

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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Slaughter and May
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periodical Insurance
Newsletter. If you
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GENERAL //

1 EUROPEAN PARLIAMENT

- 1.1 SIU Reforms - European Parliament votes to adopt report - 11 September 2025** - The European Parliament has voted to adopt a report on facilitating the financing of investments and reforms to boost European competitiveness and creating a Capital Markets Union, which will form part of the European Commission's Savings and Investments Union (SIU).

The reforms set out in the report seek to maintain pressure towards reaching the objectives of the Draghi report on the future of European competitiveness, published in September 2024. These include measures to make financing more available and affordable, especially for small to medium-sized enterprises and innovative ventures, and a pan-EU equity listing and trading environment to encourage start-ups to remain in Europe.

The European Parliament's Committee on Economic and Monetary Affairs voted to adopt the report in June 2025.

Texts Adopted: Investments and reforms for European competitiveness and the creation of a Capital Markets Union (P10_TA (2025)0185)

2 FINANCIAL CONDUCT AUTHORITY

- 2.1 Removing the contactless payment limit and cutting the data reporting burden - FCA publishes quarterly consultation paper - 10 September 2025** - The FCA has published quarterly consultation paper no.49 (CP25/24) which proposes a range of amendments to the FCA Handbook. Of particular interest, the FCA proposes to remove regulatory limits on the value and number of contactless payments that can be made before requiring authentication. These limits would be replaced with a new exemption allowing payment service providers (PSPs) to process contactless payments without asking the payer to authenticate the payment where they identify the risk of a transaction to be low. PSPs will be able to set their own contactless limits, including at current levels.

The FCA also, among other things:

- proposes to make further cuts to data reporting by reducing the reporting frequency of selected Retail Mediation Activities Return (RMAR) sections, which it estimates will benefit 11,000 retail intermediary firms; and
- proposes amendments to the FCA Handbook to implement the Berne Financial Services Agreement between the UK and Switzerland.

Comments are requested by 15 October 2025.

FCA: Quarterly consultation paper No. 49 (CP25/24)

Press release: Contactless payment limit removal

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- 2.2 Secondary competitiveness and growth objective - FCA responds to second House of Lords Committee report - 5 September 2025** - The House of Lords Financial Services Regulation Committee has published a letter from the FCA responding to its second report on the secondary international competitiveness and growth objective of the FCA and PRA. As reported previously in this Bulletin, the report identified various constraints on the financial services sector's ability to grow, such as high compliance costs and operational inefficiencies, and called on the government to streamline the financial regulatory framework following an assessment of its impact on firms.

The FCA states that it has work underway, or already completed, that addresses most of the Committee's recommendations, including workstreams announced in the government's 'Financial Services Growth and Competitiveness Strategy' published in July 2025. This includes: (i) a new concierge service, operational by October 2025, to promote the FCA's authorisation and innovation services and support international investment into the UK; (ii) the finalisation of new rules for targeted support under the Advice Guidance Boundary Review by the end of 2025; and (iii) a modernised redress system, reformed in collaboration with the Financial Ombudsman Service and HM Treasury.

The FCA further notes that its move towards more outcomes-based regulation will mean that it will not always provide prescriptive guidance, giving firms latitude to judge how best to meet the FCA's requirements. The FCA will report against the Committee's recommendations within 12 months on its progress.

[FCA Response](#)

- 2.3 Artificial intelligence - FCA publishes feedback statement on AI Live Testing and new webpage on approach to AI - 9 September 2025** - The FCA has published a feedback statement summarising responses to its proposals for a live artificial intelligence (AI) testing service (AI Live Testing), trailed in an engagement paper published in April 2025. The service will form part of the FCA's AI Lab, and seeks to help firms transition from proof of concept (PoC) to live market deployment. The FCA will provide participants with access to appropriate AI expertise in addition to regulatory expertise, and seeks to understand the nature of any emerging regulatory challenges they may face.

Respondents welcomed the FCA's proposals for AI Live Testing, and felt it was a constructive and timely step towards increasing transparency, trust and accountability in the use of AI systems. Key benefits and opportunities highlighted included overcoming PoC paralysis, where firms reported that AI PoCs often demonstrate technical merit but fail to progress owing to concerns such as regulatory uncertainty and skills shortages.

The application window for the first cohort of AI Live Testing opened on 9 July 2025 and lasts until 15 September 2025. The FCA will start working with participating firms in the first cohort in October 2025. The FCA plans to open an application for a second cohort before the end of the year, and will publish an evaluation report at the end of the approximately 12-month process.

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The FCA has also created a new webpage detailing its approach to the safe and responsible adoption of AI within UK financial markets. This sets out how current FCA rules apply to AI adoption, and explains how AI is helping the FCA become a smarter regulator. This includes using predictive AI to assist FCA agents with real-time knowledge, and use of an AI voice bot to point consumers to the correct organisation when they contact the FCA.

[FCA feedback statement: AI Live Testing](#)[FCA new webpage: AI approach](#)

- 2.4 Authorisation and registration applications - FCA highlights good practice and areas for improvement - 11 September 2025** - The FCA has published a webpage providing examples of good practice and potential areas for improvement for firms seeking to become FCA authorised or registered. These examples centre around three standards for firms to meet, which are that they have: (i) the staff with the appropriate skills, experience and capacity to provide the relevant financial service; (ii) robust policies in place that document their processes and procedures; and (iii) the financial resources in place that are appropriate for the nature and scale of their business.

Points of interest include that the FCA has seen firms failing to demonstrate how individuals with multiple responsibilities will allocate their time to fulfil their roles competently, and not consider all of the likely customer scenarios when designing their systems and controls.

[FCA: Authorisation and registration applications: good practice and areas for improvement](#)

3 EUROPEAN SUPERVISORY AUTHORITIES

- 3.1 PAI disclosures under SFDR - ESA publish annual report - 9 September 2025** - The Joint Committee of the European Supervisory Authorities (ESAs, made up of the European Banking Authority, the European Insurance and Occupational Pensions Authority, and the European Securities and Markets Authority) has published its fourth annual report (JC 2025 26) on principal adverse impact (PAI) disclosures under the Sustainable Finance Disclosure Regulation ((EU) 2019/2088) (SFDR). PAI disclosures aim to show the negative impact of financial institutions' investments on the environment and people, and the actions taken by asset managers, insurers, investment firms, banks and pension funds to mitigate them.

The ESAs have observed a steady improvement in the quality of the PAI voluntary disclosures at both entity and product level. A full list of the good and below average disclosure practices identified by the ESAs can be found in the annex of the report. The ESAs once again recommend a reduced report frequency under Article 18 of the SFDR from annually to every two or three years, to allow for more meaningful analysis.

[Annual Report \(JC 2025 26\)](#)[Press Release](#)

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BANKING AND FINANCE //

4 EUROPEAN COMMISSION

- 4.1 Payment Accounts Directive - European Commission publishes second report on assembling payment account related data - 11 September 2025** - The European Commission has published its second report on the assembling of specific payment account related data from member states, as required by article 27 of the Payment Accounts Directive (2014/92/EU) (PAD).

The report confirms that the main PAD measures on transparency and comparability, the switching service and the right to a payment account with basic features, are generally in place. However, the differences in member states' data collection methods and the persistence of significant data gaps make it difficult to draw firm conclusions about the extent of the benefits that the introduction of PAD has given European consumers.

The Commission will now follow up the findings of the report, discuss them with member states and explore whether further actions could be beneficial, including at member state level.

[Report from the Commission assembling specific payment account related data from Member States as required by Article 27 of the Directive 2014/92/EU \(PAD\)](#)

5 HM TREASURY

- 5.1 Integrating the PSR into the FCA - HM Treasury publishes consultation paper - 8 September 2025** - HM Treasury has published a consultation paper on its proposed approach to delivering a more streamlined regulatory environment for payment systems by integrating the functions of the Payment Systems Regulator (PSR) entirely within the FCA. This will see the FCA take on the PSR's responsibilities, including for promoting competition and innovation in payment systems and the services provided by payment systems, as well as supporting the interests of consumers and businesses who make payments every day.

In broad terms, the government is proposing to integrate the PSR's functions within the FCA's current framework in the Financial Services and Markets Act 2000 (FSMA), to the extent this is practicable. Where this is not practicable, the government expects the relevant functions would be set out in a new part of FSMA. The FCA would have powers and objectives for when it acts in relation to payment systems that are broadly equivalent in scope and substance to what the PSR currently has.

The consultation paper proposes that the transfer of the PSR's functions to the FCA will not result in new categories of persons being brought in scope of payment systems regulation. Furthermore, the government does not consider it appropriate to apply FSMA-style conduct and prudential regulation based on an authorisations process to payment systems or participants in payment systems who are not regulated in this way today. Instead, the government considers it preferable to retain the approach used in the current framework of designating payment systems because it facilitates more targeted regulation, and all designated payment systems that are

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regulated by the PSR today would be transferred over to the FCA's oversight. As such, there will be no new regulated activity created in connection with payment systems regulation.

For completeness, the roles and responsibilities of the Bank of England and the PRA in relation to payments would not change in the new regulatory framework. The consultation closes on 20 October 2025, and HM Treasury plans to bring forward legislation to implement its final policy when Parliamentary time allows.

[HM Treasury consultation: A streamlined approach to payment system regulation](#)

[Webpage](#)

SECURITIES AND MARKETS //

6 EUROPEAN PARLIAMENT

- 6.1 **CSDR - European Parliament adopts proposed regulation to shorten settlement cycle - 10 September 2025** - The European Parliament has voted to adopt a proposed Regulation to shorten the settlement period for EU transactions in transferable securities through amendments to the Central Securities Depositories Regulation (909/2014) (CSDR) (2025/0022 (COD)).

The next step is for the Council to adopt the proposed Regulation. The proposed Regulation will enter into force following its adoption on the 20th day following its publication in the Official Journal of the European Union, and will apply from 11 October 2027.

[Proposed regulation on shortened settlement cycle under CSDR \(2025/0022 \(COD\)\)](#)

INSURANCE //

7 OFFICIAL JOURNAL OF THE EUROPEAN UNION

- 7.1 **Solvency II - Commission Implementing Regulation published in OJEU - 10 September 2025** - Commission Implementing Regulation (EU) 2025/1794, which sets out technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 June 2025 until 29 September 2025 in accordance with the Solvency II Directive (2009/138/EC), has been published in the Official Journal of the European Union.

The Implementing Regulation, which was adopted on 8 September 2025, entered into force on 10 September 2025. It has applied since 30 June 2025.

[Commission Implementing Regulation \(EU\) 2025/1794](#)

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FINANCIAL CRIME //

8 FINANCIAL CONDUCT AUTHORITY

- 8.1 Market abuse risks at corporate finance firms - FCA publishes Market Watch - 8 September 2025** - The FCA has published issue 83 of Market Watch in which it discusses its observations following a series of reviews of corporate finance firms, focusing on their systems and controls for handling inside information about their corporate clients.

The FCA identified a number of concerns relating to market sounding practices. These included Disclosing Market Participants (DMPs) extending their market soundings to a relatively large number of Market Sounding Recipients (MSRs) without a process for considering the appropriateness or the number of MSRs contacted, and a specific risk of unlawful disclosure after the DMP has received consent from the gatekeeper to undertake a sounding. The FCA further highlighted that smaller firms seemed to be more susceptible to organisational and cultural factors that can present specific compliance risks, and flagged concerns regarding breaches of personal account dealing policies.

The FCA states that its observations will help firms benchmark their systems and controls, and consider whether their own arrangements align with the standards expected.

[Market Watch 83](#)

9 THE WOLFSBERG GROUP

- 9.1 Provision of banking services to stablecoin issuers - Wolfsberg Group publishes guidance - 8 September 2025** - The Wolfsberg Group has published guidance on the provision of banking services to fiat-backed stablecoin issuers, setting out a framework for managing the financial crime risks involved. The guidance represents the collective view of 12 member banks on the appropriate financial crime risk framework for providing operating accounts, reserve management and client settlement to a fiat-backed stablecoin issuer.

[The Wolfsberg Group: Guidance on provision of banking services to stablecoin issuers](#)

[Webpage](#)

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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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