

# 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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## GENERAL //

### 1 EUROPEAN CENTRAL BANK

- 1.1 Proposed Regulation to facilitate data sharing and re-use by financial sector authorities - ECB publishes opinion - 25 June 2024** - The European Central Bank (ECB) has published an opinion (CON/2024/21) on the proposed Regulation that would amend the ESRB Regulation (1092/2010), the EBA Regulation (1093/2010), the EIOPA Regulation (1094/2010), the ESMA Regulation (1095/2010) and the InvestEU Regulation ((EU) 2021/523) in relation to certain reporting requirements on financial services and investment support (2023/0363(COD)).

The objective of the proposed Regulation is to streamline reporting requirements, avoid double reporting of supervisory data and reduce the administrative burden on firms. The ECB makes several observations on the legislation, including the lack of clarity regarding scope and its impact on the supervisory toolkit. It also notes that the proposed Regulation introduces amendments to the ESA regulations that conflict with existing provisions on professional secrecy and exchange of information with other authorities, leading to legal uncertainty.

[ECB opinion on a proposal for a regulation of the European Parliament and of the Council as regards certain reporting requirements in the fields of financial services and investment support \(CON/2024/21\)](#)

### 2 FINANCIAL CONDUCT AUTHORITY

- 2.1 Consumer duty milestone - FCA webinar to be held - 27 June 2024** - The FCA has announced that it will livestream an event on 31 July 2024 to mark the anniversary of the coming into force of the consumer duty on 31 July 2023 for new and existing products and its application to closed products and services from 31 July 2024. The event will focus on the impact that the duty has had in its first year as well as examples of good practice and areas for improvement.

Questions may be submitted when registering for the event and will be used to shape the questions for the panel discussion. Questions may also be submitted during the event.

[Webinar](#)

- 2.2 Overseas appointed representatives - FCA publishes new webpage - 27 June 2024** - The FCA has published a new webpage on the expectations of principal firms with overseas appointed representatives (OARs). The FCA remarks that feedback to its consultation on improving the appointed representatives regime, published in December 2021, showed that principals may have challenges overseeing and communicating effectively with their OARs. This might be due to, for example, differences in legal, accounting and regulatory requirements for each jurisdiction. The FCA expects monitoring and oversight of OARs to account for any extra challenges that may arise.

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Principal firms should consider whether customers dealing with an OAR will receive equivalent services, protections and outcomes as those dealing with UK-based appointed representatives. If not, firms should make sure customers are given suitable information to alert them to any differences.

The webpage also contains a list of practical considerations for principals with OARs.

[Webpage on OARs](#)

## BANKING AND FINANCE //

### 3 EUROPEAN BANKING AUTHORITY

- 3.1 Disclosures under CRR - EBA publishes final report - 20 June 2024** - The European Banking Authority (EBA) has published a final report (EBA/ITS/2024/05) containing draft implementing technical standards (ITS) on public disclosures of the information referred to in Titles II and III of Part Eight of the Capital Requirements Regulation (575/2013) (CRR), reflecting reforms introduced by the CRR III Regulation ((EU) 2024/1623).

The draft ITS will implement the CRR III requirements on prudential disclosures by including new provisions on the output floor, credit risk, market risk, credit valuation adjustment (CVA) risk, operational risk and a transitional disclosure on exposures to cryptoassets. They also aim to provide an integrated set of uniform disclosure formats while promoting market discipline.

The ITS will repeal Commission Implementing Regulation (EU) 2021/637 to make the technical standards more user-friendly.

[EBA final report: Draft ITS on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation \(EU\) No 575/2013 \(EBA/ITS/2024/05\)](#)

[Press release](#)

- 3.2 Standardised approach for counterparty credit risk under CRR - EBA publishes final report - 24 June 2024** - The European Banking Authority (EBA) has published a final report (EBA/RTS/2024/16) containing draft Regulatory Technical Standards (RTS) on the mapping of derivative transactions to risk categories, the supervisory delta formula for interest rate options and the determination of long and short positions in the standardised approach for counterparty credit risk (SA-CCR) under Article 277(5) and Article 279(3)(a) of the Capital Requirements Regulation (575/2013) (CRR).

Among other things, the draft RTS specify the method for identifying transactions with only one material risk driver or with more than one material risk driver and for identifying the most material of those risk drivers. They also set out formulae to calculate the supervisory delta of call and put options mapped to the interest rate or commodity risk categories compatible with

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negative interest rates or commodity prices, and the supervisory volatility suitable for those formulae.

The draft RTS will be submitted to the European Commission for endorsement.

**[EBA final report: Draft RTS amending Delegated Regulation on mapping of derivative transactions to risk categories, on supervisory delta formula for interest rate options and on determination of long or short positions in the Standardised Approach for Counterparty Credit Risk under Article 277\(5\) and Article 279a\(3\)\(a\) of the CRR \(EBA/RTS/2024/16\)](#)**

- 3.3 AT1, Tier 2 and TLAC-MREL instruments - EBA publishes monitoring report - 27 June 2024 -** The European Banking Authority (EBA) has published a report on the monitoring of issuances of Additional Tier 1 (AT1) and Tier 2 capital instruments and of total loss absorbing capacity (TLAC) and minimum requirement for own funds eligible liabilities instruments (MREL) (EBA/REP/2024/11).

The report sets out the EBA's views on existing and new provisions, together with identified best practices, and on issues that may merit further scrutiny or EBA guidance. The report also considers own funds and eligible liabilities instruments with ESG features and how firms have implemented the EBA's October 2020 opinion on legacy instruments.

In an accompanying press release, the EBA comments on the approaches followed by some firms to reflect foreign exchange (FX) effects on AT1 instruments classified as equity from a prudential perspective and stresses the need to ensure a consistent application over time.

**[EBA report on the monitoring of Additional Tier 1 \(AT1\), Tier 2 and TLAC/MREL eligible liabilities instruments of EU institutions - update \(EBA/REP/2024/11\)](#)**

[Press release](#)

## 4 SINGLE RESOLUTION BOARD

- 4.1 Bail-in - SRB publishes document on executing its decision - 26 June 2024 -** The Single Resolution Board (SRB) has published a document for banks, investors and other stakeholders on executing its bail-in decision. The document forms part of the Single Resolution Mechanism's (SRM's) toolkit and addresses the application of the bail-in tool as well as write-down and conversion powers exercised in support of any resolution tool. The document is structured around the different stylised phases of a resolution process. It is designed to provide more transparency about how bail-in works in practice, particularly in a cross-border context.

**[SRB: Bail-in: part of the SRM's toolkit](#)**

[Press release](#)

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## 5 BANK OF ENGLAND

- 5.1 Financial stability - Bank publishes record of FPC meeting and 2024 Financial Stability Report - 27 June 2024** - The Bank of England (the Bank) has published the summary and record of the meeting of its Financial Policy Committee (FPC) on 11 June 2024, which set out the FPC's view on the stability of the UK financial system, and its 2024 Financial Stability Report.

The summary refers to the FCA and the PRA's work to reduce vulnerabilities in the private equity sector, noting that improved transparency in valuation practices and overall levels of leverage would alleviate some concerns. Separately, the FPC remarks that, given the significant progress made on liability-driven investment (LDI) fund resilience across domestic and international authorities over the past 18 months, it has closed its November 2022 and March 2023 recommendations on LDI fund resilience. It also confirms that it is maintaining the UK countercyclical capital buffer rate of 2%. These themes are further expanded on in the 2024 Financial Stability Report.

The FPC also welcomes the launch of the second round of the Bank's system-wide exploratory scenario (SWES) exercise.

[Financial Policy Summary and Record - June 2024](#)

[Bank of England Financial Stability Report](#)

[FPC core indicators](#)

[Webpage](#)

- 5.2 Stress testing the UK banking system - explanatory scenario exercise launched by Bank of England - 27 June 2024** - The Bank of England has launched the second round of its system-wide exploratory scenario (SWES) exercise. This 2024 desk-based exercise will test the resilience of the UK banking system to two hypothetical scenarios, which include severe but plausible combinations of adverse shocks to the UK and global economies.

The overall results of the exercise will be published in Q4 2024.

[Stress testing the UK banking system: scenarios for the 2024 desk-based stress test](#)

## INSURANCE //

### 6 INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

- 6.1 Diverse consumers in the insurance sector - IAIS launches consultation - 25 June 2024** - The International Association of Insurance Supervisors (IAIS) has published for consultation a draft application paper on achieving fair treatment for diverse customers in insurance.

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The IAIS explains that having greater regard for diversity, equity and inclusion in customer-facing aspects of insurers' businesses involves recognising that fair or unfair treatment for one type of customer may not be the same for another type of customer. Different factors need to be considered for consumers who are not part of a more typical or mainstream customer profile; this might include, for example, consumers who are experiencing vulnerability. The draft application paper provides guidance on how supervisors, insurers and intermediaries can meet existing requirements in Insurance Core Principle (ICP) 19 (Conduct of Business) to treat customers fairly in this context.

The IAIS will hold a public background session on the application paper on 17 July 2024. Comments can be made on the application paper until 25 September 2024.

[IAIS Draft Application Paper: how to achieve fair treatment for diverse consumers](#)

[Press release](#)

## 7 FINANCIAL CONDUCT AUTHORITY

**7.1 Outcomes monitoring under the consumer duty - FCA publishes findings from multi-firm review - 26 June 2024** - The FCA has published the findings from its multi-firm review of 20 large insurance firms in outcomes monitoring under the consumer duty.

This follows a request from the FCA in December 2023 for the most recent board or committee reporting from insurance firms including general insurers, life insurers, insurance intermediaries and regulated third-party outsourcers that service insurers. The FCA asked firms to show how they monitor, assess and test the outcomes customers are receiving, along with actions firms had taken after identifying poor outcomes.

The submissions were assessed against the monitoring requirements set out in PRIN 2A.9 and the guidance given to firms in its consumer duty final guidance (FG22/5). Examples of good and poor practices are set out on the webpage. The FCA found that many firms needed to make improvements in their monitoring to enable them to determine whether they are delivering good outcomes for retail customers, as required by the duty. For example, in some cases approaches were overly focused on processes being completed rather than on outcomes delivered and in others board or committee reporting contained limited insight into customer outcomes. Moreover, few firms were able to provide clear evidence of where the monitoring of outcomes had directly led to proactive action being taken to improve these outcomes where necessary.

All firms that participated in the review will receive individual feedback.

[FCA: Insurance multi-firm review of outcomes monitoring under the Consumer Duty](#)

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## FINANCIAL CRIME //

### 8 EUROPEAN BANKING AUTHORITY

- 8.1 EU AML and CTF legislative proposals - EBA publishes its 2024/25 priorities - 26 June 2024 -** The European Banking Authority (EBA) has published a press release welcoming a new package of legislative proposals designed to strengthen and modernise the EU anti-money laundering (AML) and counter-terrorist financing (CTF) framework. The package comprises 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 EBA has also set out its AML and CTF priorities for 2024/25 which include, among other things, developing a methodology for selecting firms for direct EU-level AML and CTF supervision.

[Factsheet](#)

[Press release](#)

### 9 FINANCIAL CONDUCT AUTHORITY

- 9.1 Introduction of explicit money mule warnings - FCA rejects complainant's suggestion - 20 June 2024 -** The FCA has published its response to the Financial Regulators Complaints Commissioner's final report, dated 8 May 2024, regarding a complaint made against the FCA (202300608). Among other things, the Complaints Commissioner recommended that the FCA consider the complainant's suggestion to require banks to make messages explicit to their customers about account mules (also referred to as money mules).

The FCA has analysed its duties under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) (MLRs 2017) and the Financial Services and Markets Act 2000 (FSMA). It has concluded that, as currently drafted, regulations 17 and 46 of the MLRs 2017 do not contain an explicit requirement for banks to tell customers about the risks of money mules. Also, these provisions do not require the FCA to make rules requiring firms to do this or to supervise whether firms are doing this.

The FCA remarks that it is open to ideas about enhancements to firms' systems and controls to facilitate better detection and prevention of fraud and money laundering. The FCA will continue to discuss new and emerging opportunities to enhance systems and controls to counter fraud, including that suggested by the complainant, as part of this work.

[Final report by the Complaints Commissioner: Complaint number 202300608](#)

[FCA response](#)

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## ENFORCEMENT //

### 10 FINANCIAL CONDUCT AUTHORITY

**10.1 Mistreatment of pension funds - FCA takes action against individuals - 24 June 2024** - The FCA has published a press release announcing its decision to ban and fine three individuals who were involved in running SVS Securities Plc (SVS), a discretionary fund manager.

SVS managed investments held on behalf of its customers. Under FCA rules, the firm was required to act in the best interests of its customers and not let conflicts of interests interfere with its obligations to them.

The FCA has found that Kulvir Virk, the former CEO and majority shareholder, recklessly caused SVS to use a complex business model intended to maximise the flow of customer funds into high-risk illiquid bonds. The model created systematic conflicts of interest and inappropriately prioritised income to SVS over the best interests of customers. In the FCA's view, as Head of Compliance, David Stephen failed to fulfil his responsibilities to ensure SVS was following the rules. Demetrios Hadjigeorgiou, SVS's former finance director, then CEO, also failed to fulfil his responsibilities to manage conflicts of interest and ensure proper due diligence was carried out. The FCA has found that the three individuals acted recklessly in deciding to mark-down customers' valuations when they disinvested from fixed income assets.

Mr Hadjigeorgiou and Mr Stephen have referred their Decision Notices to the Upper Tribunal and, as such, any findings in their Decision Notices are provisional. Mr Virk has not referred the FCA's decision to the Upper Tribunal and his Final Notice has not been the subject of any judicial finding.

[Final Notice: Kulvir Virk](#)

[Decision Notice: David John Alexander Stephen](#)

[Decision Notice: Demetrios Christos Hadjigeorgiou](#)

[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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