 2026

BDO FS Advisory contact points

BDO's Managed Compliance Services Regulatory Update summarises the key regulatory developments.

Our FS Advisory team supports hundreds of clients with various regulatory and non-regulatory matters. Our breadth and depth of expertise gives us a broad perspective on the issues facing the financial services sector. We have aggregated insights from our in-house research, client base, the regulators and professional bodies to support your regulatory considerations and activities.

We hope this pack provides value to you and your colleagues; please do share with us any feedback you may have for our future editions.

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REGULATORY ROUND UP

General

CP26/6 Rules for Reforming the UK Securitisation Framework

The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) have each published a consultation paper [FCA][PRA] on proposed reforms to the UK securitisation framework.

What firms are impacted?

Authorised firms involved in securitisation markets.

Summary of the regulatory update:

The reforms aim to replace the legacy EU-derived regime with a more principles-based, flexible, and proportionate system, in line with the UK's broader Smarter Regulatory Framework agenda.

The FCA's CP26/6 key proposals include:

- Simplified due diligence for institutional investors - more flexibility in how they conduct due diligence when investing in securitisations. The FCA is proposing to replace requirements on institutional investors to verify compliance with UK rules or similar standards with an obligation to assess the risks involved in the securitisation to confirm it meets the investor's risk appetite and that it maintains sufficient alignment of interest between manufacturer and investor.
- Streamlined transparency rules - reducing the number of specified templates, simplifying retained templates and their format, introducing a new template for collateralised loan obligations, removing the delineation between public and private securitisations, and no longer requiring reporting to Securitisation Repositories.
- Other changes include allowing an additional modality for risk retention, introducing certain exceptions to the ban on resecuritisation, and providing further clarity on the application of the credit granting criteria.

The PRA's CP2/26 sets out similar proposals for PRA-authorised firms participating in securitisations, which are intended to make the existing requirements more proportionate and less prescriptive.

When does it take effect?

Both consultations close on 18 May 2026.

What should firms be thinking about?

Firms should consider the outcome of this consultation and have regard for whether current securitisation due-diligence workflows, documentation and governance processes need adapting for a more principles-based regime.

REGULATORY ROUND UP

General
HM Treasury consults on changes to the appointed representative regime
HM Treasury has launched a consultation on proposed changes to the legislative framework for appointed representatives (ARs). The consultation follows a policy statement (PS) published on 11 August 2025.
What firms are impacted? Principal firms, and firms considering becoming a Principal firm.
Summary of the regulatory update: The current AR regime enables financial services firms to engage in regulated activity without being authorised. The PS raised concerns that customers may be put at risk through poor oversight of ARs. The Government's proposed changes are intended to provide a proportionate level of protection for consumers while preserving the regime's broad scope. The proposed changes are as follows: • Authorised firms wishing to appoint ARs will need to obtain permission from the Financial Conduct Authority (FCA), enabling the FCA to ensure appropriate and responsible use of ARs; • Consumers will be able to complain to the Financial Ombudsman Service (FOS) if they are unable to resolve a dispute involving an AR where an authorised firm is not responsible for the disputed issue; • The conduct and fitness and propriety frameworks for ARs will be revised to better align with the frameworks for authorised firms.
When does it take effect? The consultation is open until 9 April 2026. Stakeholders should provide responses prior to the closing date.
What should firms be thinking about? Impacted firms should consider the consultation and respond to the questions raised as appropriate.

REGULATORY ROUND UP

General

FCA launches new Regulatory Priorities reports

The FCA has published a new article, ‘*A smarter approach to communicating our regulatory priorities*’, alongside its new Regulatory Priorities hub.

What firms are impacted?

Authorised firms managing authorised and/or recognised funds, and firms in scope of the market abuse regulations.

Summary of the regulatory update:

The article outlines the FCA’s shift toward clearer, more streamlined communication with firms, replacing more than 40 previous portfolio letters with nine sector-specific Regulatory Priorities reports (Insurance, Consumer investments, Pension, Retail banking, Mortgages, Consumer finance, Wholesale buy-side, Wholesale markets, Payments)

According to the FCA, the new reports aim to make it easier for firms to identify the issues most relevant to them by providing:

- concise one-page summaries of priorities, with direct links to further detail;
- clearer navigation and more focused content based on user testing;
- annual publication cycles to ensure firms remain up to date with regulatory developments; and
- a consolidated “one-stop-shop” for supervisory expectations and upcoming regulatory change

The FCA emphasises that boards and senior management are expected to review these sector reports carefully and act accordingly. The new approach supports the FCA’s broader ambition to act as a “smarter regulator”, reducing unnecessary burden while improving clarity and oversight.

When does it take effect?

The updates were made on 23 February 2026.

What should firms be thinking about?

Firms should review the updates and consider any impact.

REGULATORY ROUND UP

General

Sustainability Disclosure Requirements Labels: Good and Poor Practice

The FCA has published some examples of good and poor practice for using labels under the Sustainability Disclosure Requirements (SDR) regime.

What firms are impacted?

Firms in scope of SDR.

Summary of the regulatory update:

While implementing sustainability labelling, the FCA has found examples of good and poor practice disclosures. The findings and examples highlighted are based on what the FCA has seen through the fund authorisation process for updating pre-contractual disclosures. The FCA was also informed by its engagement with industry stakeholders.

The FCA has found that applications to update pre-contractual disclosures has improved as firms have become more familiar with the requirements. Improvements have also arisen as the number of labels on the market has increased, with a broadening range of asset classes and investment strategies. However, it hasn't always been clear whether or how firms meet the labelling requirements, or whether disclosures accurately reflect what the fund invests in.

Good disclosures are clear, concise, easy to read and understand, for example, they:
- Avoid complex terms and explain those that are open to interpretation, such as 'affordable'
- Avoid duplication
- Use a consistent narrative and logical flow of information.

They also:
- Only disclose information relevant to the fund
- Use the right label for the fund and meet the relevant requirements
- Accurately reflect what the product invests in

The FCA has therefore provided good and poor examples to illustrate different aspects of the labelling criteria.

When does it take effect?

The examples were published on 27 February 2026.

What should firms be thinking about?

Firms that are in scope of SDR should consider the examples of good and poor practice and establish where improvements can be made in their sustainability labelling practices.

REGULATORY ROUND UP

General

Aligning listed issuers’ sustainability disclosures with international standards

The FCA has published a Consultation Paper (CP26/5) proposing to replace its current climate disclosure rules for listed companies with the requirements aligned with the new UK Sustainability Reporting Standards (UK SRS).

What firms are impacted?

The rules will apply to companies in the following listing category, with some variation depending on the category:

- Commercial companies (UKLR 6)
- Non-equity shares and non-voting equity shares (UKLR 16)
- Transition category (UKKLR 22)
- Secondary listing (UKLR 14)
- Depositary receipts (UKLR 15)

Summary of the regulatory update:

The FCA is consulting on replacing its current rules for listed companies’ climate disclosures, with proportionate rules to:

- Align reporting with current international standards, with an implementation approach that reflects the readiness of listed companies.
- Make sure investors can access clear, consistent and robust information about sustainability risks and opportunities
- Support overseas companies to be more transparent about their sustainability reporting, while removing duplication.

The rules will not apply to the following categories:

- Closed-ended investment funds (UKLR 11) and open-ended investment companies (UKLR 12)
- Shell companies (UKLR 13)
- Debt and debt-like securities (UKLR 17)
- Securities derivatives (UKLR 18) and warrants, options and other miscellaneous securities (UKLR19)

When does it take effect?

Responses to the consultation paper should be submitted by 20 March 2026.

What should firms be thinking about?

Listed issuers should consider the proposed new rules ahead of the Policy Statement being published in the autumn.

REGULATORY ROUND UP

General

Whistleblowing Quarterly Data

The FCA has published its whistleblowing data for Q4 2025.

What firms are impacted?

All regulated firms.

Summary of the regulatory update:

The FCA data shows the number of new whistleblowing reports it has received between October and December 2025, and existing reports closed during this period. The data shows:

- How the FCA received the report
- What the report was about
- What level of action the FCA has taken

The FCA received 281 new whistleblowing reports in Q4 2025, compared to 405 reports received in Q3 2025. The main method of contact was the online reporting form (131), and email (85).

The top allegations reported by whistleblowers in Q4 was compliance (109), fitness & propriety (99), and culture of the organisation (67).

The FCA closed 282 reports in Q4 which resulted in 9 reports (3%) leading to significant action to manage harm – this may include enforcement action, a section 166 skilled persons report, or restricting a firm's permissions or an individual's approval. 96 reports (34%) lead to action to reduce harm – this may include the FCA writing to or visiting a firm, asking a firm for information, or asking a firm to attest to complying with the FCA's rules.

When does it take effect?
N/A

What should firms be thinking about?
Firms should review the whistleblowing statistics and consider if any improvements can be made within their organisations to encourage employees that have concerns to raise them internally, this could include fostering a culture of open communication, making it easy for staff to raise concerns, and ensuring staff feel comfortable to raise concerns without any adverse impact.

REGULATORY ROUND UP

General
Updated Guidance – Authorised and Recognised Funds and Market Abuse Regulation
The FCA has updated guidance on the relevant web pages.
What firms are impacted? Authorised firms managing authorised and/or recognised funds, and firms in scope of the market abuse regulations.
Summary of the regulatory update: The FCA has updated the scheme numbers related to authorised and recognised funds - Authorised and recognised funds | FCA The FCA has made editorial amendments throughout the market abuse regulation webpage - Market Abuse Regulation | FCA
When does it take effect? The updates were made on 23 February 2026.
What should firms be thinking about? Firms should review the updates and consider any impact.

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