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FS ADVISORY

Regulatory Update

April 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

PS26/2 Operational Incident and Third Party Reporting

The FCA has issued Policy Statement PS26/2, which finalises rules on operational incident and third-party reporting. The PolicyStatement is aimed at improving sector resilience and systemic risk management. The rules, developed in collaboration with the PRAand Bank of England, introduce unified definitions, templates, and reporting portals.

What firms are impacted?

PS26/2 impacts most FCA-authorised firms, particularly banks, building societies, investment firms, insurers (including Solvency II firms), payment service providers, electronic money institutions, large CASS firms, and recognised investment exchange firms.

Summary of the regulatory update:

In March 2026, the FCA published Policy Statement PS26/2, setting out its final rules and guidance on operational incident reporting and material third-party reporting following consultation CP24/28. The policy introduces a single, aligned UK regulatory regime across the FCA, PRA and Bank of England, designed to improve supervisory visibility of operational incidents and firms' reliance on third parties.

The new framework:

- Defines what constitutes a reportable operational incident and sets clear thresholds for reporting.
- Introduces a standardised reporting process and single submission, even where multiple regulators are involved.
- Requires in-scope firms to notify the FCA of new or materially changed third-party arrangements, maintain a register of material third parties, and submit this annually.
- Is supported by finalised guidance (FG26/3 and FG26/4) to help firms interpret and apply the requirements.

Overall, PS26/2 aims to strengthen operational resilience, reduce fragmented reporting, and improve regulators' ability to respond to disruption—particularly where incidents originate from outsourcing and third-party dependencies. The new rules will come into force on 18 March 2027, giving firms a 12-month implementation period

When does it take effect?
18 March 2027, following a 12-month implementation period from publication in March 2026.

What should firms be thinking about?
How to identify, escalate and report operational incidents more consistently, strengthen incident management and third-party risk governance, and ensure systems, processes and data are in place to meet the new reporting thresholds, formats and deadlines ahead of implementation in March 2027.

REGULATORY ROUND UP

General
FG26/4 Material Third Party Reporting
The FCA has issued final guidance on material third party reporting, which outlines how firms should identify, notify, and maintain a register of material third party arrangements.
What firms are impacted? Banks, building societies, designated investment firms, Solvency II insurers, large CASS firms, enhanced-scope SM&CR firms, UK recognised investment exchanges, authorised payment and e-money institutions, and consolidated tape providers.
Summary of the regulatory update: In March 2026, the FCA published Finalised Guidance FG26/4, which sets out its expectations for how firms should identify, assess, notify and maintain records of material third-party arrangements, as introduced under Policy Statement PS26/2. The guidance reflects the FCA's view that operational risks increasingly arise from both outsourcing and non-outsourcing third-party dependencies, and that regulators require greater visibility of these relationships to monitor firm-specific and systemic risk. FG26/4 explains how firms should determine whether a third-party arrangement is "material", provides examples of material and non-material arrangements, and sets out expectations for notifying the FCA of new or materially changed material third-party arrangements. It also details how in-scope firms should maintain and submit an annual register of material third-party arrangements, including guidance on completing and submitting the FCA's standard notification and register templates. Overall, the guidance is intended to support consistent implementation of the new third-party reporting regime, strengthen firms' third-party risk management, and enable the FCA to better identify concentrations of reliance and emerging vulnerabilities across the financial sector. The guidance supports rules that will apply from 18 March 2027, following a 12-month implementation period.
When does it take effect? Finalised Guidance FG26/4 takes effect alongside the underlying rules in PS26/2 on 18 March 2027, following a 12-month implementation period from publication in March 2026.
What should firms be thinking about? Mapping and assessing their third-party arrangements, particularly identifying which are material, strengthening third-party risk management and governance, and ensuring they can maintain accurate registers and notify the FCA of new or materially changed arrangements.

REGULATORY ROUND UP

General

CP26/10 Simplifying the Pensions and Investment Advice Rules

The FCA has launched a consultation proposing to simplify and consolidate pensions and investment advice rules.

What firms are impacted?

Pensions and investment advisers, wealth managers, platforms, and firms offering or planning to offer advice and ongoing services.

Summary of the regulatory update:

CP26/10 forms part of the FCA's wider strategy to improve consumer access to advice while maintaining appropriate consumer protections and aligning with the Consumer Duty. The consultation proposes simplifying and consolidating suitability rules across pensions and investments to reduce duplication, complexity, and interpretative burden.

Key proposals include:

- Clarifying what constitutes a proportionate suitability assessment,
- Streamlining requirements for ongoing advice services, and
- Removing overlapping or outdated rule references that have built up over time.

The FCA also proposes changes to better align advice rules with newer models of support, including targeted support, and to facilitate the development of more cost-effective and scalable advice propositions. The regulator emphasises that simplification does not represent a dilution of standards, and that firms must continue to act in clients' best interests and ensure recommendations are suitable, evidenced, and outcome-focused.

When does it take effect?

Consultation closes on 22 May 2026; final rules and implementation timelines will be confirmed following FCA feedback and policy finalisation.

What should firms be thinking about?

Firms should assess how proposed changes could materially affect advice processes, documentation, training, and business models, particularly for streamlined or hybrid advice offerings.

REGULATORY ROUND UP

General
CP26/9 Modernising the Redress System
The Financial Conduct Authority (FCA) has published a consultation paper outlining measures to modernise the redress system, setting out changes that can be made within the existing framework, including the initial implementation of a new referral mechanism and proposed updates to the "fair and reasonable" test.
What firms are impacted? All FCA-regulated firms that may be involved in complaints handling or consumer redress, including banks, insurers, investment firms, consumer credit firms, payment firms, and intermediaries.
Summary of the regulatory update: In March 2026, the FCA published CP26/9: Modernising the Redress System, alongside the Financial Ombudsman Service (FOS), setting out proposals to reform the UK's consumer redress framework. The consultation builds on earlier FCA/FOS work and aims to address weaknesses in the current system by improving predictability, speed, and consistency of redress, while encouraging firms to identify and resolve consumer harm earlier within their own governance frameworks. Key proposals include clarifying when firms should notify the FCA of emerging issues that may lead to widespread consumer harm, issuing finalised guidance on good and poor practice in identifying and rectifying harm (FG26/2), and introducing changes to improve the efficiency of the FOS and Financial Services Compensation Scheme (FSCS). The consultation also seeks views on further reforms, such as updates to the FOS's "fair and reasonable" test, new or revised complaint dismissal grounds, and the introduction of a complaints registration stage to streamline FOS investigations. Overall, CP26/9 represents a significant shift towards earlier, more proactive redress by firms, with complaint handling and remediation increasingly treated as central to Consumer Duty compliance and systemic risk management, rather than as a purely reactive process once complaints reach the FOS.
When does it take effect? Some elements have already been implemented through finalised guidance FG26/2 and clarifications to SUP 15 from 17 March 2026, with further rule changes expected to take effect later in 2026, following the close of consultation on 11 May 2026 and publication of subsequent policy statement.
What should firms be thinking about? Firms should be thinking about whether their complaints handling, harm detection, escalation and remediation frameworks are sufficiently robust to identify and address consumer harm early, and whether governance, MI and reporting arrangements support proactive redress and compliance with Consumer Duty.

REGULATORY ROUND UP

General
CP26/8 Quarterly Consultation No. 51
The FCA has issued multiple consultation papers and amendments across its handbook, covering areas such as crypto asset regulation, transparency in financial instruments, consumer credit reporting, and listing rules, to enhance clarity, align with legislative changes, and support market integrity
What firms are impacted? Investment firms, broker-dealers, cryptoasset firms, trading venues, fund managers, commodity derivatives users, listed issuers
Summary of the regulatory update: In March 2026, the FCA published CP26/8, its latest quarterly consultation proposing a series of technical, consequential and corrective amendments to the FCA Handbook across multiple areas. While the changes are wide-ranging, they are generally not policy-shifting and are intended to ensure the Handbook remains operable, proportionate and aligned with recent regulatory reforms. Key proposals include amendments to the Client Assets Sourcebook (CASS) to ensure protections operate effectively for crypto asset activities under the developing UK crypto regulatory regime; updates to the Market Abuse regime (MAR) to consolidate equity transparency requirements and clarify rights of action in wholesale markets; increases to the UK EMIR clearing threshold for commodity derivatives to reflect higher market prices; adjustments to capital distribution rules for FCA investment firms to avoid unintended impacts on own funds instruments; and targeted changes across other modules (including SYSC, SUP, COLL, UK Listing Rules, COBS, ICOBS and CONC) to correct errors, clarify scope, or reflect updated standards. Overall, CP26/8 reflects the FCA’s incremental approach to maintaining the regulatory framework, seeking industry feedback on refinements designed to support market integrity, consumer protection and competitiveness, while avoiding unnecessary regulatory burden.
When does it take effect? Firms are invited to provide feedback by March-April 2026, and any resulting rule changes would only take effect after the FCA publishes final rules in a subsequent Policy Statement.
What should firms be thinking about? Firms should review the consultation proposals to assess potential impacts on their activities, consider whether to respond to the FCA within the consultation deadlines, and start planning for possible changes to policies, systems, controls, and governance if the proposals are finalised.

REGULATORY ROUND UP

General

FG26/2 Good and Poor Practice on Identifying and Rectifying Harm

The FCA has issued finalised guidance setting out good and poor practice on how firms should identify, assess, and remediate consumer harm.

What firms are impacted?

All FCA-regulated firms, particularly those exposed to large customer populations, legacy products, or potential or emerging harm scenarios.

Summary of the regulatory update:

FG26/2 provides practical guidance on designing and delivering effective redress exercises, aligned to FCA Principles, Consumer Duty requirements, and DISP obligations.

The FCA outlines good practice including:

- Early identification of harm through proactive MI,
- Clear root-cause analysis,
- Robust governance and senior oversight,
- Fair and consistent customer outcomes, and
- Timely remediation.

Poor practice includes:

- Overly narrow harm definitions,
- Weak customer population scoping,
- Insufficient redress calculations,
- Delays in execution, and
- Insufficient challenge from senior management.

The FCA expects firms to take ownership of harm identification rather than relying on supervisory or complaints triggers, and to design redress exercises that are proportionate, fair, and customer-focused.

When does it take effect?

The guidance is effective immediately and should be applied to both current and future harm and redress exercises.

What should firms be thinking about?

Firms should test whether their harm identification frameworks, governance, and redress capabilities would stand up to regulatory scrutiny and Consumer Duty expectations.

REGULATORY ROUND UP

General
Operational Resilience – FCA Implementation Observations
The FCA has published implementation observations highlighting good and poor practice as firms embed the operational resilience framework.
What firms are impacted? All FCA-regulated firms within scope of the operational resilience rules, including those reliant on complex third-party and outsourcing arrangements.
Summary of the regulatory update: The FCA's updated webpage provides supervisory insight into how firms are implementing key elements of the operational resilience framework ahead of full embedding. Observations cover identification of important business services, setting of impact tolerances, mapping of resources and dependencies (including third parties), and scenario testing. Good practice includes clear articulation of business services linked to consumer harm, credible and severe-but-plausible scenario testing, and senior management involvement in assessing vulnerabilities and prioritising remediation. Areas of concern include firms defining business services too narrowly, inadequate mapping of outsourced or intragroup services, limited challenge of impact tolerances, and scenario testing that fails to inform meaningful investment or decision-making. The FCA reiterates that operational resilience must be embedded into governance, risk management, and strategic planning, rather than treated as a compliance exercise.
When does it take effect? The operational resilience rules are already in force, with ongoing supervisory focus as firms continue embedding the framework beyond initial implementation milestones.
What should firms be thinking about? Firms should critically review whether their important business services, third-party mappings, and scenario tests genuinely reflect operational vulnerabilities and drive remediation decisions.

REGULATORY ROUND UP

General
Targeted Support: Firm Considerations When Designing Consumer Segments
The FCA has issued guidance on designing consumer segments for targeted support. Among other things, it emphasises theimportance of defining segments with appropriate granularity and considering relevant common characteristics without comprehensiveindividual assessments.
What firms are impacted? The guidance is relevant to firms that offer, or intend to offer, targeted support to retail consumers, particularly pension providers, investment firms, platform operators, asset managers, and insurers distributing investment products.f
Summary of the regulatory update: In March 2026, the FCA published guidance setting out examples of good and poor practice for firms designing consumer segments for targeted support, following the introduction of the targeted support regime. The publication is intended to help firms apply judgement when grouping consumers and developing “ready-made suggestions”, while remaining within the regulatory boundary between guidance and personalised advice. The FCA emphasises that the examples are illustrative, not prescriptive, and that firms have flexibility in how they comply with the rules. The guidance focuses on three key areas. First, firms should define consumer segments using common characteristics that are sufficiently granular to assess suitability, including both inclusion and exclusion criteria, but without undertaking a full assessment of an individual’s circumstances. More complex situations will typically require more detailed characteristics, while simpler situations may require less. Secondly, firms should consider data they already hold on consumers, ensuring that readily accessible information that may indicate a suggestion is unsuitable is not ignored, while avoiding unnecessary data gathering. Finally, firms may use reasonable, evidence-based assumptions when designing segments, but any information that is material to suitability should be treated as a common characteristic rather than an assumption. Overall, the FCA makes clear that getting consumer segmentation right is critical to delivering good outcomes and avoiding harm, and that this guidance may be taken into account by the Financial Ombudsman Service when assessing complaints relating to targeted support. The publication reinforces the FCA’s expectation that firms design, monitor and review consumer segments carefully, with a strong focus on suitability and Consumer Duty outcomes
When does it take effect? The guidance takes effect immediately on publication (23 March 2026), and applies to firms designing consumer segments in the context of the targeted support regime, which itself comes into force from 6 April 2026.
What should firms be thinking about? Firms should ensure consumer segments are designed with sufficient granularity, grounded in relevant shared characteristics, and supported by clear governance and disclosures that explain the nature and limits of targeted support. They should also consider how segments will be monitored and reviewed over time to ensure they continue to deliver appropriate consumer outcomes without drifting into personalised advice.

REGULATORY ROUND UP

General
FCA 2026/5 Advice Guidance Boundary Review (Targeted Support) Instrument 2026
The Financial Conduct Authority (FCA) has published the Advice Guidance Boundary Review (Targeted Support) Instrument 2026,introducing the regulated activity of providing targeted support and setting out a new framework for the design and delivery of targeted support services. his instrument amends multiple FCA Handbook modules to establish requirements for firms to provide ready-made suggestions to clients based on consumer segments, with specific rules on disclosures, suitability, charging, and ongoing monitoring, and clarifies the application of these provisions across related activities and reporting.
What firms are impacted? It primarily impacts investment firms, wealth managers and pension providers serving retail clients, insurance distributors, MiFID and prudentially regulated investment firms, fund managers.
Summary of the regulatory update: The FCA instrument dated 2 March 2026 (FCA 2026/5) implements changes arising from Handbook Notice No. 138, making amendments across a wide range of FCA Handbook modules, including the Glossary, SYSC, COBS, ICOBS, PROD, SUP, DISP, COLL and PERG. The primary purpose of the instrument is to introduce the new “targeted support” framework, which clarifies the boundary between regulated advice and guidance and enables firms to provide more tailored, consumer-focused support in relation to pensions and retail investments without delivering full regulated advice. The instrument also makes consequential and technical amendments to existing rules and guidance to ensure consistency across the Handbook, update cross-references, and clarify how the new framework interacts with existing conduct, governance and disclosure requirements. Overall, the changes are intended to improve consumer outcomes, provide greater regulatory clarity, and support innovation, while maintaining appropriate standards of conduct, governance and supervisory oversight.
When does it take effect? *The instrument takes effect on a phased basis, with key provisions coming into force from 2 March 2026, further elements applying from 6 April 2026 and 31 December 2026, and the remaining requirements effective from 6 April 2027.*
What should firms be thinking about? Firms should consider whether and how they may use the new targeted support framework. They should also review and update governance, policies, controls and staff training to ensure the changes are embedded into retail client interactions in line with the phased implementation dates.

REGULATORY ROUND UP

General
Consumer Understanding: Good Practice and Areas for Improvement
The FCA has published a good and poor practice report assessing how firms are supporting consumer understanding under the Consumer Duty.
What firms are impacted? This applies to all firms dealing with retail consumers, particularly those producing customer communications, disclosures, or digital journeys across products and services.
Summary of the regulatory update: The FCA's review assesses how firms are meeting the Consumer Duty outcome on consumer understanding, focusing on the clarity, accessibility, and effectiveness of communications. Good practice examples include: • Using customer insight and behavioural testing to design communications, • Simplifying language and structure, • Tailoring content for different consumer needs (including vulnerability), and • Embedding governance oversight of communications. The FCA identified weaknesses where firms rely on generic templates, fail to adequately test consumer comprehension, provide excessive or poorly structured information, or lack accessible formats. The regulator emphasises that consumer understanding must be monitored on an ongoing basis and evolve as products, customer bases, or delivery channels change. Proportionality is expected, but all firms must be able to evidence that communications enable informed decision-making in practice, not just in theory.
When does it take effect? The expectations apply immediately as part of the ongoing Consumer Duty framework.
What should firms be thinking about? Firms should review customer communications end-to-end, enhance consumer testing, and strengthen governance and MI to evidence that communications genuinely support informed decisions.

REGULATORY ROUND UP

General
Joint FCA and ICO Statement on Vulnerability-Related Data.
The FCA and ICO have issued a joint statement clarifying regulatory expectations for firms handling vulnerability-related customer data.
What firms are impacted? All regulated firms processing personal data, particularly those identifying, recording, sharing, or monitoring vulnerability-related information across customer journeys and distribution chains.
Summary of the regulatory update: The joint FCA and ICO statement responds to ongoing industry concern that data protection requirements may inhibit firms' ability to identify and support vulnerable customers in line with the Consumer Duty. The regulators clarify that firms can lawfully collect, use, and share vulnerability-related data where this supports good consumer outcomes, provided processing complies with UK GDPR principles. The statement sets expectations around having a clear lawful basis for processing, being transparent with consumers about how vulnerability data is used, and ensuring data practices are proportionate, relevant, and limited to what is necessary. It also highlights the importance of appropriate safeguards, including staff training, access controls, retention policies, and governance oversight. The regulators encourage responsible data sharing across the distribution chain where this is necessary to ensure consistent support for vulnerable customers, while emphasising accountability, clear purpose limitation, and ongoing monitoring of data practices.
When does it take effect? The expectations apply immediately.
What should firms be thinking about? Firms should review vulnerability identification frameworks, data governance arrangements, and data-sharing practices to ensure they enable appropriate support while remaining compliant with UK GDPR.

REGULATORY ROUND UP

General
Sustainability Disclosure Requirements Labels: Good and Poor Practice
The Financial Conduct Authority (FCA) has published examples of good and poor practice for using labels under the Sustainability Disclosure Requirements (SDR) regime, setting out findings based on what they have seen through the fund authorisations process and engagement with industry stakeholders.
What firms are impacted? UK-authorised asset managers and fund manufacturers using (or intending to use) FCA Sustainability Disclosure Requirements labels, as well as distributors and platforms that communicate those labels and related sustainability disclosures to retail investors.
Summary of the regulatory update: In February 2026, the FCA published guidance setting out examples of good and poor practice in the use of sustainability labels under the Sustainability Disclosure Requirements (SDR) regime. The FCA found that while disclosure quality has improved, some firms still use unclear or unsupported sustainability claims that do not accurately reflect how funds are invested. The guidance highlights that good practice involves clear, concise, evidence-based and consistent disclosures, while poor practice includes vague objectives, generic language, and misalignment between stated sustainability goals and actual investment strategies. Overall, the publication signals heightened supervisory scrutiny of sustainability labelling and a strong focus on reducing greenwashing.
When does it take effect? Immediately from publication on 27 February 2026.
What should firms be thinking about? Firms should be reviewing whether their use of sustainability labels and related disclosures are clear, accurate, evidence-based and genuinely aligned with how products are invested, ensuring claims can be substantiated, objectives are specific and measurable, and that disclosures consistently reflect the firm's investment strategy to mitigate greenwashing risk and meet heightened FCA supervisory expectations.

REGULATORY ROUND UP

General
No 138 Handbook Notice 138
In February 2026, the Financial Conduct Authority published Handbook Notice No. 138, setting out a series of updates to the FCA Handbook. The changes include amendments relating to deferred payment credit, UK listing notifications, and a new framework for providing targeted support for pensions and investments, alongside minor administrative updates
What firms are impacted? A broad range of of FCA-regulated firms, including Consumer Credit, UK-Listed Issuers, Investment Firms/Asset Managers, Pension Providers
Summary of the regulatory update: In February 2026, the Financial Conduct Authority issued Handbook Notice No. 138, setting out a package of amendments to the FCA Handbook approved in late January and February 2026. The update introduces changes across several areas, including a new regulatory regime for deferred payment credit (including BNPL products), amendments to the UK Listing Rules to simplify notification requirements for share buybacks, and the creation of a new targeted support framework allowing firms to provide more tailored support to consumers in relation to pensions and retail investments. The Notice also includes a number of minor administrative and clarificatory amendments to existing Handbook provisions. Overall, the changes are intended to enhance consumer protection, reduce unnecessary regulatory burden, and support innovation, while maintaining appropriate market integrity and supervisory oversight.
When does it take effect? The changes set out in FCA Handbook Notice No. 138 take effect on a phased basis from late February 2026, with most provisions coming into force between March and December 2026, and some targeted support measures extending into April 2027.
What should firms be thinking about? Firms should be considering which elements of the updates apply to their business model, how the phased implementation dates affect readiness, and whether existing governance, policies, systems and controls need to be updated.

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

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