



# Regulatory Update

**Volume #3**  
**2 Feb 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

## ESAs and UK regulators sign MoU on cross-border oversight of critical ICT providers

22 Jan 2026

Applies to: All firms with ICT provider

### UPDATE

The European Supervisory Authorities (EBA, EIOPA and ESMA) and the UK regulators (Bank of England, PRA and FCA) have signed a Memorandum of Understanding to coordinate cross-border oversight of “critical” ICT third-party providers.

The MoU is intended to improve operational resilience by enabling structured cooperation, including timely information exchange, coordination during major incidents (such as outages or cyber events), and practical arrangements to support cross-border on-site inspections where needed. It introduces a “mutually designated” concept to prioritise deeper coordination where a provider is designated as critical in both regimes, and it sets expectations on secure information-sharing and confidentiality.

The MoU is non-binding and does not change firms’ underlying obligations. UK intermediaries and other UK financial firms remain responsible for managing outsourcing and third-party risk, including maintaining appropriate systems and controls and ensuring outsourcing does not dilute senior management accountability.

For retail firms, material ICT disruption can also translate quickly into foreseeable harm under the Consumer Duty.

### ACTION FOR FIRMS

Review your dependency on ICT suppliers that could be viewed as “critical” (especially major cloud, hosting).

Check contracts and playbooks are workable in a major supplier incident: notification timelines, cooperation duties, access to assurance/audit materials.

Ensure governance and MI are proportionate but evidenced: third-party risk assessments, incident learnings, concentration risk, and customer impact management (including vulnerable customer considerations where disruption affects servicing, renewals or claims).

ASK A QUESTION ->

[Link to MoU](#)

## FCA bans and fines adviser for insider dealing (personal and family share dealing)

From 23 Oct 2025

### SUMMARY

The FCA has fined Neil Sedgwick Dwane £100,281 for insider dealing and made an order prohibiting him from performing any function in relation to regulated activities (a full ban from UK financial services).

The FCA found that, while working as a capital markets adviser in the investor relations team at ITM Power plc, he used inside information about an imminent market announcement (a trading update relating to warranty/manufacturing issues) to sell 125,000 shares held by him and a close family member the day before the announcement. After the share price fell (around 37%), he bought back a larger number of shares and the FCA calculated a benefit of £26,575.

A key takeaway from the Final Notice is the FCA's view of what can amount to "inside information": at the time of the first sales tranche, the FCA considered it sufficient that he knew a "Warranty RNS" call was about to take place that could lead to a market announcement in the near future. The FCA did not treat "being away from the desk" as a barrier to reconstructing events, drawing on emails, messaging and meeting records to build its timeline.

Regulatory basis: the FCA concluded his conduct was insider dealing under UK MAR (Article 8) and in breach of the prohibition in UK MAR (Article 14), with the financial penalty imposed under FSMA s123 and the prohibition order under FSMA s56.

Applies to: All firms

### ACTION FOR FIRMS

Check that personal account dealing controls are proportionate and workable in practice.

Refresh staff training on the low threshold for inside information and the basics of UK MAR (including that using inside information to deal, or attempting to deal, is prohibited).

For UK intermediaries (including insurance brokers) consider where inside information could arise in your business model: listed corporate clients, insurer counterparties, corporate transactions, or group activities.

ASK A QUESTION ->

[Link to FCA publication](#)



## FCA permitted to name a claims management company under investigation

02 Jan 2026

Applies to: All firms

### SUMMARY

The FCA has publicly announced that it has opened an enforcement investigation into The Claims Protection Agency Limited (TCPA), a claims management company, following concerns about its advertising and sales tactics in relation to potential motor finance claims. The FCA says it is examining what customers were told about likely redress, whether customers were told they could claim for free, and whether customers were pressurised to sign up. The FCA emphasises it has not reached any conclusions about breaches of regulatory requirements.

TCPA sought to prevent the FCA from naming it, but the High Court dismissed the judicial review challenge and the Court of Appeal refused permission to appeal. The FCA considered the “exceptional circumstances” threshold for announcing (and naming) an investigation was met, including to protect consumers and allow TCPA customers to consider their options.

This is significant for UK firms because it demonstrates that, while the FCA will not normally publicise investigations, it will do so (including naming a regulated firm) where it considers the exceptional circumstances test is met. The FCA retained this approach in its updated Enforcement Guide policy (June 2025), alongside wider use of anonymised announcements and naming in specific scenarios (eg unauthorised business).

### ACTION FOR FIRMS

Review your approach to reputational and regulatory incident management: if the FCA decides to name an ongoing investigation, the firm needs a controlled response plan (governance, comms, customer messaging, evidence preservation) that does not prejudice the investigation.

ASK A QUESTION ->

n/a

## FCA consultation on client categorisation and conflicts of interest (CP25/36)

8 Dec 2025

Applies to: All firms

### SUMMARY

The FCA has published CP25/36 proposing changes to (1) client categorisation rules in COBS 3 and (2) the conflicts of interest framework, as part of its wider programme to simplify the Handbook.

**Client categorisation (COBS 3):** the FCA proposes to “reset” how firms distinguish between retail and professional clients. Key proposals include removing the current “quantitative test” for elective professional clients, strengthening and clarifying the qualitative assessment, and adding an alternative “wealth” route for clients with investable assets above £10m to opt out of retail protections without the structured assessment. A client would need to actively request elective professional status and provide informed consent (including clear written warnings about protections/compensation rights that may be lost). The FCA also signals that the approach should be compatible with overarching standards such as the Duty and the client’s best interests rule.

**Per se professional clients:** the FCA also proposes simplifications aimed at reducing complexity and cost, including simplifying the criteria for entities regulated to operate in financial markets, expressly including SPVs controlled by authorised firms, and removing some MiFID vs non-MiFID distinctions.

**Conflicts of interest:** the FCA proposes to rationalise and streamline the conflicts rules in SYSC 10 and SYSC 3, which it notes apply to almost all authorised firms and have become overly complex over time. For insurance intermediaries, this is the main area of direct relevance: the FCA explicitly flags insurance intermediaries conducting insurance distribution activity as in scope “in relation to conflicts of interest only”.

### ACTION FOR FIRMS

For firms with investment permissions and/or financial promotions activity: assess whether you rely on elective professional or per se professional categories. If so, plan for process changes

For all firms (including UK intermediaries) treat this as a “Handbook rewiring” of the conflicts regime. Start by mapping where your conflicts obligations currently sit in your policies and training (SYSC 10 / SYSC 3 references) and identify the updates you would need to make if provisions are moved/renumbered.

ASK A QUESTION ->

[Link to consultation](#)

## UK unveils FSMA-based regulatory regime for cryptoassets

29 Jan 2026

### SUMMARY

HM Treasury has laid near-final legislation to bring a wide range of cryptoasset activities into the FSMA perimeter, by creating new regulated activities and updating the financial promotions and AML framework to align with the new regime.

The FCA has set out its implementation timetable. Firms intending to carry on the new cryptoasset regulated activities will need FCA authorisation (or a variation of permission) by commencement. The FCA expects the regime to come into force on 25 October 2027, with an advance application window running from 30 September 2026 to 28 February 2027.

The FCA summary of proposed regulated cryptoasset activities includes: issuing qualifying stablecoin in the UK; custody/safeguarding (and arranging custody); operating a cryptoasset trading platform; dealing (principal/agent); arranging deals/making arrangements; and qualifying cryptoasset staking.

The policy note also highlights: a UK consumer focus in the geographic perimeter (including overseas firms dealing with UK consumers), updates to the Financial Promotion Order, and changes to the current MLR registration approach (authorised firms would not additionally register as cryptoasset exchange/custodian providers, but AML obligations still apply). It also provides for transitional wind-down in certain refusal/withdrawal scenarios.

Applies to: All crypto-firm / firms handling crypto

### ACTION FOR FIRMS

Confirm whether anything you do could fall within the new crypto perimeter (or could look like it does): introducing retail customers to crypto platforms, operating “arranging” models, custody-like services, or marketing that could be treated as a crypto financial promotion.

ASK A QUESTION ->

[Link to consultation](#)

## Treasury Committee report warns current AI approach in financial services risks “serious harm”

20 Jan 2026

Applies to: All firms using AI

### SUMMARY

The House of Commons Treasury Committee has concluded that the UK’s current “wait-and-see” approach to AI in financial services leaves consumers and the wider system exposed, given evidence that over 75% of UK financial services firms are already using AI (with high uptake among insurers and international banks).

The Committee’s recommendations focus on closing the gap between broad, technology-neutral FCA/BoE requirements and the practical questions firms face when deploying AI. In particular, it calls for (i) AI-specific stress testing by the Bank of England and the FCA to build readiness for AI-driven market shocks, and (ii) FCA practical guidance by the end of 2026 covering how existing consumer protection rules apply to AI and clarifying accountability and assurance expectations for senior managers under SM&CR where harm arises from AI use.

The report also links AI risk to third-party dependency, urging HM Treasury to designate major AI and cloud providers as Critical Third Parties (CTPs) by the end of 2026, noting that (despite the regime being established more than a year) no designations had been made at the time of publication.

### ACTION FOR FIRMS

Use it to sharpen your evidence under existing obligations: maintaining appropriate systems and controls (SYSC 3.1.1R) and avoiding foreseeable harm to retail customers where the Consumer Duty applies (PRIN 2A.2.8R), including where AI is used by you.

A proportionate “do now” focus is usually: (1) map where AI is used across the customer journey and who is accountable under SM&CR; (2) tighten governance on testing, monitoring, and audit trails; (3) revisit third-party resilience and concentration risk.

ASK A QUESTION ->

[Link to publication](#)



## FCA CP25/35 (Quarterly Consultation Paper No. 50)

5 Dec 2025

### SUMMARY

The FCA consulted on decommissioning three General Insurance Pricing Practices returns: REP021a, REP021b and REP021d. There is a practical “here and now” point: while consulting, the FCA said firms can choose not to submit those three returns scheduled in RegData, the FCA will not follow up, and it will auto-waive any associated late return administration fee for those three returns.

(Other pricing returns remain in the REP021 suite; the draft changes specifically delete REP021a/REP021b/REP021d sections.)

Separately, the FCA proposed to reduce FIN073 (Baseline Financial Resilience Report) frequency from quarterly to annual for firms that (i) submit RMA-A and (ii) have RMAR regulated revenue of £150m or less (measured using the latest year-end Section B figure). Firms above £150m would remain quarterly; firms that submit FIN073 but not RMA-A would remain quarterly. Importantly, FIN073 remains due as currently scheduled until any final rule change is confirmed.

Finally (and relevant to all intermediaries that submit FCA returns), the FCA proposed to reduce the administration fee for overdue/late regulatory returns from £250 to £100, citing improved compliance and process efficiencies (including My FCA). The FCA noted the £250 fee would remain until implemented, and it aimed to make final rules by end-March 2026 (with the implementation date to be confirmed then).

Applies to: All firms

### ACTION FOR FIRMS

If you are a “price-setting intermediary”, consider whether you have REP021d submissions queued in RegData; the FCA indicated you may choose not to file REP021d during the consultation period and it will not be chased (and late fees auto-waived for that return).

Do not assume any change to FIN073 timings yet. Continue to file to the current timetable.

Treat the late return fee proposal as welcome but not a control. The FCA is explicit that £250 remains until the change is made, and it may revisit the fee if compliance rates fall.

[ASK A QUESTION ->](#)

[Link to publication](#)

## ICO updates UK GDPR guidance on international transfers (restricted transfers, adequacy and safeguards)

15 Jan 2026

Applies to: All firms

### SUMMARY

The ICO has updated and reorganised its UK GDPR guidance on international transfers of personal information. The stated aim is to make it quicker to understand and apply, with clearer explanations of key requirements and new content addressing common areas of uncertainty. A central change is a clearer “three-step test” to help organisations identify when they are making a restricted transfer, alongside expanded examples and new material on roles and responsibilities in multi-layered transfer chains (common in outsourced/hosted environments).

The update also breaks the topic into separate detailed guides covering, in particular: adequacy regulations (including specific guidance on the UK Extension to the EU-US Data Privacy Framework), “appropriate safeguards” (including the UK IDTA and the UK Addendum to the EU SCCs, plus UK BCRs), and completing a transfer risk assessment (TRA).

The ICO notes that UK legislation now refers to a TRA as a “data protection test” (reflecting new language introduced by the Data (Use and Access) Act), although the ICO continues to use “TRA” terminology in its guidance.

**Note:**  
If you transfer data to the US, reassess whether you can use the UK Extension to the EU-US Data Privacy Framework (where the recipient is covered), versus needing an IDTA/Addendum plus TRA.

### ACTION FOR FIRMS

Use the updated structure as a prompt to refresh your internal “restricted transfers” workflow: triage using the ICO’s three-step test, then route to the right mechanism (adequacy vs safeguards vs exception) and evidence the assessment in your supplier pack.

Where you rely on non-UK suppliers (or UK suppliers using non-UK sub-processors), ensure you can evidence: (a) the transfer tool used (eg IDTA/Addendum), (b) an up-to-date TRA / “data protection test” outcome, and (c) any supplementary measures where needed (eg encryption/key management, access controls, audit rights).

[ASK A QUESTION ->](#)

[Link to 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. VAT number 326 1938 96.



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



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



0203 488 4322