

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 several line graphs in various colors including light blue, dark blue, and red. The lines and bars are semi-transparent, creating a layered effect. The overall aesthetic is modern and data-driven.

# Financial Regulation Monthly Breakfast Webcast

18 March 2026

LATHAM & WATKINS

# Today's Topics

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The view from Frankfurt – an overview of some key EU developments, and how they may impact UK firms

Axel Schiemann

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Retail market updates: FCA priorities, FOS reform and Consumer Duty latest

Nicola Higgs

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An ESG round-up, including the FCA's feedback on its investment labels regime and the latest on the EU Omnibus Package

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An enforcement update, including the FCA's inaugural edition of Enforcement Watch

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The view from Frankfurt – an  
overview of some key EU  
developments, and how they  
may impact UK firms

**Axel Schiemann**

# Wave of changes across the regulatory landscape

<b>Banking Supervision</b>	▪ EU Banking package (CRR II / CRD VI), bank resolution and deposit protection ...
<b>Financial Markets Supervision</b>	▪ EU Securitisation Framework / Market Integration Package, MiFID Retail Investment Strategy, MiFIR, Benchmark Regulation, EU Listing Act...
<b>Payment Services</b>	▪ PSD III / PSR, Digital Euro ...
<b>Anti-Money Laundering</b>	▪ AMLA, AMLD VI / AMLR ...
<b>Digitalisation</b>	▪ FiDAR, MiCAR, DoRA, AI Regulation, eIDAS Regulation ...
<b>Sustainability</b>	▪ ESG Rating Regulation, CSRD, SFDR ...

# CRR III / CRD VI

- Status
  - The EU Banking Package, adopted in 2024, implements the Basel III measures
  - CRR III has been directly applicable since January 1, 2025, while CRD VI was to be transposed into national law by January 10, 2026
- Key changes
  - **Third-country branches:** From January 11, 2027, there will be an obligation to establish a branch for the provision of core banking services by undertakings established in third countries. Exemptions apply to interbank transactions, intragroup transactions and reverse solicitation
  - **M&A in the banking sector:** CRD VI introduces new approval and notification requirements for M&A transactions in the banking sector, including for the acquisition/disposal of qualifying holdings by banks, for mergers and demergers of banks as well for the transfer of assets and liabilities
  - **Fit & Proper and mapping of duties:** CRD VI introduces an early notification requirement for the intended appointment of managing directors. Further, banks must prepare and continuously update an overview of the tasks and responsibilities of all members of the management body (“mapping of duties”)

# MiFID retail strategy

- Status
  - On 17 December 2025, the EU institutions reached a political agreement in the trilogue negotiations on the Retail Investment Strategy (RIS)
  - Finalisation is expected in early 2026, following editorial review and approval by the European Parliament and the Council, with the strategy entering into force after an expected transposition period of 18 months
- Key aspects
  - **Value-for-money test:** New products must undergo value for money test before market launch and will have to be assessed against benchmarks
  - **Inducements:** Inducements regime will be overhauled; under a new best-interest test, inducements must demonstrably improve service quality and address conflicts of interest, supplemented by stricter transparency requirements. Member States will retain discretion as to whether to introduce a full ban on inducements at the national level
  - **Finfluencers:** The RIS introduces new guardrails for the use of finfluencers, modelled on an outsourcing framework under which investment firms must enter into written agreements with finfluencers that, among other things, govern the firm's supervisory powers

# EU Listing Act (MAR changes)

- Status
  - The EU Listing Act was formally adopted by the Council of the European Union on October 8, 2024, and entered into force on December 4, 2024
  - Most amendments to MAR entered into force on December 4, 2024. However, the key provisions concerning disclosure of inside information in protracted processes and the revised delayed disclosure condition will apply from June 5, 2026
- Key aspects
  - **Disclosure of inside Information in protracted processes:** For protracted processes, issuers in the future need only disclose the final circumstance, no longer inside information at intermediate steps
  - **Revised condition for delayed disclosure:** The former condition that “the delay of disclosure is not likely to mislead the public” is replaced with a more objective test: the inside information intended to be delayed must “not be in contrast with the latest public announcement or other type of communication by the issuer on the same matter to which the inside information refers”
  - **Delays** may be justified if more information is needed for an announcement to be accurate

# AI regulation

- Status
  - The AI Regulation already entered into force in 2024, establishing uniform rules for, among other things, the placing on the market, the putting into service, and the use of AI systems
  - While certain requirements are already applicable, the remaining requirements are, in principle, set to become applicable as of 2 August 2026 (with the exception of classification rules for high-risk AI systems, which will be applicable from 2 August 2027)
  - In November 2025, the European Commission presented a “Digital Omnibus” package containing a “stop-the-clock” mechanism for high-risk AI systems
- Key aspects
  - AI systems for creditworthiness assessments, credit scoring, and risk assessment of natural persons are categorically classified as high-risk; the same applies to AI systems in the operation of critical digital infrastructure
  - Obligations of the AI Regulation applicable to such systems include, among others, the establishment of a risk management system and data governance, as well as record-keeping obligations



Retail market updates: FCA  
priorities, FOS reform and  
Consumer Duty latest

Nicola Higgs

# FCA Regulatory Priorities: consumer investments

FCA's new Regulatory Priorities reports replace portfolio letters and will be published annually

## FCA Priorities

### 1. Stronger investment culture

- Support implementation of CCI framework
- Continue work on AGBR (targeted support and simplified advice rules)
- Collaborate with legitimate influencers (inc. publishing a guide to finfluencing)
- Inform consumers through InvestSmart
- Collaborate with firms focused on innovative products (e.g. LTAFs)
- Share data insights with industry

### 2. Strengthening trust

- Review of MPS firms
- Timely product transfers
- Support innovation (e.g. test AI products)

### 3. Securing good consumer outcomes

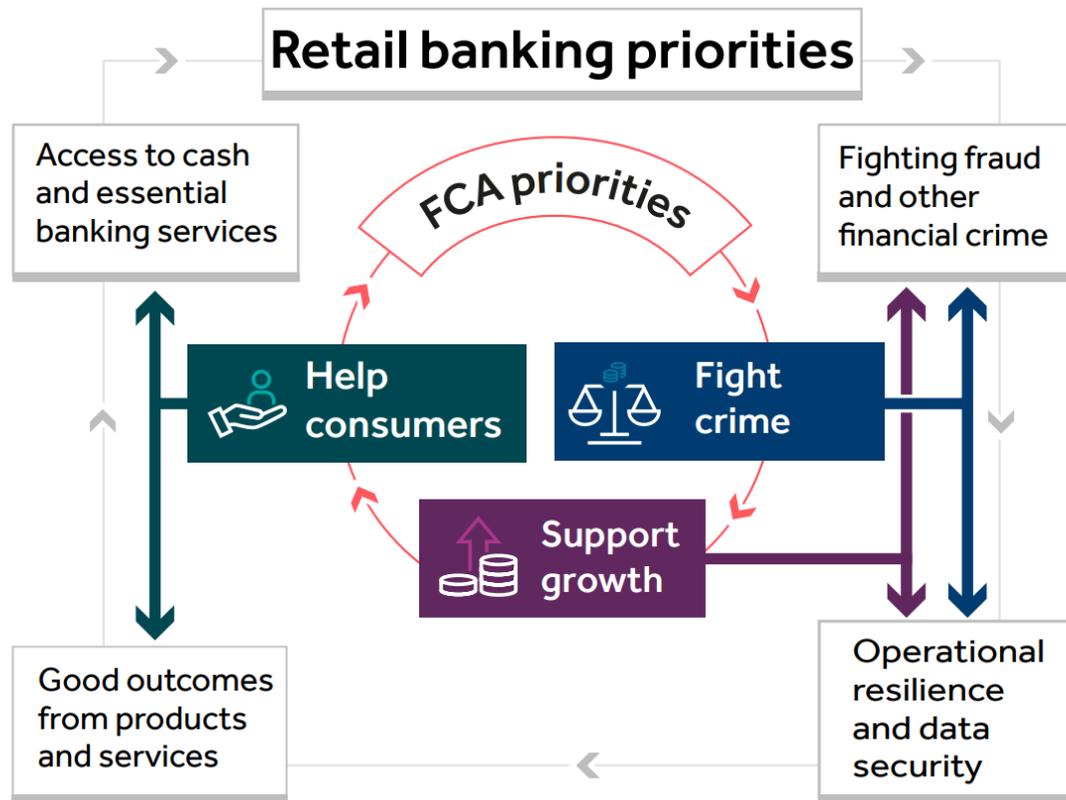
- Clarifications on applications of the Consumer Duty
- Feedback on client categorisation proposal
- Allow regulation to support informed risk-taking

### 4. Strengthening financial crime controls

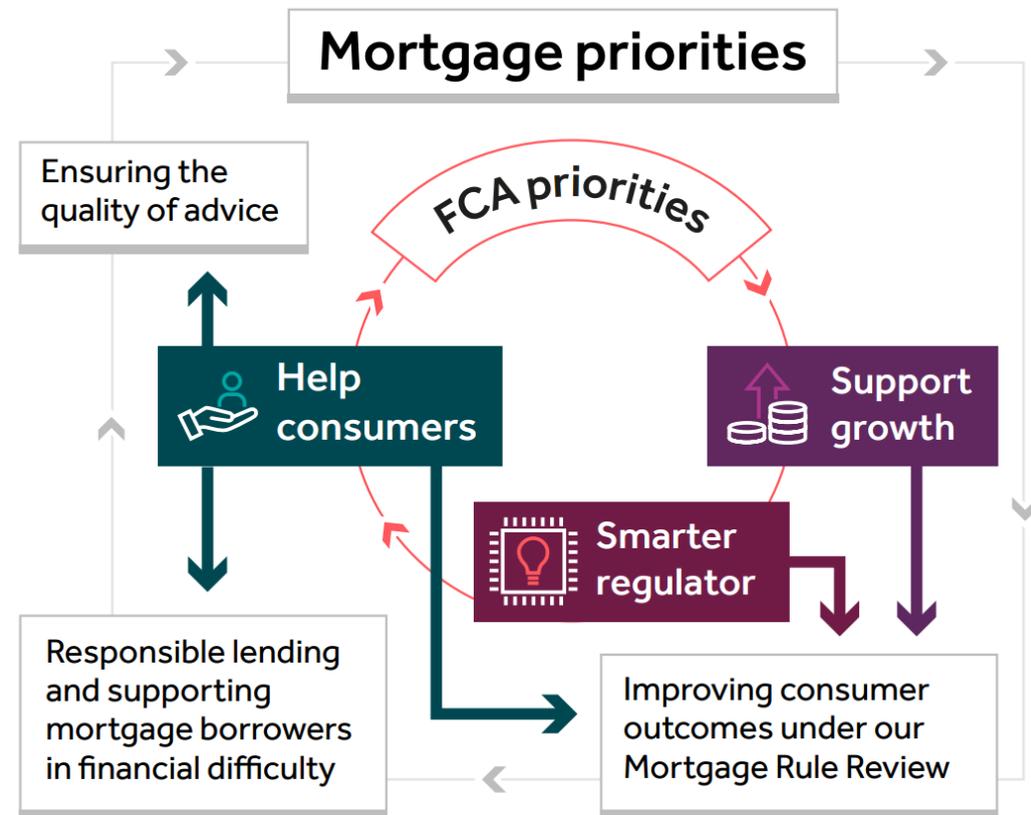
- Collaborate with Ofcom and international bodies
- Focus on enforcement

# FCA Regulatory Priorities: consumer products

FCA has issued sector focus papers on its priorities in each of retail banking, consumer finance, pensions and mortgages



Source: FCA



Source: FCA

# Consumer Duty: consumer understanding

## FCA good practice

FCA's rules on consumer understanding are set out in PRIN 2A.5 and FG 22/5. The new guidance overlays those rules

<b>1. Identify where consumers struggle to understand</b>	<ul style="list-style-type: none"><li>▪ Analyse insights from multiple sources, including call listening, complaints, chat transcripts, website analytics, drop-off data (customers who start but do not complete a specific process) and surveys.</li><li>▪ Review this evidence regularly and prioritise meaningful improvements rather than simply making cosmetic changes.</li></ul>
<b>2. Test communications with real customers before, during and after launch</b>	<ul style="list-style-type: none"><li>▪ Carry out testing both before and after changes, using proportionate tools such as surveys, comprehension checks, and feedback from frontline interactions.</li><li>▪ Verify whether changes improve customer understanding and adapt based on the results.</li></ul>
<b>3. Communicate clearly, simply and accessibility</b>	<ul style="list-style-type: none"><li>▪ Use plain language, clear structure, visual hierarchy and layered content.</li><li>▪ Place essential information upfront, highlight risks and exclusions early, and support those who need alternative or accessible formats.</li></ul>

# Consumer Duty: consumer understanding

## FCA good practice (cont.)

<b>4. Design journeys and tools that support understanding</b>	<ul style="list-style-type: none"><li>▪ Well-designed customer journeys incorporate calculators, videos, walkthroughs and summaries.</li><li>▪ Real time prompts to stop consumers making common mistakes.</li><li>▪ Test tools to make sure they genuinely help customers and refine based on user evidence.</li></ul>
<b>5. Support customers with characteristics of vulnerability</b>	<ul style="list-style-type: none"><li>▪ Identify needs early, adapt communications accordingly and embed vulnerability considerations into governance, training and testing.</li><li>▪ Test with vulnerable cohorts and ensure accessibility throughout journeys.</li></ul>
<b>6. Clear, fair and balance financial promotions</b>	<ul style="list-style-type: none"><li>▪ Give risks equal prominence to benefits, avoid jargon and test that key messages – including eligibility criteria and limitations – are properly understood.</li></ul>
<b>7. Governance and oversight</b>	<ul style="list-style-type: none"><li>▪ Clear ownership of the consumer understanding outcome.</li><li>▪ Maintain defined governance, review MI regularly, track actions, and make sure decisions lead to improvements.</li><li>▪ Oversight should be embedded into everyday business processes.</li></ul>

# HMT / FCA modernisation of the redress system

HMT consultation response and new FOS / FCA CP26/9 and FG26/2 in support of plans to improve the operational efficiency of the redress system

## HMT consultation response

## FCA CP 26/9

- Adapt the '**Fair and Reasonable**' test used by the FOS to determine cases, to set out that where firms have met their obligations under relevant FCA Rules, firms must be found to have acted fairly and reasonably by the FOS.
- Introduce a **referral mechanism** between the FOS and the FCA to require the FOS to seek a view from the FCA on matters of interpretation where the FOS considers there may be ambiguity in what FCA rules require, or where an issue raised may have wider implications across the financial services industry.
- Introduce an **absolute time limit of 10 years for bringing complaints** to the FOS, while giving the FCA the ability to make exceptions to this time limit.
- Make it easier for firms and consumers to understand and learn from FOS determinations by introducing a requirement for the FOS and FCA to publish **regular thematic reports**.
- Ensure the FCA has the tools it needs to respond to **mass redress events** quickly.

## FCA FG 26/2

*Guidance supports DISP 1.3 & Consumer Duty PRIN 2A.2.5 & 2A.10*

- Help firms understand how to proactively identify potential consumer harm, including the types of data available.
- Help firms take appropriate steps to resolve harm, including proactively offering appropriate redress to customers.
- Encourage a more consistent approach between firms for firm-led redress exercises.
- Provide guidance on how firms can communicate appropriately with customers in the context of redress action.

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An ESG round-up, including the  
FCA's feedback on its investment  
labels regime and the latest on  
the EU Omnibus Package

Anne Mainwaring

## FCA examples of good and poor practice for using labels under the Sustainability Disclosure Requirements (SDR) regime

- Good disclosures are clear, concise, easy to read and understand. For example, they:
  - Avoid complex terms and explain those that are open to interpretation, such as “affordable”
  - Avoid duplication
  - Use a consistent narrative and logical flow of information
- They also:
  - Only disclose information relevant to the fund. For example, they don’t copy wording from FCA examples or peers’ disclosures
  - Use the right label for the fund and meet the relevant requirements
  - Accurately reflect what the product invests in

## Poor practice examples

- The standard of sustainability is not backed by evidence, or the firm refers to the fact that its peers have used a similar standard as evidence but cannot provide any authoritative evidence of its own
- *A general sportswear retailer is held in the fund on the basis that it meets the fund's standard of sustainability and in doing so derives at least 50% revenue from 'health and wellbeing' products and services. However, when questioned, the firm cannot substantiate that claim*

## Poor practice examples (cont.)

- Selecting a company based on some sustainable attributes without considering the complete picture, in other words, material negative outcomes or conflicts that might arise in relation to the products, services or activities of the wider company
- *For example, a fund holds industrial conglomerates with some sustainable activities in certain business units but is also involved in carbon/water-intensive activities in many of its principal units, which is not disclosed*

## Good practice example

- It is clear that the objective is to invest in assets that are environmentally or socially sustainable
- The objective also briefly explains the sustainability characteristics
- Example wording: *The fund aims to invest in assets that make a positive contribution to the environment and society through their products/services in areas such as:*
  - *“Climate change mitigation and adaptation – which includes...”*
  - *“Financial and digital inclusion – which we define as...”*
  - *“Health and wellbeing – such as...”*

## The latest on the EU Omnibus Package

- The final Omnibus I text amending the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) was published in the Official Journal of the EU on 26 February 2026, and enters into force on 18 March 2026
- Member States will have 12 months from that date to transpose the CSRD amendments into national law (by 19 March 2027). CSDDD amendments must be transposed by 26 July 2028

# CSRD

- **Scope:** EU undertakings or issuers on EU regulated markets will only be in scope if they exceed both EUR 450 million net turnover and 1,000 employees on average during the financial year (where applicable, including all subsidiaries on a consolidated basis). Non-EU undertakings or groups with an ultimate parent outside of the EU are only in scope if they generated more than EUR 450 million net turnover in the EU for each of the last two consecutive financial years and have an EU subsidiary or branch exceeding EUR 200 million net turnover in the previous financial year
- **Value chain cap:** Entities within a reporting undertaking's value chain that do not exceed 1,000 employees have the right to not respond to information requests beyond the information specified in voluntary standards
- **ESRS:** As part of the package of Omnibus amendments, revised European Sustainability Reporting Standards (ESRS) must be adopted by 18 September 2026

## CSDDD

- **Scope:** EU companies or groups will only be in scope if they exceed the 5,000 employee and EUR 1.5 billion net worldwide turnover thresholds. For non-EU companies or groups with an ultimate parent outside the EU, the threshold is EUR 1.5 billion net turnover generated in the EU, with no employee threshold
- **Removal of transition plan requirement:** The requirement for in-scope companies to adopt and put into effect a climate transition plan has been removed from CSDDD
- **Reform of civil liability and reduced penalties:** Penalties for non-compliance are being capped at 3% of the net worldwide turnover, down from the previous “minimum maximum” of 5%
- **Application date pushed back:** In scope undertakings are required to comply by 26 July 2029, with the first annual statements published for financial years beginning on or after 1 January 2030

# UK government publishes final sustainability and climate-related reporting standards

- On 25 February 2026, the UK government's Department of Business and Trade (DBT) published the final UK Sustainability Reporting Standards (UK SRS), along with feedback to DBT's June 2025 consultation on the exposure drafts of the UK SRS
- The standards are now available for voluntary use in the UK
- DBT directly based the exposure drafts of UK SRS S1 and UK SRS S2 on the International Sustainability Standards Board (ISSB) IFRS S1 and S2 standards
- A number of minor amendments have been made to IFRS S1 and S2 to reflect their use in a UK context

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An enforcement update,  
including the FCA's inaugural  
edition of Enforcement Watch

**Nell Perks**

# “Impactful deterrence” – What does it mean?

- Enforcement Volumes and Pace
  - 23 enforcement operations opened between 3 June and 31 December 2025
  - As of 1 October 2025: 124 open investigations, indicating a continued downward trajectory
  - Seven recent investigations achieved an outcome in 16 months or less
- Enforcement Priorities
  - Of the 23 most recently opened cases:
    - 18 regulatory breaches
    - 4 criminal and regulatory offences
    - 1 criminal offence only
  - Longstanding focus areas:
    - Financial crime controls
    - Systems and controls failures
  - Potential new enforcement hot spots:
    - Action against senior managers
    - Fair value under the Consumer Duty
  - Greenwashing?
  - Non-financial misconduct?

## “Impactful deterrence” – What does it mean? (cont.)

- When is the FCA likely to move to enforcement?

- Repeated failures to be open with the FCA
- Failing to put things right promptly
- Deliberately misleading the FCA, consumers, or the markets
- Causing significant harm to consumers

Focus on deliberate, calculated breaches NOT developing areas where firms are trying to get things right

Emphasis on “doing the right thing”

- When will the FCA announce an investigation?

- “exceptional circumstances” – what does it mean?
- CIT v FCA
- Decisions and Penalties

- Conclusion

# Recent Thought Leadership

- [UK Government Publishes Final Sustainability and Climate-Related Reporting Standards](#)
- [EU Sustainability Omnibus Published in the Official Journal](#)
- [Impactful Deterrence and Doing the Right Thing: The FCA's Enforcement Strategy Unpacked](#)



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## Monthly London Webcast Materials

Each month the UK and European Financial Regulatory lawyers at Latham & Watkins host a presentation and discussion covering recent changes to financial services regulation.

[VIEW](#) ←



# 10 Key Focus Areas for UK-Regulated Financial Services Firms in 2026

We explore some of the core focus areas for UK-regulated financial services firms in the year ahead.



## Report



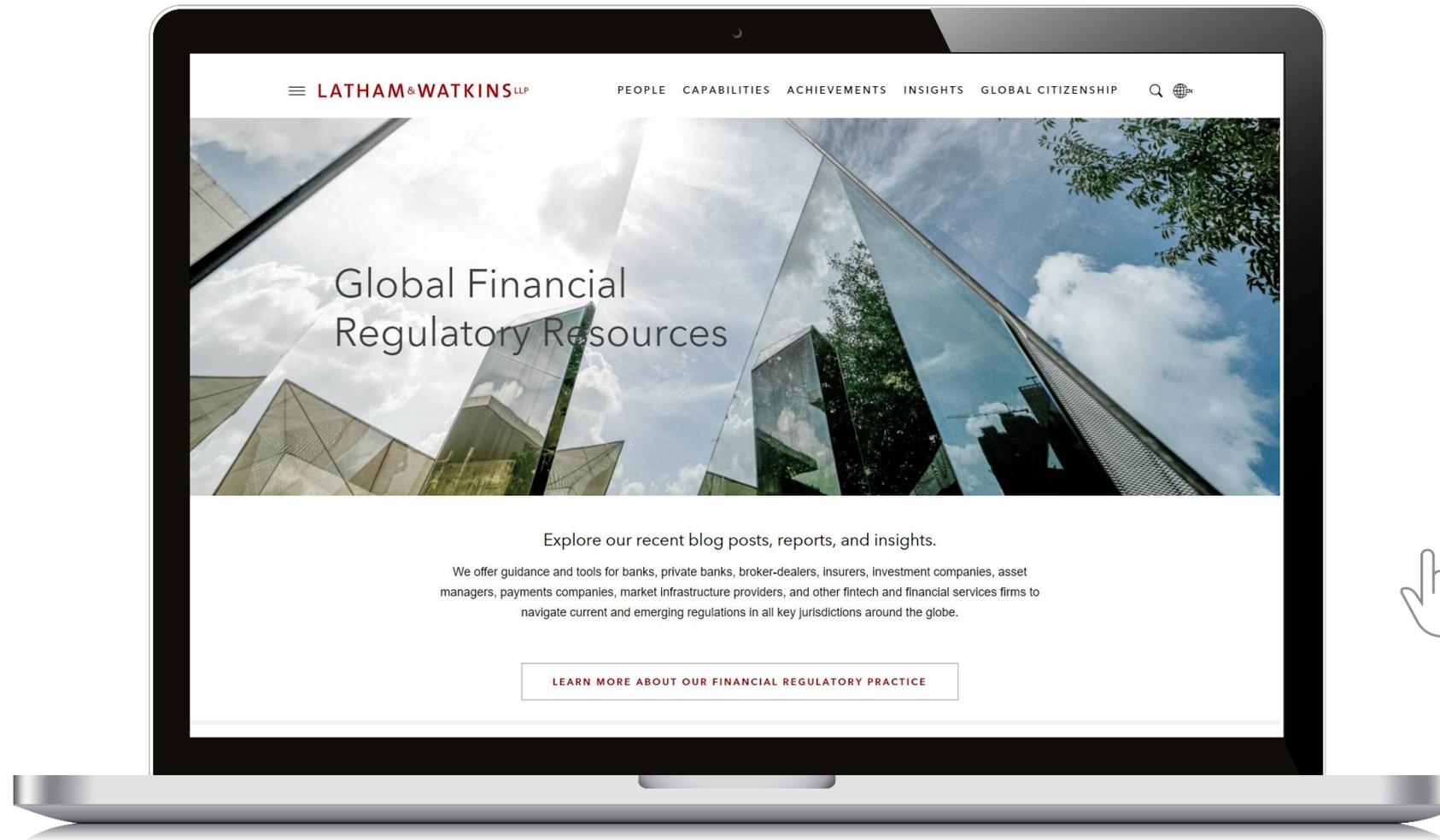
Click the laptop to read the report



## Podcast

In this podcast, London partners Rob Moulton and Nicola Higgs and counsel Becky Critchley discuss the key trends for financial services firms in 2026. Amongst other topics, they discuss the Leeds Reforms, the ESG landscape, and enforcement trends. Click [here](#) to listen to the podcast.

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