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SM Treasury Insights

What's next for corporate treasury?

August 2026

Taking stock of the UK's near-term reform agenda

The Leeds Reforms, announced just over a year ago by then-Chancellor Rachel Reeves, covered banking, pensions, insurance, payments and capital markets regulation with the policy objective of "cutting red tape" and making the UK the "number one destination for financial services businesses by 2035". These measures were supplemented by initiatives designed to reinvigorate capital markets.

In the August 2025 edition of Treasury Insights, we highlighted key aspects of the Leeds Reforms and concluded that the policy intent – with its focus on growth, competitiveness and reducing regulatory burden alongside financial stability – seemed generally positive from the perspective of finance and treasury.

At the start of the 2026 summer break, the reform agenda had clear momentum. As highlighted in Rachel Reeves' final Mansion House speech as Chancellor, many Leeds Reform aspects relevant to corporate treasury have moved forward, with clear timetables laid out. As is traditional, regulators published further consultations and draft measures in July as holiday reading, with a view to positioning policy makers to assess next steps at the start of the Autumn term.

This briefing provides a forward-looking snapshot of key items on the near-term regulatory agenda and our view of what they mean for corporate treasury.

1. Unlocking investment

A key theme of the Leeds reforms was unlocking investment by recalibrating bank capital requirements, providing greater operational flexibility, and introducing pensions and captive insurance measures with potential benefits for corporates in terms of greater optionality and cost savings.

Reforming bank regulation for growth

Why it matters: Prudential regulation drives banks' capital costs and directly impacts the cost of and access to capital for the real economy. Reforms to the prudential regime, alongside measures increasing banks' operational flexibility through ring-fencing reform, should widen the pool of available credit and create a more competitive banking market for corporates.

Substantial progress is already apparent:

- **Basel 3.1 Implementation** – The Leeds Reforms set out a Basel 3.1 implementation timetable broadly aligned with other jurisdictions, such as the EU. The final rules were published on 20 January 2026, with phased implementation confirmed for 1 January 2027. The PRA has introduced adjustments to mitigate the impact on SME and infrastructure lending. The adoption of the internal model approach to market risk has been delayed until 1 January 2028, given uncertainty as to when other jurisdictions will implement.

- **Ring-fencing reform**: HM Treasury's ring-fencing review concluded in May 2026 with a comprehensive reform package. The Financial Services and Markets Bill, currently progressing through Parliament, will narrow the ring-fencing perimeter and allow ring-fenced banks to offer a broader suite of products to corporate clients – including simple derivatives, hedging instruments such as inflation swaps, and trade finance products. A proposed "New Growth Allowance" will allow ring-fenced banks to undertake otherwise-prohibited activities that the Treasury estimates could unlock up to £80 billion of business and infrastructure financing.

- **FPC Capital Review:** The Bank of England's FPC published its Financial Stability Report in December 2025, committing to review banks' capital and leverage ratio requirements. On 7 July 2026, it announced concrete proposals for consultation in early 2027.

Our view: The alignment of the Basel 3.1 implementation timetable with competitor jurisdictions has been generally welcomed. Ring-fencing has long constrained the services UK banks can offer large corporates, but some market participants question whether this will translate into materially higher lending levels. However, if realised alongside the FPC's additional capital proposals, these reforms should widen the pool of available credit and create a more competitive market for corporate debt.

Releasing defined benefit (DB) scheme surplus for investment

Why it matters: New rules on employers accessing surplus in ongoing DB schemes could release funds for companies to reinvest in their businesses.

The Leeds Reforms highlighted the Government's ongoing commitment to reforms proposed under the Pensions Investment Review, implemented by the Pension Schemes Bill laid before Parliament last June. The Pension Schemes Act received Royal Assent in April 2026.

The new Act includes a statutory power enabling trustees whose trust deed does not currently allow them to pay out surplus to do so for members and employers. These changes are expected to come into force by end 2027.

On 10 June 2026, drafts of the Surplus Regulations 2027 were released and The Pensions Regulator published its early views, with more detailed guidance to follow later this year.

Our view: For corporate sponsors of DB schemes, surplus extraction may become a genuine option for the first time in a generation. A balance of interests will be maintained as, although the Government does not intend to mandate how extracted surplus must be used, trustees will continue to be subject to duties towards DB scheme beneficiaries. Corporates will be watching out for further, detailed guidance which will address the factors they will need to take into account when deciding whether to refund any DB scheme surplus.

Further information: DB surplus: a trustee's anxiety of choice (and how sponsors can help)

Pension fund investment and capital mobilisation

Why it matters: New statutory powers enable the Government to impose asset allocation requirements if industry progress is insufficient. The prospect of mandated allocations has implications for companies as scheme employers, while also offering the prospect of deepening the equity capital pool for UK listed companies.

In 2025, 17 of the largest workplace pension providers committed voluntarily (in the Mansion House Accord) to increase investment in private markets and UK assets. The Pension Schemes Act 2026 gives the Government reserve powers to impose asset allocation requirements if industry progress is insufficient.

Over recent decades, UK pension schemes have dramatically reduced their allocations to UK equities in favour of global diversification, and the UK pension system now has a significantly lower absolute and relative allocation to domestic equities than most of its international peers. There is wide agreement that encouraging UK pension schemes to allocate more capital to UK equities is a necessary part of efforts to revitalise UK capital markets, but opinions differ on how best to achieve this.

In the context of DB schemes, where benefits are fixed and trustees are responsible for ensuring sufficient assets are available to meet those liabilities, mandating a minimum investment in UK assets is controversial. Occupational pension scheme investment decisions are generally made by trustees with fiduciary duties to act in members' best financial interests, and requiring schemes to invest in particular asset classes or UK assets would cut across that principle by requiring fiduciaries to make investment decisions which may not be in members' interests to achieve political objectives.

Our view: Increasing the amount of capital invested by pension schemes in UK listed companies would help to boost capital markets, but opinions differ on how best to achieve this. In particular, mandating DB schemes to invest a minimum percentage of their assets in UK equities may be controversial, for example, if UK equity returns were not in line with the pre-existing default option.

Captive insurance

Why it matters: A new dedicated UK captive insurance regulatory framework will enable multinationals with UK operations to bring risk-financing in-house, potentially saving costs versus offshore alternatives.

Captive insurance is standard practice for large groups, but at present there are no UK-domiciled captives. This is attributed to the absence of any distinct FSMA authorisation regime for captive insurers. A group wishing to establish a captive in the UK must obtain authorisation to effect or carry out contracts of insurance, subjecting the entity to broadly the same capital, governance, reporting and other regulatory requirements under Solvency UK as a commercial insurer underwriting third-party business – notwithstanding its materially different risk profile.

Plans to introduce a captive insurance regime were part of the Leeds Reforms. The PRA announced proposals on 14 July 2026 for a new UK captive insurer category outside the Solvency UK regime, with simplified capital requirements and streamlined authorisation. The consultation closes 14 October 2026, with intended implementation by mid-2027.

Our view: For UK groups currently captive-insuring in Guernsey, Isle of Man, or elsewhere, establishing a captive onshore could deliver efficiencies and cost savings compared to offshore alternatives, depending on scope and structure. The principal question is whether the proposed regime will be sufficiently competitive to attract business away from established offshore centres such as Guernsey, which offer a favourable tax environment and a mature captive management and regulatory ecosystem.

Further information: The UK captive insurance regime proposals: implications for the Insurance sector

2. Embracing innovation and digitisation

A key theme of the Starmer Government's growth strategy was embracing innovation, fintech and digitisation to enhance the efficiency of the UK's financial markets infrastructure. Substantial progress is evident in several capital markets-related projects.

Dematerialisation of shares

Why it matters: Dispensing with share certificates, moving to a digitised register and making improvements to the systems used by intermediaries should save companies time and costs by reducing physical movements of paper and helping to facilitate electronic communications with, and payments to, end investors.

In its July 2025 report, the Government's Digitisation Taskforce set out recommendations for modernising the UK's framework for share ownership in listed companies. It proposed a three-step transition to a fully digitised and intermediated model of shareholding, ending with all UK-traded shares held in CREST, or another central securities depository, via intermediaries. The recommendations aim to improve the "plumbing" of UK capital markets and align the UK with shareholding systems in other developed markets, making it easier, quicker and cheaper for individuals to hold and trade shares – which should help foster equity ownership culture and boost UK stock markets.

The Dematerialisation Market Action Taskforce (DEMAT) published its implementation plan on 14 July 2026, targeting abolition of paper share certificates by end 2027. A new Securities Transfer Tax (STT) replacing stamp duty and SDRT is also targeted for implementation in 2027 to align with dematerialisation.

Our view: Paper share certificates create inefficiency in the UK's settlement infrastructure and impede retail participation; while transition will involve near-term administrative effort, the reforms currently underway are important to ensure the UK remains on a par with other competing markets and to attract corporate issuers.

Further information: Digitisation of shares in UK traded companies: demat publishes implementation plan

Stablecoin regulation and tokenisation

Why it matters: New payment instruments offer treasurers greater flexibility for global liquidity management. A clear and timely UK framework would give treasury centres confidence to adopt these instruments ahead of competing jurisdictions.

The Leeds Reforms included a new model for the Payments Vision Delivery Committee and the Vision Engagement Group, responsible for implementing the 2024 National Payments Vision with input from regulators and rotating private sector members. The Payments Vision Delivery Committee published its Payments Forward Plan in February 2026. Key workstreams include stablecoin regulation and tokenised settlement instruments.

In May 2026, the FCA and Bank of England set out a shared vision for tokenisation in UK wholesale markets, signalling a shift from isolated DLT pilots towards modernising the wider FMI to support tokenised securities.

In parallel, the Bank of England published a joint policy statement and draft rules in July 2026 to enable sterling stablecoins to become a viable store of value and payment method. Changes include tweaks to backing asset composition requirements (from 60:40 to 70:30) and an update to per-coin holding limits for individuals and businesses. The Bank's November 2025 consultation proposed per-stablecoin holding limits of £20,000 for individuals and £10 million for businesses. Multiple respondents argued that the £10m business cap would rule out many wholesale and corporate treasury use cases such as B2B cross-border payments and tokenised instrument settlement. The measure has since been replaced with a £40bn guardrail on issuance per systemic stablecoin.

In April 2026, HM Treasury announced it intends to regulate stablecoin payments as payment services and published a draft amending SI to the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026. This signals that stablecoin payments will sit within the established payments regulatory architecture, likely more familiar to corporate treasurers, rather than being treated (and regulated) as a "crypto" instrument under the FCA's new cryptoassets regime.

Our view: It is important that regulatory frameworks for sterling payment stablecoins and tokenised deposits accommodate corporate treasury use cases (including intra-group transfers and liquidity management, as well as collateralised lending).

T+1 settlement

Why it matters: Treasury teams will need to adjust cash management processes for a compressed funding window in the near future. Treasury teams should be reviewing their processes now.

The UK's transition to T+1 settlement is now legislatively mandated for 11 October 2027, on a common deadline with the EU and Switzerland. This is a major operational change: the funding window compresses significantly, with implications for cash forecasting, FX settlement, and intraday liquidity.

> **Key date:** T+1 settlement goes live 11 October 2027 (common deadline with EU and Switzerland).

3. Cutting red tape

Several reforms currently in train aim to reduce regulatory friction with a direct impact on treasury operations. The issues highlighted below are something of a mixed bag – from capital markets regulation to tax compliance – but all have the potential to provide a smoother and more certain regulatory playing field for finance and treasury centres.

Intra-group exemptions under UK EMIR

Why it matters: Treasury centres rely on intra-group hedging as part of ordinary risk management, but the exemptions that make it viable have been sustained by a temporary regime with a fixed expiry, leaving treasurers unable to plan multi-year hedging programmes with certainty.

The intra-group exemptions from clearing and margin requirements for transactions between UK entities and non-UK group entities under UK EMIR depend on equivalence determinations that, for many jurisdictions, have never been made. The UK's temporary intra-group exemption regime (TIGER) has been repeatedly extended as a result and is currently due to expire on 31 December 2026. This has been a source of ongoing regulatory uncertainty for treasury operations that manage risk across borders through intra-group derivatives.

The FCA and HM Treasury have been working to make the intra-group exemptions for overseas group entities permanent and more flexible, by removing the equivalence determination and the FCA application requirement, replacing them with a notification-based regime.

The statutory instrument implementing this change was laid before Parliament on 6 July 2026. The reforms are intended to make obtaining and using intra-group exemptions simpler and faster:

- Reliance on the clearing exemption in intra-group transactions between two UK counterparties will no longer require FCA notification (where the required conditions are met), aligning the clearing exemption regime with the current margin exemption regime.
- Intention to rely on the clearing and margining exemptions in intra-group transactions between UK and non-UK group entities will require notification to the FCA, which is given 30 days to object. This replaces the current application-based approach under TIGER which requires FCA approval within 3 months of notification.

Transitional provisions ensure that firms currently benefitting from exemptions granted under TIGER will continue to benefit from them when TIGER expires without the need to notify the FCA, subject to certain conditions.

The FCA has been preparing rules to operationalise these legislative changes on intra-group exemptions which are expected to be published shortly.

Our view: Market participants have awaited certainty on intra-group exemptions for years and will welcome the prospect of near-term resolution. The notification-based intra-group regime proposed under UK EMIR is a step forward but also an example of continuing and potentially unnecessary divergence between UK and EU intra-group exemption regimes. While the EU's EMIR 3.0 also removes the equivalence condition, it does so in favour of a jurisdiction "blacklist" approach rather than a notification-based regime as proposed for UK EMIR. Parties subject to both regimes must still consider differing obligations.

Simplifying DTTP / withholding tax treaty relief

Why it matters: Treaty clearance requirements affect the cost and administration of borrowing from overseas lenders. The Government's decision to consult on simplification offers an opportunity for UK borrowers (and lenders) to help shape a faster, less administratively burdensome system. This could involve a lender-led self-certification regime (which would allow borrowers to rely on the Treaty Lender's self-certification regarding eligibility for treaty relief), as exists in other countries such as the United States and Ireland.

Overseas lenders relying on the UK's double taxation treaty network to receive interest payments free of UK withholding tax (Treaty Lenders) regularly provide loan finance to UK entities. Satisfaction of the substantive treaty criteria does not, of itself, entitle the UK borrower to rely on that exemption – the relevant procedural formalities must be completed.

The ordinary clearance procedure is administratively cumbersome (often requiring the application to be sent first to the overseas tax authority for certification and then to HMRC), and puts the borrower at a potential cash flow disadvantage. Standard market lending terms require borrowers to pay interest free of UK withholding tax deduction (provided the lender cooperates in completing procedural formalities). If interest becomes payable before HMRC directs that treaty relief is available, the borrower must in principle withhold tax while being contractually obliged to "gross-up" the Treaty Lender. The parties must then await an HMRC repayment (assuming a direction is subsequently received) and, as the refund goes to the lender, the borrower must rely on contractual loan agreement protections requiring the lender to pass the refund back.

The DTTP Scheme (comprising the DTTP1 passport and DTTP2 direction to pay gross applications) was introduced to simplify the process of making interest payments to overseas lenders without, or with a reduced rate of, withholding tax, in accordance with the relevant double tax treaty. Although the borrower can provisionally apply the treaty rate of withholding upon receipt of an acknowledgment of submission of the DTTP2 form (and a direction following a successful application backdates to the date of submission of the DTTP2 form), there is still a level of risk involved if the application is ultimately unsuccessful and a direction to apply the treaty rate is not received. Further, the DTTP Scheme process remains administratively burdensome – it requires a lender to apply for a passport and then a borrower to apply for, and HMRC to issue, a direction on a loan-by-loan basis.

The Government has recently launched a consultation seeking views on whether and how double tax treaty relief administration could be simplified, closing on 7 September. The consultation document states that the Government has not yet determined how best to reform the current regime. It asks for views on whether treaty relief should operate on a self-assessment basis, enabling UK payers to apply relief without prior HMRC direction.

Our view: Any self-certification scheme will need appropriate safeguards for borrowers, for example, clear HMRC guidelines on information required from lenders to self-certify (which can be reflected in contractual terms). This is an important consultation for corporates to engage in as the purpose is to streamline the compliance burden and provide greater certainty with regard to applicable reliefs. It is also timely, with withholding tax due to increase from 20% to 22% with effect from 6 April 2027. We urge treasurers to respond to this consultation or feed thoughts to the Association of Corporate Treasurers (or to any of the lawyers listed at the end of this briefing).

Key date: DTTP / withholding tax simplification — consultation closes 7 September 2026

Eligibility for "plain vanilla listed bonds" (PVLB)

Why it matters: Retail bond issuance provides businesses with an additional and potentially significant funding channel. Retail issuance is common in certain other jurisdictions (Italy, for example) and encouraging broader retail issuance is a key plank of the capital markets growth agenda.

Changes to the prospectus rules under the *Public Offers and Admissions to Trading Regulations 2024*, which took effect in January 2026, have already created additional flexibility and reduced friction for main market debt issuers. This could be built on through further targeted reforms. In particular, the new PVLB rules, intended to remove regulatory disincentives to issuing low-denomination bonds capable of retail participation, are available only to eligible issuers (namely, corporate issuers listed in the UK or subsidiaries of UK-listed entities whose debt securities can be guaranteed by the UK-listed parent). For example, most utility companies will not be eligible as debt is typically guaranteed at operating company rather than listed parent level.

Our view: Expanding the eligibility criteria could encourage more issuers to consider PVLB issuance and help build momentum for retail participation in the bond market.

Further information: **Treasury Essentials** (prospectus regime reforms in focus)

4. Concluding remarks

Prime Minister Andy Burnham and Chancellor John Healey have inherited a substantial reform pipeline. Although major leadership changes always carry the possibility of a change in direction or delay, if the new leadership continues to support the present course – and that course is not undermined by the Budget Statement expected on 28 October – several changes on the horizon should reduce regulatory friction and improve competitiveness for both the financial sector and its corporate customers.

The measures highlighted in this briefing are only a selection of key aspects of the reform agenda expected to progress or be implemented in the near term. The list does not cover medium- and longer-term measures, or broader company law and fiscal measures which might impact treasury centre location, or regulatory initiatives the Government is yet to pick up (the perennial issue of streamlining KYC requirements might be viewed by treasurers as an omission, for example).

While conscious that day-to-day priorities constrain the bandwidth of many treasury teams to engage with consultation detail and policy making, corporate engagement – planning for operational changes and advocating on measures that matter – is crucial to shaping a competitive UK regime that attracts capital and investment and lowers costs.

We plan to explore these themes in greater depth in the coming months. We are keen to hear from treasurer clients and contacts regarding areas of legal or regulatory friction and how the regulatory agenda impacts you in practice.

In the meantime, we would be happy to discuss how any of the above issues may affect your business – please do not hesitate to get in touch.

This material is provided for general information only. It does not constitute legal or other professional advice.

Key contacts

For more information about the issues highlighted in this briefing, please contact any of the members of our financing stream treasury core team listed below (who can direct you to relevant practice area specialists) or your usual adviser at Slaughter and May.

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