SLAUGHTER AND MAY

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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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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

1. FINANCIAL CONDUCT AUTHORITY

1.1 **Lessons for firms from the Defence, Security, and Resilience Lab - FCA publishes new webpage on systemic operational resilience** - *7 September 2026* - The FCA has published a new webpage setting out lessons for firms from its Defence, Security, and Resilience (DSR) Lab, an exercise held in partnership with the Ministry of Defence which brought together around 120 leaders from financial services, government and defence to consider systemic risk and how firms can strengthen their resilience.

The exercise used a deliberately challenging scenario involving regional satellite navigation spoofing, multiple damaged subsea cables and a cyberattack on a cable landing station. Among the FCA's findings were that firms: felt less confident about spotting shared, system-level risks; wanted clearer signals on national threats and priorities before committing capital to resilience; needed to consider international dependencies on global technology providers; and often did not appreciate the extent of shared dependencies such as communications networks, satellite systems, subsea cables and public sector databases. The FCA notes that some risks cannot be solved alone and that it plans to investigate further themes, including intelligence-sharing with the sector, 'fail-safe' back-up technologies, access to banking and finance frictions.

The webpage also sets out questions to help firms assess their exposure to systemic risk and support UK resilience. The FCA stresses that these questions are a starting point rather than new regulatory requirements and do not represent guidance on firms' regulatory obligations.

Webpage

2. DEPARTMENT FOR BUSINESS, INNOVATION, SCIENCE AND TRADE

2.1 **Overhaul of corporate reporting framework - DBIST consults on modernising corporate reporting** - *7 September 2026* - The Department for Business, Innovation, Science and Trade (DBIST) has published a consultation on modernising corporate reporting, described as a once-in-a-generation review aimed at supporting economic growth and making the UK's corporate reporting framework the most proportionate and effective in the world. The accompanying press release estimates savings of more than £450 million a year for businesses.

The government is proposing wide-ranging reforms across almost every aspect of the framework, including, among others:

- clarifying that the annual report and accounts are primarily intended for investors and creditors;
- creating a lighter regulatory load for small and medium-sized enterprises, including extending the small company audit exemption to certain medium-sized companies;
- testing the merits of non-financial reporting requirements for private companies and a possible new 'very large' company threshold;

- making financial reporting law clearer and more coherent, streamlining the accounting standards available into four main standards and replacing the rules on distributable profits and capital maintenance with a solvency-based regime;
- simplifying the strategic report through a principles-based set of baseline disclosures, and simplifying corporate governance and remuneration reporting (including removing the annual advisory vote on the directors' remuneration report); and
- embracing digital communications (including introducing a presumption in favour of electronic communications with shareholders and clarifying the law on fully virtual AGMs).

The consultation closes on 30 November 2026. It is accompanied by annexes covering the legislative changes proposed in October 2025, the exemption frameworks, a glossary and a list of consultation questions by chapter.

DBIST consultation: Modernising corporate reporting

Press release

Annex A: October 2025 legislative changes

Annex B: the exemption frameworks

Annex C: glossary

Annex D: list of consultation questions by chapter

Online response form

3. UK PARLIAMENT

3.1 **Financial Services and Markets Bill [HL] - report stage completed in the House of Lords -** *9 September 2026* - The Financial Services and Markets Bill [HL] (the Bill) has completed its report stage in the House of Lords. The report stage concluded at the sitting on 9 September 2026 when the Bill, as amended, was ordered to be printed.

The Bill aims to update several areas of financial regulation, including reforming the Financial Ombudsman Service, abolishing the Payment Systems Regulator and transferring its functions to the FCA, introducing a 'provisional licences' authorisation scheme and amending the UK's bank ring-fencing regime. On day one of the report stage, members put forward over 30 amendments and there were five divisions. Members voted to remove a clause that would allow the Treasury to amend legislation relating to access to banking services and rejected four amendments. These amendments concerned consumer credit protections, access to affordable credit, the matters the Financial Ombudsman takes into account in determining fair and reasonable outcomes, reimbursement of fraud and the liability of technology companies.

The Bill is now scheduled for its third reading in the House of Lords on 15 September 2026.

Updated webpage

Third reading webpage

Hansard

Securities and markets

4. EUROPEAN SECURITIES AND MARKETS AUTHORITY

4.1 **Trends, Risks and Vulnerabilities - ESMA publishes risk monitoring report** - *10 September 2026* - The European Securities and Markets Authority (ESMA) has published the second 2026 issue of its Report on Trends, Risks and Vulnerabilities. The report sets out ESMA's periodic assessment of risks across the markets within its remit.

In particular, ESMA warns against new levels of market manipulation in prediction markets like Polymarket, where an increasing number of incidents suggests that such markets are "rife with inside trading". In addition, ESMA warns that cyber and hybrid threats remain elevated and that recent developments in frontier AI could further amplify operational and systemic risks to market infrastructure.

ESMA Report on Trends, Risks and Vulnerabilities

Press release

5. INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

5.1 **Cyber resilience toolkit and third-party reliance discussion paper for FMIs - CPMI-IOSCO publish a toolkit and a discussion paper** - *8 September 2026* - The Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) have published a Cyber Resilience Toolkit for financial market infrastructures (FMIs), together with a discussion paper on FMIs' reliance on third-party service providers, designed to support FMIs in strengthening their operational and cyber resilience consistent with the Principles for Financial Market Infrastructures.

The toolkit comprises a set of voluntary, non-binding tools setting out practical considerations across four areas: governance of cyber risk and resilience; extreme but plausible cyber scenario identification and design; response, resumption and recovery planning (including resuming critical operations within two hours and safely disconnecting and reconnecting ecosystem entities); and cyber resilience testing and exercising. It also addresses ecosystem interdependencies and the implications of developments in AI for the cyber threat landscape.

The discussion paper examines the risks and challenges arising from FMIs' reliance on third-party service providers, particularly for critical services. It identifies key challenges including the increasing complexity and interconnectedness of FMI ecosystems, concentration of providers, complex and opaque supply chains, difficulties with exit planning, imbalances in bargaining power and variation in regulatory expectations across jurisdictions.

Comments on both the toolkit and the discussion paper should be submitted by 1 December 2026.

CPMI-IOSCO publication: Cyber resilience toolkit: practical considerations for FMIs

Discussion Paper: FMIs' reliance on third-party service providers: challenges and risks

Press release

6. RECENT CASES

6.1 ***Grogan v IG Index Ltd*, [2026] EWHC 1998 (Ch)** - *31 July 2026* **-** The High Court has dismissed a claim brought by a customer against IG Index Ltd (IG), a regulated spread betting and contracts for difference provider, alleging breaches of the FCA's Conduct of Business Sourcebook (COBS) in opening and continuing to operate his spread betting account, in which he deposited over £1.75 million and lost more than £1 million between 2018 and 2022.

The claimant advanced three cases: that a spread betting account was not appropriate for him under COBS 10A; that IG should have identified him as a vulnerable customer and closed his account; and that IG failed to act honestly, fairly and professionally in his best interests contrary to COBS 2.1.1(1)R. His Honour Judge Pearce dismissed all three cases, finding that: the claimant understood the risks of spread betting; there is no ongoing duty to reassess appropriateness; and IG neither knew nor ought reasonably to have known that the claimant was vulnerable or a problem gambler. A case report on the judgment will follow.

Grogan v IG Index Ltd [2026] EWHC 1998 (Ch)

Asset management

7. EUROPEAN PARLIAMENT

7.1 **SFDR revision - European Parliament ECON Committee votes for clearer, simpler sustainable finance disclosure rules** - *10 September 2026* - The European Parliament has published a press release stating that its Economic and Monetary Affairs Committee (ECON) will adopt its position on the revision of the Sustainable Finance Disclosure Regulation (SFDR). The intended effect is to simplify the regime built around three standard product categories while seeking to preserve the credibility of green investment claims. The negotiating mandate is due to be announced at the start of the October plenary session, after which the final legislation will be negotiated with the Council before it can enter into force.

The press release also sets out the main features of ECON's position, including support for the Commission's three product categories ('sustainable', 'transition' and 'ESG basics') each of which would have to disclose the principal adverse impacts of its investments on sustainability. Transition products channelling investment towards companies that are not yet sustainable would have to exclude those earning revenue from fossil fuel exploration, extraction, mining or refining. (An exception would apply where a company invests heavily in environmentally sustainable activities, and has a measurable and time-bound plan to cut emissions and commit more capital to sustainable activities than to new fossil fuel projects). Meanwhile, 'ESG basics' products would have to disclose their exposure to the fossil fuel sector and all three categories would exclude companies violating human rights and humanitarian law.

Under the proposal, only the largest financial market participants would be required to disclose their impact on the environment and society, while professional investors would be exempt and financial advice and portfolio management removed from scope. Firms offering categorised products would need due diligence and monitoring processes reviewed at least annually, and would need to report on their exposure to the fossil fuel sector, greenhouse gas emissions and activities harming biodiversity-sensitive areas.

Press release

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8. RECENT CASES

8.1 ***Re IRB-Brasil Resseguros S.A.*, [2026] EWHC 2324 (Ch) -** *9 September 2026* **-**The High Court has sanctioned, under section 111 of the Financial Services and Markets Act 2000, an insurance business transfer scheme transferring the entire business of the UK branch of IRB-Brasil Resseguros S.A. (IRB) to Community Reinsurance Corporation Limited.

The transferring business comprises all of the general (non-life) reinsurance business written in the London market by IRB's UK branch between 1974 and 1983, mainly in the marine, aviation, property and casualty classes and is in run-off with no continuing cover. It consists of approximately 38,066 policies held by around 830 policyholders. The transfer will enable IRB to de-authorise and close its UK branch, which suspended underwriting in December 1982.

Re IRB-Brasil Resseguros S.A. [2026] EWHC 2324 (Ch)

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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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