SLAUGHTER AND MAY/

30 OCTOBER 2025

ISSUE 1324

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

Banking and Finance

Selected Headlines
General
Banking and Finance
Securities and Markets
Insurance
Financial Crime
Enforcement

GENERAL //

1 HM TREASURY

1.1 Joint FCA and PRA Scale-Up Unit - HM Treasury announces launch – *24 October 2025* – HM Treasury has published a press release announcing the launch of a new Scale-Up Unit for high potential financial services firms, with Chancellor Rachel Reeves aiming to 'supercharge' growth by making it easier for innovative businesses to grow.

The Scale-Up Unit will be jointly led by the FCA and PRA and will provide growing financial sector regulated firms with tailored support and guidance to help them test ideas, grow and succeed in the UK. The service will open initially for deposit-takers and insurers (offering support on topics including regulatory processes and product innovations), before expanding to serve other financial services firms next year. The Scale-Up Unit is intended to complement other existing support services for firms, not replace them.

Firms interested in joining the initial cohort, and that meet the eligibility criteria, should contact the regulators by 30 November 2025. Engagement with the first cohort of firms will start in December 2025.

HM Treasury press release

Scale-up Unit: Insurers

Scale-up Unit: Banks and Building Societies

1.2 Draft Financial Services and Markets Act 2000 (Regulated Activities) (ESG Ratings) Order 2025 published – *27 October 2025* – The draft Financial Services and Markets Act 2000 (Regulated Activities) (ESG Ratings) Order 2025 (the Order) has been published, alongside an explanatory memorandum.

The draft Order will require providers of an ESG rating to be authorised and supervised by the FCA. It achieves this by making the provision of an ESG rating a specified activity under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544) (RAO), when that rating is likely to influence a decision to make a specified investment as set out in the RAO. The memorandum further explains that the regulatory focus is on the likelihood of use; it is not a requirement to know the exact use of every rating provided.

The Order sets out a number of exclusions to this new regulated activity, including those relating to intra-group ratings and private use. Savings and transitional provisions are contained at Part 3 of the Order, and the provision of ESG ratings will come within the regulatory perimeter on 29 June 2028. The transitional regime will expire one year later on 29 June 2029.

In a separate press release the FCA has announced that, now that legislation has been laid before Parliament, it intends to consult on its proposed rules before the end of the year.

Statutory Instrument

Explanatory memorandum

FCA press release

2 FINANCIAL CONDUCT AUTHORITY

2.1 **Sexism in the City inquiry - FCA update on progress** – *28 October 2025* – The House of Commons Treasury Committee (the Committee) has published a letter from the FCA outlining its progress against the recommendations set out in the Committee's 2024 'Sexism in the City' inquiry report.

The letter touches on several areas, including the FCA's workstream on non-financial misconduct (NFM), the removal of the bankers' bonus cap, the FCA's engagement with the Equality and Human Rights Commission, and data collection on the use of non-disclosure agreements.

Of particular interest, the FCA announces its intention to confirm, before the end of the year, whether it will make additional guidance to help firms interpret its NFM rules. It also provides data on supervisory cases relating to NFM which are currently open, broken down by portfolio. The FCA currently has a higher number of cases in the wholesale markets, reflecting its focus on that area to date.

FCA Letter

3 FINANCIAL OMBUDSMAN SERVICE

3.1 **Cases fall by more than a third - FOS releases Q2 2025/26 complaints data -** *29 October 2025* - The Financial Ombudsman Service (FOS) has published its quarterly complaints data for Q2 2025/26, announcing that it received 46,300 new complaints between July and September 2025. This was substantially lower than the 73,700 cases received in the same period in 2024/25. The FOS connects the fall in cases to the introduction of a new charging model for professional representatives, which ensures complaints are better evidenced, and their merits are more carefully considered before referring.

Quarterly complaints data: Q2 2024/25

Press release

BANKING AND FINANCE //

4 BASEL COMMITTEE ON BANKING SUPERVISION

4.1 **Hedging of counterparty credit risk exposures - BCBS publishes technical amendment** – *29 October 2025* – The Basel Committee on Banking Supervision (BCBS) has published a technical amendment to the Basel Framework relating to the hedging of counterparty credit risk (CCR) exposures. The amendment aims to better align the treatment of guarantees and credit derivatives that provide fixed or capped protection with the treatment of eligible collateral in the CCR framework with respect to the residual risk to the original counterparty.

BCBS members have agreed to implement the revised standard by 1 November 2028.

BCBS technical amendment on hedging of counterparty credit risk exposures (BCBS600)

Webpage

5 EUROPEAN COMMISSION

5.1 **Legislative programmes under the CRR - European Commission publishes guidance** – *29 October 2025* – The European Commission (the Commission) has published a communication containing guidance concerning the treatment of equity exposures incurred under legislative programmes according to Article 133(5) of the Capital Requirements Regulation (*575/2013*) (CRR). In an accompanying press release, the Commission explains that these programmes—which combine public backing (such as guarantees or co-investment) with private funding and clear oversight mechanisms—support sectors that are critical to Europe's competitiveness and security, including clean technologies, digital innovation and defence.

By clarifying how the relevant Article 133(5) of the CRR applies, the guidance promotes a consistent and transparent application across the Single Market. Banks investing under eligible legislative programmes will be able to apply a lower capital charge to these exposures, reflecting their reduced risk, while maintaining strong supervisory safeguards and financial stability, and this initiative seeks to make it easier for EU companies to access equity financing.

The Commission has also launched a public register of legislative programmes under Article 133(5) containing legislative programmes that have been notified to the Commission by member states or relevant European institutions.

This guidance complements the adoption of Delegated Regulation (C(2025) 7206) amending Commission Delegated Regulation (EU) 2015/35 (Solvency II Delegated Regulation). See more on this item under ‘Insurance’, below.

European Commission communications: Treatment of equity exposures incurred under legislative programmes under CRR (C(2025) 7231)

Public register of legislative programmes

Press release

6 EUROPEAN BANKING AUTHORITY

6.1 **Revised guidelines for SREP and supervisory stress testing under CRD IV - EBA publishes consultation paper** – *24 October 2025* – The European Banking Authority (EBA) has published a consultation paper on draft revised guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing under the CRD IV Directive (*2013/36/EU*). The revisions reflect changes to the regulatory framework and landscape since the last update in 2021, and form part of the EBA's ongoing efforts to simplify and enhance the efficiency of the EU supervisory framework. The deadline for comments is 26 January 2026, and the final version of the revised guidelines is expected to apply from 1 January 2027.

EBA consultation paper: Revised guidelines for SREP and supervisory stress testing under CRD (EBA/CP/2025/21)

Press release

7 HM TREASURY

7.1 **Bank referral scheme - HM Treasury publishes consultation paper and call for evidence** – *27 October 2025* – HM Treasury has published a consultation paper and call for evidence on enhancing the UK's bank referral scheme (BRS) to better support SME access to finance. The BRS operates under the Small and Medium Sized Business (Finance Platforms) Regulations 2015 (*SI 2015/1946*) (Finance Platforms Regulations), and requires banks designated by the Treasury to refer SMEs they reject for finance, with the SME's permission, to alternative finance platforms designated by the Treasury.

While the act of lending to a small business is a commercial decision, the government is interested in understanding what levers are available to support the lending market and improve its functioning. To this end, the consultation puts forward several targeted proposals which include adjusting the scope of designations, broadening referral triggers, streamlining the customer journey and improving SME awareness about the BRS. The deadline for comments on the paper is 22 December 2025.

HM Treasury consultation paper: Bank referral scheme

Webpage

8 PRUDENTIAL REGULATION AUTHORITY

8.1 **Strong and Simple Framework - PRA publishes near-final policy statement on simplified capital regime for small domestic deposit takers** – *28 October 2025* – The PRA has published a near-final policy statement (PS20/25) on the simplified capital regime for small domestic deposit takers (SDDTs) under its 'Strong and Simple' Framework initiative, following the PRA's September 2024 consultation paper on this subject (CP7/24). The Strong and Simple Framework aims to deliver a more proportionate and simplified prudential framework for SDDTs in the UK, while maintaining their resilience. The PRA has not made final rule instruments and policies for the SDDT capital regime at this stage because the Pillar 1 requirements for SDDTs will be based on the final rules for the Basel 3.1 standardised approaches to credit risk and operational risk.

Respondents welcomed most of the PRA's proposals set out in CP7/24. The most material changes to these proposals include the removal of the bucketing approach for operational risk in the Pillar 2A framework for SDDTs, and amendments to the proposed Pillar 2A credit concentration risk single-name concentration monitoring (i.e. cluster limit) to improve risk sensitivity and transparency for firms. The PRA intends to publish the final SDDT capital regime policies and rule instruments in a policy statement in Q1 2026, to take effect from 1 January 2027.

The PRA also confirms the revocation of the Interim Capital Regime (ICR), to take effect at the time of publication of the final policy statement for the simplified capital regime for SDDTs. The policy statement is welcomed by the Financial Policy Committee (FPC), as stated in a separate press release.

PRA policy statement: Simplified capital regime under the 'Strong and Simple' framework (PS20/25)

FPC press release

8.2 **Retiring Pillar 2A refined methodology - PRA publishes near-final policy statement -** *28 October 2025* – The PRA has published a near-final policy statement (PS18/25) on retiring the refined methodology to Pillar 2A, following its September 2024 consultation paper on this subject (CP9/24). The policy material is 'near-final' because the PRA is yet to make the final rules for the implementation of the Basel 3.1 standardised approach to credit risk (CR SA).

Most respondents were not supportive of the proposal in CP9/24, seeking greater clarity on implementation details and raising concerns about how the proposal could affect firms' capital requirements. Nevertheless, the PRA has decided to maintain the approach consulted on to retire the refined methodology to Pillar 2A. The PRA maintains its view that the calibration of the Basel 3.1 CR SA better reflects the risk of exposures and increases risk sensitivity, which would promote safety and soundness while facilitating effective competition. The PRA states that it did not receive persuasive new evidence that the implementation of the Basel 3.1 CR SA would be overly conservative.

The PRA has made a few minor adjustments to the draft policy materials, which do not have a significant effect on the policy. The policy will take effect from 1 January 2027, aligning with the delay in the implementation of Basel 3.1 until that date.

PRA policy statement: Retiring methodology to Pillar 2A (PS18/25)

8.3 **Restatement of remaining CRR requirements - PRA publishes near-final policy statement** – *28 October 2025* – The PRA has published a near-final policy statement (PS19/25) on the restatement of the remaining provisions of the UK Capital Requirements Regulation (*575/2013*) (UK CRR) within the PRA Rulebook and other policy material. Across 2021-2024, the PRA has already restated and amended, or consulted on restatements and amendments of, parts of the CRR, as previously reported in this Bulletin. This policy statement follows publication of CP13/24 in October 2024 on the remaining CRR provisions.

Taking into account the responses to CP13/24, the PRA has made a number of adjustments to its draft policy, and the most material changes relate to the securitisation requirements. The PRA also received feedback in response to its proposals on the capital treatment of retail residential mortgage loans under the Mortgage Guarantee Scheme (MGS) and private mortgage insurance schemes with similar contractual features to MGS. These could be addressed otherwise than by modifying the CRR, and the PRA may consider these concerns in due course.

HM Treasury is required to make commencement regulations to revoke the relevant provisions of assimilated CRR before the PRA can replace them with PRA rules. Therefore, the PRA has not made final rule instruments and policy materials at this stage. The PRA intends to publish the final polices and rule instruments of requirements set out in this near-final policy statement in Q1 2026, alongside, or shortly after, it publishes the final policy statement covering the entire Basel 3.1 package. Most of the policies and requirements in the policy statement are intended to take effect on 1 January 2027.

PRA policy statement: Restatement of CRR (PS19/25)

SECURITIES AND MARKETS //

9 EUROPEAN SECURITIES AND MARKETS AUTHORITY

9.1 **Cyber risk and digital resilience to drive the agenda of ESMA's Union Strategic Supervisory Priorities for 2026 -** *24 October 2025* **-** The European Securities and Markets Authority (ESMA) has published a press release announcing that cyber risk and digital resilience will drive the agenda of its Union Strategic Supervisory Priorities (USSPs) for 2026. ESMA began to promote cyber and digital resilience as a USSP in January 2025 in direct alignment with the entry into application of the Digital Operational Resilience Act (*(EU) 2022/2554*) (DORA).

Press release

10 FINANCIAL CONDUCT AUTHORITY

10.1 **Changes to the UK short selling regime - FCA publishes consultation paper** – *28 October 2025* – The FCA has published a consultation paper proposing changes to the UK short selling regime (CP25/29). 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 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 firm-facing rules.

The FCA's proposals are based on feedback to HM Treasury's December 2022 call for evidence on the UK SSR, which concluded that it was not necessary to fundamentally change the current regime, but that it should be modified to alleviate disproportionate burdens on firms that may inhibit or discourage short selling and its associated benefits. As a result, the FCA's proposals seek to create a more efficient, effective and coherent short selling regime through the creation of a new Short Selling Sourcebook within the FCA Handbook, which will largely replicate requirements under the existing regime with some specific modifications.

Among other things, the FCA proposes to extend the deadline by which persons are required to notify a change in their net short positions to 23:59 T+1 and enable market markers to utilise exemptions more quickly and easily to support their activities. The consultation period will close on 16 December 2025.

FCA consultation paper: Changes to UK short selling regime

Press release

INSURANCE //

11 EUROPEAN COMMISSION

11.1 Solvency II - European Commission adopts Delegated Regulation - *29 October* 2025 – The European Commission has adopted a Delegated Regulation (C(2025) 7206) amending Commission Delegated Regulation (EU) 2015/35 (Solvency II Delegated Regulation). The amendments to the Solvency II Delegated Regulation are intended to encourage long-term investments by enhancing the investment capacity of insurers and include the introduction of a new preferential treatment for insurers' equity investments under legislative programmes where public subsidies and guarantees are involved. In a related press release, the Commission states that alignment with banking rules on legislative programmes regarding the eligibility criteria ensures legal certainty and predictability for both public and private investors.

On this latter point, see the item above under 'Banking and Finance' concerning new guidance on the treatment of equity exposures incurred under legislative programmes under Article 133(5) of the Capital Requirements Regulation (575/2013).

The Delegated Regulation will now be scrutinised by the Council of the EU and European Parliament.

Commission Delegated Regulation (EU) …/…amending Solvency II Delegated Regulation ((EU) 2015/35)

Press release

FINANCIAL CRIME //

12 EUROPEAN BANKING AUTHORITY

12.1 New AML/CTF regime - EBA responds to European Commission call for advice – *30 October 2025* – The European Banking Authority (EBA) has responded to a call for advice from the European Commission regarding certain draft regulatory technical standards under the EU's new anti-money laundering/counter terrorist financing (AML/CTF) framework, published in March 2024. The call for evidence asked for advice on six regulatory mandates that the new AML authority, AMLA, will adopt.

The EBA broadly put forward a risk-based and proportionate approach that will support the new AMLA operations, opting for regulation that fosters effective and efficient outcomes. It provided advice that was technologically neutral, whilst maximising harmonisation across supervisors, member states, and global AML/CTF benchmarks.

EBA response to the European Commission's Call for Advice on AMLA

Press release

13 FINANCIAL CONDUCT AUTHORITY

13.1 Risks surrounding contracts for difference - FCA publishes warning to investors – *30 October 2025* – The FCA has published a press release warning people who invest in contracts for difference (CFDs) that they risk losing vital customer protections. The FCA is concerned that firms are using high-pressure techniques to encourage investors to claim they are professional clients, putting them at risk of losing more money than they can afford. The FCA has also found investors are being targeted by finfluencers, who may not make it clear that they are promoting unregulated firms operating offshore.

The FCA states that firms must not push elective professional or redirection promotions onto their retail customers, and that it will act both against those breaking the rules and finfluencers touting financial services products illegally.

Press release

ENFORCEMENT //

14 RECENT CASES

14.1 R (CIT) v FCA (No 1) [2025] EWHC 2614 (Admin), 23 October 2025

Judicial Review – FCA Enforcement Guide - Publicity during FCA investigations

The High Court has handed down a judgement by Fordham J on *R (CIT) v FCA (No 1) [2025] EWHC 2614 (Admin)* dismissing the claimant's application for the judicial review of an FCA decision to publicise an investigation into a regulated firm. The claimant argued that the FCA's use of the 'exceptional circumstances' test to publicly name the firm in an investigation materially misinterpreted the FCA Enforcement Guide or, alternatively, reached a decision which was unreasonable as to outcome or as to its reasoning process.

While permission to apply for judicial review was granted on all grounds, Fordham J found that the claim for judicial review failed on its substantive legal merits and dismissed it.

R (CIT) v FCA (No 1) [2025] EWHC 2614 (Admin) (23 October 2025)

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
Sabine Dittrich	sabine.dittrich@slaughterandmay.com

London	Brussels	Hong Kong	Beijing
T +44 (0)20 7600 1200	T +32 (0)2 737 94 00	T +852 2521 0551	T +86 10 5965 0600
F +44 (0)20 7090 5000	F +32 (0)2 737 94 01	F +852 2845 2125	F +86 10 5965 0650