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

Selected Headlines
General
Banking and Finance
Securities and Markets
Asset Management

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

Financial Policy Committee remit and recommendations - HM Treasury publishes Budget 2026 remit letter 1.1

### Banking and finance

Payment Services Regulation - Council of the EU publishes first-reading position 6.1

Securitisation: draft amending regulations laid before Parliament – HM Treasury publishes the draft Securitisation (Amendment and Miscellaneous Provisions) Regulations 2026 7.1

### Securities and markets

Tokenised collateral in central clearing - Bank of England launches consultation 11.1

Income sharing and operational incident reporting for consolidated tape providers - FCA launches consultation 12.1

### Asset management

Conflicts of interest in private markets -FCA publishes multi-firm review findings 13.1

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

# General

## 1. HM TREASURY

1.1 **Financial Policy Committee remit and recommendations - HM Treasury publishes Budget 2026 remit letter -** *28 October 2026* -The Chancellor of the Exchequer has written to the Governor of the Bank of England setting out HM Treasury's remit and recommendations for the Financial Policy Committee (FPC) alongside the Autumn Budget 2026. The letter specifies the government's economic policy and the matters the FPC should regard as relevant to the Bank's Financial Stability Objective and to supporting the government's growth and competitiveness agenda.

The remit asks the FPC to continue prioritising resilience in the non-bank financial sector and market-based finance, including risks in private markets, and to maintain its focus on the stability of core sterling (gilt and gilt repo) markets and on global and geopolitical risks. It also highlights non-financial risks, including cyber and operational resilience, the critical third parties regime, and the financial stability implications of emerging technologies such as artificial intelligence, as well as the risks posed by climate change and nature.

On growth and competitiveness, the government welcomes the FPC's review of bank capital requirements, including proposed reforms to the leverage framework and to the usability and releasability of capital buffers, and asks the Committee to deliver these reforms quickly and to address overlaps in capital requirements relating to domestic exposures. The remit also asks the FPC to use its loan-to-income mortgage framework to target improved access to home ownership without prejudicing financial stability, and to support the government's Financial Services Growth and Competitiveness Strategy.

HM Treasury Letter: Remit and recommendations for the Financial Policy Committee: Budget 2026

Webpage

## 2. FINANCIAL CONDUCT AUTHORITY AND PRUDENTIAL REGULATION AUTHORITY

2.1 **Senior Managers & Certification Regime Review: Phase 2 - FCA and PRA publish consultation papers** -*22 October 2026* - The FCA and PRA have published parallel consultations proposing a second phase of reforms to streamline the Senior Managers and Certification Regime (SM&CR), with the aim of reducing the regime's regulatory burden by 50% and cutting the number of roles at banks and insurers requiring regulatory pre-approval by 40%, while maintaining robust individual accountability.

The FCA's CP26/37 proposes making several senior management functions (including SMF5 and SMF10-15) notified rather than pre-approved. It also proposes removing the Certification Regime, retiring the Directory and raising thresholds so fewer firms are classified as enhanced firms. Further proposals include:

- removing requirements for ongoing submissions to the regulators of Statements of Responsibilities and Management Responsibilities Maps;
- extending the temporary SMF cover ("12 week") rule; and
- raising the threshold for reporting non-SMF Conduct Rule breaches.

The FCA expects to publish final rules in H1 2027 and to implement them in H2 2027.

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

The PRA's CP14/26 makes parallel changes for banks and insurers, including:

- introducing certain notified SMFs, splitting the Group Entity Senior Management Function (SMF7) into pre-approved and notified roles;
- removing the Certification Regime's fitness and propriety assessments, certificates and regulatory references; and
- extending the temporary SMF cover ("12 week") rule.

The regulators estimate the package will save firms around £2 billion over a 10-year period. Both consultations close on 22 January 2027.

FCA consultation paper: Senior Managers & Certification Regime Review: Phase 2 (CP26/37)

Webpage

PRA consultation paper: Review of the Senior Managers and Certification Regime (SM&CR) -Phase 2 (CP14/26)

Press release

## 3. BANK OF ENGLAND, FINANCIAL CONDUCT AUTHORITY AND HM TREASURY

3.1 **Artificial intelligence in UK financial services - Bank of England and FCA publish fourth AI survey -** *26 October 2026* - The Bank of England and the FCA have published the results of their fourth survey of artificial intelligence (AI) and machine learning in UK financial services. The survey draws on responses from 196 firms across banking, insurance, investment and capital markets, non-bank lending, financial market infrastructure and payments.

AI adoption continued to rise, with 86% of respondents reporting current use of AI, up from 75% in 2024, and a marked shift towards generative AI, which accounted for 56% of all reported AI systems. AI agent deployment is now widespread, reported by 80% of respondents, but autonomy remains limited, with most firms' agents confined to decision support rather than executing actions such as approving customer outcomes, trading or initiating payments. Third-party AI systems have become both more prevalent and more material.

Respondents identified data protection and security, third-party and supply-chain risk, and generative-AI-specific risks such as hallucinations and prompt injection as the most significant current risk drivers and pointed to cyber risk amplification and critical third-party dependencies as the systemic risks of greatest concern. Most firms reported having formal governance arrangements, with 94% having firm-wide AI policies and 84% a centralised AI or model-risk governance forum. Oversight of third-party and vendor-supplied models was the most commonly cited area of governance uncertainty. Respondents most frequently cited UK data protection and privacy requirements, and overseas regulatory requirements, such as the EU AI Act, as regulatory constraints.

Bank of England and FCA report: Artificial intelligence in UK financial services 2026

## 4. FINANCIAL CONDUCT AUTHORITY

4.1 **Market integrity in a digital age - speech by Nikhil Rathi** - *22 October 2026* - In a speech at the Corporation of the City of London's annual City Dinner at Mansion House, FCA chief executive Nikhil Rathi argued that the UK must move faster and focus on outcomes to protect market integrity without holding back innovation as technology accelerates.

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

Mr Rathi warned that the UK risks a dangerous "innovation delta" in which the institutions regulating markets lag behind rapid change in AI, decentralised finance, 24/7 trading and parallel market structures, heightening threats of volatility, concentration risk, new forms of market abuse and cross-border financial crime. In response, Mr Rathi stated that the FCA would make better use of technology and intelligence, move away from tick-box compliance, and will aim to avoid over-reliance on new rules. The speech emphasised that no single agency can meet these challenges alone and called for stronger partnerships between regulators, industry, government and civil society, pointing to a forthcoming FCA–Bank of England roadmap on digital assets and to recent joint operations with law enforcement to disrupt organised criminal gangs.

FCA speech: Market integrity in a digital age

### 5. PRUDENTIAL REGULATION AUTHORITY

5.1 **The PRA's second decade - speech by Katharine Braddick -** *22 October 2026* - In her first Mansion House speech as PRA Chief Executive Officer, Katharine Braddick set out her vision for the PRA's second decade, announcing that she will publish the PRA's first five-year strategy next year, centred on four priorities: resilience, growth, innovation and transparency.

She said the PRA will significantly increase its focus on firms' operational and cyber resilience, including creating a new directorate as a centre of excellence and consulting jointly with the FCA on a new supervisory statement by the end of the year. On growth, she highlighted the new captive insurance regime and the recently consulted framework for automatically indexing regulatory thresholds to nominal GDP. On transparency, Ms Braddick confirmed that the PRA would consult in spring 2027 on changes to improve firms' access to internal models for residential mortgages and conduct an independent review of the UK's implementation of hybrid mortgage model requirements.

PRA speech: The PRA's second decade

# Banking and finance

### 6. COUNCIL OF THE EUROPEAN UNION

6.1 **Payment Services Regulation -Council of the EU publishes first-reading position -** *21 October 2026* - The Council of the EU has published its position at first reading on the proposed Regulation on payment services in the internal market (the Payment Services Regulation, or PSR), which will amend Regulations (EU) No 1093/2010, (EU) No 260/2012, (EU) 2017/2394 and (EU) 2021/1230. The PSR forms part of the EU's wider review of Directive (EU) 2015/2366 (PSD2) and, together with a parallel Payment Services Directive, moves the conduct-of-business rules for payment and electronic money services into a directly applicable Regulation.

The Council's text consolidates the rules governing payment service providers, electronic money institutions and ATM deployers, and extends the framework in several respects. Key elements include, for example: (i) bringing electronic money services within the same conduct-of-business framework as payment services, while preserving e-money specificities; (ii) strengthening open banking; (iii) improving payment institutions' access to credit institution accounts and addressing 'de-risking' by requiring credit institutions to give detailed written reasons for refusing or closing accounts; (iv) enhancing consumer protection against fraud; and (v) extending transparency obligations on fees and charges, including for ATM cash withdrawals.

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

Once adopted, the PSR will apply from the same date as the national measures transposing the accompanying Payment Services Directive, and it provides for the European Banking Authority to develop a range of regulatory technical standards and guidelines, with the Commission to review the Regulation, including the open banking rules, in due course.

Council of the EU first reading position: Payment Services Regulation

6.2 **PSD3 - Council publishes first-reading position on the Payment Services Directive** *-23 October 2026* - The Council of the EU has published its position at first reading on a new Directive on payment services in the internal market (8535/26), which will amend Directive 98/26/EC and Regulation (EU) 2023/1114 and repeal the Electronic Money Directive (2009/110/EC) and the second Payment Services Directive (Directive (EU) 2015/2366) (PSD2).

The Directive forms part of the EU's wider payments package (alongside the PSR above), separating the authorisation and supervision of payment institutions, which it governs, from conduct-of-business rules, which move to the PSR. It responds to the Commission's review of PSD2, which identified divergent implementation and enforcement that distorted competition and encouraged regulatory arbitrage and forum shopping.

The Directive also merges the regime for electronic money institutions into the framework for payment institutions, while preserving distinct features such as initial capital and own-funds requirements and the rules on the issuance, distribution and redemption of electronic money, and introduces a single authorisation for providers of payment services that do not take deposits.

Council of the EU: Position of the Council at first reading -Directive on payment services in the internal market (8535/26)

## 7. HM TREASURY

7.1 **Securitisation: draft amending regulations laid before Parliament - HM Treasury publishes the draft Securitisation (Amendment and Miscellaneous Provisions) Regulations 2026 -** *27 October 2026* - A draft statutory instrument, the Securitisation (Amendment and Miscellaneous Provisions) Regulations 2026, has been published on legislation.gov.uk, having been laid before Parliament under the Financial Services and Markets Act. The draft Regulations amend the Securitisation Regulations 2024 and the Financial Services Act 2012 (Relevant Functions in relation to Complaints Scheme) Order 2014.

The principal changes made by the draft Regulations include, among others, removing provisions relating to securitisation repositories, including Part 5 of the Securitisation Regulations 2024; replacing the due diligence requirements for occupational pension schemes with a single substituted regulation 32B, which broadly requires trustees or managers that are not the originator, sponsor or original lender to comply with the FCA due diligence rules applicable to institutional investors before and while holding a securitisation position; and converting the FCA's duty to make due-diligence rules for small, registered UK AIFMs into a power.

The Regulations are due to come into force on 1 January 2027, with certain provisions, including the removal of the securitisation repository regime, coming into force on 25 May 2027.

HM Treasury draft statutory instrument: The Securitisation (Amendment and Miscellaneous Provisions) Regulations 2026

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

### 8. FINANCIAL CONDUCT AUTHORITY

8.1 **Fair value in consumer finance - FCA publishes good and poor practice findings -** *29 October 2026* - The FCA has published findings from its supervisory work on how consumer finance firms assess, evidence and monitor fair value under the Consumer Duty. The findings draw on reviews of fair value assessments across consumer credit lending, debt advice, credit reference and debt purchasing and collection firms, a focused review of fees and charges across a range of credit products, and supervisory work on consumer hire and third-party ownership agreements for home energy infrastructure. The findings highlight that firms which had embedded fair value showed a clear, evidenced relationship between the price customers pay and the benefits they can reasonably expect, while weaker assessments relied on assumptions or management information lacking supporting evidence.

FCA review: Fair value in consumer finance

FCA Blog

## Securities and markets

### 9. EUROPEAN COMMISSION

9.1 **Derivatives transparency and the OTC derivatives consolidated tape - Commission Delegated Regulation (EU) 2026/1763 published in the Official Journal -** *23 October 2026* **-** The Official Journal has published Commission Delegated Regulation (EU) 2026/1763 of 13 July 2026, amending the MiFIR regulatory technical standards on transparency requirements for trading venues and investment firms in respect of derivatives.

9.2 The Regulation amends Delegated Regulation (EU) 2017/583 to introduce static minimum thresholds and a static determination of liquidity for the pre- and post-trade transparency regime for derivatives. It also amends Delegated Regulation (EU) 2017/2194 so that package orders are subject to pre-trade transparency only where each component is itself subject to those requirements. Amendments to Delegated Regulation (EU) 2025/1155 specify the input and output data for the OTC derivatives consolidated tape and exclude exchange-traded commodities and notes from the bond consolidated tape. The Regulation also corrects Delegated Regulation (EU) 2017/587. It enters into force on the twentieth day following publication, although certain provisions apply from 1 March 2027.

Official Journal: Commission Delegated Regulation (EU) 2026/1763 (C/2026/4777)

### 10. HM TREASURY

10.1 **The Central Counterparties (Equivalence) (Indonesia and the People's Republic of China) Regulations 2026 -HM Treasury makes equivalence regulations for Indonesian and Chinese CCPs** *- 29 October 2026* - HM Treasury has made the Central Counterparties (Equivalence) (Indonesia and the People's Republic of China) Regulations 2026 (SI 2026/1134), together with an explanatory memorandum, determining under Article 25(6) of UK EMIR that certain legal and supervisory frameworks for certain central counterparties (CCPs) established in Indonesia and the People's Republic of China are equivalent to the United Kingdom's regime for the first time. The determinations are a precondition to individual CCPs being recognised by the Bank of England. The Regulations were made on 27 October 2026 and come into force on 19 November 2026, granting non-time-limited equivalence.

Statutory instrument: The Central Counterparties (Equivalence) (Indonesia and the People's Republic of China) Regulations 2026 (SI 2026/1134)

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

Explanatory memorandum

10.2 **OTC derivatives intragroup exemptions -HM Treasury makes the Over-the-Counter Derivatives (Intragroup Transactions) Regulations 2026 (SI 2026/1117) -** *21 October 2026* - HM Treasury has made a statutory instrument amending the intra-group transaction exemptions from the clearing obligation and the uncleared-margin risk-mitigation requirements under the UK European Market Infrastructure Regulation (UK EMIR, Regulation (EU) No 648/2012).

The Regulations revise the definition of an intragroup transaction in Article 3 of UK EMIR and replace the temporary intragroup exemption regime previously in Part 5 of the 2019 EU Exit Regulations with a permanent framework when the revocation of Part 5 takes effect. For transactions involving a third-country counterparty, counterparties may use the exemption where the UK counterparty notifies the FCA and the FCA does not object within 30 calendar days of receiving a complete notification.

Statutory instrument: The Over-the-Counter Derivatives (Intragroup Transactions) Regulations 2026 (SI 2026/1117)

Webpage

Explanatory memorandum

## 11. BANK OF ENGLAND

11.1 **Tokenised collateral in central clearing -Bank of England launches consultation -** *29 October 2026* - The Bank of England has published a consultation paper on draft supervisory expectations for CCPs seeking to accept tokenised versions of collateral that is already eligible under the proposed UK CCP Rulebook. The consultation aims to provide greater clarity on how the existing framework applies to tokenised collateral and to support the responsible adoption of tokenisation in UK wholesale financial markets, consistent with the Bank's secondary innovation objective.

The Bank's initial view is that the existing regulatory framework does not prevent CCPs from accepting tokenised forms of eligible collateral, and the draft supervisory statement does not create a separate regime or new obligations but sets out token-specific factors a CCP should consider when applying the existing framework, following the principle of 'same risk, same regulatory outcome'. The draft expectations cover liquidity, valuation and interoperability; settlement finality; credit and concentration risk management; operational resilience; and custody and safeguarding. The paper also examines the opportunities and financial stability risks of tokenisation in collateral management, including faster and more automated collateral mobilisation, and seeks views on whether the expectations should extend in future to a wider range of tokenised assets such as money market fund units, gold and stablecoins.

The consultation closes on 12 February 2027.

Bank of England consultation paper: Supervisory expectations for central counterparties seeking to accept tokenised collateral

Press release

## 12. FINANCIAL CONDUCT AUTHORITY

12.1 **Income sharing and operational incident reporting for consolidated tape providers - FCA launches consultation -***29 October 2026* -The FCA has published a consultation paper (CP26/39) on income sharing distribution and operational incident reporting for consolidated tape providers. The paper takes forward implementation of the UK equity consolidated tape, building on the framework confirmed in the FCA's July 2026 policy statement.

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

The FCA is proposing an income distribution model under which all UK trading venues and Approved Publication Arrangements (APAs) that contribute data to the equity consolidated tape provider (CTP) would be eligible to receive income, determined by the relative value of the trades they submit, with a 4.5-times weighting applied to trades executed on smaller trading venues, which the FCA estimates would roughly triple smaller venues' share of income.

The paper also proposes to extend enhanced operational incident reporting requirements to all CTPs, so that significant incidents affecting them are reported to the FCA in a timely and consistent way. The deadline for responses to the consultation is 17 December 2026, and the FCA aims to publish a policy statement in spring 2027.

FCA consultation paper: Income sharing distribution and operational incident reporting for consolidated tape providers (CP26/39)

Webpage

# Asset management

## 13. FINANCIAL CONDUCT AUTHORITY

13.1 **Conflicts of interest in private markets - FCA publishes multi-firm review findings -** *23 October 2026* **-**The FCA has published the findings of a multi-firm review of how firms in private equity, private credit and real estate identify, manage, mitigate and disclose conflicts of interest, finding that standards vary considerably as private markets grow and business models become more complex.

The FCA found examples of good practice -strong governance, independent oversight and challenge, and comprehensive conflicts inventories -but also recurring weaknesses, particularly in cross-fund transfers and continuation vehicles, connected and multi-party transactions, gifts and entertainment, and information barriers. It was concerned that some firms' conflicts frameworks reflected the legal form of their activities rather than their substance, and that governance and controls had not always kept pace with business growth.

The FCA expects firms to keep conflict-identification processes responsive to change, maintain controls proportionate to inherent conflict risks, set clear escalation thresholds, and treat disclosure as a supplement to, as opposed to a substitute for, managing conflicts. It will undertake targeted follow-up work and has noted separately that it is examining the use of private credit to fund consumer litigation claims.

FCA multi-firm review: Conflicts of interest and fair customer treatment in private markets

# Insurance

## 14. HOUSE OF LORDS FINANCIAL SERVICES REGULATION COMMITTEE

14.1 **Home and travel insurance regulation - House of Lords Financial Services Regulation Committee publishes report (HL Paper 64) -** *23 October 2026* - The House of Lords Financial Services Regulation Committee has published a report finding that home and travel insurance products are inherently complex and consumer understanding is low.

The Committee found that intense price competition through price comparison websites, combined with product complexity, leads many consumers to focus on price rather than value, contributing to persistently high rates of declined claims, and it called on the FCA to address poor claims-handling practices, including outsourced claims

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

handling and cash settlements. It concluded that the regulatory regime is broadly appropriate but that the real challenge lies in implementation, supervision and enforcement.

The Committee raised particular concern about the growing use of AI by consumers researching insurance and urged the FCA to accelerate its response to the Mills Review. It also criticised insufficient and inconsistent outcomes data, calling on the FCA to ensure comparable data is available and to produce a roadmap with clear timescales for delivery.

House of Lords Financial Services Regulation Committee report: Home and travel insurance regulation: more for the FCA to do (HL Paper 64)

# Financial crime

## 15. FINANCIAL CONDUCT AUTHORITY

15.1 **Financial Crime Guide updates - FCA publishes consultation paper (CP26/38) -** *23 October 2026* - The FCA is consulting on updates to its Financial Crime Guide to help firms assess and strengthen their financial crime systems and controls as financial crime becomes more sophisticated. The Guide does not contain rules or impose new requirements.

The proposed changes update sections on fraud (reflecting multi-firm work on authorised push payment fraud and money mules), cryptoassets (ahead of FCA authorisation of certain cryptoasset activities from 25 October 2027), financial and trade sanctions (reflecting the creation of the Office of Trade Sanctions Implementation), proliferation financing, data security (including AI, synthetic identity fraud and digital assets), Banking-as-a-Service delivery models, and money laundering and terrorist financing. The consultation closes on 24 December 2026, and the FCA will publish feedback and the final amended text of the Guide in a Policy Statement.

FCA consultation paper: Financial Crime Guide Updates (CP26/38)

Webpage

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

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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