

The background of the slide is a complex, layered image of financial market data. It features multiple overlapping candlestick charts in shades of green and red, and several line graphs in blue, cyan, and red. The overall aesthetic is high-tech and data-driven, with a dark blue and black color palette. The text is overlaid on this background.

# Financial Regulation Monthly Breakfast Webcast

13 May 2026

LATHAM & WATKINS

# Today's Topics

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The FCA's Regulatory Priorities report for wholesale buy-side firms

Ella McGinn

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The FCA, PRA and HM Treasury papers on reform of the SMCR

Nicola Higgs

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The FCA's multi-firm review of market soundings in UK equity capital markets

Rob Moulton

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The proposed reforms on investment research and the UK IPO process

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Expectations for firms' next Consumer Duty board reports and the latest on the FCA's motor finance redress scheme

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The final FCA rules on the revised UK short selling regime

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# The FCA's Regulatory Priorities report for wholesale buy-side firms

**Ella McGinn**

# Introduction

- Key themes for FCA supervisory priorities for wholesale buy-side firms
  - Evolve regulation to foster growth and innovation and serve changing consumer needs
  - Deliver good outcomes to consumers
  - Reinforce consistent, high standards across private market investing
  - Preserve market integrity and resilience to disruption
- Published with the FCA's wholesale markets Regulatory Priorities report
- Contains announcements across asset management, alternatives and wealth management



# Growth and innovation

- Implement robust governance for emerging technologies to ensure safe and responsible adoption
  - Digital Securities Sandbox
- Effective, predictable and proportionate regulatory regime for alternative investment fund managers
- Review the regulatory data model for asset managers and funds
- Digitise and simplify fund authorisation process
- Progress work on tokenisation
- Streamline product-level disclosures under Task Force on Climate-related Disclosures (TCFD)

# Good outcomes for consumers

- Focus on application of the Consumer Duty for retail business and also across distribution chain and to wholesale firms
- Apply a consumer lens to products and services
  - Outlier firms that design products and services that do not consider consumers' best interests
  - Product development frameworks for retail private markets and retirement income products
- Provide clear communications to investors
- Meet Consumer Duty expectations with strong oversight of Appointed Representatives
- Engage in supervisory work with depositories
- Engage with firms implementing Targeted Support, Consumer Composite Investments (CCI) framework and SDR and labelling regime
- Finalise policy on client categorisation and conflicts of interest

# Consistent high standards across private market investing

- Review of governance processes and practices for valuations, conflicts of interest and risk management
- Focus on broadening retail access to private markets products responsibly
- Multi-firm review on identification, management and mitigation of conflicts of interest
- Support Bank of England's system-wide exploratory scenario (SWES)
- Involvement in Financial Stability Board's deep dive on private credit
- Contribute to IOSCO's review on Valuing Collective Investment Schemes

# Market integrity and resilience

- Focus on operational resilience, incident response and recovery plans, including dependencies on material third party providers (alongside PRA work)
- Data gathering to ensure appropriate risk management and liquidity management and enhancing fund liquidity risk management for UCITS and non-UCITS
- Assessment of the maturity of firm's insider risk management
- Rules on improving the UK transaction reporting regime
- Conduct threat and intelligence-led penetration tests with buy-side firms (CBEST and STAR-FS)
- Review asset manager and custody bank operational resilience self-assessments
- Fast-tracking of authorisation for investment funds focused on the defence sector
- Cyber resilience work including cyber coordination groups

## Other areas of focus

- Prudential requirements review (during 2026 and 2027)
- Solo remuneration rules review (Q3 2026)
- ESG ratings regime Policy Statement (Q4 2026)
- Financial crime survey findings (Q3 2026)
- Cryptoasset regime Policy Statements (during 2026)
- SMCR
- Artificial intelligence (evaluation report end 2026)



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# The FCA, PRA and HM Treasury papers on reform of the SMCR

**Nicola Higgs**

# UK SMCR Phase 1 Reforms Confirmed

## **Key themes from the FCA, PRA and HM Treasury reform package**

- On 22 April 2026, the FCA, PRA, and HM Treasury published confirmed changes to the Senior Managers and Certification Regime (SMCR), completing Phase 1 of reform
- The changes follow consultations launched in July 2025 as part of the Leeds Reforms, and were broadly supported by respondents
- The regulators focused on easing the administrative burden on firms in advance of future legislative changes
- Most rule and guidance changes took effect on 24 April 2026, with certain further changes deferred to 10 July 2026

# Key Rule Changes: Reducing Administrative Burden

- The 12-week rule now requires firms to submit an SMF application within 12 weeks (rather than obtain approval), with SMF Conduct Rules applying to non-SMFs covering roles during this period
- Criminal records checks are now valid for six months (up from three), and checks are not required where a Senior Manager moves within the same firm or group
- Regulatory references must now be provided within four weeks (reduced from six), with new guidance on handling references where employees leave during misconduct investigations
- Statements of Responsibilities and Management Responsibilities Maps need only be submitted every six months in a single collated version, rather than upon each change
- Firms now have 20 business days (rather than seven) to update the Directory for most changes, though the seven-day requirement remains for staff departures

# Updated Guidance on Senior Management Functions

- New guidance clarifies when an individual may be performing the SMF7 (Group Entity Senior Manager) role; the PRA extended SMF7 to controllers with significant influence but clarified it is not intended to widen the scope beyond this
- The FCA introduced guidance on factors for determining whether an individual performs the SMF18 (Other Overall Responsibility) role, emphasising SMF18 holders should be the most senior individuals reporting into the governing body
- Additional FCA guidance addresses when it may be appropriate to split or allocate Prescribed Responsibilities, and from 10 July 2026 SMF18 holders may be allocated any Prescribed Responsibility
- New guidance on the Certification Regime confirms that certificates can be provided digitally, recertification can be embedded in existing appraisal processes, and annual certification can be undertaken proportionately
- The FCA clarified Conduct Rules breach reporting, confirming only breaches resulting in disciplinary action need to be reported

# HM Treasury's Confirmed Legislative Changes

- HM Treasury will legislate to remove the Certification Regime from primary legislation, enabling the regulators to create a more proportionate and flexible replacement framework in their rulebooks
- The regulators will be empowered to specify circumstances in which firms may appoint certain Senior Managers without pre-approval; HM Treasury concluded separate legislative changes to reduce SMF designations are unnecessary as regulators already have sufficient flexibility
- Provisions relating to Statements of Responsibilities, Conduct Rule breach notifications, and Conduct Rules training requirements will be repealed, with the regulators given power to set appropriate requirements in their rulebooks
- New legislation will allow regulators to accept SMF applications subject to time limits or conditions, supporting a more streamlined process for interim appointments
- HM Treasury remains open to industry feedback on any obstacles to international recruitment that persist after the reforms are implemented

## Next Steps: Looking Ahead to Phase 2

- Primary legislation to implement HM Treasury's confirmed changes is expected to be introduced in the Financial Services Bill to be announced in the King's Speech
- The FCA and PRA plan to consult on Phase 2 rule changes this year, covering areas such as redesign of the Certification Regime, potential further reduction in SMFs, and simplification of Management Responsibilities Maps
- While Phase 1 changes reduce some administrative burden, the most significant reforms will not take place until Phase 2 is complete, making it difficult to estimate the full impact at this stage
- Firms are encouraged to engage with the Phase 2 consultation process at an early stage to help ensure workable alternatives are introduced

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# The FCA's multi-firm review of market soundings in UK equity capital markets

**Rob Moulton**

# FCA's market soundings multi-firm review

- FCA looked at 63 transactions, 90% of which were market sounded, covering (for example) a majority of ABBs
- On average, trading volumes fell by an average of 13% during the market sounding period
- Numbers sounded varied widely
  - 33 investors on average
  - Up to 90 (?)
  - This is the one area of the review where the FCA uses this opportunity to “remind firms” of the risk of leaks
  - FCA notes Market Watch 83 identified a good governance practice of seeking approval for longer lists

# Other findings

- Acceptance rate generally 87%
  - Indicates soundings generally directed at investors likely to accept them
- FCA endorses use of gatekeepers by investors who are frequently sounded
  - Sounding recipients valued participation in order to give feedback and promote an efficient process
  - Almost all transactions sampled met the targeted cleansing deadline
- FCA requested second line reviews
  - All banks had done them
  - Some had identified missing or inaccurate information
- Market cleanliness statistics were stable, suggesting information is handled sensibly

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# The proposed reforms on investment research and the UK IPO process


**Rob Moulton**

# The proposed reforms on investment research and the UK IPO process

- MiFID II was gold plated to provide additional “controls” around the role of research in the IPO process
  - Desire to see research centrally within the process
  - Provide access for unconnected analysts
  - Control interactions between analysts and issuers during pitch periods
  - But market environment has evolved since 2018
- Substantial changes to primary market rules creating relatively frictionless IPO environment
- Ongoing changes to research unbundling rules in the UK (and EU)

# FCA's IPO process consultation

- Remove the seven-day waiting period between the publication of a prospectus and connected research (which was to permit unconnected analysts to operate)
- Remove specific restriction on contact between analysts and issuers during pitch period
- Industry generally supportive
  - Some issuers however take comfort from the “no access during pitch period” restriction, primarily citing “other” firms’ behaviours
- Short form consultation – responses by 29 May, feedback and Policy Statement with final rules expected H2

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Expectations for firms' next  
Consumer Duty board reports  
and the latest on the FCA's motor  
finance redress scheme

**Becky Critchley**

# FCA expectations for Consumer Duty Board Reports

- 16 April 2026, FCA published “Year 2 Consumer Duty Board Reports: progress and what comes next”
- Improvements in 2025 reports from 2024 reports
  - Stronger governance and clearer Board oversight:
    - Formal review and approval of reports
    - Retention of Consumer Duty Board Champion
    - Monitoring progress against areas for improvement
  - Better action plans and ownership:
    - Comprehensive action plans and ownership
  - Broader and more insightful data:
    - Use of a broader mix of qualitative and quantitative data to demonstrate customer outcomes
    - Explaining why ‘metrics matter’
    - Improvements to identifying and monitoring outcomes for vulnerable customers

# FCA expectations for Consumer Duty Board Reports – Where firms still need to do more

- Clearly link data to customer outcomes:
  - Just having the data is not enough
  - Firms must proactively draw conclusions from the data
  - How does the data demonstrate customer outcomes?
- Monitor outcomes delivered by third parties:
  - Outcomes monitoring where firms rely on intermediaries/outsourced service providers can be weak
  - Firms must take responsibility for outcomes regardless of who interacts with the customer
  - FCA guidance on a proportionate approach will follow this year
- Evidence meaningful Board challenge:
  - Board challenge must be documented
  - Minutes should clearly reflect the discussions that took place
  - Minutes should show tracking of follow up action items

# FCA expectations for Consumer Duty Board Reports – Where firms still need to do more (cont.)

- Deepen assessment of consumer understanding and support
  - Focus on consumer understanding and consumer support was light
  - Firms should evidence how they:
    - Test communications
    - Assess consumer comprehension
    - Respond where consumer behaviours indicate misunderstanding or friction

# What can firms do now?

- Review last year's board report against the examples of good practice and areas for improvement:
  - Is data linked to whether good or poor outcomes are being obtained?
  - Is MI used to identify emerging risks?
  - Does MI allow firms to challenge their current practices?
  - Is monitoring of distribution chains robust?
- Consider the current MI framework and if changes should be made ahead of the 2026 report:
  - Consider the data obtained and how the firm can demonstrate the data is interrogated and drives change
- Does the board need an update?
  - Update the board on the FCA's expectations
  - Emphasise the continued need for challenge
- Update board report production framework?

# FCA Motor Finance Redress Scheme – Update

- 8 May 2026 FCA statement providing advice for firms and consumers on the four legal challenges it has received
- Those challenging the scheme argue the rules governing it are unlawful, either in whole or part, and are asking the Upper Tribunal to invalidate them
- FCA suggests the challenges are unlikely to be heard before October 2026, with a decision in November 2026
- FCA asks firms to continue preparing for the scheme until it tells them otherwise

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# The final FCA rules on the revised UK short selling regime

**Rob Moulton**

# Background

- HM Treasury call for evidence 2024 on reform (within the existing framework)
- FCA CP25/29 – FCA’s original proposals
  - Extend position reporting deadline to 23:59 on following day
- Guidance on “proportionate level” of diligence on overall share capital
- Produce exhaustive list of instruments with significant links to UK markets
  - Shortened timeline for first-time market makers, from 30 to 15 days, and remove notification period for existing market makers (market maker exemption)

# Changes announced in PS26/5

- Market maker exemption
  - Market makers no longer need to notify each financial instrument (annual attestation instead)
  - In 2024, there were 1500 notifications for 43,556 financial instruments
  - Share capital calculations
  - Improved guidance on acting reasonably in calculating share capital
  - Future consultation on replicating DTR 5 in upcoming review
  - Notifications to FCA
  - FCA agrees to continue to receive notifications via email
  - Also considering more efficient approaches in the future
- Implementation
  - Three-month period (rules in force 13 July 2026)
  - Updates to system for position reporting effective 30 November 2026

# Recent Thought Leadership

- [UK Regulators Confirm First Wave of Changes to the SMCR](#)
- [FCA to Cut Seven-Day IPO Research Delay in Bid to Boost UK Listings](#)
- [FCA Publishes Final Rules for the Revised UK Short Selling Regime](#)
- [EBA Consults on Simplifications to ESG Reporting Requirements](#)



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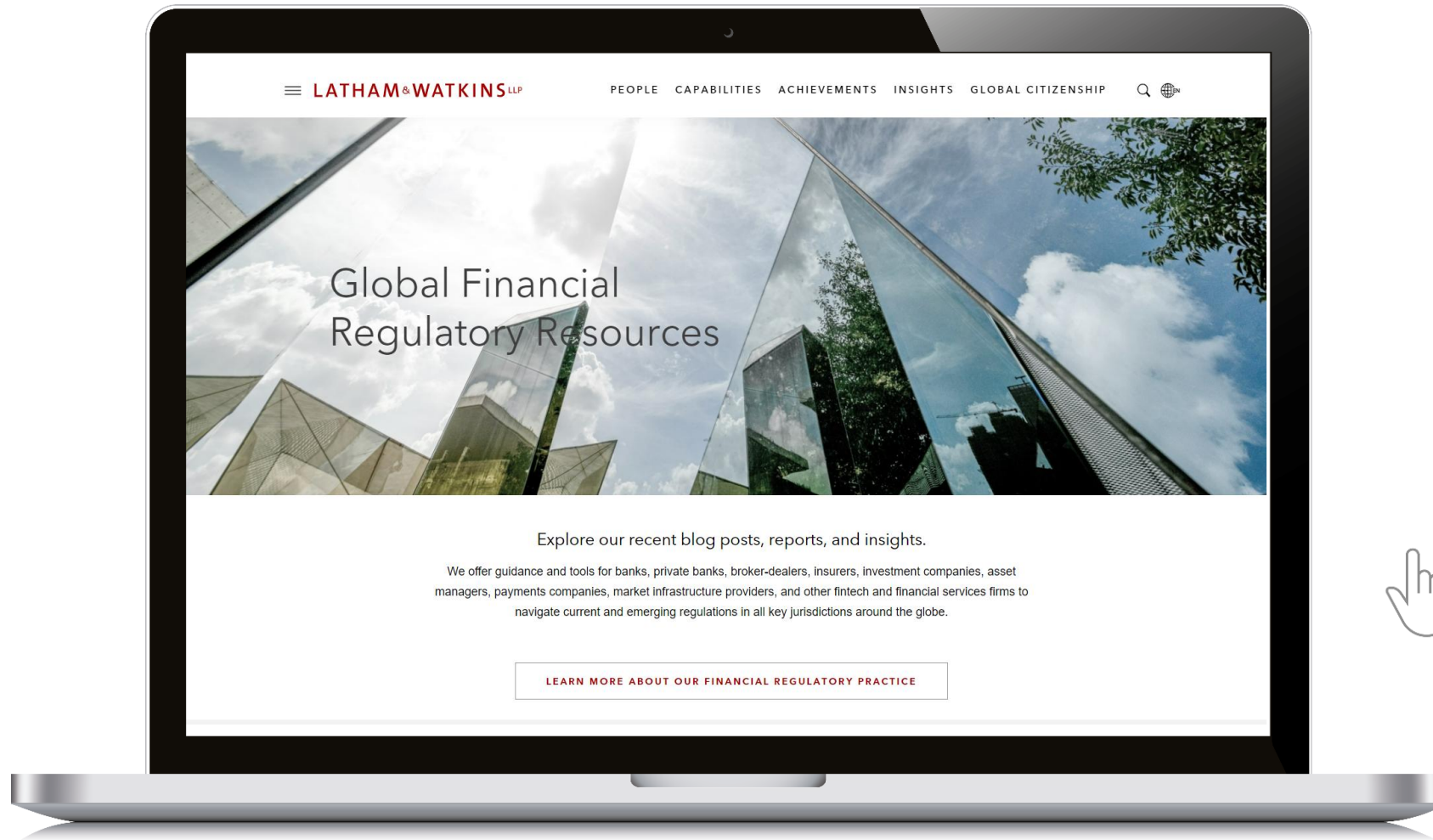
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