

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](#)

[General](#)

[Beyond Brexit](#)

[Banking and Finance](#)

[Insurance](#)

[Financial Crime](#)

[Enforcement](#)

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SELECTED HEADLINES //

General

AI Sprint - FCA publishes summary and blog post **1.1**

Simplifying supervisory communications - FCA to cease
issuing portfolio letters **1.2**

Beyond Brexit

MiFID Org Regulation - PRA consults on restating firm-
facing requirements in PRA Rulebook **2.1**

Banking and Finance

Use of internal models under CRR - European
Commission adopts Delegated Regulation specifying
extraordinary circumstances **3.1**

**Third country covered bonds in the Liquidity Coverage
Ratio** - PRA withdraws modification by consent **5.1**

Identification and management of step-in risk - PRA
publishes policy statement **5.2**

Definition of capital for FCA investment firms - FCA
consults on simplifying and consolidating rules **6.1**

Insurance

Pensions dashboards ecosystem - PDP announces that
first pension provider completes connection and
publishes report on provider readiness **8.1**

Financial Crime

Selected Headlines

[General](#)[Beyond Brexit](#)[Banking and Finance](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)

Finfluencers - House of Commons Treasury Committee launches inquiry **9.1**

Hamblin and another v Moorwand Ltd and another [2025] EWHC 817 (Ch) **10.1**

Enforcement

Failure to prevent international bribery - SFO charges insurer **11.1**

Self-reporting, cooperation and deferred prosecution agreements - SFO publishes new corporate guidance **11.2**

Selected Headlines

[General](#)[Beyond Brexit](#)[Banking and Finance](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)

GENERAL //

1 FINANCIAL CONDUCT AUTHORITY

- 1.1 AI Sprint - FCA publishes summary and blog post - 23 April 2025** - The FCA has published a summary of its recent artificial intelligence (AI) Sprint, which took place in January 2025, and brought together participants from across industry, academia, regulators, technology providers, and consumer representatives. The AI Sprint focused on the opportunities and challenges presented by AI in financial services, and participants discussed how AI may develop in financial services over the next five years as well as the FCA's role in facilitating the safe and responsible adoption of AI. The FCA highlights four common themes that came from participants' discussions and suggestions, namely the importance of regulatory clarity; trust and risk awareness, where consumer and firms' trust is essential to successful AI adoption; coordination on a domestic and international level; and safe AI innovation through sandboxing.

Alongside its summary of the event, the FCA has published a blog post written by Colin Payne, Head of Innovation, exploring how the FCA is focused on enhancing trust and clarifying its existing rules (noting that *"firms aren't looking for more regulation"*). Payne also makes clear that the FCA is *"taking concrete steps straight away to support safe, growth-focused innovation"*, including by expanding its AI Lab and Supercharged Sandbox to accelerate innovation, and working with the Synthetic Data Expert Group to facilitate safe testing of new ideas.

[AI Sprint summary](#)[Blog post](#)

- 1.2 Simplifying supervisory communications - FCA to cease issuing portfolio letters - 24 April 2025** - The FCA has published a press release announcing that, from 30 April 2025, it will stop issuing and publishing portfolio letters. The FCA explains that it will instead publish a small number of market reports containing communications relevant to different types of firms and insights from its supervisory work. The FCA will also make it easier for firms to find up-to-date supervisory communications on its website by retiring historical portfolio letters and Dear CEO letters. These will be clearly marked as 'historical' and no longer current, with a few exceptions, and historical documents will remain publicly accessible at existing links.

Until market reports are published later this year, the FCA states that firms should continue to refer to relevant Dear CEO letters and portfolio letters for guidance. For the avoidance of doubt, Dear CEO Letters will still be used to address senior management about significant issues that require action.

[Press release](#)

Selected Headlines

[General](#)[Banking and Finance](#)[Financial Crime](#)[Beyond Brexit](#)[Insurance](#)[Enforcement](#)

BEYOND BREXIT //

2 PRUDENTIAL REGULATION AUTHORITY

- 2.1 MiFID Org Regulation - PRA consults on restating firm-facing requirements in PRA Rulebook - 23 April 2025** - The PRA has published a consultation paper (CP9/25) on proposals to restate the firm-facing provisions contained in the MiFID Organisational Regulation (or MiFID Org Regulation) (that is, UK Commission Delegated Regulation (EU) 2017/565) into the PRA Rulebook before HM Treasury commences the revocation of the MiFID Org Regulation under the Financial Services and Markets Act 2023.

The PRA needs to restate these rules before this revocation as otherwise risks could arise from gaps in its ability to enforce key components of its systems and controls requirements. The PRA is not proposing any new requirements on firms as part of the changes, which should ensure that the rules continue to have an unchanged effect, and that the PRA can continue to supervise and enforce against them. The proposals cover general organisational requirements, outsourcing, record keeping, compliance and internal audit, and risk control.

Responses to the consultation are welcomed by 23 June 2025. The PRA proposes that the implementation date for the changes would be H2 2025.

[PRA consultation paper: MiFID Org Regulation \(CP9/25\)](#)

BANKING AND FINANCE //

3 EUROPEAN COMMISSION

- 3.1 Use of internal models under CRR - European Commission adopts Delegated Regulation specifying extraordinary circumstances - 23 April 2025** - The European Commission (the Commission) has adopted a Delegated Regulation (C(2025) 2287) containing regulatory technical standards on the conditions and indicators that the European Banking Authority (EBA) is to use to determine whether extraordinary circumstances have occurred under Articles 325bf(6) and 325az(6) of the Capital Requirements Regulation (575/2013/EU) (CRR). In accordance with Articles 325bf(6) and 325az(6) CRR, as amended by the CRR III Regulation ((EU) 2024/1623), competent authorities may permit institutions to derogate from certain requirements of the regulatory framework for the use of internal models, or apply a softer version of those requirements, where extraordinary circumstances have occurred (which is determined by the EBA).

The Commission explains that the Delegated Regulation sets out conditions that need to be met and a non-exhaustive list of indicators that the EBA shall use to determine whether extraordinary circumstances have occurred. It foresees that extraordinary circumstances could be recognised where there is a situation of significant cross-border financial market stress, or a major regime

Selected Headlines

[General](#)[Banking and Finance](#)[Financial Crime](#)[Beyond Brexit](#)[Insurance](#)[Enforcement](#)

shift associated with a similar level of stress (such as a liquidity crisis), that can render the outcome of back-testing and profit and loss attribution requirements inappropriate.

The Delegated Regulation will now be scrutinised by the Council of the EU and the European Parliament.

[Commission Delegated Regulation \(EU\) .../... supplementing CRR with regard to RTS specifying the conditions and indicators that the EBA is to use to determine whether extraordinary circumstances have occurred \(C\(2025\)2287\)](#)

4 BANK OF ENGLAND

- 4.1 Stress testing the UK banking system - Bank of England publishes two new scenarios - 17 April 2025** - The Bank of England (the Bank) has updated its webpage on stress testing to announce that it has published two stress test scenarios for use by banks and building societies that are not participants in its concurrent stress testing exercise. These scenarios (which are linked to from the webpage) have been derived from the 2025 Bank Capital Stress Test scenario which was published on 24 March 2025 and reported in a previous issue of this Bulletin.

The Bank explains that the scenarios serve as a template and severity benchmark for firms to support their own internal capital adequacy assessment process (ICAAP) stress testing scenario design processes. It has published two differing scenarios to encourage firms to consider the type, characteristics and severity of stress that their business model is vulnerable to when designing their own scenarios.

The Bank goes on to remind firms that they should consider the scenarios in the context of their business and its own specific risk drivers, and that they should be used as a starting point to build and accurately calibrate their own scenarios under Pillar 2. The Bank expects firms to choose scenarios that provide a strong challenge for their business.

[Updated webpage](#)

5 PRUDENTIAL REGULATION AUTHORITY

- 5.1 Third country covered bonds in the Liquidity Coverage Ratio - PRA withdraws modification by consent - 17 April 2025** - The PRA has announced that it is withdrawing the modification by consent, offered on 8 April 2025, that would allow certain third country covered bonds under Article 11(1)(d) of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook to be included in Level 2A High Quality Liquid Assets, subject to a cap on the amount recognised. This is because the PRA has received a number of technical comments and requests for clarification, and so has decided to pause the process and withdraw the modification in order to consider and address the points raised appropriately. Once that process is complete, the PRA will clarify its approach.

In the interim, the PRA considers firms do not need to amend their approach to recognising third country covered bonds under the Liquidity Coverage Ratio (CRR) and Liquidity (CRR) Parts of the PRA Rulebook.

Selected Headlines

[General](#)[Banking and Finance](#)[Financial Crime](#)[Beyond Brexit](#)[Insurance](#)[Enforcement](#)[Press release](#)

- 5.2 Identification and management of step-in risk - PRA publishes policy statement - 22 April 2025** - The PRA has published a policy statement (PS5/25) providing feedback to responses it received to Chapter 2 of its December 2023 consultation paper on identification and management of step-in risk, shadow banking entities and groups of connected clients (GCCs) (CP23/23). It also sets out the PRA's final policy and rules on the identification and management of step-in risk.

The PRA explains that, in light of the feedback received to CP23/23, it has included a new rule that will remove the requirement for a firm to consider its relationship with a third-party securitisation special purpose entity for step-in risk where its only relationship is an investment in its senior securitisation position. The PRA has also made minor amendments to defined terms to improve clarity. The new policy and rules will come into effect on 1 January 2026.

As regards the remaining proposals in CP23/23, the PRA expects to finalise its policy on GCCs as part of its finalisation of its proposals on the large exposures framework included in its October 2024 consultation paper (CP14/24). The PRA then intends to finalise its policy on shadow banking entities in due course. In the interim, the PRA expects firms to make every effort to comply with the existing European Banking Authority (EBA) guidelines on limits on exposures to shadow banking entities and EBA guidelines on GCCs.

[PRA policy statement: Identification and management of step-in risk \(PS5/25\)](#)

6 FINANCIAL CONDUCT AUTHORITY

- 6.1 Definition of capital for FCA investment firms - FCA consults on simplifying and consolidating rules - 24 April 2025** - The FCA has published a consultation paper (CP25/10) on the definition of capital for investment firms, outlining proposals to simplify and consolidate the existing rules for what qualifies as regulatory capital. The FCA explains that it wants to remove all references to the UK Capital Requirements Regulation (575/201/EU) (UK CRR) from the definition of regulatory capital (also known as 'own funds') that applies to FCA investment firms within MIFIDPRU 3.

The FCA is not proposing any changes to the amounts of regulatory capital firms are required to hold or to require firms to adjust their capital arrangements. Instead, the proposals focus on simplifying rules for what qualifies as regulatory capital by removing irrelevant provisions and improving clarity, which would reduce the volume of legal text by approximately 70%. The FCA estimates that this will lower compliance costs and make the framework easier to navigate, reducing the burden on firms while maintaining the fundamental principles of what constitutes capital. The FCA does not expect firms to change their capital arrangements because of these proposals.

Feedback on the proposals is requested by 12 June 2025. The FCA intends to publish a policy statement in H2 2025 containing its final rules and, subject to the outcome of the consultation, it expects the new framework to come into effect on 1 January 2026.

[FCA consultation paper: Definition of capital for FCA investment firms \(CP25/10\)](#)

Selected Headlines

[General](#)[Beyond Brexit](#)[Banking and Finance](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)[Webpage](#)[Press release](#)

7 RECENT CASES

- 7.1 *Breeze and others v TSB Bank plc* - Case tracker updated - 24 April 2025** - The Court of Appeal has updated its case tracker for civil appeals to note that the application for permission to appeal the High Court decision in *Breeze and others v TSB Bank plc* [2024] EWHC 2427 (Ch) has been granted. The application relates to an order of Thompsell J, Business and Property Courts, Business List (ChD), dated 21 January 2025.

The Chancery Division handed down its judgment in *Breeze v TSB Bank* in September 2024 in a claim brought by former customers of Northern Rock, whose mortgages were transferred to the Whistletree brand of TSB Bank Plc. The claimants allege that TSB applied an excessively high standard variable interest rate to their mortgages, in breach of contract and statutory duty. They also seek relief under the Unfair Terms in Consumer Contract Regulations and sections 140A and 140B of the Consumer Credit Act 1974.

[Updated webpage](#)

INSURANCE //

8 PENSIONS DASHBOARDS PROGRAMME

- 8.1 Pensions dashboards ecosystem - PDP announces that first pension provider completes connection and publishes report on provider readiness - 17 and 24 April 2025** - The Pensions Dashboards Programme (PDP) has announced that the first pension provider has successfully completed its connection to the pensions dashboard ecosystem, in line with the staged timetable set by the Department for Work and Pensions (DWP). This “important milestone” follows the direct connection of three volunteer participants in March 2025. The PDP goes on to encourage providers and schemes who are currently in the pipeline for connection in April 2025 to keep preparing in line with DWP guidance.

The PDP also confirms that there will be no regulatory intervention by the FCA or the Pensions Regulator at the current time for providers and schemes who are unable to meet their ‘connect by’ dates solely due to their dependence on a volunteer participant who has yet to connect.

Oliver Morley, CEO of the Money and Pensions Service (which runs PDP), announced that alongside connection, user testing with the PDP’s MoneyHelper pensions dashboards is expected to commence this summer.

The PDP has also published a report on pension providers’ readiness for pensions dashboards, highlighting that more than 90% of FCA-regulated pension providers expect to be on course to connect before or by their ‘connect by’ dates.

[Press release](#)

Selected Headlines

[General](#)[Beyond Brexit](#)[Banking and Finance](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)[PDP report: Personal pension providers' readiness for pensions dashboards](#)

FINANCIAL CRIME //

9 HOUSE OF COMMONS TREASURY COMMITTEE

- 9.1 **Finfluencers - House of Commons Treasury Committee launches inquiry - 22 April 2025** - The House of Commons Treasury Committee (the Committee) has launched a new inquiry on finfluencers. The Committee will take oral evidence on 30 April 2025 from Steve Smart, FCA Joint Executive Director for Enforcement and Market Oversight, and Lucy Castledine, FCA Director of Consumer Investments. No further information about the scope of the inquiry has been published.

[Webpage](#)

10 RECENT CASES

- 10.1 ***Hamblin and another v Moorwand Ltd and another* [2025] EWHC 817 (Ch), 23 April 2025**

'Derivative' action - APP fraud - Quincecare duty

The High Court has ruled in favour of two victims of authorised push payment (APP) fraud in a 'derivative' action against a payment services provider, Moorwand Ltd (Moorwand), on behalf of its corporate customer, RND Global Ltd (RND). A fraudster was able to set up an account in the name of RND with Moorwand, despite discrepancies in its application. The victims were induced to make a payment (thinking it an investment) of £160,000 which was held as credit (for a time) in RND's electronic wallet with Moorwand, and subsequently paid away.

The Court found that in paying away the sums, Moorwand failed to make necessary inquiries in breach of its *Quincecare* duty. It considered that the first instance judge had "*wrongly discounted a number of factors*" relevant to Moorwand's duty of inquiry and also "*erred in drawing a line between the facts that went to 'regulatory failures' and facts going to Moorwand's duty of inquiry*". Consequently, the Court ordered Moorwand to restore the monies improperly paid away from the RND account to that account for the use of RND.

[Hamblin and another v Moorwand Ltd and another \[2025\] EWHC 817 \(Ch\) \(04 April 2025\)](#)

ENFORCEMENT //

11 SERIOUS FRAUD OFFICE

- 11.1 **Failure to prevent international bribery - SFO charges insurer - 17 April 2025** - The Serious Fraud Office (SFO) has charged United Insurance Brokers Limited (UIBL) for failing to prevent associates from bribing state officials in Ecuador between October 2013 and March 2016. The SFO alleges that UIBL's US-based intermediaries for Ecuador paid bribes in return for the awarding of

Selected Headlines

[General](#)[Banking and Finance](#)[Financial Crime](#)[Beyond Brexit](#)[Insurance](#)[Enforcement](#)

re-insurance contracts worth US\$38 million. The SFO comments that UIBL sold re-insurance services to state insurers covering parts of the Ecuadorian public sector, including its state water and electricity companies. UIBL received a US\$6.2 million commission to provide these services, of which US\$3 million was allegedly paid to intermediaries. Representatives of UIBL will appear before Westminster Magistrates' Court on 7 May 2025.

The press release notes that if this case proceeds to a contested trial, it will be the first time that an SFO 'failure to prevent bribery' case is heard by a jury.

[Press release](#)

- 11.2 Self-reporting, cooperation and deferred prosecution agreements - SFO publishes new corporate guidance - 24 April 2025** - The Serious Fraud Office (SFO) has published new corporate guidance outlining the key considerations that it takes into account when deciding whether to charge a corporate or invite it to negotiate a deferred prosecution agreement (DPA). The SFO states that if a corporate promptly self-reports and cooperates fully with the investigation, it can expect to be invited to negotiate a DPA rather than face prosecution, unless exceptional circumstances apply. The SFO goes on to set out how a corporate should self-report as well as examples of what it views as cooperative and uncooperative conduct.

[SFO Corporate Guidance](#)

Selected Headlines

[General](#)[Beyond Brexit](#)[Banking and Finance](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)

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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