Linklaters

Financial Regulation Outlook 2026 – Payments





Introduction

As we assemble the key regulatory developments coming to the financial services space in 2026, we see them falling into three main themes:

I. the changing role and use of regulation in the political landscape,

II. regulation for the management of risk and the control of instability, and

III. the need for regulation to keep pace with rapid technological change.

Political pressures – both domestic and international – drive more varied and sometimes interventionist approaches to regulatory policy, reflecting shifting social and economic priorities. At the same time, the persistent threat of financial crises and market instability has reinforced the need for robust frameworks designed to identify, manage, and mitigate risk across the sector. Finally, unprecedented advances in technology, including artificial intelligence, digital assets, and complex payment systems, are challenging regulators to adapt their rules and supervisory methods to ensure they remain relevant and proportionate but effective. These three themes are distinct but also deeply interconnected, each influencing how financial regulation evolves in the year ahead.

Read on for a birds' eye view of how these themes feature in payments regulation over the course of 2026, and beyond.

Text in magenta links to further Linklaters content on the development described – click through to understand the subject in more detail.



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Contents

Delivering the National Payments Vision	**03**
Safeguarding	**04**
Other UK developments	**05**
PSD3	**07**
Other EU developments	**08**
AML	**09**
AI	**10**
Operational resilience	**11**
Stablecoins	**12**
BNPL	**13**
Contacts	**14**

01 | Delivering the National Payments Vision

Mapping the future for payments infrastructure

The National Payments Vision sets out to strengthen the UK's position as a global leader in payments.

After the Vision was published at the end of 2024, the Government set up a Payments Vision Delivery Committee. The Committee is chaired by HM Treasury and comprises senior representatives from the Bank of England, Financial Conduct Authority and Payment Systems Regulator.

The Committee has released a strategy to guide the development of future UK retail payments infrastructure in line with the Vision. The strategy spells out a list of demands for the next generation retail payment infrastructure. These include that it must:

- support account-to-account payments at point of sale
- support new forms of digital money and payments, including tokenised deposits and stablecoins
- enable prevention, detection and resolution of financial crime by design, such as through programmable payments
- support a range of commercially viable business models
- deliver reliability, resilience and security at scale, both during the transition to the new infrastructure and in the steady state.

The next step is for the Committee to publish a Forward Plan for the payments sector. This will set out a sequenced plan of initiatives across the payments ecosystem including initiatives in both retail and wholesale payments, as well as for digital assets.

Future activity will be guided by the three pillars set out in the National Payments Vision: innovation, competition and security. Priority initiatives will include Open Banking (specifically, enabling account-to-account payments) and tackling fraud.

The Committee is supported by a Vision Engagement Group made up of stakeholders from across the payments sector.

Plans to modernise payments law

The Vision also seeks to tackle regulatory congestion. The Government has consulted on consolidating the functions of the PSR into the FCA. The proposals largely seek to replicate the scope and substance of the existing regulatory regime for payment systems.

A key question for firms will be the extent to which the FCA plans to revisit the detail of existing PSR policy as it effectively adopts the latter's statutory objectives. The industry will be keen to understand its position on, for example, mandatory reimbursement for authorised push payment fraud and remedies from the market review of card scheme and processing fees. The PSR expects to issue a final decision on remedies by June 2026.

It also remains to be seen whether the FCA will continue the PSR's approach of making directions or instead switch to setting rules, as it does for other areas of financial regulation.

The Vision promises a "clear, predictable and proportionate" future regulatory framework for payments. This will involve HMT using powers under the Financial Services and Markets Act 2023 to remove firm-facing obligations from EU-derived legislation and replace them with new rules in the FCA's Handbook.

HMT will kick off its programme to modernise payments regulation with a consultation. This will provide feedback from its 2023 call for evidence on how UK payments regulation should evolve in response to market developments. It will also seek views on how the rulebook can support tokenised payments and how to rework the strong customer authentication regime with more outcomes-based rules.

02 | Safeguarding

The FCA has set out its stall to improve safeguarding standards. Legislation requires payments and e-money firms to safeguard funds they receive in connection with making payments or issuing e-money. New FCA rules will supplement these legislative requirements from 7 May 2026.

A higher bar for compliance

The FCA has raised concerns about compliance with safeguarding rules for several years. After a 2024 consultation, the FCA finalised its approach in its policy statement PS25/12.

Some of the incoming requirements already exist in FCA guidance but, from May 2026, will move into the FCA's rulebook as CASS 15 and changes to SUP. Payments and e-money firms need to prepare to meet the upcoming deadline and then demonstrate ongoing compliance to their auditors and supervisors.

As firms implement the rules, key areas of focus include:

- **On the record**: Stricter record-keeping obligations will apply. Firms must maintain adequate policies and procedures to ensure safeguarding compliance and keep accurate records and accounts.
- **Recon reckoning**: Firms must perform internal and external reconciliations and investigate and resolve discrepancies. This will likely require the heaviest operational lift. The FCA gives some leeway for firms to download data from third parties to create internal records.
- **Monthly returns**: Firms must submit a monthly regulatory return to the FCA relating to their safeguarding arrangements, including balances, reconciliations and treatment of shortfalls. The first returns should be sent in July 2026 relating to the previous month.
- **Senior oversight**: Firms must nominate a senior manager to take on responsibility for overseeing safeguarding compliance. Depending on who is selected, the firm may need to apply to the FCA for the person to become a "PSD individual". The application must satisfy the FCA that the person is of good repute and has appropriate knowledge and experience.
- **Audit anxiety**: Safeguarding compliance must be audited by an external auditor, subject to exemptions. As well as facing higher auditing costs, firms should brace themselves for closer scrutiny of their payment flows and safeguarding processes.
- **Show resolution**: Firms must collate core safeguarding materials into a resolution pack. Ideally this would be a living document which links to the latest version of relevant records.
- **Acknowlegement letters**: Firms should already have letters from their safeguarding banks acknowledging their customers' interest in the safeguarded funds. This becomes a requirement. Transitional provisions allow for existing letters to be rolled over into the new regime but only if they have not been tailored.
- **Due diligence**: Firms must exercise due skill, care and diligence in selecting and appointing safeguarding custodians. They must also consider the need for diversification of the third parties they use to hold safeguarded funds.
- **Conditions apply**: Other proposals from the FCA include introducing additional conditions where firms intend to use insurance to safeguard relevant funds or invest those funds in secure liquid assets.

Many of these concepts have been brought across from the FCA's existing CASS regime as it applies to client money held by other types of regulated firm. Firms should anticipate some read across into the new regime.

Potential for more to come

The FCA will keep tabs on how firms put this new supplementary regime into practice, including by monitoring audits and monthly returns.

If the FCA considers that standards continue to fall below its expectations it may revisit more stringent proposals. For example, its 2024 consultation included rules which would have required funds to be received directly into designated safeguarding bank accounts and held on trust for customers.



03 | Other UK developments

Risk management

The FCA will monitor what firms have done to improve their compliance standards following a review of risk management frameworks and wind-down plans. Firms should test their processes against the latest articulation of the FCA's expectations.

For example, according to the FCA, firms should:

- use risk management frameworks to support board decision-making
- stress test whether they have sufficient resources
- manage risks arising from intra-group dependencies
- regularly test the operability of their wind-down plans.

APP fraud

The PSR's policy on authorised push payment fraud is now over a year old. Subject to exceptions, banks and other payment service providers must reimburse victims up to £85,000 for fraudulent payments made via Faster Payments or CHAPS. An independent review of the effectiveness of the APP fraud policy will report to the PSR in Q3 2026.

When setting the maximum amount of money victims can claim, the PSR aligned with the Financial Services Compensation Scheme deposit guarantee. The Prudential Regulation Authority has since increased the FSCS limit to £120,000. This does not directly impact the threshold for APP fraud but the PSR will keep this under review.

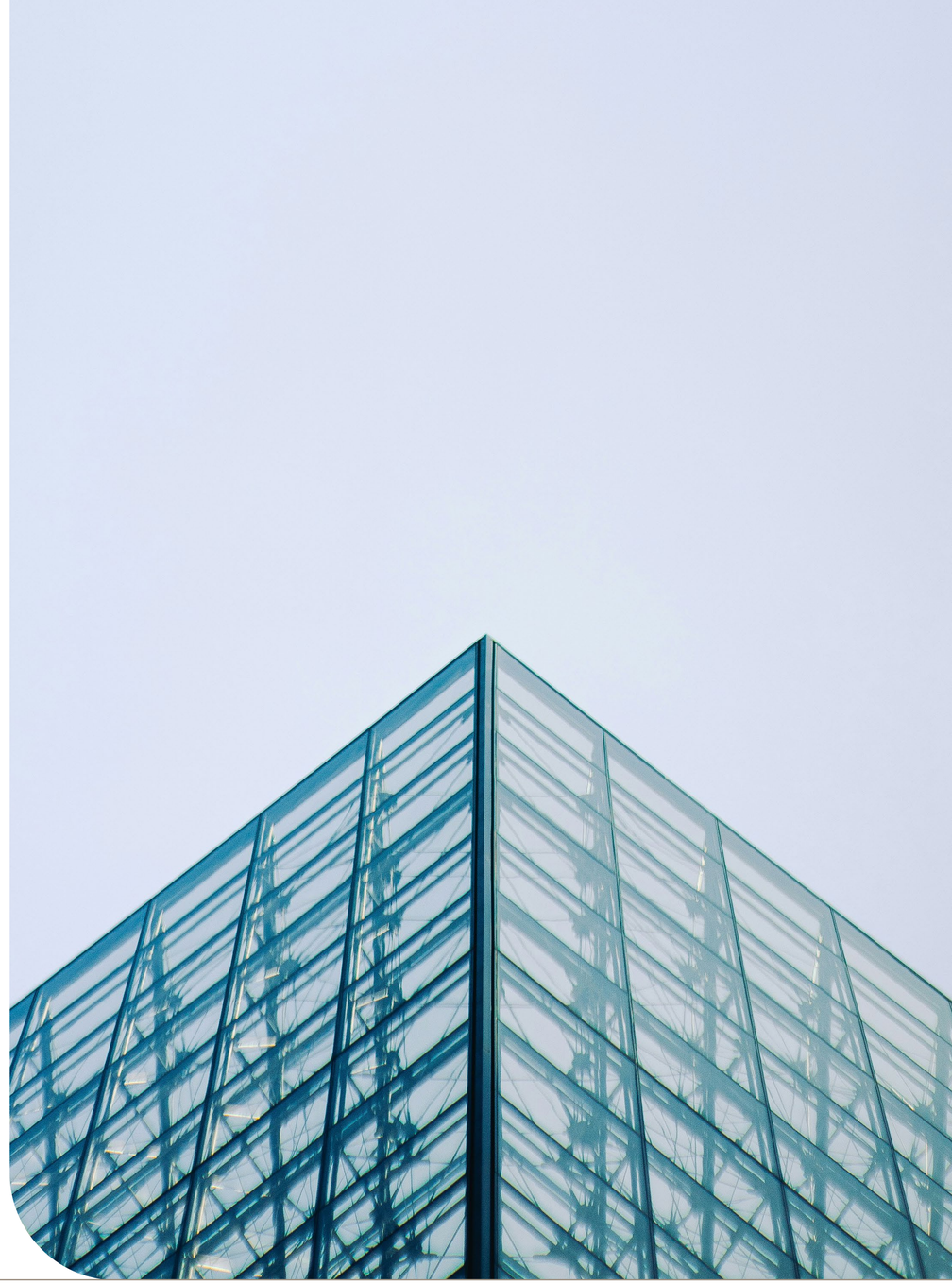
As it prepares to take over the PSR's functions, expect the FCA to play a more prominent role on tackling payments fraud. In its last portfolio letter to the payments industry, the FCA flagged that there is "still more for firms to do" to address weaknesses in financial crime governance, oversight and systems and controls.

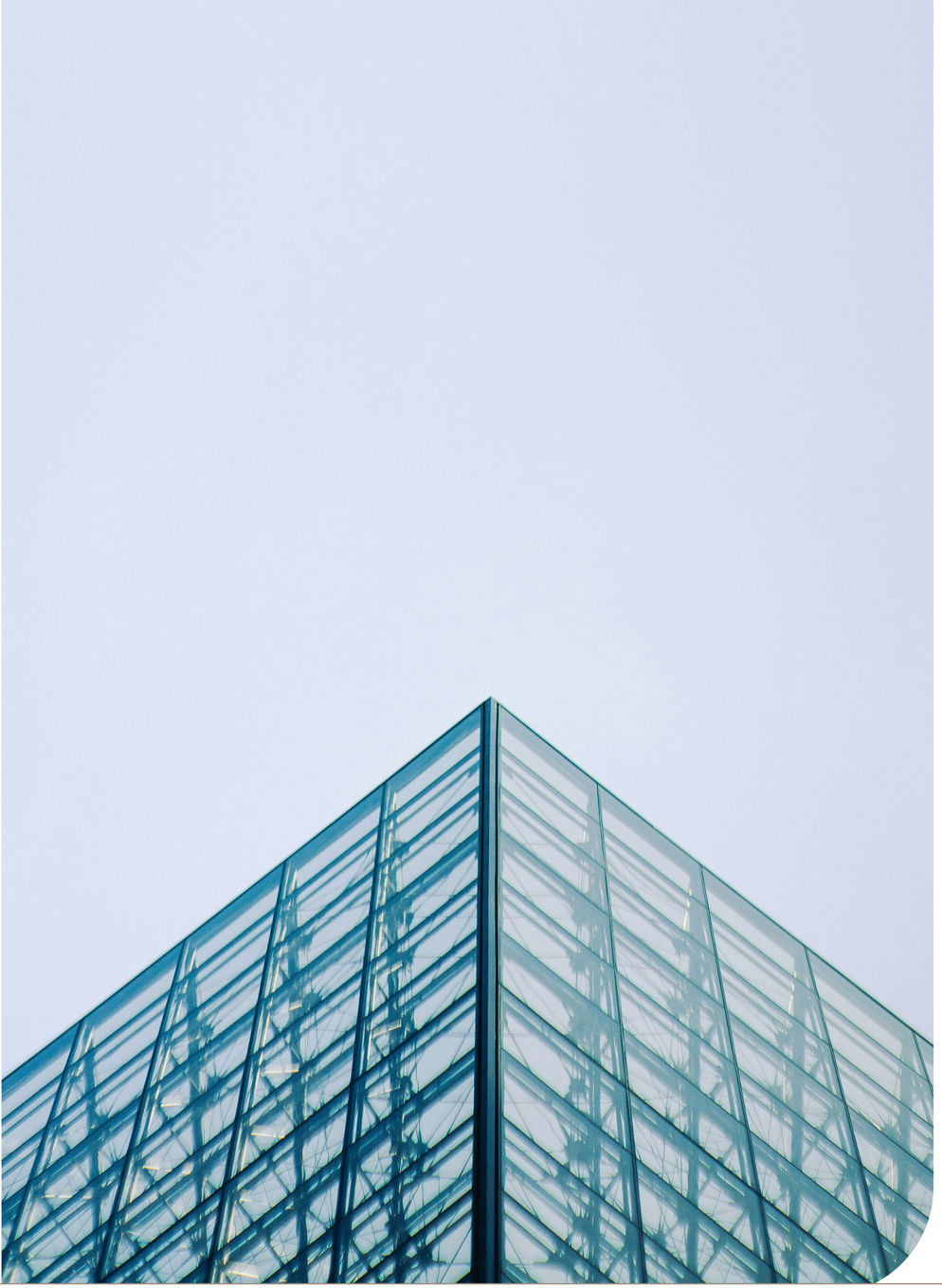
The FCA is using the Consumer Duty to monitor compliance with rules on fraud. This includes overseeing how firms are delaying payments when they suspect fraud and how they minimise the impact on customers when doing so.

The FCA will also expect firms to strengthen early detection, victim engagement and staff capabilities in response to findings from its recent review of how firms manage romance fraud.

Meanwhile the Government will release a new anti-fraud strategy. With fraud and cyber crime comprising half of all online crime in the UK, a key area of focus will be combatting tech-enabled fraud. However, as things stand, it appears unlikely that HMT will propose extending liability for reimbursing fraud victims to online platforms.

Several cases in recent years have grappled with the scope of the Quincecare duty in the context of fraudulent payments. Now that the PSR mandates reimbursement of victims, case law on APP fraud should continue to fall away.





03 | Other UK developments

De-banking

Banks, e-money firms and other payment service providers will need to start applying new rules on terminating contracts with customers.

Changes to the Payment Services Regulations will require payment service providers to:

- give at least 90 days' notice before terminating an account or payment service
- explain to the customer why the contract is being terminated with reasons that are sufficiently detailed and specific and explain how customers can make a complaint against the termination.

The new rules apply to contracts agreed on or after 28 April 2026.

Contactless limits

The FCA plans to replace current contactless limits. Payment service providers will be allowed to not apply strong customer authentication for low-risk contactless electronic payments from 19 March 2026.

Firms may still choose to use payment limits to help them manage fraud risk, which may mean continuing to apply existing limits for a while.

The FCA plans to consult on wider changes to the strong customer authentication regime in due course.

Interchanges fees

The PSR's market review of cross-border interchange fees will continue. It will start survey work and other analysis in spring 2026 with the final decision on remedies expected in H1 2027.

Digital pound

The Bank of England and HMT expect to release their blueprint for a digital pound in 2026, covering its design and an impact assessment. This will inform a decision on next steps. No final decision has been made yet on whether to issue a digital pound.

Wholesale central bank settlement

The Bank of England has been exploring various avenues to support wholesale settlement in central bank money for a wider range of asset markets and transaction types. Among other things, it plans to develop "synchronisation capability" under its renewed Real Time Gross Settlement (RTGS) system to support this. As part of that initiative, the Bank plans to launch a "Synchronisation Lab" in 2026 that would provide a forum for prospective synchronisation operators to experiment with synchronisation solutions.



04 | PSD3

The third iteration of the EU Payment Services Directive will become law in 2026 alongside a new Payment Services Regulation. This will trigger firms to start their implementation projects for these wide-ranging regulatory reforms.

Under starter's orders

Key changes to the existing regime include:

- **Introducing PSR1**: Most obligations for payment service providers will move from national transposition of PSD2 into PSR1. Firms should benefit from a more consistent application of conduct rules across the EU but may also find regulators have less supervisory flexibility.
- **Goodbye to EMD**: The E-Money Directive will merge with the PSD framework, e-money services will become a type of payment service and e-money issuers will become payment institutions.
- **Safeguarding**: Firms will need to tell their customers about how funds are safeguarded and notify their national regulator before they make material changes to their safeguarding process. Where appropriate, firms should avoid depositing all safeguarded funds with one bank. These changes will introduce more costs and operational complexities.
- **Verifying payees**: PSR1 extends the Instant Payments Regulation verification of payee requirements so they apply to all credit transfers. Firms will need to build the systems so that they can check for discrepancies between names and IBANs.
- **Data dashboard**: Banks and other account servicing payment service providers must build a dashboard for customers to manage third party access to their data. This dashboard should allow payment service users to grant and, within 48 hours, withdraw access for providers of account information and payment initiation services.
- **Removing Open Banking obstacles**: PSR1 also prohibits specific practices that discriminate against sharing customer data with other payment service providers. Measures that are necessary to address suspected fraud are not prohibited.
- **Impersonation scams**: Where a fraudster tricks a customer into approving a payment by pretending to be an employee of the payment service provider, the firm must reimburse the customer. This is subject to the customer reporting the fraud to the police and informing the firm. Firms may be able to recoup this money from tech firms if they had been informed of fraudulent content on their online platforms and failed to remove it.
- **Winding-up plans**: Firms should plan for what would happen in the event of their insolvency. The plans should align with the firm's size and business model and cover the return of safeguarded funds to customers.

Looking ahead

PSD3 creates a new licensing regime for payment and e-money institutions. Firms that are already regulated ought to benefit from transitional provisions. They are likely to have to update the regulators with updated documentation, such as winding-up plans, to demonstrate they meet the revised licensing requirements.

PSD3 and PSR1 are going through final checks and legal linguistic review and translation before they are formally adopted by the EU co-legislators. At the end of this process, likely at the end of Q1 or beginning of Q2 2026, the text will enter into force and then start to apply after a 21-month transition period.

05 | Other EU developments

Instant payments

For many EU firms, the hard work on implementing the Instant Payments Regulation is behind them. Banks and other in-scope payment service providers based in the eurozone should have met the 2025 deadlines for processing instant payments and applying verification of payee for credit transfers in euro.

For everyone else in the scope of the regulation, there is still work to do ahead of the next round of deadlines. For example, e-money and payment institutions in the eurozone must be ready to send and receive instant payments by 9 April 2027.

Digital identity

The EU has updated its digital identity framework. Regulation (EU) 2024/1183 amends the existing regime for electronic identification, authentication and trust services, ie the eIDAS Regulation.

eIDAS 2.0 sets the parameters for the development of electronic digital identity wallets. Businesses will need to accept these wallets where online identification is required by law or contractual requirements. This is relevant to payments firms for customer due diligence requirements under anti-money laundering rules and strong customer authentication under payments legislation.

In 2026 Member States should offer at least one version of the EU digital identity wallet. By November 2027 payment service providers must be ready to accept EU digital identity if requested by their customer.

Open finance

The EU's draft regulation on financial data access has been slowly progressing through trilogue talks during 2025. It looked at one point as if the proposal, which is known as FIDA, would be dropped under pressure from the European Commission's simplification agenda.

Once finalised, FIDA will require EU financial institutions, including banks and other payment service providers, to join data sharing schemes. These schemes will then agree common standards for sharing access to various types of customer data between regulated firms.

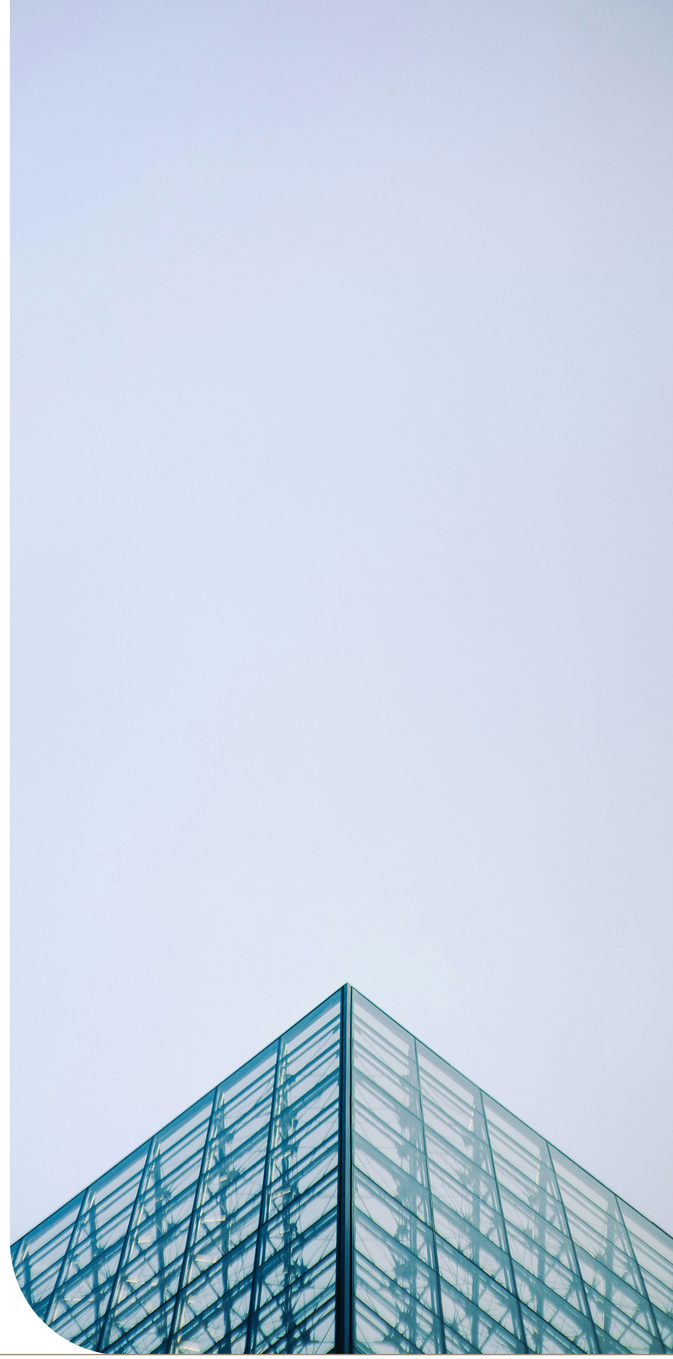
PSD2 (and in due course PSD3) will continue to apply to data relating to payment accounts. FIDA will apply to other products including mortgages, loans and savings accounts. It presents an opportunity for account information service providers who may become eligible to receive customer data from a larger pool of regulated firms about a wider range of financial products.

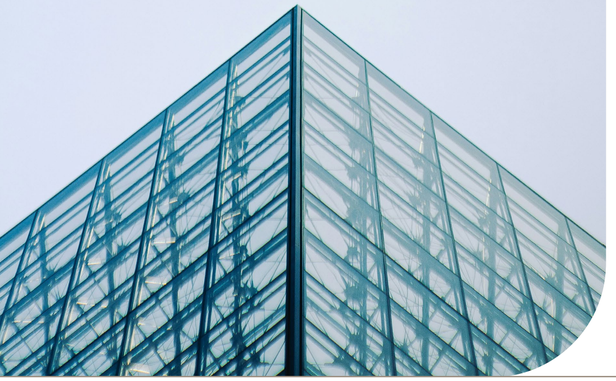
The implementation timetable is likely to be extended from the Commission's original proposal. Even so, following its experience of implementing Open Banking, the industry may still question whether this is enough time to agree the necessary data-sharing standards for all the in-scope products. Another key question is how the obligation to provide customers with a data access dashboard under FIDA will align or overlap with the similar requirement under PSD3.

Digital euro

EU legislators will debate the legislation which would make the digital euro legal tender, should the ECB decide to proceed with issuing it. The draft Digital Euro Regulation, which was originally published by the Commission in 2023, would clarify that the EU's payment services and anti-money laundering regimes would also apply to digital euro transactions.

The European Central Bank has completed the investigation and preparation phases for the digital euro. It will now build and test technical systems. If the legislation is made in 2026, the ECB expects a pilot exercise to start in 2027 and the first issuance of the digital euro may follow in 2029.





06 | AML

Structural change in the EU

The EU adopted its first AML Directive in 1990 to prevent the misuse of the financial system for the purpose of money laundering. The AMLD has updated several times since but has always left some leeway to Member States.

A new AML Regulation represents the first directly applicable EU law in this area. Covering some of the most important obligations under the AML regime, harmonisation is coming for an area of law where idiosyncrasies are commonplace. Current differences in how concepts are enforced at the national level will in future be ironed out at the EU level and firms will need to update their compliance approach accordingly.

Changes introduced under the AML Regulation include:

- specifying the information that firms need to obtain to identify customers and beneficial owners
- electronic means of distance identification must meet the requirements of the eIDAS Regulation with assurance levels “substantial” or “high”
- when customers use virtual IBANs, the payment service provider that receives the redirected payments must be able to get the user’s identification details from the virtual IBAN provider within five working days.

Firms must appoint both a compliance manager and a compliance officer for AML. The former will sit at board level and is responsible for the implementation of AML policies, controls and procedures. The latter is in charge of the day-to-day operation of those policies and will be a contact point for regulators.

Firms may not keep anonymous accounts, including bank accounts, payment accounts and cryptoasset custody accounts. Existing anonymous accounts must undergo customer due diligence before being used.

Member States will set up centralised registers for identifying those holding or controlling certain types of account, including payment accounts or bank accounts identified by IBAN. This information will be accessible to financial intelligence units, AMLA and other supervisory authorities.

The introduction of the AML Regulation – which will start to apply in July 2027 – will be bolstered by a new EU-wide AML supervisory authority. AMLA will be responsible for promoting supervisory convergence, as well as directly overseeing some of the riskiest firms.

Targeted change in the UK

The UK will introduce targeted amendments to its money laundering regime in 2026.

HMT responded to its 2024 consultation to confirm its plans to make various changes to the Money Laundering Regulations. Since then, it has released draft amendment regulations. Proposed changes include converting monetary thresholds from euros to sterling and only requiring enhanced due diligence unusually complex or unusually large transactions.

Meanwhile, the FCA will continue to oversee how payments firms manage risks associated with money mules. In 2025 the FCA shared the results of a multi-firm review into money mule account detection tools. Firms should consider their systems and controls against the findings, including by:

- refining their thresholds to ensure they are capable of identifying mule activity
- recognising the risk of not investigating all alerts appropriately
- proactively detecting unusual transactions to stop fraudulent transactions sooner.

07 | AI

The EU AI Act will continue to be under the spotlight

As its rules continue to be phased in, 2025 was a significant year for the EU's AI Act. Notable developments included:

- the Commission releasing guidance on the meaning of "AI system", giving some assurance that many types of traditional computing systems are not intended to be caught
- the prohibited AI regime starting to apply, accompanied by extensive guidelines on the AI practices that are deemed unacceptable due to their potential risks to European values and fundamental rights
- the AI literacy rule starting to apply, requiring providers and deployers of AI systems to make sure that their staff understand the AI they use.

Looking ahead, 2026 was going to mark the start of the high-risk regime. Aside from the prohibited AI regime, this part of the legislative framework imposes the most onerous obligations on providers and deployers of AI systems. Examples of high-risk systems include AI used for credit scoring and employment use cases such as recruitment or employee monitoring.

Instead, the Commission has suggested postponing the start of the high-risk regime to 2 December 2027. The delay is one of several rule changes proposed in an AI Omnibus. The Omnibus also suggests defanging the AI literacy requirement by replacing it with an obligation on the Commission and Member States to foster AI literacy.

A wider Digital Omnibus complements the AI Omnibus. It includes changes to the GDPR to address the legal basis for training AI systems on internet content.

Both Omnibuses will go through the EU's legislative process, which could take several months. Until they are finalised, firms will face ongoing uncertainty about the future of the regime.

In the meantime, the European Banking Authority has mapped the AI Act against existing rules for payment service providers. Focusing on the use of AI for creditworthiness and credit scoring, the EBA describes how EU financial services law, such as the incident reporting regime under DORA, overlaps with key AI Act requirements. The EBA's conclusion is that firms should use the existing rules as a base for implementing the related AI Act obligations.

More generally, payments firms should continue to integrate AI adoption into their ongoing compliance with PSD2 and other applicable financial regulation.

A lighter touch approach in the UK

In the UK, the government has suggested that it would regulate companies developing the most powerful AI models. Any such UK AI Bill will focus on transparency of safety standards and is unlikely to directly impact financial services.

For now, the UK's pro-innovation approach to AI regulation continues to be regulator-led. The FCA and other regulators have confirmed that their outcomes-based rulebooks are broad enough to capture AI use cases in the firms they oversee. Obligations on regulated firms – such as having adequate risk management systems and paying due regard to the information needs of clients – can be applied to AI use cases today, even in the absence of a broader AI regulatory framework.

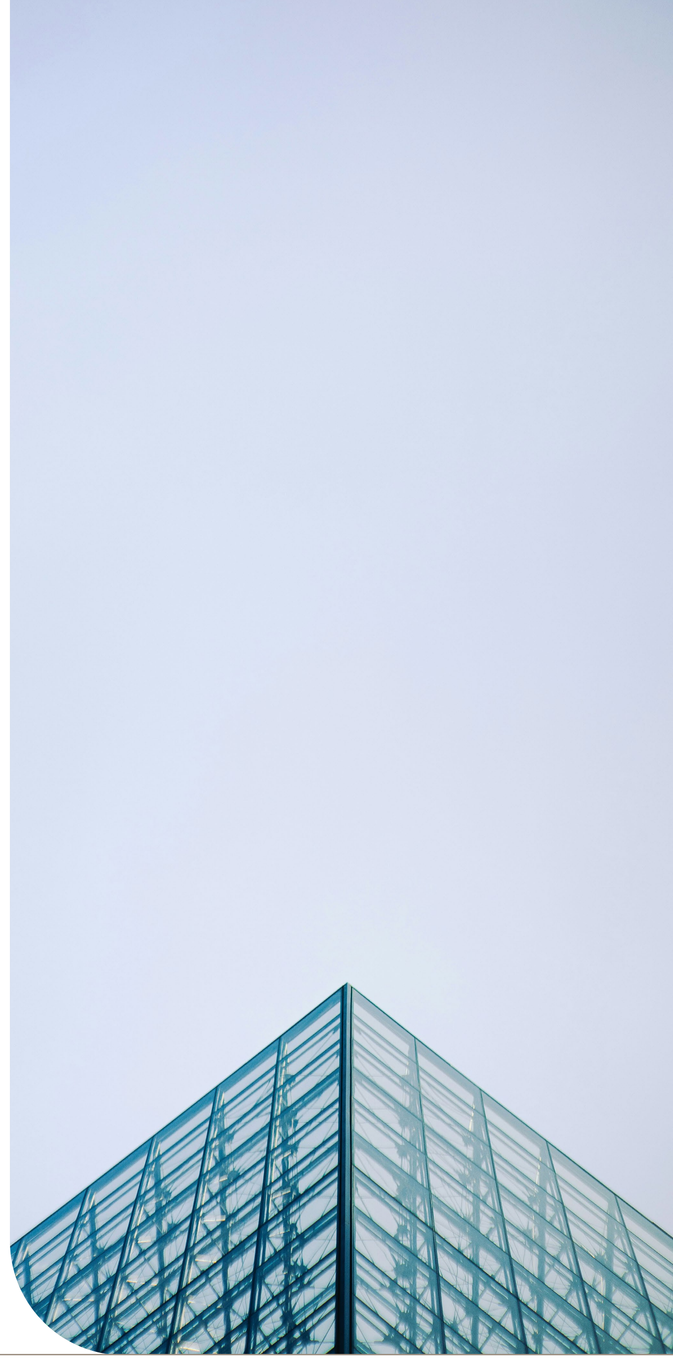
In the meantime, the FCA will continue to encourage testing of AI through its AI Lab. It has previously confirmed that its outcomes-based rulebook is broad enough to oversee AI risks in the financial sector. Its supervision will focus on the operational resilience and senior manager oversight of AI, as well as monitoring the use of AI agents. In January 2026, the FCA launched a review and a call for input seeking feedback on how AI could evolve by 2030. The review will report to the FCA Board in the summer with recommendations on how the FCA can help shape AI-enabled financial services.

Further resources

Catch up on our 2025 AI in financial services webinar series:

- Defining your AI system
- What you need to do to prepare for high-risk AI rules
- Applying operational resilience rules to AI
- What to do when AI goes wrong

Read our report: AI in Financial Services 4.0.





08 | Operational resilience

Putting operational resilience into practice

In the last couple of years EU payment service providers have focused on implementing the Digital Operational Resilience Act. Now attention switches how the rules will be embedded, supervised and enforced, as well as how they will interact with other regulation.

DORA started to apply in January 2025. Some important technical standards remained outstanding until the summer but those rules are now in place. Tail-end discussions between firms and their service providers are ongoing but otherwise the implementation phase of DORA is over.

In 2026 we will start to see how different regulators use the regime. The initial focus is likely to be reviewing contracts with third parties, improving the quality of DORA registers and scrutinising incident reports.

Cyber resilience will be high on the regulators' agendas. Even as the transposition of the NIS2 Directive into national law is ongoing, the EU has proposed further revamp of its cybersecurity rules. At the EU level, DORA should trump NIS2 requirements. Even so, firms are tracking local implementation to spot any gold-plating which could impact them in some Member States.

Firms should also assess the impact of the Cyber Resilience Act, which sets minimum cyber security standards for software and hardware and applies in full in 2027.

Nearer on the horizon is the outcome of the EBA's consultation on guidelines for third party arrangements. This is part of a wider trend to apply outsourcing rules to third party arrangements more generally. It could trigger a two-year process of updating contracts with non-ICT suppliers, including other financial service providers.

The European Supervisory Authorities have designated the first 19 critical ICT service providers. Supervision of these firms will ramp up next year. More firms could be designated in autumn 2026.

More rules to come for UK operational resilience regime

After a three-year implementation period, the UK's operational resilience rules started to apply in full in March 2025. This includes a general requirement for firms, including payment and e-money institutions, to remain within impact tolerance levels in response to severe but plausible operational disruption.

The regulators are now looking to add to the regime. For example, the FCA, PRA and Bank of England have consulted on new operational incident and third party reporting regimes.

The proposals include a requirement for payment and e-money institutions to assess the impact of an operational incident against certain thresholds and submit reports within specific timeframes using a standardised template. Unlike DORA, the FCA's new rules would not replace firms' obligations to report incidents under the UK implementation of PSD2. There will be instances where firms need to report an incident under both the Payment Services Regulations and the incoming operational incident regime.

The proposals would also require payment and e-money institutions to maintain a register of information relating to their material third party arrangements. Payment firms would need to submit this information to the FCA every year.

The FCA will finalise its rules in early 2026 and they are expected to come into effect a year later. Firms will need to build systems and processes to provide this additional information to the regulators about incidents and their arrangements with third party service providers.

The PRA and Bank of England will consult on ICT and cyber risk management and resilience. The paper, which is expected in Q2 2026, will build on existing operational resilience requirements.

HMT will start to designate critical third parties in 2026. Among other things, designated CTPs will need to have a playbook for recovering from operational incidents. Get in touch to access our guide to the UK's critical third party regime.

The Cyber Security and Resilience Bill will make its way through Parliament seeking to tighten the UK NIS regime. The Home Office looks set to move forward with its policy on ransomware, imposing new reporting requirements and, in some cases, prohibiting ransom payments. Explore our cybersecurity handbook.

Meanwhile, regulators will leverage operational resilience rules to oversee how firms are managing technology risks, such as AI and quantum computing.

09 | Stablecoins

UK crypto regime to take shape

The UK is entering a key phase as it lays the foundations for its cryptoasset regulatory regime which will go live in October 2027.

The Government has laid legislation to regulate cryptoasset activities. This follows a short consultation in 2025 on the draft law.

The legislation outlines several new regulated activities. These include issuing a qualifying stablecoin in the UK, dealing in cryptoassets as principal or as agent, and safeguarding qualifying cryptoassets and relevant specified investment cryptoassets.

The legislation defines each activity and any relevant exclusions. In doing so, it sets the perimeter of what will be caught by the incoming cryptoasset regime. For example, stablecoin issuance will only apply to businesses established in the UK, effectively allowing overseas firms to issue stablecoins into the UK without triggering a licensing requirement for that activity (although they may need a licence for other regulated activities).

Stablecoin payment activities are carved out of the legislation for now but will be dealt with as part of the UK's modernisation of payments regulation.

FCA prioritising stablecoin regulation

While HMT is responsible for setting the perimeter of the regulatory regime, the FCA is working through a "crypto roadmap" to develop the rules that will apply to firms under the regime. The FCA says it is prioritising the finalisation of its stablecoin policy, alongside inviting firms that plan to issue a stablecoin in the UK to test their products in its regulatory sandbox.

The FCA has already consulted on new rules for:

> issuing qualifying stablecoins,

> safeguarding qualifying cryptoassets, and

> prudential standards for cryptoasset firms.

It has also consulted on how it plans to apply aspects of its existing rulebook to cryptoasset businesses. This includes high level standards, such as the FCA's Senior Managers and Certification Regime and its financial crime and operational resilience rules. The FCA is also considering the application of conduct of business standards, such as the FCA's Consumer Duty.

For firms that are new to FCA regulation, the application of these existing rules and extensive supporting guidance will represent a significant shift in compliance demands. The FCA is encouraging firms to start preparing for the regime now. On 30 September 2026 it will open a five-month application period for firms to apply to transition into the new regime. Firms can still apply after this date but will not benefit from the advantages of the application period.

Bank of England framework for systemic stablecoins

The Bank of England has consulted on its proposed policy towards stablecoin systems and service providers that are recognised as being of systemic importance in the UK.

The Bank invites feedback on the circumstances in which it would recommend to HMT that a stablecoin system or service provider falls under its remit (including in relation to non-sterling stablecoins issued abroad), as well as the rules that would apply to in-scope entities.

Looking ahead to MiCA 2.0

The EU's Markets in Crypto-Assets Regulation started to apply in 2024 but has been subject to transitional measures.

The rules on issuers of stablecoins (known in the legislation as asset-referenced tokens and e-money tokens) are already effective. As at the end of November 2025 there were around 30 e-money tokens, which are pegged to a single currency. No asset-referenced tokens have yet been authorised under MiCA.

The rules for cryptoasset service providers are still being phased in. Some CASPs have until 1 July 2026 to seek a MiCA licence, depending on where in the EU they are based. E-money institutions that want to provide crypto custody or transfer services must notify their regulator before they do so.

Earlier this year the EBA issued temporary guidance on the interaction between MiCA's stablecoin rules and PSD2. The EU co-legislators hope to use PSD3 to iron out any overlap. Meanwhile, EU supervisors will start to collect feedback on the effectiveness of MiCA ahead of a Commission report to European Parliament and Council, which is required in 2027 and may include proposals to change the legislation.





10 | BNPL

The countdown is underway

The UK is on the cusp of regulating buy-now pay-later products. The new regime will start to apply on 15 July 2026, subject to transitional arrangements.

Before this date BNPL products are generally not regulated credit agreements. This is because they can typically benefit from an exemption for interest-free, short-term loans.

New legislation tightens this exemption so that BNPL is regulated as consumer credit but subject to fewer rules than interest-bearing, longer-term loans.

In parallel, the FCA has drafted the rules that will apply to providers of BNPL agreements. The proposals include requiring BNPL providers to:

- give key product information to consumers before they enter into a BNPL agreement, including the main consequences of missing payments
- make additional product information available to customers, such as an explanation of the protections available under the Consumer Credit Act
- check that borrowers can afford to repay BNPL loans
- flag to customers when they miss a repayment
- offer support if they get into financial difficulty
- meet complaints handling rules
- send regular information to the FCA, including product sales data
- comply with the Consumer Duty.

As well as imposing product-specific requirements, the FCA plans to extend other parts of its rulebook to BNPL providers. These include:

- the FCA Principles, eg the requirement to be open and cooperative with the FCA
- the Threshold Conditions which firms must satisfy to become and remain authorised
- systems and controls rules and guidance, including operational resilience requirements for the largest firms
- the Senior Managers and Certification Regime.

A temporary permissions regime will allow firms to continue trading while the FCA processes their authorisation application. Firms can register for temporary permission two months before the regime comes into force.

Transposing updated EU standards

The EU updated its Consumer Credit Directive in 2023. Among other changes, CCD2 broadens the scope of the regime so that it applies to more BNPL products.

Member States have the option of disapplying some requirements for BNPL agreements, such as those relating to pre-contractual information. Given this flexibility, firms will need to track divergent approaches across the EU.

Most Member States are still in the process of transposing CCD2 into national law, despite the deadline for doing so having already passed. Once this has been done, the revised rules are meant to apply from 20 November 2026.

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