

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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General

1. BANK OF ENGLAND

- 1.1 **Frontier AI and the question of governance – Bank of England publishes article – 30 September 2026** – In an Insight article, Governor Andrew Bailey argues that, to realise the benefits of frontier AI while mitigating its risks, humans must retain the ability to intervene and to set the boundaries within which these systems operate. He focuses on the novel capacity of frontier AI for recursive self-learning, which can become a self-referential ‘closed loop’ in which a model progressively governs itself, and the ability to exercise meaningful oversight is reduced.

Rather than moving straight to questions of regulatory architecture, the Governor urges first identifying the problem to be solved, which he frames as preserving society’s ability to intervene and to revise boundaries as the technology evolves. He argues this does not imply we should prohibit frontier AI, given its potential to drive scientific discovery, productivity and prosperity, but supports rigorous model testing before and after deployment and highlights the work of the UK’s AI Security Institute in this regard.

[Bank of England Insight: Frontier AI and the question of governance](#)

2. FINANCIAL CONDUCT AUTHORITY

- 2.1 **FCA publishes Handbook Notice 144 – 25 September 2026** – The FCA has published Handbook Notice 144, which records the changes to the FCA Handbook made by its Board and Executive Regulation and Policy Committee (ERPC) on 30 July, 11 September and 24 September 2026. This includes a number of changes relevant to the incoming cryptoasset regime and minor changes relating to MiFID transaction reporting, information flows for UK equity IPOs and collective investment scheme liquidity management.

The instruments take effect on various dates from 25 September 2026, with certain cryptoasset fees provisions and the DEPP cryptoasset market abuse changes coming into force on 25 October 2027 to align with the UK’s incoming cryptoasset regime.

[FCA Handbook Notice: Handbook Notice 144](#)

[FCA instrument: Collective Investment Schemes Sourcebook \(Cryptoasset Exchange Traded Note\) Instrument 2026 \(FCA 2026/57\)](#)

[FCA instrument: Cryptoasset Activities \(Periodic and Application Fees\) Instrument 2026 \(FCA 2026/58\)](#)

[FCA instrument: Disclosure of Climate-Related Financial Information \(Asset Manager and Asset Owner\) \(Amendment\) Instrument 2026 \(FCA 2026/59\)](#)

[FCA instrument: Financial Promotion \(Notification of Cryptoasset Approval\) Instrument 2026 \(FCA 2026/60\)](#)

[FCA instrument: Decision Procedure and Penalties Manual \(Cryptoassets\) \(Amendment\) Instrument 2026 \(FCA 2026/61\)](#)

[FCA instrument: Data Decommissioning \(No 2\) Instrument 2026 \(FCA 2026/62\)](#)

[FCA instrument: Pensions Projections Exemption Instrument 2026 \(FCA 2026/63\)](#)

[FCA instrument: Conduct of Business \(Interactive Pension Simulations\) Instrument 2026 \(FCA 2026/64\)](#)

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Banking and finance

3. BASEL COMMITTEE ON BANKING SUPERVISION

- 3.1 **Basel Committee advances supervisory and regulatory initiatives and reviews banking system risks – BCBS publishes meeting press release – 1 October 2026** – The Basel Committee on Banking Supervision (BCBS) has published a press release on its meeting in Indonesia on 28-29 September 2026. At the meeting, BCBS members discussed vulnerabilities of the global banking system and supervisory and regulatory initiatives.

At the meeting, the BCBS:

- discussed AI developments and their implications for banks and supervisors, and agreed to review the operational-risk framework's loss event-type categories with a focus on cyber and AI risk;
- approved a final standard for machine-readable Pillar 3 disclosures, to be published around year-end;
- approved the annual assessment exercise for global systemically important banks (G-SIB) and revisions to the G-SIB framework to reduce year-end window-dressing, and agreed to consult on the treatment of intra-banking-union cross-border exposures;
- agreed to consult on additional Pillar 2 guidance on interest rate risk in the banking book (IRRBB); and
- advanced its targeted review of the prudential standard for banks' cryptoasset exposures, with an update expected by year-end.

Press release

4. EUROPEAN BANKING AUTHORITY

- 4.1 **Joint decisions on institution-specific prudential requirements – EBA consults on revised ITS – 25 September 2026** – The European Banking Authority (EBA) has published a consultation paper (EBA/CP/2026/19) on draft Implementing Technical Standards (ITS) on the conditions of application of the joint decision process for institution-specific prudential requirements under Article 113 of the Capital Requirements Directive (2013/36/EU) (CRD). The draft ITS would repeal and replace Commission Implementing Regulation (EU) No 710/2014, comprehensively revising the harmonised procedures, timelines and templates that supervisory colleges use to reach joint decisions on the capital and liquidity requirements of cross-border banking groups.

The revision aligns the joint decision framework with the current CRD mandate and the revised Supervisory Review and Evaluation Process (SREP) framework, and forms part of the EBA's wider work to simplify the EU prudential and supervisory framework.

The EBA will hold a virtual public hearing on 10 November 2026, and the consultation closes on 4 January 2027. Following its assessment of the responses, the EBA will finalise the revised ITS and submit them to the European Commission, after which they will be subject to scrutiny by the European Parliament and the Council before publication in the Official Journal.

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- 4.2 **EBA publishes its 2027 Work Programme – 30 September 2026** – The European Banking Authority (EBA) has published its Work Programme for 2027 (EBA/REP/2026/18), adopted by its Board of Supervisors on 29 September 2026. The programme is organised around three cross-cutting drivers: fostering resilience, improving efficiency and supporting transformation. It marks a first step towards a broader medium-term strategy to position the EBA as a next-generation regulator, a body developing supervision at new frontiers and a provider of services to the supervisory and resolution community.

The EBA's areas of focus include finalising implementation of the 2024 banking package; implementing the new payment services framework; supporting crisis management and deposit insurance reforms; contributing to the Savings and Investments Union and securitisation agendas; implementing a new supervisory convergence framework; enhancing stress testing; and advancing integrated reporting and data sharing. It will also continue to embed its responsibilities under the Digital Operational Resilience Act (DORA) (as lead overseer of 19 critical ICT third-party providers), the Markets in Crypto-assets Regulation (MiCA) (as supervisor of significant crypto-asset token issuers) and the European Market Infrastructure Regulation (EMIR) (as validator of initial margin models). The programme is closely aligned with the European Commission's banking competitiveness agenda and its focus on simplification and burden reduction.

[EBA publication: EBA Work Programme 2027 \(EBA/REP/2026/18\)](#)[Press release](#)

5. BANK OF ENGLAND

- 5.1 **Financial Policy Committee Record and 2026 H2 Systemic Risk Survey – Bank of England publishes record and risk survey report – 30 September 2026** – The Bank of England (BoE) has published the record of the Financial Policy Committee (FPC) meeting held on 25 September 2026, together with the results of its 2026 H2 Systemic Risk Survey.

The FPC judged that the likelihood of interconnected vulnerabilities crystallising had risen since July, driven by the re-escalation of the conflict in the Middle East, higher oil and gas prices and a more protracted negative supply shock, with sovereign bond yields reaching levels not seen since 2008. It highlighted rapidly growing AI-related debt issuance and recent frontier AI incidents as broadening cyber, operational and market risks, and continuing vulnerabilities in risky credit and parts of private credit, while judging UK households, corporates and the banking system to remain resilient. The Committee maintained the UK countercyclical capital buffer at its neutral 2% rate and agreed to proceed with the leverage ratio reforms set out in its July Record, on which the BoE expects to consult in early 2027.

In the 2026 H2 Systemic Risk Survey (conducted between 27 July and 24 August 2026, with 57 firms responding), 95% of respondents remained very or fairly confident in the stability of the UK financial system, although the perceived probability of a high-impact event rose over both the short and medium term. Geopolitical risk (cited by 91% of respondents) and cyberattack (75%) remained the most frequently cited sources of risk, while the proportion citing risks surrounding artificial intelligence rose sharply to 63% (up 32 percentage points).

[Bank of England: Financial Policy Committee Record – September 2026](#)

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6.1 IFRS 9 expected credit losses – PRA publishes letter – 30 September 2026 – David Bailey, Executive Director, Prudential Policy, has written to the chief financial officers of selected PRA-regulated deposit-takers with thematic feedback from the PRA's review of auditor reports received in 2026 covering IFRS 9 expected credit loss (ECL) accounting and accounting for climate risk. The letter reports continued improvement in firms' capabilities, controls and governance, while sharing feedback in three areas:

- data governance: strengthening end-to-end accountability, data-quality controls and data lineage;
- model risk: firms' completeness of post model adjustments and timely identification of model performance issues; and
- climate risk: development of more granular assessments and stronger links between scenario analysis and ECL judgements.

The PRA notes that aggregate ECL coverage is at its lowest level since before the pandemic, which does not in itself indicate under-provisioning but underlines the importance of reflecting new and evolving risks on a timely basis. For its 2027 review, the PRA has asked auditors for their views on firms' progress in these areas and encourages firms to perform their own assessments and to share them with their auditors.

[Bank of England \(PRA\) correspondence: Letter from David Bailey 'Thematic feedback on accounting for IFRS 9 expected credit losses \(ECL\)'](#)

7. FINANCIAL CONDUCT AUTHORITY

7.1 COREPRU 7: Overall risk assessment – FCA publishes finalised guidance – 30 September 2026 – The FCA has published Finalised Guidance FG26/9, providing non-Handbook guidance on the overall risk assessment required in the FCA's Core Prudential sourcebook (COREPRU 7). COREPRU is the FCA's integrated prudential sourcebook, which brings together core prudential requirements applying across different types of solo-regulated FCA firm.

The guidance is illustrative and non-exhaustive and does not prescribe a single methodology. It explains how firms can link their business model, risk appetite, financial resource planning and wind-down planning into one coherent process. The guidance aims to help firms meet their obligations in a way that is proportionate to their size and complexity, reducing the risk of financial harm to themselves, their customers and markets.

The guidance comes into force on 25 October 2027.

[FCA Finalised Guidance FG26/9: Non-Handbook guidance on COREPRU 7: Overall risk assessment](#)

[Webpage](#)

7.2 Overall risk assessment for CRYPTOPRU firms – FCA publishes finalised guidance – 30 September 2026 – The FCA has published Finalised Guidance FG26/10 on how cryptoasset firms should comply with their overall risk assessment obligations in CRYPTOPRU 7. CRYPTOPRU is the FCA's prudential sourcebook for cryptoasset firms.

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The guidance is illustrative and addresses cryptoasset-specific risks (including market, leverage, credit, liquidity, operational and concentration risks) and severe-but-plausible stress scenarios such as cyberattacks, private-key loss, exchange or trading-venue failure, stablecoin de-pegs and withdrawal surges. It sets out expectations on recovery and contingency funding, wind-down (including custody-asset distribution and the unwinding of stablecoin backing assets), own-funds thresholds, a 90-day stressed cashflow forecast and a 12-month funding profile, with specific provisions for qualifying stablecoin issuers.

The guidance comes into force on 25 October 2027.

[FCA Finalised Guidance FG26/10: Non-Handbook Guidance on CRYPTOPRU 7: Overall risk assessment for CRYPTOPRU firms](#)

Securities and markets

8. EUROPEAN SECURITIES AND MARKETS AUTHORITY

- 8.1 **2027 Annual Work Programme – ESMA publishes programme – 28 September 2026** – ESMA has published its Annual Work Programme (AWP) for 2027, which is guided by ESMA's 2023–2028 strategy. The AWP marks a shift from preparation to delivery of several major initiatives.

In 2027 ESMA will advance its supervision of consolidated tape providers and external reviewers of European Green Bonds, process applications for and begin supervision of ESG rating providers and adapt to expanded responsibilities for benchmark administrators. It will conduct oversight of Critical ICT Third-Party Service Providers with the other European Supervisory Authorities, continue promoting compliance with the Digital Operational Resilience Act (DORA) and review the impact of the European Market Infrastructure Regulation (EMIR) 3 reforms aimed at strengthening EU clearing markets and reducing dependence on systemically important clearing services located outside the EU.

Following the expected final agreement on the Market Integration and Supervision Package (MISP) in 2027, ESMA will prepare for the resulting changes to its mandates while delivering other Savings and Investments Union priorities, including implementation of the European Single Access Point and the transition to T+1 settlement. ESMA's four flagship simplification initiatives, covering transaction reporting, funds reporting, the retail investor journey and risk-based supervision, will also enter a new phase in 2027. ESMA will also further develop its Data Platform, deploy AI-based supervisory tools and strengthen cybersecurity.

[ESMA Annual Work Programme 2027](#)

[Press release](#)

- 8.2 **Markets in Crypto-Assets Regulation review – ESMA publishes response to European Commission's consultation – 30 September 2026** – ESMA has published its response to the European Commission's consultation on the review of the Markets in Crypto-Assets Regulation (Regulation (EU) 2023/1114) (MiCA). ESMA calls for targeted changes to make the framework clearer, safer and ready for emerging services, focused on removing legal uncertainty and preventing regulatory arbitrage; supporting simplification and burden reduction and improving investor protection.

Key proposals include new regulated services for Crypto Asset Service Providers (CASPs) acting as 'gateways' to decentralised finance; enhanced supervisory powers, including the ability for ESMA to issue binding opinions on token

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classification; streamlined white paper notification and authorisation requirements for transfer services and enhanced investor protection measures.

[ESMA consultation response: ESMA Response to the European Commission Consultation on the review of Regulation \(EU\) 2023/1114 \(MiCA\)](#)

[Press release](#)

9. BANK OF ENGLAND

- 9.1 **New horizons: the legal and commercial frontier of digital assets – Bank of England publishes speech by Sasha Mills – 1 October 2026** – The Bank of England (BoE) has published a speech by Sasha Mills, Executive Director, Financial Market Infrastructure, delivered at the Hogan Lovells and Global Digital Finance Digital Assets Summit in London, addressing the opportunities and risks that recent innovations in digital assets and payments present for the BoE's monetary and financial stability objectives, with a particular focus on tokenisation and digital payments.

In the speech, Sasha Mills sets out five ways in which the BoE will continue to support responsible innovation, emphasising a focus on outcomes.

[Speech](#)

10. FINANCIAL CONDUCT AUTHORITY

- 10.1 **Listed issuers' sustainability disclosures align with international standards – FCA publishes Policy Statement – 30 September 2026** – The FCA has published Policy Statement PS26/19 setting out final rules to align listed issuers' sustainability and climate disclosures with the UK Sustainability Reporting Standards (UK SRS), the UK-endorsed versions of the IFRS S1 and IFRS S2 standards issued by the International Sustainability Standards Board (ISSB). These rules will replace the existing disclosures aligned with the Task Force on Climate-related Financial Disclosures (TCFD).

Following broadly supportive feedback to CP26/5, the FCA has adopted a comply-or-explain approach across all of UK SRS, including UK SRS S2 climate disclosures and Scope 3 emissions. This is a change from the consultation, which had proposed mandatory UK SRS S2 disclosures. The rules apply to issuers in the equity shares (commercial companies) (UKLR 6), equity shares (international commercial companies secondary listing) (UKLR 14), certificates representing certain securities/depositary receipts (UKLR 15), non-equity shares and non-voting equity shares (UKLR 16) and equity shares (transition) (UKLR 22) categories. In-scope issuers must include UK SRS disclosures or explanations in their annual financial report, state whether and where they have published a climate-related transition plan (or explain why not), and disclose whether they have obtained third-party sustainability assurance.

The rules apply to accounting periods beginning on or after 1 January 2027 and transitional reliefs allow a one-year deferral of Scope 3 disclosures and a two-year 'climate-first' deferral of UK SRS S1 non-climate disclosures, both falling away for accounting periods beginning on or after 1 January 2029. The FCA intends to publish updated information regarding its supervisory approach to UK SRS in the second half of 2027, in time for the first reporting season under the new rules.

[FCA Policy Statement PS26/19: Aligning listed issuers' sustainability disclosures with international standards](#)

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Insurance

11. EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY

11.1 Better regulation and supervision 2.0 – EIOPA publishes note – 28 September 2026 – The European Insurance and Occupational Pensions Authority (EIOPA) has published a follow-up note on its “approach to simplification” published in April 2025, which takes stock of progress and sets out further steps to reduce unnecessary complexity and burden across the insurance and occupational pensions sectors. EIOPA emphasises again that these simplifying actions will not compromise policyholder protection, financial stability or supervisors’ ability to oversee the market.

EIOPA stresses that simplification must be guided by a European perspective, placing collective interests above national specificities and reducing fragmentation in rules and supervisory practice. Measures already taken include cutting quarterly and annual Solvency II reporting templates for solo undertakings by 26% and 30% respectively (and by 36% and 44% for small and non-complex undertakings); reviewing 25 sets of Guidelines and shortening them by around a third; implementing a new Solvency II proportionality framework and making bottom-up insurance stress tests less frequent. Looking ahead, EIOPA calls for earlier and more structured involvement in the legislative process, greater ‘supervisory unity’, robust impact assessments and integrated and digital-friendly data reporting.

[EIOPA note: Bolder, Simpler, Faster: EIOPA’s views for better regulation and supervision 2.0](#)

[Webpage](#)

[Press release](#)

11.2 Union-Wide Strategic Supervisory Priorities 2027-2029 – EIOPA publishes Strategic Supervisory Priorities – 30 September 2026 – EIOPA has published its Union-Wide Strategic Supervisory Priorities (USSP) for the 2027-2029 cycle, together with the insurance Focus Areas for 2027, which national competent authorities must take into account when drawing up their work programmes.

Grounded in EIOPA’s Strategy towards 2030, the USSP identifies two strategic priorities: (i) enhancing resilience in a structurally evolving and volatile risk environment and (ii) supporting societal resilience by mitigating conduct risks in business models and distribution. The Focus Areas for 2027 are continuity and contingency planning (including digital operational resilience) and supporting societal resilience by mitigating conduct risks in business models and distribution (including conflicts of interest that may lead to poor product design, assessment of affordability trends and the supervision of digital distribution mechanisms such as AI chatbots).

[EIOPA: Union-Wide Strategic Supervisory Priorities 2027-2029 and Focus Areas for 2027](#)

[Webpage](#)

Enforcement

12. FINANCIAL CONDUCT AUTHORITY

12.1 Integrity and governance failings at an asset manager – FCA publishes Final Notice imposing penalty and prohibition on individual – 30 September 2026 – The FCA has published a Final Notice imposing a financial penalty of £1,529,374 on Robin Crispin William Odey, the founder and majority owner of Odey Asset Management LLP (OAM), together with an

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order prohibiting him from performing any function in relation to any regulated activity. The penalty is for breach of Individual Conduct Rule 1 (ICR 1) (the requirement to act with integrity) and gives effect to a decision of the Upper Tribunal (Tax and Chancery Chamber).

The Final Notice follows the Tribunal's decision of 14 September 2026, which upheld all five of the FCA's allegations and found that Mr Odey lacked integrity in breach of ICR 1. The Tribunal found that he had, among other things, twice removed OAM's Executive Committee to frustrate the firm's disciplinary process and limit his personal accountability; shown reckless disregard for OAM's governance; risked entrenching a culture that normalised inappropriate behaviour towards female employees; lacked candour in his dealings with OAM, clients, investors and the FCA; and made a false assertion of fact to the FCA. The penalty must be paid by 14 October 2026.

[Final Notice](#)

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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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