

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 PARLIAMENT

- 1.1 **EU AI Act published in the Official Journal - 12 July 2024** - The European Parliament and Council have published Regulation (EU) 2024/1689 laying down harmonised rules on artificial intelligence (EU AI Act) in the Official Journal of the European Union. The EU AI Act is aimed at the safe and ethical development, deployment and use of AI.

The EU AI Act will come into force on 1 August 2024. While most provisions will apply from 2 August 2026, some will begin to apply earlier. These include prohibitions on certain AI practices, such as enabling emotional recognition in the workplace, which will apply from 2 February 2025.

Please see [The Lens blog](#) for more information.

[Regulation \(EU\) 2024/1689 of the European Parliament and of the Council](#)

2 FINANCIAL OMBUDSMAN SERVICE

- 2.1 **Banking complaints hit a 10-year high - FOS releases annual complaints data 2023/2024 - 12 July 2024** - The Financial Ombudsman Service (FOS) has released its annual complaints data for 2023-2024.

The FOS reports that complaints in the banking sector are at their highest level in a decade, and that the FOS is seeing higher case levels across the board, with 198,798 new complaints in 2023/24 compared with 165,149 in the previous year. The indications so far are that this trend is continuing into the new financial year. Driving the increase were people's concerns about their current accounts and credit cards, as well as worries that they may have fallen victim to frauds and scams.

The complaints data also shows that, apart from the year most affected by the COVID-19 pandemic, the number of travel insurance cases brought to the FOS are at their highest level within the last decade. Cases are primarily driven by people being dissatisfied with insurers declining their claims, including where policyholders are told that medical conditions have not been properly disclosed. To counter rising complaints, the FOS has released its top tips on travel insurance.

[Annual complaints data and insight](#)

[Press release](#)

[FOS top tips on travel insurance](#)

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3 EUROPEAN SUPERVISORY AUTHORITIES

- 3.1 DORA - ESAs establish framework to strengthen coordination in case of systemic cyber incidents - 17 July 2024** - The European Supervisory Authorities (ESAs), comprising the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), have announced plans to establish an EU systemic cyber incident co-ordination framework (EU-SCICF) further to the Regulation on digital operational resilience for the financial sector ((EU) 2022/2554) (DORA). The EU-SCICF aims to improve the financial sector's response to cyber incidents that threaten financial stability by facilitating coordination among EU financial authorities and international stakeholders.

The ESAs will identify and report any legal and operational challenges during the set-up phase to the European Commission. The framework is expected to be operational by January 2025 with further developments subject to availability of resources and a further report by the European Commission on the framework.

[EU systemic cyber incident co-ordination framework \(EU-SCICF\)](#)

[Press release](#)

4 PRIME MINISTER'S OFFICE

- 4.1 The King's Speech 2024 published by the Prime Minister's Office - 17 July 2024** - The Prime Minister's Office has published the King's Speech 2024 delivered by Prime Minister Keir Starmer to Parliament, alongside background and briefing notes. The speech sets out the government's legislative programme, and the following bills are of particular relevance to the financial services sector:
- a **Bank Resolution (Recapitalisation) Bill**, which is designed to respond more effectively to small bank failures where resolution is judged to be in the public interest by: (i) requiring the Financial Services Compensation Scheme (FSCS) to provide funds to the Bank of England upon request, to be used where necessary to support the resolution of a failing bank, (ii) allowing the FSCS to recover the funds provided by charging levies on the banking sector, and (iii) giving the Bank of England an express ability to require a bank in resolution to issue new shares.
 - a **Pension Schemes Bill**, which is designed to increase the amount available for pensions savers through a number of measures, including requiring pension schemes to offer a range of retirement products so that people have a pension and not just a savings pots when they stop work;
 - a **Digital Information and Smart Data Bill** which, among other things, will set up Smart Data schemes. These will involve the secure sharing of a customer's data on their request with authorised third-party providers, in a manner comparable to open banking; and

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- a **Cyber Security and Resilience Bill** which will expand the remit of existing cross-sector UK regulation of cyber resilience inherited from the EU (the Cybersecurity Directive (EU) 2016/1148) or NIS 1 Directive) to protect more digital services and supply chains, put regulators on a strong footing to ensure essential cyber safety measures are being implemented, and mandate increased incident reporting to give the government better data on cyberattacks.

[The King's Speech 2024](#)**[Background and briefing notes](#)**

BANKING AND FINANCE //

5 PAYMENT SYSTEMS REGULATOR

5.1 APP scams reimbursement - PSR publishes policy statement on compliance and monitoring - 12 July 2024 - The Payment Systems Regulator (PSR) has published a policy statement on compliance and monitoring for the authorised push payments (FPS APP) scams reimbursement requirement (PS24/3) under the Faster Payments Scheme. This requirement starts to apply on 7 October 2024. PS24/3 confirms, for payment service providers (PSPs) that are subject to the requirement:

- the requirement to register with Pay.UK by 20 August 2024;
- the data that they are required to retain and report to Pay.UK monthly in respect of transactions they have sent; and
- the PSR's approach to requiring PSPs to inform consumers of their rights under the policy.

[PS24/3: FPS APP scams reimbursement compliance and monitoring](#)

5.2 Big tech and digital wallets - PSR and FCA launch joint call for information - 15 July 2024 - The Financial Conduct Authority (FCA) and the Payment Systems Regulator (PSR) have initiated a joint call for information on digital wallets provided by big tech companies, such as Apple Pay, Google Pay and PayPal. The call for information highlights that it is likely that more than half of UK adults now use a digital wallet to some extent, and seeks to identify the benefits and risks they bring to people and businesses.

In particular, respondents are asked whether there are any features of digital wallets that mean payments do not work as well as they could for consumers and/or businesses, whether they could unlock the potential of account-to-account payments, and how they could affect competition between payment systems.

The call for information is open until 13 September 2024. The regulators are expected to publish their findings by Q1 2025.

[Call for evidence](#)

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Press release

- 5.3 AI and the financial system - BIS publishes FSB Chair speech - 16 July 2024** - The Bank for International Settlements (BIS) has published a speech by Mr Klaas Knot, Chair of the Financial Stability Board (FSB), which was delivered at an International Monetary Fund-World Bank Constituency meeting on how artificial intelligence (AI) may shape the economy and the financial system. Of particular interest, Mr Knot calls for a *'slightly more American attitude'* to regulation, as he perceives that *'Americans have traditionally been focused on the opportunities...[while] Europeans tend to focus on the risks.'* Mr Knot also draws attention to the risks posed by new forms of inter-connectedness arising from AI applications, such as autonomous trading agents who may interact to create new dynamics in financial markets.

Speech

- 5.4 APP scams reimbursement requirement - PSR publishes consultation paper on guidance supporting the identification of APP scams and civil disputes - 18 July 2024** - The Payment Systems Regulator (PSR) has published a consultation paper containing draft guidance on the identification of authorised push payment (APP) scams and civil disputes, after industry feedback made the PSR aware of practical challenges in distinguishing between the two (CP 24/10). The start date for the APP scams reimbursement requirement is 7 October 2024.

The consultation is open for responses until 8 August 2024, and the PSR aims to publish its final guidance in mid-September.

[Draft guidance on Authorised push payment scams reimbursement requirement: supporting the identification of APP scams and civil disputes \(CP 24/10\)](#)

Webpage

6 BASEL COMMITTEE ON BANKING SUPERVISION

- 6.1 BCBS publishes amended standard on recalibration of shocks for IRRBB - 16 July 2024** - The Basel Committee on Banking Supervision (BCBS) has published the final version of its amended standard on the recalibration of shocks for interest rate risk in the banking book (IRRBB).

The changes follow a BCBS consultation in December 2023 and include:

- expansion of the time series used in the calibration from December 2015 to December 2023 in order to reflect the most recent changes in interest rates; and
- reducing the rounding of interest rate shocks to a multiple of 25 basis points.

The impetus for the amendments was to correct for problems arising where rates are close to zero under the current methodology, but the amendments are unrelated to the BCBS's ongoing analytical work on IRRBB following the bank failures in March 2023.

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The revised standard is expected to be in place by 1 January 2026 following incorporation into the consolidated Basel framework (chapters SRP31 and SRP98). Banks providing disclosure in 2026 for information as of 31 December 2025 will therefore have to comply with the revised standard.

[Amended standard on the recalibration of shocks for interest rate risk in the banking book \(BCBS578\)](#)[Webpage](#)**7 EUROPEAN BANKING AUTHORITY**

7.1 CRR and internal model authorisation - EBA publishes consultation paper - 16 July 2024 - The European Banking Authority (EBA) has published a consultation paper on draft implementing technical standards (ITS) amending Commission Implementing Regulation (EU) 2016/100 (the Regulation) on the joint decision process for internal model authorisation under Article 20(8) of the Capital Requirements Regulation (575/2013) (CRR), as amended by the CRR III Regulation ((EU) 2024/1623) (CRR III). The changes relate to the overall revised scope of application for internal models set out in CRR III. This marks the first stage of the EBA's implementation of the EU Banking Package, which comprises CRR III and the CRD VI Directive ((EU) 2024/1619)).

The consultation remains open for comments until 16 October 2024, after which the EBA will submit the ITS to the European Commission for adoption. The ITS would then come into force 20 days after its publication in the Official Journal of the EU.

[Consultation paper \(EBA/CP/2024/16\)](#)[Press release](#)

7.2 Remuneration under CRD IV - EBA publishes reports on derogations to the remuneration of identified staff and gender-neutral remuneration policies - 16 July 2024 - The EBA has published two reports on remuneration under the CRD IV Directive (2013/36/EU), namely:

- a report on the application of derogations from the remuneration of identified staff under Article 94(3) and (5) of the CRD IV Directive. This report observes that smaller financial institutions and subsidiaries benefiting from derogations have an improved ability to recruit staff; and
- a report on the use of gender-neutral remuneration policies by institutions and investment firms under the CRD IV Directive and the Investment Firms Directive ((EU) 2019/2034) (IFD). The report concludes that most institutions and a majority of investment firms have adopted remuneration policies that are explicitly gender-neutral.

Both reports have been submitted to the European Commission, which is expected to report to the European Parliament and the Council of the EU on the application of the derogations under Article 96(6) of the CRD IV Directive.

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[Report on application of derogations under Art. 94\(3\) and Art. 94\(5\) CRD regarding the pay out of remuneration to identified staff \(EBA/REP/2024/15\)](#)

[Press release](#)

[Report on the application of gender-neutral remuneration policies by institutions and investment firms \(EBA/REP/2024/16\)](#)

[Press release](#)

- 7.3 **CRR III - EBA publishes statement on application of CRR III in area of credit risk for the internal ratings based approach - 17 July 2024** - The European Banking Authority (EBA) has released a statement clarifying the application of the CRR III Regulation ((EU) 2024/1623) in the area of credit risk for the internal ratings based (IRB) approach. Among other things, institutions should communicate to their competent authorities the targeted model landscape that will be used from 1 January 2025 onwards.

[Full EBA statement](#)

[Press release](#)

SECURITIES AND MARKETS //

8 BANK OF ENGLAND AND FINANCIAL CONDUCT AUTHORITY

- 8.1 **UK EMIR reporting framework - Bank of England and FCA publish updated Q&As - 12 July 2024** - The Bank of England (the Bank) and the FCA have published updates to their Q&A webpages on revised reporting requirements under Article 9 of UK EMIR (648/2012). The Q&As apply from 30 September 2024, in line with the majority of the new reporting requirements.

Feedback is requested by 23 July 2024 on one outstanding draft Q&A concerning the reporting of spread bets.

[BoE: UK EMIR Reporting Q&As](#)

[BoE webpage](#)

[FCA: UK EMIR reporting questions and answers](#)

[FCA webpage](#)

9 EUROPEAN SECURITIES AND MARKETS AUTHORITY

- 9.1 **Order execution policies under MiFID II - ESMA publishes consultation paper - 16 July 2024** - ESMA has published a consultation paper on regulatory technical standards (RTS) supplementing the MiFID II Directive (2014/65/EU) (MiFID II) which set out the criteria for evaluating the effectiveness of investment firms' order execution policies.

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The consultation will close for responses on 16 October 2024. ESMA is expected to publish a final report and submit final draft RTS to the European Commission for endorsement by 29 December 2024.

[Consultation paper \(ESMA35-335435667-5891\)](#)

[Press release](#)

ASSET MANAGEMENT //

10 FINANCIAL CONDUCT AUTHORITY

10.1 Overseas funds regime - FCA publishes policy statement - 17 July 2024 - The FCA has published a policy statement on implementing the overseas funds regime (OFR) (PS24/7) (the Statement), which will enable the sale of overseas investment funds to UK retail investors. The Statement responds to the FCA's consultation paper (CP 23/26) on the same subject in December 2023.

Under the new rules, funds will be required to apply to the FCA for recognition, and the FCA intends to rely on the government's overall equivalence determination. In response to concerns raised in consultation responses that the new rules could create barriers to entry to the UK market, the FCA has amended the proposed rules by:

- axing the proposed 30-day waiting period between notifying the FCA of changes and those changes taking effect in the UK;
- providing further guidance on the categories of changes which must be notified; and
- providing further guidance on additional disclosures for fund prospectus and point of sale information.

The changes to the Handbook can be found in the Collective Investment Schemes (Schemes Authorised in Approved Countries) Instrument 2024 (FCA 2024/22), the text of which is reproduced in Appendix 1 to PS24/7. The instrument will come into force on 31 July 2024, and the OFR gateway for applications is expected to open in late 2024 for EEA UCITS other than money market funds.

[Policy statement \(PS24/7\)](#)

[Updated webpage](#)

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INSURANCE //

11 PRUDENTIAL REGULATION AUTHORITY

11.1 Dynamic general insurance test - PRA publishes statement on design - 15 July 2024 - The PRA has published a statement on the design of the 2025 dynamic general insurance stress test (DyGIST 2025). The stress test will comprise three stages:

- a live exercise, which will ask firms to respond as they would in real life to a series of hypothetical adverse events over the course of three weeks in May 2025. Following each event, firms will be asked to provide initial financial impact assessments, engage with their supervisory contacts and follow their expected management action plans;
- a final firm assessment by the end of July 2025, which will require firms to submit final quantitative templates with updated estimates of the impact of the events and a qualitative questionnaire intended to draw out any risk management learnings; and
- publication of the PRA's findings of the exercise in Q4 of 2025, which (depending on the conclusions) will feed into the PRA's supervisory plans for 2026. The results will be published in aggregate at industry level only.

Approximately 80% of the PRA-regulated general insurance market will be invited to participate. A list of these insurers can be found in Annex A to DyGIST 2025.

[PRA Statement](#)

FINANCIAL CRIME //

12 EUROPEAN SECURITIES AND MARKETS AUTHORITY

12.1 Market Abuse Regulation - ESMA publishes report on use of STORs - 17 July 2024 - The European Securities and Markets Authority (ESMA) has published its second report on suspicious transaction and order reports (STORs), seeking to provide insights into the use of STORs across the EU in market abuse investigations, with a focus on data from 2023.

Key points from the report include:

- in 2023 ESMA received 12% more STORs than in 2022, with the vast majority of notifications originating from investment firms (77%) and concerning shares (85%); and
- the majority of notifications in 2023 were for alleged insider trading (51%), with market manipulation cases accounting for 47%. This shows a slight shift from previous years, where suspected market manipulation cases were more prevalent.

[Report on STORs \(ESMA74-1103241886-992\)](#)

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13 FINANCIAL CONDUCT AUTHORITY

13.1 Politically exposed persons - FCA publishes review findings and consultation on amending PEP guidance - 18 July 2024 - The FCA has published findings from its review into firms' treatment of domestic politically exposed persons (PEPs). The review found that most UK firms were not imposing excessive checks or unfairly denying accounts to PEPs based on their status. All firms, however, could improve by (among other things) refraining from expanding the definition of a PEP, family member or close associate beyond that required by law, and communicating with PEPs effectively in line with the consumer duty. Following the review, a small number of firms are now subject to a separate, more detailed review of their practices.

Alongside its findings, the FCA has published a consultation on proposed amendments to its guidance on the treatment of politically exposed persons (PEPs) (GC24/4). The FCA's proposed changes to its guidance are intended to:

- reflect new rules that require UK PEPs to be treated as lower risk than foreign PEPs;
- make clear that non-executive board members of civil service departments are not PEPs solely on account of these roles; and
- give more flexibility around who can approve PEP customer relationships within firms.

The consultation is open for responses until 18 October 2024. However, the FCA expects firms to implement improvements from the review now rather than waiting for the final updated guidance.

[Consultation on proposed amendments to its Guidance on the treatment of politically exposed persons \(PEPs\) \(GC24/4\)](#)

[Multi-firm review on the treatment of Politically Exposed Persons](#)

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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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