



# Regulatory Update

**Volume #16**  
**27 April 2026**

 REGULATORY UPDATES

Stay ahead of regulatory changes with our regulatory updates, expert insights, and industry best practices – just read the update below and share with colleagues.

**Need Help? Speak to Our Experts!**

Book a free consultation and get **tailored compliance solutions** to navigate FCA, ICO or EEA related regulations with ease.

[Book a Free Consultation](#)

 Download Our Free Desk Aids

We have issued a number of free desk-aid to assist you with understanding, self-assessment and implementation.

- ✓ Download the latest free desk-aid today to evidence compliance

 RegZone.io - innovative AML Tool

Stay compliant with automated, real-time checks against global sanctions lists and politically exposed persons (PEPs).

- ✓ Accurate & fast AML screening
- ✓ Reduce costs without compromising compliance
- ✓ User-friendly interface & seamless integration

## FCA Innovation Insights 2025: General Insurance Firms Flagged for Engagement

20 April 2026

The FCA published its Innovation Insights 2025 report on 20 April 2026, summarising fintech market developments and the use of its innovation services during 2025. Applications to the Regulatory Sandbox and Innovation Pathways rose 49% in 2025, driven primarily by AI, distributed ledger technology, open banking and open finance. Notably, the FCA has explicitly identified general insurance as a priority sector for broader engagement in 2026, alongside wholesale markets, as it looks to extend innovation support beyond purely fintech-native firms.

Insurance intermediaries are directly named as a target audience for the FCA's expanded innovation outreach in 2026, meaning the FCA is likely to increase supervisory and policy focus on how technology is being adopted in this sector. Firms using or considering AI, data-driven underwriting tools, open finance integrations or automated advice and distribution models should expect greater regulatory scrutiny and clearer guidance to follow. Ignoring these developments risks being unprepared when new guidance or supervisory expectations land, particularly around AI and Consumer Duty intersections.

Applies to: Insurance Intermediary

### ACTION FOR FIRMS

- Review your firm's current and planned use of AI, automated decision-making or open finance tools and assess whether regulatory clarity is needed before scaling.
- Monitor FCA communications in 2026 for new guidance on AI and innovation, as the FCA has signalled this is an active focus area.
- Ensure your SMF leads and compliance team are aware of the FCA's broader innovation strategy (2025–30) and its implications for how tech use will be supervised.
- Document your firm's rationale and governance around any emerging technology adoption now.

ASK A [QUESTION](#) ->

[FCA Publication](#) ->

## FCA Launches Second AI Live Testing Cohort With Good Practice Report Promised

21 April 2026

On 21 April 2026, the FCA announced its second cohort of eight firms selected for AI Live Testing, including Barclays, Experian, Lloyds Banking Group (Scottish Widows), and UBS. The programme, run in partnership with AI assurance specialist Advai, allows firms to test AI applications in a live environment with FCA support, focusing on risk management and monitoring. Testing began in April 2026 and will run until the end of the year, with an evaluation report due in Q1 2027. Notably, the FCA also confirmed it will publish a good and poor practice report on AI in financial services later in 2026.

Insurance intermediaries using or considering AI tools, for example in underwriting support, customer triage, claims handling, or fraud detection, should pay close attention, as the forthcoming good and poor practice report will set clear expectations for responsible AI use across financial services, including intermediaries.

The first cohort already included Homeprotect (an insurance firm), signalling that insurance use cases are within scope. Firms that ignore the direction of travel on AI governance risk being caught unprepared when the FCA begins supervisory scrutiny of AI deployment practices.

Applies to: Insurance Intermediary

### ACTION FOR FIRMS

- Monitor the FCA's AI Live Testing programme and watch for the good and poor practice report expected later in 2026.
- Assess your firm's current or planned use of AI tools (e.g. chatbots, pricing models, customer segmentation, fraud screening) and begin documenting how these align with existing FCA rules on fairness, Consumer Duty, and data use.
- Review the FCA's existing guidance on how its rules apply to AI
- Begin building an internal AI governance framework now, covering risk management, human oversight, monitoring, and outcome testing.

[ASK A QUESTION ->](#)

[FCA Press Release ->](#)

## FCA Flags Poor Oversight of Inactive Appointed Representatives

27 April 2026

On 21 April 2026, the FCA published a good and poor practice review examining how principal firms oversee appointed representatives (ARs) that report little or no regulated activity. Using two years of REP025 regulatory return data, the FCA assessed whether principals could explain gaps in AR income, were reporting AR activity accurately, and could demonstrate effective oversight. The review builds on earlier reforms to the AR regime introduced in PS22/05 and PS22/11.

Insurance intermediary firms acting as principals are legally responsible for the conduct of their ARs and liable for any consumer harm they cause — even where those ARs are inactive or trading primarily in unregulated activities. The FCA found instances where commission from regulated activity was misclassified as unregulated income, making ARs appear inactive and masking oversight failures. Firms that cannot explain gaps in AR activity or maintain effective governance face increased supervisory scrutiny and potential enforcement action.

Applies to: Insurance Intermediary

### ACTION FOR FIRMS

- Review your AR population now and identify any ARs that have reported no regulated activity or revenue over recent reporting periods.
- Check that your REP025 returns accurately reflect AR activity, including that commission from regulated activities are not being misclassified.
- Assess whether your current oversight, monitoring and governance arrangements remain appropriate for ARs carrying on little or no regulated activity.
- Take prompt action to terminate AR appointments where the relationship is no longer appropriate or active, or document why retaining them.

[ASK A QUESTION ->](#)

[FCA Publication ->](#)

## FCA Publishes Final SM&CR Reforms: Key Changes Effective Now

24 April 2026

On 22 April 2026, the FCA published Policy Statement PS26/6, setting out the first phase of reforms to the Senior Managers & Certification Regime. The changes apply to all solo-regulated and dual-regulated firms already in scope of SM&CR, including insurance intermediaries. The FCA's stated aim is to make the regime more efficient and proportionate, while maintaining strong individual accountability.

Key changes include extending the validity period for criminal records checks from 3 to 6 months, removing the need for new checks for certain internal or group moves, changing the 12-week rule so firms have 12 weeks to submit an SMF application rather than obtain approval, and giving firms more time to update Statements of Responsibilities, Management Responsibilities Maps and Directory information. The FCA is also adding guidance on certification, regulatory references, Conduct Rules notifications, Prescribed Responsibilities, SMF7 and SMF18, and increasing certain Enhanced SM&CR thresholds by 30%.

For insurance intermediaries, this is a practical governance and HR process update rather than a relaxation of accountability. Firms should use the additional flexibility to simplify administration where appropriate, but must continue to evidence clear responsibility mapping, robust fitness and propriety assessments, effective Conduct Rules oversight and timely regulatory notifications. Most changes took effect on 24 April 2026, with further changes applying from 10 July 2026 and non-financial misconduct-related alignment changes from 1 September 2026.

Applies to: Insurance Intermediary

### ACTION FOR FIRMS

- Review PS26/6 in full to identify which specific changes apply to your firm's SM&CR classification.
- Check your current practices against the revised requirements on criminal record checks and disclosure, the 12-week rule, and PRs.
- Review and update Statements of Responsibilities and Management Responsibilities Maps (if applicable) in line with the new requirements.
- Prepare for the 10 July 2026 deadline by reviewing any regulatory reporting or Directory submissions processes.
- Ahead of 1 September, review your Conduct Rules training and non-financial misconduct policies to ensure alignment with PS25/23.

[ASK A QUESTION ->](#)

[FCA Publication ->](#)

## Sapia Fined £19.6m for Client Money Failures as Appointed Representative Principal

23 April 2026

On 23 April 2026, the FCA published a Final Notice against Sapia Partners LLP, which has agreed to make a voluntary payment of £19,637,950 to clients of WealthTek LLP, a firm Sapia appointed as one of its Appointed Representatives (ARs).

The FCA found Sapia failed to adequately protect client money arising from WealthTek's activities, specifically by not separating key roles: staff who could make payments from client money accounts also carried out the required checks on those accounts. The FCA censured Sapia but did not impose a financial penalty, citing Sapia's exemplary cooperation; had it not agreed to the voluntary payment, a fine of £7,412,000 would have been imposed. Separately, WealthTek's principal partner faces criminal charges including fraud and money laundering, with a trial scheduled for September 2027.

Insurance Intermediary firms that act as principals to Appointed Representatives are directly responsible for the conduct and client money obligations arising from those ARs' activities; this case is a stark reminder that principal oversight failures can result in very significant financial and reputational consequences.

The FCA's scrutiny of AR relationships is intensifying, and failures in client money segregation and oversight controls (under CASS and Principle 10 of the FCA's Principles for Businesses) will be treated seriously. Even where client money volumes may be modest, inadequate controls and lack of role segregation within your firm or your ARs could expose your firm to enforcement action and liability for client losses.

Applies to: All firms with Client Money Permissions

### ACTION FOR FIRMS

- Audit role segregation in your client money processes: confirm that staff who can make payments from client money accounts are not the same individuals responsible for checking or reconciling those accounts.
- Check your CASS compliance: review your obligations under the FCA's Client Assets Sourcebook and ensure your firm (and any ARs).
- Assess your AR due diligence and ongoing monitoring.
- Brief senior management and SMFs: ensure those with accountability for AR oversight and client money (including CASS oversight function holders) are aware of this case and its implications.

[ASK A QUESTION ->](#)

[FCA Press Release ->](#)

## FCA Leads Global Crackdown on Illegal Finfluencers Promoting Financial Products

24 April 2026

On 24 April 2026, the FCA announced the results of an international 'week of action' (commencing 20 April 2026) targeting illegal finfluencers, coordinated with 16 overseas regulators. In the UK, the FCA secured a guilty plea from a celebrity (Aaron Chalmers) for illegal financial promotions, commenced criminal proceedings against two further individuals, issued 34 warning alerts, sent 120 account takedown requests to social media platforms, and identified 1,267 illegal financial adverts that reached over 2.3 million UK accounts. 66% of the illegal adverts came from firms or individuals already on the FCA's Warning List.

Insurance intermediaries are subject to the FCA's financial promotions regime, meaning any social media content promoting insurance products or services must be fair, clear and not misleading, and properly approved where required. If your firm uses influencer marketing or appointed representatives who engage with social media personalities to promote your products, you may face regulatory scrutiny if those promotions are unauthorised or non-compliant. The FCA's increasing enforcement activity — including criminal prosecutions — signals a significant escalation in risk for firms that fail to properly oversee their financial promotion channels, including third-party or affiliate arrangements.

Applies to: Insurance Intermediary

### ACTION FOR FIRMS

- Review your firm's use of any influencer or affiliate marketing arrangements to ensure all financial promotions relating to your products are properly approved by an FCA- authorised person before publication.
- Check that any individuals or third parties promoting your products on social media are either authorised or are communicating promotions approved by your firm.
- Search the FCA Warning List and Firm Checker to confirm that any third-party promoters or affiliates your firm works with are not already flagged.

[ASK A QUESTION ->](#)

[FCA Press Release ->](#)

## FCA Updates Guidance on Changing or Cancelling Controlled Function Approvals

24 April 2026

The FCA updated its guidance page on forms used to change or cancel approvals for controlled functions on 24 April 2026. The page covers the full suite of forms (A, B, C, D, E, and J) used to apply for, withdraw, cease, or modify approved person and Senior Management Function (SMF) arrangements. A notable procedural point is that withdrawn Form A applications, while unpublished, are retained by the FCA and must be disclosed by the candidate on any future applications.

Insurance intermediary firms are subject to the Approved Persons regime and, where applicable, the Senior Managers and Certification Regime (SM&CR), meaning timely and accurate submission of these forms is a direct regulatory obligation. Failure to notify the FCA promptly — for example when an approved person ceases a controlled function — can constitute a breach and attract supervisory attention. Where a candidate does not consent to a Form B withdrawal, the firm risks reputational exposure if a warning or decision notice is published on the Financial Services Register.

Applies to: All firms

### ACTION FOR FIRMS

- Review your current register of approved persons and SMFs to confirm all entries on the FCA's Financial Services Register remain accurate and up to date.
- Ensure your compliance or HR processes trigger a Form C submission promptly whenever an approved person ceases to perform a controlled function.

[ASK A QUESTION ->](#)

[FCA Guidance ->](#)

## FCA Updates SMF Guidance to Clarify 12-Week Rule Responsibilities

24 April 2026

On 24 April 2026, the FCA updated its Senior Management Functions (SMF) guidance page to explicitly reference individuals operating under the 12-week rule within the section on what is expected from senior managers. The update clarifies that personal accountability obligations (including compliance with the Fit and Proper test, Individual Conduct Rules, and Senior Manager Conduct Rules) apply to those temporarily covering an SMF role under the 12-week rule, not just permanently appointed SMF holders.

Insurance intermediary firms frequently use the 12-week rule to cover senior management absences without immediately seeking FCA approval, but this update is a clear signal that the FCA expects full conduct rule compliance from those individuals from day one of the temporary arrangement.

Firms that assume reduced accountability applies during short-term SMF cover arrangements face regulatory and enforcement risk, including potential personal liability for the individual and disciplinary action against the firm. Ignoring this could result in conduct breaches going unaddressed and regulatory notifications being missed.

Applies to: All firms

### ACTION FOR FIRMS

- Review your firm's use of the 12-week rule and ensure any individuals currently or recently covering SMF roles understand they are subject to the same conduct rule obligations as a formally approved SMF holder.
- Update internal onboarding or briefing materials for temporary SMF cover arrangements to explicitly reference Individual Conduct Rules and Senior Manager Conduct Rules.
- Confirm that your Statements of Responsibilities (SoRs) are accurate and reflect any temporary SMF arrangements, and that responsibilities are clearly allocated during cover periods.

[ASK A QUESTION ->](#)

[FCA Guidance ->](#)

## FCA Sets Out Expectations on Innovation, Growth and Trust in Insurance

27 April 2026

On or around 22 April 2026, FCA Executive Director Sarah Pritchard delivered a speech at the ABI Annual Conference titled 'Insurance in the round: Innovation, growth and trust.' The speech set out the FCA's current thinking on the insurance sector, covering how firms can support economic growth through innovation while maintaining consumer trust. Although the full speech text is referenced via FCA News, the address signals the FCA's ongoing supervisory priorities for insurance firms, including intermediaries, in 2026.

Speeches by senior FCA figures at major industry events often signal upcoming supervisory focus areas or reinforce existing expectations — making them an important barometer for where regulatory scrutiny may increase. For insurance intermediaries, themes of innovation, growth and trust map directly onto Consumer Duty obligations, fair value requirements, and the FCA's expectation that distribution channels actively contribute to good customer outcomes. Ignoring these signals risks being caught off-guard by targeted supervisory engagement or thematic reviews.

Applies to: Insurance Intermediary

### ACTION FOR FIRMS

- Read the full speech

ASK A QUESTION ->

[FCA Speech ->](#)

## Handbook Notice No 140

April 2026

On 24 April 2026, the FCA published Handbook Notice 140, confirming a number of Handbook changes. For insurance intermediaries, the key development is the Individual Accountability (SMCR Review) Instrument 2026, which implements the first phase of reforms to the Senior Managers & Certification Regime.

The FCA says the changes are intended to make SM&CR more efficient and proportionate while maintaining strong individual accountability.

The reforms include changes to the operation of the 12-week rule, streamlining of the Senior Management Function approval process, a longer validity period for criminal record checks used in SMF applications, and more time to notify updates to Statements of Responsibilities and certain Directory information. The FCA is also removing duplication in certification roles, adding guidance to support annual certification, and raising the thresholds for firms to be classified as Enhanced SM&CR firms. Some changes took effect on 24 April 2026, with further elements coming into force on 10 July and 1 September 2026.

For insurance intermediaries, this should be treated as a governance update rather than a relaxation of accountability. Firms should use the changes to simplify internal SM&CR processes where appropriate, but must continue to evidence clear allocation of responsibilities, effective certification, Conduct Rules oversight, and timely regulatory notifications.

Applies to: All firms

### ACTION FOR FIRMS

- Read the full speech

[ASK A QUESTION ->](#)

[FCA Publication ->](#)



RR Compliance Associates are a trading style of R&R Compliance Consultants Ltd, a limited company registered in England and Wales (company number 12070286). Our registered office is 51 Lime Street, London, EC3M 7DQ.



[www.rrcompliance.com](http://www.rrcompliance.com)



[contact@rrcompliance.com](mailto:contact@rrcompliance.com)



0203 488 4322