

2026 Risk Regulation Playbook

“What every risk leader needs to know about key 2026 UK Regulatory Changes”

.....and how The Risk Partners can help you get ready

The Big Picture



Heaviest regulatory year since post-GFC

- 2026 marks the most intensive regulatory cycle since the aftermath of the financial crisis, with multiple frameworks going live simultaneously.
- Firms face overlapping implementation deadlines across capital, conduct, resilience, and digital regulation.
- Supervisors are signalling zero tolerance for weak preparation or superficial compliance.

Capital, Conduct, Resilience in focus

- The PRA is pushing for stronger balance sheets, more robust liquidity, and credible stress testing.
- Conduct expectations continue to rise, with Consumer Duty now embedded and expanding into new product areas.
- Operational resilience moves from “design” to “demonstrate”, with firms expected to prove they can remain within impact tolerances.

AI and Digital assets under scrutiny

- AI governance becomes a board-level issue, with new expectations around explainability, bias, and model risk.
- Digital asset regulation tightens, especially around custody, stablecoins, and AML/CTF controls.
- Supervisors want evidence that innovation is controlled, not just exciting.

Basel 3.1

Credit Risk reform

- Standardised and IRB approaches are being recalibrated, with more risk-sensitive weightings and stricter modelling constraints.
- Firms must reassess portfolios, collateral treatment, and RWA impacts.

Market Risk (FRTB)

- The Fundamental Review of the Trading Book introduces new boundaries, sensitivities-based capital charges, and stricter model approval.
- Data quality and desk-level P&L attribution become critical.

Operational Risk Capital

- The new Standardised Measurement Approach replaces internal models, linking capital to business indicators and historical losses.
- Firms must ensure accurate, auditable operational risk data.
- Output floors
- Minimum capital floor limits the benefit of internal models, increasing RWAs for many banks.
- Strategic portfolio optimisation becomes essential.

Model Governance expectations

- Heightened scrutiny of model lifecycle management, validation independence, and documentation.
- Boards must demonstrate understanding of model risk exposures.

PRA 2026 Priorities



Financial Resilience

- Stronger capital and liquidity positions, with enhanced stress testing and scenario analysis.
- Focus on sustainability of business models under severe but plausible conditions.

Liquidity Risk

- More granular liquidity reporting and intraday liquidity management expectations.
- Supervisors want evidence of realistic contingency funding plans.

Operational Resilience

- Firms must prove they can remain within impact tolerances during disruption.
- Testing must be severe, realistic, and end-to-end.

Model Risk Management

- The PRA expects a formal MRM framework covering all models, including AI and non-traditional tools.
- Clear accountability and escalation routes are essential.

Governance & culture

- Boards must demonstrate effective challenge, risk awareness, and cultural alignment with regulatory expectations.
- Senior Managers Regime accountability remains a priority.

AI oversight

- Firms must ensure AI systems are explainable, fair, and well-controlled.
- Supervisors expect transparency around training data, model drift, and bias mitigation.

Operational Resilience



Impact tolerances defined

- Firms must set clear, measurable tolerances for disruption to important business services.
- Tolerances must reflect customer harm, market integrity, and financial stability.

Severe scenario testing

- Testing must simulate extreme but plausible events, including cyber, third-party failure, and system outages.
- Evidence of remediation and learning is required.

Third-party risk oversight

- Enhanced due diligence, exit planning, and concentration risk monitoring.
- Firms must understand the resilience of critical suppliers, not just their own.

End-to-end service mapping

- Detailed mapping of processes, systems, people, and dependencies supporting important services.
- Regulators expect accuracy, completeness, and regular updates.

Consumer Duty & Conduct

Fair value assessments

- Firms must demonstrate that products deliver fair value across all customer segments.
- Pricing, fees, and outcomes must be evidence-based and monitored continuously.

Product governance

- Stronger oversight of product design, target markets, and ongoing suitability.
- Firms must identify and mitigate foreseeable harm.

Distribution oversight

- Clear accountability for intermediaries and distribution chains.
- Firms must ensure consistent customer outcomes regardless of channel.

Motor finance redress

- Significant supervisory focus on historic commission models and potential customer remediation.
- Firms must prepare for large-scale data reviews and redress calculations.

Model Risk & AI Governance

Model validation

- Independent, rigorous validation covering conceptual soundness, data quality, and performance monitoring.
- Validation must extend to machine learning and AI models.

Explainability standards

- Firms must be able to explain model outputs to regulators, customers, and internal stakeholders.
- Black-box models face heightened scrutiny.

Data lineage controls

- Full traceability of data from source to model output.
- Controls must ensure accuracy, completeness, and integrity.

Bias & Ethics management

- Firms must identify, measure, and mitigate bias in AI systems.
- Ethical frameworks and fairness testing become mandatory.

Formal AI governance

- Clear policies, roles, and escalation routes for AI risk.
- Boards must understand and oversee AI-related risks.

Recovery & Resolution

Credible recovery options

- Firms must maintain realistic, actionable recovery plans with quantified impacts.
- Options must be executable under stress.

Liquidity trigger frameworks

- Clear early-warning indicators and escalation processes.
- Firms must demonstrate timely decision-making under liquidity stress.

Wind-down planning

- Practical, evidence-based plans for solvent exit.
- Regulators expect operational, financial, and customer impacts to be fully considered.

Realistic stress testing

- Severe, multi-factor scenarios aligned with firm-specific vulnerabilities.
- Stress results must drive management actions.

Digital Assets & Payments

Crypto custody regulation

- Stricter safeguarding, segregation, and operational controls for digital asset custody.
- Firms must demonstrate robust cyber and key-management practices.

Stablecoin oversight

- New rules for issuance, backing, redemption, and governance.
- Emphasis on transparency and financial stability.

Payments regulation

- Modernisation of payments oversight, including fraud controls and operational resilience.
- Stronger expectations for PSPs and EMIs.

AML / CTF strengthening

- Enhanced monitoring, blockchain analytics, and customer due diligence.
- Regulators expect proactive detection of suspicious activity.

EU Remote Access Rules

Outsourcing restrictions

- Tighter controls on outsourcing critical functions to third-country providers.
- Firms must demonstrate EU-based oversight and operational control.

Cross-border service controls

- Stricter rules on providing services into the EU without local authorisation.
- Firms must reassess booking models and service delivery.

Third-country branch oversight

- Increased scrutiny of UK branches operating in the EU.
- Requirements for local governance, risk management, and reporting.

Core Framework



FSMA alignment

- UK regulatory reforms align with the Financial Services and Markets Act modernisation.
- Emphasis on competitiveness, innovation, and accountability.

UK CRR compliance

- Firms must ensure full compliance with the updated Capital Requirements Regulation.
- Includes new reporting, disclosure, and capital calculation standards.

PRA Rulebook adherence

- Continued consolidation and simplification of the Rulebook.
- Firms must track changes and maintain up-to-date compliance.

Core banking standards

- Expectations for governance, risk management, and operational controls across all banking activities.
- Supervisors want evidence of embedded, not superficial, compliance.

2026 – Stay Ahead



Regulatory readiness = competitive advantage

- Firms that prepare early can optimise capital, reduce remediation costs, and strengthen customer trust.

Supervisors expect evidence

- Documentation, testing, MI, and board engagement must be demonstrable and audit-ready.

Act early, not react

- 2026 is too complex for last-minute compliance.
- Proactive planning protects resilience, reputation, and profitability.

Need help?



The Risk Partners provide the people who deliver readiness.

- Across all areas, the challenge is not understanding the rules — it's having the people to deliver the evidence.
- We deploy modellers, validators, resilience architects, conduct analysts, AI governance SMEs, data lineage engineers, and redress programme teams.
- We fill capability gaps, run programmes, and prepare firms for supervisory challenge.

Get in touch TODAY

contact@theriskpartners.com