SLAUGHTER AND MAY/

27 MARCH 2025

ISSUE 1295

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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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.

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GENERAL //

1 FINANCIAL CONDUCT AUTHORITY

1.1 **Strategy 2025-2030 - FCA publishes its 5-year strategy** – *25 March 2025* – The FCA has published its strategy for 2025 to 2030, which sets out four priorities it intends to focus on over the next five years, namely (i) being a smarter regulator; (ii) supporting sustained economic growth; (iii) helping consumers navigate their financial lives; and (iv) fighting financial crime. FCA Chair, Ashley Adler, comments that the "*vision underpinning our strategy to 2030 is of deepened trust and rebalanced risk, to support growth and improve lives*".

In a related press release, the FCA explains that the strategy includes taking a less intensive approach for those firms seeking to do the right thing, significantly streamlining how it sets supervisory priorities and reviewing whether it can stop requiring certain data returns. It will also digitise and simplify the authorisation processes. The FCA also plans to invest in technology, people, and systems. In addition, as the FCA integrates the Payment Systems Regulator, it will build on the success of Open Banking and launch Open Finance.

The FCA has also published a new webpage setting out two to four outcomes for each of the strategic themes and the key metrics it will use to track them. It intends to update the pages annually with the latest data to show progress.

FCA: Strategy 2025-2030

Webpage

Press release

1.2 **Consumer duty rule review - FCA publishes feedback statement** – *25 March 2025* – The FCA has published a feedback statement (FS25/2) on immediate areas for action and further plans for reviewing FCA requirements following the introduction of the consumer duty.

The FCA outlines an "*ambitious*" work programme grouped under four categories, namely (i) reviewing the foundations; (ii) future-proofing disclosure; (iii); reducing the administrative burden and (iv) streamlining requirements. Within these categories the FCA has committed to, among other things, review (a) its responsible lending and advice rules for mortgages, (b) the international application of its conduct rules in the insurance sector, (c) the rules for advertising consumer credit, and (d) all Dear CEO letters and portfolio letters pre-dating its 2022-2025 strategy with a view to withdrawing them (subject to any exceptions).

The FCA further identifies a number of actions that it is proposing to take, subject to stakeholder feedback. These include clarifying how rules on product governance and fair value in the consumer duty interact with each other and those elsewhere in the FCA Handbook, clarifying the application of the consumer duty throughout distribution chains and reviewing the Senior Management Arrangements, Systems and Controls sourcebook, which has expanded significantly over time.

The FCA will use an accelerated consultation process to act immediately on measures where there is a clear case for change and stakeholder appetite to go quickly. In the areas where there has been mixed feedback, the FCA will engage further with stakeholders. The FCA intends to hold an in-person summit this summer to discuss these issues, and will publish a further statement to outline its full programme of work in September 2025.

FCA feedback statement: Immediate areas for action and further plans for reviewing FCA requirements following introduction of the consumer duty (FS25/2)

Webpage

Press release

1.3 **ESG rating providers - FCA issues survey** – *25 March 2025* – The FCA has published a new webpage inviting ESG ratings providers to complete a voluntary survey to help inform the future regulation of ESG ratings and broader sustainability disclosures. Responses are welcomed by no later than 16 May 2025, and firms are encouraged to respond by 2 May 2025.

Survey

Webpage

BANKING AND FINANCE //

2 EUROPEAN COMMISSION

2.1 **Application of the EU prudential framework for market risk - European Commission launches targeted consultation** – *24 March 2025* – The European Commission (the Commission) has published a consultation document to help determine the best approach for the application of the EU's market risk prudential framework. In July 2024, the Commission postponed the application of the fundamental review of the trading book (FRTB) by one year (until 1 January 2026) to align implementation with other major global jurisdictions. However, there remains uncertainty around the US and UK implementation of the final Basel III standards, raising level playing field concerns among internationally active banks, particularly in the area of market risk.

Against this backdrop, the Commission is considering acting under the empowerment in Article 461a of the Capital Requirements Regulation (575/2013/EU) (CRR) to adopt a Delegated Regulation by the end of June 2025. Specifically, the Commission is consulting on three potential options, namely to (i) implement the FRTB as currently laid down in the banking package, from 1 January 2026; (ii) postpone the date of application by a further year (until 1 January 2027); or (iii) introduce temporary and targeted amendments to the market risk framework for up to three years.

Combinations of these options or other alternatives could be envisaged provided they are within the Commission's mandate. Responses to the consultation are welcomed by 22 April 2025.

European Commission consultation document: Targeted consultation on the application of the market risk prudential framework

Press release

3 BANK OF ENGLAND

3.1 Stress testing the UK banking system - Bank of England launches 2025 Bank Capital Stress Test – *24 March 2025* – The Bank of England (the Bank) has launched the 2025 Bank Capital Stress Test for the seven largest and most systemic UK banks and building societies. The Bank explains that the exercise will assess the resilience of the UK banking system to deep simultaneous recessions in the UK and global economies, large falls in asset price, higher global interest rates and a stressed level of misconduct costs.

This is the first stress test since the end of transitional arrangements for the International Financial Reporting Standard 9 (IFRS 9) accounting standard (introduced in 2018). The Bank confirms that the Financial Policy Committee (FPC) has judged that the change in accounting standards should not lead to an unwarranted increase in capital requirements for the UK banking system. In this context, the Bank has reviewed the calibration of its stress test and is implementing a number of changes relative to previous concurrent stress tests. These changes are designed to be consistent with an unchanged FPC and Prudential Regulation Committee (PRC) risk tolerance for the resilience of the UK banking system.

The Bank intends to publish the results of the test at an aggregate and individual bank level in Q4 2025. The FPC and PRC will use the results to inform the setting of capital buffers for the UK banking system and individual participating banks, and to inform a broader understanding of risks in the banking system.

Bank of England: Key elements of the 2025 Bank Capital Stress Test

Press release

3.2 Innovation in wholesale payments - Bank of England publishes speech – *26 March 2025* – The Bank of England (the Bank) has published a speech delivered by Victoria Cleland, Executive Director for Payments, on the Bank's involvement in innovation in wholesale payments. In the speech Cleland provides a preview of the Bank's progress on the priority areas flagged in the Bank's February 2024 discussion paper on reviewing access to Real-Time Gross Settlement (RTGS) accounts for settlement. Before Easter 2025, the Bank intends to publish a summary of the key feedback received on the discussion paper, an update on its work so far and details of its forward-looking policy work.

Cleland also notes that the Bank will mandate the use of ISO 20022 enhanced data for certain CHAPS payments from 1 May 2025 to promote the use of enhanced data within the UK payments sector. Cleland explains that this will include purpose codes for payments between financial institutions and property transactions, as well as the inclusion of legal entity identifiers for payments between financial institutions.

Speech

4 HM TREASURY AND UK DEBT MANAGEMENT OFFICE

4.1 **Digital Gilt Instrument - HM Treasury and DMO publish policy paper** – *24 March 2025* – HM Treasury and the UK Debt Management Office (DMO) have published a policy paper concerning the delivery of the pilot Digital Gilt Instrument (DIGIT) announced by the government in November 2024. DIGIT will be a new digitally native UK government debt instrument held on a distributed ledger technology (DLT) platform operating within the Digital Securities Sandbox. It will be short dated and independent from the government's debt issuance programme.

HM Treasury and the DMO are seeking information to understand what technological options are available to facilitate an issuance, and how DIGIT can be best designed to stimulate wider development and adoption of DLT infrastructure across UK capital markets.

Responses are welcomed by 13 April 2025.

HM Treasury and DMO policy paper: Additional information and engagement on the DIGIT

Webpage

Press release

5 EU PLATFORM ON SUSTAINABLE FINANCE

5.1 **Streamlining sustainable finance for SMEs - PSF publishes report** – *21 March 2025* – The EU Platform on Sustainable Finance (PSF) has published a report on streamlining sustainable finance for SMEs, in light of the challenges they face in accessing external financing for their sustainability efforts. To address these challenges, the PSF proposes to develop a streamlined voluntary framework referred to as the 'SME sustainable finance standard'. This would be used by banks and other financial institutions to classify loans (or other types of financing) they provide to SMEs as sustainable finance, while also simplifying related voluntary disclosures. The standard initially focuses on climate mitigation and adaptation objectives, and is planned to be expanded to other environmental objectives.

PSF report: Streamlining sustainable finance for SMEs

Press release

6 NATIONAL AUDIT OFFICE

6.1 **RTGS renewal programme - NAO to carry out study** – *27 March 2025* – The National Audit Office (NAO) has published a webpage announcing that it will carry out a study on the Bank of England's (the Bank) Real-Time Gross Settlement (RTGS) renewal programme. The NAO explains that the study will assess whether the Bank has managed the RTGS renewal programme effectively and efficiently to achieve a new system resilient to future developments and risks, and to identify wider lessons for the Bank. The study is scheduled for Winter 2025/26.

Webpage

7 RECENT CASES

7.1 *Santander UK plc v CCP Graduate School Limited* [2025] EWHC 667 (KB), *25 March 2025*

APP fraud – tortious duty of care – duty of retrieval

The High Court (Eady J) has ruled that Santander UK plc (Santander) owed no duty of care to CCP Graduate School Limited (CCP) to take reasonable steps to retrieve payments made into an account as a result of fraud, setting aside the first instance decision. The decision concerns an incident of authorised push payment (APP) fraud that had induced CCP to transfer a total of £415,909.67 from its account with National Westminster Bank plc (NatWest) to an account with Santander held by PGW Consultants Limited. The fraudsters then shortly transferred the payments out of the Santander account, before Santander was alerted to a possible fraud.

In the first instance decision, Master Brown, in reliance on *Phillip v Barclays Bank UK plc* [2023] UKSC 25, held that it was at least arguable that Santander as the receiving bank owed CCP a duty of retrieval. Eady J noted that the identification in *Phillip* of an arguable duty of retrieval is an extension of the contractual duty owed by a bank to its customer, and there is no basis for extending this duty to a third party. Eady J further observed that "*CCP's case in this regard was bad in law and could have no real prospect of success*". The earlier ruling will be set aside and substituted for a finding that the application for strike out should be allowed in its entirety.

Santander UK plc v CCP Graduate School Limited [2025] EWHC 667 (KB)

SECURITIES AND MARKETS //

8 COUNCIL OF THE EUROPEAN UNION

8.1 Benchmarks regulation - Council of EU adopts proposed regulation amending BMR – *24 March 2025* – The Council of the EU has adopted a proposed Regulation amending the Benchmarks Regulation (EU) 2016/1011 (BMR) as regards the scope of the rules for benchmarks, the use in the Union of benchmarks provided by an administrator located in a third country, and certain reporting requirements. In a related press release, the Council notes that the proposed Regulation aims to reduce red tape for EU companies, particularly SMEs.

The main elements of the proposed Regulation include:

- a reduction in scope of the amended BMR such that administrators defined as non-significant in the EU will be removed from the scope of the legislation, and only critical or significant benchmarks will remain within scope;
- administrators outside the scope of the rules will be able to request the voluntary application of the rules under certain conditions;
- administrators of EU climate transition benchmarks and EU Paris-aligned benchmarks must be registered, authorised, recognised or endorsed to ensure regulatory oversight and prevent misleading ESG claims; and

- a specific exemption regime for spot foreign exchange benchmarks.

The proposed Regulation will enter into force and apply from 1 January 2026.

Council of the EU: Position of the Council at first reading with a view to the adoption of a Regulation amending BMR (2023/0379(COD))

Press release

9 PRUDENTIAL REGULATION AUTHORITY AND FINANCIAL CONDUCT AUTHORITY

9.1 **UK EMIR - PRA and FCA launch joint consultation on margin requirements for non-centrally cleared derivatives** – *27 March 2025* – The PRA and the FCA have published a joint consultation paper (CP5/25) on margin requirements for non-centrally cleared derivatives, updating the binding technical standards (BTS) in the UK version of Commission Delegated Regulation (EU) 2016/2251 that supplements UK EMIR ((EU) 648/2012).

The paper sets out the PRA’s and the FCA’s proposal to implement an indefinite exemption for single-stock equity options and index options from the UK’s bilateral margining requirements, from 4 January 2026. It also proposes two amendments to reduce the burden of the bilateral margining regime in the UK: (i) amendments for legacy contracts for counterparties that fall under the Average Aggregate Notional Amount (AANA) threshold, and (ii) amendments to allow firms to align dates related to the AANA calculation with other jurisdictions.

Responses to consultation are welcomed by 27 June 2025. The PRA and the FCA intend to publish a policy statement and amended BTS in H2 2025.

PRA and FCA consultation paper: Margin requirements for non-centrally cleared derivatives: Amendments to BTS 2016/2251 (CP5/25)

Webpage

ASSET MANAGEMENT //

10 ALL-PARTY PARLIAMENTARY GROUP ON INVESTMENT FRAUD AND FAIRER FINANCIAL SERVICES

10.1 **Woodford Equity Income Fund - APPG publishes second instalment of report on the FCA** – *25 March 2025* – The All-Party Parliamentary Group (APPG) on Investment Fraud and Fairer Financial Services has published the second instalment of its supplementary report on the FCA, along with an open letter addressed to Dame Meg Hillier, Chair of the Treasury Committee, raising several questions regarding the FCA’s handling of the Woodford scandal. In its open letter the APPG calls on the Committee to launch an inquiry into how the FCA has been handling the affair, commenting that the “*FCA has yet to publish its full report on the matter, having now been investigating it for over five years, leaving over 500,000 people in the dark*”.

APPG: Supplementary report on the FCA

Letter

INSURANCE //

11 FINANCIAL CONDUCT AUTHORITY

11.1 **Distribution of pure protection insurance products - FCA launches market study** – *21 March 2025* – The FCA has published the terms of reference for a market study assessing how well the distribution of pure protection products is working for retail consumers (MS24/1.2). The market study will focus primarily on the sale of four products, namely term assurance, critical illness cover, income protection insurance and whole of life insurance.

The FCA will examine the incentives created by commission structures, competitive constraints on insurers and intermediaries, and the influence of other market participants (such as reinsurers and product comparison platforms) on distribution. The FCA will also explore any potential barriers to innovation and investment, and assess whether the consumer outcomes that it observes align with those expected under the consumer duty and/or its Product Intervention and Product Governance Sourcebook rules.

The FCA intends to publish an interim report with its initial findings and proposed next steps at the end of 2025. The FCA also plans to publish several pieces of analysis on specific subjects throughout the duration of the market study, to share its latest thinking.

FCA terms of reference: Market study into the distribution of pure protection products to retail customers (MS24/1.2)

Press release

12 LLOYD'S MARKET ASSOCIATION

12.1 **Non-financial misconduct - LMA announces the launch of joint training programme with London market associations** – *25 March 2025* – The Lloyd's Market Association (LMA) has published a press release announcing that it has agreed, together with the International Underwriting Association (IUA) and the London & International Insurance Brokers' Association (LIIBA), to launch a joint training programme on non-financial misconduct (NFM) for the speciality insurance market. This follows the FCA's 2024 report on NFM in the wholesale speciality insurance market, where it requested work be undertaken by trade associations to provide their respective memberships with appropriate support and guidance on NFM.

The LMA explains that the programme will consist of a series of six workshops tailored for members of the LMA, IUA and LIIBA, with an additional session for independent non-executive directors and non-executive directors of member firms.

Press release

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:

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