

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

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General

1. Financial Conduct Authority

1.1 Quarterly consultation paper No. 52 - FCA publishes consultation paper - 5 June 2026 - The FCA has published a consultation paper (CP26/17) on miscellaneous Handbook amendments, including streamlined sustainability reporting that the FCA estimates could save firms around £20m annually.

The FCA proposes to:

- make consequential amendments to references to the definitions and provisions of the UK Capital Requirements Regulation (UK CRR) in the FCA Handbook and Glossary following the Financial Services and Markets Act 2023;
- allow certain authorised funds to hold cryptoasset exchange traded notes (cETNs) up to a limit of 10% of scheme property;
- remove the requirement for approvers of qualifying cryptoasset financial promotions to submit notifications following certain approvals; and
- streamline product-level climate disclosure reporting requirements for asset managers, life insurers and FCA-regulated pension providers.

The deadline for responses to the consultation is 13 July 2026, and the FCA aims to finalise and implement the climate reporting rule change in autumn 2026.

[FCA consultation paper: Quarterly consultation paper No. 52 \(CP26/17\)](#)

[Webpage](#)

1.2 Emerging technology horizon scan 2026 - FCA publishes report - 10 June 2026 - The FCA has published its first emerging technology horizon scan, a report exploring how emerging technologies could combine to create new outcomes for consumers, firms and markets. The report considers three themes, namely personalised intelligence, synthetic security and programmable finance, in light of the FCA's strategic priorities of helping consumers in their financial lives, fighting financial crime and supporting growth and innovation in the UK.

The report considers how AI could make agents the main interface between consumers and firms, potentially empowering consumers but also raising risks around autonomy, digital exclusion and consumer protection. It warns that AI is both broadening firms' abilities to detect vulnerabilities to financial crime and exposing them to more risks, including deepfakes, synthetic identities, narrative laundering and autonomous, AI-driven fraud and market abuse. On programmable finance, it identifies a UK growth opportunity from the convergence of distributed ledger technology, tokenisation, stablecoins and smart contracts.

[FCA report: Emerging technology horizon scan 2026](#)

[Summary](#)

2. UK Parliament

2.1 Financial Services and Markets Bill 2026-27 - second reading in the House of Lords completed - 8 June 2026 - The Financial Services and Markets Bill 2026-27 (the Bill) completed its second reading in the House of Lords on 8 June 2026, marking the Bill's first substantive debate in the House of Lords.

[Hansard](#)

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2.2 Lessons learned on publicising enforcement investigations - House of Lords Financial Services Regulation Committee publishes FCA letter - 11 June 2026

The House of Lords Financial Services Regulation Committee has published a letter dated 1 June 2026, from Nikhil Rathi, Chief Executive of the FCA to Baroness Noakes of the Financial Services Regulation Committee (FSRC), setting out the conclusions of the FCA's 'lessons learned' exercise into its consultation on publicising more enforcement investigations.

The letter acknowledges that the FCA's original consultation proposals came as a surprise to much of the industry, and that earlier engagement could have surfaced concerns sooner. It also notes that it would have been helpful for the FCA to include the proposals in the Regulatory Initiatives Grid and to provide the information and data that stakeholders would have found useful to inform their feedback on proposals at an earlier date. The letter notes the FCA's commitment to be as predictable as possible when consulting on policy changes in future.

Finally, the letter notes the FCA's updated Enforcement Guide, which retained the 'exceptional circumstances' test instead of the public interest test consulted on.

[Letter](#)

3. HM Treasury

3.1 AI and innovation - Chancellor delivers speech at AI Adoption Summit - 8 June 2026

The Chancellor of the Exchequer, Rachel Reeves, has delivered a speech at the AI Adoption Summit on 8 June 2026, setting out the Government's strategy to remove barriers to AI adoption and confirming that the financial services AI adoption plan will be published at her Mansion House speech on 14 July 2026.

To address regulatory uncertainty in AI adoption, the Business Secretary stated that she will bring forward legislation in autumn 2026 giving powers to safely test innovative products and services in ways currently prohibited. In the meantime, the Chancellor announced the launch of the advisory AI growth lab, bringing regulators together to provide practical guidance on how existing rules apply to emerging AI applications, with an initial focus on legal services. On commercialisation, she identified agentic payments as a key UK opportunity, supported by upgrades to payments infrastructure, support for digital money and modernisation of payment regulators.

[Speech](#)

4. Financial Stability Board

4.1 Sound practices for responsible adoption of AI - FSB publishes consultation report - 10 June 2026

The Financial Stability Board (FSB) has published a consultation report on sound practices for the responsible adoption of AI by financial institutions. The report highlights the benefits and risks associated with AI use in the financial system and sets out sound practices for financial institutions to employ as they adopt AI.

The report identifies 12 sound practices arranged across three areas. Practices 1 to 4 cover organisation-wide AI governance, while practices 5 to 10 cover management and mitigation of AI risks through the stages of AI development and deployment. Finally, practices 11 and 12 address the management of AI-related cyber, ICT and third-party risks. The report stresses that proportionality should guide application of the practices, with more robust practices appropriate for institutions that are large, complex, and highly interconnected, and where AI is deployed in critical or material functions. It notes that, while many AI risks are not new, some are accentuated and others are specific to newer forms of AI such

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as generative and agentic AI. The FSB also makes clear that adopting the practices does not absolve a financial institution of its obligations to meet local legal and regulatory requirements relating to AI.

The deadline for responses is 22 July 2026, and the FSB intends to publish a final report in October 2026.

[FSB consultation report: Sound practices for responsible adoption of AI](#)

[Webpage](#)

[Press release](#)

Banking and finance

5. HM Treasury

5.1 Access to banking services review - HM Treasury publishes call for evidence - 8 June 2026 - HM Treasury has published a call for evidence to inform the independent access to banking services review, chaired by Richard Lloyd, which was commissioned by the Government in May 2026 to consider whether declining access to in-person banking services is causing consumer detriment and, if so, the scale of any detriment.

The review reflects a structural shift in the delivery of banking services and reshaped branch networks. It is intended to identify which in-person services are essential or important to consumers, the extent and materiality of any detriment, the current provision, including existing mitigations, and the future trajectory of in-person banking. The call for evidence is open for responses until 20 July 2026, and the Chair will report and make recommendations to the Government in October 2026.

[HM Treasury call for evidence: Access to Banking Services Review](#)

[Webpage](#)

[Press release](#)

6. European Banking Authority

6.1 Pillar 3 Data Hub process extension to SNCIs - EBA publishes discussion paper - 8 June 2026 - The European Banking Authority (EBA) has launched a discussion paper outlining its proposed approach for extending the Pillar 3 Data Hub (P3DH) to small and non-complex institutions (SNCIs), including the methodology for calculating Pillar 3 disclosures on behalf of those institutions, which is designed to reduce the operational burden on SNCIs by having the EBA prepare and publish their Pillar 3 disclosures centrally. The P3DH went live for large and other institutions on 26 January 2026.

The EBA is inviting comments on its discussion paper by 20 July 2026 and is aiming for the first publication of information for SNCIs in the P3DH to occur in Q4 2026.

[EBA Discussion Paper: P3DH process to SNCIs](#)

[Webpage](#)

[Press release](#)

7. Financial Conduct Authority

7.1 Mortgage rule review - FCA consults on supporting first-time buyers and underserved customers - 9 June 2026 - The FCA has published a consultation paper (CP26/18) on changes to its mortgage lending rules, aimed at helping creditworthy

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consumers - including first-time buyers, older borrowers, the self-employed and those with past credit difficulties - access mortgages that suit their circumstances.

The FCA proposes, among other things, to:

- make it easier for older homeowners to access wealth in their properties by updating affordability guidance for retirement interest-only mortgages, including removing the existing guidance requiring lenders to assess affordability for joint retirement interest-only mortgages on a sole-survivor basis;
- update the framework for interest-only mortgages, for example, by removing the requirement for a credible repayment strategy where the interest-only element is less than 25% of the lender's valuation and adding further examples of credible repayment strategy options;
- encourage lenders to better accommodate borrowers with variable or irregular income by, for example, amending Handbook references to 'monthly payments' to 'regular contractual payments' and expanding guidance on evidencing affordability for such borrowers;
- encourage lenders to assess affordability based on a person's full and current situation, for instance, by clarifying that the glossary definition of 'credit-impaired customer' should not be used as a proxy for unaffordability and that a mortgage may be affordable notwithstanding past credit impairment; and
- provide more flexibility for borrowers using bridging loans, for example, by extending the maximum 12-month term for regulated bridging loans to 24 months.

The deadline for responses to the consultation is 28 July 2026, with the FCA expecting to publish a policy statement in the second half of 2026.

[FCA consultation paper: Mortgage rule review \(CP26/18\)](#)

[Webpage](#)

[Press release](#)

7.2 Motor finance compensation scheme - FCA publishes further information for firms - 11 June 2026 - The FCA has published a document providing further information for firms on the motor finance redress scheme, following its March 2026 policy statement (PS26/3). The document responds to queries raised during the FCA's engagement with firms and addresses a range of practical aspects of the scheme, including its scope and application, the role of the Financial Ombudsman Service (FOS), brokers and representatives, consumer communications, liability, redress calculations, and supervision and reporting.

The FCA notes that firms should read the document in the context of the ongoing legal challenge to the scheme, and that it may need to update the document or take further steps regarding scheme rules or guidance as that challenge continues.

[FCA guidance: Further information on the motor finance compensation scheme](#)

[Webpage](#)

8. House of Commons Treasury Committee

8.1 Motor Finance Compensation Scheme - FCA Chief Executive writes to Treasury Committee - 8 June 2026 - The House of Commons Treasury Committee has published correspondence dated 8 June 2026 from the Chief Executive of the FCA,

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Nikhil Rathi, to the Committee Chair, Dame Meg Hillier MP, responding to the Committee's letter of 20 May 2026 on the FCA's proposed Motor Finance Compensation Scheme.

The letter highlights that:

- the FCA's primary objectives remain to deliver fair compensation quickly to consumers while supporting a sustainable motor finance market;
- the underlying liabilities, going back to 2007, exist whatever route is taken to pay compensation, and the FCA is ready to use its powers to ensure they are met;
- the work has exposed wider concerns about market conduct and integrity, including in relation to "serious and unacceptable harm" caused by claims management companies (CMCs), law firms and their commercial partners and associates; and
- the experience demonstrates the continuing importance of section 404 of the Financial Services and Markets Act 2000 (FSMA), while also highlighting its practical limitations in a legally contested environment.

The letter welcomes provisions in the Financial Services and Markets Bill simplifying the statutory test for establishing consumer redress schemes under section 404 and calls for similar redress powers to be available in respect of CMCs, law firms and associated parties. It also notes that there is a case for considering further reforms to allow consumers and firms to proceed to full and final settlement under the redress scheme if they so wish.

[Letter](#)

Securities and markets

9. European Parliament

9.1 Simplified rules for small 'mid-cap' companies - European Parliament and Council reach provisional agreement - 9 June 2026 - The European Parliament has published a press release announcing that Parliament and Council negotiators have reached a provisional agreement introducing a new category of small mid-cap companies (SMCs), amending the MiFID II Directive (2014/65/EU) by extending tailored regulatory exemptions previously available only to small and medium-sized enterprises (SMEs). The agreement forms part of the European Commission's fourth Omnibus simplification package, proposed in May 2025.

SMC enterprises are defined in the agreement as companies with fewer than 1,000 employees and either up to €200 million in turnover or up to €172 million in total assets, following pressure from MEPs for higher thresholds than those proposed by the European Commission. Existing SME exemptions in the following EU laws, among others, will now be extended to the new category: the Markets in Financial Instruments Directive (MiFID), the Prospectus Regulation, trade defence instruments on anti-dumping and anti-subsidy investigations, and the Resilience of Critical Entities Directive. The Commission will report on the SMC threshold and its impact on the administrative burden on companies within five years of the laws entering into force, with the possibility of review. The provisional agreement must still be formally adopted by both Parliament and Council before it can enter into law.

[Press release](#)

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Asset management

10. Financial Ombudsman Service

10.1 Simplifying pensions and investment advice rules - FOS publishes consultation response - 8 June 2026 - The Financial Ombudsman Service (FOS) has published its response to the FCA's consultation on simplifying the pensions and investment advice rules. The response focuses on the elements of the consultation relevant to the FOS's complaint-handling function.

The FOS broadly supports the FCA's direction of travel, including the removal of overlapping prescriptive rules in favour of a more proportionate, outcomes-based framework underpinned by the Consumer Duty, and welcomes the proposal to replace "necessary" with "sufficient" information as qualified by risk, client characteristics and product complexity. It does not expect the proposals to materially affect its ability to assess the suitability of advice or typical complaint outcomes, but cautions that greater reliance on high-level principles could increase scope for differences of view in their application. The FOS would therefore welcome case studies and good and bad practice examples from the FCA.

[FOS consultation response: Simplifying pensions and investment advice](#)

11. Financial Conduct Authority

11.1 Reforms to the UK Money Market Fund Regulation - FCA publishes update - 8 June 2026 - The FCA has set out next steps for issuing new rules and guidance on money market funds (MMFs), following the Government's 15 May statement confirming its intention to lay legislation that will replace the UK Money Market Funds Regulation ((EU) 2017/1131).

The original consultation (CP23/28) proposed raising daily liquid assets (DLA) to 15% and weekly liquid assets (WLA) to 50% of total assets, and "delinking" stable NAV MMFs' liquidity levels from the obligation to consider tools such as liquidity fees or redemption gates. Respondents broadly supported the package, with near-universal support for delinking, but a significant majority challenged the proposed increase in MMF liquidity levels.

Following further engagement with the Bank of England and updated analysis drawing on the Bank's system-wide exploratory scenario exercise, the FCA intends to introduce a new requirement that all MMFs hold sufficient liquidity for adequate resilience. The FCA also plans to set out in guidance its expectation that stable NAV MMFs hold 40% WLA, and variable NAV MMFs hold 20% WLA, to meet the new resilience requirement, though current minimum daily liquid assets (DLA) requirements will be retained. The FCA will also introduce other proposals in CP23/28, including delinking and enhanced know-your-customer (KYC) requirements. The Government expects to introduce repeal legislation by the end of 2026 and publish interim final guidance on UK MMF WLA levels before publishing its policy statement.

[FCA statement](#)

Financial crime

12. Office of Financial Sanctions Implementation and Financial Conduct Authority

12.1 Co-operation between the FCA and OFSI - Memorandum of Understanding published - 5 June 2026 - The Office of Financial Sanctions Implementation (OFSI) and the FCA have published an updated Memorandum of Understanding (MoU), replacing the previous OFSI-FCA MoU dated 21 November 2023 and setting out the arrangements for co-operation and information exchange between the two authorities.

[Memorandum of Understanding](#)

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13. HM Treasury

13.1 Money Laundering and Terrorist Financing (Amendment) Regulations 2026 published - 10 June 2026 - The Money Laundering and Terrorist Financing (Amendment) Regulations 2026 (the Regulations) and an explanatory memorandum have been published. The Regulations amend the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the MLRs).

The amendments include, among other things, provisions refining customer and enhanced due diligence (EDD), including narrowing mandatory EDD for high-risk jurisdictions to the 'FATF call for action' countries. They strengthen requirements for cryptoasset businesses by mandating further due diligence obligations in correspondent relationships and aligning their change in control regime with the framework under the Financial Services and Markets Act 2000. They also reform Trust Registration Service requirements, including extending registration to certain non-UK trusts that hold UK land and introducing a de minimis exemption for low-value, low-risk trusts.

Most provisions come into force 21 days after the day the Regulations are made, while the new EDD requirement for cryptoasset correspondent relationships applies from 1 February 2027 and the substituted change in control regime for registered cryptoasset businesses takes full effect on 25 October 2027.

[Statutory instrument](#)

[Explanatory memorandum](#)

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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	jan.putnis@sllaughterandmay.com
Nick Bonsall	nick.bonsall@sllaughterandmay.com
David Shone	david.shone@sllaughterandmay.com
Kristina Locmele	kristina.locmele@sllaughterandmay.com
Carla Edney	carla.edney@sllaughterandmay.com

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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