

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](#)

[Beyond Brexit](#)

[Banking and Finance](#)

[Securities and Markets](#)

[Insurance](#)

[Financial Crime](#)

If you have any comments or questions, please contact:

[Selmin Hakki](#).

Slaughter and May also produces a periodical Insurance Newsletter. If you would like to go on the distribution list, please contact: [Beth Dobson](#).

SELECTED HEADLINES //

Beyond Brexit

Berne Financial Services Agreement - HM Treasury publishes statutory instruments to implement UK commitments **1.1**

Banking and Finance

Buy-Now, Pay-Later - HM Treasury publishes final statutory instrument and FCA publishes consultation paper **2.1**

Amendments to the large exposures framework - PRA publishes policy statement **3.1**

Mortgage rule review - FCA publishes policy statement on simplifying rules **4.1**

Securities and Markets

UK EMIR - Bank of England consults on ensuring the resilience of CCPs **5.1**

Rule permissions and waivers - Bank of England consults on new statement of policy **5.2**

Fundamental Rules for FMIs - Bank of England publishes policy statement **5.3**

Insurance

Solvency II Delegated Regulation - European Commission consults on amendments **7.1**

Selected Headlines

[Beyond Brexit](#)[Banking and Finance](#)[Securities and Markets](#)[Insurance](#)[Financial Crime](#)

Changes to UK ISPV regulatory framework - PRA publishes policy statement **8.1**

Motor insurance claims analysis - FCA publishes report **9.1**

Financial Crime

Improving the effectiveness of the MLRs - HM Treasury publishes consultation response **10.1**

Proceeds of Crime (Money Laundering) (Threshold Amount) (Amendment) Order 2025 **12.1**

Improving civil enforcement processes for financial sanctions - OFSI consults **13.2**

Selected Headlines

[Beyond Brexit](#)[Banking and Finance](#)[Securities and Markets](#)[Insurance](#)[Financial Crime](#)

BEYOND BREXIT //

1 HM TREASURY

- 1.1 Berne Financial Services Agreement - HM Treasury publishes statutory instruments to implement UK commitments - 22 and 23 July 2025** - HM Treasury has published two statutory instruments (SIs) intended to implement the UK's commitments under the Berne Financial Services Agreement (BFSA). The BFSA, which was signed by the UK and Swiss governments in December 2023, uses outcomes-based mutual recognition to enable cross-border supply of financial services to wholesale and sophisticated clients.

The first SI - a draft version of the Financial Services and Markets Act 2023 (Mutual Recognition Agreement) (Switzerland) Regulations 2025 - makes legislative changes to enable Swiss investment services firms to supply cross-border services to wholesale and sophisticated high net worth clients in the UK. This is achieved by relieving these firms of the obligation to comply with UK authorisation and prudential measures, provided that they are authorised by the Swiss regulator. The SI will also provide the FCA and the PRA with new powers to manage risks stemming from these firms supplying financial services into the UK and to ensure an orderly wind-down of their activities if the BFSA is terminated.

The second SI - the OTC Derivatives Risk Mitigation and Central Counterparties (Equivalence) (Switzerland) Regulations 2025 (SI 2025/898) - sets out HM Treasury's determinations that Switzerland's regulatory and supervisory regimes for risk mitigation for OTC derivative contracts and for central counterparties are equivalent to the UK.

Both SIs are intended to come into force on 1 January 2026. The UK and Switzerland have committed to ensuring the BFSA is fully implemented by the end of 2025 to enable firms to start registering to use it on 1 January 2026.

Separately, the FCA has published a new webpage inviting eligible Swiss investment firms and UK insurers to express their interest in the BFSA. The webpage contains an implementation timeline, together with further information on eligibility, the application process and the BFSA.

[Draft Financial Services and Markets Act 2023 \(Mutual Recognition Agreement\) \(Switzerland\) Regulations 2025](#)

[Explanatory memorandum](#)

[The OTC Derivatives Risk Mitigation and Central Counterparties \(Equivalence\) \(Switzerland\) Regulations 2025](#)

[Explanatory memorandum](#)

[New webpage](#)

[Selected Headlines](#)[Beyond Brexit](#)[Banking and Finance](#)[Securities and Markets](#)[Insurance](#)[Financial Crime](#)

BANKING AND FINANCE //

2 HM TREASURY AND FINANCIAL CONDUCT AUTHORITY

- 2.1 **Buy-Now, Pay-Later - HM Treasury publishes final statutory instrument and FCA publishes consultation paper - 15 and 18 July 2025** - The Financial Services and Markets Act 2000 (Regulated Activities etc.) (Amendment) Order 2025 (SI 2025/859) (the Order) has been published, together with an explanatory memorandum. The Order brings certain buy-now, pay-later (BNPL) products - defined in the Order as 'regulated deferred payment credit (DPC) agreements' - into regulation from 15 July 2026. The Order also creates a temporary permissions regime (TPR) for firms seeking FCA authorisation to offer newly regulated DPC products.

Following publication of the Order, the FCA has published a consultation paper (CP25/23) on its proposed approach to DPC. Among other things, CP25/23 proposes new rules to require DPC lenders to provide certain information before a consumer takes out a DPC agreement, as well as throughout the life of an agreement. The FCA also intends to: (i) apply the existing rules and guidance on creditworthiness to DPC; (ii) apply the Senior Managers and Certification Regime to DPC firms; and (iii) ensure that consumers have access to the Financial Ombudsman Service.

In addition, the FCA sets out its proposals for the TPR established by the Order, and notification for registration for the TPR will open two months before 15 July 2026. Feedback on CP25/23 is welcomed by 26 September 2026. The FCA intends to issue a policy statement with final rules in early 2026.

[Statutory instrument](#)

[Explanatory memorandum](#)

[FCA consultation paper: DPC: Proposed approach to regulation \(CP25/23\)](#)

[Press release](#)

3 PRUDENTIAL REGULATION AUTHORITY

- 3.1 **Amendments to the large exposures framework - PRA publishes policy statement - 17 July 2025** - The PRA has published its first policy statement (PS14/25) on amendments to the large exposures framework. This follows the PRA's October 2024 consultation paper (CP14/24) on proposed changes to the framework and on proposals relating to groups of connected clients in chapter 4 of CP23/23.

The PRA has amended its final policy to, among other things, remove changes related to the proposals in chapters 2, 3 and 4 of CP14/24 from the rule instrument, which the PRA will finalise in due course. It explains that this means that it has also retained the Large Exposures Part of the PRA Rulebook but removed the stricter requirements on exposures to certain French counterparties as consulted. The PRA has also refined the definition of control and made various minor technical drafting amendments to the rules to improve legal clarity.

Selected Headlines

[Beyond Brexit](#)[Securities and Markets](#)[Financial Crime](#)[Banking and Finance](#)[Insurance](#)

The amended large exposures rules and accompanying policy material will come into force on 1 January 2026. The PRA will finalise the remaining proposals in CP14/24 in 2026. It expects to finalise its policy on shadow banking entities (SBEs), as set out in chapter 3 of CP23/23, in due course. In the interim, the PRA expects firms to make every effort to comply with existing European Banking Authority guidelines on limits on exposures to SBEs.

[PRA policy statement: Amendments to the large exposures framework \(PS14/25\)](#)

- 3.2 Restatement of UK CRR - PRA publishes policy statement - 17 July 2025** - The PRA has published a policy statement (PS12/25) on the restatement of certain provisions in the UK Capital Requirements Regulation (575/2013) (UK CRR) in its Rulebook.

PS12/25 provides feedback to responses to the PRA's September 2024 consultation paper (CP8/24) on restating CRR requirements on the definition of capital, as well as chapters 3 and 7 of its October 2024 consultation paper (CP13/24) on the restatement of the remainder of UK CRR concerning supervisory expectations related to securitisations and the mapping of external credit rating agency ratings to credit quality steps. It also outlines the PRA's final policy in respect of these proposals. The PRA has made some changes to its draft rules and related policy materials. Among other things, it has amended the draft rules to reflect the delayed implementation of the Basel 3.1 standards and included additional guidance in a new statement of policy on its approach to waivers and permissions under Own Funds (CRR) Part of its Rulebook.

The implementation date for the final rules and policy materials is 1 January 2026. The PRA notes that the remaining proposals consulted on in CP13/24 are dependent on the finalisation of the Basel 3.1 rules and will be the subject of a subsequent policy statement.

[PRA policy statement: Restatement of CRR and Solvency II requirements in PRA Rulebook \(PS12/25\)](#)

4 FINANCIAL CONDUCT AUTHORITY

- 4.1 Mortgage rule review - FCA publishes policy statement on simplifying rules - 22 July 2025** - The FCA has published a policy statement (PS25/11) setting out final rules to simplify specific responsible lending and advice rules for mortgages which it describes as "*permissive in nature*". This follows its May 2025 consultation paper (CP25/11) on its proposed changes, as reported previously in this Bulletin.

The FCA explains that it has finalised most of the rules and guidance broadly as it had consulted on, with some small changes made to reflect feedback. PS25/11 confirms that the FCA is:

- removing the interaction trigger at MCOB 4.8A7R(3) and associated rules and guidance, so that interactions between a firm and their customers will not immediately trigger advice and thereby allow for easier interactions between firms and their customers;
- removing the requirement for a full affordability assessment when reducing the term of the mortgage; and

Selected Headlines

[Beyond Brexit](#)[Securities and Markets](#)[Financial Crime](#)[Banking and Finance](#)[Insurance](#)

- amending the modified affordability assessment to include new mortgage contracts with new lenders where it is more affordable than either a customer's current mortgage, or a new mortgage product available to that customer from their current lender.

The amended rules and guidance came into force immediately, on 22 July 2025. The FCA's June 2025 discussion paper (DP25/2) on the future of the mortgage market remains open to responses until 19 September 2025. The FCA will consider responses and decide next steps once it closes.

[FCA policy statement: Mortgage rule review: First steps to simplify our rules \(PS25/11\)](#)

[Press release](#)

SECURITIES AND MARKETS //

5 BANK OF ENGLAND

- 5.1 **UK EMIR - Bank of England consults on ensuring the resilience of CCPs - 18 July 2025** - The Bank of England (the Bank) has published a consultation paper on key elements of the UK's future regulatory framework for central counterparties (CCPs), setting out its proposed approach to restating certain CCP-facing requirements in UK EMIR (648/2012) in Bank rules, alongside proposing several policy changes. The Bank explains that the existing regulatory framework for CCPs effectively delivers on financial stability, so much of this framework will remain unchanged, and the proposed changes are instead targeted to enhance resilience and promote innovation.

There are seven areas where the Bank proposes material changes to requirements placed on CCPs, including in relation to: (i) the transparency of margin requirements; (ii) increasing the likelihood of porting client positions; (iii) introducing 'second skin in the game' (a second tranche of CCP resources into the default waterfall, placed in line with the default fund); and (iv) increasing clarity regarding liquidity risk controls.

Comments on the Bank's proposed approach are welcomed by 18 November 2025. The Bank states that its final rules will be published no earlier than the end of H1 2026. Once the rules are published, the Bank proposes that CCPs will have six months to adapt and implement them.

[Bank of England consultation paper: Ensuring the resilience of CCPs](#)

- 5.2 **Rule permissions and waivers - Bank of England consults on new statement of policy - 18 July 2025** - The Bank of England (the Bank) has published a consultation paper on its proposal for a new statement of policy that will establish the Bank's approach to using its permissions power under the Financial Services and Markets Act 2000. Introduced by Financial Services and Markets Act 2023, the permissions power enables the Bank to give a permission which allows for rules to be modified or waived for the recipient of the permission where the Bank is satisfied that the applicant meets specific criteria. In many cases, use of the power will replace use of the existing regulatory approvals process (sometimes referred to as a 'non-objection' process), placing a more predictable and transparent framework around it.

[Selected Headlines](#)[Beyond Brexit](#)[Banking and Finance](#)[Securities and Markets](#)[Insurance](#)[Financial Crime](#)

The consultation paper is relevant to financial market infrastructures and HM-designated critical third parties. Views are sought on how the Bank will use its permissions power, how firms can apply for a rule permission and the Bank's approach to publishing information relating to approved rule permissions. The consultation closes on 18 November 2025.

[Bank of England consultation paper: The Bank's approach to rule permissions and waivers](#)

- 5.3 Fundamental Rules for FMIs - Bank of England publishes policy statement - 18 July 2025** - The Bank of England (the Bank) has published a policy statement setting out its Fundamental Rules for financial market infrastructures (FMIs). The Fundamental Rules are the first instance in which the Bank has made new rules using its new general rule-making power over central counterparties (CCPs) and central securities depositories (CSDs) granted under the Financial Services and Markets Act 2000, as amended by Financial Services and Markets Act 2023.

The Fundamental Rules comprise a set of 10 rules that outline high-level outcomes the Bank expects from FMIs, including, with regard to their financial resources, operational resilience and actions they should take to understand and manage the risk they may pose to the stability of the financial system. The Fundamental Rules will apply to UK recognised CCPs, CSDs, payment system operators and specified service providers. Currently, third-country CSDs and systemic overseas CCPs are not in scope (although this may change in the future). The Bank consulted on the rules in November 2024 and has made a number of changes, including (among others) clarifying that it does not expect an FMI to take actions that harm its own resilience when managing the risks that it may pose to financial stability. The Bank has also extended the implementation period of the rules from six to 12 months.

The Bank's final policy - reflected in an instrument, code of practice and a supervisory statement - will come into force on 18 July 2026. The Bank has also published a publication on its supervisory approach to onboarding new FMIs.

[Bank of England policy statement: Fundamental Rules for FMIs](#)[Bank of England publication: Bank of England's supervisory approach to onboarding new FMIs](#)

6 FINANCIAL CONDUCT AUTHORITY

- 6.1 Derivatives trading obligation under UK MiFIR - FCA confirms direction remains in effect until year end - 17 July 2025** - The FCA has published an explanatory statement under the Markets in Financial Instruments Regulation (600/214) (UK MiFIR) confirming that its direction to modify the UK derivatives trading obligation (DTO) that came into effect on 31 December 2024 (replacing the expiring transitional direction) remains in effect for the six-month period to 31 December 2025.

The direction allows firms subject to the UK DTO, trading with or on behalf of EU clients subject to the EU DTO, to execute those trades on EU trading venues, provided certain conditions are met. The FCA will conduct a further review at the end of the next six-month period, following which it will issue a new statement if the direction remains in force.

[Explanatory statement](#)

Selected Headlines

[Beyond Brexit](#)[Banking and Finance](#)[Securities and Markets](#)[Insurance](#)[Financial Crime](#)

INSURANCE //

7 EUROPEAN COMMISSION

- 7.1 Solvency II Delegated Regulation - European Commission consults on amendments - 17 July 2025** - The European Commission has launched a consultation for a draft Delegated Regulation that would amend Delegated Regulation (EU) 2015/35 (Solvency II Delegated Regulation). The Commission explains that the draft amendments align prudential rules for insurance companies with the Solvency II Directive (2009/138/EC), as amended by Directive (EU) 2025/2 (Solvency II Amending Directive).

The amendments seek to remove deterrents for insurers to support the long-term financing of the European economy. Among other things, the amendments would simplify supervisory reporting and disclosure requirements, particularly for smaller insurers with low-risk business models. The draft Delegated Regulation also proposes a dedicated treatment for long-term equity investments by insurers to encourage equity financing and facilitate their access to long-term capital, as well as measures to reduce the impact of short-term market volatility on solvency positions.

Comments on the proposals are welcomed by 5 September 2025. The Commission expects to adopt Delegated Regulation Q3 2025. The draft Delegated Regulation states that it will apply from 30 January 2027.

[Draft Delegated Regulation amending the Solvency II Delegated Regulation \(Ares\(2025\)584309\)](#)

[Press release](#)

8 PRUDENTIAL REGULATION AUTHORITY

- 8.1 Changes to UK ISPV regulatory framework - PRA publishes policy statement - 24 July 2025** - The PRA has published a policy statement (PS9/25) containing its final policy changes to the UK insurance special purpose vehicles (ISPV) regulatory framework.

The PRA consulted (CP15/24) in November 2024 on structural and procedural changes to the regime, as well as on updates to its expectations of PRA-authorized (re)insurers ceding risks to special purpose vehicles and changes to the senior managers and certification regime. The PRA explains that respondents generally welcomed and supported its proposals, viewing them as a positive step forward in revitalising the UK ISPV regime and expecting them to stimulate UK activity for insurance linked securities transactions.

The PRA has made one change to the draft policy proposed in CP15/24. Specifically, it has added a paragraph in its new statement of policy (which can be found in appendix 2 to PS9/25) to clarify the PRA's policy intent that where the PRA expects an accelerated pathway applicant to share a legal opinion as part of the application documentation, the PRA considers that if final documentation is not available at the point of application, a draft legal opinion will be accepted.

The implementation date for the final rules is 24 July 2025. Firms are expected to meet the requirements and expectations set out in the appendices to PS9/25 from this date.

Selected Headlines

[Beyond Brexit](#)[Securities and Markets](#)[Financial Crime](#)[Banking and Finance](#)[Insurance](#)[PRA policy statement: Changes to the UK ISPV regulatory framework \(PS9/25\)](#)[Press release](#)

9 FINANCIAL CONDUCT AUTHORITY

- 9.1 Motor insurance claims analysis - FCA publishes report - 22 July 2025** - The FCA has published a report setting out its analysis of the increase in motor insurance claims costs between 2019 and 2023, its causes and its impact on motor insurance premiums. The report supports the work of the motor insurance taskforce, which the government established in October 2024 following significant increases in motor insurance premiums.

The FCA reviewed firms' claims handling arrangements and key cost drivers affecting different types of claims. It found that higher motor insurance premiums have largely been driven by increases in claims costs, which are attributable to more complex and expensive cars, supply chain delays, a shortage of skilled labour, increased costs for replacement vehicles, rising bodily injury costs, increasing numbers of car thefts and a rise in costs associated with uninsured drivers.

The report outlines wide-ranging proposed actions and recommendations to help improve the affordability of motor insurance, which range from reducing the number of car accidents through improvements to road safety, to tackling fraud on social media.

In addition, the FCA has published its interim findings in its market study (launched in October 2024) on the provision of premium finance for motor and home insurance (MS24/2.2), together with update papers on pricing and practices in each sector and a roadmap for potential remedial measures. It has also published an evaluation paper (EP25/2) setting out the results of its assessment of its general insurance pricing practices remedies.

[FCA: Motor insurance claims analysis](#)[FCA market study: Premium finance market study: Update paper \(MS24/2.2\)](#)[FCA: Roadmap for retail insurance](#)[FCA evaluation paper: An evaluation of our general insurance pricing practices remedies \(EP25/2\)](#)[Webpage](#)

- 9.2 Home and travel claims handling arrangements - FCA publishes findings of multi-firm review - 22 July 2025** - The FCA has published the findings of its multi-firm review of home and travel insurers' claims handling arrangements. The FCA reviewed the claims handling arrangements of 15 home insurance providers and eight travel insurance providers based on reporting data submitted between 2022 and 2024.

The findings highlight that some firms may not be meeting their obligations under relevant FCA Handbook rules and may be failing to consistently deliver good outcomes. While the FCA saw some good practice in the home and travel sector, it also uncovered "*concerning*" evidence of poor claims handling practices, including: (i) lack of oversight of outsourced services; (ii) insufficient

[Selected Headlines](#)[Beyond Brexit](#)[Banking and Finance](#)[Securities and Markets](#)[Insurance](#)[Financial Crime](#)

management information; (iii) high rejection rates for storm damage claims; and (iv) cash settlements being used without sufficient consideration of whether they are most suitable.

The FCA will provide individual feedback to all firms in its review, and will use its regulatory tools as appropriate where it sees consumer harm.

[FCA multi-firm review: Home and travel claims handling arrangements](#)

[Press release](#)

FINANCIAL CRIME //

10 HM TREASURY

10.1 Improving the effectiveness of the MLRs - HM Treasury publishes consultation response - 17 July 2025 - HM Treasury has published its consultation response on improving the effectiveness of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) (MLRs). HM Treasury consulted on its proposals in March 2024 and received over 200 responses from a wide range of groups.

HM Treasury confirms that it intends to make changes to the MLRs in a number of areas, including: (i) enhanced due diligence on complex transactions and high-risk third countries; (ii) due diligence on pooled client accounts and due diligence triggers for certain non-financial firms; and (iii) onboarding of customers in bank insolvency scenarios. For other issues in the consultation, HM Treasury explains why it considers it more appropriate to pursue non-legislative means, such as improvements to sector guidance, in collaboration with supervisors.

HM Treasury intends to publish a draft statutory instrument in the coming months for technical comments, before laying it in Parliament later in 2025 (if parliamentary time allows).

[HM Treasury consultation response: Improving the effectiveness of the MLRs](#)

11 HM TREASURY

11.1 Money laundering and terrorist financing - HM Treasury publishes fourth national risk assessment - 17 July 2025 - HM Treasury has published the 2025 national risk assessment (NRA) of money laundering and terrorist financing in the UK. The NRA sets out the key money laundering and terrorist financing risks for the UK, how these have changed since the UK's third NRA was published in 2020 and the actions taken since 2020 to address these risks. Key changes identified include increased global instability (leading to increased convergence between money laundering with kleptocracy and sanctions evasion), the increasing adoption of new financial technologies including cryptoassets and e-money and the increased risk from informal value transfer systems such as underground banking and hawala networks.

Separately, the National Crime Agency (NCA) and the FCA have published a document containing nine economic priorities for the UK's regulated sector, which are aligned with the NRA.

Selected Headlines

[Beyond Brexit](#)[Banking and Finance](#)[Securities and Markets](#)[Insurance](#)[Financial Crime](#)[HM Treasury: National risk assessment of money laundering and terrorist financing 2025](#)[Webpage](#)[NCA and FCA: Economic priorities](#)[Press release](#)

12 HOME OFFICE

12.1 Proceeds of Crime (Money Laundering) (Threshold Amount) (Amendment) Order 2025 - 21 July 2025 - The Proceeds of Crime (Money Laundering) (Threshold Amount) (Amendment) Order 2025 (SI 2025/877) (the Order) has been published, together with an explanatory memorandum prepared by the Home Office. The Order raises the financial threshold for two exemptions which apply to certain money laundering offences under the Proceeds of Crime Act 2002, from £1,000 to £3,000. The thresholds are the level below which businesses can be exempted from committing an offence when they are either: (i) operating an account; or (ii) returning money for the purposes of terminating the business relationship with a customer, where criminal activity is suspected.

The Home Office explains that raising the threshold for exemptions will free up law enforcement resource to focus on opportunities that result in greater asset denial and disruption of criminal activity. In parallel, it will reduce the reporting burden on businesses to submit a defence against money laundering suspicious activity report to the UK Financial Intelligence Unit, freeing up business resources which can be redirected towards high value activity. The increase is also expected to reduce the impact on banking customers by reducing the number of instances of legitimate customers being unable to access their accounts, particularly where no further action is taken.

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

13 OFFICE OF FINANCIAL SANCTIONS IMPLEMENTATION

13.1 Sanctions compliance in the cryptoassets sector - OFSI publishes threat assessment report - 21 July 2025 - The Office of Financial Sanctions Implementation (OFSI) has published a report outlining its assessment of threats to sanctions compliance involving UK cryptoasset firms from January 2022 to May 2025. Key judgments include:

- it is ‘almost certain’ that UK cryptoasset firms have under-reported suspected breaches of financial sanctions to OFSI since August 2022;
- it is ‘highly likely’ that UK cryptoasset firms have been directly or indirectly exposed to the designated Russian exchange Garantex since its designation in 2023, resulting in breaches of UK financial sanctions; and

[Selected Headlines](#)[Beyond Brexit](#)[Banking and Finance](#)[Securities and Markets](#)[Insurance](#)[Financial Crime](#)

- it is ‘highly likely’ that UK-based cryptoasset firms are currently at risk of being targeted by hackers linked to the Democratic People’s Republic of Korea and IT workers seeking to steal or obtain funds through illicit means.

[OFSI threat assessment report: Sanctions compliance in the cryptoassets sector](#)**13.2 Improving civil enforcement processes for financial sanctions - OFSI consults - 22 July 2025 -**

The Office of Financial Sanctions Implementation (OFSI) has published a consultation paper on proposed measures to enhance the effectiveness of its enforcement processes. OFSI has identified revisions that could enable it to resolve cases more efficiently, improve the delivery of public enforcement actions and reduce burdens on OFSI and on subject firms or individuals.

The paper seeks views on proposed changes that would, among other things:

- provide more guidance on how OFSI assesses cases, including through publishing a new assessment matrix;
- introduce an early account scheme to enable subjects (in appropriate cases) of an OFSI investigation to provide a complete factual account of the matters under investigation;
- streamline the enforcement process for information, reporting and licensing offences; and
- revise the statutory maximum penalties for financial sanctions breaches.

OFSI is not proposing any changes to the criminal enforcement of financial sanctions breaches or the civil enforcement of breaches of non-financial sanctions (such as trade or transport sanctions). Comments are welcomed by 13 October 2025. OFSI intends to hold a virtual event to discuss the consultation with interested stakeholders, and will provide further details in due course.

[OFSI consultation paper: OFSI's enforcement processes](#)[Webpage](#)

Selected Headlines

[Beyond Brexit](#)[Banking and Finance](#)[Securities and Markets](#)[Insurance](#)[Financial Crime](#)

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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