

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:

[Selmin Hakki](#).

Slaughter and May
also produces a
periodical Insurance
Newsletter. If you
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[Beth Dobson](#).

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GENERAL //

1 FINANCIAL CONDUCT AUTHORITY

- 1.1 CBA Panel interim annual report 2024 - FCA publishes response - 4 July 2025** - The FCA has published a response to the recommendations of its Cost Benefit Analysis (CBA) Panel, as set out in the Panel's interim report for May to September 2024. The response highlights that the FCA is exploring ways to assess the cumulative impact of regulations on businesses better, streamline its approach and reduce duplication. This will involve both the way the FCA assesses regulatory impacts in its CBAs and how it assesses and reduces the cost of engaging with its systems. The FCA is also considering how CBAs reflect its statutory objectives and regulatory principles, and is exploring how to include this in the next version of its statement of policy on CBA.

[FCA: Response to the CBA Panel's interim annual report](#)

- 1.2 Secondary international competitiveness and growth objective - FCA publishes second report - 10 July 2025** - The FCA has published its second report on its secondary international competitiveness and growth objective. It sets out what the FCA has done to support the growth and competitiveness of the UK economy from July 2024 to July 2025. Alongside this report, the FCA has further published:

- a letter addressed to the Chancellor of the Exchequer setting out how the FCA is supporting the government's growth mission and the six aspects of its economic policy, to which the FCA should have regard; and
- a press release announcing that the FCA intends to consult on its client categorisation rules later in 2025 to unlock more opportunities for wealthy investors and support capital markets.

[FCA: Secondary international competitiveness and growth objective report 2024/25](#)

[FCA: Response to HM Treasury remit letter](#)

[Webpage](#)

[Press release](#)

BANKING AND FINANCE //

2 FINANCIAL STABILITY BOARD

- 2.1 Enhancing the resilience of NBFI - FSB publishes three reports - 9 July 2025** - The Financial Stability Board (FSB) has published three reports related to its work programme to enhance resilience in non-bank financial intermediation (NBFI), namely:
- a final report on leverage in NBFI, which sets out recommendations for authorities to address financial stability risks created by NBFI leverage;

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- the 2025 NBFİ progress report, which notes that the FSB's work to date largely completes the original policy elements of its NBFİ work programme and therefore it is shifting its focus to implementation monitoring and the ongoing assessment of vulnerabilities in this sector; and
- a workplan to address non-bank data challenges, which outlines how the FSB's Non-bank Data Taskforce (NDTF) (chaired by Andrew Bailey, FSB chair) will structure its work. A test case has been launched on leveraged trading strategies in sovereign bond markets to assess how much progress can be made in addressing key non-bank data challenges.

[FSB final report: Leverage in NBFİ](#)[FSB progress report: Enhancing the resilience of NBFİ](#)[FSB: Workplan to address non-bank data challenges](#)[Press release](#)

3 EUROPEAN BANKING AUTHORITY

- 3.1 Management of third-party risk - EBA consults on updated guidelines focused on non-ICT related services - 8 July 2025** - The European Banking Authority (EBA) has published a consultation paper on draft guidelines on the sound management of third-party risk. The draft guidelines focus on third-party arrangements in relation to non-ICT related services provided by third-party service providers and their sub-contractors, with a particular focus on the provision of critical or important functions. The guidelines update and replace the EBA's previous 2019 guidelines on outsourcing arrangements in order to ensure consistency with the Regulation on digital operational resilience for the financial sector ((EU) 2022/2554) (DORA).

To ensure a smooth and efficient transition, financial entities falling under the scope of the updated guidelines have a transitional period of two years to review and amend their existing third-party arrangements and to update the register for non-ICT third-party arrangements.

Comments on the draft guidelines are welcomed by 8 October 2025. The EBA will hold a public hearing on 5 September 2025.

[EBA consultation paper: Draft guidelines on the sound management of third-party risk \(EBA/CP/2025/12\)](#)

[Press release](#)

- 3.2 ESG and greenwashing risk - EBA consults on revising guidelines - 9 July 2025** - The European Banking Authority (EBA) has published a consultation paper on proposed amendments to its 2016 guidelines on product oversight and governance arrangements for retail banking products, to take into account products with ESG features and greenwashing risks. Comments are welcomed by 9 October 2025. The EBA expects to publish its final guidelines in Q1 2026, which will apply from 1 December 2026.

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[EBA: Consultation paper on draft revised guidelines on product oversight and governance arrangements \(EBA/CP/2025/13\)](#)

[Press release](#)

4 BANK OF ENGLAND AND PRUDENTIAL REGULATION AUTHORITY

4.1 2024 Cyber Stress Test - Bank and PRA publish letter outlining thematic findings - 9 July 2025

- The Bank of England (the Bank) and the PRA have published a letter addressed to PRA-regulated firms and relevant financial market infrastructure firms (FMIs) outlining the thematic findings from the 2024 Cyber Stress Test (CST24). CST24 was a voluntary, exploratory test which asked providers and users of wholesale services to model the impact of a suspected cyber attack affecting transaction settlement.

Among other things, the test found that most participants did not have a mature understanding of the Financial Policy Committee's tolerance for disruption to payments and settlement. In addition, some participants had not tested all available workarounds for processing payments, with some choosing not to process any transactions during the disruption. The Bank and the PRA emphasise that the ability to process high-impact transactions using workarounds can help maintain financial stability by enabling key markets to continue to function.

The regulators expect all firms and FMIs to consider the implications of the findings for their own businesses and reflect on how planning and preparation for potential financial stability scenarios can be improved. These lessons should be integrated into a cycle of continuous improvement.

[Letter](#)

5 PRUDENTIAL REGULATION AUTHORITY AND FINANCIAL CONDUCT AUTHORITY

5.1 LTI flow limit rule - PRA announces review and offers modification by consent - 9 July 2025 -

The PRA has announced that is reviewing the loan-to-income (LTI) ratio requirements, following a recommendation made by the Financial Policy Committee (FPC). The current rule ensures that mortgage lenders limit the number of new residential mortgage loans made with an LTI ratio at or greater than 4.5 to no more than 15% of their total number of new mortgage loans per annum. The FPC has recommended the PRA and the FCA amend implementation of the LTI flow limit to allow lenders to increase their share of lending at high LTIs while aiming to ensure the aggregate flow remained consistent with the limit of 15%. The FPC has recognised that, in doing so, such high LTI lending by individual lenders could exceed 15% of their total number of new residential mortgages while the aggregate flow remained consistent with the 15% limit. In light of this, the PRA is reviewing the LTI ratio requirements.

While the PRA reviews the rule, it is offering a modification by consent that will allow lenders to disapply the 15% limit with immediate effect. Firms that consent to this modification will be required to provide details in respect of any planned increase in the share of lending at high LTIs within one month of taking up the modification; and notify the PRA each month of its volume and share of high LTI mortgage approvals and completions within the previous month. Once

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applied for, the modification will cease to have effect on 30 June 2026 or the date on which the original rule is modified or ceases to apply, if earlier.

In parallel, the FCA has updated its webpage on its finalised guidance (FG25/4) on the FPC's recommendation on LTI ratios in mortgage lending. The update notes that FCA-authorised mortgage lenders can contact the FCA to discuss the possibility of individual guidance on the LTI flow limit. See also the item below on a joint PRA/FCA policy statement on final amendments to the PRA Rulebook and FCA Guidance on the de minimis threshold for the LTI flow limit in mortgage lending.

[PRA statement](#)[PRA: Direction for modification by consent for LTI flow limit](#)[FCA updated webpage](#)

- 5.2 Mortgage lending threshold - PRA and FCA publish policy statement on final amendments to rules and guidance - 8 July 2025** - The PRA has published a joint policy statement (PS11/25) with the FCA on final amendments to the PRA Rulebook and FCA Guidance on the de minimis threshold for the loan-to-income (LTI) flow limit in mortgage lending. This follows the regulators' April 2025 consultation paper (FCA CP25/6, PRA CP6/25) on proposed amendments to increase the de minimis threshold from £100 million a year to £150 million a year, following the Financial Policy Committee (FPC) November 2024 recommendation. PS11/25 notes that all respondents to the consultation supported the proposal to increase the threshold. Comments were also made on the calibration of the threshold and the overarching LTI flow limit.

However, the regulators have decided not to make amendments to the proposed rules and guidance on which they consulted. The appendices to PS11/25 further contain the regulators' final policy, consisting of amendments to the Housing Part of the PRA Rulebook and a revised version of the FCA's finalised guidance on the FPC's recommendation on LTI ratios in mortgage lending (FG25/4). Both will come into effect on 11 July 2025.

See also the item above on the PRA's review of LTI ratio requirements, following a recommendation made by the FPC.

[PRA and FCA policy statement: Amendments to PRA Rulebook and FCA Guidance on the de minimis threshold for the LTI flow limit in mortgage lending \(PS11/25\)](#)

6 FINANCIAL CONDUCT AUTHORITY

- 6.1 New governance framework for credit information market - FCA publishes feedback to IWG report - 8 July 2025** - The FCA has published its feedback to the interim working group's (IWG) May 2025 final report on its proposals relating to the new governance framework for the credit information market. In its feedback, the FCA expresses its support for the recommendations and the new governance arrangements through the formation of a credit reporting governance body (CRGB). It goes on to provide feedback on key areas that the IWG (and thereafter the CRGB) may wish to consider further, including on the structure and function of the CRGB; the FCA's role and

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interaction with the CRGB; the CRGB's decision-making safety mechanisms; and commercial credit data.

[FCA: Feedback to the IWG final report](#)

SECURITIES AND MARKETS //

7 FINANCIAL CONDUCT AUTHORITY

- 7.1 Systematic internaliser regime for bonds and derivatives - FCA publishes consultation paper - 4 July 2025** - The FCA has published a consultation paper (CP25/20) on the systematic internaliser (SI) regime for bonds and derivatives, as well as on other changes that seek to improve the functioning of the UK markets. This follows its November 2024 policy statement (PS24/14) which will come into force on 1 December 2025, and which introduces new bond and derivative transparency requirements, including important changes to the pre-trade requirements for trading venues and SIs.

The FCA explains that, given the removal of pre-trade transparency from SIs' obligations in bonds and derivatives, it is consulting on the future of that regime. This will allow the FCA to give effect to new SI rules in Q4 2025 and ensure a timeline that allows for continued alignment between the transparency and SI regimes. The FCA is also consulting on the (i) removal of the prohibition on matched principal trading by firms operating a multilateral trading facility; (ii) changes to reference price waiver rules to allow trading venues greater flexibility; and (iii) removal of the prohibition on an investment firm that is an SI from operating an organised trading facility.

In addition to these proposals, CP25/20 includes a discussion paper (in Chapter 4) on the structure and transparency of UK equity market trading. The FCA is seeking views on how the market is operating and whether any reforms may be warranted.

Comments are welcomed by 10 September 2025. The FCA will finalise its proposed changes in a policy statement in Q4 2025 and will use the responses to the discussion questions on the equity market to inform the proposals that it intends to consult on in 2026.

[FCA consultation paper: The SI regime for bonds and derivatives including discussion paper on equity markets \(CP25/20\)](#)

[Webpage](#)

INSURANCE //

8 BANK OF ENGLAND

- 8.1 Authorisation of Lloyd's managing agents - PRA, FCA and Lloyd's agree changes to streamline process - 7 July 2025** - The Bank of England has published a press release announcing that the PRA, the FCA and the Society of Lloyd's (Lloyd's) have agreed changes to streamline the process

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of regulatory approval for Lloyd's managing agents to reduce the timeframe for authorisation. This follows a pilot exercise carried out in 2024 that explored how processes could be improved.

Under the changes, the PRA and the FCA will retain their statutory decision-making roles but will make increased use of assessment work that has already been carried out by Lloyd's. The press release explains that this seeks to make decision-making more concurrent and shorten the authorisation process. It also highlights that if applicants provide a high-quality application, the combined authorisation process could be completed in around six months, which is significantly quicker than the previous 12-18 months. Further details on the changes to entry processes will be communicated to prospective new entrants.

[Press release](#)

9 PRUDENTIAL REGULATION AUTHORITY

- 9.1 PRA publishes Dear CRO letter on solvency-triggered termination rights clauses in bulk purchase annuity transactions - 4 July 2025** - The PRA has published a Dear CRO letter on the potential risks arising from life insurers' use of solvency-triggered termination rights (STTRs) clauses in bulk purchase annuity (BPA) transactions. In its 2025 supervisory priorities letter (published in January 2025), the PRA flagged STTRs as an example of how the BPA market is continuing to evolve. It carried out a review to better understand the potential risks associated with the use of such clauses and how firms are managing those risks.

The PRA considers that the use of STTR clauses introduces various potential risks for insurers if they are triggered and that firms might face operational challenges if triggered in stress situations. The PRA's review found that many firms were mindful of some of these potential risks, but most firms need to do more to demonstrate they have adequately considered the full range of risks involved. The annex to the letter provides further detail of the PRA's assessment of the potential risks. The PRA asks firms to consider the points raised in the letter and the annex and to take appropriate remedial action. Firms are also asked to notify their supervisor promptly of individual BPA transactions containing STTR clauses entered into from 4 July 2025.

The PRA intends to undertake a follow-up review in 2026 to assess how market practices for STTR clauses have evolved and the extent to which firms' risk management approaches have developed in response. For further information, see our recently published briefing [here](#).

[Letter](#)[Webpage](#)

FINANCIAL CRIME //

10 FINANCIAL CONDUCT AUTHORITY

- 10.1 Treatment of PEPs for AML purposes - FCA publishes finalised guidance - 7 July 2025** - The FCA has published finalised guidance (FG25/3) on the treatment of politically exposed persons

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(PEPs) for anti-money laundering (AML) purposes under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs). This follows its July 2024 consultation (GC24/4) on proposed amendments to the July 2017 version of the guidance (FG17/6) to reflect changes to the legislative framework since it was published.

In light of feedback received to GC24/4, the FCA has made a number of changes to the finalised guidance (set out in Annex 1 to FG25/3). Among other things, the FCA has clarified that non-executive board members of UK civil service departments should not be treated as PEPs; made minor amendments to the PEP definition; and clarified how money laundering reporting officers are expected to oversee the operation of PEP controls. The guidance should be read in conjunction with the FCA's multi-firm review of the treatment of PEPs (published in July 2024).

[FCA finalised guidance: The treatment of PEPs for AML purposes \(FG25/3\)](#)

ENFORCEMENT //

11 BANK OF ENGLAND

11.1 Compliance failure - Bank of England publishes final notice and fines FMI firm - 9 July 2025 -

The Bank of England (the Bank) has published a final notice issued to Vocalink Limited, fining the firm £11.9 million for a compliance failure under section 196 of the Banking Act 2009. This is the first time the Bank has fined a financial market infrastructure (FMI) firm.

Vocalink was required, via a direction issued in June 2021, to remediate a number of issues and weaknesses that were identified in a review conducted in 2020 into the performance of its systems and controls. The firm implemented a remediation programme in response and had until 28 February 2022 to comply with the requirements of the direction. However, it failed to comply in full by the deadline. The Bank's investigation identified that the root cause of Vocalink's non-compliance was its failure to ensure that it had a sufficiently integrated risk management framework in place for its remediation programme. The Bank also found that it had failed to escalate to its senior committees key risks and information. It considers Vocalink's governance and escalation arrangements fell below the standards expected of an FMI firm.

[Final notice](#)

[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](#).

If you would like to find out more about our Financial Regulation Group or require advice on a financial regulation matter, please contact one of the following or your usual Slaughter and May contact:

Jan Putnis	jan.putnis@slaughterandmay.com
Nick Bonsall	nick.bonsall@slaughterandmay.com
David Shone	david.shone@slaughterandmay.com
Kristina Locmele	kristina.locmele@slaughterandmay.com
Sabine Dittrich	sabine.dittrich@slaughterandmay.com

London
T +44 (0)20 7600 1200
F +44 (0)20 7090 5000

Brussels
T +32 (0)2 737 94 00
F +32 (0)2 737 94 01

Hong Kong
T +852 2521 0551
F +852 2845 2125

Beijing
T +86 10 5965 0600
F +86 10 5965 0650

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For further information, please speak to your usual Slaughter and May contact.

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