

The background of the slide is a complex financial chart. It features a dark blue background with several overlapping data series. There are candlestick charts in green and red, and multiple line graphs in various colors including blue, red, and white. The lines represent different market indicators or trends, with some showing significant volatility and others appearing more stable. The overall aesthetic is high-tech and professional, typical of a financial institution's branding.

# Financial Regulation Monthly Breakfast Webcast

14 April 2026

LATHAM & WATKINS



# Today's Topics

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The PRA and FCA Policy Statements on operational incident and third-party reporting Rob Moulton

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FCA's wholesale Regulatory Priorities report Rob Moulton

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The details of the final FCA motor finance redress scheme Ella McGinn

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FCA's consultation on simplifying investment advice rules Rob Moulton

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FCA's AML customer due diligence good and poor practices guidance Rob Moulton

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PMB62 and its warning on manipulative M&A activity Rob Moulton

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The background of the slide features a complex financial market visualization. It includes a candlestick chart with green and red bars, overlaid with several moving average lines in blue, red, and white. The overall color palette is dark with vibrant highlights in blue, green, and red, creating a high-tech, data-driven aesthetic.

# The PRA and FCA Policy Statements on operational incident and third-party reporting

**Rob Moulton**

# Overview

- Major UK regulatory initiative to improve understanding of third-party relationships, and the speed and accuracy with which operational incidents are reported
- 2025 consultations saw regulators taking sometimes different approaches to the same topics
- Intensive lobbying to reduce the reporting burden and align the regimes
  - Largely successful
  - FCA has broadly fallen into line behind the PRA's proposals
- Regime largely excludes third-country branches from notification obligations (but not the annual register)
- Still some separate regimes – e.g. credit unions, payment services firms
- Challenges remain for firms

# Operational incident reporting – definitions

## Operational Incident

A single event or series of linked events which disrupts the firm's operations such that it: (1) disrupts the delivery of a service to an end user external to the firm; or (2) impacts the availability, authenticity, integrity or confidentiality of information or data relating or belonging to such an end user

## Threshold for Reporting

Where a firm reasonably believes that an operational incident poses a risk: (1) of causing intolerable levels of harm to consumers from which consumers cannot easily recover; (2) to the safety and soundness of the firm and/or other market participants; (3) to market stability, market integrity or confidence in the UK financial system

# Operational incident reporting

- All firms are in scope
  - Proportionality comes through capturing only “significant incidents”
- 90% of FCA regulated firms will only be subject to “standard reporting”
  - Enhanced reporting keeps in “initial”, “intermediate” and “final” structure, but using the same form
  - Enhanced scope – PRA firms, some FCA firms such as enhanced scope SMCR firms, CASS large firms



## Operational incident reporting (cont.)

- FCA and PRA confirm that firms do not need to report near misses
- Initial reporting to be “as soon as practicable” and “at most within 24 hours”
  - But firms “should not divert resources away from incident resolution to find optional information”
- Intermediate reports must be provided to keep regulators up to date
  - But firms should “use their judgement” and there is “no need [to give] a running commentary on all changes”
- Final reports to be provided within 30 (and a maximum of 60) days
- Firms will use FCA Connect to report

# Reporting third party arrangements – definitions

## Third Party Arrangements

An arrangement of any form between a firm and a person who provides a product or service to the firm, whether or not the product or service is: (1) one which would otherwise be provided by the firm itself; (2) provided directly or by a sub-contractor; (3) provided by a person within the same group as the firm



# Reporting third party arrangements

- Intra-group arrangements are caught
- Arrangements do not need to be an outsourcing to be caught
- Single reporting via FCA Connect
- Common template for FCA and PRA which is said to “broadly align” with DORA and “an annual window” will be used to run an update process



# Next steps

- Rules now final
- Further industry guidance may develop
- Rules in force 18 March 2027
- Regulators will review situation in 2029



The background of the slide is a complex, multi-layered visualization of financial market data. It features a dark blue and black color palette. Overlaid on this are several data series: a prominent candlestick chart with green and red bars, a blue line graph showing a sharp peak and subsequent decline, a red line graph with a similar but less pronounced peak, and various other lines and grid patterns in shades of blue, red, and white. The overall effect is that of a busy, high-tech financial dashboard or trading screen.

# FCA's wholesale Regulatory Priorities report

**Rob Moulton**



# Introduction

- Detailed analysis of supervisory priorities in Wholesale Markets
- Contains approximately 50 “announcements”
  - We estimate half are new, or being acknowledged publicly for the first time
- Needs to be read alongside the Regulatory Initiatives Grid



# Operational and financial resilience

- FCA will assess firms' and venues' cyber and operational resilience planning
- FCA will conduct threat-led penetration testing of wholesale banks and trading venues
- FCA will review and test a sample of contingency funding, recovery, and wind-down plans amongst wholesale brokers



# Market rules

- Consultation on amending rules on unconnected research on IPOs
- Engagement on review of remuneration rules for solo-regulated firms in Q3 2026
- Multi-firm review of sponsors (in the context of listing rule changes)
- Review of “wholesale conduct rules”
  - Expected to include MAR





# Financial crime and market abuse

- Policy Statement on transaction reporting changes now expected Q3 2026
- FCA intends to collect information from a sample of banks and trading venues on inside information risk management



# Conflicts of interest and conduct oversight

- Broad review of conflicts and inadequate conduct in trading activities of wholesale banks
  - Market soundings, prime services, emerging markets, primary market fixed income products
- Governance review of benchmark administrators to be undertaken H1 2026
- Assessment of corporate finance firms' Compliance functions
- Review of payment for order flow rules
- Review of rules (?) on pre-hedging following IOSCO's recommendations
- Application of Consumer Duty to wholesale firms (consultation H1 2026)



# The details of the final FCA motor finance redress scheme

**Ella McGinn**



# Final FCA Motor Finance Redress Scheme

- FCA Policy Statement (PS26/3) published after markets closed on Monday 30 March 2026
- FCA consulted on the redress scheme in October 2025, receiving over 1,000 responses
- FCA emphasises that it has listened carefully to the feedback it received, aiming to strike the best possible balance between consumers and firms
- Dedicated FCA supervisory team to monitor whether firms are meeting scheme rules

# Final FCA Motor Finance Redress Scheme – Timing

- In line with the FCA's earlier March update, there is an implementation period of three months with up to five months for older agreements
- The scheme will commence on the following dates:
  - 30 June 2026 for loans taken out from 1 April 2014
  - 31 August 2026 for earlier agreements
- Firms must notify the FCA by 14 April 2026 of:
  - Whether they intend to use the implementation periods
  - The named Senior Manager with responsibility for scheme oversight
- Firms must also provide a scheme implementation plan and delivery forecast to the FCA by 11 May 2026

## Challenge?

- Potential judicial review?
- FCA is introducing two schemes, one covering 6 April 2007 to 31 March 2014 and the second covering 1 April 2014 to 1 November 2024

# Final FCA Motor Finance Redress Scheme – Scope

- General scope is unchanged and consumers will be compensated if they were not clearly told that there was:
  - A discretionary commission arrangement (DCA), which allowed the broker to adjust the interest rate the customer would pay to obtain a higher commission;
  - A high commission arrangement, where the commission is equal to or greater than 39% of the total cost of credit and 10% of the loan; or
  - A contractual arrangement or tie between the lender and broker, which provided exclusive or near-exclusive rights to lenders to provide credit, except where the lender can evidence that there were visible links with a manufacturer and franchised dealer, such as where they shared a common or similar name
- But new exemptions / exclusions are introduced

# Final FCA Motor Finance Redress Scheme – Redress

- The majority of consumers will receive compensation based upon the FCA’s “hybrid remedy”, subject to a cap
- In cases where the commission was very high (50% of the total cost of credit and 22.5% of the loan) and there was a tie or a DCA, consumers will receive the commission paid plus interest. Compensation in these cases will not be subject to a cap
- Simple interest will be paid on compensation, based on the annual average Bank of England base rate per year plus 1%, at a minimum of 3% in any year. However, rounding will no longer be applied, and consumers will no longer be able to challenge the interest rate awarded to them



# Final FCA Motor Finance Redress Scheme

Topic	Consultation	Final Rules
<b>Timing</b>		
Scheme time period	One single scheme, covering 6 April 2007 – 1 November 2024	Two schemes, covering 6 April 2007 – 31 March 2014 and 1 April 2014 – 1 November 2024
Implementation period	N/A	Three months for loans taken out from 1 April 2014; five months for earlier agreements
<b>In scope agreements</b>		
Number of estimated agreements eligible for compensation	14.2 million	12.1 million
High commission arrangement	Defined as at least 35% of the total cost of credit and 10% of the loan	Defined as at least 39% of the total cost of credit and 10% of the loan
Exception related to tied arrangements	Agreement is in scope if the consumer was not clearly told about a contractual arrangement or tie between the lender and broker, which provided exclusive or near-exclusive rights to lenders to provide credit	Agreement is in scope if the consumer was not clearly told about a contractual arrangement or tie between the lender and broker, which provided exclusive or near-exclusive rights to lenders to provide credit, <b>except</b> where the lender can evidence that there were visible links with a manufacturer and franchised dealer

# Final FCA Motor Finance Redress Scheme

Topic	Consultation	Final Rules
<b>In scope agreements</b>		
High-value loans	In scope	Loans for amounts higher than 99.5% of other loans that year are not in scope
De minimis commission	N/A	New exception if commission was £120 or less for agreements beginning before 1 April 2014 or £150 or less for agreements from that date
Zero APRs	N/A	New exception for agreements where the borrower was not charged interest
Non-operative tied arrangement	N/A	New exception if the firm can demonstrate a tied arrangement was not operated in practice
No better deal	Can rebut presumption of unfairness if the lender can prove that it was fair not to disclose the arrangements or that the consumer did not suffer any loss	Modified to enable firms to rely on a wider range of evidence

# Final FCA Motor Finance Redress Scheme

Topic	Consultation	Final Rules
<b>Level of redress</b>		
Estimated total cost to firms	£11 billion	£9.1 billion
Estimated total amount of redress	£8.2 billion	£7.5 billion
Estimated average compensation	£695	£830
Cap on redress	N/A	Payouts will be capped in around one in three cases
Relevant remedy	Cases with very high commission and a tie to receive commission plus interest	Cases with very high commission and a tie, a DCA, or both, to receive commission plus interest
Interest	Simple interest to be paid on redress, based on the annual average Bank of England base rate per year plus 1%	Same formulation, but there will be a minimum interest rate of 3%, no rounding will be applied, and consumers will not be able to challenge the compensatory interest rate

# Final FCA Motor Finance Redress Scheme

Topic	Consultation	Final Rules
<b>Process</b>		
Communication methods	Firms are required to write to customers via recorded delivery	Firms may use a range of communication methods
Contacting consumers who have complained	Firms are required to ask consumers who have complained if they wish to opt out of the scheme	Firms need to contact consumers who have complained to tell them whether they are owed redress and how much, but do not need to ask if they wish to opt out
Contacting consumers who have not complained	Firms are required to ask consumers who have not complained if they wish to opt in to the scheme	Firms are only required to contact consumers who have not complained if they are likely to be owed compensation
Accepting redress	Consumers are only able to accept redress offer after the final determination, but non-response may be treated as acceptance	Consumers receiving a redress offer are able to accept it immediately, but active consumer acceptance is required



# Final FCA Motor Finance Redress Scheme – Brokers

- Some consultation responses called for brokers to share liability
- The FCA has maintained its position that brokers must comply with lenders' requests to provide documents or information to support scheme cases within one month of the request
- Information requests may increase if lenders try to gather evidence to rebut conclusions of harm arising from a tied arrangement
- Brokers are also required to forward relevant complaints on to lenders, if they fall within the subject matter of the scheme
- The FCA emphasises that, should brokers experience or anticipate any issues with compliance, they should engage with FCA supervision as early as possible

The background of the image is a complex financial market data visualization. It features a dark blue background with various colored lines and candlestick patterns. A prominent blue line with a jagged, oscillating pattern runs horizontally across the middle. Above it, there are several smoother, curved lines in shades of blue and purple, likely representing moving averages. To the right, a dashed red line curves upwards. The bottom half of the image is filled with a dense pattern of green and red candlesticks, representing price movements over time. The overall aesthetic is technical and data-driven.

# FCA's consultation on simplifying investment advice rules

**Rob Moulton**

# Introduction

- Targeted Support rules were introduced 6 April 2026
- Consumer Duty gives FCA a chance to reassess earlier rules and guidance
- Complexity in existing rule book: between MiFID, IDD, and other types of advice
- Policy Statement expected Q4 2026



## Key proposals – in summary

- Combine the rules into a single approach covering MiFID, IDD, and other types of advice
- More clearly integrate proportionality and introduce flexibility
- Scrap rules where the Consumer Duty is already doing the job
- Publish updated case studies to cover new technologies





# Advice – detailed rule changes

- Permit firms to gather “sufficient” (as opposed to the less flexible “necessary”) information in order to be able to provide advice
- Take a proportionate approach to asking about “knowledge and experience”
  - May be assumed in some cases
  - If the product is straightforward may not always be necessary (e.g. the product has been identified as having a target market that includes clients with no experience of investing)
- Consolidate different approaches to risk into a single “attitude to risk” objective
  - Clarify no need to use complex tools or detailed questionnaires in many circumstances
- Expand situations where suitability reports are required (to include not taking an action, and clients outside the UK)
  - Always require suitability reports before a transaction is concluded (more restrictive, but simpler, approach)

# Advice – impact of Consumer Duty

- Remove the requirement to consider whether alternatives could better meet the client's profile
- Remove the rule preventing firms from making a recommendation if no product appears to be suitable
- Remove obligation to explain to clients the purpose of a suitability assessment
- Remove requirement for suitability reports to be fair, clear and not misleading



# Advice – areas where no change is anticipated

- RDR restrictions on commission
  - “We propose to maintain the clear distinctions in the charging rules between targeted support (and basic advice), and other forms of regulated advice”
- No change to minimum Level 4 Diploma for providing regulated advice

# Ongoing advice services

- Clarify that firms can charge on an ongoing basis whether a new personal recommendation is given or not
- Firms will still need to ensure services meet identified needs and provide fair value
- Annual suitability review under MiFID to be scrapped
  - Consumer needs vary, will reduce consumer costs, and fair value rules will still apply
- FCA will provide high-level expectations on disengaged clients
  - How to define them
  - How to attempt to re-engage with them
  - Circumstances where ongoing fees should be stopped or refunded



# Advice – future consultations

- Trail commission
  - RDR allowed legacy trail to continue
  - Consumers may not remember old point-of-sale disclosures
  - But a reduction in advisor revenue could impact the supply of advice
  - “We believe that the practical obstacles to ending pre-RDR commission payments may have decreased, but we welcome views”
- Professional client suitability and advice
  - FCA attracted to replicating the same simplification process, and working from a single consolidated set of requirements

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FCA's AML customer due  
diligence good and poor  
practices guidance

**Rob Moulton**

## FCA AML CDD – poor practice

- Some firms did not document what alternative evidence should be sought when standard ID is lacking
- Insufficient detail on how often periodic reviews should take place
- Lack of clarity over what to do following an “event”
- Lack of detail on when senior management sign off is needed
- Gathering insufficient information on the purpose and intended nature of the business relationship
- No independent second line assurance (contrasted with good practice involving external audit or third line)





PMB62 and its warning on  
manipulative M&A activity

Rob Moulton



# PMB62 and its warning on manipulative M&A activity

- FCA concerned over “manipulative M&A approaches”
  - Fake investors make an offer and then leak news (to profit from share price movement)
  - Equity fundraises involving issuing warrants (where subsequent significant upward price movements lead to warrants becoming exercisable)
- Directors and advisors warned to carry out appropriate due diligence on approaches as the “first lines of defence”

# Recent Thought Leadership

- [UK Regulators Finalise Policy on Operational Incident and Third-Party Reporting](#)
- [FCA's Regulatory Priorities in Wholesale Markets: New Insights of Importance for Investment Banks](#)
- [FCA Confirms Approach to Motor Finance Redress](#)
- [SFDR 2.0 and the Transatlantic ESG Challenge](#)
- [Financial Ombudsman Service Reset: Key Reforms on the Horizon](#)



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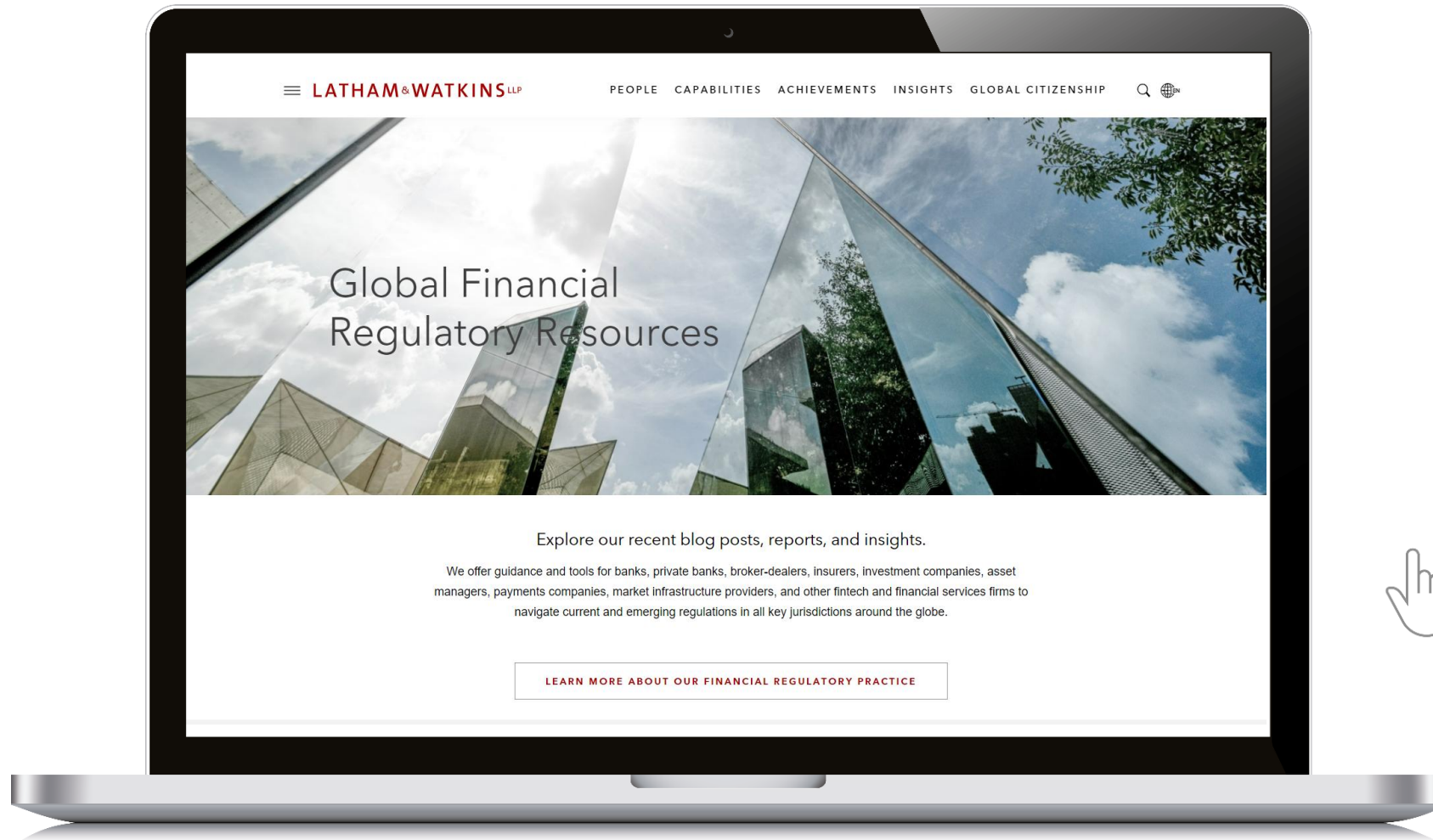
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