

# 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. UK parliament

- 1.1 Financial Services and Markets Bill 2026-27 - text published and first reading in House of Lords - 19 May 2026** - The Financial Services and Markets Bill 2026-27 (the Bill) has had its first reading in the House of Lords. The text of the Bill, together with explanatory notes, have been published on the UK Parliament's Parliamentary Bills webpage.

The first reading stage formally signals the start of the Bill's journey through the House of Lords. The second reading, which will involve a general debate on all aspects of the Bill, has not yet been scheduled.

[The Financial Services and Markets Bill](#)

[Webpage](#)

[Explanatory notes](#)

[Hansard](#)

### 2. Financial Services Regulatory Initiatives Forum

- 2.1 Regulatory Initiatives Grid - tenth edition published - 19 May 2026** - The Financial Services Regulatory Initiatives Forum (the Forum) has published the tenth edition of its Regulatory Initiatives Grid setting out the regulatory pipeline for the UK financial services sector over the next 24 months. The Grid explains the expected timeframes for a range of regulatory initiatives that are being led by one or more Forum members at the time of publication. This latest edition features 135 live initiatives.

Notable inclusions are, among others, the second phase of reforms to the senior managers regime and a joint consultation from the Bank of England and the PRA on cyber risk management.

[FCA: Regulatory Initiatives Grid May 2026](#)

[FCA webpage](#)

[Bank of England webpage](#)

### 3. Bank of England, Financial Conduct Authority and HM Treasury

- 3.1 Frontier AI and cyber resilience - Bank of England, FCA and HM Treasury publish joint statement - 15 May 2026** - The Bank of England, FCA and HM Treasury have published a joint statement on frontier AI models and cyber resilience. The statement comments that firms are expected to have effective protective, detective, threat containment and cyber response capabilities, including to address faster and more disruptive frontier AI-driven attacks. Firms should be taking active steps across several domains (in line with existing operational resilience rules) including in relation to governance and strategy, risk management, and responding to and recovering from disruption.

[Joint Statement](#)

### 4. Financial Conduct Authority

- 4.1 Scale-up unit - Open to applications from solo-regulated firms - 20 May 2026** - The FCA has announced that it will accept applications to its Scale-up Unit from solo-regulated firms. The Scale-up Unit offers practical support to help firms

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navigate regulatory processes, develop innovative products and understand the impact of policy changes. The FCA and PRA are already supporting six dual-regulated firms through the Scale-up Unit as part of a pilot. Applications from solo-regulated firms are welcome until 22 June 2026.

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

## Banking and finance

### 5. HM Treasury

**5.1 Access to banking services - HM Treasury commissions independent review - 14 May 2026** - HM Treasury has commissioned an independent review on access to banking services to: gather evidence on the real-world impact of branch closures; identify who is most affected; and assess where further action may be needed to protect access to banking services. The review was trailed in the announcement of the Financial Services and Markets Bill in the King's Speech. HM Treasury intends to introduce a power to be able to act swiftly if the evidence supports intervention on access to banking services. A report and recommendations to the government is expected to be published in October 2026.

[HM Treasury terms of reference: Access to banking services](#)

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

**5.2 UK ring-fencing regime reforms - HM Treasury publishes findings from review, including next steps - 18 May 2026** - HM Treasury has published its findings from a review of the ring-fencing regime. As explained more fully in the findings, the government is proposing to implement a comprehensive reform package that spans five themes:

- creating a more agile and proportionate ring-fencing framework by removing “overly prescriptive” primary legislation and moving certain aspects of the regime out of legislation and into the PRA Rulebook. Changes to primary legislation will be made through the Financial Services and Markets Bill 2026-27.
- allowing ring-fenced banks (RFBs) to provide more products and services to UK businesses. There will be a new Growth Allowance to permit RFBs to undertake activities that are otherwise prohibited by the regime which, subject to further consultation, will be worth up to 10% of Pillar 1 risk-weighted assets for credit risk.
- addressing inefficiencies in how the ring-fencing regime interacts with capital requirements. HM Treasury's findings refer to the interactions between the leverage ratio framework and ring-fencing as well as the application of the Basel 3.1 output floor at the ring-fenced sub-group level - both topics that are currently being considered by the Financial Policy Committee. The Bank of England also intends to engage with firms on the calibration of the Minimum Requirement for own funds and Eligible Liabilities (MREL) scalar for RFBs in the second half of 2026.
- allowing firms greater flexibility to share operational resources across the ring-fence, to be subject to a separate PRA consultation; and

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- maintaining proportionality, including by introducing a three-yearly review of the £35 billion primary core deposit threshold above which banks must ring-fence their retail banking activities. The first review will be conducted in Q2 2028.

[HM Treasury report: Safeguarding Stability, Enabling Growth - The Ring-Fencing Review](#)[Webpage](#)[Press release](#)

### 5.3 Reform of the Consumer Credit Act - HM Treasury publishes approach and FCA makes statement - 18 May 2026 - HM Treasury has published a policy statement on reforms to the Consumer Credit Act 1974 (CCA) following an earlier consultation published in May 2025, as previously reported in this Bulletin.

HM Treasury comments that many CCA provisions and much of the associated secondary legislation are no longer necessary or appropriate in today's credit market, in light of rapid technological changes and wider regulatory developments. Most information disclosure requirements in the CCA and accompanying regulations will therefore be repealed and recast into the FCA Handbook (where appropriate and subject to consultation). Sanctions for breach of any repealed requirements will fall away. Annex A of the paper summarises the changes to repeal or retain each of the relevant CCA provisions.

The changes will be implemented via the Financial Services and Markets Bill. To ensure a smooth transition to the new regime, the government will have an enabling power to allow it to make secondary legislation on transitional provisions. In a separate statement, the FCA has confirmed that it will provide more information on its approach to CCA reform and next steps in due course.

[Policy statement of Reform of the Consumer Credit Act 1974](#)[Press release](#)[FCA statement](#)

## 6. Bank of England

### 6.1 Extending RTGS and CHAPS settlement hours - Bank of England consults on next steps - 18 May 2026 - The Bank of England has published a consultation paper on the next phase for moving the settlement hours for real-time gross settlement (RTGS) service and CHAPS (high-value payment system) toward near 24x7 operation. The paper builds on the early morning extension that will see CHAPS open at 01:30 (instead of 06:00) from September 2027 that has already been announced. The press release comments that extending settlement hours is an important part of delivering a safe and resilient multi-money ecosystem in which different forms of money - including central bank money, commercial bank money, tokenised deposits and stablecoins - can coexist and interoperate across both conventional and distributed ledger infrastructure.

The proposed next phase would introduce an additional settlement day at the weekend, most likely Sundays, and certain UK bank holidays, but not before 2029; the length of those settlement days will be subject to extension, but not before 2031.

The deadline for responses is 10 August 2026.

[Bank of England consultation paper: Extending RTGS and CHAPS settlement hours](#)

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## 7. Prudential Regulation Authority

**7.1 Prudential treatment of cryptoasset exposures - PRA publishes Dear CEO letter - 18 May 2026** - The PRA has published a Dear CEO letter to banks and designated investment firms on its expectations for managing the prudential risks from cryptoasset exposures, superseding those set out in its March 2022 letter.

The Dear CEO letter recommends that firms take a proportionate approach, based on the specific risk characteristics of each cryptoasset, when applying the prudential framework to these exposures. It remarks that tokenised traditional assets should generally receive the same prudential treatment as their non-tokenised equivalents where the legal rights are identical and the underlying risks are comparable.

The expectations in the letter are intended to apply until the PRA publishes its proposed future prudential framework, which is expected in 2028 at the earliest. The PRA plans to consult on the framework once the Basel Committee for Banking Supervision has completed its targeted review on the same topic.

[Dear CEO Letter](#)

[Webpage](#)

**7.2 Innovations in digital money - PRA publishes Dear CEO letter - 18 May 2026** - The PRA has issued a Dear CEO letter to banks that both reaffirms its position and clarifies its expectations on innovations in deposit-takers' use of deposits, e-money and regulated stablecoins. This supersedes the PRA's 2023 Dear CEO letter on the same topic.

The letter refers to the risks associated with the offer of retail deposits (which are protected by the Financial Services Compensation Scheme (FSCS)) under the same brand as other forms of digital money such as e-money and stablecoins (which are not FSCS-protected). The PRA advises banking groups issuing e-money or stablecoins to ensure that the name and presentation of those products clearly differentiate them from deposit products. It expects firms to issue e-money and stablecoins from a separate non-deposit taking and insolvency-remote entity. The PRA considers risks to confidence to be lower where stablecoins are limited to wholesale customers only.

[Dear CEO letter](#)

[Webpage](#)

## 8. House of Commons Treasury Committee

**8.1 Motor finance compensation scheme - Treasury Committee writes to FCA - 20 May 2026** - The Treasury Committee has published a letter from its Chair, Dame Meg Hillier MP, to Nikhil Rathi, FCA Chief Executive, seeking answers to a range of questions on the FCA's compensation scheme for motor finance complaints. The questions relate to, among others, the consequences of the legal challenges to the scheme as well as the potential impact on consumers and firms if those challenges result in changes to the scheme.

The FCA is requested to respond by midday on 4 June 2026.

[Letter](#)

## 9. Payment Systems Regulator

**9.1 UK regulatory financial reporting for Mastercard and Visa - PSR publishes consultation paper - 21 May 2026** - The Payment Systems Regulator (PSR) has published a consultation paper (CP26/1) on a proposed direction and accompanying guidelines relating to a targeted regulatory financial reporting remedy to address issues identified during

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its market review of Mastercard's and Visa's scheme and processing fees. This remedy, trailed in December 2025 and previously reported in this Bulletin, is intended to ensure that the PSR receives consistent and reliable financial information on the schemes' UK card businesses.

The consultation closes on 3 July 2026.

[PSR consultation paper: UK regulatory financial reporting for Mastercard and Visa \(CP26/1\)](#)

[Webpage](#)

[Press release](#)

## Securities and markets

### 10. Financial Conduct Authority

**10.1 Credit rating agencies - FCA publishes multi-firm review - 15 May 2026** - The Financial Conduct Authority (FCA) has published the findings of a multi-firm review of UK-registered credit rating agencies (CRAs) with a particular focus on surveillance processes, credit rating methodologies and internal controls under the Credit Rating Agencies Regulations 2010 (UK CRAR).

The FCA expects CRAs to maintain comprehensive internal records and disclose adequate rationales for rating actions, including environmental, social and governance factors. The FCA notes that the use of AI and models can enhance surveillance through earlier risk detection and improved consistency, if accompanied by effective governance to manage risks, biases and ensure analytical challenge. The findings highlight good practices emerging from the review, as well as several areas requiring improvement, including in relation to the oversight of third-party models.

[FCA multi-firm review: Credit rating agencies' surveillance, methodologies and internal controls](#)

### 11. Bank of England and Financial Conduct Authority

**11.1 Tokenisation in UK wholesale financial markets - FCA and Bank of England publish joint call for input - 18 May 2026** - The FCA and the Bank of England have published a joint call for input on how to support the adoption of tokenised securities and how market infrastructure can facilitate their issuance, trading, settlement and safekeeping.

The call for input comments that tokenisation (in other words, the digital representation of assets and their ownership using distributed ledger technology) could be one of the most consequential changes to wholesale financial markets for decades. The paper focuses on tokenised securities (such as bonds, cash equities, and fund units). Chapter 3 of the Call for Input sets out certain principles and operational considerations that the FCA and the Bank of England propose to follow in any future policy or regulatory adjustments; chapter 4 contains an initial roadmap existing and future UK initiatives in this context.

The deadline for responses to this paper is 3 July 2026. The FCA and the Bank of England will hold workshops over the next few months, publish a response statement over the summer, and then a full roadmap for work on digitalisation of wholesale markets later this year. This will be informed by work with industry as part of the taskforce/engagement groups.

The PRA has published a Dear CEO letter, covered separately in this Bulletin, setting out interim expectations on the prudential treatment of tokenised assets, stablecoins and other cryptoasset exposures.

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[FCA/Bank of England call for input: Tokenisation in UK wholesale financial markets](#)

[Webpage](#)

[Press release](#)

## 12. Bank of England

**12.1 CCP resolution execution and resolvability outcomes - Bank of England publishes discussion paper - 19 May 2026** - The Bank of England has published a discussion paper setting out further detail on its developing approach to central counterparty (CCP) resolvability and resolution execution. The paper deals with topics that are relevant where a CCP fails due to a non-default loss event (for example, a crystallisation of operational, cyber or legal risk which results in the CCP incurring a loss that exceeds the CCP's own resources) as well as where one or more clearing member(s) default and the Bank of England is required to intervene in a default loss resolution.

The paper closes to comments on 4 September 2026.

[Bank of England discussion paper: CCP resolution execution and resolvability outcomes](#)

## 13. European Commission

**13.1 MiCA review - European Commission consults - 20 May 2026** - The European Commission has published a public and a targeted consultation on the review of the Markets in Cryptoassets Regulation (EU) 2023/1114 (MiCA). The targeted consultation poses questions on the conditions for offering or seeking admission to trading of cryptoassets other than asset referenced tokens (ARTs) or e-money tokens (EMTs); it also seeks feedback on requirements for ARTs, EMTs and their issuer, and the appropriateness of MiCA for cryptoasset service providers.

Both consultations close on 31 August 2026.

[European Commission public consultation: Review of the Markets in Crypto-Assets Regulation](#)

[European Commission targeted consultation: Review of the Markets in Crypto-Assets Regulation](#)

[Press release](#)

# Asset management

## 14. HM Treasury and Financial Conduct Authority

**14.1 Reforms to UK Money Market Fund Regulations regime - HM Treasury and FCA publish statement - 14 May 2026** - HM Treasury and the FCA have published a joint statement on reforms to the regulatory framework for UK money market funds (MMFs). HM Treasury intends to lay legislation as soon as parliamentary time allows to establish a new regulatory framework for UK MMFs that will replace the UK MMF Regulation ((EU) 2017/1131). Under the new regime, most requirements for UK MMFs will be set out in FCA rules and guidance. This will include expectations that UK MMFs should hold higher levels of liquidity.

The new regime is expected to be in place by Q4 2026, subject to parliamentary approval. The FCA will publish a statement shortly on its plans for the new framework.

[HM Treasury/FCA policy paper: Reforms to Money Market Fund Regulations](#)

[Webpage](#)

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## 15. Financial Conduct Authority

**15.1 Registration of authorised fund assets - FCA consults - 21 May 2026** - The FCA has published a consultation paper on the registration of authorised fund assets (CP26/16) with proposals to enable depositaries of authorised alternative investment funds (AIFs) managed by full-scope AIF managers (AIFMs) to delegate certain asset registration and custody functions. As it stands, depositaries of authorised AIFs managed by full-scope AIFMs cannot delegate certain safekeeping functions for assets that are not AIF custodial assets, such as UK commercial real estate.

The proposals include changes to FCA rules derived from the Alternative Investment Fund Managers Directive (2011/61/EU) (AIFMD), as set out more fully in the paper. The new rules would also clarify how the CASS 6 custody rules apply to depositaries of all authorised funds and unauthorised AIFs.

Comments can be made on the proposals until 9 July 2026.

[Consultation Paper: Registration of authorised fund assets \(CP26/16\)](#)

[Webpage](#)

# Insurance

## 16. Prudential Regulation Authority

**16.1 Insurance third-country branches - PRA publishes policy statement - 21 May 2026** - The PRA has published a policy statement on the framework for third-country branches, providing feedback to proposals made in an earlier consultation paper (CP20/25). Among other things, in CP20/25, the PRA had proposed raising the threshold for subsidiarisation from £500 million to £600 million (measured in projected liabilities covered by the FSCS). The PRA will proceed to increase the subsidiarisation threshold, but it intends to discontinue quarterly reporting for all branches (rather than only for branches falling under the threshold, as was proposed in CP20/25). The PRA has also delayed the implementation of transitioning to full reporting for the affected branches by one year, until 31 December 2027.

The PS contains links to the updated policy materials, including supervisory statements and statements of policy, as well as amended rules.

[Policy Statement: Insurance third-country branches \(PS13/26\)](#)

## 17. UK Parliament

**17.1 Consumer insurance regulation - House of Lords Financial Services Regulation Committee launches inquiry - 21 May 2026** - The House of Lords Financial Services Regulation Committee has announced the launch of a new inquiry into the regulation of the consumer insurance market and has issued an accompanying call for evidence. The inquiry will cover the regulation of insurance distribution and insurance claims handling, the enforcement of the relevant rules, and the resolution of disputes between insurance firms and consumers. The deadline for responses to the call for evidence is 26 June 2026.

[House of Lords Financial Services Regulation Committee call for evidence: Consumer insurance regulation inquiry](#)

[Webpage](#)

[Press release](#)

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## 18. Recent Cases

**18.1 *Re Zurich Insurance Co Ltd* [2026] EWHC 1165 (Ch) - 25 March 2026** - The High Court has sanctioned the transfer of a portfolio of pre-2007 legacy employers' liability policies to Catalina Worthing Insurance Limited by way of an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000. The transfer also consists of a transfer of policies relating to business carried on in Jersey pursuant to a separate scheme under the Insurance Business (Jersey) Law 1996. The UK Scheme and the Jersey Scheme were sanctioned respectively by the High Court on 25 March 2026 and by the Royal Court of Jersey on 27 March 2026, and both took effect on 31 March 2026. Slaughter and May advised Zurich on the transfer.

[Slaughter and May announcement: \*Re Zurich Insurance Co Ltd\* \[2026\] EWHC 1165 \(Ch\)](#)

# Financial crime

## 19. Office of Financial Sanctions Implementation

**19.1 Russia sanctions breaches - penalty issued by OFSI to London bank branch - 19 May 2026** - The Office of Financial Sanctions Implementation (OFSI) has published a monetary penalty notice, dated 30 April 2026, under section 146 of the Policing and Crime Act 2017 against the London branch of a global bank for breaching regulation 12 of the Russia (Sanctions) (EU Exit) Regulations 2019 (SI 2019/855) (Russia Regulations), which prohibits making funds available to a person owned or controlled by a designated person.

This is the second OFSI case resolved by settlement under OFSI's new enforcement framework introduced on 9 February 2026.

[Penalty notice](#)

[Webpage](#)

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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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