

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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If you have any comments or questions, please contact: [Selmin Hakki](#).

Slaughter and May also produces a periodical Insurance Newsletter. If you would like

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GENERAL //

1 EUROPEAN PARLIAMENT AND COUNCIL OF THE EU

- 1.1 Omnibus I CSRD and CSDDD simplification proposal - provisional political agreement reached - 9 December 2025** - The European Parliament, the Council of the EU and European Commission negotiators have reached provisional political agreement on the final text of the European Commission's proposal for an Omnibus directive simplifying sustainability reporting and due diligence requirements introduced by the Corporate Sustainability Reporting Directive ((EU) 2022/2464) (CSRD) and the Corporate Sustainability Due Diligence Directive ((EU) 2024/1760) (CSDDD).

According to the accompanying press releases, the CSRD thresholds for EU companies and the EU net turnover threshold for non-EU companies have been raised, among other things. A review clause has also been inserted to consider extending the scope of both the CSRD and CSDDD.

The European Parliament is expected to formally adopt the Directive at its plenary session of 15-18 December 2025.

[Council of the EU press release](#)

[European Parliament press release](#)

2 HM TREASURY

- 2.1 Provisional licences authorisation regime - HM Treasury publishes policy update - 5 December 2025** - HM Treasury has published a policy update on establishing a provisional licences authorisation regime, as trailed in the government's Regulation Action Plan of March 2025. The regime is intended for firms which are not already authorised by the FCA and are seeking permission under Part 4A of the Financial Services and Markets Act 2000 (FSMA) for activities that are already within the FCA's perimeter. It will not extend to authorised firms seeking variations of their permissions, nor to firms seeking permission(s) for activities that are being brought within the regulatory perimeter for the first time. Nor is the regime intended for firms that will be subject to dual regulation by the PRA and the FCA.

The update explains that the FCA will be responsible for determining eligibility for the regime and will do so in line with its statutory objectives, taking account of operational and market considerations. It is expected to be most appropriate for early-stage firms, particularly those with an innovative business model. The FCA will assess applications for provisional licences against the threshold conditions in a proportionate way, which means that its judgements will be tailored to the firm's stage of development. Provisional licences will apply for a fixed duration of up to 18 months, subject to extension in limited circumstances.

Introducing a provisional licences authorisation regime will require primary legislation, which the government will bring forward when Parliamentary time allows.

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3 PRUDENTIAL REGULATION AUTHORITY AND FINANCIAL CONDUCT AUTHORITY

- 3.1 **Supporting growth - FCA and PRA publish letters to government - 9 December 2025** - The FCA and the PRA have published letters sent to the government with updates on their respective work to support the government's UK growth mission.

The FCA's letter highlights some of its plans to support growth in 2026. These include finalising digital assets rules, progressing UK-issued sterling stablecoins, reforming rules for venture capital and alternative investment fund managers and consulting on the pension charge cap. The FCA also plans to further speed up IPO applications by removing the seven-day research waiting period.

The PRA's letter refers to the implementation of the strong and simple capital framework for smaller, UK-focused lenders, the launch of the Matching Adjustment Investment Accelerator, and changes to the framework for Insurance Special Purpose Vehicles and to the banking remuneration regime (including bonus deferral periods). The PRA is also now engaging with industry on the further development and prioritisation of the Future Banking Data programme.

[FCA letter on approach to growth](#)[PRA letter on approach to growth](#)[Press release](#)

4 FINANCIAL CONDUCT AUTHORITY

- 4.1 **Applying consumer duty when manufacturing products or services together - FCA publishes statement - 8 December 2025** - The FCA has published a statement setting out its expectations on applying the consumer duty when firms work together to manufacture products or services. The FCA has observed that some firms find it difficult to decide when they are subject to the rules, or to understand the impact on their dealings with another firm.

In the FCA's view, firms in the distribution chain can rely on each other, where reasonable, to comply with the rules. However, the arrangements between firms should make it clear which firm is responsible, to ensure accountability and effective supervision by the FCA. The rules should not be interpreted to mean firms working together to manufacture a product or service must have a say in each other's decisions, or that they are expected to engage in joint decision-making. The FCA also notes that responsibilities do not need to be allocated evenly in every case. The statement clarifies that a firm is generally only liable for remedial action in respect of harm it has caused (except where one firm outsources an activity or service to another party).

[FCA statement: Application of consumer duty in joint manufacturing](#)[Press release](#)

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- 4.2 **Regulatory Initiatives Grid - 9th edition published - 11 December 2025** - The FCA has published the 9th edition of the Regulatory Initiatives Grid, setting out the regulatory pipeline over the next two years. The foreword notes that members of the forum remain committed to advancing their individual objectives and, as part of this, are supporting the government's growth agenda. This edition features 124 live initiatives and 45 joint initiatives.

[Regulatory Initiatives Grid 9th Edition](#)[Press release](#)[Bank of England press release](#)

BANKING AND FINANCE //

5 BASEL COMMITTEE ON BANKING SUPERVISION

- 5.1 **Machine-readable Pillar 3 disclosures - BCBS launches consultation - 5 December 2025** - The Basel Committee on Banking Supervision (BCBS) has published a consultation paper setting out proposed additions to its disclosure standard to make Pillar 3 disclosures available in a machine-readable format, without changing the underlying disclosure requirements for banks. The accompanying press release notes that most banks currently publish their disclosures in PDF format only, which makes it difficult to aggregate, process and compare data across banks.

Comments can be made until 5 March 2026.

[BCBS consultation: Standard format for machine-readable Pillar 3 disclosures](#)[Webpage](#)[Press release](#)

- 5.2 **Managing third-party risk - BCBS publishes final principles - 10 December 2025** - The Basel Committee on Banking Supervision has published the final version of its principles for the sound management of third-party risk (BCBS605). Principles 1 to 9 provide banks with guidance on the effective management of these risks, while principles 10 to 12 provide guidance for prudential supervisors. The principles are technology-agnostic and seek to accommodate a diverse range of bank risk management practices and approaches. They are intended to be applied on a proportionate basis.

[Principles for third-party risk management](#)[Press release](#)

6 EUROPEAN BANKING AUTHORITY

- 6.1 **Material acquisitions, transfers, mergers and divisions under CRD IV - EBA consults on RTS and ITS - 5 December 2025** - The European Banking Authority (EBA) has published a consultation paper (EBA/CP/2025/25) on draft regulatory technical standards (RTS) and draft implementing

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technical standards (ITS) on new supervisory tools relating to material operations under the CRD IV Directive (2013/36/EU), as amended by the CRD VI Directive ((EU) 2024/1619). The relevant material operations are acquisitions of material holdings, material transfers of assets and liabilities, mergers and divisions carried out by credit institutions, financial holding companies or mixed financial holding companies.

The EBA is consulting on draft RTS on the new supervisory tools and draft ITS on common procedures, forms and templates for the consultation process between the relevant authorities concerning material operations.

The deadline for responses is 5 March 2026.

EBA consultation: Prudentially material transactions under CRD VI

[Press release](#)

7 EUROPEAN CENTRAL BANK

- 7.1 Simplification of EU banking rules - ECB endorses recommendations - 11 December 2025** - The European Central Bank (ECB) has announced that it has endorsed recommendations concerning the simplification of the EU prudential, regulatory and reporting framework made by its High-Level Task Force on Simplification. It has also published the report setting out the Task Force's recommendations. The Task Force was established in March 2025 to identify undue complexities within the EU regulatory, supervisory and reporting framework for banks, notably the legislative frameworks set out in or supplementing the Capital Requirements Regulation ((EU) 575/2013), the CRD IV Directive (2013/36/EU) and the Bank Recovery and Resolution Directive (2014/59/EU).

The recommendations include, among others, reducing the number of capital stack elements in the prudential framework. This might be achieved by creating a non-releasable buffer (which would merge the capital conservation buffer and the higher of the other systemically important institutions and global systemically important institutions buffers) and a releasable buffer (which would merge the countercyclical capital buffer and the systemic risk buffer). The report also suggests reducing the leverage ratio framework to two elements - a leverage ratio minimum requirement and one leverage ratio buffer - and adjusting the design or the role of Additional Tier 1 or Tier 2 instruments to improve the going-concern loss-absorbing capacity of the capital stack.

[Press release](#)

[Recommendations of the Task Force on Simplification](#)

8 PRUDENTIAL REGULATION AUTHORITY AND FINANCIAL CONDUCT AUTHORITY

- 8.1 Mutuels landscape - PRA and FCA publish joint report - 5 December 2025** - The PRA and the FCA have published a joint report on the status of the mutuels sector, following a request from HM Treasury in November 2025. The report aims to stimulate further discussion on how best to

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support mutuals and sets out the steps that the regulators have already taken to ensure proportionate regulation. It refers to a joint FCA and PRA scale-up unit that is providing regulatory support to eligible firms (including mutuals) and a PRA consultation on amending rules to remove barriers to credit unions establishing credit union service organisations. The regulators also intend to review the credit union sector's future trajectory and the longer-term evolution of its regulatory framework.

The FCA has separately published a report assessing the mutuals landscape in its role as registering authority, along with two research reports on a co-operative entrepreneurial ecosystem and the role of networks.

[PRA/FCA joint report: Mutuals landscape](#)[Webpage](#)[FCA press release](#)[PRA press release](#)[FCA mutuals registering authority report](#)

SECURITIES AND MARKETS //

9 EUROPEAN COMMISSION

- 9.1 **MiFID II payment for research and execution - Commission consults - 5 December 2025** - The European Commission has published for consultation (Ares (2025)10721957) a draft Delegated Directive amending the MiFID II Delegated Directive ((EU) 2017/593) regarding the conditions for the provision of third-party execution and research services to investment firms that provide portfolio management or other investment or ancillary services. The draft Delegated Directive amends Article 13 of the MiFID II Delegated Directive, setting out new rules that allow for joint or separate payments for investment research and execution services. It requires firms to inform their clients about the way those firms pay for research and execution services and sets out the transparency requirements associated with this choice.

The deadline for responses to the draft Delegated Directive is 1 January 2026. The draft Directive will enter into force 20 days after publication in the Official Journal of the European Union and will apply from 6 June 2026.

[European Commission consultation: MiFID II rules on payment for research and execution services \(Ares \(2025\)10721957\).](#)

10 EUROPEAN SECURITIES AND MARKETS AUTHORITY

- 10.1 **EMIR 3 reporting requirements - ESMA publishes statement - 11 December 2025** - The European Securities and Markets Authority (ESMA) has published a statement (ESMA91-1505572268-4536) providing clarification on two reporting requirements introduced by EMIR 3 ((EU) 2024/2987).

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First, ESMA clarifies that entities subject to the active account requirement (AAR) should make their first reporting submission by July 2026 and that this should include any backlog data showing compliance with the AAR for the period starting on 25 June 2025 (the date from which the AAR became applicable) as well as data for 2026. Second, the statement confirms that the new reporting requirement relating to clearing activity at recognised third country central counterparties should be submitted with the 2026 reporting cycle, after the relevant Level 2 measures have been implemented.

[ESMA public statement](#)[Webpage](#)

11 FINANCIAL CONDUCT AUTHORITY

11.1 Client categorisation and conflicts of interest - FCA consults on changes - 8 December 2025 -

The FCA has published a consultation paper (CP25/36) on its proposals to change its elective client categorisation rules in COBS 3. In short, the FCA is proposing to remove the current COBS 3.5.3R(2) 'quantitative test' as well as enhance the qualitative assessment of clients. It will also introduce an alternative wealth assessment and improve safeguards around clients opting out of retail protections. The paper observes that, over time, the FCA's conflicts of interest rules have become "overly complex to navigate". It therefore proposes to rationalise the relevant rules in the Senior Management Arrangements, Systems and Controls sourcebook (SYSC) 10 and SYSC 3.

The FCA recognises that both client categorisation and conflicts of interest management are "core processes" for firms, so any rule change could have a significant impact on their systems. Although firms will incur initial costs implementing the amendments, the FCA believes that the long-term benefits will outweigh the costs.

The deadline for comments is 2 February 2026.

[FCA consultation paper: Client categorisation and conflicts of interest \(CP25/36\)](#)[Webpage](#)[Press release](#)

12 BANK OF ENGLAND

12.1 Exempting post-trade risk reduction transactions from the clearing obligation - Bank of England consults - 11 December 2025 -

The Bank of England (the Bank) has published a consultation paper on exempting post-trade risk reduction services (PTRRS) from the derivatives clearing obligation under the retained EU law version of EMIR (648/2012) (UK EMIR).

The Bank considers that exempting transactions arising from PTRRS would support its financial stability objective by reducing complexity and increasing the efficiency of PTRRS, by facilitating access to PTRRS for a wider range of market participants. The CP proposes to define a PTRRS as a service provided to two or more counterparties to derivatives transactions for the purpose of reducing non-market risks in derivatives portfolios, which does not give rise to any transactions

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contributing to the price discovery process. Under the proposals, among other things, transactions must be carried out by a PTRRS provider and as part of an eligible agreement to be eligible for an exemption. The proposed changes would come into force three months after the final rules are published.

The consultation period closes on 11 March 2026.

[Bank of England: Exempting post-trade risk reduction transactions from the clearing obligation](#)

ASSET MANAGEMENT //

13 HM TREASURY AND FINANCIAL CONDUCT AUTHORITY

13.1 Targeted support - consultation response and final FCA rules published - 11 December 2025 -

HM Treasury has published its consultation response setting out its final position on proposed legislative changes to enable the implementation of targeted support (allowing firms to provide suggestions designed for groups of consumers with common characteristics to help them make decisions across their pensions and investments). The FCA has also published a Policy Statement (PS25/22) setting out near-final rules for the new regulatory framework for targeted support in pensions and retail investments.

The consultation response provides a summary of feedback on HM Treasury's policy note and draft Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2025 (published on 15 July and previously reported in this Bulletin). It confirms that the government will not enable appointed representatives to deliver targeted support from the point of roll-out, but will review this once reforms to the appointed representatives regime have become well established.

The FCA is proceeding with its proposals, subject to certain changes, which include amending its purpose statement from "better outcomes" to "better position". It has also published two joint statements: the first with the Financial Ombudsman Service (FOS) on how the FCA and the FOS will work together in the event of future complaints relating to targeted support; and the second with the Information Commissioner's Office on how firms can communicate with consumers in the context of existing direct marketing rules.

The targeted support regime is expected to be rolled out from early April 2026, with the authorisation gateway open for applications from March 2026. The FCA has opened its authorisations Pre-Application Support Service, which provides a voluntary support service for firms planning to apply for targeted support permissions. The government will now proceed to lay the draft statutory instrument as soon as Parliamentary time allows. The FCA will formally make the final rules once the government makes targeted support a new specified activity.

[Targeted support consultation response](#)

[FCA Policy Statement \(PS25/22\)](#)

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14 FINANCIAL CONDUCT AUTHORITY

- 14.1 Expanding consumer access to investments - FCA publishes discussion paper - 8 December 2025** - The FCA has published a discussion paper on expanding consumer access to investments (DP25/3) which asks for views on possible adjustments to the regulatory framework for retail investors.

The paper seeks feedback on how the FCA can take account of some of the more significant recent changes to the retail investment market in its regulatory framework. It refers to the increased use of trading apps and digital engagement, the greater availability of fractional investments and the inconsistent regulation of speculative products. It notes that the FCA intends to review its financial promotion and distribution rules (in particular, the financial promotion marketing restrictions product categories, which are largely set out in COBS 4). It also seeks views on the effectiveness of the scope and application of the appropriateness test rules in COBS 10 and 10A and on the clarifications that could be made on the interaction between its rules and the consumer duty. The operation of the exemptions available for certified high-net-worth or self-certified sophisticated investors in the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529) is also a topic for exploration.

The deadline for responses is 6 March 2026.

[FCA discussion paper: Expanding consumer access to investments \(DP25/3\)](#)

[Webpage](#)

[Press release](#)

- 14.2 Final rules for consumer composite investments - FCA publishes policy statement - 8 December 2025** - The FCA has published a policy statement (PS25/30) setting out its final rules on consumer composite investments (CCIs), following feedback from its December 2024 (CP24/30) and April 2025 (CP25/9) consultations. Alongside the PS, it has published the findings of consumer testing that informed the requirements for disclosing cost information.

The new CCI regime is underpinned by the consumer duty and goes hand in hand with reforms to the advice guidance boundary. It will replace the current packaged retail and insurance-based investment products (PRIIPs) regime and the UCITS disclosure requirements. A CCI, broadly, is defined as an investment where the returns are dependent on the performance of, or changes in, the value of underlying or reference assets. In short, manufacturers of relevant products will be required to produce a consumer-friendly product summary, made available to investors, which includes comparable information about costs, risk and return and past performance.

Manufacturers will have freedom over the design of the summary. Among other things, the PS

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clarifies the scope of the regime, particularly for corporate bonds and closed-ended investment funds. It also simplifies the criteria for whether products are considered non-retail, providing manufacturers with the ability to 'opt out' of selling their products to retail clients.

Firms will have an 18-month implementation period before the regime comes fully into force. During this time, they will be able to familiarise themselves with the new rules and make the necessary changes to their systems and procedures.

FCA policy statement: Final rules for consumer composite investments (PS25/20)

[Press release](#)

- 14.3 Fund liquidity risk management - FCA consults - 9 December 2025** - The FCA has published a consultation paper (CP25/38) on enhancing fund liquidity risk management.

The proposed new rules and guidance are targeted at Authorised Fund Managers (AFMs) of UCITS schemes and non-UCITS retail schemes (NURS). The FCA proposes to create two new guidance annexes in the Collective Investment Schemes Sourcebook (COLL) which will incorporate key aspects of the revised recommendations for liquidity risk management for collective investment schemes published by the International Organization of Securities Commissions (IOSCO). In summary, the proposals aim to promote effective use of anti-dilution tools (such as swing pricing) by AFMs and ensure that AFMs have robust liquidity risk management processes, especially where they have less liquid assets. The FCA also explains what is expected when an AFM has delegated portfolio management to a MiFID investment manager, although it is not proposing new rules for MiFID investment managers at this point.

According to the FCA, the proposals should not require AFMs to make significant changes in how they approach liquidity risk management, and it intends to retain the principle that an AFM is ultimately responsible for the management of a fund in the best interests of its investors.

Comments can be made until 23 February 2026.

FCA consultation paper: Enhancing fund liquidity risk management (CP25/38)

[Webpage](#)

INSURANCE //

15 EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY

- 15.1 Revised guidelines on group solvency calculations and reporting - EIOPA consults - 5 December 2025** - The European Insurance and Occupational Pensions Authority (EIOPA) has published two consultation papers (EIOPA-BoS-25/519 and EIOPA-BoS-25/520) proposing revised guidelines on group solvency calculations and reporting under the Solvency II Directive (2009/138/EC), as amended by the Solvency II Amending Directive ((EU) 2025/2).

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The proposals are intended to clarify and streamline existing guidance and do not introduce new guidance on the application of the framework. Comments can be made until 27 February 2026. The final guidelines will begin to apply at the same time as the amended Solvency II Directive.

[EIOPA consultation paper: Revised guidelines on group solvency \(EIOPA-BoS-25/519\)](#)[Webpage](#)[EIOPA consultation paper: Revised guidelines on reporting and public disclosure \(EIOPA-BoS-25/520\)](#)[Webpage](#)[Press release](#)

- 15.2 IRRD - EIOPA publishes third series of consultations - 10 December 2025** - The European Insurance and Occupational Pensions Authority (EIOPA) has published its third set of consultation papers relating to the implementation of the Insurance Recovery and Resolution Directive ((EU) 2025/1) (IRRD). The series includes papers proposing guidelines and standards on the range of scenarios and indicators in pre-emptive recovery planning (EIOPA-BoS-25/581) and (EIOPA-BoS-25-582) and the criteria for simplified obligations for certain (re)insurance forms and groups (EIOPA-BoS-25-584), among others.

All consultation papers are dated 8 December 2025. Comments can be made on the proposals until 20 March 2026. Member states are expected to apply measures implementing the IRRD from 30 January 2027.

[Webpage linking to consultations](#)

16 HM TREASURY

- 16.1 Cost of motor insurance premiums - Motor Insurance Taskforce publishes final report - 10 December 2025** - HM Treasury has published a report by its Motor Insurance Taskforce (launched in October 2024) providing an overview of the actions government departments and regulators are taking to help stabilise and reduce insurance premiums paid by drivers.

The report refers to the FCA's analysis of the motor finance market and its work on premium finance, noting that the FCA intends to publish its conclusions on premium finance in 2026. The government intends to continue to work closely with the FCA to support possible insurance use cases for smart data, including in the FCA's Smart Data Accelerator. The report also discusses possible improvements to claims processes.

[Report from Motor Insurance Taskforce](#)

17 FINANCIAL CONDUCT AUTHORITY

- 17.1 Simplified insurance rules - FCA publishes final rules - 9 December 2025** - The FCA has published a policy statement (PS25/21) on simplifying its rules for insurance firms and funeral plan providers, summarising responses to its May 2025 consultation paper (CP25/12).

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In most areas, the FCA has finalised the rules as consulted on with some minor clarificatory amendments. However, it has decided not to go ahead with proposed changes to the ICOBS rules on disclosure documents. Among other things, the FCA has taken measures to clarify which rules apply to commercial insurance and to allow a “lead” firm to take responsibility for product design and approval. It has also broadened the scope of the bespoke contracts exclusion and removed notification and reporting requirements for employer's liability insurance.

Section 1.16 and chapter 6 of PS25/21 outline the FCA's plans to make further changes to its insurance rules, cutting more unnecessary requirements in 2026 and beyond, some of which relate to consultations and commitments it has already made. The FCA intends to provide a more detailed update on its priorities and timelines in the first half of 2026.

The policy came into force on 9 December 2025.

[FCA policy statement: Simplifying the insurance rules](#)[Webpage](#)[Press release](#)

- 17.2 Changes to the regulatory framework for pensions - FCA consults - 11 December 2025** - The FCA has published a consultation paper (CP25/39) detailing proposals that aim to better support consumers using digital pension planning tools and consumers making non-advised decisions to transfer Defined Contribution (DC) pensions.

It follows the publication of a discussion paper in December 2024 inviting input on areas of the FCA's regulatory framework for pensions that may need to evolve, alongside the wider programme of policy change across government and regulators, to meet the future needs of consumers. In short, CP25/39 proposes a new regime for interactive digital pension planning tools for in-force pensions which would give firms flexibility to tailor the projections in interactive digital tools to the understanding and engagement needs of their target market. It also details a new process to support non-advised consumers to make informed decisions about whether and where to transfer or consolidate DC pensions. Through these proposals, the FCA aims to improve firms' efficiency in processing transfer applications and to incentivise firms to compete more effectively in consumers' interests.

The FCA intends to publish a separate consultation paper in Q1 2026, setting out proposals on due diligence and client asset requirements in the self-invested personal pensions (SIPPs) market. The consultation closes on 12 February 2026. The FCA aims to publish a policy statement and final Handbook text in H2 2026.

[FCA consultation paper: Adapting our requirements for a changing pensions market \(CP25/39\)](#)[Webpage](#)[Press release](#)

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FINANCIAL CRIME //

18 HM TREASURY

- 18.1 AML/CTF supervision report 2024-25 - published by HM Treasury - 8 December 2025** - HM Treasury has published the 13th edition of its annual supervision report on Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) for 2024-25. Each chapter of the report considers a different area of supervisory activity. It also refers to the government's decision to make the FCA the AML/CTF supervisor for professional services firms.

[HM Treasury: AML/CTF supervision report 2024-25](#)

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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.

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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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