

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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GENERAL //

1 EUROPEAN PARLIAMENT

- 1.1 Impact of AI in financial services - ECON publishes draft report - 16 May 2025** - The European Parliament's Committee on Monetary Affairs (ECON) has published a draft report on the use and impact of artificial intelligence (AI) in the financial services sector. The report recognises that, to date, financial institutions have adopted a prudent and gradual approach to AI deployment, and that most AI use cases aim to streamline back-office processes and represent "*low-hanging fruit*" rather than high-risk innovation.

ECON expresses concern regarding regulatory overlaps and legal uncertainties between the Artificial Intelligence Act ((EU) 2024/1689) (the AI Act) and sectoral legislation. Observing that the AI Act allows for limited derogations for financial institutions where equivalent requirements exist under EU financial services law, ECON highlights a lack of sufficient guidance of the interpretation of these regulatory overlaps and interactions, and cautions against adopting a maximalist approach to interpretation of the AI Act.

Regretting that the EU is "*lagging behind*" in terms of AI innovation and investment, ECON calls on the European Commission to ensure clarity and guidance on how existing financial services regulations apply to the use of AI in the sector.

[ECON draft report: Impact of AI on the financial sector \(2025/2056\(INI\)\)](#)

2 FINANCIAL CONDUCT AUTHORITY

- 2.1 Financial Lives 2024 survey - FCA publishes findings - 16 May 2025** - The FCA has published the findings from its Financial Lives survey based on fieldwork that took place between February and June 2024. The survey takes place approximately every two years. Among other things, the FCA found that 24% of all UK adults had low financial resilience, which was not statistically different from the May 2022 survey, and 49% had characteristics of vulnerability (down from 52% in May 2022). On financial inclusion, the findings show that 1.6% of adults had no current account (down from 2.1% in 2022) and 17% found it difficult getting to a branch using their normal forms of transport.

A related press release also highlights that one in ten people have no cash savings at all, and another 21% have less than £1,000 to draw on in an emergency. However, it comments that when consumers seek support it makes pressures more manageable, noting that 61% of adults who had used a debt advice or debt management service in the previous 12 months reported that their debts were more manageable as a result.

[FCA: Financial Lives 2024 survey](#)

[Press release](#)

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- 2.2 Improving the complaints reporting process - FCA consults - 22 May 2025** - The FCA has published a consultation paper (CP25/13) on proposals to improve the way regulated firms report customer complaints to the FCA, with the aim of simplifying the process and enhancing the quality of the data collected. In short, the FCA proposes to consolidate five existing returns - namely the Dispute Resolution (DISP) 1, the Consumer Credit (CCR), the Payment Services (PS), the Claims Management Companies (CMCs) and the Funeral Plan (FP) Complaints returns - into a single return. The FCA additionally proposes to standardise the number of times it asks firms to send data returns so that the timing of FCA requests is more predictable.

Responses are welcomed by 24 July 2025. The FCA will aim to publish a policy statement later in 2025 and to provide firms with a year's implementation period.

[FCA consultation paper: Improving the complaints reporting process \(CP25/13\)](#)

[Press release](#)

BANKING AND FINANCE //

3 EUROPEAN BANKING AUTHORITY

- 3.1 CRR - EBA repeals guidelines on exposures associated with high risk - 16 May 2025** - The European Banking Authority (EBA) has repealed its guidelines on the specification of types of exposures to be associated with high risk under the Capital Requirements Regulation (575/2013/EU) (CRR). The guidelines, which were published in March 2019, clarified which exposures should be considered as 'high risk exposures'. Given that this exposure class no longer exists under the CRR III Regulation ((EU) 2024/1623), the EBA has decided to repeal the guidelines with the aim of providing legal certainty to the market.

[Press release](#)

4 EUROPEAN CENTRAL BANK

- 4.1 TARGET Guideline - ECB postpones amendments - 16 May 2025** - The European Central Bank (ECB) has postponed the amendment to the TARGET Guideline (Guideline (EU) 2022/912), which would allow non-bank payment service providers (PSPs) to participate in the EU Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) system. This decision is the result of delays in some euro area countries in transposing the required amendments to the Settlement Finality Directive (98/26/EC) (SFD) and the Payment Services Directive ((EU) 2015/2366) (PSD2) into their national legislation. The amendment is now expected to enter into force in October 2025.

The ECB confirms that the postponement does not prevent national central banks from providing access to national payment systems (other than TARGET) in countries where the amendments to the SFD and PSD2 have been transposed into national legislation.

[Press release](#)

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5 UK PARLIAMENT

- 5.1 Bank Resolution (Recapitalisation) Act 2025 - 16 May 2025** - The Bank Resolution (Recapitalisation) Act 2025 (the Act) has been published, having received Royal Assent on 15 May 2025. The purpose of the Act is to enhance the UK's resolution regime for managing the failure of financial institutions. Specifically, it will amend the Financial Services and Markets Act 2000 and the Banking Act 2009 to introduce a new mechanism that gives the Bank of England the power to use funds provided under the Financial Services Compensation Scheme to cover certain costs arising from the use of the resolution regime to manage the failure of a financial institution. The Act will come into force on dates to be specified in commencement orders made by HM Treasury.

[Bank Resolution \(Recapitalisation\) Act 2025](#)

6 HM TREASURY

- 6.1 Buy-Now, Pay-Later - Draft Financial Services and Markets Act 2000 (Regulated Activities etc.) (Amendment) Order 2025 published - 19 May 2025** - The draft Financial Services and Markets Act 2000 (Regulated Activities etc.) (Amendment) Order 2025 (the Order) - which will bring interest-free Buy-Now, Pay-Later (BNPL) agreements into regulation under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (RAO) - has been published, together with an explanatory memorandum. The Order will amend article 60F RAO to classify BNPL agreements as regulated credit agreements under article 60B(3) of the RAO. The instrument will also introduce a new article 36FB to the RAO to prevent all merchants offering BNPL agreements from needing to seek credit broking authorisation from the FCA (although domestic premises suppliers offering BNPL agreements will still be required to seek such authorisation).

In an accompanying press release, Emma Reynolds, Economic Secretary to HM Treasury, said *"Buy-Now, Pay-Later has transformed shopping for millions, but for too long has operated as a wild west - leaving consumers exposed. These new rules will protect shoppers from debt traps and give the sector the certainty it needs to invest, grow, and create jobs."*

HM Treasury has separately published its response to the October 2024 consultation paper on its proposed approach to regulating BNPL credit products, summarising the feedback it received and setting out its final position on the proposals. In short, it explains that most respondents expressed concerns about merchant-provided BNPL remaining outside the scope of regulation, and were generally supportive of the proposed regime. Once the Order is made, HM Treasury explains that the FCA will have 12 months to draft, consult on and finalise its rules for BNPL lending. The FCA will publish a consultation on its proposed rules for regulating BNPL shortly, setting out its planned timelines and what firms should do to prepare for regulation. HM Treasury expects BNPL products to become regulated around mid-2026.

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

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- 6.2 Consumer Credit Act 1974 - HM Treasury consults on reforms - 19 May 2025** - HM Treasury has published a consultation paper on the first of two phases of proposed reforms to the Consumer Credit Act 1974 (CCA). The consultation aims to deliver a modernised regime, where HM Treasury considers that some of the key issues with the CCA include prescriptive, confusing and duplicative requirements, inflexibility around delivering new products or delivering the best consumer outcomes, and disproportionate sanctions for non-compliance.

Under Phase 1, HM Treasury intends to repeal many of the CCA provisions (including much of the secondary legislation) and for these to be recast into FCA Handbook rules and principles. HM Treasury recognises that some provisions may have to remain in legislation to ensure that key consumer protections are retained. In particular, HM Treasury believes there is clear rationale for moving information requirement provisions from the CCA into the remit of FCA rules, which means they are simpler to amend in future. The approach to sanctions under the CCA is also under scrutiny in this consultation paper, where HM Treasury states that *“it is no longer necessary or appropriate to include a set of sanctions that were designed to be deliberately punitive and not commensurate with the level of harm suffered by consumers”*. Finally, HM Treasury is keen to explore whether it is necessary to retain some or all of the criminal offences in the CCA, or whether they can all be repealed.

Responses to the consultation are welcomed by 21 July 2025. HM Treasury then intends to issue a response to the consultation and publish its Phase 2 consultation paper in due course after. This second paper will be focused on exploring rights and protections, as well as key definitions and the scope of consumer credit regulation.

[HM Treasury consultation paper: CCA Reform - Phase 1](#)[Webpage](#)

7 PRUDENTIAL REGULATION AUTHORITY

- 7.1 Supervision of international banks and reporting requirements - PRA publishes policy statement - 20 May 2025** - The PRA has published a policy statement (PS6/25) setting out revisions to its supervisory statement on the supervision of international banks (SS5/21) and branch reporting requirements for international banks, following a consultation paper on the same subject that was published in July 2024.

The PRA explains that respondents generally welcomed the proposals in CP11/24 to: (i) introduce some additional indicative criteria that the PRA would consider when determining whether it would be appropriate for an international bank to operate in the UK as a branch rather than a subsidiary (branch risk appetite); (ii) clarify the expectations of firms' booking arrangements and extend their formal application to a subset of UK banks (booking models); (iii) amend the PRA branch return, which is intended to improve the collection of whole firm liquidity data (liquidity

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reporting); and (iv) make minor amendments to SS5/21 to clarify some of the PRA's existing expectations and processes.

The final rules contain some revisions to these proposals. For instance, and among others, the PRA has increased the existing £100m and £500m thresholds for deposits covered by the Financial Services Compensation Scheme by 30%, reflecting inflationary developments since these were originally calibrated. In an accompanying press release, the PRA states that this will give international firms additional room to expand activity in their UK branches, supporting investment and economic growth.

Revisions to SS5/21 took effect on 20 May 2025. The changes to branch reporting will take effect from 1 March 2026. Firms are required to use the revised version of the PRA Branch Return Form for the first time for their data as at 30 June 2026 (unless otherwise stated in the Branch Return Form), which has a due date of 30 business days after 30 June 2026. For booking arrangements, relevant firms should undertake a self-assessment against the revised expectations to a timeline agreed with their PRA supervisory contact.

[PRA policy statement: International firms: Updates to SS5/21 and branch reporting \(PS6/25\)](#)**[Press release](#)**

- 7.2 Pillar 2A - PRA consults on first stage of review of methodologies and publishes near-final policy statement on SME and infrastructure lending adjustments - 22 May 2025** - The PRA has published a consultation paper (CP12/25) on proposed updates to its Pillar 2A methodologies to address the consequential impacts of the near-final PRA rules that would implement the Basel 3.1 standards. It is the first phase of a two-stage review. Other proposals in the consultation paper are intended to improve information, guidance and transparency for firms, including about the methodologies used by the PRA to inform the setting of Pillar 2A capital. The PRA also proposes certain changes to improve the proportionality of regulation, including proposals intended to reduce the reporting burden. After this first phase has been completed, the PRA plans to conduct a more in-depth review of individual methodologies within Pillar 2A.

Feedback on the proposals is welcomed by 5 September 2025. The PRA proposes that the implementation date for the changes to pension obligation risk and market risk and counterparty credit risk would be 2 March 2026. The implementation date for the remaining proposals would be aligned with the date of the PRA's implementation of the Basel 3.1 standards.

Alongside CP12/25, the PRA has published a policy statement (PS7/25) containing its near-final policy on the SME and infrastructure lending adjustments to Pillar 2A. This follows the PRA's consultation paper on the implementation of the Basel 3.1 standards published in November 2022 (CP16/22). The PRA explains that it has decided to maintain its proposals to remove the SME support factor and the infrastructure support factor under Pillar 1. Furthermore, in response to concerns raised to CP16/22 on the potential impact on UK competitiveness and growth of even limited changes in capital requirements for SME and infrastructure lending, the PRA has decided to introduce the Pillar 2A lending adjustments to minimise any potential disruption to SME and infrastructure lending resulting from the removal of the support factors.

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The near-final policy in PS7/25 will take effect on the same date as the PRA's implementation of the Basel 3.1 standards. The PRA does not intend to change the policy or make substantive alterations to the instruments before the making of the final policy material.

[PRA consultation paper: Pillar 2A review: Phase 1 \(CP12/25\)](#)

[PRA policy statement: Update to PS9/24 on the SME and infrastructure lending adjustments \(PS7/25\)](#)

SECURITIES AND MARKETS //

8 INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

8.1 Platform providers and combatting online harm - IOSCO publishes statement - 21 May 2025 -

The International Organization of Securities Commissions (IOSCO) has published a statement on the role of platform providers in combatting online harm. It observes that digitalisation has fuelled greater retail participation in capital markets, but notes that this has created new risks and calls on platform providers to bolster efforts to prevent pecuniary harm to investors.

IOSCO goes on to highlight and encourage platform providers to adopt a number of measures currently used in certain jurisdictions that can help disrupt online harm involving financial misconduct. These include conducting due diligence on unauthorised offerings; monitoring and removing investment scam content; developing and updating internal processes and policies for detecting scams; and ensuring knowledge of and compliance with relevant local laws.

[IOSCO: Statement on combatting online harm and the role of platform providers](#)

9 EUROPEAN PARLIAMENT

9.1 Shortening the settlement cycle in the EU - ECON publishes adopted text - 21 May 2025 -

The European Parliament's Committee on Economic and Monetary Affairs (ECON) has published the adopted text on the European Commission's legislative proposal for a regulation amending Article 5(2) of the Central Securities Depositories Regulation (909/2014/EU) to shorten the settlement period for EU transactions in transferable securities from two business days after trading takes place (T+2) to one business day (T+1). The final text will be negotiated with the Council of the EU, which has already adopted its position.

[ECON report on the proposal for a regulation amending CSDR as regards a shorter settlement cycle in the Union \(2025/0022\(COD\)\)](#)

[Press release](#)

10 EUROPEAN COMMISSION

10.1 MiFID II - European Commission publishes Omnibus IV simplification package - 22 May 2025 -

The European Commission (the Commission) has proposed its fourth simplification omnibus

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package on simplifying the Single Market, with a view to cutting €400 million in annual administrative cost for companies. This package includes a proposed Directive (COM(2025)502) amending the Markets in Financial Instruments Directive (2014/65/EU) to extend the support currently available for SMEs to access SME growth markets to small mid-cap enterprises (SMCs). More specifically, the proposal will allow the operator of a multilateral trading facility (MTF), applying to have its MTF registered as an SME growth market, to demonstrate compliance with the threshold based on both SME and SMC issuers admitted to trading on the SME growth market.

The omnibus proposals will be submitted to the European Parliament and the Council for their consideration and adoption. The legislative proposals can be found in the Commission's Omnibus IV webpage.

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

11 OFFICIAL JOURNAL OF THE EUROPEAN UNION

- 11.1 Regulation amending BMR - published in the Official Journal - 19 May 2025 - Regulation (EU) 2025/914 amending the Benchmarks Regulation (EU) 2016/1011 (BMR) as regards the scope of the rules for benchmarks, the use in the Union of benchmarks provided by an administrator located in a third country, and certain reporting requirements has been published in the Official Journal of the EU. Among other things, the Regulation amends the scope of the BMR and changes the application of requirements for some administrators of benchmarks. It was adopted by the Council of the EU in March 2025 and by the European Parliament in May 2025, as reported previously in this Bulletin.**

The Regulation will enter into force on 8 June 2025 (20 days following its publication in the Official Journal of the EU) and will apply from 1 January 2026.

[Regulation \(EU\) 2025/914 amending the BMR](#)

12 EUROPEAN SECURITIES AND MARKETS AUTHORITY

- 12.1 MiFID II - ESMA publishes call for evidence on retail investor journey - 21 May 2025 - The European Securities and Markets Authority (ESMA) has published a call for evidence on key aspects of the retail investor journey, with a view to better understanding how retail investors engage with investment services and whether regulatory or non-regulatory barriers may be discouraging participation in capital markets.**

In particular, ESMA asks for input on the regulatory requirements stemming from the Markets in Financial Instruments Directive (2014/65/EU) that impact retail investors when engaging with capital markets, including in the areas of regulatory disclosures, assessment of suitability and appropriateness. Market trends, such as the appeal of speculative products for younger investors and the influence of social media on investment decisions, are also explored.

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Input is requested by 21 July 2025. In Q3 2025, ESMA intends to use the responses to assess whether specific regulatory adjustments or clarifications may be needed to enhance investor protection and retail engagement in financial markets.

[ESMA call for evidence: The retail investor journey: understanding retail participation in capital markets \(ESMA35-335435667-6289\)](#)

[Press release](#)

INSURANCE //

13 RECENT CASES

13.1 *Re CASLP Ltd* [2025] EWHC 309 (Ch), 14 January 2025

Business transfer scheme - section 112(8)(b) FSMA 2000 - dissolution without winding up

The High Court (Smith J) has made an order (on 14 January 2025) under section 112(8)(b) of the Financial Services and Markets Act 2000 (FSMA) for the dissolution without winding up of CASLP Ltd (CASLP). This follows the sanctioning of an insurance business transfer scheme (on 21 December 2024) pursuant to which CASLP transferred its entire business to Countrywide Assured PLC (CA). In making the order, Smith J was satisfied that there was no possibility of there being any assets or liabilities left behind in CASLP that were capable of becoming assets or liabilities in the future. Among other things, the court highlighted that CASLP had entered into a deed of sale and purchase transferring any remaining assets to CA before the proposed dissolution takes effect.

[Re CASLP Ltd \[2025\] EWHC 309 \(Ch\) \(14 January 2025\)](#)

FINANCIAL CRIME //

14 PAYMENT SYSTEMS REGULATOR

14.1 APP scams reimbursement requirement - PSR publishes consolidated policy statement - 22

May 2025 - The Payment Systems Regulator (PSR) has published a consolidated policy statement (PS25/5) on its authorised push payment (APP) scams reimbursement requirement. The PSR is issuing PS25/5 as general guidance, aiming to consolidate its previous publications and provide a single point of reference for those who wish to understand the APP scams reimbursement requirement and how it may affect them. In addition, chapter five of the paper distils summaries of the most significant and frequently asked questions on the requirement.

[PSR policy statement: APP scams reimbursement requirement consolidated policy statement \(PS25/5\)](#)

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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](#).

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