

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

[Selected Headlines](#)

[General](#)

[Banking and Finance](#)

[Securities and Markets](#)

[Asset Management](#)

[Insurance](#)

[Financial Crime](#)

[Enforcement](#)

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

UK-China Economic and Financial Dialogue - HM Treasury publishes statement **3.1**

Banking and Finance

The Financial Services and Markets Act 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions) (Amendment) Order 2025 **8.1**

Digital pound - Bank of England publishes progress update and design note **9.1**

Securities and Markets

Transparency and responsiveness of margin in centrally and non-centrally cleared markets - BCBS, CPMI and IOSCO publish final reports **11.1**

Pension fund clearing exemption - HM Treasury confirms "longer-term" extension **13.1**

The Short Selling Regulations 2025 **13.2**

Insurance

Life insurance stress testing - 2025 exercise launched **16.1**

Financial Crime

Sanctions enforcement OFSI and OFAC cooperation - HM Treasury publishes MoU **17.1**

Selected Headlines

[General](#)

[Banking and Finance](#)

[Securities and Markets](#)

[Asset Management](#)

[Insurance](#)

[Financial Crime](#)

[Enforcement](#)

Enforcement

Financial crime failings - FCA publishes Final Notice and fines firm **18.1**

Selected Headlines

[General](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)

GENERAL //

1 FINANCIAL STABILITY BOARD

Relevance of transition plans for financial stability - FSB publishes report - 14 January 2025 -

The Financial Stability Board (FSB) has published a report examining the role of firms' climate transition plans in financial stability assessments. The report finds that forward-looking information on how firms might adjust their activities in response to climate risks can be useful for regulatory authorities when measuring and monitoring climate-related financial risks. However, at present, limited data availability and differences in the scope, coverage and quality of transition plans limit their usefulness in this context.

FSB: The Relevance of Transition Plans for Financial Stability

[Webpage](#)

[Press release](#)

- 1.1 **Climate-related vulnerabilities assessment - FSB publishes report - 16 January 2025 -** The Financial Stability Board (FSB) has published a report containing a framework and analytical toolkit to assess climate-related vulnerabilities. The FSB explains that the framework traces how physical and transition climate risks can be transmitted and amplified, whereas the toolkit comprises categories of metrics to monitor climate-related vulnerabilities from a forward-looking perspective. The FSB notes that these are live documents and are subject to refinement as understanding evolves on how climate-related vulnerabilities could impact financial stability.

FSB: Assessment of Climate-related Vulnerabilities: Analytical framework and toolkit

[Webpage](#)

[Press release](#)

2 UK GOVERNMENT

- 2.1 **Governance of AI - Government responds to House of Commons Committee report - 10 January 2025 -** The Science, Innovation and Technology Committee of the House of Commons (the Committee) has published the UK government's response to the recommendations made in the Committee's Third Report of Session 2023-24 on the governance of artificial intelligence (AI).

In short, the government agrees with the Committee's recommendation that specific AI legislation is required in the UK. As such, following a period of consultation, it intends to bring forward targeted legislation to govern a small number of firms that are developing frontier AI systems. The government remains committed to a pro-innovation approach, with regulators developing sector-specific guidance.

Governance of AI: Government response to the Committee's Third Report of Session 2023-24

Selected Headlines

[General](#)[Asset Management](#)[Enforcement](#)[Banking and Finance](#)[Insurance](#)[Securities and Markets](#)[Financial Crime](#)

3 HM TREASURY

- 3.1 UK-China Economic and Financial Dialogue - HM Treasury publishes statement - 11 January 2025** - HM Treasury has published a press release, an outcomes document and a factsheet on discussions held as part of the UK-China Economic and Financial Dialogue in Beijing on 11 January 2025. The press release refers to Britain as “a leading financial services partner for China.” The materials consider initiatives designed to improve capital market connectivity, including a commitment to further enhance the UK-China Stock Connect and the launch of UK-China over-the-counter bond business, as well as plans relating to pensions. China intends to issue an inaugural overseas sovereign green bond - to be used to finance environmentally sustainable projects - in London during 2025. The UK and China will also explore a Wealth Connect programme in recognition of the role asset management has to play in supporting growth. In addition, the parties have committed to enhancing regular communication and expertise sharing between the PRA and the FCA, and China’s National Financial Regulatory Administration (NFRA).

[HM Treasury policy paper: 2025 UK-China Economic and Financial Dialogue: Policy outcomes](#)

[Fact sheet](#)

[Press release](#)

- 3.2 The Financial Services and Markets Act 2000 (Designated Activities) (Supervision and Enforcement) Regulations 2025 - 13 January 2025** - The Financial Services and Markets Act 2000 (Designated Activities) (Supervision and Enforcement) Regulations 2025 (SI 2025/22) (the Regulations) have been published, alongside an explanatory memorandum.

The Regulations extend the FCA’s existing supervision and enforcement powers in the Financial Services and Markets Act 2000 (FSMA) so that they can be used in relation to requirements under the designated activities regime (DAR) in Part 5A of FSMA. This allows the FCA to gather information and launch investigations into persons carrying on designated activities and enforce its designated activity rules by publicly censuring or imposing financial penalties on persons that breach them.

A draft version of the Regulations was published in November 2024, as previously reported in this bulletin. The Regulations were made on 13 January 2025 and came into effect on 14 January 2025.

[Statutory instrument](#)

[Explanatory memorandum](#)

4 BANK OF ENGLAND, PRUDENTIAL REGULATION AUTHORITY AND FINANCIAL CONDUCT AUTHORITY

- 4.1 Cost Benefit Analysis Panel reports - published by Bank of England, PRA and FCA - 10 January 2025** - The Bank of England and the PRA have published an annual report on their Cost Benefit Analysis Panel covering the period from 1 July to 31 October 2024. The report notes that the

Selected Headlines

[General](#)[Asset Management](#)[Enforcement](#)[Banking and Finance](#)[Insurance](#)[Securities and Markets](#)[Financial Crime](#)

panel's work to date has been shaped by the transfer of material from legislation to the PRA Rulebook. The FCA's CBA panel has also published its first (interim) annual report, covering the period from May until 30 September 2024. It sets out a limited number of provisional recommendations relating to the use of CBA by the FCA and the Payment Systems Regulator (PSR), based principally on their new Statements of CBA Policy.

[Bank of England and PRA's CBA Panel Annual Report 2024](#)

[FCA CBA Panel Interim Annual Report 2024](#)

5 FINANCIAL CONDUCT AUTHORITY

- 5.1 **Consumer redress liabilities - FCA publishes new webpages - 14 January 2025** - The FCA has published two new webpages relating to consumer redress liabilities. The first webpage considers what firms should do to tackle and meet redress liabilities from "polluting behaviour" (which occurs when a firm leaves behind potential or actual redress liabilities generated in the course of its regulated activities). The second webpage provides information on how firms can identify and report the six main types of polluting behaviour (including basic phoenixing and sales at an undervalue). More generally, the webpages note that the FCA expects firms to notify it immediately when they become aware or have information that reasonably suggests that there may be a redress liability.

[Webpage: the polluter pays](#)

[Webpage: an update for firms](#)

BANKING AND FINANCE //

6 EUROPEAN BANKING AUTHORITY

- 6.1 **Draft guidelines on ESG scenario analysis - EBA consults - 16 January 2025** - The European Banking Authority (EBA) has published a consultation paper on its draft guidelines on ESG scenario analysis for the purposes of the Capital Requirements Regulation (EU/575/2013) (CRR). They set out expectations for firms using scenario analysis to test their resilience to the impact of ESG factors and complement the EBA Guidelines on the management of ESG risks, published on 9 January 2025 and reported in a previous issue of this bulletin.

The consultation runs until 16 April 2025. The EBA is holding a public hearing on 17 March 2025. The deadline for registering for this hearing is 13 March 2025.

[EBA consultation paper: Draft Guidelines on ESG Scenario Analysis \(EBA/GL/2025/02\)](#)

[Press release](#)

Selected Headlines

[General](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)

7 EUROPEAN BANKING AUTHORITY AND EUROPEAN SECURITIES AND MARKETS AUTHORITY

7.1 Recent developments in crypto-assets - EBA and ESMA publish joint report - 16 January 2025 -

The European Banking Authority (EBA) and European Securities and Markets Authority (ESMA) have published a joint report on recent developments in crypto-assets, analysing decentralised finance (DeFi) and crypto lending, borrowing and staking. It is the EBA and ESMA's contribution to the European Commission's report to the European Parliament and Council under Article 142 of the Markets in Crypto-Assets Regulation (MiCAR). The report refers to DeFi as a "niche phenomenon" and finds limited engagement of consumers and firms with services offered by crypto-asset service providers (CASPs) in the EU.

[EBA and ESMA joint report: recent developments in crypto assets \(Article 142 of MiCAR\) \(EBA/Rep/2025/01\)](#)

[Press release](#)

8 HM TREASURY

8.1 The Financial Services and Markets Act 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions) (Amendment) Order 2025 - 13 January 2025 - The Financial Services and Markets Act 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions) (Amendment) Order 2025 (SI 2025/30) (the Order) has been published, alongside an explanatory memorandum.

The Order amends the Financial Services and Markets Act 2000 (Ring-fenced Bodies and Core Activities) Order 2014 (SI 2014/1960) and the Financial Services and Markets Act 2000 (Excluded Activities and Prohibitions) Order 2014 (SI 2014/2080) to adjust the regulatory regime applying to ring-fenced banks. It will come into force on 4 February 2025.

For further detail, please refer to our earlier briefing on these reforms [here](#).

[Statutory instrument](#)

[Explanatory memorandum](#)

[De minimis assessment](#)

9 BANK OF ENGLAND

9.1 Digital pound - Bank of England publishes progress update and design note - 14 January 2025 -

The Bank of England has published a progress update on its work on a digital pound over the past year, including how it relates to the evolving payments landscape. It has also published a design note which identifies the key components to be explored by the Bank of England and HM Treasury in developing a digital pound blueprint.

The progress update notes that no decision has been made on whether to proceed with a digital pound. A digital pound would only be introduced with Parliament's approval, requiring primary

Selected Headlines

[General](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)

legislation and further public consultation. The design note outlines four components of the work being undertaken to set out the aims, scope and focus areas of the digital pound blueprint (these being product vision and strategy; scheme and regulation; technology; and operations). The Bank of England explains that it will require input from a range of stakeholders in developing the blueprint and invites feedback on the design note, which can be shared via email.

[Progress update](#)[Design note](#)

- 9.2 Updated approach to stress testing - Bank of England publishes speech - 15 January 2025** - The Bank of England has published a speech by Nathanaël Benjamin, Executive Director for Financial Stability Strategy and Risk, outlining the features of the Bank of England's new approach to stress testing. This follows its November 2024 report in which it set out its revised approach, which involves reducing the frequency of full bank stress tests. Drawing on the transfer of risk from banks to non-bank financial institutions and insurers, the speech also highlights the Bank of England's future intention to join up the findings of sectoral stress tests to enhance its understanding of system-wide dynamics.

[Speech](#)**10 PAYMENT SYSTEMS REGULATOR**

- 10.1 Updated strategy - PSR publishes commitments for the next two years - 16 January 2025** - The Payment Systems Regulator (PSR) has published its plans for the next two years following a mid-term review of its five-year strategy, as reported previously in this bulletin. It intends to focus on three commitments for the remainder of the strategy term: completing work to protect users, including embedding its Authorised Push Payment (APP) fraud reimbursement requirements; advancing work to upgrade the Faster Payments system and the reform of Pay.UK; and sharpening its focus on competition and innovation in payments systems.

[PSR strategy update](#)[Webpage](#)[Press release](#)**SECURITIES AND MARKETS //****11 BASEL COMMITTEE ON BANKING SUPERVISION, COMMITTEE ON PAYMENTS AND MARKET INFRASTRUCTURES AND INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS**

- 11.1 Margin in centrally and non-centrally cleared markets - BCBS, CPMI and IOSCO publish policy proposals - 15 January 2025** - The Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) have published three related reports on initial and variation

Selected Headlines

[General](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)

margin in centrally cleared and non-centrally cleared markets. The reports form part of a policy response coordinated by the Financial Stability Board to the March 2020 "dash for cash" market turmoil.

The reports contain proposals and practices intended to improve transparency, streamline margin processes and increase the predictability of margin requirements. A joint report by CPMI and IOSCO deals with the streamlining of variation margin (VM) in centrally cleared markets, while a joint report from BCBS and IOSCO considers margin models in non-centrally cleared markets. Finally, BCBS, CPMI and IOSCO have together published a report on centrally cleared initial margin (IM) calculations and potential future margin requirements. The Bank of England and the Commodity Futures Trading Commission (CFTC) have expressed support for the policy proposals in the BCBS-CPMI-IOSCO report in a press release.

[BCBS, CPMI and IOSCO final report](#)[CPMI and IOSCO final report](#)[BCBS and IOSCO final report](#)[BIS Press release](#)[Bank of England press release](#)

12 EUROPEAN PARLIAMENT

12.1 Proposed Regulation amending BMR - Provisionally agreed text published - 13 January 2025 -

The European Parliament has updated its legislative procedure file for the 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 (2023/0379(COD)).

The Council of the EU and the European Parliament reached provisional agreement on the proposed Regulation on 7 January 2025. The Regulation will enter into force and apply from 1 January 2026.

[Procedure file: Scope of rules for benchmarks, use in the Union of benchmarks provided by an administrator located in a third country, and certain reporting requirements \(2023/0379\(COD\)\)](#)

[Provisional agreement resulting from interinstitutional negotiations](#)

13 HM TREASURY

13.1 Pension fund clearing exemption - HM Treasury confirms "longer-term" extension - 10 January 2025 -

HM Treasury has published the government's response to its 2023 call for evidence on the future of the exemption for pension scheme arrangements from clearing certain derivative contracts. The temporary exemption has been extended several times since it was introduced, most recently until 18 June 2025 by the Pension Fund Clearing Obligation Exemption and

Selected Headlines[General](#)[Asset Management](#)[Enforcement](#)[Banking and Finance](#)[Insurance](#)[Securities and Markets](#)[Financial Crime](#)

[Intragroup Transaction Transitional Clearing and Risk-Management Obligation Exemptions \(Extension and Amendment\) Regulations 2023 \(SI 2023/472\)](#).

The government has confirmed that it will maintain the exemption for the longer-term by taking forward secondary legislation. Among other things, respondents to the call for evidence noted that mandatory clearing would require pension schemes and asset managers to increase their cash holdings, reducing their ability to invest in higher growth assets and generate returns. The majority of the respondents also suggested that the liability-driven investment episode in autumn 2022 would have been “worse without the clearing exemption” due to increased pressure on gilt repo markets.

[Call for evidence response](#)

[Webpage](#)

- 13.2 The Short Selling Regulations 2025 - 13 January 2025** - The Short Selling Regulations 2025 (SI 2025/29) (the Regulations) have been published alongside an explanatory memorandum. The Regulations establish a new legislative framework to replace the EU-inherited regime under the Short Selling Regulation (236/2012/EU) (SSR). It creates designated activities for short selling, providing the FCA with additional rulemaking powers related to those activities and powers to intervene in exceptional circumstances.

The explanatory memorandum explains that the Regulations restate core definitions relevant to short selling and provide the FCA with rulemaking powers, including the ability to set restrictions on uncovered short selling. The Regulations also restate the requirement for firms to notify the FCA of net short positions above 0.2% issued share capital. They also make a series of substantive changes to the regime, for example by introducing a requirement that the FCA publishes anonymised aggregated net short positions based on all notifications of individual positions received.

Regulations 1-6, 8, 9 and 11 came into force on 14 January 2025. The remaining provisions will come into force on the day on which the revocation of the UK SSR under the Financial Services and Markets Act 2023 comes into force.

[Statutory instrument](#)

[Explanatory memorandum](#)

[De minimis assessment](#)

14 FINANCIAL CONDUCT AUTHORITY

- 14.1 CRAs and CISPs - FCA publishes portfolio letter - 10 January 2025** - The FCA has published a portfolio letter setting out its priority areas of focus for credit reference agencies (CRAs) and credit information service providers (CISPs) over the next two years.

Among other things, the FCA intends to consider how firms are embedding the Consumer Duty, in particular looking at complaint practices across the portfolio, and price and fair value. The FCA also plans to focus on cyber and financial resilience of firms. Finally, the letter refers to the

Selected Headlines

[General](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)

credit information market study final report, published in December 2023. Firms are asked to look at whether the information they are providing to consumers, on the availability of statutory credit reports, meets the FCA's expectations under the consumer understanding outcome of the Consumer Duty.

[FCA Portfolio Letter](#)

ASSET MANAGEMENT //

15 FINANCIAL CONDUCT AUTHORITY

- 15.1 **OFR - FCA updates webpage to include new Material Change Notification form - 16 January 2025** - The FCA has updated its webpage on the Overseas Funds Regime (OFR) to include information on the new Material Change Notification form on Connect (the FCA's online system for the submission of applications and notifications) relating to the notification of certain material changes to a relevant recognised collective investment scheme (CIS) or sub-fund.

[Updated webpage](#)[User guide](#)

INSURANCE //

16 BANK OF ENGLAND

- 16.1 **Life insurance stress testing - 2025 exercise launched - 16 January 2025** - The Bank of England has updated its webpage on stress testing to include new information on the Life Insurance Stress Test 2025 (LIST 2025), including final instructions, templates and scenarios for the exercise. It is asking several of the largest life insurers, each listed in the Annex to a letter sent to the CEOs of those firms participating, to provide information about the impact of a range of stress scenarios on their business. The PRA intends to publish individual firm results in the core scenario and aggregate sector results for the exploratory scenario, to support transparency and enhance understanding as to how the components of the Solvency UK regime response in stress.

The deadline for submission is 16 June 2025. The PRA expects to publish the results of the exercise in the fourth quarter of 2025.

[Launch letter](#)[Scenario Specification, Guidelines and Instructions](#)[Updated webpage](#)

Selected Headlines

[General](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)

FINANCIAL CRIME //

17 HM TREASURY AND THE OFFICE OF FINANCIAL SANCTIONS IMPLEMENTATION

17.1 Sanctions enforcement OFSI and OFAC cooperation - HM Treasury publishes MoU - 13 January 2025 - HM Treasury and the Office of Financial Sanctions Implementation (OFSI) have published a memorandum of understanding (MoU) with the Office of Financial Assets Control (OFAC) in the US. The MoU, dated 9 October 2024, is designed to strengthen the parties' ability to exchange information with a view to appropriate co-ordination of efforts and advancing common goals around the investigation and enforcement of economic and certain trade sanctions.

[Memorandum of Understanding](#)[Webpage](#)

ENFORCEMENT //

18 FINANCIAL CONDUCT AUTHORITY

18.1 Financial crime failings - FCA publishes Final Notice and fines firm - 10 January 2025 - The Financial Conduct Authority (FCA) has published a Final Notice (dated 9 January 2025) and imposed a fine of £288,962.53 on Arian Financial LLP (the firm) for failing to have in place adequate systems and controls against financial crime. This follows an earlier investigation which resulted in a decision notice being issued to the firm in August 2022, imposing a fine of £744,745.

The FCA found that between 29 January and 29 September 2015, the firm breached Principle 2 and Principle 3 of the FCA's Principles for Businesses by failing to:

- have in place adequate systems and controls to identify and mitigate the risk of being used to facilitate fraudulent trading and money laundering in relation to business introduced by four authorised entities known as the Solo Group; and
- exercise due skill, care and diligence in applying its anti-money laundering policies and procedures. It also failed to properly assess, monitor and mitigate the risk of financial crime in relation to the Solo Group's clients.

This is the seventh case brought by the FCA in relation to cum-ex trading and withholding tax schemes.

[Final Notice](#)[Press release](#)

Selected Headlines

[General](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)

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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