SLAUGHTER AND MAY

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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

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

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General

1. FINANCIAL STABILITY BOARD

1.1 **Global financial stability and frontier AI risks - FSB Chair writes to the G20 -** *28 August 2026* - The Financial Stability Board (FSB) has published a letter from its Chair, Andrew Bailey, to G20 Finance Ministers and Central Bank Governors. Mr Bailey warns of the risks posed by frontier AI models, particularly cyber risks. He calls on regulators to take appropriate steps to support safe and responsible model release and deployment, and for firms to ensure robust response and recovery capabilities amongst critical third-party providers.

The letter separately notes concerns over the increased use of leverage in bond and equity markets, which is interacting with high valuations, market concentration and AI-related optimism in a way that could amplify a future market correction.

FSB letter: Global financial stability and frontier AI risks

Webpage

Press release

2. FINANCIAL CONDUCT AUTHORITY

2.1 **Frontier AI and cyber resilience - FCA publishes findings of multi-firm review -** *2 September 2026* - The FCA has published the findings of its multi-firm review of how firms are using, testing and preparing for frontier AI models with cyber capabilities. The review summarises observations reported by firms during the FCA's engagement and does not introduce new rules, guidance or regulatory expectations.

One of the main themes highlighted by the FCA is that frontier AI is becoming a test of organisational resilience and that its value depends on the firm's operating environment. Frontier AI is exposing firms' weaknesses in their vulnerability management practices, access management controls, dependency mapping and remediation processes. The FCA comments that firms which observe basic cyber-resilience practices, and have clear accountability and effective oversight, are likely to be better positioned to tackle the challenges of frontier AI. Moreover, while frontier AI can significantly speed up many processes, firms continue to rely on human oversight to prioritise action and manage risk.

The FCA encourages firms to consider what the findings mean for them, including by posing specific questions on harness engineering, preparing for a vulnerability wave and effective cyber and operational resilience.

FCA multi-firm review: Frontier AI and cyber resilience

Banking and finance

3. EUROPEAN BANKING AUTHORITY

3.1 **Reclassification of investment firms as credit institutions under CRD IV - EBA consults -** *25 August 2026* - The European Banking Authority (EBA) has published a consultation paper (EBA/CP/2026/17) on three sets of draft regulatory technical standards (RTS) related to the reclassification of investment firms as credit institutions under the Capital Requirements Directive (2013/36/EU) (CRD IV).

Investment firms whose total assets exceed EUR 30 billion are required to obtain credit institution authorisation under CRD IV rather than operating under an investment firm licence under the Markets in Financial Instruments Directive (2014/65/EU) (MiFID II).

The draft RTS deal with the methodology for calculating the relevant thresholds in CRD IV, with particular reference to the scope of the group test. They also cover information to be reported for the purposes of monitoring the thresholds, and the criteria to be considered for the potential application of a waiver from reclassification.

The consultation closes to comments on 25 November 2026.

Consultation paper

Press release

3.2 **Operational risk management framework under CRR - EBA consults on draft RTS -** *26 August 2026* - The European Banking Authority (EBA) has published a consultation paper (EBA/CP/2026/18) on draft regulatory technical standards (RTS) for the operational risk management framework under the Capital Requirements Regulation (575/2013) (CRR). The draft RTS contain provisions relating to the policies, processes and procedures that firms are required to use to identify, assess, monitor, control, mitigate and report operational risk. They also set out minimum requirements for firms' independent operational risk management functions and their internal reporting systems. Although the RTS will apply to all relevant firms, those with a business indicator that is equal to or exceeds EUR 750 million may use simpler arrangements.

The deadline for responses to the consultation is 31 December 2026.

EBA consultation paper: Operational risk management framework (EBA/CP/2026/18)

Press release

4. HM TREASURY

4.1 **Innovation in payments - HM Treasury announces new Bank of England objective -** *27 August 2026* - HM Treasury has announced its intention to give the Bank of England a new secondary payments innovation objective, adding to its existing secondary objective to facilitate innovation when regulating central counterparties and central securities depositories. HM Treasury intends to extend this approach to the regulation of systemic payment systems, including those using digital settlement assets. The change will be implemented through the Financial Services and Markets Bill 2026, which is due to be debated in the House of Lords on 7 and 9 September 2026.

The new objective is intended to support the Bank of England to drive innovation in payments and emerging forms of digital money. It aims to drive growth, create the right conditions for innovation to develop safely and ensure that payments regulation keeps pace with technological change.

The Bank will report to Parliament annually on how it is advancing the new objective.

HM Treasury press release: New Bank of England payments innovation objective

Securities and markets

5. FINANCIAL CONDUCT AUTHORITY

5.1 **Equity market transparency and inside information disclosure - FCA publishes latest edition of the Primary Market Bulletin -** *28 August 2026* - The FCA has published Primary Market Bulletin 65, covering: the FCA's concerns about potentially misleading statements in regulatory announcements; sponsors' use of expert reports to support specialist due diligence for new admissions to the Equity Shares (Commercial Companies) category; and the FCA's review of delayed disclosure of inside information notifications under Article 17(4) of the UK Market Abuse Regulation (UK MAR).

Regarding the disclosure of inside information, the FCA observes that unusually lengthy delays and anomalies were sometimes caused by inconsistent practices in classifying and handling inside information. The FCA reminds issuers that when preparing periodic financial reports, they should assess, on an ongoing and case-by-case basis, whether the information they hold meets the relevant criteria in UK MAR, and that it is not appropriate to take a blanket approach. The FCA also notes that a new inside information declaration form has been made available on its website.

FCA Primary Market Bulletin 65

Insurance

6. EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY

6.1 **Minimum common standards for Insurance Guarantee Schemes in the EU - EIOPA publishes technical advice -** *31 August 2026* - The European Insurance and Occupational Pensions Authority (EIOPA) has published technical advice to the European Commission (EIOPA-BoS-26/176) on minimum common standards for insurance guarantee schemes (IGSs) in the EU, together with an annex.

EIOPA's advice sets out policy options for the areas identified by the Commission in the call for advice dated August 2025. In doing so, EIOPA has considered a range of factors from policyholder protection to operational readiness, with a focus on targeted harmonisation and the preservation of national flexibility where appropriate. The accompanying press release notes that the current landscape of IGSs in the EU is characterised by a patchwork of national schemes that vary widely in their scope, coverage and even existence. This fragmentation means that policyholders face significantly different outcomes when insurers fail, depending on where they reside or whether they purchased their insurance on a cross-border basis.

EIOPA advice: Minimum common standards for Insurance Guarantee Schemes (EIOPA-BoS-26/176)

Technical Annex to EIOPA's advice on IGS (EIOPA-BoS-26/177)

Webpage

Press release

Financial crime

7. OFFICE OF FINANCIAL SANCTIONS IMPLEMENTATION

7.1 **Financial sanctions legislation - OFSI imposes monetary penalty on bank for breaches** - *2 September 2026* - The Office of Financial Sanctions Implementation (OFSI), part of HM Treasury, has imposed a penalty of £4,732,830.58 on Citibank, N.A., London Branch (Citibank) under section 146 of the Policing and Crime Act 2017. The penalty was imposed on 11 August 2026 for breaches of the Russia (Sanctions) (EU Exit) Regulations 2019 and the Global Anti-Corruption Sanctions Regulations 2021.

The majority of the breaches in this case occurred between February and November 2022, following Russia's invasion of Ukraine. According to the notice, Citibank had particularly high exposure to future Russia sanctions risks in February 2022 due to its Russian client base, correspondent banking operations involving Russian financial institutions and payments relating to its Russian affiliate (which has since been sold). The case relates to multiple transactions giving rise to breaches across the bank's operations, involving activity across a number of business areas and functions. This includes payment processing, correspondent banking and account restrictions. Many of the breaches arose from specific systems and controls issues or errors by staff, or staff in the wider group acting on its behalf.

OFSI notes that this case offers important lessons for a wide range of firms and stakeholders with exposure to financial sanctions risks. It demonstrates the importance of firms appropriately assessing their exposure to significant sanctions risks in advance and to a sufficiently detailed degree to understand where vulnerabilities could materialise when put under strain. Where a firm has elevated exposure to specific sanctions risks, OFSI would expect to see evidence of sufficiently detailed prior analysis of potential vulnerabilities. This is particularly relevant where there is the risk of new sanctions being introduced by the UK, as was the case for Russia sanctions in the period leading up to its invasion of Ukraine in February 2022.

OFSI penalty notice: Russia and anti-corruption sanctions breaches

Webpage

8. JOINT MONEY LAUNDERING STEERING GROUP

8.1 **AML guidance** - **JMLSG publishes revisions to Part I** - *3 September 2026* - The Joint Money Laundering Steering Group (JMLSG) has published final amendments to several paragraphs within Part I of its anti-money laundering and counter-terrorist financing Guidance.

The revisions concern firms' policies, controls and procedures, which must provide for the identification and scrutiny of unusually complex or large transactions and unusual transaction patterns. They also introduce a new exception related to an 'insolvent bank customer'.

JMLSG press release: JMLSG publishes revisions

Webpage: Revisions

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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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