

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](#)

[Securities and Markets](#)

[Asset Management](#)

[Insurance](#)

[Financial Crime](#)

[Enforcement](#)

SELECTED HEADLINES //

General

Integrating ESG risks into stress testing - ESAs finalise guidelines 1.1

Banking and Finance

Improving transparency and governance for scheme and processing fees - PSR consults on two remedies 4.1

Securities and Markets

The Consumer Composite Investments (Designated Activities) (Amendment) Order 2025 published 6.1

Ancillary activities test - FCA publishes Policy Statement 7.1

Insurance

Pensions value for money framework - FCA updates proposals 9.1

Enforcement

R (The Claims Protection Agency Ltd) v FCA [2025] EWHC 2615 (Admin) No.2, 2 January 2026 11.1

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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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Selected Headlines**General****Securities and Markets****Financial Crime****Beyond Brexit****Asset Management****Enforcement****Banking and Finance****Insurance**

GENERAL //

1 EUROPEAN SUPERVISORY AUTHORITIES

1.1 **Integrating ESG risks into stress testing - ESAs finalise guidelines** - *8 January 2026* - The Joint Committee of the European Supervisory Authorities (ESAs) (that is, the EBA, EIOPA and ESMA) has published its final report (EIOPA-BoS-25-602) on joint draft guidelines on ESG stress testing under the Capital Requirements Directive (2013/36/EU) (CRD) and the Solvency II Directive (2009/138/EC). The guidelines seek to ensure that national competent authorities for the banking and insurance sectors integrate ESG risks into supervisory stress testing frameworks in a consistent way. They include, among other things, requirements on common standards for assessment methodologies.

The guidelines will apply from 1 January 2027.

ESAs final report: Joint Guidelines to ensure that consistency, long-term considerations and common standards for assessment methodologies are integrated into the stress testing of ESG risks (EIOPA-BoS-25-602)

BANKING AND FINANCE //

2 EUROPEAN BANKING AUTHORITY

2.1 **Updated equivalence guidelines on confidentiality regimes - ESMA publishes final report** - *22 December 2025* - The European Banking Authority (EBA) has published a final report containing updated guidelines on the equivalence of confidentiality and professional secrecy regimes in third countries. The guidelines expand the scope of their 2022 iteration (EBA/GL/2022/04) to reflect new requirements under the Markets in Crypto Assets Regulation ((EU) 2023/1114) (MiCAR) as well as the latest EBA equivalence assessments. In particular, they confirm that the confidentiality and professional secrecy regimes of several authorities, including those in the UK, are now considered equivalent to EU standards.

EBA final report: Updated guidelines on equivalence of confidentiality regimes (EBA/GL/2025/05)

Press release

3 PRUDENTIAL REGULATION AUTHORITY

3.1 **Including interim or year-end profits in CET1 capital - PRA publishes new webpage on when notification is required** - *2 January 2026* - The PRA has published a new webpage explaining when firms are required to submit a notification on the inclusion of interim or year-end profits for Common Equity Tier (CET) 1 (as required by Article 26(2) in Chapter 3 of the Own Funds (CRR) Part of the PRA Rulebook). The PRA explains that a notification is required only if profits

Selected Headlines

General
Beyond Brexit
Banking and Finance

Securities and Markets
Asset Management
Insurance

Financial Crime
Enforcement

are being included in CET1 and a formal decision confirming the final profit or loss has not yet been made. As such, the requirement to notify depends on the firm's internal governance and the timing of the formal decision.

[Website](#)

4 PAYMENTS SYSTEMS REGULATOR

4.1 Improving transparency and governance for scheme and processing fees - PSR consults on two remedies - 19 December 2025 - The Payment Systems Regulator (PSR) has published a consultation paper (CP25/3) on draft directions that will bring into effect two remedies to boost transparency and governance in card scheme and processing fees, namely:

- Information Transparency and Complexity (ITC): a requirement for schemes to provide acquirers with clear, actionable pricing information; and
- Pricing Governance: new standards to ensure pricing decisions are evidence-based.

This follows the PSR's publication in April 2025 of a consultation (CP25/1) setting out four potential remedies to address issues identified in a market review of scheme and processing fees associated with Mastercard and Visa. The PSR expects to be ready to consult on a draft direction for the third remedy (related to regulatory financial reporting) by 31 March 2026.

The consultation closes 13 February 2026.

[PSR consultation paper: Proposed directions for scheme and processing fees remedies \(CP25/3\)](#)

[Webpage](#)

[Press release](#)

SECURITIES AND MARKETS //

5 EUROPEAN SECURITIES AND MARKETS AUTHORITY

5.1 Internal controls guidelines for directly-supervised entities - ESMA publishes final report - 18 December 2025 - The European Securities and Markets Authority (ESMA) has published its final report (ESMA80-634726060-1762) on guidelines on internal controls for benchmark administrators (BMAs), credit rating agencies (CRAs) and market transparency infrastructures (MTIs). ESMA acknowledges in the report that the guidelines are being issued during a period of significant regulatory and supervisory change for some firms but argues that they do not introduce undue costs or administrative burdens. ESMA also explains that the expectations in the guidelines do not overlap with the requirements of the Regulation on digital operational resilience for the financial sector ((EU) 2022/2554) (DORA).

The guidelines will be published on ESMA's website. Once they apply, they will repeal and replace the guidelines on internal control for CRAs.

Selected Headlines[General](#)[Securities and Markets](#)[Financial Crime](#)[Beyond Brexit](#)[Asset Management](#)[Enforcement](#)[Banking and Finance](#)[Insurance](#)**ESMA final report: Internal controls guidelines for directly-supervised entities (ESMA80-634726060-1762)**[Webpage](#)**6 UK PARLIAMENT**

6.1 **The Consumer Composite Investments (Designated Activities) (Amendment) Order 2025 published - 18 December 2025** - The Consumer Composite Investments (Designated Activities) (Amendment) Order 2025 (No. 1347) has been published, alongside an explanatory memorandum. In short, the Order amends the Consumer Composite Investments (Designated Activities) Regulations 2024 (CCI Regulations) to provide temporary exemptions from the financial promotion and the scheme promotion restrictions in sections 21(1) and 238(1) of the Financial Services and Markets Act 2000 (FSMA 2000) respectively. The exemptions apply when persons advising on or selling consumer composite investments continue to produce key information documents (KIDs) (as required by the Packaged Retail and Insurance-based Investment Products (PRIIPs) regime) during the transition to a new UK retail disclosure regime.

The order will come into force on 6 April 2026, the same day as the revocation of the UK PRIIPs Regulation.

[Statutory instruments](#)[Explanatory memorandum](#)**7 FINANCIAL CONDUCT AUTHORITY**

7.1 **Ancillary activities test - FCA publishes Policy Statement - 19 December 2025** - The FCA has published a policy statement (PS25/24) to simplify how firms determine whether they can benefit from the ancillary activities exemption (AAE). The AAE exempts commercial users or producers of commodities from the need for authorisation as an investment firm if they trade in commodity derivatives, emission allowances, or derivatives of emission allowances as an ancillary activity.

As it stands, to qualify for the AAE, firms must meet the conditions for both a market share test (based on annual averages of overall market activity in relevant commodity derivatives on an asset class basis) and a main business test. Under the final rules, the FCA will introduce three separate and independent tests: a new annual threshold test and modified versions of the trading and capital employed tests. Firms will be able to rely on the AAE if they meet the conditions of any one of these.

The FCA has amended the new annual threshold test, which allows firms to rely on the AAE where they trade OTC commodity derivatives below a fixed monetary threshold of £3 billion. The calculation includes only cash-settled commodity derivatives and does not include exchange-traded derivatives. The FCA is retaining the existing methodology for calculating the trading and capital employed tests but the thresholds for both tests will be 50%. These tests calculate a firm's relevant trading activities against the group's activities. The group's activities for the

Selected Headlines

General	Securities and Markets	Financial Crime
Beyond Brexit	Asset Management	Enforcement
Banking and Finance	Insurance	

trading test will include, for UK-based entities, their OTC trading and trading on UK trading venues, and for non-UK-based entities, their trading on UK trading venues. For the capital employed test, the group's activities will include the capital employed worldwide.

The new AAE regime will take effect on 1 January 2027.

FCA policy statement: Ancillary activities test (PS25/24)

[Webpage](#)

7.2 UK DTO direction - FCA publishes explanatory statement - 2 January 2026 - The FCA has published an explanatory statement relating to the direction on the UK derivatives trading obligation (DTO) under Article 28a of the Markets in Financial Instruments Regulation (600/2014) (UK MiFIR) which allows firms subject to the UK DTO, trading with or on behalf of EU clients subject to the EU DTO, to execute those trades on EU trading venues - provided certain conditions are met.

The statement confirms that the relevant conditions continue to be met and therefore the direction will remain in effect for a further six months until 30 June 2026.

[FCA Explanatory statement](#)

INSURANCE //

8 PRUDENTIAL REGULATION AUTHORITY

8.1 Berne Financial Services Agreement - PRA publishes direction and guidelines for insurers' section IV notifications - 2 January 2026 - The PRA has published a webpage with information relating to UK insurers' section IV notifications under the Berne Financial Services Agreement (BFSA).

As well as the UK insurer's details, the notification must include the classes of business the UK insurer intends to carry on in Switzerland and confirmation that the UK insurer satisfies the requirements in Annex 4, Section IV.B of the BFSA. It must also confirm that the insurer will comply with the applicable conditions set out in Annex 4, Section VII of the BFSA. The form can be found in the FCA Connect System.

Once the form is submitted, the PRA will review the notification and inform FINMA, within 30 days, whether the UK insurer satisfies the relevant requirements.

[Webpage](#)

9 FINANCIAL CONDUCT AUTHORITY

9.1 Pensions value for money framework - FCA updates proposals - 8 January 2026 - The FCA has published a consultation paper (CP26/1) updating its proposals on rules and guidance for the new value for money (VFM) framework in the context of defined contribution (DC) pension schemes, taking account of feedback received from the previous FCA consultation (CP24/16).

Selected Headlines

General
Beyond Brexit
Banking and Finance

Securities and Markets
Asset Management
Insurance

Financial Crime
Enforcement

The document includes proposed detailed rules and guidance for contract-based arrangements (implemented through the FCA Handbook). For trust-based arrangements, which are implemented through legislation, there is a discussion paper inviting input which can be used in developing the regulations enabled by the Pension Schemes Bill currently before Parliament.

There are several changes proposed by the FCA since the previous consultation. For instance, the FCA now proposes to include forward-looking as well as backward-looking metrics as part of the VFM assessment. In addition, the new proposals include reduced data requirements for assessing costs and a requirement for independent governance committees and trustees to compare their arrangements against a much wider commercial comparator group than previously proposed.

The consultation closes on 8 March 2026. The FCA is working towards 2028 for requiring the first VFM assessments.

[Consultation Paper \(CP26/1\)](#)

FINANCIAL CRIME //

10 EUROPEAN SECURITIES AND MARKETS AUTHORITY

10.1 **Use of STORs under MAR - ESMA publishes report - 19 December 2025** - The European Securities and Markets Authority (ESMA) has published its second report on suspicious transaction and order reports (STORs) (ESMA74-268544963-1554), focusing mainly on 2024. There are no major changes compared with the previous years, although the total number of notifications received by NCAs had decreased slightly. Most of the notifications received were from investment firms and related to shares, followed by derivatives. The majority of notifications in 2024 related to alleged insider trading.

[Report on STORs \(ESMA74-268544963-1554\)](#)

ENFORCEMENT //

11 RECENT CASES

11.1 **R (The Claims Protection Agency Ltd) v FCA [2025] EWHC 2615 (Admin) No.2, 2 January 2026**

Judicial review application - FCA investigation announcements - claims management

The High Court has handed down the second part of its judgement dismissing an application for the judicial review of the FCA's decision to publicly name a firm as the subject of an investigation. The first part of the judgment was handed down in October 2025, as previously reported in this Bulletin. This second part of the judgment was published after the firm was refused permission to appeal by the Court of Appeal in December 2025. It provides additional information that could not be made public when the first part was published.

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

This second part names the firm under investigation as The Claims Protection Agency Ltd (TCPA), a claims management company operating in the motor finance claims sector. It also explains that the investigation relates to TCPA's promotion and handling of motor finance claims. The FCA's concerns include claims in TCPA's marketing campaigns that motor finance claimants could receive considerably higher levels of redress than the likely amounts announced by the FCA.

The FCA has issued a press release announcing that it is investigating TCPA's communications about how much redress customers might receive and whether they explained claims could be made for free. It is also exploring whether customers were pressurised into signing up. The FCA has announced the investigation so customers can consider their options.

R (The Claims Protection Agency Ltd) v FCA [2025] EWHC 2615 (Admin) No.2

[Press release](#)

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](#).

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