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Financial services back-to-school report 2026

September 2026

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Note:
- *This report is based on published regulatory announcements as of 4 September 2026,*
- *Flags by the heading for each chapter indicate whether the content is relevant to the UK, the EU or both jurisdictions.*

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The summer edit: supporting innovation, targeted simplification and managing risk

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CENTRE *for* REGULATORY STRATEGY EMEA

Over the course of the summer, regulators have delivered on well-trailed topics and responded to external market events. In this report, we summarise the main developments – spanning innovation, risk management and regulatory simplification (Box 1). These developments will shape firms' priorities over the months ahead. In some cases, there now is sufficient clarity for firms to finalise strategic or implementation choices.

Enabling innovation to scale safely

As expected, digital assets and AI were key areas of focus, as regulators and policymakers progressed initiatives to create the conditions for firms to innovate safely.

The FCA's crypto and stablecoin regime, largely finalised over the summer, gives firms just five months – from 30 September to 28 February – to apply for regulatory permissions. The UK also set out steps to activate tokenised capital markets, most notably by announcing an industry-led live tokenised repo trial by spring 2027 and confirming the Government's first digital gilt issuance for Q1 2027. Firms now need to make a strategic decision on tokenisation – be a leader, fast follower or late adopter. There are some important questions to grapple with including whether to build capabilities and participate in pilots and live trials, or wait for greater market maturity and regulatory clarity?

As the capabilities of frontier AI models have increased rapidly over recent months, concerns about the operational and cyber resilience of financial services firms have come to dominate regulatory attention. It is clear that regulators expect firms to rapidly get on top of the issues and take steps to assess and mitigate the risks. Firms should prepare for intensive scrutiny of their AI governance, risk management and resilience capabilities over the coming months. The ECB has already requested banks to submit Board-approved plans addressing AI-enabled cyber threats by 31 October.

The delicate balance of managing risk while supporting innovation is a live issue for the regulation of AI. Frontier AI models pose both significant opportunities and risks, while firms are increasingly looking to scale successful AI pilots. Over the summer, we saw how this debate is shaping up in the policy world. The UK Mills review and the Government-endorsed AI adoption plan for financial services reflect a growing recognition that while technology-neutral rulebooks will remain the foundation of the UK's regulatory approach, targeted AI-specific interventions may be necessary to support adoption.

AI-specific rules are unlikely to emerge this year, but the FCA's forthcoming good and poor practice report should provide firms with greater clarity on what good looks like in evidencing governance, accountability and resilience as AI use scales. In addition to what has already been shared, we are likely to see more interpretive guidance from UK regulators, setting out how existing regimes would apply to specific AI use cases. We also saw a notable shift in tone around how regulators are likely to use AI in supervision, with the potential to reshape how they monitor firms and challenge outcomes, including through earlier identification of issues and more timely, targeted supervisory challenge.

Testing risk management in real-world conditions

The risk environment remains complex and unpredictable, not least because of persistent geopolitical uncertainty and the crystallisation of climate risks. Consequently, supervisors are increasingly focused on whether firms can anticipate and respond to unexpected shocks and rapidly evolving risk events. Increasing attention is now also being paid by policymakers to how adaptation supports climate risk resilience.

Feedback from the ECB's geopolitical stress test during the summer and the finalisation of the PRA's Dynamic General Insurance Stress Test both underscored how supervisors are moving beyond setting predefined scenarios for stress tests to testing whether firms can identify emerging vulnerabilities, understand how risks interact, and adapt as a crisis unfolds.

Scenario analysis, modelling and crisis management capabilities will remain firmly in the supervisory spotlight over the coming months. Firms should consider whether current governance, risk and resilience frameworks can identify and respond to novel and rapidly evolving threats, including by tracing how geopolitical risks could transmit through their business.

The summer edit: supporting innovation, targeted simplification and managing risk

Regulatory simplification does not mean deregulation or less supervision

We continue to see targeted efforts at simplifying the regulatory regime. However, the benefits often fall unevenly across a sector, and the ambition to reduce complexity and cost is sometimes constrained by the need to achieve core regulatory objectives, respond to heightened risks, and extend the perimeter to capture new activities. We also do not see a drop in the intensity of supervisory engagement even where rules are simplified.

The FCA's consumer protection agenda illustrates the point. While proposals such as removing non-UK customers from the scope of the Consumer Duty should reduce the compliance burden in aggregate, the benefits are likely to accrue primarily to firms offering wholesale products and services. Efforts to reduce frictions in some areas are subject to maintaining strong consumer protections. Several multi-firm reviews published over the summer, including on Consumer Duty outcomes monitoring, demonstrate that there will be no let-up in ensuring good retail customer outcomes. This places a premium on firms' ability to identify and address customer harm early.

What will the autumn bring?

The run-in to year-end will be an important period for the policy agenda. In the UK, industry attention will turn to the progress of the Financial Services and Markets Bill, with many looking for a swift passage into law to enable reforms including changes to the FOS and the Senior Managers and Certification Regime to be delivered. Passage of the Bill will also provide further clarity on the timing of the PRA's secondary innovation objective for payment systems, which was announced over the summer.

In the EU, debate around the Digital Euro has gathered momentum as concern about payments sovereignty moves further up the policy agenda. With policymakers targeting a political agreement on the underlying legislation by year-end, the coming months could prove decisive for the project's future. Many firms will follow the outcome closely, not least because it will shape how central bank digital currencies may interact with stablecoins and tokenised deposits.

Many of the summer developments are best viewed as milestones within broader longer-term reform programmes. Our ***regulatory timeline tool****, published alongside this update, captures milestones for key regulatory developments. The next edition of the UK Regulatory Initiatives Grid, expected by year-end, will provide an important indication of the timing and sequencing of regulatory change and the delivery of further policy detail.*

Box 1: Overview of the report

CROSS-CUTTING THEMES		SECTOR PERSPECTIVES	
Artificial Intelligence *Regulators respond to a faster moving risk landscape as frontier models advance and AI adoption scales*	**Consumer protection** *Targeted steps towards simplification but intensity of supervisory scrutiny remains heightened*	**Investment funds** *Simplification of rules aims to reduce costs but introduces new requirements and additional complexity*	**Bank prudential** *A more growth-focused set of prudential proposals are revealed*
Digital assets and payments *The rubber hits the road*	**Risk landscape** *Testing preparedness for an unpredictable risk landscape*	**Pensions** *A clearer path ahead, with significant work to do before 2030*	**Capital markets** *Transaction reporting reforms gather pace but the path to delivery remains uncertain*

Artificial Intelligence

Regulators respond to a faster moving risk landscape as frontier models advance and AI adoption scales

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Regulatory developments during the summer reinforced supervisory expectations that AI governance and risk management are C-suite and Board priorities. UK and EU supervisors reiterated that AI-related risks will need to be adequately managed through existing regulatory requirements, especially for cyber and operational resilience (which have come into sharper focus as frontier models advance). UK authorities also gave their clearest signal yet of the future direction of AI supervision. While we do not expect AI-specific rules this year, firms will need to evidence control, accountability and resilience, in line with existing regulatory requirements, as their AI capabilities and use of AI scale.

Frontier AI, cyber risk and third-party resilience

Summer developments demonstrated how frontier AI models can increase the speed, scale and sophistication of cyber threats, putting firms' defences and vulnerability remediation under significant pressure. **The ESRB raised its assessment of systemic cyber risk to its highest risk level on account of frontier AI capabilities, a view endorsed by the ESAs and echoed by the BoE's FPC and separately by Andrew Bailey in his capacity as FSB Chair. The FCA also shared insights from its engagement with firms on how frontier AI may affect cyber resilience, governance and vulnerability management.**

Supervisors are increasingly translating these concerns into expectations. **The ECB has requested directly-supervised eurozone banks to submit Board-endorsed plans by 31 October addressing AI-enabled cyber threats, remediation, monitoring and third-party oversight.**

The emphasis on third-party oversight reflects a wider concern. As financial services firms scale their use of AI, they increasingly rely directly on a concentrated group of cloud, data, model and AI infrastructure providers. Firms are also exposed indirectly through suppliers using the same providers to deliver AI-enhanced products and services.

A vulnerability at an upstream provider, even several layers removed from the financial services firm, could disrupt the firm's business or give attackers a route to the firm through a supplier. Frontier AI exacerbates this risk by enabling attackers to find and exploit vulnerabilities at scale, including by "chaining" several low-risk vulnerabilities, in the process also sharply narrowing the time available for providers and firms to respond.

Against this backdrop, **the UK Government unveiled its long-awaited list of designated critical third parties,** bringing four major cloud and technology providers within the regime from 13 July. This brings important parts of the infrastructure underpinning AI in financial services under direct regulatory oversight for the first time.

However, the regime captures only a small part of firms' wider technology dependencies and does not reduce the need, or urgency, to manage third-party and outsourcing risks effectively as AI capabilities scale and supervisory scrutiny increases.

For Boards and senior management, the central question is whether they understand the vulnerabilities and full chain of dependencies supporting their firm's critical services, including suppliers several layers removed. Supervisors will increasingly assess whether firms can manage these risks within their risk appetite and impact tolerances, and whether their vulnerability management, appropriately governed use of AI in cyber defence, and response and recovery capabilities can keep pace with the evolving threat. This includes the ability to restore critical systems and data from scratch following a significant cyber incident. As concerns about systemic cyber risk grow, supervisors will also place greater emphasis on information-sharing and coordinated industry responses designed to identify and contain threats more quickly.

EU AI Act

The decision to defer the implementation deadline of the EU AI Act's high-risk obligations until December 2027 drew much attention in the market, but in practice it buys firms less time than the headline might suggest. The EU AI Act has multiple implementation deadlines.

Artificial Intelligence

Regulators respond to a faster moving risk landscape as frontier models advance and AI adoption scales

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Prohibitions on the use of AI remain in force, and **most transparency obligations took effect in early August as originally planned, with the final Commission guidance published just before.** Notably, firms operating in the EU that use customer-facing chatbots, AI agents or AI-generated communications must now make clear to customers that they are interacting with AI or AI-generated content.

The more significant AI Act-related development over summer was in relation to harmonised technical standards. Produced by European standard-setting bodies at the Commission's request, these standards translate high-risk obligations into detailed expectations for governance, documentation and oversight. **The final quality management system standard was published over the summer**, though has not yet been formally endorsed by the Commission, **while the draft human oversight standard was published for comment.** Once formally recognised, the standards will give adopters (adoption is voluntary) a presumption of conformity and are likely to shape what supervisors regard as good AI governance more broadly.

Perimeter questions remain unsettled for the two high-risk categories most relevant to financial services: creditworthiness assessments, and life and health insurance pricing and underwriting. **EIOPA renewed its push to keep traditional actuarial models out of the Commission's final high-risk classification guidelines** (expected by year-end), arguing they are already well understood and governed, and are already subject to sectoral regulation and controls. Until the perimeter is clearer, firms will need to continue to treat borderline models as potentially in scope and accordingly develop credible compliance plans.

The UK's next phase of AI regulation

The recommendations to the FCA Board in the Mills review to enable safe adoption of AI in retail financial services (which are not policy yet), read alongside the **UK government-endorsed AI adoption plan for financial services** and **remarks on AI agents by the BoE's Deputy Governor**, signal the future direction of regulatory travel and a shift in supervisory thinking for AI in the UK. Technology-neutral frameworks will remain the foundation of the approach, but there is growing recognition that more autonomous and agentic AI will likely require targeted, AI-specific interventions by supervisors to maintain resilient and safe financial markets and protect consumers.

As firms scale AI solutions, a comprehensive AI risk management and governance framework should be a key priority. This will be critical to meeting supervisory expectations and managing broader business risks effectively.

Key summer developments *[Not exhaustive]*

6 Jul.	FCA Mills review
7 Jul.	ECB called on significant institutions to assess AI-enabled cybersecurity threats
10 Jul.	HMT designation of four critical third parties
14 Jul.	UK Government AI champions' report
20 Jul.	EU AI Act final guidelines on Article 50 transparency obligations
27 Jul.	EU Digital Omnibus on AI entry into force
31 Jul.	EU AI Act human oversight standard opens for comment; EU quality management system standard published
2 Aug.	EU AI Act transparency obligations apply
2 Sep.	FCA multi-firm review on frontier AI and cyber

Watchlist: key expected milestones before year-end *[Not exhaustive]*

- EU AI Act final guidance on high-risk classification
- EU AI Act final standards on AI risk management, cybersecurity for AI systems, and AI trustworthiness framework logging
- FCA AI good and poor practice report

Regulatory developments during the summer open up a set of near-term decisions and priorities for firms. In some areas, speed matters: firms operating in the UK now face a five-month window to apply for crypto and stablecoin permissions. In wholesale markets, confirmation of several tokenisation live trials in the UK should help build momentum beyond pilots and support longer-term investment decisions. Some policy work around new forms of money and payments remains at an earlier stage, but summer developments provided clearer signals on the direction of travel and, over time, should help catalyse a UK market for stablecoin payments.

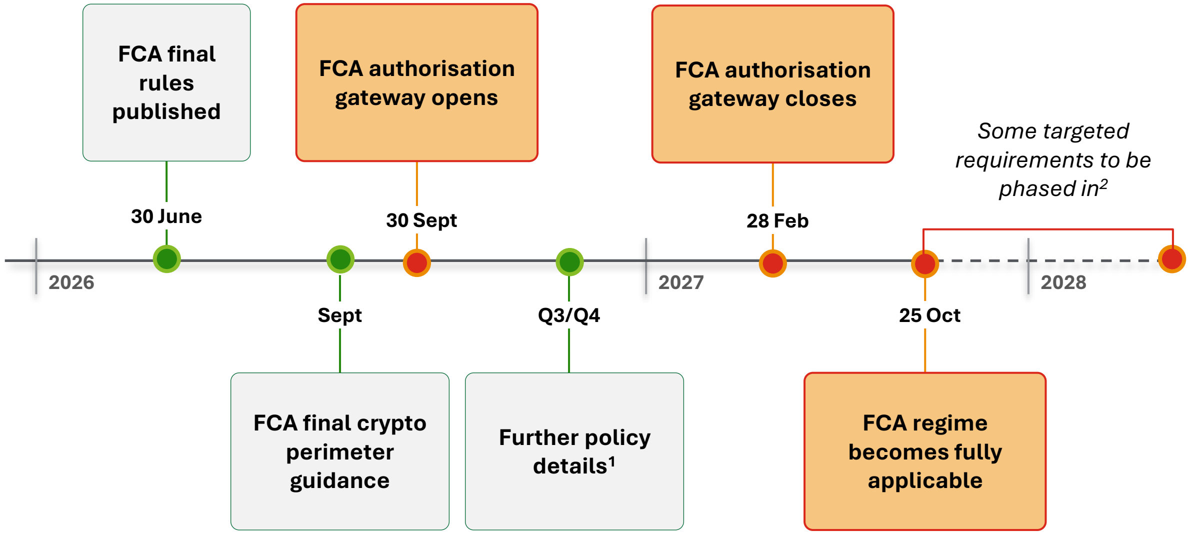
Crypto and stablecoin regimes approach the authorisation gateway

The FCA's policy statements and final guidance set out the regulatory position for firms looking to offer a range of crypto and stablecoin activities. Firms face a tight implementation timetable: the FCA's authorisation gateway opens on 30 September 2026 and closes on 28 February 2027. Firms that have already mobilised, or plan to start crypto activity before the regime goes live on 25 October 2027, need to apply by the February deadline to preserve continuity of their business activities, and to keep launch and growth plans on track.

The path ahead for firms will vary. Many crypto-natives, payments firms and e-money firms will need to apply for full authorisation under the new regime. Banks, asset managers, investment firms and others already authorised under the Financial Services and Markets Act 2000 will need a variation of permission. As we explore in our blog, readiness levels across the market vary. Some firms are only beginning now to decide their strategy and the required regulatory permissions, while others are establishing their operating model and testing whether governance, systems and controls are ready to stand up to FCA scrutiny.

In the EU, the Markets in Cryptoassets Regulation (MiCA) implementation window ended on 1 July. **Supervisory scrutiny is intensifying for crypto custodians, underscored by ESMA's common supervisory action (CSA), which primarily focuses on operational resilience**. What stands out is the breadth of focus, from governance – including Board-level oversight

Figure 1: UK implementation milestones



Source: Deloitte analysis, based on published regulatory announcements as of 4 September 2026.

1. *Including on DeFi, operational resilience and distributed ledger technology, and updates to the Financial Crime Guide.*
2. *For instance, the FCA confirmed that certain execution venue-related requirements will be deferred by three months from go-live until January 2028. In addition, certain admissions and disclosures requirements for existing cryptoassets will be deferred by up to six months from the date an operator of a cryptoasset trading platform becomes FCA-authorised, subject to specified conditions and exceptions.*

of crypto risks – to the specifics of custody operating models, including key and storage management, and transaction controls.

Scaling tokenised capital markets

Other developments in the UK indicate a focus by policymakers on bringing industry together, with Government and regulatory support, to scale tokenised capital markets from pilots to live activity.

The wholesale digital markets champion's report **identifies priority actions for industry, Government and regulators**, including a tokenised repo live trial planned for spring 2027. **The UK Government's first digital gilt issuance,** confirmed **for Q1 2027**, will test new market infrastructure and settlement models, catalysing wider blockchain infrastructure adoption and, over time, secondary markets in tokenised securities. The near-term milestones and activities set out should help build momentum and support firms in deciding where to invest, which capabilities to build, and which partnerships to pursue, including through industry consortia.

The digital assets recommendations **from the UK-US Transatlantic Taskforce for Markets of the Future (TTMF) add a cross-border dimension**, with plans to test cross-border use cases over the coming year and further work on stablecoin market access between the two jurisdictions.

Preparing for the future of money and payments

The UK Government's consultation **on modernising payments regulation marked the start of a likely significant reshaping of the regulatory framework**. It remains at an early stage – with substantial policy work expected over 2027-28 and implementation unlikely before 2029 – but gives important signals on the direction of travel.

The proposals provide some clarity for firms considering issuing or offering UK stablecoin services. Bringing UK-issued stablecoins (and tokenised deposits) into payments regulation should create a clearer route for their use, with consumer protection requirements supporting confidence and adoption. The consultation also offers further clues on open banking policy, ahead of legislation to establish the long-term regulatory framework later this year. Other areas, such as agentic AI payments, remain more open-ended, with the Government currently seeking views to inform its policy position.

The UK Government took a further step by announcing plans **to give the BoE a secondary objective to support innovation in systemic payment systems**. The BoE already has a broad payments remit, spanning areas such as systemic stablecoins, tokenised deposits and modernising retail payments infrastructure. The new objective would further embed support for innovation across that remit and strengthen accountability through annual reporting to Parliament on how the objective has been advanced. For firms building new payments propositions, this should be a welcome signal. The change depends on the Financial Services and Markets Bill becoming law and will therefore not take effect immediately.

Elsewhere, **momentum around the Digital Euro appears to be building, with** negotiations **to finalise the legislative framework underway** and a political agreement targeted for year-end. Progress on the Digital Pound has been more muted by comparison, but further detail on whether and how the UK intends to proceed is expected by year-end.

Key summer developments *[Not exhaustive]*

30 Jun.
FCA crypto policy statements and final guidance
BoE/FCA approach to joint oversight of stablecoins

1 Jul.
EU MiCA transition period ends

8 Jul.
ESMA MiCA CSA on operational resilience for crypto custody

9 Jul.
EU Parliament negotiating position on the Digital Euro

13 Jul.
UK wholesale digital markets champion's first report

14 Jul.
UK-US TTMF recommendations
UK Government consultation on modernising payments regulation

27 Aug.
UK Government confirms plan to give BoE secondary payments innovation objective

Watchlist: key expected milestones before year-end *[Not exhaustive]*

FCA crypto authorisation gateway opens (30 Sep.)

FCA/BoE roadmap for wholesale markets tokenisation

EU PSD3/PSR expected entry into force

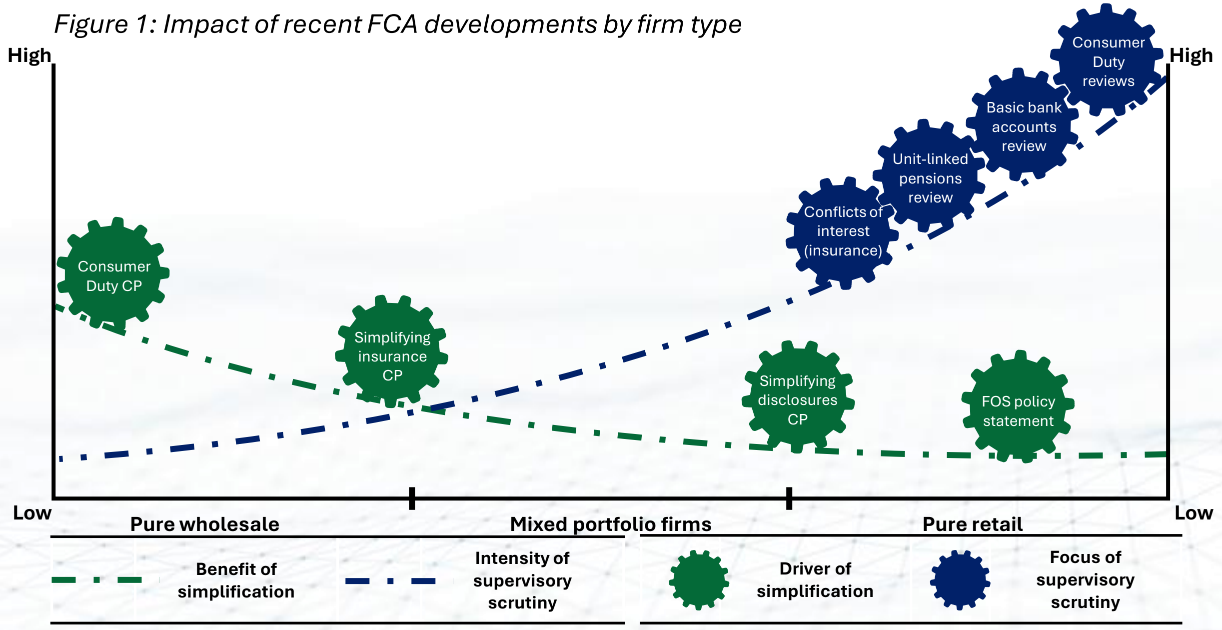
Consumer protection

Targeted steps towards simplification but intensity of supervisory scrutiny remains heightened

The FCA's simplification drive continued over the summer, but it should not be mistaken for a softening of the consumer protection agenda. While several consultations aim to streamline regulatory requirements, the benefits are likely to flow principally to businesses with little retail exposure. Meanwhile, retail firms continue to be scrutinised by supervisors, with the FCA conducting multi-firm reviews and using its full supervisory toolkit to intervene. Firms need to monitor the effectiveness of their Duty frameworks and improve their ability to identify consumer harm early.

In Figure 1, the dotted curves represent our assessment of the overall impact of conduct publications, while the gears show individual FCA publications, highlighting likely beneficiaries of simplification proposals and where supervisory scrutiny remains intense.

Figure 1: Impact of recent FCA developments by firm type



Source: Deloitte analysis, based on published regulatory announcements as of 4 September 2026.

Simplification agenda to primarily benefit the wholesale market

The FCA consulted on narrowing the Consumer Duty's scope and simplifying insurance rules. The proposals include removing non-UK customers from the Duty's scope and clarifying that certain activities, such as market-making and safeguarding, fall outside it. Firms with no material influence over customer outcomes would also be excluded, while those along the distribution chain would only need to comply with the outcome rules relevant to their activities.

Wholesale firms in particular, including investment banks and commercial insurers, may benefit from the exemptions and see a reduction in Duty-related compliance costs. More generally, these proposals will be a net positive for firms where there are clear scope clarifications and the potential for descoping certain activities that are easily identified and isolated. However, in some areas, the benefit may be difficult for firms to realise. For example, excluding non-UK customers from Duty requirements may require significant effort where customers form part of a mixed domestic and international portfolio, potentially outweighing the benefits of exclusion. For retail firms, the proposals are unlikely to materially reduce the compliance burden.

The FCA's consultation on simplifying consumer investment disclosures proposes to align distributor cost disclosure requirements with the consumer composite investments regime and consolidate the requirements for Markets in Financial Instruments Directive (MiFID), Insurance Distribution Directive and non-MiFID investment firms. While firms welcome more consistency across regimes, they still face significant work to redesign customer journeys and disclosures. The FCA also proposes to ban "double dipping" (i.e. retaining interest on cash holdings while charging fees for these assets), which has received recent supervisory scrutiny among discretionary fund managers. Affected firms will need to consider the impact on their revenues.

Finally, retail firms may see some relief from forthcoming FOS changes. A new complaints registration stage will reduce case fees for complaints resolved or withdrawn before a full investigation. The extent of any savings will become clearer when the FOS consults on case fees later this year. While firms with high complaint volumes could benefit the most, the broader FOS reforms progressing through Parliament will provide greater certainty on how the FOS will operate and its relationship with the FCA.

Consumer protection

Targeted steps towards simplification but intensity of supervisory scrutiny remains heightened

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Sharpening supervisory focus on risk of harm

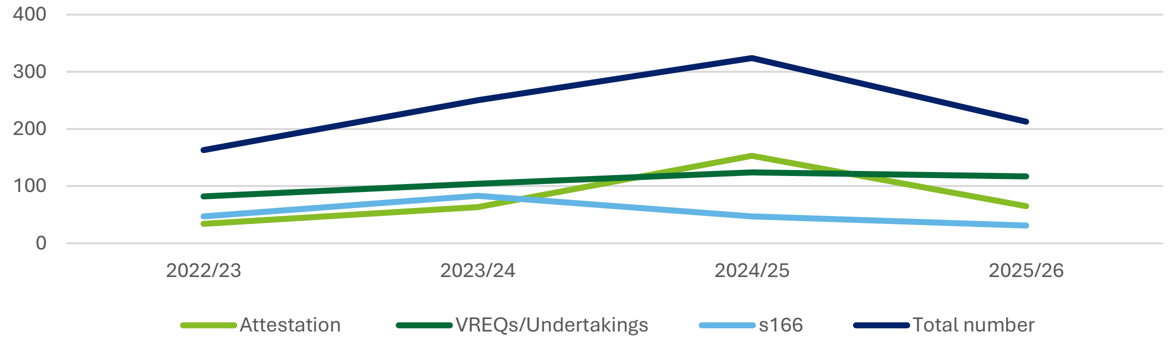
The FCA's Consumer Duty review findings on outcomes monitoring and products and services build on earlier reviews and clarify the FCA's expectations. Together, they offer firms valuable examples of good and poor practice to assess their own Duty frameworks.

The FCA also published targeted review findings on basic bank accounts (BBAs) and unit-linked pensions and savings. The BBA review found shortcomings in how retail banks signpost BBAs, prompting the FCA to provide firm-specific feedback, require remediation plans and call on the nine designated firms to deliver measurable improvements. The unit-linked pensions review highlighted longstanding concerns about value in legacy products, complex charges and efforts to contact gone-away customers. The FCA plans further work in these areas later this year. In our view, addressing the findings will require significant operational effort from firms.

Looking ahead, the FCA plans further reviews on conflicts of interest and claims handling in general insurance; conflicts of interest in private markets; bereavement practices in investment firms, and model portfolio services. Identifying and addressing customer harm is an ongoing task that will remain a focus for the FCA and firms in the foreseeable future.

Recent FCA enforcement data show that, while overall supervisory interventions have decreased since 2024/25, they remain elevated, with greater use of voluntary requirements (VREQs)/undertakings offsetting the decline in Skilled Person reviews and attestations.

Figure 2: VREQs/undertakings, attestations and Skilled Person reviews (s166) since 2022/23



Source: Deloitte analysis, based on FCA enforcement data 2025/26, 2024/25 , and 2023/24.

The unresolved Motor Finance issue

The suspension of the Motor Finance redress scheme extends uncertainty for firms. However, **the FCA's feedback on firms' implementation plans** shows that preparation must go on. Firms whose plans lacked sufficient readiness may face further FCA scrutiny. Nevertheless, as the risk of a "no-scheme" outcome increases, firms also need to prepare for the prospect of individual complaint handling. A "no-scheme" outcome could have material operational, cost and resourcing implications.

Key summer developments *[Not exhaustive]*

- **29 Jun.** FCA consultations on the Duty and simplifying insurance rules
- **2 Jul.** FCA consultation on investment disclosures and review findings on unit-linked pensions; FCA Motor Finance redress partial suspension announcement
- **7 Jul.** FCA BBA review findings
- **9 Jul.** FCA enforcement data 2025/26
- **10 Jul.** FCA products and services review findings
- **27 Jul.** FCA outcomes monitoring review findings
- **11 Aug.** FOS policy statement on reforms

Watchlist: key expected milestones before year-end

[Not exhaustive]

- FCA/PRA phase 2 consultation on Senior Managers and Certification Regime
- FCA policy statement on modernising the redress system
- FCA review findings on general insurance value measures data

Risk landscape

Testing preparedness for an unpredictable risk landscape

As the risk environment remains uncertain, supervisors continue to focus on whether firms are prepared for unexpected and fast-evolving shocks. Firms' scenario analysis, risk modelling and crisis management capabilities are under increasing supervisory scrutiny. ECB and PRA stress tests explored firms' abilities to identify relevant scenarios and respond as geopolitical and other risks emerge. The takeaways for firms from both exercises are applicable across the banking and insurance sectors.

ECB geopolitical risk reverse stress test

The ECB published the results of its geopolitical risk reverse stress test of 110 directly-supervised eurozone banks. The exercise principally tested banks' scenario-generation and modelling capabilities. Banks had to identify the scenarios that would affect them most severely and construct a scenario capable of depleting their Common Equity Tier 1 ratio by 300 basis points. Military conflicts and supply-chain disruptions were the most common drivers chosen by banks.

The published information provided limited insight into which geopolitical risks are most material across the banking sector. The findings nevertheless identified important capability gaps, including the need for more granular and risk-sensitive scenarios, with clearer links between geopolitical events, transmission channels and vulnerable portfolios.

Notably, the ECB concluded that many banks did not adequately capture interactions between solvency and liquidity stress. Another concern was the credibility of mitigating management actions. The ECB warned that measures such as capital raising, asset sales and repricing may be difficult to execute during a systemic crisis, particularly when multiple firms seek to rely on the same measures at the same time. The ECB also emphasised the role of the Board in overseeing robust scenario analysis, contingency planning and the credibility of mitigating management actions.

PRA Dynamic General Insurance Stress Test (DyGIST)

A similar focus on preparedness for a dynamic risk landscape was evident for insurers that participated in the DyGIST. **Following the live phase of the PRA's first DyGIST in May, firms submitted their final DyGIST reports to the PRA on 31 July.** Unlike previous insurance stress tests, firms did not receive the scenario in advance. Instead, they received information over three weeks and had to update assumptions, analysis and management actions in real time.

That made DyGIST as much a test of crisis management and governance as of capital resilience. The scenario exposed firms to several combined shocks, including a cyberattack, natural catastrophes and a macroeconomic downturn. Deloitte's survey of DyGIST participants indicates that, alongside the UK windstorm, the economic downturn was the most significant shock. Some respondents also highlighted that the cumulative impact of these stresses over a short period was particularly severe relative to previous exercises and potential real-world shocks.

Deloitte's survey indicated that firms generally considered that they performed well in the exercise, but some identified opportunities to strengthen crisis management capabilities, including by formalising crisis playbooks and risk management thresholds to enable faster escalations and decision-making in future stress events. Reinsurance emerged as a particular pressure point. DyGIST exposed potential limits in some firms' abilities to draw on reinsurance capacity in a crisis, with many using group capital injections as a central management action.

Firms' final submissions to the PRA in July will provide the regulator with insights into potential areas for supervisory focus for the remainder of the year and beyond. This includes, for example, providing a basis to challenge assumptions in firms' solvent exit assessments (submitted to the PRA in June).

Risk landscape

Testing preparedness for an unpredictable risk landscape

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Climate

In its climate-related financial disclosures for 2026, the BoE noted that its "recent analysis points to increasing evidence that climate risks to firms and financial stability are becoming more proximate". The ECB and BoE have worked with banks and (in the UK) insurers for some time to ensure climate-related risks are embedded within firms' governance, strategy and risk management.

A speech by Frank Elderson on the green transition emphasised the ECB's view that despite the progress firms have made, more needs to be done to apply best practices. The BoE has given a similar message in the past, also emphasising that progress has been uneven across firms, and that further work is required for all firms to meet expectations.

Increasing attention is now also being paid by policymakers to how adaptation supports resilience. In August, **the FCA published an update on its work on climate adaptation and resilience**, highlighting, in particular, how physical risks from climate change may affect the availability of insurance and risks in the mortgage market, and the implications for consumer protection, market integrity and competition. The FCA stated that the Climate Financial Risk Forum will publish further outputs on adaptation in early 2027. Tackling the insurability challenge amid rising physical risk will be a key topic at the UNEP Global Sustainable Insurance Summit later in September.

Key summer developments *[Not exhaustive]*

31 Jul.

ECB geopolitical risk reverse stress test results

Insurers submit final DyGIST reports to PRA

4 Aug.

FCA update on climate adaptation and resilience

Watchlist: key expected milestones before year-end

[Not exhaustive]

DyGIST 2026 results

ECB update to its BCBS 239 guide

Investment funds

Simplification of rules aims to reduce costs but introduces new requirements and additional complexity

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More detail on the UK's funds industry reforms emerged during the summer, with a focus on the regime for alternative investment fund managers (AIFMs). The package is expected to deliver £128m in annual cost savings for the industry, but the benefits will be spread unevenly. Full-scope AIFMs are set to benefit the most. Undertakings for collective investment in transferable securities (UCITS) management companies, meanwhile, face a higher compliance burden from new fund reporting and enhanced liquidity requirements. Firms benefitting from the more flexible regime still have plenty to work through, including greater reliance on management judgement and navigating UK-EU divergence.

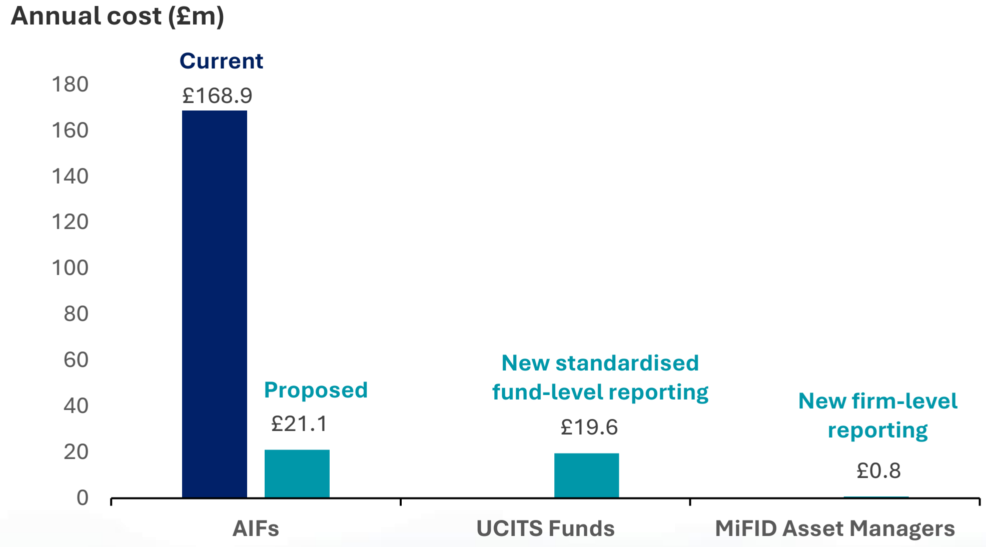
Simplification of rules aims to reduce costs

The FCA and HMT published proposed reforms to the UK AIFM regime, intended to create a simpler and more proportionate regime. AIFMs will be classified as small, medium or large, and requirements subsequently calibrated by size. **The FCA package also proposed reforms to fund reporting and remuneration rules**. The reforms are subject to further development, with final rules expected next year, ahead of implementation by 2028.

In aggregate, AIFMs are expected to see substantial cost savings, particularly from streamlined fund reporting rules (Figure 1), but not all will benefit to the same extent. Small registered AIFMs will be required to apply for full FCA authorisation for the first time. For this, they will need to gather evidence on how they identify and mitigate the risks their business model poses to clients and to market integrity. Current small authorised AIFMs will also face additional requirements, e.g. on liquidity and valuation. The impact of the package will reach beyond AIFMs. UCITS funds face new fund-level reporting requirements, while Markets in Financial Instruments Directive (MiFID) firms will see additional firm-level reporting requirements.

The FCA also finalised enhanced liquidity management rules for UCITS and non-UCITS retail schemes (NURS), with requirements taking effect in stages on 1 February 2027 and 1 August 2027. The headline change is that firms will no longer be able to assume that listed

Figure 1: FCA estimates of cost impact of fund reporting reform



Source: CP26/26: Fund Reporting for Asset Management Entities (FRAME), FCA, July 2026.

assets are liquid. Firms should now review liquidity assessment frameworks to ensure they include appropriate metrics for assessing listed asset liquidity.

Preparing for increasingly data-driven supervision

A common thread across all these developments is data. New reporting, "look through" liquidity assessments for AIFMs invested in other funds, small AIFM liquidity and valuation requirements, and listed asset liquidity assessments for UCITS and NURS will require firms to produce, validate and govern new datasets. Firms should work on their data quality and governance early, as remediation can take time.

Investment funds

Simplification of rules aims to reduce costs but introduces new requirements and additional complexity

The fund reporting reforms are intended to enable the FCA to be a better-informed regulator. Industry has long questioned whether some regulatory reporting data are used, but under the proposed new regime the FCA has selected specific data to meet its supervisory needs. Combined with the FCA's growing ability to analyse firm and market data more quickly, systematically and at scale, this could enable more data-driven supervision. **The FCA's recently published research on the AIFM market using regulatory reporting data**, the first of its kind, is indicative of its desire to make greater use of such data. Firms should consider how they can use their own data and analytics capabilities, including AI, to identify emerging issues and anticipate and respond to regulatory scrutiny.

Additional complexity for firms

While full-scope AIFMs will typically benefit from the lighter regime, the reduced regulatory burden creates its own questions for firms to work through. For example, the shift from detailed, prescriptive rules towards a more outcomes-focused approach – including on remuneration, annual reporting and professional investor disclosures – gives firms more flexibility to decide what works best for their business. However, it also increases reliance on management judgement and creates more regulatory risk.

The FCA has emphasised that it will maintain high standards where they matter. The significant amount of supervisory activity in the alternatives sector – especially on private markets – evidences its focus on standards. For example, current focus areas include valuation practices, conflicts of interest, risk management, and protections for retail customers. Demonstrating strong governance and accountability therefore remains critical.

The UK AIFM proposals also confirmed, as expected, that the UK regime will increasingly diverge from the EU framework. For cross-border firms, that adds a layer of complexity, requiring decisions on whether to maintain separate UK policies and procedures or apply stricter group-wide standards.

The proposals also create opportunities for AIFMs to revisit operating models, including new outsourcing opportunities. For example, removing unlimited liability for external valuers is expected to open this market, and the FCA aims to make it easier to delegate activities like regulatory compliance monitoring and marketing. Strong third-party governance and oversight will be crucial when leveraging these opportunities.

Key summer developments *[Not exhaustive]*

14 Jul.
- HMT draft legislation and FCA consultation on the UK AIFMD regime
- FCA consultation on fund reporting for asset management entities
- FCA consultation on remuneration regime for solo-regulated firms

13 Aug.
- FCA policy statement on enhancing fund liquidity risk management

3 Sep.
- FCA research paper on the AIFM market using regulatory reporting

Watchlist: key expected milestones before year-end *[Not exhaustive]*

- FCA review findings on conflicts of interest in private markets
- BoE interim findings from second System-wide Exploratory Scenario in private markets
- FCA further prototype forms for fund reporting

Pensions

A clearer path ahead, with significant work to do before 2030

Summer developments provided firms in the UK defined contribution (DC) market with more clarity on the scale and sequencing of pensions reforms (Figure 1). As explored in our recent blog, the Pension Schemes Act 2026 aims to consolidate the market into fewer, larger default schemes, and to improve retirement outcomes. The updated workplace pensions roadmap, alongside updates on scale policy, value for money (VfM) and Guided Retirement (GR), provide a clearer path forward, but some major design and delivery choices remain unresolved. Firms should start planning now to be better able to manage the multiple, interconnected workstreams that need to be delivered in quick succession before 2030.

Consolidating the DC market

The **UK Government published its updated** workplace pensions roadmap, following Royal Assent of the Pension Schemes Act 2026 earlier this year. The roadmap confirmed that the £25bn minimum scale test for DC default schemes will apply from April 2030. Firms seeking to benefit from the 2035 extension that is available will need to produce a "credible growth plan" by April 2029. While large firms will likely rely on organic growth and internal consolidation, we expect the test to drive M&A activity among smaller players.

The updated roadmap was accompanied by a **DWP** discussion paper **on scale policy**, which provided further insight into some key design principles of the regime, including key concepts and structures underpinning the scale test. The paper highlights the need for a common investment strategy to create a main scale default arrangement (MSDA) and outlines the connection standards required to bundle schemes into an MSDA.

However, important enabling measures are outstanding. The contractual override regime will be consulted on later in 2026 and enabled from March 2028. The lack of detail on the proposed regime, coupled with a 2028 implementation milestone, will create pressure ahead of the April 2030 scale deadline. The operational challenge for firms of making multiple transfers will be sizeable.

Figure 1: Three main pillars of pensions reforms

CONSOLIDATION & SCALE

The Pension Schemes Act 2026 and scale policy set a £25bn DC default route between now and 2030, with a 2035 glidepath application in 2029 for firms reaching £10bn by 2030.

- **2029** – 2035 glidepath applications open
- **Apr 2030** – £25bn scale test deadline
- **2035** – Final £25bn scale deadline for all providers

INVESTMENT STRATEGY

TPR/FCA: VfM framework shifts the focus from costs to performance, while the Mansion House Accord will affect firms' asset allocation.

- **H1 2027** – Final VfM rules from the FCA & TPR
- **H2 2028** – First VfM Assessments published
- **2030** – Mansion House Compact/Accord deadline

PRODUCTS & CUSTOMER SUPPORT

DWP/FCA: GR creates default income support, with duties live for master trusts (MTs) and group personal pensions (GPPs) first, before taking effect for other DC schemes in 2030.

- **2027** – GR consultations
- **H2 2029** – GR takes effect for MTs & FCA-regulated workplace schemes
- **H2 2030** – GR applies to single trust providers

Source: Deloitte analysis, based on public regulatory announcements as of 4 September 2026.

Improving investment outcomes

The **FCA/DWP consulted for a third and final time on a** VfM regime, which will introduce public red, amber, light green or dark green ratings (RAGG) of DC schemes' investment and service performance. The consultation provides greater clarity on how the regime will be implemented. Although 2028 will be the first year of implementation for large schemes, poor ratings will not

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carry formal consequences in the first year of application.[1] From 2029, all firms will need to carry out the prescribed assessments and disclosures and will face the penalties for breaches of the regime.

However, an absence of formal consequences in 2028 should not be mistaken for an absence of market impact. Public disclosures will make underperformers stand out, and in any case, all providers need to be operationally ready to report VfM data from July 2027. VfM assessments will incorporate backward-looking performance metrics, meaning current investment performance will feed directly into 2028 VfM ratings. For firms likely to be towards the lower end of VfM ratings, there is urgency to act.

New products and distribution channels

The updated roadmap estimates that GR will launch in 2029. This is a mandatory default decumulation solution that all firms in the sector will need to offer their customers at retirement.

The **Government's update on GR key principles** points to two models – retirement-only collective defined contribution (R-CDC) schemes or "flex-and-fix" solutions.[2] Firms need to decide whether to build, buy or partner for their GR offering. GR may also act as a catalyst to increase customer engagement at decumulation. Customers faced with being defaulted into a solution that fixes their income are likely to more actively consider other solutions, sometimes from different providers. For these customers, Targeted Support may become an increasingly valuable part of providers' retirement strategies.

Of more immediate concern are the FCA's increasing expectations across the pensions sector, with the **introduction of a client asset-type regime for self-invested personal pension operators** and **follow-up from the FCA's review of legacy unit-linked business**. The FCA's review identified issues of poor value with legacy products.

We expect more pressure on firms to act to ensure their legacy products deliver outcomes equivalent to the open business. Firms should consider how to move members into better-performing products, identify gone-away customers and update pricing structures that no longer meet Duty standards.

1. *Consequences following the phased implementation include suspensions related to onboarding new members or forced consolidation into a green-rated scheme.*
2. *Decumulation products combining drawdown in the first few years (e.g., 15 years) of retirement (flex) and a later annuity to help manage longevity and market risk into old age (fix).*

Key summer developments *[Not exhaustive]*

13 Jul.

- FCA, DWP and TPR consultation on VfM
- Government confirmed default pensions reform to continue
- DWP discussion paper on DC scale policy
- DWP qualitative research on decumulation and decision-making

14 Jul.

- Government roadmap for Pension Schemes Act reforms

Watchlist: key expected milestones before year-end *[Not exhaustive]*

- DWP consultation and FCA discussion paper on GR
- HMT to lay secondary legislation on the contractual override regime
- HMT consultation on draft R-CDC legislation

Bank prudential

A more growth-focused set of prudential proposals are revealed

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Regulators are contemplating changes to key aspects of the prudential regime for banks, with summer developments revealing proposals to tweak familiar areas such as capital buffers and unlock capital to support growth and competitiveness. Notably, the emerging details on ring-fencing changes give UK ring-fenced banks a stronger basis to assess operating model implications. However, when considering the broader EU and UK reform proposals, banks may be left with as many questions as answers, with key details of the reforms still to be finalised.

Further detail on ring-fencing reforms emerges

HMT and the PRA published consultations on changes to the UK ring-fencing regime, providing technical details for plans that had been previously announced. These changes include easing restrictions on shared services across the ring fence and introducing a "New Growth Allowance" that would permit ring-fenced banks to undertake otherwise prohibited activities up to a certain threshold.

Both policies should be finalised early next year. These reforms should create opportunities for banks above, or close to, the ring-fence threshold to revisit relevant operating model assumptions. However, before making any changes, they would also need to consider wider benefits (or challenges) for resolvability and operational resilience.

The long game: broader recalibration of capital and prudential frameworks

The FPC announced a long-awaited package of reforms to the leverage ratio, including removing the Countercyclical Leverage Ratio buffer, adjusting the Additional Leverage Ratio buffer, and making more of the leverage ratio "releasable". The FPC also intends to make the other systemically important institution (O-SII) buffer releasable in stress.

More detail on how these measures will be implemented is still to come, with the PRA planning to consult before year-end. Some in industry will inevitably feel that the FPC could have gone further but, ultimately, the aggregate impact of these changes will only become clear once the remaining pieces of the FPC's agenda are in place – most notably indexation of certain regulatory thresholds, changes to mortgage risk weight modelling, and the upcoming review of domestic exposures.

Reform of the EU prudential framework is at an earlier stage. **The Commission's report on banking competitiveness set out a wide-ranging and ambitious roadmap for reform,** but the substance, political viability and timing of the package remain open questions. That said, it is already clear that few parts of the prudential framework will remain untouched. Areas under review include: several key aspects of risk-weighted assets, as well as simplifying the capital buffer framework; the resolution framework; and reopening the debate on a European deposit insurance scheme. For large EU banking groups, the most important proposals may be those aimed at allowing banks to meet capital and liquidity requirements at EU parent level, rather than at every level of consolidation.

The Commission plans to deliver a legislative proposal in Q1 2027. If implemented, the cumulative impact of the proposals on banks' ability to allocate capital efficiently and scale across the EU could be significant, but implementation is uncertain – notably, several areas under review, including capital and liquidity waivers for cross-border groups, faced staunch opposition before. In any event, implementation is unlikely before 2030.

Key summer developments *[Not exhaustive]*

- **7 Jul.** FPC update on the bank capital framework review
- **14 Jul.** HMT and PRA consultations on ring-fencing reforms
- **17 Jul.** EU Commission report on banking competitiveness

Watchlist: key expected milestones before year-end *[Not exhaustive]*

- PRA consultation on O-SII buffer changes
- FPC and PRA consultation on the leverage ratio
- FPC review of capital requirements related to domestic exposures

Capital markets

Transaction reporting reforms gather pace but the path to delivery remains uncertain

UK and EU reforms to simplify transaction reporting advanced over the summer. Developments point to simpler and less duplicative reporting requirements in the longer-term, but for firms there remain material areas of uncertainty that will impede implementation plans in the near-term. Cross-border firms, in particular, will likely decide to defer major implementation decisions until the extent of UK/EU divergence is clearer. Separately, FCA scrutiny of firms' preparedness for the T+1 transition is intensifying, while UK equity market structure reforms are likely to affect systematic internalisers (SI).

Transaction reporting

Developments during the summer provided further details on the ongoing transaction reporting reform agenda from the FCA and ESMA, which point to potential divergence in the future.

The FCA published PS 26/15, largely finalising its targeted changes to Markets in Financial Instruments Regulation (MiFIR) reporting, including removing foreign exchange (FX) derivatives and instruments tradeable only on EU venues from the scope of reporting, and shortening the back-reporting period from five to three years.

Final details are expected in October 2026, including new standardised messaging and validation rules, together with guidelines on systems and controls and the reportability of over-the-counter (OTC) derivatives. The amended requirements will apply from 3 April 2028, although the FCA encourages firms to implement changes earlier to realise the benefits of the reforms.

The longer-term direction of policy in the UK is less settled. The Transaction and Post-trade Reporting Industry Harmonisation Taskforce, a joint regulator-industry group established in April, has been mandated to explore harmonising transaction reporting across MiFIR, European Market Infrastructure Regulation (EMIR) and Securities Financing Transactions Regulation (SFTR). The scale of the work required means policy development is likely to continue throughout the remainder of the decade, with implementation likely extending beyond 2030.

Like the UK, the EU aims to integrate and harmonise reporting requirements across MiFIR, EMIR and SFTR. **Over the summer, ESMA published a proposal for a single integrated framework based on a "report once" principle.** Given the scale of the envisaged reforms, the framework could be fully operational only by 2031 at the earliest.

ESMA has also proposed nearer-term simplification measures that partly align with the FCA's MiFIR reforms, including reduced back-reporting periods. These short-term simplification measures require changes to technical standards and guidance that may not be finalised before mid-2028. However, there is already potential divergence from the UK regime, for example, on FX derivatives reporting.

The path forward for firms will depend on which geographies they operate in. UK-only firms have the clearest near-term path to navigate, with certain items that can already be implemented. However, some changes will require the FCA's October 2026 guidance (in particular, on systems and controls) before finalising operational impact assessments and implementing MiFIR reporting changes.

EU firms are unlikely to begin wholesale redesign of their MiFIR, EMIR and SFTR reporting frameworks while the reforms remain under development. The priority now is understanding what ESMA's summer proposals might mean for existing reporting systems and controls. That is most pressing for market infrastructure providers and trade repositories, which ESMA expects would face the greatest system redevelopment and transition costs under its proposed "report once" model.

Firms operating cross-border face a more difficult sequencing challenge. The period between the FCA's MiFIR reforms taking effect in April 2028 and the implementation of longer-term UK/EU harmonisation initiatives are likely to require firms to add complexity and cost to their systems and processes before any simplification benefits are realised. Many cross-border firms will likely decide to defer major implementation decisions until the direction of long-term reforms, and the level of alignment or divergence, are clearer.

In the meantime, firms can test whether existing reporting operating models can accommodate jurisdiction-specific reporting logic, controls and validation rule changes. This includes identifying areas where separate UK and EU reportability assessments, reconciliations, exception management processes and testing cycles may be required. Firms should consider these reforms in the context of any wider AI, automation or architectural transformation programmes underway or planned.

T+1 settlement

T+1 did not dominate the summer policy agenda, but with just over one year remaining until the 11 October 2027 go-live date in the UK, the FCA took stock **of industry readiness and highlighted where firms should now focus their efforts to deliver a successful transition.**

The FCA reiterated the importance of meeting 2026 transition milestones, including trade-date allocations and confirmations and adoption of standard settlement instructions. Firms should expect an "increasingly intrusive" supervisory approach, with the FCA expecting clear evidence of implementation of systems and process changes in project plans and readiness of testing plans. The FCA warned that where firms are not adequately prepared, it "may take action".

Equity market structure reforms

The FCA's assessment is that the UK equity market functions well, so the **proposed equity transparency and market structure reforms are narrow in scope.** The proposals include stronger SI quoting requirements and new venue outage playbooks. The main impact is likely to fall on SIs, which should review whether the information provided in quotes – including indicating price and volume, up to standard market size – meets the enhanced requirements.

As part of the same package, **the FCA has largely finalised the framework for an equity consolidated tape (CT).** One key change is that the CT provider will be required to share a portion of income with data contributors (10–30% of earnings before tax). Further details should be provided in an autumn consultation. The CT will launch by early 2028, and in the meantime, the Market Activity Reporter for Shares will publish end-of-day T+1 consolidated post-trade data for shares listed on the FCA Official List.

In conclusion, the reforms over the summer are targeted, with important details and the longer-term policy direction yet to emerge in certain areas. Firms will need to maintain a strong horizon-scanning capability which feeds directly into medium-term technological and operational transformation programmes.

Key summer developments *[Not exhaustive]*

- **2 Jul.** ESMA final report on transaction reporting reforms
- **31 Jul.** FCA consultations on equity consolidated tape and equity market transparency
- **3 Aug.** FCA policy statement on MiFIR transaction reporting reforms
- **5 Aug.** FCA policy statement on information flows for UK equity initial public offerings
- **13 Aug.** FCA reflections on firms' T+1 implementation

Watchlist: key expected milestones before year-end *[Not exhaustive]*

- FCA transaction reporting draft schema, validation rules and guidance
- FCA consultation on the distribution of CT income sharing among data contributors
- FCA policy statement on securitisation reforms

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This note reflects the collective insights of the EMEA Centre for Regulatory Strategy team. We would like to thank members of the team for their contributions.

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