

# 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](#)

[Financial Crime](#)

[Enforcement](#)

## SELECTED HEADLINES //

### Banking and Finance

**Extending RTGS and CHAPS settlement hours** - Bank of England consults **4.2**

**Restating UK CRR definitions in PRA Rulebook** - PRA publishes consultation paper **5.1**

**Treatment of residential mortgage exposures under IRB approach to credit risk** - PRA publishes discussion paper **5.4**

**Design of digital journeys** - FCA publishes findings of multi-firm review **7.1**

### Securities and Markets

**Data quality controls in benchmarks sector** - FCA publishes findings of multi-firm review **8.1**

### Enforcement

**Post-Brexit controls, governance and reporting failures** - PRA publishes final notice and fines reinsurer **11.1**

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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](#)[Banking and Finance](#)[Securities and Markets](#)[Financial Crime](#)[Enforcement](#)

## GENERAL //

### 1 FINANCIAL CONDUCT AUTHORITY

- 1.1 FOS interim chair - appointment made - 28 July 2025** - The FCA has announced that it has appointed Liam Coleman as interim chair of the Financial Ombudsman Service until a permanent appointment is made. Coleman will take up the role on 10 October 2025, succeeding Baroness Zahida Manzoor CBE, who is stepping down after two terms. Coleman was formerly CEO of The Co-operative Bank, deputy Group Treasurer and Group Head of Capital Management at RBS, and Group Director, Treasury, at Nationwide Building Society.

[Press release](#)

## BANKING AND FINANCE //

### 2 EUROPEAN CENTRAL BANK

- 2.1 SSM options and discretions policies - ECB finalises updates - 25 July 2025** - The European Central Bank (ECB) has published updated versions of its policies on its exercise of options and discretions (O&Ds) for banks in the Single Supervisory Mechanism, following its November 2024 consultation. The updated policies are set out in four instruments comprising the O&D framework, explained further on the relevant webpage.

The updated policies explain how the ECB grants permissions to banks regarding how they calculate capital requirements for operational and market risks, and whether minority interests in subsidiaries can be included in the capital of a banking group. The updates also clarify the application of the Danish compromise (which allows banks to risk-weight investments in insurance subsidiaries in certain circumstances instead of deducting them from capital). The ECB is granting a one-year transition period to affected banks.

The Guide and the Recommendation have immediate effect. The Regulation will apply from 17 August 2025, and regulators in member states should comply with the Guideline from 1 January 2026.

**ECB feedback statement: Responses to the public consultation on revisions to the ECB's O&D policies**

[Press release](#)[Webpage](#)

- 2.2 Internal models under SSM - ECB publishes revised guide - 28 July 2025** - The European Central Bank (ECB) has published a revised version of its guide to internal models under the Single Supervisory Mechanism. The guide, which was first published in October 2019 and last updated in February 2024, sets out the ECB's understanding of the rules governing internal models used for credit, market and counterparty credit risk under the Capital Requirements Regulation

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

(575/2013). The guide now includes a section on expectations for the use of machine learning techniques in internal models, among other things.

[ECB guide to internal models](#)

[Press release](#)

### 3 EUROPEAN BANKING AUTHORITY

- 3.1 Supervisory reporting for third-country branches - EBA consults - 31 July 2025** - The European Banking Authority (EBA) has launched a consultation (EBA/CP/2025/28) (dated 20 July 2025) on draft implementing technical standards (ITS) on supervisory reporting for third-country branches under the Capital Requirements Directive (2013/36/EU). The draft ITS seek to harmonise reporting formats and definitions for third-country branches across the EU, while also tailoring requirements to systemic relevance. Two new proposed reporting templates are available on the webpage which refer to the financial soundness, risk exposures, and intra-group dependencies of each branch.

Comments on the draft ITS should be submitted to the EBA by 31 October 2025. A public hearing on the draft ITS will take place on 5 September 2025.

[EBA consultation paper: Draft ITS on third-country branches under CRD \(EBA/CP/2025/28\)](#)

[Press release](#)

### 4 BANK OF ENGLAND

- 4.1 O-SII buffer framework review - FPC publishes response and PRA reissues rates - 29 July 2025** - The Bank of England's Financial Policy Committee (FPC) has published a response to its March 2025 consultation paper on changes to the other systemically important institutions (O-SII) buffer framework. The FPC consulted on proposals to (i) index the O-SII buffer thresholds based on the 20% cumulative growth in nominal GDP between 2019 and 2023; and (ii) assess the thresholds as part of its regular review of the framework in the future and update them in line with nominal GDP growth, as appropriate. The proposals are designed to support the efficient allocation of capital and lending to the real economy, in line with the FPC's secondary objective of supporting the Government's economic policy.

As a result of a longer indexation period, the O-SII buffer thresholds will now increase by 27%, instead of by the 20% proposed in the consultation. The FPC has decided that the changes should come into effect immediately. Therefore, the PRA has reissued the O-SII buffer rates for ring-fenced banks and large building societies for 2024 to reflect the updated framework. The new rates will apply from 1 January 2026.

[FPC response: 2024 O-SII buffer framework review](#)

[Press release](#)

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

- 4.2 Extending RTGS and CHAPS settlement hours - Bank of England consults - 29 July 2025** - The Bank of England (the Bank) has published a phase 1 consultation paper on proposals to extend the RT2 and CHAPS settlement hours. RT2 is the Bank's renewed real-time gross settlement (RTGS) service, which went live in April 2025. The consultation follows the Bank's October 2024 response to its discussion paper on exploring extended RTGS hours, which outlined its preliminary vision.

The consultation seeks to gather feedback on the Bank's phase 1 proposals for extended settlement hours. Specifically, the Bank proposes to open CHAPS for settlement from 1.30 am on existing settlement days. The Bank is aiming for implementation in H2 2027 (subject to consultation feedback and further work internally) as a stepping stone towards its ongoing vision of near 24x7 settlement around the turn of the decade. The Bank is also seeking early views on extending the CHAPS contingency window and offering settlement in RT2 during certain bank holiday weekends. The Bank will issue a separate consultation paper in 2026 on these phase 2 proposals.

Responses to the paper are welcomed by 21 October 2025. The Bank intends to publish a policy statement on the phase 1 proposals in early 2026, and a policy statement on the phase 2 proposals later in 2026.

[Bank of England consultation paper: Proposal to extend RT2 and CHAPS settlement hours](#)

## 5 PRUDENTIAL REGULATION AUTHORITY

- 5.1 Restating UK CRR definitions in PRA Rulebook - PRA publishes consultation paper - 30 July 2025** - The PRA has published a consultation paper (CP19/25) on its proposed approach to restating certain UK Capital Requirements Regulation (575/2013) (UK CRR) definitions in the PRA Rulebook as part of HM Treasury's plans to apply the Financial Services and Markets Act 2000 model of regulation to the UK CRR.

The PRA proposes to restate most of the definitions from Articles 4, 4A, 4B, and 5 of the UK CRR in the PRA Rulebook without substantive change. It will also expressly define certain terms in the Glossary that are currently defined implicitly in other provisions of the UK CRR. Consequential amendments will be made across the PRA Rulebook, including in relation to the interpretation of PRA Rulebook terms and to the substance of rules that rely on UK CRR definitions. Among other things, the PRA has not proposed a replacement for the UK CRR definition of 'third-country investment firm' but plans to create a suitable Glossary definition and make appropriate consequential amendments to the PRA Rulebook once HM Treasury has confirmed details of the new overseas prudential requirements regime.

The deadline for comments is 30 October 2025. The PRA proposes to bring changes resulting from CP19/25 into effect alongside its rules implementing the Basel 3.1 package, on 1 January 2027.

[PRA consultation paper: CRR definitions: Restatement in PRA Rulebook \(CP19/25\)](#)

- 5.2 Pillar 2A reforms - PRA extends consultation period - 30 July 2025** - The PRA has updated the webpage for its consultation paper (CP12/25) on the proposed updates to its Pillar 2A

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

methodologies and guidance to note that it has extended the consultation period to 30 September 2025 (from 5 September 2025). The PRA has also updated the implementation date for the proposed changes to pension obligation risk (set out in Chapter 4 of CP12/25) and to market risk and counterparty credit risk (set out in Chapter 5) to 1 July 2026. The PRA had previously proposed to implement these reforms on 2 March 2026.

The implementation date for the other proposals relating to credit risk (set out in Chapter 2) and operational risk (set out in Chapter 3) will be 1 January 2027, as originally proposed. This date aligns with the implementation of the Basel 3.1 standards.

#### [Updated webpage](#)

- 5.3 SDDT interim capital regime - PRA publishes update on modifications by consent - 25 July 2025** - The PRA has updated its webpage on waivers and modifications of rules in relation to the interim capital regime (ICR), a transitional regime that was intended to allow eligible firms to preserve their existing capital requirements from the implementation date of the Basel 3.1 standards until the application of the small domestic deposit takers (SDDT) capital regime. In November 2024, the PRA made available modifications by consent for firms that wished to take advantage of the ICR. At that time, the SDDT capital regime was expected to apply from 1 January 2027, with the Basel 3.1 reforms applying from 1 January 2026.

The PRA has since announced that it will be delaying the implementation of the Basel 3.1 reforms to 1 January 2027. In July 2025, the PRA confirmed that it was continuing to work towards a proposed implementation date for the SDDT capital regime of 1 January 2027 (the same date on which it plans to implement the majority of the Basel 3.1 standards) and consequently the ICR would no longer be required. SDDT-eligible firms and consolidation entities would no longer be expected to consent to the ICR modification and the PRA would end the ICR modifications that have already been issued on the register.

#### [Updated webpage](#)

- 5.4 Treatment of residential mortgage exposures under IRB approach to credit risk - PRA publishes discussion paper - 31 July 2025** - The PRA has published a discussion paper (DP1/25) on a range of possible policy changes to the treatment of residential mortgage exposures under the internal ratings based (IRB) approach to credit risk. An accompanying press release notes that the PRA's policy options intend to *"make it easier for mid-sized firms to scale-up and compete in the residential mortgage market"*.

DP1/25 explores the possible introduction of a foundation IRB (FIRB) approach for residential mortgage exposures, under which firms would model probability of default while applying fixed supervisory 'loss given default' and 'exposure at default' values. It also sets out a range of design considerations. In parallel, DP1/25 reviews the challenges that firms have faced in implementing the PRA's current hybrid probability of default modelling policy, and considers a range of policy options to address them.

Responses are welcomed by 31 October 2025. The PRA is not committing to any specific policy changes at this stage. Any changes would be subject to further policy development and future

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

consultation, and would not take effect before the implementation of the near-final Basel 3.1 rules.

[PRA discussion paper: Residential mortgages: LGD and PD estimation \(DP1/25\)](#)

[Press release](#)

## 6 SOLICITORS REGULATION AUTHORITY AND FINANCIAL REGULATION AUTHORITY

- 6.1 Poor practices in motor finance commission claims - SRA and FCA warn law firms and CMCs - 31 July 2025** - The Solicitors Regulation Authority (SRA) and the FCA have published a joint press release warning law firms and claims management companies (CMCs) to comply with rules around the handling of motor finance commission claims.

If, following the Supreme Court judgment in *Hopcraft and another v Close Brothers Limited* (UKSC/2024/0157) (expected 1 August 2025), the FCA concludes that motor finance consumers have suffered loss, it will confirm within six weeks of the judgment whether it will consult to introduce a redress scheme for affected customers. The SRA and the FCA expect law firms and CMCs to inform clients of the existence of a redress scheme, or that there is a realistic prospect of one being introduced. This must be done before a client signs any agreement with the CMC, even if the redress scheme has not yet been confirmed.

The SRA and the FCA have become increasingly concerned about the conduct of some law firms and CMCs, including in relation to the volume and the accuracy of marketing materials and a failure to advise consumers about the availability of free-to-claim alternatives.

[Press release](#)

## 7 FINANCIAL CONDUCT AUTHORITY

- 7.1 Design of digital loan processes - FCA publishes findings of multi-firm review - 31 July 2025** - The FCA has published the findings of its multi-firm review of digital acquisition journeys and the design of apps and websites, as part of its commitment to share more information on how firms are embedding the Consumer Duty. The review found that the design of some digital loan processes lacked 'positive friction', slowed decision-making, and excluded information that consumers needed, for example, information about costs. The findings relate to consumer credit providers only, but the good and poor practices outlined in the review may be of interest more broadly to those firms with a digital presence.

The FCA has also published a research note on the effect that harmful digital design practices can have on the financial decisions of consumers. The review focuses on two areas of concern, namely 'sludge' (unjustified frictions or actions that make an option less attractive to consumers) and 'deceptive design' (design elements that may lead consumers to take actions which are against their best interests).

[FCA multi-firm review: Digital design in customers' online journeys](#)

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

[FCA research note: Digital design for financial products and services: Consumer impact of sludge, deceptive design, timeliness and simplification](#)

[Webpage](#)

[Press release](#)

## SECURITIES AND MARKETS //

### 8 FINANCIAL CONDUCT AUTHORITY

- 8.1 Data quality controls in benchmarks sector - FCA publishes findings of multi-firm review - 28 July 2025** - The FCA has published the findings of its multi-firm review of the management of data risks by benchmark administrators. The review, based on a sample of 10 firms, sought to understand how the requirements of FCA Principle 2 (due skill, care and diligence), Principle 3 (adequate risk management systems), and relevant provisions of the UK Benchmarks Regulation ((EU) 2016/1011) are met.

The FCA outlines examples of good practice for managing the risks associated with each of the five themes covered by its questionnaire, namely: supplier onboarding; data quality oversight; resilience and incident response; governance and assurance; and emerging risk awareness. The FCA intends to carry out further work later in 2025 and in 2026 on the other risks set out in its December 2024 portfolio letter, including benchmark controls and corporate governance.

[FCA multi-firm review: Data quality controls in benchmarks sector](#)

## FINANCIAL CRIME //

### 9 EUROPEAN BANKING AUTHORITY

- 9.1 Money laundering and terrorist financing risks across the EU - EBA publishes opinion - 28 July 2025** - The European Banking Authority (EBA) has published its fifth opinion and report on the risks of money laundering (ML) and terrorist financing (TF) that are affecting the EU's financial sector.

The EBA comments on a complex ML/TF risk landscape shaped by rapid technological innovation, regulatory reform, and shifting criminal behaviours. The EBA notes that many FinTech firms lack the expertise and the governance structures needed to identify and deal with ML/TF risks effectively. The opinion also highlights several positive trends, including an overall decrease in risks related to tax crime and unwarranted de-risking.

[EBA: Opinion on ML/TF risks affecting the EU's financial sector \(EBA/Op/2025/10\)](#)



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

## 10 HM GOVERNMENT

- 10.1 Exemptions from ML obligations in POCA - Updated guidance published - 31 July 2025** - HM Government has published updated guidance setting out its position on exemptions relating to the money laundering obligations in the Proceeds of Crime Act 2002, as amended by the Serious Organised Crime and Police Act 2005, the Proceeds of Crime (Money Laundering) (Threshold Amount) Order 2022 (SI 2022/1355), the Economic Crime and Corporate Transparency Act 2023, and the Proceeds of Crime (Money Laundering) (Threshold Amount) (Amendment) Order 2025 (SI 2025/877).

[Guidance on exemptions](#)

# ENFORCEMENT //

## 11 PRUDENTIAL REGULATION AUTHORITY

- 11.1 Post-Brexit controls, governance and reporting failures - PRA publishes final notice and fines reinsurer - 28 July 2025** - The PRA has published a final notice (dated 24 July 2025) issued to Barents Reinsurance S.A. London Branch, fining it £1,785,000 for internal controls, governance and reporting failures.

Following the UK's withdrawal from the EU, Barents Reinsurance S.A. entered the temporary permissions regime on 31 December 2020. The PRA's investigation found that between July 2021 and 31 October 2023, the firm failed to organise and control its affairs responsibly and effectively because it prepared inadequately for the regulatory effect of the UK's exit from the EU and failed to ensure that certain internal audit recommendations were implemented in a timely manner. The firm also failed to submit certain required regulatory reports and to have appropriate systems and structures to fulfil its reporting requirements. Moreover, the firm did not have a system of governance that was proportionate to its operations and lacked a business continuity plan that adequately accounted for its UK business. These failings meant that the firm breached PRA Fundamental Rule 6, Rules 2.1 and 2.5 of the Reporting Part of the PRA Rulebook, and Rules 2.3 and 2.6 of the Conditions Governing Business Part of the PRA Rulebook.

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

## 12 FINANCIAL CONDUCT AUTHORITY

- 12.1 Senior management failings - FCA issues final notice to former bank CEO - 25 July 2025** - The FCA has published a final notice issued to James Staley, former Barclays Bank plc CEO, fining him £1,107,306.92 and prohibiting him from holding senior management roles in the financial services industry. This follows the decision of the Upper Tribunal (Tax and Chancery Chamber) on 26 June 2025 which upheld the FCA's May 2023 decision to ban Staley for recklessly approving a letter to the FCA that contained two misleading statements about the nature of his relationship with Jeffrey Epstein, as reported previously in this Bulletin.



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

### [Final notice](#)

- 12.2 *R v Hayes* - FCA discontinues proceedings and revokes prohibition order - 25 July 2025** - The FCA has announced that, following the Supreme Court judgment on 23 July 2025 in *R v Hayes* [2025] UKSC 29, it is discontinuing its action against Tom Hayes and has revoked the prohibition order that it imposed on Carlo Palombo. This follows the Supreme Court decision to allow the appeals of Hayes and Palombo against their convictions for conspiracy to defraud in relation to attempts to influence key benchmark rates used in financial markets (LIBOR and EURIBOR respectively). The convictions formed the basis upon which the FCA took action against Hayes and Palombo.

### [FCA statement](#)

- 12.3 Deliberately misleading FCA - Former deputy CEO of asset manager fined and banned - 25 July 2025** - The FCA has published a final notice issued to Jean-Noël Yves Alba, former deputy CEO of asset manager H2O AM LLP, fining him £1,049,500 and prohibiting him from working in the financial services industry for deliberately misleading the FCA.

Between 2015 and 2019, H2O AM LLP failed to carry out proper due diligence on a series of high-risk and highly illiquid investments made through the funds it managed. A newspaper article published in 2019 precipitated a breakdown in market confidence in H2O AM LLP and caused a substantial investor redemption across the funds its managed. The FCA subsequently opened an investigation into misconduct relating to the investments. During the FCA's investigation, Alba - who was the principal point of contact with the FCA - provided false and misleading statements and documentation.

The FCA found that, between August 2019 and July 2021, Alba failed to act with integrity in breach of Statement of Principle 1 and Individual Conduct Rule 1, and was not open and co-operative in his interactions with the FCA in breach of Statement of Principle 4 and Individual Conduct Rule 3. The conduct concerned took place in a period where the FCA Statements of Principle applied and, subsequently, when the FCA Individual Conduct Rules that replaced the Statements of Principle applied to Alba. The FCA considers that Alba acted intentionally, or, in the alternative, recklessly, to mislead it, and that Alba's objective in the continued provision of misleading information was, in part, to hide the fact that he had knowingly made inaccurate and misleading statements.

### [Final notice](#)

### [Press release](#)

- 12.4 *Markou v FCA* - Final notice issued in accordance with Court of Appeal direction - 29 July 2025** - The FCA has published a final notice issued to Markos Markou, the former sole director of a mortgage and insurance intermediary, Financial Solutions (Euro) Limited, fining him £10,000 and banning him from working in financial services. The FCA has issued the final notice in accordance with a Court of Appeal direction dated December 2024.

The original reference concerned an FCA decision to impose a prohibition and a financial penalty on Markou for failing to act with integrity in the conduct of the firm's business, resulting in the

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

exposure of customers to mortgage fraud. Markou referred the matter to the Upper Tribunal (Tax and Chancery Chamber), which directed the FCA not to impose a fine and asked the FCA to reconsider its decision to ban Markou. In December 2024, the Court of Appeal reaffirmed the Tribunal's decision, finding that the FCA's decision to ban Markou was correct and remitting the matter back to the FCA with a direction to impose a lesser fine.

In June 2025, the Supreme Court refused an application for permission to appeal against the Court of Appeal's judgment, as reported previously in this Bulletin.

#### [Final notice](#)

## Selected Headlines

## General

## Securities and Markets

## Banking and Finance

## 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](#).

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