

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](#)
[Banking and Finance](#)
[Securities and Markets](#)
[Asset Management](#)
[Insurance](#)
[Financial Crime](#)
[Enforcement](#)

If you have any
comments or
questions, please
contact:
Selmin Hakki.

Slaughter and May
also produces a
periodical Insurance
Newsletter. If you
would like to go on
the distribution list,
please contact:
Beth Dobson.

Selected headlines

General

**Changes to penalty and decision-making policies - FCA publishes
consultation paper** **1.1**

Banking and finance

**Simplified 2027 EU-wide stress test with climate risk integration -
EBA launches consultation** **3.1**

**Simplifying the stacking orders of the EU prudential and
resolution framework - EBA publishes report** **3.2**

Securities and markets

**Wholesale Digital Markets Champion - HM Treasury publishes
Terms of Reference** **6.1**

Insurance

UK captive insurance regime - PRA publishes speech **10.1**

Selected Headlines

[General](#)[Securities and Markets](#)[Financial Crime](#)[Beyond Brexit](#)[Asset Management](#)[Enforcement](#)[Banking and Finance](#)[Insurance](#)

General

1. Financial Conduct Authority

1.1 Changes to penalty and decision-making policies - FCA publishes consultation paper - 15 June 2026 - The FCA has published a consultation paper (CP26/19), which considers a small number of amendments to its Decision Procedure and Penalties Manual (DEPP). The proposals aim to better reflect the FCA's existing practice, increase flexibility in its decision-making and reflect its new powers to regulate cryptoassets. The changes also contemplate aligning penalties with inflation.

The FCA is proposing to increase the minimum initial disciplinary penalty for serious market abuse by individuals from £100,000 to £150,000, and to adjust that figure automatically for inflation every two years. It also proposes to raise the income and capital thresholds used in its serious financial hardship assessment from £14,000 and £16,000 to £21,000 and £24,000 respectively, and to clarify how an individual's relevant income is calculated. The FCA would also enable increases to any penalty where it would not otherwise act as a deterrent, given the individual's income or net assets.

The FCA further proposes to allow a director or head of department from its market oversight area to act as a settlement decision-maker in cases referred from that area, and to confirm that the disgorgement element of a penalty is not reduced on serious financial hardship grounds. The paper also makes consequential changes to bring cryptoasset market abuse within its DEPP penalty policy and to allocate decision-making for the FCA's new powers under the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026.

The deadline for responses to the consultation is 10 August 2026.

[FCA consultation paper: Changes to penalty and decision-making policies \(CP26/19\)](#)

[Webpage](#)

2. European Commission

2.1 Corporate Sustainability Due Diligence Directive - European Commission consults on draft guidelines - 12 June 2026 - The European Commission has published a consultation on its draft guidelines supporting the implementation of the Corporate Sustainability Due Diligence Directive (Directive (EU) 2024/1760) (CSDDD).

The CSDDD requires large EU companies, and non-EU companies with a significant EU presence, to identify, prevent, mitigate and bring to an end adverse impacts on human rights and the environment in their own operations, those of their subsidiaries and in their value chains. The Commission must issue guidelines giving practical direction to companies on how to meet their due diligence obligations, to Member State authorities on how to implement and enforce the Directive, and to stakeholders on how to pursue their rights, including for companies in non-EU countries linked to the supply chains of in-scope companies. The questionnaire is intended to collect evidence and assess what the future guidelines should address.

Feedback can be provided until 24 July 2026.

[European Commission consultation: Guidelines for the Corporate Sustainability Due Diligence Directive](#)

Selected Headlines

[General](#)[Securities and Markets](#)[Financial Crime](#)[Beyond Brexit](#)[Asset Management](#)[Enforcement](#)[Banking and Finance](#)[Insurance](#)

Banking and finance

3. European Banking Authority

3.1 Simplified 2027 EU-wide stress test with climate risk integration - EBA launches consultation - 11 June 2026 - The European Banking Authority (EBA) has published a consultation on the draft methodology, draft templates and draft template guidance for the 2027 EU-wide stress test. The exercise is coordinated by the EBA together with the European Systemic Risk Board (ESRB), competent authorities, including the Single Supervisory Mechanism (SSM), and the ECB.

The exercise will be carried out with a sample of 63 banks from the EU and Norway, covering broadly 75% of the EU banking sector, with a €30 billion minimum asset threshold for inclusion. It applies a common baseline and a common adverse macro-financial scenario over a three-year horizon from 2027 to 2029, on the basis of year-end 2026 figures, and retains the constrained bottom-up approach. The results will feed into the Supervisory Review and Evaluation Process (SREP). The draft methodology reduces required data points by around 55% compared with the previous exercise, mainly by drawing on regular supervisory reporting and eliminating stress test datapoints and templates that overlap with it, aiming to reduce duplication and the administrative burden while preserving the robustness and comparability of results.

For the first time, the exercise integrates climate risk through a dedicated module that applies transition risk shocks, including carbon-price, energy-price and sector-specific gross value-added shocks, over 2027-2029 and a physical risk shock in the first year as overlays to the adverse scenario. At this stage the climate module is assessed separately and will not affect the core stress test results.

[EBA draft methodological note: 2027 EU-wide stress test](#)

[Draft template guidance](#)

[Press release](#)

3.2 Simplifying the stacking orders of the EU prudential and resolution framework - EBA publishes report - 16 June 2026 - The European Banking Authority (EBA) has published a report (EBA/REP/2026/12) on simplifying the 'stacking orders' of the EU prudential and resolution framework for banks. The report responds to recommendation 9 of the EBA's Task Force on Efficiency and considers how to streamline the EU capital framework without reducing resilience or weakening supervisory action.

The report does not advocate a fundamental redesign, instead proposing targeted, balanced changes assessed against four guiding principles: (i) preserving resilience and capital neutrality; (ii) adherence to international Basel Committee and Financial Stability Board standards; (iii) proportionality; and (iv) enhancing the efficiency and depth of the single market. On the microprudential side, the report recommends preserving the existing toolkit, retaining the distinct roles of the Pillar 2 requirement and Pillar 2 guidance and not merging them with the capital conservation buffer, while streamlining the leverage ratio stack by converting its Pillar 2 requirement into a buffer and removing its Pillar 2 guidance.

For the macroprudential framework, the EBA proposes a single releasable macroprudential buffer consolidating the countercyclical capital buffer (CCyB) and systemic risk buffer (SyRB), supported by a common methodology, together with updates to other systemically important institution (O-SII) scoring and buffer calibration. On resolution, it identifies

Selected Headlines

[General](#)[Securities and Markets](#)[Financial Crime](#)[Beyond Brexit](#)[Asset Management](#)[Enforcement](#)[Banking and Finance](#)[Insurance](#)

targeted changes to the minimum requirement for own funds and eligible liabilities (MREL), including aligning the definitions of total loss-absorbing capacity (TLAC) and MREL-eligible resources and replacing the 8% total liabilities and own funds (TLOF) input for subordination with a percentage of the total exposure measure (TEM), while presenting more far-reaching options for possible future consideration.

[EBA report: Simplifying the stacking orders of the EU prudential and resolution framework \(EBA/REP/2026/12\)](#)

[Press release](#)

Securities and markets

4. European Parliament

4.1 Markets Integration and Supervision Package - ECON publishes draft reports - 11 June 2026 - The European Parliament's Committee on Economic and Monetary Affairs (ECON) has published three draft reports setting out proposed amendments to the Commission's Market Integration and Supervision Package (MISP), intended to deepen capital market integration and strengthen EU-level supervision.

In the draft report on the proposed Regulation amending European Securities and Markets (ESMA) Regulation, EMIR, MiFIR, CSDR and related acts, the rapporteur, Markus Ferber, would add an explicit secondary competitiveness objective for the European Securities and Markets Authority (ESMA) and extend ESMA's direct supervision to all EU central counterparties (CCPs) and all 32 EU central securities depositories (CSDs), removing the Commission's significance thresholds. Further changes include requiring systematic internalisers to publish a rulebook and provide a minimum price improvement, deleting the proposed consolidated tape scope expansion, introducing single-sided EMIR reporting and building an integrated ESMA data hub based on an only report once principle. Furthermore, direct ESMA supervision of crypto-asset service providers would be confined to significant providers.

In the draft report on the proposed Directive amending the UCITS Directive, AIFMD and MiFID II, the rapporteur, Eero Heinäluoma, would make ESMA directly responsible for the authorisation and supervision of large EU asset management groups, lowering the threshold from the Commission's €300 billion to groups with EU-wide net asset values between €50 billion and €150 billion, confer direct ESMA supervision over depositories under the proposed EU depository passport, and introduce investor-protection safeguards for efficient portfolio management techniques, requiring at least 90% of securities-lending revenues, net of operational costs, to be returned to the fund. The report also tightens the treatment of non-cooperative tax jurisdictions and links variable remuneration to ESG targets.

In the draft report on the proposed Settlement Finality Regulation, which would replace the Settlement Finality Directive (98/26/EC) with a directly applicable regulation and amend the Financial Collateral Directive (2002/47/EC), the rapporteur, Giovanni Crosetto, welcomes the move to a regulation to reduce legal fragmentation and supports technological neutrality for distributed ledger technology (DLT) and tokenised infrastructures. Proposed amendments include ESMA and European Banking Authority (EBA) regulatory technical standards on the moments of irrevocability and final settlement, clarified protections for settlement agents and for collateral security (including CCP default funds and margins) in insolvency, and transitional arrangements of up to five years for systems already designated under the existing Directive.

[ECON draft report: Regulation for capital market integration and supervision \(PE789.866v01-00\)](#)

Selected Headlines

[General](#)[Securities and Markets](#)[Financial Crime](#)[Beyond Brexit](#)[Asset Management](#)[Enforcement](#)[Banking and Finance](#)[Insurance](#)[ECON draft report: Directive for capital market integration and supervision \(PE789.867v01-00\)](#)[ECON draft report: Settlement finality \(PE789.875v01-00\)](#)

5. European Commission

5.1 Suspension of the derivatives trading obligation - European Commission adopts Implementing Regulation - 12 June 2026

- The European Commission (the Commission) has adopted Implementing Regulation (EU) 2026/1288 suspending the derivative trading obligation laid down in the Markets in Financial Instruments Regulation (EU) 600/2014 (MiFIR) with respect to certain financial counterparties when dealing on the United Kingdom market. The suspension is granted under the new Article 32a of MiFIR, introduced by Regulation (EU) 2024/791, and applies to BNP Paribas SA, Crédit Agricole CIB, Deutsche Bank AG and Société Générale SA. It also applies to BNP Paribas SA for credit default swaps traded on dealer-to-dealer venues.

The Regulation enters into force on 18 June 2026, the third day following its publication in the Official Journal of the European Union.

[Commission Implementing Regulation \(EU\) 2026/1288 on the stand-alone suspension of the trading obligation for derivatives in accordance with Regulation \(EU\) No 600/2014 of the European Parliament and of the Council](#)

6. HM Treasury

6.1 Wholesale Digital Markets Champion - HM Treasury publishes Terms of Reference - 16 June 2026

- HM Treasury has published the Terms of Reference for the Wholesale Digital Markets Champion, the role to which it appointed Chris Woolard CBE on 21 April 2026, together with a press release. The Terms of Reference set out how the Champion will work in partnership with industry and government to accelerate the digitalisation of UK wholesale financial markets, supporting the development of a tokenised wholesale financial markets ecosystem and a more efficient and competitive financial sector.

Under the Terms of Reference, the Champion will provide leadership to co-ordinate the sector's implementation of the Wholesale Financial Markets Digital Strategy, which covers both immediate steps to optimise UK markets by replacing outdated processes and medium to longer-term steps to realise the benefits of emerging technologies, particularly the adoption of tokenisation through distributed ledger technology (DLT). In particular, the Champion will establish a cross-industry taskforce with representatives from across the market ecosystem, deliver a report to the Chancellor on how UK wholesale markets can best adopt tokenisation, and co-ordinate with the chairs of the other workstreams on the delivery of T+1 settlement and removal of paper shares.

Mr Woolard will provide an initial forward look, including plans to establish the industry taskforce, by July 2026, with a full report on DLT adoption and interoperability to be submitted to the Chancellor by July 2027.

[HM Treasury Terms of Reference: Wholesale Digital Markets Champion](#)

[Press release](#)

6.2 Chancellor's first meeting with the Market Engagement Group - HM Treasury publishes summary minutes - 16 June 2026

- HM Treasury has published the summary minutes of the first meeting between Rachel Reeves, Chancellor of the Exchequer, and the Market Engagement Group, held on 15 June 2026. This was the inaugural meeting of a twice-yearly engagement intended to allow the Chancellor to hear the group's views on UK-related developments in financial markets.

Selected Headlines

[General](#)[Securities and Markets](#)[Financial Crime](#)[Beyond Brexit](#)[Asset Management](#)[Enforcement](#)[Banking and Finance](#)[Insurance](#)

The Chancellor set out the economic and fiscal context, noting the challenging macroeconomic environment, the progress made on reducing borrowing and the plan for growth, indicating that she would be in 'listening mode'. Attendees discussed the evolving global and domestic outlook, including the uncertain impact of geopolitical events on the UK economy and financial markets, developments in global government bond markets and liquidity conditions, including supply and demand dynamics in gilt markets, and the potential medium to long-term impact of investment in artificial intelligence on productivity and labour markets.

[HM Treasury summary minutes: Chancellor's meeting with the Market Engagement Group](#)

[Webpage](#)

Asset management

7. European Securities and Markets Authority

7.1 Priorities for European asset management - ESMA Chair delivers speech - 12 June 2026 - The Chair of the European Securities and Markets Authority (ESMA), Verena Ross, has delivered a speech at the European Fund and Asset Management Association (EFAMA) Annual General Meeting in Brussels setting out ESMA's priorities for the European asset management sector. The speech focused on four interconnected themes: simplifying regulatory frameworks, digital innovation including distributed ledger technology (DLT) and fund tokenisation, market resilience and financial stability risks, and strengthening retail participation.

Ross pointed to ESMA's work towards a single, modular EU reporting framework to replace the more than 100 reporting obligations currently applicable to funds and fund managers, with a consultation on draft technical standards expected by the end of 2026, alongside parallel efforts to streamline transaction reporting across EMIR, MiFIR and SFTR. On digital innovation, tokenisation was described as a change in the operational infrastructure around funds rather than a break with the fund model, stressing the need for an evidence-based approach, legal certainty and interoperability to avoid recreating national fragmentation. On market resilience, she cautioned that orderly markets and quick recoveries should not be mistaken for an absence of vulnerabilities, highlighting stretched valuations and risks from leverage, hedge funds, fund liquidity and the growing private credit sector. Finally, on retail participation, she emphasised the Savings and Investments Union and the retail investment strategy, focusing on simpler and more comparable disclosures, improvements to the PRIIPs key information document and balancing burden reduction with investor safeguards.

[Speech \(ESMA34-1844470720-322\)](#)

[Webpage](#)

Insurance

8. Financial Conduct Authority

8.1 ICOBS - FCA updates modification by consent for employers' liability register compliance reporting - 12 June 2026 - The FCA has updated its direction and modification by consent in respect of ICOBS 8.4.7BR(1) (previously SUP 16.23A.6(1)), which is available to all firms that are members of the Employers' Liability Tracing Office (ELTO).

Selected Headlines

[General](#)[Beyond Brexit](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[Insurance](#)[Financial Crime](#)[Enforcement](#)

The modification allows a firm to appoint ELTO, instead of an auditor, to prepare the report required under ICOBS 8.4.7BR(1), in effect treating ELTO as 'an auditor' for that purpose so that it can produce data assurance reports on behalf of its members. Where a firm appoints ELTO, the auditor skill and independence requirements in SUP 3 are treated as satisfied, provided the firm takes reasonable steps to ensure ELTO has the necessary skill, resources and experience, and the relationship between ELTO and the firm arising from the firm's membership does not of itself cause those requirements to fail. Firms that are members of ELTO can take advantage of the modification by submitting a notification application through the FCA's Connect system, following which the FCA will confirm that the modification has been granted and publish the modification direction.

[FCA direction: Modification by consent ICOBS 8.4.7BR\(1\)](#)

[Updated webpage](#)

9. Prudential Regulation Authority

9.1 UK captive insurance regime - PRA publishes speech - 16 June 2026 - The PRA has published a speech delivered by Shoib Khan, Director of Insurance Supervision, on the PRA's plans for a new UK captive insurance regime and the clear messages that have emerged from its engagement with stakeholders ahead of a planned consultation.

Khan confirms that the PRA expects to issue a consultation paper in summer 2026, with the regime expected to go live in mid-2027, and that its policy approach will be to operate carefully drawn boundaries that meet the core purpose of captives as group risk-financing vehicles while guarding against risks to policyholder protection where captives write business outside their own group. He notes several messages emerging from the PRA's subject expert groups, held with the FCA, including the need for proportionality and clarity around capital, with discussion of moving away from Solvency II-based minimum capital requirements towards a simple, factor-based approach and of the role of contingent capital. Governance and reporting requirements, transparent authorisation processes, fees and service standards, and an appropriately tailored supervisory approach were also discussed. He adds that the PRA will continue to work with HM Treasury and intends to consult on incorporating protected cell companies (PCCs) into the regime once the necessary legislation enabling them to conduct insurance business is in place.

[Speech](#)

Financial crime

10. Authority for Anti-Money Laundering and Countering the Financing of Terrorism

10.1 AMLA's first conference - transcripts and press release published - 11 June 2026 - The Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) has published a press release reporting on its first conference, held on 9 June 2026. The theme of the conference was "Building Trust, Enhancing Integrity: A New Chapter in the EU's Fight Against Financial Crime", and featured keynote addresses and three thematic panels.

In her opening address, AMLA Chair Bruna Szego linked the fight against money laundering to the integrity of the EU's economy and financial system and to Europe's autonomy, resilience and competitiveness. She also set out AMLA's three priority areas - a better understanding of risks and technology, more consistent supervision, and stronger financial intelligence. AMLA Vice-Chair Juan Manuel Vega Serrano later closed highlighting three strategic lines of action: completing a unified legal framework that reduces fragmentation, preparing for the direct supervision of a core group

Selected Headlines

[General](#)[Securities and Markets](#)[Financial Crime](#)[Beyond Brexit](#)[Asset Management](#)[Enforcement](#)[Banking and Finance](#)[Insurance](#)

of financial institutions, and strengthening the mechanisms providing timely and actionable financial intelligence to investigators and prosecutors.

[Welcome address](#)[Closing remarks](#)[Press release](#)

Enforcement

11. Recent Cases

11.1 *Ifis Npl Investing SpA v JM and others* (Case C-65/25) EU:C:2026:475, 11 June 2026

Article 10 Directive (EU) 2021/2167, AML supervision of credit servicers and credit purchasers

The Court of Justice of the European Union (Sixth Chamber), on a reference from the Tribunale di Brindisi (Italy), has ruled that Directive (EU) 2021/2167 on credit servicers and credit purchasers, in particular Article 10, and the Fourth Anti-Money Laundering Directive (Directive (EU) 2015/849) do not apply to national legislation on the bulk assignment of non-performing loans which, in the period before the deadline for transposing Directive 2021/2167, did not require such assignment contracts to be in writing and did not subject the assignees to prudential supervision by the national anti-money laundering authority.

The dispute concerned the enforced recovery, by seizure of immovable property, of a debt that IFIS claimed to have acquired through a series of bulk NPL assignments, where the referring court doubted whether the assignees were properly subject to AML and prudential requirements. The Court held that Member States cannot be criticised for not having implemented a directive before its transposition deadline expired, that the purchase or management of non-performing loans does not fall within the activities listed in Directive 2015/849, and that, since the national legislation did not implement EU law, the general principles of EU law, including effective protection, transparency and good faith, were likewise inapplicable. Having answered the first question in those terms, the Court found it unnecessary to address the referring court's question on the directive's partial retroactive effect.

[Judgment](#)

Selected Headlines

[General](#)[Beyond Brexit](#)[Banking and Finance](#)[Securities and Markets](#)[Asset Management](#)[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](#).

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
Carla Edney	carla.edney@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