

# 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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periodical Insurance  
Newsletter. If you  
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the distribution list,  
please contact:  
[Beth Dobson](#).

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## GENERAL //

### 1 COUNCIL OF THE EUROPEAN UNION

- 1.1 Council of EU adopts conclusions on financial services regulation - 12 December 2025** - The Council of the EU has published the outcome of proceedings from a meeting of the European Economic and Financial Affairs Council (ECOFIN) in which it adopted conclusions on simplifying the European Union's financial services regulation. Notably, these include a set of principles to be used to guide this simplification. ECOFIN also calls on the European Commission to “swiftly” put forward simplification packages, consider improvements to the mandates of the European Supervisory Authorities (ESAs) (which are also called upon to reduce unnecessary complexity). Finally, the European Commission is asked to present an analysis of how to ensure that future financial services regulation becomes less complex and burdensome, including by considering improvements to the legislative process.

[ECOFIN review](#)

### 2 UK PARLIAMENT

- 2.1 Draft Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025 published - 16 December 2025** - The draft Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025 (the Regulations) have been published and laid before Parliament, together with an explanatory memorandum.

The Regulations introduce new regulated activities in relation to certain categories of cryptoasset. These include issuing a ‘qualifying stablecoin’, safeguarding of ‘qualifying cryptoassets’ and ‘relevant specified investment cryptoassets’, operating a ‘qualifying cryptoasset’ trading platform and making arrangements for ‘qualifying cryptoasset’ staking. The Regulations further introduce new designated activities under Part 5A of the Financial Services and Markets Act 2000 in relation to: (i) offering a relevant qualifying cryptoasset to the public; (ii) their admission to trading on a regulated platform; and (iii) the establishment of a market abuse framework for relevant qualifying cryptoassets. Finally, the Regulations provide a structured pathway for transitioning into the new regulatory regime for existing businesses.

The Regulations, which require the approval of both Houses of Parliament, enable the FCA and PRA to issue directions, guidance and rules in advance of full commencement on 25 October 2027.

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

- 2.2 The Financial Services and Markets Act 2000 (Regulated Activities) (ESG Ratings) Order 2025 published - 18 December 2025** - The Financial Services and Markets Act 2000 (Regulated Activities) (ESG Ratings) Order 2025 (SI 2025/1349) has been published, alongside an explanatory

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memorandum. The order brings the provision of ESG ratings under the remit of the FCA when it is likely to influence a decision to make a specified investment by making it a specified activity under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544) (RAO). ESG ratings providers will therefore need FCA authorisation. The Order will come into force on 29 June 2028.

[Statutory instrument](#)[Explanatory memorandum](#)

### 3 HM TREASURY

- 3.1 Growth and competitiveness - HM Treasury response to criticisms of House of Lords Financial Services Regulation Committee published - 17 December 2025** - The House of Lords Financial Services Regulation Committee (the Committee) has published a letter sent to it by Lucy Rigby MP, Economic Secretary to HM Treasury. The letter responds to criticisms made by the Committee in October 2025, which followed HM Treasury's response to the Committee's June 2025 report entitled *Growing Pains: clarity and culture change required*.

The letter covers, among other things: (i) ongoing efforts to build a substantial evidence base on the link between growth in the financial services sector and growth in the real economy; (ii) the steps the government is taking to support specialist lenders, given their importance in providing lending to SMEs; and (iii) the relationship between the government and the financial services regulators, where HM Treasury will “*continue providing appropriate steers to the regulators to support alignment with the Government's economic policy*”.

[Letter](#)

### 4 FINANCIAL CONDUCT AUTHORITY

- 4.1 UK cryptoasset rules - FCA publishes three consultation papers - 16 December 2025** - The FCA has published three consultation papers on proposals for its new cryptoasset regulatory regime. These consist of:

- a consultation paper (CP25/40) on new FCA rules and guidance for firms conducting the ‘new cryptoasset activities’ introduced by the draft Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025 (the Regulations, described above). This paper puts forwards the FCA's proposals for operating a trading platform, intermediaries, lenders and borrowers, staking and decentralised finance;
- a consultation paper (CP25/41) setting out the FCA's proposed rules and guidance for implementing and operating a new regulatory regime for public offers of qualifying cryptoassets and their admission to trading, alongside a market abuse regime for cryptoassets, both of which are established by the Regulations; and

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- a consultation paper (CP25/42) setting out the new prudential requirements for all cryptoasset firms that will need to be authorised by the FCA, which includes proposals relating to the overall prudential regime for cryptoasset firms.

Two research notes, focused on consumer research and customer-decision making, have been published alongside the papers. Consultation responses are open until 12 February 2026.

[FCA consultation paper: Regulating cryptoasset activities \(CP25/40\)](#)

[FCA consultation paper: Regulating cryptoassets: Admissions & disclosures and market abuse regime for cryptoassets \(CP25/41\)](#)

[FCA consultation paper: A prudential regime for cryptoasset firms \(CP25/42\)](#)

- 4.2 **Non-financial misconduct in financial services - FCA publishes policy statement containing final guidance - 12 December 2025** - The FCA has published a policy statement (PS25/23) containing final guidance on tackling non-financial misconduct (NFM) in financial services. This follows publication of a policy statement and consultation paper in July 2025 which confirmed that the FCA would expand the scope of the FCA's Code of Conduct sourcebook (COCON) to more closely align the rules on NFM between banks and non-banks.

The policy statement confirms that the FCA is amending COCON to explain how NFM can be a breach of the conduct rules and make it easier for firms subject to the Senior Managers and Certification Regime to interpret and consistently apply the FCA's rules. The FCA also explains how NFM forms part of the Fit and Proper test for Employees and Senior Personnel (FIT) sourcebook. Some small changes have been made to this guidance in COCON and FIT since the FCA's July 2025 consultation paper to address stakeholder feedback. These include clearer alignment with employment law.

The amendments to COCON and FIT, which are contained in the Non-Financial Misconduct (No 2) Instrument 2025, will come into force on 1 September 2026. On an accompanying webpage, the FCA confirms that this brings its policy work on NFM to a close, and it will now focus on how firms are tackling it in practice.

[FCA policy statement: Non-financial misconduct in financial services](#)

[Non-financial Misconduct \(No 2\) Instrument 2025 \(FCA 2025/60\)](#)

## BANKING AND FINANCE //

### 5 EUROPEAN CENTRAL BANK

- 5.1 **ECB to assess banks' stress testing capabilities to capture geopolitical risk - 12 December 2025** - The European Central Bank (ECB) has published a press release announcing that it will conduct a geopolitical risk reverse stress test on 110 directly supervised banks in 2026. The exercise will assess the extent to which banks' stress-testing capabilities take geopolitical risks into account.

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Specifically, each bank will be asked to identify the most relevant geopolitical risk events that could lead to at least a 300-basis point depletion in its Common Equity Tier 1 (CET1) capital. The ECB will communicate the main aggregate conclusions of the reverse stress test in summer 2026.

[Press release](#)

## 6 HM TREASURY

- 6.1 Review of the Payment and Electronic Money Institution Insolvency Regulations 2021 - HM Treasury publishes report - 16 December 2025** - HM Treasury has published a report containing an independent review of the Payment and Electronic Money Institution Insolvency Regulations 2021 (SI 2021/716). The review, carried out by insolvency law expert Adam Plainer, aims to inform the government about whether the Payment and Electronic Money Special Administration Regime (PESAR) is working as intended and is meeting its objectives.

The review finds that PESAR is not delivering on one of its core objectives—which Plainer believes should be its primary objective—which sets out the requirement for the insolvency practitioner to rescue the institution as a going concern or wind it up in the best interests of the creditors. While the PESAR is preferable to relying solely on the Insolvency Act 1986 and the Insolvency (England and Wales) Rules 2016, its procedural complexity, high costs, and reliance on court processes have caused delays and minimised outcomes for consumers. Plainer recommends five key areas as priorities for reform, which include the establishment of an out-of-court entry route to reduce cost burdens and accelerate the appointment process.

[HM Treasury independent review: The Payment and Electronic Money Institution Insolvency Regulations 2021](#)

- 6.2 The Financial Services and Markets Act 2023 (Prudential Regulation of Credit Institutions) (Consequential Amendments) Regulations 2025 published - 16 December 2025** - The Financial Services and Markets Act 2023 (Prudential Regulation of Credit Institutions) (Consequential Amendments) Regulations 2025 (SI 2025/1333) have been published, alongside an explanatory memorandum. The Regulations makes consequential amendments resulting from the revocation of provisions in the UK Capital Requirements Regulation (575/2013) (UK CRR), which take effect on 1 January 2026. Most of the revoked UK CRR provisions will be replaced by PRA rules, and so the amendments made by the Regulations are limited to cases where there would be no corresponding PRA rule to replace the revoked provisions so as to ensure legislative clarity.

The amendments include those relating to the definitions of “Common Equity Tier 1 instruments” and “own funds requirements” under the Banking Act 2009, and the definition of “response period” under the Bank Recovery and Resolution (No. 2 Order) 2014. The Regulations come into force on 1 January 2026.

[Statutory instrument](#)[Explanatory memorandum](#)

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## 7 FINANCIAL CONDUCT AUTHORITY

- 7.1 Best execution by wholesale banks in UK listed cash equities - FCA publishes multi-firm review findings - 12 December 2025** - The FCA has published its findings from a multi-firm review of how wholesale banks deliver best execution in UK listed cash equities. Covering eight wholesale banks active in UK listed cash equities dealing and execution, the review considered: (i) whether banks had suitably scoped their best execution obligations, (ii) the strength of banks' governance and oversight, (iii) the robustness of banks' best execution monitoring and management information (MI), and (iv) whether banks are identifying and managing conflicts of interest appropriately when internalising client orders.

The FCA found that banks generally had strong practices in assessing the scope of best execution. While the FCA observed some good practices in governance and oversight, this was also where it found the least progress made since its last review in 2014. Specifically, the FCA found a need for improvement in the challenge from the second line of defence. The FCA found the quality of MI to support senior management oversight was variable.

[FCA multi-firm review: Best execution in UK listed cash equities](#)

## 8 FINANCIAL CONDUCT AUTHORITY AND PAYMENT SYSTEMS REGULATOR

- 8.1 Payments regulation - FCA and PSR publish update responding to HM Treasury's recommendations - 17 December 2025** - The FCA and the Payment Systems Regulator (PSR) have published a letter updating HM Treasury on their progress in responding to HM Treasury's November 2024 recommendations on payments regulation. Among other things, the letter highlights that the regulators have begun to consolidate the PSR's functions into the FCA early, where it is possible to do so. The regulators are also supporting industry-led development of commercial models for variable recurring payments.

[FCA/PSR joint response: HM Treasury's recommendations on payment regulation](#)

# SECURITIES AND MARKETS //

## 9 INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS AND THE BASEL COMMITTEE ON BANKING SUPERVISION

- 9.1 Implementation of margin requirements for non-centrally cleared derivatives - IOSCO and BCBS publish review - 12 December 2025** - The International Organization of Securities Commissions (IOSCO) and the Basel Committee on Banking Supervision (BCBS) have published a review of the implementation of the framework for margin requirements for non-centrally cleared derivatives. The review found no evidence of material issues with the framework's implementation, and no changes to the framework are proposed.

[Press release](#)



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## 10 EUROPEAN SECURITIES AND MARKETS AUTHORITY

- 10.1 MiFIR Review - ESMA publishes final report - 15 December 2025** - The European Securities and Markets Authority (ESMA) has published a final report containing three sets of draft regulatory technical standards (RTS) relating to transparency for derivatives, package orders, and input and output data for the OTC derivatives consolidated tape under the Markets in Financial Instruments Regulation (600/2014) (MiFIR). These RTS address mandates under the MIFIR Review ((Regulation (EU) 2024/7915). The RTS will apply from 1 March 2027, subject to adoption by the European Commission and non-objection by the European Parliament and Council of the EU.

[Press release](#)

- 10.2 BMR - ESMA publishes public statement on transitional provisions for third-country benchmark administrators - 16 December 2025** - The European Securities and Markets Authority has published a public statement on the transitional provisions that will apply to third-country benchmark administrators under the Benchmarks Regulation ((EU) 2016/1011) (BMR), as amended by the BMR Review Regulation ((EU) 2025/914). The amendments made by the BMR Review Regulation apply from 1 January 2026, and the statement includes a list of pending applications made by third-country administrators of benchmarks for recognition or endorsement by ESMA.

[ESMA public statement: BMR transitional provisions for third-country benchmark administrators](#)

## 11 HM TREASURY

- 11.1 Future regulatory regime for benchmarks and benchmark administrators - HM Treasury launches consultation - 17 December 2025** - HM Treasury has published a consultation paper on the future regulatory regime for benchmarks and benchmark administrators. The new regime, which will be called the Specified Authorised Benchmarks Regime (SABR), will only regulate those benchmarks or benchmark administrators that may pose systemic risks to UK financial markets and will replace the existing regulatory framework under the UK Benchmarks Regulation ((EU) 2016/1011) (UK BMR). Significantly, the criteria for designation under the SABR would be based on whether there would be an impact on the integrity of the UK financial system and consumers, or an impact on the market the benchmark seeks to measure. The designation criteria for benchmark administrators would consider the aggregate impact of benchmarks administered by the firm on the integrity of the UK financial system and consumers, and HM Treasury estimates that the number of benchmark administrators caught within the scope of regulation may reduce by up to 80 to 90 per cent.

HM Treasury emphasises that, under this regime, it should not be assumed that non-regulated benchmarks are of lower quality than regulated benchmarks. There will no longer be the obligation for authorised firms, such as banks or asset managers, to only use benchmarks on an FCA register. The consultation further asks whether the endorsement and recognition regimes for overseas benchmarks are still necessary where only designated overseas administrators and



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benchmarks would need to comply with an overseas regime to provide their benchmarks in the UK.

[HM Treasury consultation paper: Future regulatory regime for benchmarks and benchmark administrators](#)

## 12 FINANCIAL CONDUCT AUTHORITY

- 12.1 Mortgage rule review - FCA publishes feedback statement - 15 December 2025** - The FCA has published a feedback statement (FS25/6) responding to its June 2025 discussion paper (DP25/2) on the future of the mortgage market. The feedback statement details the action that the FCA will take as part of a longer-term plan to modernise its mortgage rules, grouped under the following four themes: (i) expanding access for first-time buyers (FTBs) and underserved consumers; (ii) enhancing later life lending; (iii) enabling innovation; and (iv) protecting vulnerable consumers.

The FCA will act at pace to bring forward proposals to support FTBs and underserved consumer groups in 2026. Policy development on all the themes will commence by the end of 2026, continuing through 2027 as required. Proposals to update the FCA's mortgage standards as part of wider cross-cutting policy initiatives may also take place during this period.

[FCA feedback statement: Mortgage rule review \(FS25/6\)](#)

[Press release](#)

- 12.2 Market risk capital requirements for FCA investment firms - FCA publishes engagement paper - 16 December 2025** - The FCA has published an engagement paper on market risk capital requirements for FCA investment firms. The FCA is reviewing these requirements on the basis that investment firms may cause less harm in failure than banks, and this may justify more proportionate rules tailored to the harm they pose.

The review aims to consider how different approaches to setting market risk capital requirements in the pursuit of market integrity could encourage wholesale trading, improve market liquidity, and in turn reduce barriers to entry for specialised trading firms. The deadline for responses is 10 February 2026, and the FCA intends to publish a consultation paper on its review in 2026.

[FCA engagement paper: Market risk capital requirements for FCA investment firms](#)

## ASSET MANAGEMENT //

## 13 COUNCIL OF THE EUROPEAN UNION AND EUROPEAN PARLIAMENT

- 13.1 Retail Investment Strategy - Council of the EU and European Parliament reach agreement - 18 December 2025** - The Council of the EU and the European Parliament have reached a political

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agreement on legislative proposals relating to the European Commission's Retail Investment Strategy (RIS). The new rules aim to provide a wider range of efficient investment and financing opportunities, contributing to the EU's savings and investments union (SIU) and to the simplification of financial services regulation.

The package includes: (i) proposals to oblige retail investment firms to identify and quantify all costs and charges borne by investors related to investment products to determine whether those products should be approved for sale; (ii) removal of the requirement for advisers providing recommendations to consumers related to diversified, non-complex and cost-efficient instruments to assess a client's investment knowledge and experience as part of the suitability assessment; (iii) a new inducement test to ensure that investment and insurance companies act in the best interests of clients and to enable clients to distinguish inducements from other fees; and (iv) a framework that will allow more retail investors to be treated as professional clients.

The provisional agreement is subject to approval by the Council and the Parliament, and technical work will now continue to finalise the legal texts early in 2026.

[European Parliament press release](#)

[Council of the EU press release](#)

## 14 FINANCIAL CONDUCT AUTHORITY

### 14.1 Risk warnings for mainstream investments - FCA publishes new webpage - 11 December 2025 -

The FCA has published a new webpage on its expectations for firms promoting investment products, alongside common misconceptions about risk warnings. This supports a review of risk warnings led by the Investment Association and supported by HM Treasury and the FCA, as the webpage seeks to help move the debate forward while the review considers whether wider reforms are needed.

[Webpage](#)

# INSURANCE //

## 15 FINANCIAL CONDUCT AUTHORITY

### 15.1 Home and travel insurance - FCA responds to Which? super-complaint on addressing poor consumer outcomes - 18 December 2025 -

The FCA has published a response to the super-complaint made by Which? on addressing poor consumer outcomes in home and travel insurance. Over the next year, the FCA will expand its insurance work to:

- improve claims handling and service quality by reviewing firms' customer service and delivery and how they oversee third parties that handle claims; and
- improve consumer understanding by analysing how firms' different sales processes affect the outcomes people are getting.

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Alongside these new and expanded actions in response to the concerns raised in the super-complaint, the FCA is continuing to progress ongoing work in these markets as detailed in its response. The FCA will provide an update on its work before the end of 2026 and will consider further intervention if it does not see improvements, both at a firm and market-wide level.

[FCA response: Which? super complaint on consumer outcomes in home and travel insurance Statement](#)

## ENFORCEMENT //

### 16 FINANCIAL CONDUCT AUTHORITY

- 16.1 Building society fined for financial crime failings - FCA publishes final notice - 12 December 2025** - The FCA has published the final notice it issued to Nationwide Building Society fining it £44m for inadequate financial crime systems and controls. Nationwide agreed to resolve this matter and qualified for a 30% (stage 1) discount under the FCA's executive settlement procedures. Nationwide commenced a large-scale financial crime transformation programme in July 2021.

[Final notice](#)[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:

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