



PwC Regulatory Update

February 2026





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Regulatory Update Summary

February 2026

Legislative/ Government developments



Australian Government – Treasury

- Compensation Scheme of Last Resort – enhancing professional indemnity insurance
-

Regulatory developments



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- ASIC improves and simplifies technological and operational resilience guidance

APRA – Australian Prudential Regulation Authority

- APRA to consult on targeted changes to CPS 230 for non-traditional service providers

AFCA – Australian Financial Complaints Authority

- AFCA complaints reveal ongoing barriers for Aboriginal and Torres Strait Islander consumers
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Overseas developments



UK

- Ninth edition of the Regulatory Initiatives Grid
- PS1/26 – Implementation of Basel 3.1: Final rules
- FCA sets out plans to help build mortgage market of the future

Europe

- The EBA publishes updated risk assessment indicators
- ESAs publish joint Guidelines on ESG stress testing
- ECB advances climate and nature work after delivering on 2024-2025 plan

01

Legislative/ Government developments





Legislative/ Government developments

Compensation Scheme of Last Resort – enhancing professional indemnity insurance

The Treasury is consulting on proposals to enhance the effectiveness of professional indemnity insurance (PII) in responding to compensation claims within the financial services sector. As outlined in the consultation paper, the feedback will inform the post-implementation review of the Compensation Scheme of Last Resort (CSLR), which commenced in April 2024.

Stakeholder feedback received to date has centred on five key themes:

- Reliability and responsiveness of PII
- Strengthening regulatory settings
- Accountability and recovery mechanisms
- Funding fairness across the scheme
- Limiting adverse consumer impacts

Responses to the consultation are due by 13 February 2026 and must be submitted online through the Treasury consultation portal. Further consultation on broader CSLR reforms is expected early in 2026.

Source: [Treasury](#)

02

What have
the regulators
been up to?





What have the regulators been up to?

ASIC – Australian Securities and Investment Commission

ASIC improves and simplifies technological and operational resilience guidance

On 18 December 2025, ASIC released updated guidance to improve and simplify compliance requirements relating to technological and operational resilience rules for market participants and market operators under Chapters 8A and 8B of the ASIC Market Integrity Rules.

The updates represent the third stage of ASIC's review of Regulatory Guides 265, 266 and 172, and align with its broader commitment to regulatory simplification. Key changes include:

- Incorporating guidance on identifying critical business services, previously communicated to participants in September 2024
- Confirming that critical business services arrangements may leverage existing resilience frameworks, including service providers' business continuity plans
- Clarifying that full redundancy arrangements may not be required for all critical business services
- Clarifying thresholds for identifying and reporting major events to ASIC
- Incorporating class waivers granted in August 2025 providing relief for outsourcing arrangements involving energy or communications services identified as critical business services.

Separately, ASIC continues its inquiry into the ASX group, with a report expected by March 2026, alongside ongoing monitoring of the CHES replacement project targeting Release 1 by mid-2026.

Source: [ASIC](#)

APRA – Australian Prudential Regulation Authority

APRA to consult on targeted changes to CPS 230 for non-traditional service providers

On 10 December 2025, APRA commenced consultation on targeted amendments to CPS 230 Operational Risk Management. The proposed changes aim to better accommodate regulated entities that maintain material arrangements with non-traditional service providers (NTSPs).

The consultation builds on industry engagement undertaken throughout the year and follows APRA's October 2025 announcement. APRA is inviting submissions until 30 January 2026 and plans to finalise the amendments ahead of the 1 July 2026 CPS 230 compliance date.

The targeted changes are intended to streamline processes for regulated entities, alleviate regulatory burden, and ensure a smooth transition to the new operational risk management framework. Further details are available via APRA's consultation letter published on its website.

Source: [APRA](#)

AFCA – Australian Financial Complaints Authority

AFCA complaints reveal ongoing barriers for Aboriginal and Torres Strait Islander consumers

The Australian Financial Complaints Authority (AFCA) reports persistent barriers for Aboriginal and Torres Strait Islander peoples in accessing financial services, especially in regional and remote areas. In 2024-25, AFCA received 2,461 complaints, with key issues including unauthorised transactions, poor responses to financial hardship, delays, mis-sold insurance, and digital exclusion. Limited internet and bank closures worsen access difficulties, exacerbated by a lack of cultural understanding among financial firms.

AFCA urges the financial industry to address these ongoing challenges by improving cultural competence, service quality, and revising industry codes of practice to support vulnerable First Nations customers. Enhanced codes should prioritize cultural awareness, self-identification, and equitable service access.

AFCA is also making its complaints process more culturally informed and accessible to promote fairer outcomes. The overarching goal is economic and financial empowerment for First Nations peoples and equity of access across the financial sector.

Source: [AFCA](#)

03

Overseas developments





Overseas developments

UK

Ninth edition of the Regulatory Initiatives Grid

The Ninth edition of the Regulatory Initiatives Grid, published by the Financial Services Regulatory Initiatives Forum (the Forum) in December 2025, provides a comprehensive overview of key regulatory projects and initiatives currently underway or planned across various sectors, including multi-sector, banking, credit and lending, insurance and reinsurance, payment services and cryptoassets, pensions, and more. This edition acts as a forward-looking guide designed to keep firms, consumer representatives, and other stakeholders informed about the Financial Conduct Authority (FCA) priorities and the timelines for regulatory changes across multiple sectors.

This edition highlights priority initiatives aimed at increasing regulatory efficiency, facilitating innovation and enhancing consumer confidence and investment. Key focus areas are competition, innovation and other, conduct, sustainable finance, financial resilience, operational resilience and others.

Overall, the Regulatory Initiatives Grid acts as an important communication mechanism, enabling firms to prepare adequately for upcoming regulatory requirements, adapt their business strategies, and ensure compliance.

Source: [BOE](#)



PS1/26 – Implementation of Basel 3.1: Final rules

The Prudential Regulation Authority (PRA) has published Policy Statement 1/26 (PS1/26), finalising the implementation of the Basel 3.1 banking standards in the UK. This includes updates to the PRA Rulebook, supervisory statements, and disclosure templates for PRA-regulated firms such as banks, building societies, and investment firms. The implementation date has been delayed by one year to 1 January 2027 due to timing uncertainties in other jurisdictions and considerations of competitiveness and growth.

PS1/26 incorporates minor amendments and clarifications to previously near-final standards, particularly focusing on the market risk framework. The Fundamental Review of the Trading Book (FRTB) internal model approach (IMA) implementation is delayed to 1 January 2028 to align internationally and ease operational burdens. The PRA has introduced simplifications for collective investment undertakings (CIUs) and a new permissions regime to allow proportionate treatment of residual risks in standardised approaches.

The policy also clarifies capitalisation rules for foreign exchange exposures and updates reporting requirements. Overall, these measures aim to enhance risk sensitivity, financial stability, and competitive consistency while providing firms with clearer, more proportionate regulations aligned with global standards.

Source: [BOE](#)

FCA sets out plans to help build mortgage market of the future

The Financial Conduct Authority (FCA) has unveiled new plans to support first-time buyers and the self-employed in accessing the housing market, as well as helping homeowners unlock housing wealth for a more comfortable later life. The regulator's reform priorities focus on four main areas:

- Simplifying mortgage rules to allow flexible products tailored to varying income patterns, especially benefiting first-time buyers and underserved consumers.
- Reviewing later-life lending, including retirement interest-only mortgages, to improve accessibility and advice, supported by a forthcoming market study on lifetime mortgages.
- Promoting innovation by encouraging the use of technology, such as AI, to help brokers give better and faster advice and simplify advertising and disclosure rules for consumers.
- Protecting vulnerable consumers, particularly those experiencing financial abuse or managing debt through mortgages.

David Geale, FCA executive director, emphasised the importance of reforms to widen affordable mortgage access and address societal under-saving by unlocking housing wealth. The FCA plans to consult the public on proposed rule changes in early 2026, aiming to implement reforms the same year. Despite economic pressures, mortgage arrears remain low, showing resilience in the sector.

Source: [FCA](#)

Europe

The EBA publishes updated risk assessment indicators

The European Banking Authority (EBA) has released an updated list of risk assessment indicators and a revised methodological guide, clarifying how these indicators are calculated in EBA publications. This update does not impose new reporting requirements but aims to help institutions and authorities consistently interpret key banking figures for risk assessment. Aligned with the EBA reporting framework version 4.1, the update covers profitability, solvency, operational risk, and introduces new indicators related to the Markets in Crypto-Assets Regulation (MiCA) and investment firms.

Source: [EBA](#)

ESAs publish joint Guidelines on ESG stress testing

The European Supervisory Authorities (EBA, EIOPA, ESMA) have issued Joint Guidelines on incorporating environmental, social, and governance (ESG) risks into supervisory stress tests for banks and insurers. These guidelines establish common standards for ESG risk assessment, provide direction on designing ESG-inclusive stress testing, and outline necessary organisational and governance measures. While promoting consistency and a long-term approach, the guidelines allow flexibility for future methodological advances and improved data availability. They do not impose new requirements for mandatory ESG-focused stress tests. National authorities must follow a "comply or explain" process, and the guidelines will be translated into all EU languages by early 2026. The guidelines complete a public consultation and fulfill directives requiring their publication by January 10, 2026.

Source: [ESA](#)

ECB advances climate and nature work after delivering on 2024-2025 plan

The European Central Bank (ECB) has successfully implemented its 2024-2025 climate and nature plan by embedding climate and nature-related risks into its core functions. Over the past two years, the ECB enhanced how it assesses these risks and integrates them into monetary policy, banking supervision, and its own portfolio management. Key achievements include adjusting the monetary policy framework to consider environmental factors, reducing emissions from its corporate bond holdings, improving climate data and risk analysis, and strengthening banks' ability to manage climate risks. The ECB also cut its own operational emissions by 39% since 2019.

Looking ahead, the ECB will prioritize supporting the transition to a green economy, addressing the physical impacts of climate change, and analyzing risks linked to ecosystem degradation, especially water-related risks. These efforts support the ECB's mandate to maintain price stability while contributing to EU environmental objectives amid increasing climate and nature-related economic challenges.

Source: [ECB](#)

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Contacts



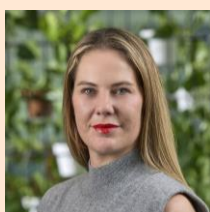
Contacts



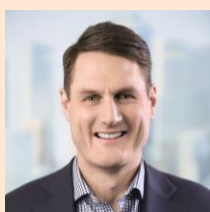
Amrita Jebamoney
Partner
amrita.jebamoney@pwc.com
+61 412 782 897



Craig Stafford
Partner
craig.stafford@pwc.com
+61 438 842 700



Marna Slabbert
Partner
marna.slabbert@au.pwc.com
+61 437 287 583



Simon Taylor
Partner
simon.c.taylor@au.pwc.com
+61 409 252 465



Penny Dunn
Partner
penny.dunn@au.pwc.com
+61 407 367 561



Thank you

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