SLAUGHTER AND MAY/

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FINANCIAL REGULATION WEEKLY BULLETIN

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

QUICK LINKS

If you have any comments or questions, please contact: 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.

SELECTED HEADLINES //

GENERAL //

1 BANK OF ENGLAND

1.1 **AI Consortium - launched by the Bank of England** – *2 May 2025* – The Bank of England has published a new webpage announcing the official launch of its Artificial Intelligence (AI) Consortium, along with the terms of reference and a list of participants. The Bank explains that the purpose of the AI Consortium is to provide a platform for public-private engagement to gather input from stakeholders on the capabilities, development, deployment and use of AI in UK financial services.

Webpage

2 FINANCIAL CONDUCT AUTHORITY

2.1 **Regulating cryptoasset activities - FCA publishes discussion paper** – *2 May 2025* – The FCA has published a discussion paper (DP25/1) on regulating cryptoasset activities. This follows the publication, on 29 April 2025, of a near-final statutory instrument that will create new regulated activities for cryptoassets, as reported previously in this Bulletin.

The paper seeks views on the FCA's approach to regulating cryptoasset trading platforms, intermediaries, cryptoasset lending and borrowing, staking and decentralised finance, and the use of credit to purchase cryptoassets. David Geale, executive director of payments and digital finance at the FCA, said *"our aim is to drive sustainable, long-term growth of crypto in the UK. We're asking whether we have got the balance right"*.

Feedback on these topics is welcomed by 13 June 2025. The FCA intends to consult on any proposals outlined in DP25/1, if it proposes to adopt them, as part of its final rules.

FCA discussion paper: Regulating cryptoasset activities (DP25/1)

Press release

2.2 **Supervisory correspondence - FCA introduces information on market reports and historical letters** – *2 May 2025* – The FCA has updated its webpage on supervisory correspondence to introduce information on market reports and historical letters. This follows its announcement in April 2025 that it will cease issuing portfolio letters, as reported previously in this Bulletin.

The FCA explains on the updated webpage that it is streamlining how it sets and communicates supervisory priorities by publishing a small number of market reports once a year. These will detail the risks and opportunities that the FCA has identified and will include FCA portfolio communications and insights from its supervisory work. The FCA has now also marked supervisory correspondence pre-dating April 2022 as 'historical'. It does not expect firms to refer to these historical letters when interpreting current supervisory expectations, but it has kept these letters publicly available for reference.

Updated webpage

2.3 **Appointed representatives data - FCA publishes new webpage** - *8 May 2025* - The FCA has published a new webpage presenting data which shows the size of the appointed representatives (AR) population, the services they offer, and the revenue they generated in 2024. The data will be updated every six months and is presented in service of the FCA's commitment to being a smarter, data-led regulator and its focus on strengthening principal firms' oversight of ARs.

Webpage

3 FINANCIAL OMBUDSMAN SERVICE

3.1 **Half-yearly complaints data for H2 2024 - published by FOS** - *6 May 2025* - The Financial Ombudsman Service (FOS) has published its half-yearly complaints data for H2 2024, announcing that between July and December 2024 it received a total of 141,846 new complaints, an increase of 49% on the same period in 2023. The FOS notes that disputes concerning banking fraud, credit affordability and motor finance commission payments were the main drivers for the rise in complaints.

FOS: Half-yearly complaints data for H2 2024

BANKING AND FINANCE //

4 EUROPEAN BANKING AUTHORITY

4.1 **BRRD - EBA publishes final draft ITS on resolution planning reporting** - *7 May 2025* - The European Banking Authority (EBA) has published a final report containing updated final draft implementing technical standards (ITS) on the provision of information for the purposes of resolution plans pursuant to the Bank Recovery and Resolution Directive (2014/59/EU) (BRRD), repealing Commission Implementing Regulation (EU) 2018/1624. In an accompanying press release the EBA notes that proportionality has been a key driver behind the draft ITS, which seek to avoid duplication of data requests and to eliminate data points that are either redundant or of limited value.

The EBA will submit the draft ITS to the European Commission for endorsement before they are published in the Official Journal of the EU. The draft ITS provide for the new framework to be operational in 2026, with a first reporting reference date of 31 December 2025.

EBA: Final report on draft ITS on resolution planning reporting (EBA/ITS/2025/04)

Press release

5 EUROPEAN CENTRAL BANK

5.1 **Application of prudential framework for market risk - ECB publishes response to European Commission targeted consultation** - *7 May 2025* - The European Central Bank (ECB) has published its response to the European Commission's March 2025 targeted consultation on the application of the EU's market risk prudential framework.

The ECB states that postponing the start date for the application of the full new market risk framework for a further year to 1 January 2027 as suggested by the European Commission, or substantially amending the framework, would not be necessary from a prudential viewpoint and would not remove uncertainty about how the fundamental review of the trading book (FRTB) framework will finally be implemented. The ECB further notes that supervisors and banks have already done considerable work on FRTB implementation ahead of the framework's planned entry into force in 2026. A delay would unfairly penalise banks that have duly prepared.

Instead, the ECB proposes a combination of policy options, including delaying the internal models approach and introducing the standardised approach with targeted adjustments, to help maintain momentum on FRTB implementation.

ECB: Response to the European Commission's targeted consultation on the application of the market risk prudential framework

6 HOUSE OF COMMONS TREASURY COMMITTEE

6.1 **Bank IT systems failure - Treasury Committee publishes correspondence** – *8 May 2025* – The House of Commons Treasury Committee (the Committee) has published the responses received from the chief executive officers of three banks and one building society concerning the failure of their IT systems on 28 February 2025, along with the initial letters the Committee had sent to the firms.

The Committee wrote to the firms on 8 April 2025 asking several questions regarding the failure, which resulted in a number of their customers experiencing issues when making payments through online and mobile banking. The questions related to the impact the failure had on customers, how the firms responded to the outage, and the estimated compensation firms expected to pay out.

Webpage

7 BANK OF ENGLAND

7.1 **Next steps for the UK stablecoin regime - Bank of England publishes speech on digital money and assets** – *6 May 2025* – The Bank of England (the Bank) has published a speech delivered by Sarah Breeden, the Bank's deputy governor for financial stability, on developments in digital money and assets, which includes discussion of the next steps for the UK stablecoin regime. Breeden sets out three themes of feedback the Bank received following its November 2023 discussion paper on a proposed regulatory framework for the use of stablecoins in retail payments. These are:

- first, that the proposed regime does not align with existing stablecoin business models whose revenues are based on interest income, and that the Bank's focus on 'singleness of money' for stablecoins widely used for payments is in conflict with the existing use cases for stablecoins (for example, supporting settlement in the cryptocurrency ecosystem);

- second, transition to the Bank's proposed regime may be more challenging the more it differs from the FCA's regime for non-systemic stablecoins; and
- third, a regime which differs from those implemented in other countries may pose challenges for firms wanting to operate cross-border businesses.

Breeden goes on to outline the next steps for the UK stablecoin regime. She states that it would be helpful to differentiate more clearly between 'payment coins' which are used in the real world and other types of stablecoin, which have more investment use cases or play a settlement role. Similarly, Breeden distinguishes between very large, systemic payment coins and those which are smaller but may have the potential to be systemic in future (with the caveat that any rapid growth in stablecoins which do not start off as systemic must be appropriately managed).

To conclude, Breeden emphasises that the Bank is keen to ensure *"that its regime enables safe, systemic payments coins in the UK to have a viable business model"* and that, as it continues to develop proposals, the Bank will maintain its focus on the singleness of money and financial stability. She intimates that a sandboxed approach could be beneficial in a payment context, noting the success of the Digital Securities Sandbox.

Speech

8 PRUDENTIAL REGULATION AUTHORITY

8.1 **Supervising building societies' treasury and lending activities - PRA consults on withdrawing SS20/15** – *8 May 2025* – The PRA has published a consultation paper (CP11/25) on a proposal to withdraw its supervisory statement on supervising building societies' treasury and lending activities (SS20/15). The PRA explains it considers that the expectations set out in SS20/15 are no longer consistent with its broader policy approach. The PRA also recognises that SS20/15 presents a potential level-playing field issue as it imposes prescriptive expectations on building societies that banks are not subject to, and that risk management in the building societies sector has become more sophisticated since SS20/15 was introduced. As such, the PRA comments that withdrawing the supervisory statement will help building societies to compete and grow in the UK market.

Feedback on the proposal is welcomed by 8 August 2025. The PRA proposes that the implementation date for the changes would be 1 January 2026.

PRA consultation paper: Discontinuing SS20/15: Supervising building societies' treasury and lending activities (CP11/25)

9 FINANCIAL CONDUCT AUTHORITY

9.1 **Mortgage rule review - FCA consults on simplifying rules and increasing flexibility** – *7 May 2025* – The FCA has published a consultation paper (CP25/11) on proposals to simplify responsible lending and advice rules for mortgages. This forms part of the work plan set out in the FCA's letter to the UK government at the start of year, which outlined a number of commitments in support of growth.

The FCA proposes to remove the interaction trigger at MCOB 4.8A7R(3) to improve customer journeys and allow firms more freedom to interact with consumers during a sale or contract variation. It also proposes to remove the requirement for a full affordability assessment when reducing the term of a mortgage, and to amend the modified affordability assessment to permit lenders to enter into a new mortgage contract where it is more affordable than either (i) a customer's current mortgage, or (ii) a new mortgage product that is available to that customer from their current lender.

Alongside these proposals, the FCA plans to retire two pieces of non-Handbook guidance, namely FG13/7 (which concerns dealing fairly with interest-only mortgage customers who risk being unable to repay their loan) and FG24/2 (which provides guidance for firms on supporting existing mortgage borrowers impacted by rising living costs). Feedback on the proposals is welcomed by 4 June 2025. The FCA intends to publish a policy statement in Q3 2025.

The FCA has also published a speech delivered by Emad Aladhal, the FCA's director of retail banking, on supporting home ownership in the UK through mortgage reform. On the consultation paper, Aladhal comments that the proposals seek to *"allow lenders greater scope to innovate and develop their own approaches to deliver good outcomes, and in doing so empower borrowers to make the right choices for their mortgage"*. Aladhal also announces that, in June 2025, the FCA intends to open a discussion on the future of the mortgage market and conduct regulation.

FCA consultation paper: Mortgage rule review: First steps to simplify our rules and increase flexibility (CP25/11)

Speech

Press release

9.2 **Consumer credit regulatory returns - FCA publishes policy statement** – *7 May 2025* – The FCA has published a policy statement (PS25/3) setting out its final rules and guidance for a new regulatory reporting return for consumer credit firms engaging in one or more of the regulated activities of credit broking, debt adjusting, debt counselling services and providing credit information services. This follows its September 2024 consultation paper (CP24/19) in which the FCA proposed to introduce the return. The FCA explains that the new return will replace elements of the CCR002 and CCR007, and that the new return seeks to make its expectations of firms clearer using common industry terminology to aid understanding.

Firms that are affected by these changes need to make sure they meet the requirements under the new rules so that their reporting is in line with the changes set out in PS25/3. Firms will also need to implement the changes within the timescales set out in Appendix 1. Although the FCA anticipates further consultations on the data it collects on the consumer credit market, it will delay further consultations on other consumer credit activities until after the implementation of these returns.

FCA policy statement: Consumer credit regulatory returns (PS25/3)

10 RECENT CASES

10.1 ***Re Sainsbury's Bank plc and another* [2025] EWHC 1062 (Ch)**, *1 May 2025*

Part 7 of FSMA – banking business transfer scheme – unstamped applications

The High Court has approved a banking business transfer scheme (the Scheme) which effects the transfer of substantially all of the banking business of Sainsbury's Bank plc (Sainsbury's) to National Westminster Bank plc. The Scheme marks the culmination of a strategic review of Sainsbury's business and the decision that Sainsbury's should focus its efforts on its retail business and dispose of its banking operations, including credit cards, personal loans and savings accounts. The Court sanctioned the Scheme, having considered the submissions and documents supporting the Scheme, along with objections put forward by customers.

Among other things, the Court considered the requirement under regulation 5(5) of the Financial Services and Markets Act 2000 (Control of Business Transfers) (Requirements on Applications) Regulations 2001 (SI 2001/3625) for a copy of the application to be supplied free of charge to the PRA and the FCA. It suggested that an *"unstamped application suffices provided, of course, that it is issued through the court and authentic, and that it is served in time"*.

***Re Sainsbury's Bank plc and another* [2025] EWHC 1062 (Ch) (1 May 2025)**

SECURITIES AND MARKETS //

11 EUROPEAN COMMISSION

11.1 **Review of SFDR - European Commission publishes call for evidence on revisions** – *7 May 2025* – The European Commission (the Commission) has published a call for evidence on revisions to the Sustainable Finance Disclosures Regulation ((EU) 2019/2088) (SFDR), which has been in application since March 2021. The Commission explains that the *"overarching objective of the review is to improve the functioning of the SFDR"*, with a focus on addressing undue burdens and simplifying and streamlining requirements. Comments on the call for evidence are welcomed by 30 May 2025. The Commission intends to adopt a draft Regulation revising the SFDR in Q4 2025.

European Commission call for evidence: Revision of EU rules on sustainable finance disclosure (Ares(2025)3568687)

12 COUNCIL OF THE EUROPEAN UNION

12.1 **Securities settlement - Council of the EU announces that member states agree position on shorter settlement cycle** – *8 May 2025* – The Council of the EU (the Council) has published a press release announcing that member states' representatives have approved the Council's position on the European Commission's proposed regulation amending Article 5(2) of the Central Securities Depositories Regulation ((EU) 909/2014) to shorten the settlement cycle for transactions in transferrable securities from two business days (T+2) to one business day after the trade date (T+1). The press release notes that the Council amended the original proposal by exempting securities financing transactions from the settlement cycle requirement.

The Council presidency will now begin interinstitutional negotiations with the European Parliament on this proposal. Once agreed, the new rules will apply from 11 October 2027.

Press release

13 EUROPEAN SECURITIES AND MARKETS AUTHORITY

13.1 **ESG rating activities - ESMA publishes consultation paper on draft RTS** – *2 May 2025* – The European Securities and Markets Authority (ESMA) has published a consultation paper on three draft regulatory technical standards (RTS) that establish key elements of the regulatory framework for ESG providers under Regulation (EU) 2024/3005 on the transparency and integrity of ESG rating activities. Comments on the draft RTS are welcomed by 20 June 2025. ESMA expects to publish a final report in Q4 2025 and submit the RTS to the European Commission by the end of October 2025.

ESMA consultation paper: Technical standards under the Regulation on the transparency and integrity of ESG rating activities (ESMA84-2037069784-2276)

Press release

14 FINANCIAL CONDUCT AUTHORITY

14.1 **Derivatives trading obligation - FCA publishes Handbook Notice 129** – *2 May 2025* – The FCA has published Handbook Notice No. 129, in which it confirms changes made to the FCA Handbook by the FCA Board on 27 March 2025. In short, two instruments have been made following the FCA's July 2024 consultation (CP24/14) on the derivatives trading obligation (DTO) and post-trade risk reduction (PTRR) services. These instruments make changes to the classes of secured overnight financing rate overnight index swaps subject to the DTO. They also establish a new framework to provide exemptions from the DTO and other relevant obligations for transactions arising from the use of PTRR services. The instruments enter into force on 30 June 2025.

Handbook Notice No. 129

ASSET MANAGEMENT //

15 FINANCIAL CONDUCT AUTHORITY

15.1 **Smaller asset managers and alternative business models - FCA publishes findings of multi-firm review** – *8 May 2025* – The FCA has published the findings of its multi-firm review of business models for smaller asset managers and alternatives. The FCA carried out the review across three phases in April 2023, November 2023 and September 2024, covering 410 firms with assets under management worth less than £1 billion.

The findings highlight several areas requiring improvement, including in relation to ensuring high-risk investments are only sold to appropriate clients, conflict management arrangements and understanding how the consumer duty applies to business models.

The FCA will continue to monitor firm conduct in these areas, including through subsequent tranches of this questionnaire, with a particular focus on its supervisory priorities as set out in its February 2025 portfolio letter to asset managers and alternatives.

FCA multi-firm review: Smaller asset managers and alternatives business model review

Press release

INSURANCE //

16 PRUDENTIAL REGULATION AUTHORITY

16.1 UK Solvency II - PRA to delay insurance-related CQS mapping rule changes – *8 May 2025* – The PRA has updated its webpage on Solvency II to note that it will delay the implementation of the updated mapping of external credit rating agency ratings to Credit Quality Steps (CQSs) for use in the UK Solvency II regime. In October 2024, the PRA published a consultation paper (CP13/24) on proposals to revoke and restate the remaining provisions of the UK Capital Requirements Regulation (575/2013/EU) in the PRA Rulebook. Chapter 7 of CP13/24 contained proposals to restate updated versions of existing requirements within technical standards in respect of the mapping of external ratings produced by credit rating agencies to CQSs within the PRA Rulebook. The PRA proposed that the insurance-related CQS mapping rule changes would come into force on 1 July 2025, and other CQS mapping-related rule changes (applicable to banks, building societies and designated investment firms) would come into force on 1 January 2026.

Following its decision (in consultation with HM Treasury) to delay the implementation of Basel 3.1 in the UK, the PRA explains that it has reconsidered the timeline to finalise the policies consulted on in CP13/24 and intends to publish final policy relating to its CQS mapping proposals in a policy statement in H2 2025. Therefore, the PRA expects to implement final policy for insurance-related CQS mapping no earlier than 1 January 2026, alongside its final policy relating to the other CQS mapping proposals in CP13/24.

Updated webpage

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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