IDEAS | PEOPLE | TRUST

FS ADVISORY

Regulatory Update

August 2026

BDO

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.

Richard Barnwell
Partner

+44 (0)7717214818
richard.barnwell@bdo.co.uk

Lynne Cooper
Senior Manager

+44 (0)7831973556
lynne.cooper@bdo.co.uk

REGULATORY ROUND UP

General

CP26/28: The UK AIFM Regime

The FCA has launched a major consultation on reforms to the UK Alternative Investment Fund Manager regime. The proposals form part of the UK's wider Future Regulatory Framework programme and the transfer of rulemaking powers from legislation to the FCA.

What firms are impacted?

Alternative investment fund managers, private equity firms, venture capital managers, real estate managers, hedge funds and overseas managers marketing alternative funds into the UK.

Summary of the regulatory update:

The FCA proposes a more proportionate regulatory framework that better reflects firm size, activities and risk profiles. The reforms include changes to AIFM categorisation, valuation requirements, risk management, liquidity management, delegation arrangements, investor disclosures and marketing requirements.

The proposals are intended to reduce unnecessary administrative burden for smaller firms while maintaining appropriate oversight of firms that have greater potential to affect consumers, markets and financial stability. The FCA also intends to create a new sourcebook for alternative investment funds, bringing together regulatory requirements in a more coherent structure.

The consultation complements parallel HM Treasury reforms and reflects international standards issued by IOSCO and the Financial Stability Board. Collectively, the changes represent one of the most significant overhauls of the UK alternative investment management regime in recent years.

When does it take effect?

Consultation responses are due in September and October 2026, with broader implementation expected from 2028 alongside Treasury reforms.

What should firms be thinking about?

Firms should assess how their classification, reporting obligations, governance structures and operational arrangements may change. Engagement with the consultation process may also be beneficial given the scale of the proposed reforms.

REGULATORY ROUND UP

General

CP26/26: Fund reporting for Asset Management Entities (FRAME)

The FCA is consulting on a new regulatory reporting framework called Fund Reporting for Asset Management Entities (FRAME), which is intended to simplify reporting requirements while improving the quality and consistency of regulatory data collected across the asset management sector.

What firms are impacted?

AIFMS, UCITS management companies, recognised overseas funds, authorised fund operators and firms marketing investment funds into the UK.

Summary of the regulatory update:

FRAME would replace a number of existing reporting regimes with a single framework built around simplicity, proportionality and international alignment. Reporting requirements would be determined according to the type, size and risk profile of funds, meaning larger and more complex firms would be subject to enhanced reporting obligations.

The FCA intends to improve its visibility of market, liquidity and consumer risks by collecting more consistent information relating to leverage, liquidity, investor exposures, portfolio holdings and fund activities. The regulator believes the changes will support more effective supervision while also modernising reporting requirements.

The proposals also form part of the wider reform agenda affecting alternative investment fund managers and asset managers. The FCA estimates that reporting requirements could be reduced by approximately 75% across the industry while simultaneously improving the usefulness of the data collected.

When does it take effect?

Consultation closes on 22 September 2026. Implementation dates will be confirmed following publication of final rules.

What should firms be thinking about?

Asset managers should assess existing reporting infrastructure, data management capabilities and governance arrangements. Early gap analysis against the proposed FRAME requirements may help firms understand future implementation requirements.

REGULATORY ROUND UP

General

CP26/27: Remuneration – Solo-Regulated Firms' Rules Reform

The FCA is consulting on reforms to remuneration requirements for solo-regulated firms. The proposals seek to simplify the current framework and move towards a more outcomes-focused remuneration regime.

What firms are impacted?

MIFIDPRU investment firms, AIFMS and UCITS management companies.

Summary of the regulatory update:

The FCA proposes replacing three separate remuneration codes with a single consolidated framework. The regulator believes the current regime is unnecessarily complex and has been heavily influenced by remuneration reforms originally designed for the banking sector rather than non-bank financial institutions.

The proposals would provide firms with greater flexibility in areas such as deferral arrangements, malus and clawback provisions and governance structures. The FCA also proposes removing certain mandatory governance requirements, including remuneration committees for some firms, and narrowing the scope of firms captured by the regime.

While simplifying requirements, the FCA expects firms to remain accountable for ensuring remuneration structures support sound risk management, positive conduct outcomes and healthy organisational culture. The reforms are intended to improve proportionality while supporting growth and competitiveness.

When does it take effect?

Consultation closes on 16 September 2026. Final rules are expected during Q1 2027.

What should firms be thinking about?

Firms should review remuneration policies, governance structures, MRT structures, MRT identification processes and remuneration committee arrangements. Greater flexibility could create opportunities for simplification, but firms will still need to demonstrate effective governance and oversight.

REGULATORY ROUND UP

General

CP26/31: UK Equity Consolidated Tape Framework

The FCA has finalised the framework for a UK Equity Consolidated Tape, which will provide a consolidated view of trading activity across UK equity markets and improve accessibility of market data.

What firms are impacted?

Trading venues, investment firms, broker-dealers, market data providers, systematic internalisers and institutional investors.

Summary of the regulatory update:

The equity consolidated tape will combine post-trade information with first-level pre-trade information, including best bid and offer data, from across UK equity markets. The objective is to provide market participants with a more complete and authoritative picture of UK market activity.

The FCA believes the consolidated tape will improve transparency, encourage innovation in market data products, support competition and help users navigate increasingly fragmented equity markets. Following industry feedback, the FCA has also confirmed arrangements requiring the consolidated tape provider to share a proportion of revenues with data contributors.

The initiative represents a significant market structure reform and forms part of the FCA's wider objective of supporting growth, competitiveness and market efficiency. Implementation work will now focus on provider selection and operational delivery.

When does it take effect?

The framework was finalised in July 2026. Provider selection and implementation activities are now progressing.

What should firms be thinking about?

Firms should assess the impact on market data strategies, technology infrastructure, surveillance arrangements and trading operations. Early consideration should also be given to any reporting, connectivity or commercial implications arising from the new market data framework.

REGULATORY ROUND UP

General

CP26/30: Supporting Equity Market Transparency and Considering Market Structure Developments

The FCA is consulting on a package of reforms intended to support transparency, resilience and effective price formation in UK equity markets as trading activity becomes increasingly fragmented across multiple execution venues.

What firms are impacted?

Trading venues, systematic internalisers, broker-dealers, investment banks, market-makers and institutional investment firms active in UK equity markets.

Summary of the regulatory update:

The FCA considers UK equity markets to remain effective and resilient but acknowledges that market structure has evolved significantly over the last decade. Trading activity is increasingly dispersed across exchanges, bilateral systems and alternative execution mechanisms, creating both opportunities and challenges for market transparency and price formation.

The consultation includes proposals to enhance post-trade transparency requirements, update aspects of the systemic internaliser regime and improve the quality of market data available to participants. The FCA also proposes a monitoring framework that will help identify future risks arising from changing market structure.

In addition, the FCA seeks views on potential intervention options should developments in market structure create concerns about market integrity or price formation. The proposals are closely linked to the introduction of a UK equity consolidated tape.

When does it take effect?
Consultation closes on 16 October 2026.

What should firms be thinking about?
Market participants should monitor the consultation closely and assess potential impacts on execution arrangements, transparency obligations, market structure developments and regulatory reporting requirements.

REGULATORY ROUND UP

General

CP26/24: Simplifying Consumer Investment Disclosures

The FCA is consulting on significant reforms to investment disclosure requirements, seeking to simplify and align the disclosure obligations that currently apply under MiFID, IDD and other investment business regimes. The proposals build on the Consumer Composite Investments (CCI) regime and aim to improve consumer understanding through clearer, less prescriptive disclosures.

What firms are impacted?

Investment platforms, advisers, wealth managers, stockbrokers, asset managers, insurance brokers, other firms providing retail investment products or services.

Summary of the regulatory update:

The FCA is proposing wide-ranging reforms to pre-sale and post-sale investment disclosures. A key objective is to reduce complexity and create a more consistent disclosure framework across MiFID, IDD and non-MiFID investment business. The proposals seek to simplify cost and charges disclosures and align them more closely with the recently introduced CII regime.

The consultation also proposes removing cumulative effect illustrations, which the FCA believes often add complexity without materially improving customer understanding. Instead, firms would be given greater flexibility to explain charges, costs and performance impacts in ways that better support informed decision-making. The FCA is also proposing enhanced disclosure requirements relating to interest retained on client cash balances and the treatment of cash held within investment accounts.

More broadly, the proposals continue the FCA's shift towards an outcomes-based regulatory model under the Consumer Duty. Rather than requiring firms to adhere to highly prescriptive disclosure templates, the FCA expects firms to design communications that actively promote consumer understanding and engagement.

When does it take effect?

Consultation closes on 21 August 2026. The FCA intends to publish final rules by the end of 2026.

What should firms be thinking about?

Firms should assess how current disclosure processes will align with the future CCI regime and determine whether existing customer journeys remain appropriate. Particular focus should be placed on disclosure clarity, customer testing, treatment of client cash, cost presentation methodologies and how Consumer Duty evidence supports disclosure design decisions.

REGULATORY ROUND UP

General

FCA Review of Pre-Sale Investment Disclosure Documents

The FCA reviewed current pre-sale investment disclosure documents to assess how effectively they communicate information to consumers ahead of implementation of the Consumer Composite Investments regime. The review provides an indication of the standards the FCA expects firms to achieve when the new disclosure framework comes into effect.

What firms are impacted?

Investment product manufacturers, asset managers, investment platforms, wealth managers, advisers, stockbrokers and distributors of retail investment products.

Summary of the regulatory update:

The FCA assessed 172 disclosure documents from across the investment sector and concluded that most current disclosures are too difficult for consumers to read and understand. Only 6% of documents reviewed met plain-English standards, while all documents assessed fell below the FCA’s benchmark for intelligibility.

The regulator identified excessive use of technical language, legal drafting and industry jargon as the principal reasons consumers struggle to engage with disclosure documents. The findings reinforce concerns that consumers often receive large amounts of regulatory disclosure but are unable to use the information effectively when making investment decisions.

The review is intended to support implementation of the CCI regime and sends a clear supervisory message that firms should focus on communication quality, readability and consumer understanding. The FCA has indicated that it intends to revisit the exercise to assess whether industry disclosures improve over time.

When does it take effect?

The findings support implementation of the CCI regime on 8 June 2027. The FCA will repeat the review exercise in 2027.

What should firms be thinking about?

Firms should begin reviewing disclosure documents and customer communications now. Customer testing, readability assessments, plain-English drafting and governance over disclosure design are likely to become increasingly important supervisory expectations.

REGULATORY ROUND UP

General

The Mills Review: AI and the Future of Retail Financial Services

The Mills Review explores how artificial intelligence could transform retail financial services by 2030 and beyond. The report assesses the opportunities, risks and potential regulatory implications arising from increased adoption of AI across the sector.

What firms are impacted?

Retail banks, insurers, wealth managers, advisers, investment firms, fintechs and firms deploying AI across customer-facing, operational, governance or risk management activities.

Summary of the regulatory update:

The review concludes that AI is likely to become embedded throughout financial services, fundamentally changing how firms interact with customers, deliver products and make decisions. The report highlights the potential for AI to improve financial inclusion, support better customer outcomes, narrow advice gaps and increase operational efficiency.

At the same time, the review identified significant risks associated with increased AI adoption. These include accountability challenges, model bias, cyber threats, fraud, operational resilience concerns, market concentration and potential consumer harm if AI systems are not appropriately governed. The report also considers the emergence of AI agents capable of undertaking actions on behalf of consumers and the challenges this creates for existing regulatory frameworks.

The review recommends enhanced regulatory coordination, investment in supervisory technology, stronger governance frameworks and the development of an AI-enabled supervisory model. Although it does not introduce new rules, it provides a clear indication of future areas of FCA focus and regulatory scrutiny.

When does it take effect?

No implementation date applies. The review is intended to inform future policy, supervisory and regulatory developments.

What should firms be thinking about?

Firms should review AI governance, accountability and oversight arrangements. Existing model risk management, Consumer Duty, operational resilience and conduct risk frameworks should be assessed to ensure they appropriately capture emerging AI-related risks.

REGULATORY ROUND UP

General

Enforcement Watch 2

The FCA's second Enforcement Watch publication provides insight into how the regulator is supervising and enforcing Consumer Duty requirements and highlights themes emerging from recent interventions and investigations.

What firms are impacted?

All FCA-regulated firms subject to Consumer Duty requirements.

Summary of the regulatory update:

The FCA confirms that it currently has 11 open investigations involving potential Consumer Duty breaches across sectors including wealth management, pensions, insurance, consumer investments, peer-to-peer lending and claims management. The publication demonstrates that the FCA has moved beyond implementation support and is increasingly using enforcement powers to address poor customer outcomes.

The regulator identifies recurring themes including inadequate fair value assessments, weaknesses in product governance, poor customer support and failures to evidence consumer outcomes. The publication also highlights examples where supervisory interventions have been used to address harm before escalation to formal enforcement action.

The FCA continues to emphasise that Consumer Duty compliance must be evidenced through governance, management information and tangible customer outcomes. Firms unable to demonstrate this may face greater supervisory scrutiny and potential enforcement action.

When does it take effect?

Immediate effect. The publication reflects current FCA enforcement and supervisory priorities.

What should firms be thinking about?

Firms should ensure boards and senior management can evidence how customer outcomes are monitored and challenged. Particular focus should be given to fair value assessments, governance arrangements, vulnerable customer treatment and outcomes monitoring frameworks.

REGULATORY ROUND UP

General

Critical Third Parties (CTP) Regime

The Bank of England, PRA and FCA have formally commenced direct oversight of designated Critical Third Parties whose services underpin the UK financial sector. This is a significant development in the UK's operational resilience framework.

What firms are impacted?

Banks, insurers, investment firms, asset managers, payment firms and any regulated firms that rely on major cloud or technology service providers.

Summary of the regulatory update:

The first designated Critical Third Parties are Amazon Web Services, Google Cloud, Microsoft and Oracle. Regulators will directly oversee the resilience of services these providers supply to the UK financial sector where disruption could create systemic consequences.

The new regime is intended to address increasing concentration risk and operational dependencies rising from widespread use of a relatively small number of technology providers. The regulators will focus on risks that could impact multiple firms or markets simultaneously and threaten financial stability.

The regime does not remove responsibility from regulated firms. Firms remain accountable for outsourcing oversight, due diligence, contingency planning, operational resilience and management of third-party risks. The publication therefore reinforces existing regulatory expectations rather than replacing them.

When does it take effect?

The regime became operational on 13 July 2026.

What should firms be thinking about?

Firms should review concentration risks, outsourcing frameworks, scenario testing and exit planning arrangements. Existing operational resilience programmes should continue to assess the impact of severe but plausible disruption involving critical technology providers.

REGULATORY ROUND UP

General

Asset Management and Alternative Firms' Financial Crime Controls

The FCA has published findings from a sector-wide review of financial crime controls across asset management and alternative investment firms, highlighting examples of both good and poor practice.

What firms are impacted?

Asset managers, private equity firms, hedge funds, venture capital firms and alternative investment mangers.

Summary of the regulatory update:

The review found that while many firms demonstrated a reasonable understanding of their financial crime obligations, significant weaknesses remain across the sector. Areas of concern included business-wide risk assessments, customer risk assessments, beneficial ownership verification and oversight of outsourced AML activities.

The FCA identified higher inherent financial crime risks among firms operating in private markets due to factors such as complex ownership structures, international investors, overseas transactions and the use of offshore vehicles. In several cases, firms appeared to underestimate these risks or lacked sufficient controls to manage them effectively.

The findings reinforce FCA expectations that firms must maintain robust and proportionate financial crime frameworks. Outsourcing AML activities does not transfer responsibility, and firms remain accountable for ensuring compliance with regulatory requirements.

When does it take effect?

Immediate supervisory guidance.

What should firms be thinking about?

Firms should reassess AML frameworks, customer due diligence processes, risk assessments and oversight arrangements for third-party providers. Particular attention should be given to higher-risk private market activities and beneficial ownership verification processes.

REGULATORY ROUND UP

General

Consumer Duty: Outcomes Monitoring Review

The FCA has reviewed how firms monitor customer outcomes under the Consumer Duty and published examples of good practice and areas where improvements are required.

What firms are impacted?

All firms subject to the Consumer Duty.

Summary of the regulatory update:

The FCA found that firms demonstrating the strongest compliance operated structured monitoring frameworks linked directly to customer journeys, clearly defined outcomes and effective governance arrangements. These firms used management information to identify emerging issues and drive improvements to customer outcomes.

Common weaknesses included over-reliance on operational metrics, unclear definitions of good customer outcomes and insufficient consideration of outcomes experienced by vulnerable customers or particular customer groups. In some cases, firms were unable to demonstrate how monitoring activity led to meaningful action.

The publication reinforces the FCA's expectation that firms should move beyond collecting management information and focus instead on understanding what the information reveals about customer outcomes. Firms must be able to identify harm, take corrective action and evidence that outcomes have improved.

When does it take effect?

Immediate supervisory guidance.

What should firms be thinking about?

Firms should review outcomes monitoring frameworks, board reporting, management information and vulnerable customer monitoring. Particular focus should be placed on ensuring metrics are linked to customer outcomes and support meaningful challenge and remediation.

FOR MORE INFORMATION:

Richard Barnwell

+44 (0)77 1721 4818
richard.barnwell@bdo.co.uk

Lynne Cooper

+44 (0)78 3197 3356
lynne.cooper@bdo.co.uk

www.bdo.co.uk

XXXXXXX