

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:
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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:
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GENERAL //

1 EUROPEAN SUPERVISORY AUTHORITIES AND UK FINANCIAL AUTHORITIES

1.1 **Oversight of critical ICT third-party service providers - ESAs and UK regulators sign memorandum - 14 January 2026** - The European Supervisory Authorities (comprising the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority) (ESAs) have published a memorandum of understanding (MoU) with the FCA, the PRA and the Bank of England regarding the oversight of critical third parties (CTPs). The MoU establishes a framework for coordinating and sharing information on the oversight of CTPs designated under the UK's CTP regime, which stems from the Financial Services and Markets Act 2000, and critical third-party providers (CTPPs) designated under the EU's Regulation on digital operational resilience for the financial sector ((EU) 2022/2554) (DORA).

This cooperation includes, but is not limited to, coordination where CTPPs own, or use in any way, premises located in the UK for providing services to EU financial entities, and where CTPs own, or use in any way, premises located in the EU for providing services to UK financial entities. The MoU states that this cooperation contributes to effective oversight, including by reducing duplicative oversight.

[Memorandum of understanding](#)

[Press release](#)

2 HM TREASURY

2.1 **Transition to post-quantum cryptography - G7 Cyber Expert Group advances roadmap for the financial sector - 13 January 2026** - HM Treasury has published a statement from the G7 Cyber Expert Group on advancing a coordinated roadmap for the transition to post-quantum cryptography in the financial sector. The roadmap, which is informative rather than prescriptive, sets out key 'migration activities' in support of a coordinated, timely and objective-driven transition. Financial authorities and entities are encouraged to integrate the approaches within the roadmap into their existing governance and risk management frameworks and technology strategies, and to consider prioritising migration planning based on exposure and systemic importance to contribute to collective resilience.

[G7 CEG Statement](#)

[Webpage](#)

3 PRUDENTIAL REGULATION AUTHORITY AND FINANCIAL CONDUCT AUTHORITY

3.1 **FSCS - PRA and FCA consult on management expenses levy limit for 2026/27 - 13 January 2026** - The PRA and the FCA have published a joint consultation paper (PRA CP1/26 and FCA

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CP26/2) on the management expenses levy limit (MELL) for the Financial Services Compensation Scheme (FSCS) for 2026/27. The proposed MELL amounts to £113 million (an increase of £4.4 million from the 2025/26 MELL) and would apply from 1 April 2026 to 31 March 2027. The consultation closes on 10 February 2026. Final rules would be in place for the start of the FSCS's financial year on 1 April 2026.

[PRA/FCA joint consultation paper: Management expenses levy limit for the FSCS \(CP1/26 and CP26/2\)](#)

[FCA webpage](#)

4 FINANCIAL CONDUCT AUTHORITY

4.1 **Cryptoasset regulation - FCA publishes new webpages - 8 January 2026** - The FCA has published new webpages setting out its approach to the new regulatory regime for cryptoassets, which is expected to come into force on 25 October 2027. The FCA seeks to support those cryptoasset firms which will be regulated by the FCA under the Financial Services and Markets Act 2000 (FSMA) for the first time, and the webpages cover: (i) FSMA and the FCA Handbook; (ii) the FCA's minimum standards for cryptoasset firms; (iii) the FCA's approach to authorisation, supervision and enforcement; (iv) how the FCA's application gateway for firms that want to undertake the new cryptoasset regulated activities will operate; and (v) transitional provision for existing cryptoasset firms that are unsuccessful in securing authorisation.

Of particular interest, the FCA expects the application gateway to open in September 2026, subject to confirmation in due course via a direction published on the FCA's website.

[FCA webpage: A new regime for cryptoasset regulation](#)

5 INTERNATIONAL REGULATORY STRATEGY GROUP

5.1 **AI in financial services - IRSG publishes report - 12 January 2026** - The International Regulatory Strategy Group (IRSG) has published a report on emerging global approaches to AI in financial services. The IRSG finds that AI largely amplifies existing financial sector risks rather than introducing wholly new ones, and that while there is positive alignment on the high-level principles that should govern AI across jurisdictions, there is significant global divergence in how these principles are operationalised. The IRSG advocates for interoperable, principles-based supervision anchored in existing technology-neutral rules. Notably, extra-territorial impacts should be avoided when any new AI measures are contemplated.

[IRSG report: AI in financial services](#)

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BANKING AND FINANCE //

6 EUROPEAN CENTRAL BANK

6.1 **Application of prudential framework for market risk - ECB publishes response to European Commission's targeted consultation - 15 January 2026** - The European Central Bank (ECB) has published its response to the European Commission's November 2025 targeted consultation on the application of the market risk prudential framework and the Basel Committee on Banking Supervision's fundamental review of the trading book (FRTB).

Among other things, the ECB states that further delaying the implementation of the FRTB would come with clear costs from a risk management and operational perspective. It suggests that these costs outweigh the advantages of a further delay, namely allowing more time to assess and respond to the implementation in other major jurisdictions. The proposal put forward in the Commission's consultation to have the FRTB enter into force in the EU on 1 January 2027 is therefore welcome, and the ECB strongly supports the Commission's intent in this regard.

[ECB consultation response](#)

7 EUROPEAN BANKING AUTHORITY

7.1 **CRR - EBA publishes ancillary service guidelines and assessment of prudential consolidation framework - 9 January 2026** - The European Banking Authority (EBA) has published its final guidelines setting out the criteria for identifying activities falling within the definition of 'ancillary services undertakings' under Article 4(1)(18) of the Capital Requirements Regulation (575/2013) (CRR). The guidelines will be translated into the official EU languages and published on the EBA website, and competent authorities will then have two months to report on whether they comply with the guidelines.

The EBA has also published a report on the completeness and appropriateness of the definitions and provisions on consolidation under Article 18(10) of CRR. Overall, the EBA considers the prudential consolidation framework to be robust and fit for purpose, but identifies a number of targeted areas where further clarification, harmonisation or legislative refinements may be warranted.

In an accompanying press release, the EBA explains that both publications are designed to enhance the efficiency and proportionality of the prudential consolidation framework, promote a level playing field, foster convergence of supervisory practices among institutions and competent authorities, and improve comparability of prudential requirements across the EU.

[EBA: Final report on guidelines on ancillary services undertakings under CRR \(EBA/GL/2026/01\)](#)

[EBA: Report on the completeness and appropriateness of the definitions and provisions on consolidation under CRR \(EBA/REP/2026/01\)](#)

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8.1 UK deposit-takers and international banks supervision - PRA publishes letters communicating 2026 priorities - 15 January 2026 - The PRA has published two letters addressed to the CEOs of UK deposit-takers and international banks and designated investment firms active in the UK, communicating its 2026 supervisory priorities. The thematic priorities covered include strategic risk management, operational resilience, financial resilience (focusing on the implementation of Basel 3.1) and data risk.

In both letters, the PRA highlights that firms' exposures to non-bank financial institutions are growing, and emphasises that boards should have an accurate view of exposures. The PRA also observes that firms are becoming more reliant on a small number of third parties, and should not rely solely on assurances from third parties regarding their resilience. Finally, the PRA announces that it is looking to streamline the supervisory process by moving some supervisory activity, including Periodic Summary Meetings (PSMs), to a two-year cycle. The PRA states that this will result in firms having a more proportionate and efficient set of engagements with the PRA.

[UK Deposit Takers Supervision: 2026 Priorities](#)

[International Banks Supervision: 2026 Priorities](#)

Press release**9 FINANCIAL CONDUCT AUTHORITY**

9.1 Retail banking business models data - FCA publishes consultation paper - 14 January 2026 - The FCA has launched a consultation paper (CP26/3) on replacing its previously ad hoc approach to the collection of retail banking business models (R2B2) data with an annual regulatory return. The return will apply to all banks and building societies that: (i) provided services to retail customers in the UK in the relevant reporting period; (ii) were required to submit Annual Financial Crime Reports in respect of the last three accounting reference periods; (iii) reported at least 200,000 UK customer relationships in all of the last three Annual Financial Crime Reports; and (iv) reported a total revenue of £5 million or more at all of the last three accounting reference dates.

The deadline for responses is 4 March 2026, and the FCA expects to publish the rules later in 2026.

[FCA consultation paper: Replacing the ad hoc collection of R2B2 data with an annual regulatory return \(CP26/3\)](#)

[Webpage](#)

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SECURITIES AND MARKETS //

10 EUROPEAN SECURITIES AND MARKETS AUTHORITY

10.1 **Principles for risk-based supervision** - published by ESMA - 9 January 2026 - The European Securities and Markets Authority (ESMA) has published a document containing its principles for risk-based supervision. These aim to support a common EU-wide supervisory culture, providing a structured framework for identifying, assessing, prioritising and addressing risks. The principles apply to all national competent authorities and ESMA when it carries out direct supervision, are non-binding, and are intended to complement pre-existing frameworks.

[ESMA principles on risk-based supervision](#)

[Press release](#)

10.2 **Digital and data strategies** - published by ESMA - 13 January 2026 - The European Securities and Markets Authority (ESMA) has published its Digital Strategy for 2026-2028 and updated its Data Strategy for 2023-2028. In an associated press release, ESMA explains that these two strategies reflect ESMA's commitment to smarter regulatory reporting and technology-driven supervision, seeking to promote synergies and innovation while reducing unnecessary complexity. ESMA expects the two strategies to converge into one unified strategy by 2029.

[ESMA Digital Strategy 2026-2028](#)

[ESMA updated Data strategy 2023-2028](#)

[Press release](#)

10.3 **Sustainability-related claims relating to ESG strategies** - ESMA publishes thematic notes - 14 January 2026 - The European Securities and Markets Authority (ESMA) has published a document containing thematic notes on clear, fair and not misleading sustainability-related claims relating to ESG strategies. These seek to clarify ESMA's expectations towards market participants when making sustainability claims, and include examples of good and poor practices. Market participants should acquaint themselves with the four principles set out in the document for making sustainability claims to ensure that all claims are clear, fair and not misleading, and thereby avoid the risk of greenwashing.

[ESMA thematic notes: Sustainability-related claims relating to ESG strategies \(ESMA36-429234738-165\)](#)

11 HOUSE OF LORDS FINANCIAL SERVICES REGULATION COMMITTEE

11.1 **Private markets inquiry** - report published by House of Lords Financial Services Regulation Committee - 9 January 2026 - The House of Lords Financial Services Regulation Committee has published a report on its inquiry into the growth of private markets in the UK following the reforms introduced after the 2008 global financial crisis.

The report found, among other things, that:

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- reforms introduced after the global financial crisis (particularly bank capital and liquidity regulatory requirements) have, as intended, encouraged the banking system to retreat from riskier lending, leaving certain segments of the economy, including SMEs, less well served by banks;
- banks are increasingly relying on an ‘originate to distribute’ model of lending, in which private credit plays a significant role;
- the availability of SME finance has been squeezed by a combination of changes to bank capital requirements and the fact that private credit has not entered the SME finance market. Addressing constraints on smaller and specialist banks’ ability to lend could increase the finance available to SMEs if demand, which has been subdued for some time, increases; and
- the growth in collateralised loan obligations and significant risk transfers in the UK may pose a potential risk to the UK’s financial stability. The Bank of England and the PRA should pay close attention to the development of these markets.

Finally, the Committee raised concerns that there are insufficient data to conclude whether private markets are systemic, meaning there are considerable ‘unknown unknowns’, and at HM Treasury’s apparent *“passivity in the face of potential risks to the UK’s financial stability arising from the growth of private markets”*.

Separately, the Committee has also published a letter dated 18 December 2025 from Lucy Rigby MP, Economic Secretary to the Treasury, which follows up on her oral evidence given to the Committee on 19 November 2025.

[House of Lords Financial Services Regulation Committee: Report on inquiry into private markets](#)

[Press release](#)

[Letter](#)

12 FINANCIAL CONDUCT AUTHORITY

12.1 Complex exchange-traded products - FCA publishes outcome of multi-firm review - 12 January 2026

The FCA has published its findings following a multi-firm review of the distribution of complex exchange-traded products (ETPs) such as those using leveraged and inverse positions, which reset daily. The FCA reviewed a sample of platform and wealth management firms of different sizes which offered complex ETPs to retail consumers on an execution-only basis. The FCA assessed how firms evaluate these products, communicate key risks and monitor outcomes under the Consumer Duty.

In short, the FCA found that some firms demonstrated detailed processes for defining target markets, assessing customer knowledge and monitoring outcomes. Others had weaker controls or limited assessments of a customer’s investment experience and knowledge. The FCA also saw unclear disclosures, making it harder for consumers to understand risks. The FCA makes a

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number of recommendations for firms, including that distributors should define and regularly review their target market for complex products at a granular level.

FCA observations on complex exchange-traded products[Press release](#)**12.2 POATRs regime - FCA publishes latest edition of the Primary Market Bulletin - 12 January 2026**

- The FCA has published Primary Market Bulletin 61, which focuses on the new Public Offers and Admissions to Trading Regulations (POATRs) regime, which comes into force on 19 January 2026. The bulletin makes a number of confirmations relating to procedural, technical and guidance notes to prepare for implementation of the POATRs regime. The FCA also uses the bulletin to consult on proposed changes to a technical note entitled '*Sponsors: Record Keeping Requirements*', with a response deadline of 16 February 2026.

[Primary Market Bulletin 61](#)

ASSET MANAGEMENT //

13 EUROPEAN COMMISSION**13.1 Venture and growth capital funds reform - European Commission launches consultations - 15 January 2026** - The European Commission has published two consultation papers on the obstacles faced by EU venture and growth capital funds and possible measures to address them: a targeted consultation addressing key stakeholders, and a public consultation where anybody can contribute.

The Commission is seeking to gain additional insights into whether the EU regulatory framework that applies to EU venture and growth capital fund managers could be made more proportionate to the size, investment strategy, risk profile and/or other characteristics of fund managers. Among other things, the Commission seeks feedback on the assessment and calibration of thresholds under the Alternative Investment Fund Managers Directive (2011/61/EU) (AIFMD), and the functioning of the European Venture Capital Funds (EuVECA) Regulation (Regulation 345/2013).

The deadline for responses to both consultations is 12 March 2026. The Commission envisages a review of the EuVECA Regulation under its savings and investments union strategy, planned for adoption in the third quarter of 2026.

European Commission targeted consultation: EU venture and growth capital funds reform[Press release](#)

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INSURANCE //

14 EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY

14.1 Strategy towards 2030 - published by EIOPA - 15 January 2026 - The European Insurance and Occupational Pensions Authority (EIOPA) has published its strategy towards 2030. EIOPA has identified three strategic areas to reach these goals: (i) strengthening single market integration; (ii) enhancing market and societal resilience against risks; and (iii) 'simpler, bolder, faster: better regulation supporting supervision'. Each strategic area is structured around actionable objectives.

[EIOPA strategy towards 2030](#)[Webpage](#)

15 PRUDENTIAL REGULATION AUTHORITY

15.1 Insurance supervision - PRA publishes letter communicating 2026 priorities - 15 January 2026 - The PRA has published a letter addressed to the CEOs of insurance firms communicating its 2026 supervisory priorities for the UK insurance sector. The letter covers life, general and cross-sectoral priorities. In particular, the PRA highlights continued pressures in the bulk purchase annuity market, a softening underwriting cycle in the general insurance market, and a need for firms to continue to invest in their operational resilience.

The PRA also flags that in 2026, it plans to commence the transition to a two-year Periodic Summary Meeting (PSM) cycle for all firms which remain on an annual cycle. The PRA states that reducing the number of PSMs, and associated communications and processes, will also reduce the regulatory burden on firms, in line with its secondary objective to facilitate UK competitiveness and growth.

[Letter](#)[Press release](#)

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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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