

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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Slaughter and May
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GENERAL //

1 EUROPEAN COMMISSION

- 1.1 **AI in the financial sector - European Commission launches consultation - 18 June 2024** - The European Commission (the Commission) has published a consultation paper on the use of AI in the financial sector, seeking to identify the main use cases and the benefits, barriers and risks related to the development of AI applications. The input received will support the Commission in its implementation of the EU's AI Act, which is expected to come into force in July 2024, and which is designed to complement the existing financial services *acquis*.

The deadline for responses is 13 September 2024.

[European Commission: Targeted Consultation on AI in the Financial Sector](#)

2 EUROPEAN SUPERVISORY AUTHORITIES

- 2.1 **SFDR - ESAs publish opinion and recommendations for improvement - 18 June 2024** - The European Supervisory Authorities (ESAs) (comprising the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority) have published an opinion making a number of recommendations to improve the Sustainable Finance Disclosure Regulation ((EU) 2019/2088) (SFDR). The recommendations include that the Commission consider the introduction of a product classification system with simple and clear objective criteria to help consumers navigate the broad selection of sustainable products.

[Joint ESAs opinion on the assessment of the SFDR \(JC 2024 06\)](#)

[Press release](#)

3 EUROPEAN BANKING AUTHORITY

- 3.1 **MiCA - EBA publishes final package of technical standards and guidelines - 19 June 2024** - The European Banking Authority (EBA) has published a package of technical standards and guidelines under the Regulation on markets for cryptoassets ((EU) 2013/1114) (MiCA). The standards and guidelines cover the topics of reporting, liquidity stress testing and supervisory colleges. This package delivers the final EBA technical standards under MiCA.

[Press release](#)

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BANKING AND FINANCE //

4 EUROPEAN COMMISSION

- 4.1 **European Commission publishes speech announcing delay to Basel III reforms on market risk - 18 June 2024** - The European Commission (the Commission) has published a speech given by Commissioner Mairead McGuinness at the European Financial Integration 2024 joint conference of the Commission and the European Central Bank.

Most notably, Commissioner McGuinness announces a delay to the Commission applying the Basel III market risk reforms in the EU – the so-called “Fundamental Review of the Trading Book” – from 1 January 2025 to 1 January 2026. Commissioner McGuinness notes that the Commission does not expect the US to implement the Basel III standards until 1 January 2026 at the earliest, and hopes that this delay will “ensure a global level playing field” for EU banks to compete internationally.

Commissioner McGuinness states that this delay will be implemented by the passing of a delegated act as soon as possible, and that this will take a minimum of three months. Commissioner McGuinness confirms that the EU is nonetheless “firmly” adhering to an implementation date of 1 January 2025 for entry into application of the bulk of the Basel standards.

[Keynote speech by Commissioner McGuinness at the European Financial Integration 2024 joint conference of the European Commission and the European Central Bank](#)

5 OFFICIAL JOURNAL OF THE EUROPEAN UNION

- 5.1 **CRR - Delegated Regulations published in Official Journal - 17 and 18 June 2024** - Two Delegated Regulations have been published in the Official Journal of the European Union containing regulatory technical standards (RTS) under the Capital Requirements Regulation (575/2013/EU) (CRR), concerning:

- the assessment methodology under which national competent authorities verify an institution’s compliance with the internal model approach under Article 325az(8) of the CRR, as amended by the CRR II Regulation (EU) 2019/876, which will come into force (with certain exceptions) on 7 July 2024; and
- the identification of a group of connected clients under Article 4(1)(39) CRR, which will come into force on 8 July 2024.

[Commission Delegated Regulation \(EU\) 2024/1085 of 13 March 2024 supplementing the CRR with regard to RTS on the assessment methodology under which competent authorities verify an institution’s compliance with the requirements to use internal models for market risk](#)

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[Commission Delegated Regulation 2024/1728 of 6 December 2023 supplementing the CRR with regard to RTS specifying in which circumstances the conditions for identifying groups of connected clients are met](#)

5.2 CRR III and CRD VI published in Official Journal - 19 June 2024 - The following legislation has been published in the Official Journal of the European Union, and will come into force on 9 July 2024:

- Regulation amending the Capital Requirements Regulation (575/2013) (CRR) as regards requirements for credit risk, credit valuation adjustment (CVA) risk, operational risk, market risk and the output floor ((EU) 2024/1623) (CRR III Regulation); and
- Directive amending the CRD IV Directive (2013/36/EU) as regards supervisory powers, sanctions, third-country branches and ESG risks ((EU) 2024/1619) (CRD VI Directive).

[CRR III \(\(EU\) 2024/1623\)](#)

[CRD VI \(\(EU\) 2024/1619\)](#)

6 NETWORK FOR GREENING THE FINANCIAL SYSTEM

6.1 Guide on climate-related disclosure for central banks - NGFS publishes second edition - 19 June 2024 - The Network for Greening the Financial System (NGFS) has published the second edition of its guide on climate-related disclosure for central banks. The guide was originally published in December 2021, and the latest edition builds on and complements disclosure recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD).

The guide is aimed at central banks that are in the process of, or considering, disclosing their climate-related exposures, and is organised around four thematic areas: governance, strategy, risk management, and metrics and targets.

[Guide on climate-related disclosure for central banks \(second edition\)](#)

[Press release](#)

SECURITIES AND MARKETS //

7 FINANCIAL CONDUCT AUTHORITY

7.1 Digital engagement practices - FCA publishes research note on trading apps experiment - 20 June 2024 - The FCA has published a research note which finds that digital engagement practices (DEPs) used by trading apps, such as gamification, can increase the trading frequency and risk taking of consumers.

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The DEPs analysed by the FCA were flashing prices, push notifications, trader leaderboards and a ‘points & prize draw’ (a lottery in which participants had a greater chance of winning if they traded more). The FCA’s findings indicate that:

- push notifications and the points & prize draw increased the number of trades made by 11% and 12% respectively, while flashing prices and trader leaderboards did not statistically significantly increase the number of trades made;
- none of the features led to a statistically riskier investment portfolio at the end of trading, but push notifications and the points & prize draw increased the proportion of trades that were in risky investments by 8% and 6% respectively; and
- DEPs can have a larger effect on those with lower financial literacy, women and younger participants (aged 18 to 34).

Based on its findings, the FCA concludes that both firms and regulators should continue to closely scrutinise the effect of trading app design features on consumer investment decisions, especially in light of the consumer duty.

[FCA research note: Digital engagement practices: a trading apps experiment](#)

[Webpage](#)

FINANCIAL CRIME //

8 OFFICIAL JOURNAL OF THE EUROPEAN UNION

8.1 **AML Regulation, MLD6 and AMLA Regulation published in Official Journal - 24 and 25 April 2024** - The following legislation has been published in the Official Journal of the European Union:

- the Regulation on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing ((EU) 2024/1624) (AML Regulation);
- the Regulation establishing the Anti-Money Laundering Authority (AMLA) ((EU) 2024/1620) (AMLA Regulation); and
- the Sixth Money Laundering Directive ((EU) 2024/1640) (MLD6).

The legislative package will come into force on 9 July 2024.

[AML Regulation \(\(EU\) 2024/1624\)](#)

[AMLA Regulation \(\(EU\) 2024/1620\)](#)

[MLD 6 \(\(EU\) 2024/1640\)](#)

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9 FINANCIAL CONDUCT AUTHORITY

- 9.1 **Treatment of politically exposed persons by financial services firms - FCA delays publication of review findings - 19 June 2024** - The FCA has announced that, owing to the general election, it will delay publication of the findings of its review into the treatment of politically exposed persons by financial services firms.

The FCA had been on track to publish its findings in line with the end of June 2024 deadline set in the Financial Services and Markets Act 2023. The FCA now considers it more appropriate to publish these findings once Parliament has returned in July 2024.

[Press release](#)

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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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