SLAUGHTER AND MAY

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Financial Regulation Weekly Bulletin

Major UK and European regulatory developments of interest to banks, insurers and reinsurers, asset managers and other market participants

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Slaughter and May also produces a periodical Insurance Newsletter. If you would like to go on the distribution list, please contact: Beth Dobson.

Selected headlines

General

1. FINANCIAL CONDUCT AUTHORITY

1.1 **Modernising the redress system - FCA publishes Redress Reforms (No 2) Instrument 2026 -** *11 August 2026* -The FCA has published the Redress Reforms (No 2) Instrument 2026 (FOS 2026/6), which was drafted by the Board of the Financial Ombudsman Service Limited with the consent and approval of the FCA. The instrument amends the Glossary of the FCA Handbook and the Dispute Resolution: Complaints sourcebook (DISP) in the FCA Handbook to give effect to further reforms to the Financial Ombudsman Service's (FOS) complaint handling procedures.

For complaints referred to the FOS on or after 1 October 2026, the instrument introduces a new rule (DISP 3.3.4C) setting out the grounds on which the FOS may dismiss a complaint without considering its merits, including a new ground where the complainant has acted vexatiously, abusively or otherwise unreasonably in engaging with the FOS, supplemented by new guidance (DISP 3.3.4D) on other compelling reasons for dismissal. It further removes the requirement for the complainant to provide their consent prior to the FOS referring their complaint to another complaints scheme or ceasing to consider a complaint so that it may be referred to the court to consider as a test case. The instrument further makes consequential amendments to the Glossary definitions of 'chargeable case' and 'ADR entity'.

The instrument comes into force on 1 October 2026.

FCA instrument: Modernising the redress system

2. Financial Ombudsman Service

2.1 **Modernising the redress system - Financial Ombudsman Service publishes policy statement -** *11 August 2026* -The Financial Ombudsman Service (FOS) has published a policy statement setting out its final position on the proposals it consulted on in CP26/9, relating to the modernisation of the redress system. The statement summarises the 92 responses received, explaining how these responses have informed its decisions, and confirms the changes it will take forward in relation to the new pre-registration and registration stages, the refreshed dismissal grounds, and the adapted 'fair and reasonable' test in DISP 3.6.4R of the FCA Handbook.

Reflecting the broadly conditional support expressed by respondents, the FOS has confirmed that it will:

- proceed with introducing a registration approach within its complaint handling framework, deferring formal rules to align with its forthcoming consultation on case fees and testing the approach through pilots beginning with fraud and scams casework in October 2026;
- proceed with the proposed changes to its dismissal powers, subject to one minor amendment, exercising discretion reasonably and consistently and with appropriate regard for vulnerability; and
- amend DISP 3.6.4R to clarify that its decisions are based on the standards that apply at the time of the act or omission complained about, while retaining the reference to 'good industry practice' at this stage in light of the passage of the Financial Services and Markets Bill through Parliament.

The changes to the dismissal framework and the 'fair and reasonable' test will take effect from 1 October 2026, with the amendment to DISP 3.6.4R applying to all current and future complaints owing to its clarificatory nature. The FOS will keep the treatment of 'good industry practice' under review as the legislative process continues and will report after the first year of operation of the dismissal changes.

Financial Ombudsman Service policy statement: Modernising the redress system

Webpage

Press release

Securities and markets

3. EUROPEAN COMMISSION

3.1 **Supervisory benchmarking of internal models - Implementing Regulation published in Official Journal** - *12 August 2026* - Implementing Regulation (EU) 2026/1872 has been published in the Official Journal of the European Union. It amends Implementing Regulation ((EU) 2016/2070), which sets out the benchmark portfolios, reporting templates and reporting instructions to be applied in the European Union for the supervisory benchmarking of institutions' internal models under Article 78(2) of the Capital Requirements Directive ((EU) 2013/36). The Regulation updates those benchmark portfolios, reporting templates and reporting instructions for the purposes of that benchmarking exercise.

The Regulation enters into force on 1 September 2026.

Commission Implementing Regulation (EU) 2026/1872 amending the implementing technical standards laid down in Implementing Regulation (EU) 2016/2070 as regards benchmark portfolios, reporting templates and reporting instructions to be applied in the Union for the reporting referred to in Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council

4. FINANCIAL CONDUCT AUTHORITY

4.1 **Submitting a prospectus or circular - FCA introduces new inside information declaration requirement** - *7 August 2026* - The FCA has updated its webpage on submitting a prospectus or circular to introduce a new requirement for issuers to complete an inside information declaration form when making equity document submissions.

For equity cases, the declaration form must be submitted with the first submission and must state whether the submission contains inside information; where it does, the issuer must explain what that information is. The FCA requires this in order to apply the appropriate internal controls when reviewing the submission. From 21 September 2026, all first submissions of equity documents, including guidance requests, must include the completed form, and the FCA will not allocate a case for review until it has received it.

FCA form: Inside information declaration

Webpage

Asset management

5. FINANCIAL CONDUCT AUTHORITY

5.1 **Enhancing fund liquidity risk management - FCA publishes policy statement -** *13 August 2026* -The FCA has published Policy Statement PS26/17, setting out final rules and guidance that make targeted improvements to the liquidity risk management framework for authorised fund managers (AFMs) of UK Undertakings for Collective Investment in Transferable Securities (UCITS) schemes and non-UCITS retail schemes (NURS). The rules follow Consultation Paper CP25/38 and align the UK framework with updated international recommendations from the International Organization of Securities Commissions and the Financial Stability Board.

The final rules and guidance make a series of targeted changes, including:

- requiring all AFMs of UCITS schemes and NURSs to have anti-dilution tools (ADTs), such as swing pricing or a dilution levy, available for use and supported by policies and procedures, while leaving the decision to activate them to the AFM's discretion;
- new guidance on calibrating ADTs, using a pro-rata apportionment of transaction costs across all unitholders ("vertical slicing") as the baseline, together with a new requirement for an annual retrospective assessment of how ADTs have been applied;
- removing the "listed asset presumption", so that an AFM can no longer assume a transferable security is sufficiently liquid simply because it is admitted to trading on an eligible market;
- reducing the derogation from the eligible market test for recently issued securities from one year to 20 business days in which to secure admission to trading; and
- bringing an updated UK version of the ESMA liquidity stress testing guidelines into the FCA Handbook and requiring UCITS stress testing under both normal and exceptional market conditions.

The FCA has also finalised guidance on good liquidity risk management practices, stressing that firms must embed strong governance and senior management oversight and challenge, and confirming that AFMs remain ultimately responsible for their funds' liquidity risk management. The final rules make no changes for money market funds (MMFs). The FCA has flagged that it will consult separately on liquidity management for authorised retail funds invested in inherently illiquid assets, predominantly daily-dealt property funds, and on the framework for managers of unauthorised alternative investment funds.

The new rules and guidance come into force on 1 February 2027, with transitional provisions applying to certain rules until 1 August 2027 to allow firms additional time to update fund prospectuses and to comply with the shorter derogation period for the eligible market test.

FCA policy statement: Enhancing fund liquidity risk management

FCA instrument: Collective Investment Schemes Sourcebook (Liquidity Management) Instrument 2026

Webpage

5.2 **High-growth firms -FCA publishes review findings -** *10 August 2026* -The FCA has published examples of good and poor practice identified through its Early and High Growth Oversight pilot with high-growth firms. Between July 2025 and March 2026, it engaged with 15 firms across asset management, wealth management and payments to assess whether their governance, risk management and control frameworks were developing in line with their growth.

The findings highlight that where firms prioritise expansion ahead of developing their governance, risk management and control frameworks, the risk of harm can increase. The FCA saw good practice among stronger firms, highlighting clear Board and Committee structures with independent challenge, more mature risk management supported by clear risk appetites and key risk indicators, proactive cyber and operational resilience arrangements, and active oversight of products and services aligned to the Consumer Duty. It also identified areas for improvement, including: (i) governance arrangements and record-keeping that had not kept pace with growth; (ii) over-reliance on key individuals with limited succession or contingency planning; (iii) outdated management information and insufficient conflict of interest arrangements; and (iv) wind-down plans that were not always current, practical or proportionate.

The FCA has provided individual feedback to all firms in the pilot, highlighting where they need to improve. It will use insights from this work to inform its supervisory approach and to support earlier, data-led identification of emerging risks.

FCA review: High-growth firms

Enforcement

6. FINANCIAL CONDUCT AUTHORITY

6.1 **Increased scrutiny of Annex 1 firms - FCA publishes statement -** *7 August 2026* - The FCA has published a statement setting out the increased scrutiny it is applying to Annex 1 firms. These firms include unregulated lenders, safe custody providers, money brokers and financial leasing companies, which must register with the FCA for anti-money laundering purposes. The statement responds to concerns about several risks among these firms, in particular their potential to facilitate financial crime.

The FCA sets out its concerns in relation to the potential for Annex 1 firms to facilitate financial crime and warns that firms have relied too heavily on their parent company's controls and on off-the-shelf procedures, rather than controls tailored to their own operations and risks. It is now closely scrutinising registration applications, which must clearly demonstrate compliance with the money laundering regulations and should be expected to take longer. The FCA has also sent an information request to around 900 Annex 1 firms in order to improve its understanding of their activities, business models and risks. It also reminds regulated firms to carry out due diligence when dealing with Annex 1 firms, including seeking direct confirmation of their registration status.

FCA statement

This Bulletin is prepared by the Financial Regulation Group of Slaughter and May in London.
The Group comprises a team of lawyers with expertise and experience across all sectors in which financial institutions operate.

We advise on regulatory issues affecting firms across the financial services sector, including banks, investment firms, insurers and reinsurers, brokers, asset managers and funds, non-bank lenders, payment service providers, e-money issuers, exchanges and clearing systems. We also advise non-regulated businesses involved in financial regulatory matters. In addition, our leading financial regulatory investigations practice is regularly instructed by financial institutions requiring specialist knowledge of financial services regulation together with experience in high profile and complex investigations and contentious regulatory matters.

Most of the projects that we advise on have an extensive international or cross-border element.
We work in seamless integrated teams with leading independent law firms which offer many of the most highly regarded financial institutions lawyers in Europe, the US and Asia, as well as strong and constructive relationships with local regulators.

Our Financial Regulation Group also produces occasional briefing papers and other client publications. The five most recent issues of this Bulletin and our most recent briefing papers and client publications appear on the Slaughter and May website here.

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