

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

[Selected Headlines](#)

[General](#)

[Banking and Finance](#)

[Securities and Markets](#)

[Asset Management](#)

[Insurance](#)

[Financial Crime](#)

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

AI in financial services - HM Treasury, Bank of England and FCA respond to Treasury Committee report **1.1**

Banking and Finance

Eurosystem and SRB responses to European Commission consultation on competitiveness of the EU banking sector published **3.1**

Implementation of UK resolution regime - Bank of England publishes new and updated operational guidance **5.1**

Open finance roadmap - published by the FCA **6.1**

Securities and Markets

Cryptoasset perimeter guidance - FCA launches consultation **8.1**

Changes to the UK short selling regime - FCA publishes policy statement **8.2**

Asset Management

MiFID II - European Commission adopts Delegated Regulation containing RTS on investment firms' order execution policies **9.1**

Insurance

Selected Headlines

[General](#)

[Banking and Finance](#)

[Securities and Markets](#)

[Asset Management](#)

[Insurance](#)

[Financial Crime](#)

[Application of AI Act to the EU insurance sector - EIOPA publishes letter](#) **10.1**

Financial Crime

[Strategy for 2026-2029 - published by OFSI](#) **12.1**

Selected Headlines

[General](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[Insurance](#)[Financial Crime](#)

GENERAL //

1 HOUSE OF COMMONS TREASURY COMMITTEE

- 1.1 AI in financial services - HM Treasury, Bank of England and FCA respond to Treasury Committee report - 16 April 2026** - The House of Commons Treasury Committee has published a report setting out separate responses from HM Treasury, the Bank of England and the FCA to its report on AI in financial services, published in January 2026. The regulators reject the Committee's characterisation that they are simply taking a 'wait and see' approach to managing AI risk and outline their outcomes-focused approach to managing technology-related risks under existing rules coupled with ongoing monitoring of AI adoption.

Of particular interest, the Bank of England points to evidence which suggests that financial system participants have not yet adopted more advanced forms of AI, such as generative or agentic AI, in a manner that would present systemic risk – although AI-related risks are likely to increase, potentially rapidly. The key risks that the Bank and the FCA are focusing on through their public-private AI Consortium platform are: (i) concentration risks including from third-party model providers; (ii) the evolution of AI 'edge cases', as adoption moves into use cases that are more relevant for financial stability, such as credit risk assessment and trading; (iii) explainability and transparency in generative AI; and (iv) AI-accelerated contagion in financial markets, as well as discussions on emerging trends such as the rise of agentic AI. The Consortium will publish a report on its work, including these areas of focus, later this year.

Finally, the FCA states that, in line with the Committee's recommendation, it will share additional examples of good and poor practice as its innovation work progresses, and will do this together with the Bank and the PRA where appropriate.

[House of Commons Treasury Committee: AI in financial services report responses](#)

2 FINANCIAL CONDUCT AUTHORITY

- 2.1 Consumer duty board reports - FCA publishes blog - 16 April 2026** - The FCA has published a blog post written by Jonathan Pearson, its Head of Consumer Policy, reflecting on what firms' year 2 consumer duty board reports reveal about the progress of the consumer duty to date.

Pearson states that the FCA has seen tangible improvements compared with year 1, including stronger governance and more active board oversight, clearer and better-owned action plans, and broader, more insightful use of data. However, he is clear that significant gaps remain and that too many reports fail to link management information to actual consumer outcomes, or sufficiently evidence meaningful board challenge. Furthermore, many reports give inadequate attention to outcomes delivered through third parties and distribution chains. The FCA wants firms to draw on these insights as they approve their third year submissions.

[Blog](#)

[Selected Headlines](#)[General](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[Insurance](#)[Financial Crime](#)

BANKING AND FINANCE //

3 EUROPEAN CENTRAL BANK AND SINGLE RESOLUTION BOARD

3.1 Eurosystem and SRB responses to European Commission consultation on competitiveness of the EU banking sector published - 14 April 2026 - The European Central Bank (ECB) has published the Eurosystem's response to the European Commission's targeted consultation on the competitiveness of the EU banking sector, published in February 2026. The main policy proposals advanced by the Eurosystem (which comprises the ECB and the national central banks of Member States whose currency is the euro) include the following:

- a fully-fledged European Deposit Insurance Scheme with risk-sharing at European level is needed to protect all deposits equally and enhance the resilience of national banking systems and Member States;
- capital and liquidity should be allowed to flow freely within a cross-border banking group in the banking union and be subject to the same conditions that apply to domestic banking groups;
- the regulatory framework should be further harmonised, and a refocus of directives to regulations would significantly improve the effectiveness of the EU prudential framework by creating a harmonised toolkit. The best solution would be to merge the CRD IV Directive (2013/36/EU) into the Capital Requirements Regulation (575/2013);
- the existing five macroprudential buffers can be merged into two buffers, namely a non-releasable buffer (merging the current Capital Conservation Buffer and the buffers for Global and Other Systemically Important Institutions) and a releasable buffer (merging the current Countercyclical Capital Buffer and Systemic Risk Buffer); and
- increasing the proportionality of regulation for small banks.

The Single Resolution Board (SRB) has also published its response to the consultation. The SRB's suggestions include: (i) the introduction of enhanced intra-group support arrangements within the EU framework to support efficiency for cross-border EU banking groups; (ii) advocating for a European deposit protection scheme given that purely national deposit guarantee schemes are no longer fit for purpose (digitalisation increasingly allows households and firms to move deposits across Member States); a more streamlined MREL framework, where the current regime is "very complex"; and support for enhanced proportionality for smaller banks.

[Eurosystem response](#)[Press release](#)[SRB response](#)

[Selected Headlines](#)[General](#)[Asset Management](#)[Banking and Finance](#)[Insurance](#)[Securities and Markets](#)[Financial Crime](#)

4 EUROPEAN BANKING AUTHORITY

- 4.1 CRR - EBA publishes consultation papers on simplification of supervisory reporting - 10 April 2026** - The European Banking Authority (EBA) has published two consultation papers relating to the simplification of the supervisory reporting framework under the Capital Requirements Regulation (575/2013) (CRR). The proposals aim to reduce the reporting burden for EU banks while ensuring that supervisory authorities continue to receive the information they need to fulfil their supervisory responsibilities.

The deadline for comments is 10 July 2026, except for IFRS 18-related changes where the deadline is 10 May 2026. The proposed changes would apply from September 2027.

[EBA consultation paper: Revisions to the ITS on supervisory reporting \(Commission Implementing Regulation \(EU\) 2024/3117\) \(EBA/CP/2026/07\)](#)

[EBA consultation paper: Draft Implementing Technical Standards amending Commission Implementing Regulation \(EU\) 2024/3117 regarding Credit Risk and IFRS 9 Benchmarking reporting \(EBA/CP/2026/08\)](#)

[Press release](#)

- 4.2 Dry run testing of recovery plans - EBA publishes report - 13 April 2026** - The European Banking Authority (EBA) has published a report on how banks test the implementation of their recovery plans through "dry runs": exercises designed and conducted to test whether an institution's recovery plan can be effectively implemented under financial stress. The EBA conducted an analysis of the recovery plan submissions of 16 European cross-border banking groups across 10 EU Member States.

The report confirms that when used meaningfully, dry runs improve institutions' ability to respond to stress situations in a timely and credible manner. However, approaches and levels of maturity vary significantly across institutions and where dry runs are carried out primarily to meet supervisory expectations, they tend to be less effective. Looking ahead, the EBA highlights the importance for institutions to maintain regular, high-quality testing of key recovery plan elements and to continue refining their dry run practices.

[EBA report: Recovery plans dry runs](#)

[Press release](#)

5 BANK OF ENGLAND

- 5.1 Implementation of UK resolution regime - Bank of England publishes new and updated operational guidance - 13 April 2026** - The Bank of England has published new and updated operational guidance on how it might implement the UK's resolution regime in the event of a bank failure. First, a new operational guide provides clarity on how the Bank might execute a transfer resolution. This could include a situation in which some or all of a failing firm's business is transferred to a private sector purchaser, or a temporary Bank-owned bridge bank, and

Selected Headlines

[General](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[Insurance](#)[Financial Crime](#)

includes how it may require a recapitalisation payment. The guide expands on using resolution powers to execute sales within bank failure scenarios.

Second, updates to the Bank's existing operational guide to bail-in resolution are supported by lessons learned from the failures of Silicon Valley Bank and Credit Suisse, as well as continued international work to enhance the credibility and effectiveness of bail-in. The key addition is the introduction of an alternative approach to bail-in where affected creditors receive non-transferable contingent beneficial interests. The Bank explains that these interests would simplify the bail-in process and represent a potential right to shares, or proceeds from the sale of shares, once the resolution is concluded. These interests would be created upon entry into resolution and exist until the share allocation for relevant creditors is finalised.

Both operational guides also provide further detail on the Bank's approach to implementing a resolution of a building society. Alongside these changes, the Bank requested and was granted a No-Action Letter from the US Securities and Exchange Commission. This confirmation provides additional assurance regarding the cross-border operability of bail-in.

[Bank of England operational guide: Transfer resolutions](#)

[Bank of England operational guide: Bail-in resolutions](#)

[Press release](#)

- 5.2 External MREL - Bank of England publishes annual disclosure for 2026 - 16 April 2026** - The Bank of England has published a webpage containing its annual disclosure of external minimum requirements for own funds and eligible liabilities (MREL). This covers firms with a resolution entity incorporated in the UK for which a bail-in or transfer preferred resolution strategy has been set, and the MREL set out in the disclosure applies as at 1 January 2026 unless otherwise stated.

A revised version of the Bank's MREL statement of policy, which came into effect on 1 January 2026, has increased the indicative total assets threshold range from £15-25 billion to £25-40 billion, reflecting nominal growth in the period since its introduction. Within the revised range, a firm-specific assessment is made to determine the appropriate preferred resolution strategy. As a consequence of this change in the policy framework, several firms that had previously been set a bail-in preferred resolution strategy were reassessed and have now been set a transfer preferred resolution strategy.

The Bank states that, from 2027, it intends to stop disclosing individual firm external MREL. The Bank emphasises that high-quality and timely disclosure remains important and would be achieved through the PRA's MREL disclosure requirements on firms.

[Webpage](#)

6 FINANCIAL CONDUCT AUTHORITY

- 6.1 Open finance roadmap - published by the FCA - 14 April 2026** - The FCA has published a report on its plan to deliver open finance, which includes a "clear and ambitious" roadmap for delivery

Selected Headlines

[General](#)[Asset Management](#)[Banking and Finance](#)[Insurance](#)[Securities and Markets](#)[Financial Crime](#)

between now and 2030. The FCA is prioritising exploration of how open finance can help: (i) small and medium-sized enterprises (SMEs) improve access to credit and speed up loan applications; and (ii) consumers manage and improve access to mortgages. Key milestones in the roadmap include:

- collaborating with industry, consumer groups and regulators through to the end of 2026 to develop a range of practical open finance use cases;
- publishing a discussion paper focused on the first open finance scheme in Q4 2026; and
- publishing a discussion paper on delivering a long-term regulatory framework in H1 2027.

The FCA will work with HM Treasury on options for a regulatory framework for open finance by the end of 2027, with a view to scaling up that framework from 2028-2030. Firms will be supported to introduce open finance products sooner where they are already able to access data, and appropriate permissions are in place.

[FCA report: Open finance roadmap](#)

[Press release](#)

SECURITIES AND MARKETS //

7 EUROPEAN SECURITIES AND MARKETS AUTHORITY

- 7.1 Restricted subscription and private credit ratings - ESMA publishes call for evidence - 16 April 2026** - The European Securities and Markets Authority (ESMA) has published a call for evidence on the purposes, market practices, needs and risks associated with ‘restricted subscription credit ratings’ and private credit ratings against the background of the CRA Regulation (1060/2009). Market developments suggest that restricted subscription and private credit ratings are increasingly used alongside, or in place of, publicly disseminated ratings - particularly in private market segments. The deadline for responses is 31 May 2026.

[ESMA call for evidence: Restricted subscription and private credit ratings \(ESMA00-666616337-488\)](#)

8 FINANCIAL CONDUCT AUTHORITY

- 8.1 Cryptoasset perimeter guidance - FCA launches consultation - 15 April 2026** - The FCA has published a consultation paper (CP26/13) on new perimeter guidance to help firms understand how they might be affected by the UK’s new regulatory regime for cryptoassets, which will go live in October 2027.

The FCA is proposing to introduce a new chapter into its Perimeter Guidance manual (PERG) which will clarify the scope of the new regulated cryptoasset activities and when permission is needed. In addition, it aims to provide clarity for firms transitioning from the FCA’s current cryptoasset regime under the Money Laundering, Terrorist Financing and Transfer of

Selected Headlines

[General](#)

[Asset Management](#)

[Banking and Finance](#)

[Insurance](#)

[Securities and Markets](#)

[Financial Crime](#)

Funds (Information on the Payer) Regulations 2017 (MLRs) to the new cryptoasset activities under the Financial Services and Markets Act 2000.

The FCA is seeking feedback on its interpretation of the perimeter. The deadline for comments is 3 June 2026.

[FCA consultation paper: Cryptoasset perimeter guidance \(CP26/13\)](#)

[Webpage](#)

[Press release](#)

- 8.2 Changes to the UK short selling regime - FCA publishes policy statement - 16 April 2026** - The FCA has published a policy statement (PS26/5) on changes to the UK short selling regime, following its October 2025 consultation paper (CP25/29) on the subject. The UK Short Selling Regulation (UK SSR) is assimilated law, incorporated into UK law by the European Union (Withdrawal Act) 2018, and forms the basis of the current UK short selling regime. In January 2025, the Short Selling Regulations 2025 (SI 2025/29) (SSR 2025) were made, setting out a new legislative framework for the regulation of short selling and giving the FCA power to create new rules for persons conducting designated short selling activities.

Feedback on the FCA's proposals was broadly supportive and, as a result, the FCA will implement most of its rules and guidance as proposed (with some enhancements). The FCA is creating a new Sourcebook within the FCA Handbook to largely replicate existing provisions from the current regime. Its final rules do, however, make a number of changes, including:

- extending the deadline for reporting net short positions to 23.59 T+1;
- streamlining the notification process for market maker exemptions. The notification will become activity-based, removing the requirement for market makers to send further notifications to add financial instruments to their exemption; and
- publishing aggregate net short positions by company, aggregating the individual net short positions reported at or above the 0.2% threshold without identifying individual position holders.

To allow sufficient time to implement the new regime alongside operational changes, the FCA will do so in two phases, with the majority of the changes coming into effect on 13 July 2026. Phase 2 will take effect on 30 November 2026 and will include an update to the system for position reporting to facilitate persons uploading and submitting multiple positions in a single 'bulk submission'.

[PS26/5: Changes to the UK Short Selling Regime](#)

[Webpage](#)

Selected Headlines

[General](#)[Asset Management](#)[Banking and Finance](#)[Insurance](#)[Securities and Markets](#)[Financial Crime](#)

ASSET MANAGEMENT //

9 EUROPEAN COMMISSION

- 9.1 **MiFID II - European Commission adopts Delegated Regulation containing RTS on investment firms' order execution policies - 14 April 2026** - The European Commission has adopted a Delegated Regulation supplementing the MiFID II Directive (2014/65/EU) which contains regulatory technical standards specifying the criteria to be considered by investment firms when establishing and assessing the effectiveness of their order execution policies. The Delegated Regulation enters into force on the 20th day following its publication in the Official Journal of the European Union, and will apply 18 months after that date.

[Commission Delegated Regulation \(EU\) supplementing Directive 2014/65/EU with regard to regulatory technical standards specifying the criteria to be taken into account in establishing and assessing the effectiveness of order execution policies of investment firms \(C\(2026\)2300\)](#)

INSURANCE //

10 EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY

- 10.1 **Application of AI Act to the EU insurance sector - EIOPA publishes letter - 14 April 2026** - The European Insurance and Occupational Pensions Authority (EIOPA) has published a letter it has sent to the European Commission, the European Parliament, and the Council of the EU making suggestions for clarifying the application of the AI Act in the EU insurance sector. The suggestions aim to ensure that the objectives of the AI Act are achieved without creating unnecessary burdens for insurance companies and their supervisors. EIOPA observes that there may be areas of overlap and inconsistencies between existing insurance sector legislation and the AI Act.

In particular, EIOPA suggests clarifying which techniques fall within the definition of an 'AI system' and which do not, and which techniques qualify as 'high-risk' under the AI Act, which is a particular concern for insurance companies using AI for risk assessment and pricing in life and health insurance. EIOPA requests that generalised linear models are expressly excluded from these definitions given their high degree of explainability and transparency, and points out that their use has been widely established in the insurance industry since the 1980s.

[Letter](#)

- 10.2 **Shortened guidelines under Solvency II - EIOPA publishes consultation paper - 15 April 2026** - The European Insurance and Occupational Pensions Authority (EIOPA) has published a consultation paper containing proposals to shorten 13 sets of guidelines under Solvency II (2009/138/EC).

Selected Headlines[General](#)[Asset Management](#)[Banking and Finance](#)[Insurance](#)[Securities and Markets](#)[Financial Crime](#)

The sets of guidelines in question cover several aspects of Solvency II, including Pillar I topics and important Pillar II areas, such as the system of governance and (re)insurers' Own Risk and Solvency Assessment (ORSA). The proposed simplifications would reduce the length of the guidelines under Solvency II by at least 25%. EIOPA notes that the amendments provide no new interpretations or applications of the legal framework. The deadline for comments is 8 July 2026.

[EIOPA consultation paper: Shortened guidelines under Solvency II](#)

[Press release](#)

11 LLOYD'S MARKET ASSOCIATION

11.1 FCA simplification of the insurance rules - LMA publishes guidance for managing agents - 15 April 2026 - The Lloyd's Market Association (LMA) has published guidance for managing agents following publication of FCA policy statement PS25/21 in December 2025 on simplifying the insurance rules. The LMA guidance explains how managing agents can use the revised framework to focus conduct risk resources where they are most needed. It highlights how firms can take advantage of greater flexibility within product governance, oversight and review requirements, while continuing to deliver good outcomes for customers.

[LMA guidance: FCA simplification of the insurance rules](#)

FINANCIAL CRIME //

12 OFFICE OF FINANCIAL SANCTIONS IMPLEMENTATION

12.1 Strategy for 2026-2029 - published by OFSI - 15 April 2026 - The Office for Financial Sanctions Implementation (OFSI) has published its strategy for 2026-2029, setting out its agenda for the next three years. The strategy aims to deliver three key outcomes: an enhanced understanding of threats grounded in data; high quality licensing, enforcement and compliance support; and strong partnerships with industry, across Government and internationally.

The strategy is built around a new operating model, focusing on four pillars that are referred to as 'Promote, Enable, Respond, Change (PERC)'. OFSI sets out the actions it will take under this framework, which include publishing clear, concise guidance and assessments, and reducing friction for legitimate activity by providing direct, practical compliance advice on complex scenarios.

[OFSI Strategy 2026-2029](#)

Selected Headlines

[General](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[Insurance](#)[Financial Crime](#)

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](#).

If you would like to find out more about our Financial Regulation Group or require advice on a financial regulation matter, please contact one of the following or your usual Slaughter and May contact:

Jan Putnis	jan.putnis@slaughterandmay.com
Nick Bonsall	nick.bonsall@slaughterandmay.com
David Shone	david.shone@slaughterandmay.com
Kristina Locmele	kristina.locmele@slaughterandmay.com
Carla Edney	carla.edney@slaughterandmay.com

London
T +44 (0)20 7600 1200
F +44 (0)20 7090 5000

Brussels
T +32 (0)2 737 94 00
F +32 (0)2 737 94 01

Hong Kong
T +852 2521 0551
F +852 2845 2125

Beijing
T +86 10 5965 0600
F +86 10 5965 0650

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For further information, please speak to your usual Slaughter and May contact.

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