

March 2026 Regulatory Update

A practical briefing on material developments across the UK, EU and US

The first quarter of 2026 has reinforced a clear regulatory message: firms are expected to maintain compliance frameworks that are not only technically sound, but demonstrably effective in practice.

Across the UK, EU and US, supervisors continue to focus on governance evidence, operational credibility, and senior management accountability.

This month:

UK	EU	US
• FCA supervisory focus for 2026 • Consumer Duty evidence and board reporting • Appointed Representatives oversight • Financial crime and market abuse controls	• Cross-border oversight and cooperation • AIFMD II operational readiness • AML governance expectations • Sanctions controls and implementation	• SEC examinations and enforcement • Marketing Rule governance • Digital asset compliance • Regulation S-P preparedness

UK

1. FCA priorities and supervisory focus for 2026

The UK regulatory environment continues to be shaped by a supervisory model that is increasingly outcomes-driven and evidence-heavy.

The broad message for firms is straightforward: regulators expect boards and senior management to understand business model risks, identify emerging weaknesses early, and evidence how governance processes lead to meaningful action.

In practice, that means firms should expect scrutiny in the following areas:

- The quality and usefulness of management information provided to boards and committees.
- How customer, investor or client outcomes are assessed and evidenced.
- The robustness of oversight over distribution, outsourcing and delegated activity.
- The timeliness of escalation when issues are identified.
- Whether control frameworks reflect the reality of current operations, products and delivery channels.

NRS View:

Many firms already produce substantial management information, but volume is not the same as effectiveness. Board packs that are too long, too operational, or insufficiently connected to risk appetite often fail to show whether key issues are being understood and acted upon.

A strong 2026 governance framework will usually include concise reporting, clear exception tracking, ownership of follow-up actions, and documented challenge from senior decision-makers.

2. Consumer Duty: from framework design to demonstrable evidence

Consumer Duty remains one of the most significant UK conduct developments affecting firms that interact with retail customers or retail distribution chains. Supervisory focus has moved well beyond whether firms have conceptually mapped the Duty. The central question is now whether a firm can clearly show what outcomes it is monitoring, what evidence supports its conclusions, where weaknesses are emerging, and what remediation has followed.

- What outcomes are being monitored.
- What evidence supports management's conclusions.
- Where poor outcomes or emerging risks have been identified.
- What remediation has been implemented.
- How the board has challenged and overseen that process.

The most common areas of weakness often include:

- **Board reporting:** reports may describe processes but provide limited hard evidence of actual customer outcomes.
- **Monitoring design:** MI may focus on activity metrics rather than outcome metrics.
- **Closed-loop remediation:** issues may be identified, but firms struggle to evidence timely action and follow-through.
- **Third-party dependence:** firms may rely heavily on distributors, platforms or service providers without sufficient oversight over end outcomes.

NRS View:

Firms should review whether their Consumer Duty reporting would make sense to an informed outsider. Where answers are diffuse or overly narrative, there is usually scope to tighten the framework. A useful test is whether the board papers clearly answer four questions:

- 1) *What are the outcome risks?*
 - 2) *What evidence do we have?*
 - 3) *What action has been taken?*
 - 4) *What remains unresolved?*
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3. Appointed Representatives: oversight remains a live issue

The Appointed Representatives regime continues to attract sustained scrutiny because it sits at the intersection of distribution, supervision, financial resilience and customer protection. For principals, the practical issue is not simply whether required oversight steps exist on paper. It is whether the principal can demonstrate that due diligence, monitoring, escalation and challenge are proportionate and effective in practice.

- Due diligence is proportionate and refreshed where necessary.
- Onboarding decisions are supported by a clear risk assessment.
- Oversight is tailored to the AR's activities and risk profile.
- Issues are escalated and acted upon promptly.
- Governance records support judgements to retain, restrict or terminate the relationship

NRS View:

Principals should avoid a "single model" approach to all ARs. Oversight should vary according to factors such as product complexity, customer type, complaints profile, financial resilience and operational dependency. Firms should also revisit whether the committee or governance forum responsible for AR oversight has the right mix of compliance, business and risk input.

4. Financial crime and market conduct

Financial crime and market abuse controls remain a constant area of interest. Recent developments continue to underline the need for effective controls rather than paper-only compliance. Firms should test sanctions screening, transaction monitoring, STOR reporting processes and escalation procedures against current business activity and product mix, especially where strategies or delivery models have evolved over the last year.

A mature framework usually includes:

- A clearly allocated senior owner for financial crime risk.
- Periodic thematic testing of higher-risk business lines.
- Meaningful reporting to governing bodies.
- Evidence that scenario design and screening parameters are reviewed regularly; and assurance over outsourced or technology-enabled elements of the framework.

NRS View:

Boards should not receive financial crime reporting that is purely statistical. They should also receive analysis of trend, residual risk, control weakness, remediation status and resource strain. Without this, it is difficult to show effective oversight.

The last point above regarding outsourced or technology enabled elements is important if using any tools to support any element of an AML framework. Responsibility rests with the board rather than the technology provider for its effectiveness.

EU

5. Cross-border oversight and supervisory cooperation

For firms operating across jurisdictions, regulators are increasingly focused not only on local compliance, but also on how cross-border operating models are governed in practice. This is especially relevant where firms rely on delegation structures, group service companies, outsourced compliance or operations support, and shared technology infrastructure.

- Who owns each critical control.
- Where key decisions are made.
- How oversight is exercised across entities.
- How local obligations are mapped and monitored.
- How issues are escalated across the group.

NRS View:

Documentation is often fragmented across legal, compliance and operations teams. Bringing this together into a single control and accountability map is increasingly valuable for supervisory readiness.

6. AIFMD II: operational readiness, not just horizon scanning

For alternative investment fund managers and related firms, the main challenge is moving from high-level awareness into structured implementation planning. Depending on the business model, this may involve reviewing delegation and substance arrangements, analysing reporting and disclosure impacts, reassessing operational policies and coordinating legal, compliance and investor communications workstreams.

NRS View:

Whilst AIFMD II does not apply to firms only carrying out activities in the UK, it must be expected that the FCA will be monitoring both its effectiveness and rollout.

Where needed AIFMD II readiness programmes should be phased and owned. Firms often underestimate the number of internal stakeholders affected. A central implementation tracker, with accountable owners and board reporting, is increasingly advisable.

7. AML governance and group control effectiveness

In common with UK regulated AML remains a live topic for EU-regulated firms, particularly those operating across multiple jurisdictions or relying on several service providers. The key regulatory question is usually not whether the firm has an AML policy, but whether senior management can clearly explain how the framework functions in practice, where key risks sit, and how unresolved issues are escalated and tracked.

Regulators are likely to be interested in:

- Customer and counterparty risk classification.
- Consistency of due diligence standards across jurisdictions.
- Suspicious activity escalation and decision-making.
- Reliance on delegates or service providers.
- Quality of control testing and independent assurance.
- Governance visibility of unresolved AML risk.

NRS View:

In larger structures, AML governance frequently suffers from diffusion of responsibility. Firms should check whether the role of local compliance, group compliance, business heads and MLRO-equivalent functions is documented clearly enough to withstand challenge.

8. Sanctions screening and implementation governance

Sanctions compliance continues to demand close attention to both governance and implementation. Firms should reassess list management, screening parameters, alert handling and management information to ensure that control design remains aligned to the jurisdictions, counterparties and products relevant to the business. Sanctions related developments are now treated as a core governance issue, not just a systems issue.

A strong framework should include

- Robust list management and update procedures.
- Clearly calibrated screening logic.
- Timely and auditable alert disposition.
- Escalation routes for true matches and near matches.
- Appropriate management information.

- Periodic assurance over end-to-end effectiveness.

NRS View:

A frequent weakness is assuming that vendor tooling equals effective compliance. It does not. Firms remain responsible for the appropriateness of screening configuration, governance, staffing and escalation whether they are UK regulated or by an EU regulator.

US

9. SEC examinations and enforcement

In the US, compliance teams continue to deal with the practical consequences of SEC rulemaking, examination messaging and enforcement posture. The most important message for firms is that regulators continue to test whether written disclosures and actual business practice are aligned. Inconsistency between policy, marketing language and operational reality remains one of the clearest sources of regulatory risk.

Where this often matters most:

- Marketing and performance claims.
- Fee and expense disclosures.
- Conflicts of interest.
- Cybersecurity and privacy controls.
- Books and records.
- Oversight of affiliates, vendors and shared services.

NRS View:

When examination or enforcement teams identify problems, they often do so through inconsistency: a policy says one thing, marketing materials imply another, and actual operational practice shows something else again. This is not just the case for SEC firms and there is evidence of similar experiences in the UK and EU.

All firms irrespective of their regulator location should therefore test their compliance architecture horizontally, not just by rule.

10. Marketing Rule: disclosures, substantiation and workflow discipline

The Advisers Act Marketing Rule remains a key area for review as a major risk for advisers and related firms. The challenge is not just legal interpretation, but workflow discipline. Firms need governance that ensures content is reviewed consistently, substantiation is retained, and promotional claims are not detached from broader disclosure obligations.

Common issues

- Hypothetical or model performance presentation.
- Endorsement and testimonial governance.
- Fee illustration assumptions.
- Incomplete or inconsistent disclosure across channels.

- Weak archival records for approvals and substantiation.

NRS View:

Marketing governance is not just a US issue; it applies to UK regulated firm as well. It should not sit in isolation. It should connect with legal review, disclosure ownership, books-and-records retention and periodic testing. Where promotional content moves quickly across websites, pitchbooks, social channels and distributor materials, weak central control becomes a major risk.

11. Regulation S-P and operational preparedness

Operational readiness for privacy and safeguarding requirements should remain firmly on the agenda. Policies alone will not be enough. Regulators are likely to expect evidence of implementation, staff awareness, incident handling arrangements and periodic testing of control effectiveness, including where sensitive data is handled by third-party providers.

NRS View:

Information security and compliance teams often work in parallel rather than together. Regulation S-P readiness is materially stronger where the firm has a joined-up governance structure linking compliance, information security, legal and operations.

12. Tokenised securities and digital asset compliance

Developments involving tokenised securities and broader digital asset activity continue to raise questions about perimeter analysis, disclosure, custody, operational controls and governance. Firms engaging with these products should ensure legal analysis, risk ownership and compliance monitoring are documented and kept under active review, with governance robust enough to keep pace with commercial activity.

Key questions firms should ask

- What is the legal and regulatory characterisation of the product or activity.
- Who owns the legal analysis and when is it refreshed.
- How are custody, safeguarding and operational risks controlled.
- What disclosures are given to investors or counterparties.
- How are conflicts, valuation and governance handled.
- What ongoing monitoring exists for regulatory change?

NRS View:

Digital asset activity often moves faster than governance. Firms should ensure innovation approval processes are rigorous enough to prevent commercial rollout preceding compliance readiness.

In Summary

Governance is now expected to be evidenced, not asserted

Regulators increasingly want to see how boards, committees and senior management actually use information, challenge weaknesses and oversee remediation.

Control frameworks must reflect operational reality

Where products, channels, jurisdictions or outsourcing models change, control frameworks must change with them.

Third-party and delegated oversight remains a major pressure point

Outsourcing, delegation, AR models and shared-service structures continue to attract attention because responsibility can become blurred.

Disclosure and practice must align

Whether in Consumer Duty reporting, SEC marketing materials, AML representations or privacy controls, inconsistency remains a major source of regulatory risk.

NRS perspective

For many firms, the challenge is no longer identifying the headline regulatory issue. The challenge is execution.

The firms best placed for 2026 are likely to be those that simplify governance reporting, document ownership of key compliance risks clearly, test whether control frameworks still match the current business model, and strengthen oversight of delegated, outsourced and cross-border activity.

In practice, resilient compliance frameworks tend to combine legal analysis, operational ownership and governance visibility.

Where these three elements are disconnected, regulatory pressure is far more likely to expose weaknesses quickly.

If you wish to discuss anything in this document or other matters, please do not hesitate to contact us by emailing enquiries@rawlinsreg.co.uk or by telephone 0330 043 4288

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