



Regulatory Update

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 REGULATORY UPDATES

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FCA AI Approach: Existing Rules to Govern Safe and Responsible AI Use

June 2026

What happened

The FCA has set out how it is shaping its approach to AI in financial services through industry engagement. The FCA confirmed that it does not currently intend to introduce new AI-specific regulations. Instead, it will rely on existing regulatory frameworks, including the Consumer Duty, SM&CR, and expectations around governance and controls.

The FCA recognises that AI raises practical questions for firms, including how AI is overseen and governed, how models are tested, how outcomes are monitored, how vulnerable customers are treated fairly, and how firms explain AI-driven decisions. The FCA intends to publish examples of good and poor practice later this year to support firms in adopting AI safely and responsibly.

The FCA also highlighted its wider AI Lab work, including the Supercharged Sandbox, AI Live Testing, AI Spotlight, AI Sprint and targeted engagement with smaller firms. These initiatives are intended to help the FCA and industry build a shared understanding of AI risks, opportunities and practical regulatory expectations.

Firms using or planning to use AI should review whether their current governance, risk management, model testing, monitoring and customer outcome arrangements are sufficient under existing FCA requirements. Firms should ensure AI use is explainable, appropriately controlled, aligned with Consumer Duty obligations and subject to clear senior management accountability. Firms should also monitor the FCA's forthcoming good and poor practice publication.

Applies to: All Firms

ACTION FOR FIRMS

- Monitor future developments.

[ASK A QUESTION ->](#)

[Read the Publication here ->](#)

FCA Review Finds Financial Promotion Approvers Need to Raise Standards

8 May 2026

The FCA has published findings from a review of firms approving financial promotions for unauthorised businesses. The review found that stronger firms applied the Consumer Duty from the start of their approval processes and ensured promotions were accurate, clear and directed at the right audience. However, the FCA also found examples of poor practice, including unsubstantiated claims, retail investors being able to access promotions intended for professional clients, and firms relying on third-party templates without conducting proper checks themselves.

The FCA reviewed 10 authorised firms approving promotions for unauthorised businesses, including Buy Now Pay Later, crowdfunding and corporate finance firms. The FCA reminded firms that section 21 approvers must ensure financial promotions comply with FCA rules before products are marketed to UK consumers.

RB Compliance noted that firms approving financial promotions should have an established review process, ensure competent individuals assess promotions against the relevant FCA Handbook requirements and Consumer Duty, test whether communications support customer understanding, and ensure all promotions are fair, clear and not misleading.

Action for firms

Firms should review their financial promotion approval framework. This should include documented approval procedures, competent reviewers, evidence of Consumer Duty consideration, target market checks, risk and benefit balance, testing where appropriate, and clear records explaining why each promotion is fair, clear and not misleading. Section 21 approvers should also ensure they are not relying on templates or third-party material without independent assessment.

Applies to: All Firms with FinProm permission

ACTION FOR FIRMS

- Review and update internal arrangements

ASK A QUESTION ->

FCA Decides to Fine Senior Manager for Disclosure Failures

June 2026

What happened

The FCA has decided to fine Carlos Ricardo Fuenmayor, Chief Executive of BancTrust, £99,600 for failing to disclose three separate matters to the FCA. The Decision Notice has been referred to the Upper Tribunal, meaning the FCA’s findings are provisional at this stage.

The FCA stated that Mr Fuenmayor failed to disclose that he had been placed under investigation by the US Financial Industry Regulatory Authority in December 2017 and later sanctioned in June 2019. The FCA also stated that he failed to disclose that the National Financial Intelligence Unit of Venezuela had frozen his local currency bank accounts, as well as those of his Venezuelan companies and their directors.

The FCA said these failures meant it did not have the opportunity to fully consider Mr Fuenmayor’s fitness and propriety or seek further information. The FCA concluded that the failures were negligent and breached APER Statement of Principle 4 and Senior Manager Conduct Rule 4, which require appropriate disclosure of information the FCA would reasonably expect.

Action for firms

Firms should ensure senior managers and approved persons understand their obligation to disclose relevant information to the FCA promptly and accurately. Firms should review their fit and proper assessment processes, regulatory application controls, disclosure escalation procedures and annual certification arrangements to ensure any investigations, sanctions, freezes, legal issues or other material matters are identified and assessed before regulatory forms are submitted.

Applies to: All Firms

ACTION FOR FIRMS

- Review notice

[ASK A QUESTION ->](#)

[FCA Publication ->](#)

FCA Updates Operational Resilience Expectations, Including Frontier AI and Incident Reporting

June 2026

Applies to: All firms offering consumer credit

The FCA has updated its operational resilience webpage, including new information on Frontier AI. Operational resilience remains a core FCA expectation: firms in scope were required by 31 March 2025 to be able to operate important business services within impact tolerances. In-scope firms include banks, building societies, PRA-designated investment firms, insurers, Recognised Investment Exchanges, enhanced scope SM&CR firms, payment and e-money firms, and consolidated tape providers.

The FCA continues to expect firms to identify important business services, set impact tolerances, test vulnerabilities, remediate weaknesses, conduct lessons learned exercises, and maintain internal and external communications plans for disruption scenarios.

The FCA also highlighted new operational incident reporting and third-party notification requirements published on 18 March 2026. Firms have 12 months to prepare before these requirements come into force on 18 March 2027.

The FCA's update also addresses Frontier AI, noting that advanced AI models may have significant implications for cyber security and operational resilience. The FCA, Bank of England and Treasury published a statement in May 2026 on frontier AI and cyber resilience, and industry guidance has been produced to help firms consider key activities and questions when preparing for frontier AI risks.

Firms in scope should reassess their operational resilience framework against FCA expectations. This should include reviewing important business services, impact tolerances, scenario testing, remediation plans, third-party dependencies, cyber resilience, incident communications and board oversight. Firms should also begin preparing for the March 2027 incident and third-party reporting requirements and consider how AI and frontier AI could affect cyber risk.

ACTION FOR FIRMS

- Review publication

[ASK A QUESTION ->](#)

[FCAPublication ->](#)

FCA Sets Out Non-Financial Misconduct Rules and Guidance

5 June 2026

What happened

The FCA has published information to help firms prepare for new rules and guidance on non-financial misconduct, which come into effect on 1 September 2026. The FCA describes non-financial misconduct as behaviour that is not clearly financial in nature, including bullying, harassment and violence. The FCA states that serious unchecked non-financial misconduct can harm individuals, firms and confidence in financial services.

A new COCON rule will extend the scope of the conduct rules in non-banking firms to cover bullying, harassment or violence against colleagues where there is a sufficient work-related link. The FCA has also clarified that FIT already allows firms to consider relevant misconduct, wherever it occurs, when assessing fitness and propriety.

The FCA's guidance covers the boundary between work and private life, how non-financial misconduct can breach conduct rules, reasonable steps for managers, and fitness and propriety assessments, including private life, social media and unproven allegations.

Action for firms

Before 1 September 2026, firms should review whether they need to update staff policies, conduct breach reporting, fit and proper assessments and regulatory reference processes. Firms should also ensure staff and managers understand how the changes apply in practice. Firms do not need to conduct retrospective reviews of past conduct rule breach decisions, revise past fitness and propriety assessments, monitor employees' private lives or social media accounts, or investigate trivial, implausible or irrelevant allegations.

Applies to: All Qualifying Firms

ACTION FOR FIRMS

- Review existing arrangements.

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[FCA Publication ->](#)



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