

FINANCIAL REGULATION WEEKLY BULLETIN

Major UK and European regulatory developments of interest to banks insurers and reinsurers, asset managers and other market participants

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[Selmin Hakki](#).

Slaughter and May also produces a periodical Insurance Newsletter. If you would like to go on the distribution list, please contact:

[Beth Dobson](#).

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GENERAL //

1 BANK OF ENGLAND

- 1.1 Artificial Intelligence Consortium - established by Bank of England - 25 September 2024** - The Bank of England has announced the establishment of an Artificial Intelligence (AI) consortium, a platform for public-private engagement to gather input from stakeholders on the capabilities, development, deployment and use of AI in UK financial services. Its specific aims include identifying how AI is, or could be, used and discussing the benefits, risks and challenges arising from the use of AI in financial services.

The consortium will be chaired by Sarah Breen, the Bank of England's Deputy Governor for Financial Stability. Membership is by invitation only, following a selection process. Applications to join the consortium should be submitted by 8 November 2024. The terms of reference for the consortium have also been published.

See also the item below on a speech given this week by James Benford, Executive Director for Data and Analytics Transformation and Chief Data Officer at the Bank of England, on the ethical, safe and effective application of AI.

[Artificial Intelligence Consortium: Terms of Reference](#)

[Artificial Intelligence Consortium: Membership call for interest](#)

[Updated FinTech webpage](#)

[Webpage](#)

- 1.2 Ethical, safe, and effective application of AI - Bank of England publishes speech - 25 September 2024** - The Bank of England (the Bank) has published a speech given by James Benford, Executive Director for Data and Analytics Transformation and Chief Data Officer, on the ethical, safe and effective application of AI. The speech considers how the Bank is preparing for the transformative potential that advances in AI may offer in order to improve how the Bank works internally to deliver monetary and financial stability.

Mr Benford argues that there are several dimensions that need to be satisfied for AI models to be "TRUSTED" (that is, targeted, reliable, understood, secure, stress-tested, ethical and durable) including, above all else, humans being kept in the loop and held accountable. He considers ongoing work within the policy committees and internationally on how best to address potential risks to safety and soundness and to financial stability. The PRA's use of the latest cloud AI technology to gain supervisory insights into vast quantities of unstructured data is also discussed.

Mr Benford notes that the Bank's existing practices for stress testing quantitative models must expand to account for Generative AI. Looking ahead, the Bank may need to explore controlled

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experiments to test how systems of AI tools and humans affect decision making in specific scenarios and in stressed conditions.

[Bank of England speech: TRUSTED AI: Ethical, safe, and effective application of artificial intelligence at the Bank of England](#)

2 FINANCIAL CONDUCT AUTHORITY

- 2.1 **Chair handling of whistleblowing communications - FCA publishes outcome of internal review - 23 September 2024** - The FCA has published the outcome of a review conducted by Richard Lloyd, the FCA's senior independent director, of the handling of internal whistleblowing communications by Ashley Alder, the FCA Chair. The review concerned allegations made by two former FCA employees that Mr Alder had not kept their identities confidential during the course of their whistleblowing (and that, in particular, Mr Alder forwarded emails from these individuals to other colleagues).

In short, Mr Lloyd acknowledges that Mr Alder did not follow the FCA's internal whistleblowing policy to the letter but is satisfied that, by forwarding the emails, Mr Alder did so in the firm belief that there was no realistic prospect of causing harm to the individuals making whistleblowing allegations in any respect.

The FCA will publish a revised version of its internal whistleblowing policy in due course.

[FCA statement: The handling of internal whistleblowing communications by the Chair of the FCA - Outcome of a review by the FCA's Senior Independent Director](#)

[Press release](#)

3 FINANCIAL OMBUDSMAN SERVICE

- 3.1 **How to respond to complaints - FOS publishes speech - 20 September 2024** - The Financial Ombudsman Service (FOS) has published a speech given by Abby Thomas, Chief Executive and Chief Ombudsman, on complaints related to irresponsible and unaffordable lending (among other things).

In the speech, Ms Thomas suggests a number of ways in which firms can be doing better when responding to complaints. This includes ensuring that all customer-facing staff can identify circumstances and characteristics of vulnerability; designing policies and practices that focus on finding solutions that help customers; offering greater forbearance to consumers in financial difficulty and signposting to relevant support agencies who can give them the advice and support they need; and prioritising customers' needs when developing and designing each stage of the firm's digital transformation.

[FOS: StepChange's Connected 2024 conference: full speech from Abby Thomas](#)

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BANKING AND FINANCE //

4 FINANCIAL CONDUCT AUTHORITY

4.1 Changes to safeguarding regime for payment and e-money firms - FCA consults - 25

September 2024 - The FCA has published a consultation paper (CP24/20) setting out proposals to make safeguarding rules stronger and clearer for payment and e-money firms so that customers get as much of their money back as quickly as possible if a firm goes out of business.

In short, the FCA proposes to replace the existing safeguarding regime with a CASS-style regime, making the changes in two stages. During the interim stage, relevant rules will be set out in a new CASS 15 to improve compliance with the existing safeguarding requirements in the Electronic Money Regulations 2011 (SI 2011/99) (EMRs 2011) and the Payment Services Regulations 2017 (SI 2017/752) (PSRs 2017). The end-state stage will involve replacing the safeguarding requirements of the EMRs 2011 and PSRs 2017 with a CASS-style regime where relevant funds and assets are held on trust for consumers. The proposed end-state rules will include the imposition of a statutory trust over "relevant funds" (as defined in the proposed rules).

There will be a six-month implementation period for the interim rules and twelve months for the end-state rules. A draft of the instrument that will make the Handbook amendments to the Glossary, CASS and SUP, the Payment and Electronic Money (Safeguarding) Instrument 2025, is set out in Appendix 1 to CP24/20.

Comments can be made on the proposals until 17 December 2024. The FCA plans to publish final interim rules with an accompanying policy statement in the first half of 2025.

[FCA consultation paper: Changes to the safeguarding regime for payments and e-money firms \(CP24/20\)](#)

[FCA: CBA Panel Advice: Changes to the safeguarding regime for payments and e-money firms](#)

[Webpage](#)

[Press release](#)

5 PAYMENT SYSTEMS REGULATOR

5.1 Powers and procedures guidance - updated version published by the PSR - 20 September 2024

- The Payment Systems Regulator (PSR) has published an updated version of its powers and procedures guidance made under section 96 of the Financial Services (Banking Reform) Act 2013 (FSBRA) to reflect changes in its management structure. The guidance explains, among other things, the PSR's role and ways of working; the legal and regulatory framework under which the PSR operates; and the PSR's powers to take regulatory action under the FSBRA.

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The guidance was originally published in 2015 and was last updated in 2020. An accompanying response paper provides further colour on the amendments that have been made.

[PSR updated Powers and Procedure Guidance](#)

[PSR response paper: Revision of our Powers and Procedures Guidance - Response to consultation on revisions to our PPG \(RP24/1\)](#)

[Webpage](#)

SECURITIES AND MARKETS //

6 FINANCIAL CONDUCT AUTHORITY

- 6.1 **UK listings - FCA publishes Primary Market Bulletin 51 and finalised guidance - 24 September 2024** - The FCA has published edition 51 of its Primary Market Bulletin (PMB). Among other things, the FCA confirms several changes to its Knowledge Base reflecting the FCA's final reforms to the UK Listing Rules (UKLR) sourcebook which were published in July 2024. The FCA has also made amendments to some existing technical notes regarding the sponsor regime and confirms further will be made in a later edition of the PMB.

[Primary Market Bulletin 51](#)

[FCA finalised guidance: Primary Market Bulletin No. 51 \(FG24/4\)](#)

INSURANCE //

7 PRUDENTIAL REGULATION AUTHORITY

- 7.1 **Reform of UK Solvency II regime - PRA announces planned publication date for final rules - 23 September 2024** - The PRA has published a statement which confirms that it intends to publish its final package of rules relating to delivery of UK Solvency II reforms in mid-November 2024. The rules will come into effect on 31 December 2024.

[PRA statement: Review of Solvency II - planned PRA publication of final package of rules](#)

- 7.2 **Solvency II rule waivers and modifications following UK review - PRA publishes statement - 26 September 2024** - The PRA has published a statement for UK Solvency II firms and groups that hold existing PRA directions in respect of waivers or modifications of PRA rules.

According to the statement, the final rules reforming the UK Solvency II regime (which are, as noted in the item above, due to come into effect on 31 December 2024) may affect existing PRA directions in respect of waivers or modifications of PRA rules held by insurance firms. In particular, references to Solvency II assimilated law (that is, retained EU law) or the PRA Rulebook may need to be updated. The PRA will contact affected firms in mid-November 2024 to

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provide further instructions and request consent to vary the wording of their existing directions (where necessary) so they remain valid.

Further details on the process will follow in due course. Firms will not be required to submit new applications for their existing modifications to be varied. The PRA will issue a separate letter to third-country branches shortly.

[Review of Solvency II - PRA statement on existing Solvency II rule waivers and modifications](#)

- 7.3 Delivering on the secondary competitiveness and growth objective - PRA publishes speech - 26 September 2024** - The PRA has published a speech by Shoib Khan, PRA Director of Insurance Supervision, on the measures being taken in its oversight of the insurance sector to deliver on its secondary competitiveness and growth objective.

In particular, Mr Khan refers to the growing appetite for the use of funded reinsurance (Funded-Re) in the bulk purchase annuity market. The PRA has asked firms to undertake a gap analysis by the end of October 2024 on whether they meet its expectations in this area; it will consider whether further action is necessary (which might include explicit regulatory restrictions on the amount and structure of Funded-Re, or measures to address any underestimation of risk, or regulatory arbitrage, inherent in these transactions).

Separately, the PRA expects to consult on a package of reforms to the UK insurance special purpose vehicle regime in the coming months and, later in 2024, on introducing a new, accelerated pathway for catastrophe bond applications. The PRA has also been considering how it can enhance its current co-operation with the Society of Lloyd's and how to make the authorisation process for managing agents quicker.

[PRA speech: Competing on a Global Stage](#)

FINANCIAL CRIME //

8 PAYMENT SYSTEMS REGULATOR

- 8.1 APP scams reimbursement requirement - PSR publishes policy statement and guidance on assessment of claims - 23 September 2024** - The Payment Systems Regulator (PSR) has published a policy statement (PS24/6) and finalised guidance on the authorised push payment (APP) scams reimbursement requirement. The guidance aims to support payment service providers (PSPs) in assessing whether an APP scam claim raised by a consumer is a reimbursable claim under the Faster Payments Scheme (FPS) and Clearing House Automated Payment System (CHAPS) reimbursement rules or a private civil dispute. The guidance does not form part of Specific Direction 20 or Specific Direction 21 but is intended to support PSPs' compliance with legal requirements and FPS/CHAPS reimbursement rules.

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The start date for the APP scams reimbursement requirement is 7 October 2024. See also the item below relating to PSR's decision on the maximum reimbursement limit for victims of APP fraud.

[PSR policy statement: Supporting the identification of APP scams and civil disputes \(PS24/6\)](#)

[PSR guidance: APP scams reimbursement requirement - Supporting the identification of APP scams and civil disputes](#)

[Webpage](#)

- 8.2 Maximum reimbursement limit for APP fraud - confirmed by PSR - 25 September 2024** - The Payment Systems Regulator (PSR) has published a press release confirming its decision on the maximum reimbursement limit for victims of authorised push payment (APP) fraud. Having considered the feedback and information received on its September 2024 consultation paper on reducing the maximum limit (CP24/11), the PSR has decided that the maximum reimbursement limit for Faster Payments will be £85,000. A final policy statement explaining the reasons for the decision will be published next week.

The Bank of England, as the operator of CHAPS, has decided that the maximum reimbursement for CHAPS will be £85,000.

[Press release](#)

ENFORCEMENT //

9 FINANCIAL CONDUCT AUTHORITY

- 9.1 Extension of temporary pause for dealing with motor finance complaints - FCA publishes policy statement - 24 September 2024** - The FCA has published a policy statement (PS24/11) confirming that it is extending until 4 December 2025 the pause on the requirement for firms to provide a final response to motor finance complaints involving a discretionary commission arrangement (DCA). The FCA also confirms that consumers have until the later of 29 July 2026 or 15 months from the date of their final response letter from a firm to refer a DCA complaint to the FOS. This means consumers will not have to decide whether to refer their complaint to the FOS before the FCA announces its next steps.

The FCA will set out the next steps in its review into the use of DCAs in May 2025. By this date, it will have completed its analysis and been able to assess the outcome of an upcoming judicial review case which is expected to consider legal issues that are highly relevant to the FCA's work. That hearing will take place in October 2024. The FCA has not yet confirmed whether it will intervene through a consumer redress scheme, but states that "*it is more likely than when we started our review*".

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A Handbook Instrument introducing relevant consequential changes came into force on 26 September 2024.

[FCA policy statement: Extending the temporary changes to handling rules for motor finance complaints \(PS24/11\)](#)

[Webpage](#)

[Information for firms on motor finance complaints \(updated\)](#)

[Handbook Instrument \(FCA 2024/31\)](#)

[Press release](#)

- 9.2 Approach to enforcement - FCA publishes speech including comments on proposals for greater transparency of investigations - 24 September 2024** - The FCA has published a speech by Therese Chambers, joint executive director of enforcement and market oversight, on the FCA's evolving approach to enforcement.

Ms Chambers remarks on the degree of industry concern and resistance to the FCA's proposals on publicising enforcement investigations, published in CP24/2 in February 2024 as previously reported in this Bulletin. She reveals that the FCA will, this autumn, intensify its engagement on this matter, with plans to provide greater detail on how the proposals could work in practice. This will include publishing case studies to consider how the public interest criteria might apply and what announcements could look like, as well as more information on the numbers of cases that might be affected. Ms Chambers also notes that allowing firms time to provide their views on whether, what and when announcements are made will be part of any proposal taken forward.

Other points of interest in the speech include comments on the improved capabilities of the FCA's Cyber Forensics Unit and the FCA's decision to identify cases where it believes there may be conduct creating the greatest risk of harm, and where an investigation is most likely to drive the greatest deterrence. She also said the FCA was looking to shorten the amount of time it took to close investigations but said the regulator would never "shy away" from challenging or complex investigations.

[FCA speech: Change for the better: the FCA's evolving approach to enforcement](#)

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This Bulletin is prepared by the Financial Regulation Group of Slaughter and May in London. The Group comprises a team of lawyers with expertise and experience across all sectors in which financial institutions operate.

We advise on regulatory issues affecting firms across the financial services sector, including banks, investment firms, insurers and reinsurers, brokers, asset managers and funds, non-bank lenders, payment service providers, e-money issuers, exchanges and clearing systems. We also advise non-regulated businesses involved in financial regulatory matters. In addition, our leading financial regulatory investigations practice is regularly instructed by financial institutions requiring specialist knowledge of financial services regulation together with experience in high profile and complex investigations and contentious regulatory matters.

Most of the projects that we advise on have an extensive international or cross-border element. We work in seamless integrated teams with leading independent law firms which offer many of the most highly regarded financial institutions lawyers in Europe, the US and Asia, as well as strong and constructive relationships with local regulators.

Our Financial Regulation Group also produces occasional briefing papers and other client publications. The five most recent issues of this Bulletin and our most recent briefing papers and client publications appear on the Slaughter and May website [here](#).

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