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NEWSLETTER



UK Financial Insights from Katten | Issue 35

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UK Financial Insights from Katten is a monthly newsletter highlighting key noteworthy developments potentially affecting financial markets and funds in the UK and Europe.

To read more issues of *UK Financial Insights from Katten*, please click here.

Artificial Intelligence

Charlotte Hill Discusses Senior Manager Accountability for Frontier AI Risks

Financial Markets and Funds Partner Charlotte Hill offered commentary in *Law360* on how far senior managers should be held accountable for the growing risks posed by frontier artificial intelligence (AI), and whether the Financial Conduct Authority (FCA) should issue further guidance under the Senior Managers Regime. Charlotte emphasised that senior managers must develop a sufficient understanding of AI to exercise meaningful oversight. She warned that they need sufficient understanding "to ask the right questions about its use and limitations, how its outputs are tested, and how customers interpret them," and that they must know what controls exist if something goes wrong. *Read about Charlotte's comments.*

Cryptoassets

Christopher Collins Comments on Compliance Risks for Crypto Firms Seeking FCA Authorisation

Financial Markets and Funds Partner Christopher Collins spoke with *Law360 UK* about the challenges crypto businesses face in seeking authorisation under the FCA's new cryptoasset regime. The article reports that criminals using AI could break through the systems and controls of many crypto businesses that plan to apply during the FCA's six-month application window. The window runs until 28 February 2027, and the regime is due to go live in October 2027. Crypto businesses that do

not apply during the window may have to stop operating in the UK. *Read about Christopher's comments.*

FCA Finalises Guidance on the Prudential Overall Risk Assessment for Cryptoasset Firms

By Christopher Collins, Charlotte Hill, Carolyn Jackson, Nathaniel Lalone, Neil Robson, Sara Portillo, Ciara Watson

The FCA has published two sets of finalised non-Handbook guidance on COREPRU 7 (FG26/9) and CRYPTOPRU 7 (FG26/10), together with feedback statements responding to consultations GC26/4 and GC26/5, on the overall risk assessment requirements under the new prudential framework for regulated cryptoasset firms. Both sets of guidance come into force on 25 October 2027. *Read about the overall risk assessment guidance.*

UK Regulators Publish Tokenisation Feedback Statement and Call for Input

By Christopher Collins, Charlotte Hill, Carolyn Jackson, Nathaniel Lalone, Neil Robson, Sara Portillo, Ciara Watson

The FCA and the Bank of England (BoE) (together, the Regulators) have published a joint Feedback Statement (FS26/1) on tokenisation in UK wholesale financial markets. FS26/1 summarises industry responses to the Regulators' joint Call for Input on the future of tokenisation in UK wholesale financial markets, dated May 2026. *Read about the tokenisation feedback statement.*

FCA Consults on UK Cryptoasset Perimeter Guidance and DeFi Operational Resilience and Financial Crime Guidance

By Christopher Collins, Charlotte Hill, Carolyn Jackson, Nathaniel Lalone, Neil Robson, Sara Portillo, Ciara Watson

The FCA has published a consultation paper (CP26/36) on draft perimeter guidance for regulated cryptoasset activities, accompanied by a guidance consultation (GC26/7) on decentralised finance (DeFi). From 25 October 2027, the Financial Services and Markets Act 2000 (FSMA) (Cryptoassets) Regulations 2026 will introduce new regulated cryptoasset activities into the UK's regulatory perimeter. This means that any person carrying on such activities by way of business in the UK will

need FCA authorisation unless they can benefit from an exemption or exclusion. *Read about the FCA's guidance.*

UK Market Regulation

FCA Consults on Guidance and Transitional Provisions for the New UK Transaction Reporting Regime

By Christopher Collins, Carolyn Jackson, Nathaniel Lalone, Neil Robson, Sara Portillo, Ciara Watson

The FCA has published a consultation paper (CP26/34) on preparing for the new UK transaction reporting regime, together with a draft schema and validation rules published on its Market Data Processor (MDP) webpage. CP26/34 follows Policy Statement PS26/15, which set out the FCA's new transaction reporting rules in MAR 13, MAR 14 and MAR 15. *Read about the transaction reporting consultation.*

FCA and PRA Consult on Phase Two of SM&CR Reforms

By Christopher Collins, Neil Robson, Brigitte Wood, Sara Portillo, Ciara Watson

On 22 October 2026, the FCA and Prudential Regulation Authority (PRA) (together, the Regulators) published consultation papers on phase two of their reform of the Senior Managers and Certification Regime (SM&CR) (FCA CP26/37 and PRA CP14/26, together the Consultations). The Consultations build on the phase one changes confirmed in April 2026, and on the legislative changes proposed in the Financial Services and Markets Bill 2026-27 (Bill). *Read about Phase Two reforms.*

Tax

Charlotte Sallabank Quoted on How the UK Budget Will Affect Employment and Labour

Personnel Today quoted Transactional Tax Planning Partner Charlotte Sallabank in an article regarding the UK Budget, to be unveiled on 28 October. With inflation rising, increased defence spending needed and fiscal headroom shrinking, speculation has centred on higher taxes on bank profits rather than on direct employment costs. Charlotte expects the chancellor to turn to the banking sector, potentially by raising the bank surcharge from 3 percent to its previous rate of 8 percent, along with possible restrictions on the use of carried-forward losses. *Read about Charlotte's comments.*

ICYMI

Read these important Katten client advisories on key industry developments.

- When AI Runs Itself: Rethinking Human Oversight in the Age of Recursive Self-Improvement, 23 October 2026
- The UK's New Cryptoasset Regulatory Regime: What Firms Should Be Doing Now, 15 October 2026
- To IDB or to ECN? Will Your Cash Market Transactions in US Treasuries Be Subject to the Clearing Mandate Come 31 December 2026?, 14 October 2026
- Key LP Investment Trends in 2026: How LP Expectations Are Changing, 14 October 2026

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