

# 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 to go on the distribution list, please contact:

[Beth Dobson](#).

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## GENERAL //

### 1 HM TREASURY

- 1.1 Quantum computing - HM Treasury publishes recommendations of G7 Cyber Expert Group to combat threat to the financial system - 17 October 2024** - HM Treasury has published a statement made by the G7 Cyber Expert Group (CEG) recommending action to combat the risks that quantum computers could pose to the financial sector. HM Treasury states that there is a “*real possibility*” that cyber threat actors could use quantum computers to defeat certain cryptographic techniques that secure communications and IT systems within a decade, potentially exposing financial entity data. These quantum computers would not only put future data at risk, but also any previously transmitted data that cyber adversaries have been able to intercept and store with the intent of decrypting later.

The G7 CEG strongly encourages financial institutions to begin to take steps to build resilience against quantum computing risks, and makes a number of recommendations to this effect.

[Press release](#)

### 2 FINANCIAL CONDUCT AUTHORITY

- 2.1 Financial advice sector - FCA publishes speech on new supervisory strategy - 11 October 2024** - The FCA has published a speech given by Nick Hulme, Head of Department, Advisers, Wealth and Pensions, Consumer Investments, on the FCA’s new supervisory strategy for the financial advice sector. The FCA’s strategy comprises of three buckets: reducing and preventing serious harm, testing and monitoring under the Consumer Duty and the Advice Guidance Boundary Review.

[FCA speech: It’s good to be different: the new FCA supervisory strategy for the financial advice sector](#)

- 2.2 Regulatory Initiatives Grid - interim update published - 15 October 2024** - The FCA has published an interim update of the Regulatory Initiatives Grid (the Grid), covering known regulatory initiatives affecting firms from October 2024 to March 2025. A complete grid will not be published this year, as replanning is required following the change of government in July 2024.

The FCA explains that not all items from the previous Grid, published in November 2023, are included in this interim update, owing either to uncertainty about timing or because they fall outside the covered period. Timings are also subject to change. Updates of note include:

- the Bank of England, PRA and FCA will publish their final operational resilience rules for critical third parties to the financial sector in Q4 2024;

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- the FCA intends to publish a policy statement on tackling non-financial misconduct in the financial sector around year-end 2024, to be followed by FCA and PRA policy statements on diversity and inclusion in financial services in 2025; and
- as part of the FCA and HM Treasury's review of the Advice Guidance boundary, the FCA will publish a consultation paper on targeted support in pensions, alongside an update with a timeline on its work to support retail consumers in relation to their savings and investments, in Q4 2024.

[Webpage](#)

- 2.3 FCA announces launch of its new AI Lab - 17 October 2024** - The FCA has announced the launch of a new initiative, the 'AI Lab', which will support the FCA in deepening its understanding of the risks and opportunities that artificial intelligence (AI) presents to UK consumers and markets. The AI Lab will, among other things, provide a space for firms and innovators to share real-world examples of how they are leveraging AI, run an inaugural AI Policy Sprint in January 2025, host an 'AI Input Zone' where stakeholders can feedback on the future of AI in financial services, and run AI-focused TechSprints.

[AI Lab](#)

## BEYOND BREXIT //

### 3 UK PARLIAMENT

- 3.1 Draft Collective Investment Schemes (Temporary Recognition) and Central Counterparties (Transitional Provision) (Amendment) Regulations 2024 published - 16 October 2024** - A draft version of the Collective Investment Schemes (Temporary Recognition) and Central Counterparties (Transitional Provision) (Amendment) Regulations 2024 (the draft Regulations) has been published, together with an explanatory memorandum.

The draft Regulations make amendments to the temporary marketing permissions regime (TMPR) for EEA investment funds contained in the Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/325) to:

- extend the TMPR for a further year until 31 December 2026, allowing sufficient time for funds in scope of the government's equivalence decision concerning EEA states announced in January 2024 to transition to the more permanent marketing arrangements provided by the overseas funds regime (OFR) and avoid any cliff-edge risks; and
- make technical amendments to the TMPR to ensure that sub-funds can transition smoothly to the OFR on direction by the FCA, where they are in scope of the January 2024 equivalence decision, or alternatively apply for recognition under section 272 of the Financial Services and Markets Act 2000.

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The draft Regulations also amend the temporary recognition regime for overseas central counterparties (CCPs) that were recognised by the EU, established by the Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018 (SI 2018/1184), such that a CCP will no longer automatically lose its temporary recognised status if its EU recognition is withdrawn.

The draft Regulations will come into force on the day after the day on which they are made.

[Draft statutory instrument](#)[Explanatory memorandum](#)

## 4 HM TREASURY

- 4.1 Mutual recognition in financial services - HM Treasury publishes joint statement following first UK-Switzerland Financial Dialogue - 16 October 2024** - HM Treasury has published a joint statement with the Swiss State Secretariat for International Finance (SIF) following the first UK-Switzerland Financial Dialogue, which was held on 15 October 2024. This is the first formal meeting since the negotiations of the Berne Financial Services Agreement (BFSA) concluded in December 2023.

Of particular note, participants provided an update on the progress of their domestic implementation of the BFSA, stating that the ambition is to complete implementation as soon as possible and by the end of 2025 at the latest. The BFSA will enter into force shortly thereafter. Meanwhile, negotiations of a supervisory cooperation memorandum of understanding supporting the BFSA are progressing, with a view to reaching their concluding stages soon.

The UK and Swiss representatives will reconvene in the second half of 2025.

[UK-Switzerland Financial Dialogue 2024 Joint Statement](#)

# BANKING AND FINANCE //

## 5 BASEL COMMITTEE ON BANKING SUPERVISION

- 5.1 2023 banking turmoil - BCBS publishes report - 11 October 2024** - The Basel Committee on Banking Supervision (BCBS) has published a report on the banking turmoil experienced in March 2023. Based on its findings, the BCBS is pursuing a series of follow-up initiatives, including assessing whether specific features of the Basel Framework performed as intended or whether new policy options are required over the medium term.

[Press release](#)

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## 6 UK PARLIAMENT

- 6.1 The Building Societies Act 1986 (Amendment of Small Business Turnover Limit) Order 2024 published - 14 October 2024** - The Building Societies Act 1986 (Amendment of Small Business Turnover Limit) Order 2024 (SI 2024/1024) has been published, together with an explanatory memorandum.

The Order amends section 7(10) of the Building Societies Act 1986 (the 1986 Act) by increasing the turnover limit in a relevant financial year for the definition of a small business in section 7(10) of the 1986 Act from £1 million to £6.5 million, and correspondingly amending the reference in section 7(11)(c) to the equivalent amount in any other currency.

By amending the definition of a small business in section 7(10) of the 1986 Act, this Order will exclude a larger range of deposits with building societies by small businesses from the funding limit, thereby providing building societies with greater flexibility in their funding sources. The amendment will also help building societies compete more effectively with ring-fenced retail banks for deposits from small businesses.

The Order will come into force on 4 November 2024.

### [Statutory instrument](#)

### [Explanatory memorandum](#)

- 6.2 Draft Building Societies Act 1986 (Modifications) Order 2024 published - 14 October 2024** - A draft version of the Building Societies Act 1986 (Modifications) Order 2024 has been published, together with an explanatory memorandum.

The draft Order amends sections 60 and 61 of the Building Societies Act 1986 (the 1986 Act) to remove all references to the normal retirement age or the compulsory retirement age for directors, thereby updating the 1986 Act in line with the Companies Act 2006. The draft Order also amends section 80(1) of the 1986 Act so that the current requirement for the balance sheet of a building society to be signed by two directors and the CEO is changed to allow one director to sign the balance sheet on behalf of the board.

The draft Order will come force 21 days after the day on which it is made.

### [Draft statutory instrument](#)

### [Explanatory memorandum](#)

## 7 HM TREASURY

- 7.1 Near-term reforms to the bank ring-fencing regime - HM Treasury provides update - 14 October 2024** - The House of Commons and House of Lords have published identical statements

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made by Tulip Siddiq, Economic Secretary to HM Treasury, providing an update on near-term reforms to the bank ring-fencing regime.

HM Treasury confirms that the UK government will implement a package of reforms to the regime as soon as parliamentary time allows. These will include:

- the introduction of a secondary threshold to exempt retail-focused banking groups from the regime where investment banking activity accounts for less than 10% of Tier 1 capital;
- new flexibilities for ring-fenced banks (RFBs) to operate globally, subject to PRA rules;
- measures to encourage more investment by RFBs in UK SMEs;
- measures to reduce the compliance burdens associated with the regime; and
- an increase from £25 billion to £35 billion in the primary deposit threshold for RFBs.

### [House of Commons statement](#)

### [House of Lords statement](#)

**7.2 Buy Now Pay Later - HM Treasury publishes consultation paper and draft statutory instrument - 17 October 2024** - HM Treasury has published a consultation paper setting out the government's proposed approach to regulating Buy Now Pay Later (BNPL) credit products, responding to feedback HM Treasury received to its previous consultation that ran between February and April 2023. The government intends to bring these 'deferred payment credit agreements' into regulation where they are offered by a third-party lender. Of particular note, and reflecting stakeholder feedback, the government has expanded the exemption for arrangements facilitated by employers so that it now encompasses entities in the employer's wider group.

Also of interest, the government believes that an information requirements regime based in FCA rules, drawing on the Consumer Duty, is the most effective way to achieve consumer understanding of BNPL products, and therefore intends to disapply certain information requirements in the Consumer Credit Act 1974 that could lead to poor consumer outcomes for BNPL agreements.

In terms of next steps, HM Treasury states that, given the need to act urgently—and in light of prior consultation—this consultation will be open for six weeks. Once it has considered the necessary feedback, the government will look to lay the necessary statutory instrument (SI) as soon as parliamentary time allows. The SI will set a 'Regulation Day', at which point BNPL products will become regulated. In a draft SI accompanying the consultation paper, the 'Regulation Day' is 12 months from the SI being made. In the intervening period, the FCA will consult upon and finalise new rules to apply from the 'Regulation Day', and there will also be a window for firms to register for a temporary permissions regime.

### [HM Treasury consultation paper: Regulation of Buy-Now Pay-Later](#)

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## 8 BANK OF ENGLAND

**8.1 Approach to setting MREL - Bank of England launches consultation - 15 October 2024** - The Bank of England (the Bank) has published a consultation paper setting out proposed updates to its statement of policy on its approach to setting a minimum requirement for own funds and eligible liabilities (MREL SoP). The Bank's proposals are grouped around three themes:

- restating, with modifications, certain UK Capital Requirements Regulation (573/2013) (CRR) total loss-absorbing capacity (TLAC) provisions in the MREL SoP and other related changes;
- updates to the Bank's indicative thresholds for setting a stabilisation power preferred resolution strategy, including increasing the indicative total assets threshold from £15 billion-£25 billion to £20 billion-£30 billion; and
- revisions to reflect findings from, among other things, the second assessment of the Bank's Resolvability Assessment Framework (RAF) for major UK firms, which was published on 6 August 2024.

The deadline for responses is 15 January 2025. The Bank expects that it will finalise its policy during the first half of 2025. It is proposed that the majority of the changes to the MREL SoP will apply from 1 January 2026, apart from certain minor changes that may apply soon after the policy is finalised (but not before July 2025).

[Bank of England consultation paper: Amendments to the Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities \(MREL\)](#)

## 9 PRUDENTIAL REGULATION AUTHORITY

**9.1 UK CRR - PRA launches consultation on restatement of remaining assimilated law - 15 October 2024** - The PRA has published a consultation paper (CP13/24) on proposals to revoke and restate the remaining provisions of the UK Capital Requirements Regulation (575/2013) (UK CRR) in the PRA Rulebook and other policy material. Across 2021-2024, the PRA has already restated and amended, or consulted on restatements and amendments of, parts of the CRR, as previously reported in this Bulletin.

This consultation paper concerns the remainder, and the proposals consist primarily of the restatement of assimilated law without modifications. There are, however, a few instances where the consultation paper proposes to modify certain areas as part of their restatement. The more substantive proposals relate to proposed changes to the securitisation requirements, including a formulaic p-factor for the securitisation standardised approach (SEC-SA).

The deadline for responses is 15 January 2024.

[PRA consultation paper: Remainder of CRR: Restatement of assimilated law](#)



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## SECURITIES AND MARKETS //

### 10 COUNCIL OF THE EUROPEAN UNION

**10.1 Listings on European stock exchanges - Council of the EU formally adopts Listing Act package - 11 October 2024** - The Council of the EU has formally adopted at first reading the ‘Listing Act’ package, a legislative package that is intended to make EU public capital markets more attractive for EU companies and facilitate the listing of companies of all sizes, including SMEs, on European stock exchanges. The package comprises:

- a Regulation amending the Prospectus Regulation ((EU) 2017/1129), the Market Abuse Regulation (596/2014/EU) and the Markets in Financial Instruments Regulation (600/2014) (2022/0411(COD));
- a Directive amending the Markets in Financial Instruments Directive (2014/65/EU) (MiFID II) and repealing the Listing Directive (2001/34/EC) (2022/0405(COD)); and
- a Directive on multiple-vote share structures (2022/0406(COD)).

The Regulation and Directives will come into force on the 20<sup>th</sup> day after their publication in the Official Journal of the EU. Member states will have 18 months to transpose the Directive amending MiFID II and repealing the Listing Directive into national legislation, and two years to transpose the Directive on multiple-vote share structures.

[Press release: Listings on European stock exchanges: Council adopts the listing act](#)

[Press release: SME financing: Council adopts the multiple-vote share structures directive](#)

### 11 EUROPEAN SECURITIES AND MARKETS AUTHORITY, EUROPEAN COMMISSION AND EUROPEAN CENTRAL BANK

**11.1 Shortening the standard securities settlement cycle in the EU - ESMA, European Commission and ECB publish joint statement on next steps - 15 October 2024** - The European Securities and Markets Authority (ESMA), the European Central Bank (ECB) and the European Commission (the Commission) (together, the Authorities) have published a joint statement on the next steps towards shortening the EU standard securities settlement cycle to T+1.

The elements assessed by ESMA to date suggest that the impacts of T+1 in terms of risk reduction, margin savings and the reduction of costs linked to misalignment with other major jurisdictions globally, bring along important benefits for the EU Savings and Investments Union. The Authorities consider it necessary to accelerate every aspect of the technical work needed to pave the way to any future move to T+1 in the EU. They have therefore agreed to establish a governance structure as soon as possible to oversee and support the technical preparations of any future move to T+1. In order not to lose momentum, details of the governance structure will follow shortly.

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On 15 October 2024, the High Court handed down its judgment in a case under the Financial Markets Test Case Scheme relating to the transition from LIBOR to alternative benchmark rates.

The test case concerned a series of preference shares issued in 2006 by Standard Chartered PLC (Standard Chartered), on which dividends were calculated at a rate linked to three month USD LIBOR. The High Court was asked to consider the consequences for the preference shares of the cessation of publication of USD LIBOR.

The Court has held that there is an implied term that dividends on the preference shares may be calculated using a reasonable alternative rate to three month USD LIBOR. The Court has identified that, as matters stand, three month CME Term SOFR plus a credit adjustment spread of 0.26161% per annum is the reasonable alternative rate.

Slaughter and May acted for Standard Chartered plc in these proceedings.

[Standard Chartered plc v Guaranty Nominees Ltd and others \[2024\] EWHC 2605 \(Comm\)](#)

[Press summary](#)

**ASSET MANAGEMENT //****13 PRODUCTIVE FINANCE WORKING GROUP****13.1 LTAF - Working Group publishes revised instrument of incorporation and new co-ownership deed - 11 October 2024** - The Productive Finance Working Group has published an updated version of the model Long-Term Asset Fund (LTAF) instrument of incorporation and a new model authorised contractual scheme (ACS) co-ownership deed. The documents have been confirmed by the FCA and are intended to standardise the structure and facilitate the creation of LTAFs.

[Model instrument of incorporation for LTAF](#)

[Model ACS co-ownership deed for LTAF](#)

[Press release](#)

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## INSURANCE //

### 14 FINANCIAL CONDUCT AUTHORITY

- 14.1 Premium finance - FCA publishes proposed terms of reference for market study - 16 October 2024** - The FCA has published proposed terms of reference for a market study into the provision of premium finance for motor and home insurance (MS24/2.1), further to concerns that premium finance may not be providing fair value. The FCA will review whether the products represent fair value, how well customers are made aware of their financing options, the role of commission, and other potential barriers to effective competition in the motor and home premium finance market. The FCA welcomes comments on its proposed terms of reference until 18 November 2024.

In an associated press release, the FCA also responds to the government's formation of a motor insurance taskforce, which includes the FCA, and which aims to identify any actions that may stabilise or reduce motor insurance premiums. The FCA will analyse the causes of increased costs in motor insurance and how these rises impact different customer groups. The FCA will also look closely at claims costs, reviewing claims handling arrangements and factors affecting different types of claim.

[FCA market study: Provision of Premium Finance: Proposed Terms of Reference \(MS24/2.1\)](#)

[Press release](#)

## FINANCIAL CRIME //

### 15 EUROPEAN SECURITIES AND MARKETS AUTHORITY

- 15.1 Sanctions - ESMA publishes first annual consolidated report for 2023 - 11 October 2024** - The European Securities and Markets Authority (ESMA) has published its first annual consolidated report on sanctions and measures imposed by the national competent authorities (NCAs) in member states in 2023.

Overall, the report highlights that there is still room for more convergence between NCAs in the exercise of their sanctioning powers. The aggregated value of administrative fines amounted to more than €71 million, with the largest fines issued under the Market Abuse Regulation (596/2014) and the Markets in Financial Instruments Directive II (2014/65/EU) (MiFID II).

[ESMA report: Sanctions and measures imposed under AIFMD, BMR, CSDR, ECSR, EMIR, MAR, MiCA, MiFID II - MiFIR, PR, SFTR and UCITS in 2023 \(ESMA43-1527801302-1333\)](#)

[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](#).

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:

Jan Putnis	<a href="mailto:jan.putnis@slaughterandmay.com">jan.putnis@slaughterandmay.com</a>
Nick Bonsall	<a href="mailto:nick.bonsall@slaughterandmay.com">nick.bonsall@slaughterandmay.com</a>
David Shone	<a href="mailto:david.shone@slaughterandmay.com">david.shone@slaughterandmay.com</a>
Kristina Locmele	<a href="mailto:kristina.locmele@slaughterandmay.com">kristina.locmele@slaughterandmay.com</a>
Sabine Dittrich	<a href="mailto:sabine.dittrich@slaughterandmay.com">sabine.dittrich@slaughterandmay.com</a>

London  
T +44 (0)20 7600 1200  
F +44 (0)20 7090 5000

Brussels  
T +32 (0)2 737 94 00  
F +32 (0)2 737 94 01

Hong Kong  
T +852 2521 0551  
F +852 2845 2125

Beijing  
T +86 10 5965 0600  
F +86 10 5965 0650

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For further information, please speak to your usual Slaughter and May contact.

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