

# 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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Banking and Finance

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### Insurance

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 HOUSE OF COMMONS TREASURY COMMITTEE

1.1 **AI in financial services - Treasury Committee publishes report** - 20 January 2026 - The House of Commons Treasury Committee (the Committee) has published a report on the findings from its inquiry into AI in financial services, launched in February 2025, as previously reported in this Bulletin. In short, the report argues that the Bank of England, the FCA and HM Treasury are exposing the public and the financial system to “potentially serious harm” by adopting a wait-and-see approach to managing the risks presented by the increased use of AI in the financial services sector. The Committee recommends that the Bank of England and the FCA conduct AI-specific stress-testing; it also asks the FCA to publish a practical guide on AI for firms by the end of 2026, including an explanation of the application of consumer protection rules to the use of AI. Finally, it urges the government to press on with designating AI and cloud providers deemed critical to the financial services sector under the Critical Third Parties regime.

[Treasury Committee report: AI in financial services](#)

[Press release](#)

### 2 BANK OF ENGLAND, PRUDENTIAL REGULATION AUTHORITY, FINANCIAL CONDUCT AUTHORITY

2.1 **2025 CBEST thematic review - Bank of England, PRA and FCA publish joint findings** - 21 January 2026 - The Bank of England, the PRA and the FCA have published their 2025 annual CBEST thematic report based on recent CBEST assessments of firms and financial market infrastructures (FMIs). It is intended to inform the sector on the findings and lessons learned from the CBEST programme, which assesses the cyber resilience of key financial institutions through security testing performed in ‘live’ corporate environments.

The report does not introduce any new or additional regulatory expectations but articulates gaps, some of them foundational, observed in firms’ and FMIs’ cyber defences. This includes new findings on commonly seen threat tactics, techniques and procedures, alongside practical considerations for remedial work and resilience planning. Among other things, it notes that the impact of unauthorised access to sensitive systems and information can be reduced by strengthening credentials management, requiring strong passwords, use of multi-factor authentication, preventing insecure storage of credentials and segmentation of networks. The report also urges firms and FMIs to implement risk-based remediation plans to be overseen by risk managers and internal auditors.

[2025 CBEST thematic](#)

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## BANKING AND FINANCE //

### 3 FINANCIAL STABILITY BOARD

3.1 **Resolution report 2025** - published by FSB - 21 January 2026 - The Financial Stability Board (FSB) has published its 2025 resolution report reviewing global progress in implementing resolution reforms and enhancing crisis preparedness across the financial sector. The report also sets out the FSB's priorities for 2026 on resolution frameworks.

The report notes that, in 2025, the FSB published a practices paper on transfer tools, drawing lessons from past resolution cases. It also supported knowledge sharing on funding in resolution and advanced work on bail-in execution by forming a dedicated task force. Additionally, the FSB published draft guidance to promote consistency in determining which insurers should be subject to recovery and resolution planning requirements.

[FSB 2025 Resolution Report](#)

[Webpage](#)

[Press release](#)

### 4 PRUDENTIAL REGULATION AUTHORITY

4.1 **Implementation of Basel 3.1** - PRA publishes policy statement with final rules - 20 January 2026 - The PRA has published a policy statement on its final rules on the implementation of the Basel 3.1 standards (PS1/26). The PRA has also published final policy, rules, and supervisory expectations on a number of related banking capital frameworks, including retiring the refined methodology to Pillar 2A, the Strong and Simple Framework and the restatement of CRR requirements (see further below).

- Chapter 2 of PS1/26 sets out the minor amendments, corrections and clarifications that have been made to the near-final policy and rules in earlier PRA policy statements PS17/23, PS9/24 and PS7/25. These relate to, among others, the required level of own funds, the standardised approach to credit risk, the internal ratings based (IRB) approach to credit risk, credit risk mitigation and operational risk. A comparison of the final rules with the near-final rules set out in PS9/24 has been made available. The PRA also confirms that it will not make the rules relating to the interim capital regime (ICR) for small domestic deposit-takers (SDDTs) that were included in PS17/23 and PS9/24, given that the implementation dates for the Basel 3.1 standards and the SDDT capital regime are now aligned.
- Chapter 3 of PS1/26 contains the PRA's final policy on proposed adjustments to the market risk framework set out in CP17/25. The PRA intends to proceed with its proposals to delay the FRTB internal model approach by one year to 1 January 2028. Firms will be able to continue to use existing market risk models during the interim period. The PRA

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will also implement operational simplifications to the treatment of collective investment undertakings in the trading book boundary and the advanced standardised approach (ASA) as well as introduce a permissions regime to support the proportionate capitalisation of residual risks in the ASA.

- Chapter 4 of PS1/26 sets out the PRA's final policy on its proposed clarifications and amendments relating to FX exposures under the market risk framework set out in CP17/23. The PRA confirms that it intends to proceed with its earlier proposals, subject to several clarifications made in response to feedback.

The final rules and supervisory statements can be found in the appendices to PS1/26. The rules and guidance will take effect on 1 January 2027, except requirements relating to the internal model approach for market risk, which will come into effect on 1 January 2028.

**PRA Policy Statement 1/26**

**4.2 Retiring Pillar 2A refined methodology - PRA publishes policy statement - 20 January 2026 -**  
The PRA has published a policy statement (PS2/26) on retiring the refined methodology to Pillar 2A. This follows publication of the near-final policy in October 2025, in which the PRA confirmed that it would retire the methodology to coincide with the implementation of the Basel 3.1 standards. The PRA also confirmed that it would proceed with clarifications to its Pillar 2A approaches for interest rate risk in the banking book and pension obligation risk.

In PS2/26, the PRA confirms that it has not made any changes to the near-final policy. The policy to retire the refined methodology to Pillar 2A will take effect from 1 January 2027, which is the date of Basel 3.1 implementation. The refined methodology will no longer apply from that date, including to small domestic deposit takers (SDDTs), as they will be subject to the Basel 3.1 standardised approach to credit risk.

**PRA Policy Statement 2/26**

**4.3 Restatement of remaining CRR provisions - PRA publishes policy statement - 20 January 2026 -**  
The PRA has published a final policy statement (PS3/26) on the restatement of the remaining provisions of the UK Capital Requirements Regulation (575/2013) (UK CRR) that do not relate directly to the implementation of the Basel 3.1 reforms. These were published as near-final in PS19/25. There is no substantive difference between the near-final rules in PS19/25 and the final rules and policy, except minor changes to reflect the final version of the rules implementing Basel 3.1 set out in PS1/26.

In CP13/24, published in October 2024, the PRA proposed to, amongst others, restate the relevant provisions in the CRR (remainder CRR) in the PRA Rulebook and other PRA policy materials without material changes to the policy substance, except for some targeted changes to securitisation requirements. Some of the PRA's proposals in CP13/24 were finalised in PS12/25, published in July 2025. In PS19/25, the PRA published the near-final policy for the restatement of the remaining provisions.

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The policy will take effect from 1 January 2027, which is the date of Basel 3.1 implementation.

**PRA Policy Statement 3/26**

4.4 **Strong and Simple Framework** - PRA publishes policy statement - 20 January 2026 - The PRA has published a policy statement (PS3/26) on the simplified capital regime and additional liquidity simplifications for Small Domestic Deposit Takers (SDDTs) and SDDT consolidation entities, published as near-final in PS20/25 in October 2025.

The PRA has not made substantive changes to the policy and rules in PS20/25, other than minor amendments to reflect changes to the PRA Rulebook made in its final rules on the implementation of Basel 3.1 and the restatement of the UK CRR.

The SDDT capital regime will take effect on 1 January 2027, other than changes to the Statement of Policy (2/23) and rules and expectations relating to frequency of ICAAP updates (including reverse stress-testing) and ILAAP updates, which took effect on 20 January 2026.

**PRA Policy Statement 4/26**

## 5 HM TREASURY

5.1 **The Financial Services and Markets Act 2023 (Commencement No. 12 and Saving Provisions) Regulations 2026** - 22 January 2026 - The Financial Services and Markets Act 2023 (Commencement No. 12 and Saving Provisions) Regulations 2026 (the Regulations) have been published, together with an explanatory memorandum. The Regulations, which were made on 13 January 2026, use powers under the Financial Services and Markets Act 2023 (FSMA 2023) to revoke provisions in the UK Capital Requirements Regulation (575/2013) (UK CRR) and related legislation. They also make saving provisions relating to some of the revoked provisions.

The Regulations use powers under the Financial Services and Markets Act 2023 (FSMA 2023) to revoke on 1 January 2027 most of the remaining provisions in the UK Capital Requirements Regulation (575/2013) (UK CRR), as set out in Part 1 of the Schedule. The small number of provisions in the UK CRR that will not be revoked by the Regulations relate primarily to defined terms and HM Treasury's powers to make regulations on the equivalence of third-country regulatory frameworks. The Regulations also revoke, among others, legislation supplementing the UK CRR containing regulatory technical standards (RTS) and implementing technical standards (ITS), provisions of the Capital Requirements Regulations 2013 (SI 2013/3115) and the Financial Holding Companies (Approval etc.) and Capital Requirements (Capital Buffers and Macro-prudential Measures) (Amendment) (EU Exit) Regulations 2020 (SI 2020/1406).

The revocation of these provisions reflects the new PRA rules implementing the Basel 3.1 reforms and restating the remaining provisions of the UK CRR that were finalised in policy statements (PS1/26 and PS3/26).

**The Financial Services and Markets Act 2023 (Commencement No. 12 and Saving Provisions) Regulations 2026 (SI 2026/45)**

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## 6 FINANCIAL CONDUCT AUTHORITY

**6.1 Future entity for open banking - FCA outlines next steps - 16 January 2026** - The FCA has published a letter sent to trade associations outlining the process for the development of a future entity for open banking, which will be the primary standard-setting body for application programming interfaces (APIs) in the UK.

The FCA notes that more than one body is interested in co-ordinating industry activities to establish the future entity, including Open Banking Ltd and Smart Data Group. It asks industry participants to engage with organisations interested in the role and to decide which option they believe should lead the next phase of work. It would prefer firms to agree on a single proposal and invites market participants to express their views as soon as possible and, in any event, no later than 30 January 2026. To help industry reach a view, the FCA will commission an independent consultant-led assessment of the proposal(s) and convene a short programme of roundtables to enable firms to share views and new information.

[Letter](#)

## 7 FINANCIAL CONDUCT AUTHORITY AND PAYMENT SYSTEMS REGULATOR

**7.1 Commercial Variable Recurring Payments - FCA and PSR jointly publish statement - 20 January 2026** - The FCA and Payment Systems Regulator (PSR) have published a joint prioritisation statement on commercial variable recurring payments (cVRPs), an open banking technology which allows consumers to give third parties secure, recurring access to manage payments on their behalf. The joint prioritisation statement confirms that the FCA and the PSR will not, at this stage, prioritise investigations under Chapter I of the Competition Act 1998 (CA 1998) in relation to certain pricing arrangements concerning the UK Payments Initiative's scheme. This is a temporary measure ahead of the government's anticipated legislative framework under the Data (Use and Access) Act 2025 or other relevant legislative mechanism. The statement applies until that framework is in place or until July 2027 (whichever is earlier).

[FCA/PSR joint statement](#)[FCA/PSR letter](#)[Press release](#)

## INSURANCE //

## 8 FINANCIAL CONDUCT AUTHORITY

**8.1 Consumer outcomes delivered by mutual life insurers - FCA publishes findings of multi-firm review - 16 January 2026** - The FCA has published its findings from a multi-firm review on how smaller mutual life insurers meet the requirements of the consumer duty. The findings set out examples of good and poor practices the FCA identified in its review. The findings suggest that firms showed a strong emphasis on understanding their customers, but some lacked clarity on for

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whom their products would be unsuitable. The FCA also found that some firms had a strong understanding of the outcomes for with-profits customers, but that generally speaking they did not clearly explain how their proposed new business strategy complied with COBS 20.2. Firms that considered the implications of volumes of with-profits versus non-profit business alongside profitability and sales were some of the better assessments. They also provided a better understanding of the outcomes for with-profit customers.

The FCA states that it will continue to monitor how firms are demonstrating the higher standards expected under the consumer duty, including on price and value, and refers to its June 2024 multi-firm review of large insurance firms.

[FCA multi-firm review: How mutual life insurers meet Consumer Duty requirements](#)

## ENFORCEMENT //

### 9 FINANCIAL CONDUCT AUTHORITY

9.1 **DB pension transfer advice and oversight failings - FCA bans and fines individual following Upper Tribunal decision - 19 January 2026** - The FCA published the final notice (dated 12 January 2026) issued to Darren Antony Reynolds for advice failings relating to defined benefit pension (DB) scheme transfers, including the British Steel Pension Scheme (BSPS). Mr Reynolds was an approved person at Active Wealth (UK) Ltd (in liquidation) (the firm).

According to the final notice, Mr Reynolds arranged to receive prohibited commission payments derived from investments made by the firm's customers in breach of COBS 6.1A.4R. He also dishonestly advised customers to invest in an investment portfolio consisting of mini bonds knowing that it was not suitable for them, as well as advising and persuading customers to transfer out of the BSPS (when he knew it was not in their best interests). He wrote suitability reports to create the false impression that he had provided suitable advice and knowingly allowed two people to provide pensions advice to customers without being approved persons.

The FCA has banned Mr Reynolds from working in the financial services industry and fined him £2,037,892.

[Upper Tribunal judgement](#)

[Final notice](#)

[Press release](#)

### 10 RECENT CASES

10.1 ***R (Mastercard Europe SA) v PSR [2026] EWHC 64 (Admin)*, 15 January 2026**

*Judicial review - s54 FSBRA - price caps on multilateral interchange fees*

The High Court has dismissed an application for judicial review that challenged the decision of the Payment Systems Regulator (PSR) to impose a price cap on multilateral interchange fees for

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UK-EEA card-not-present outbound transactions. The claims concerned whether the PSR had the power under section 54 of the Financial Services (Banking Reform) Act 2013 (FSBRA) to impose price caps on interchange fees and whether it was precluded from using these powers on Mastercard by reason of section 108 of the FSBRA. The court held that the PSR has the power under section 54 to impose the proposed price caps and that it is not prohibited from doing so by section 108.

The PSR has published a press release welcoming the decision of the High Court.

[\*\*R \(Mastercard Europe SA\) v PSR \[2026\] EWHC 64 \(Admin\)\*\*](#)

[PSR 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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