

# 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 also produces a periodical Insurance Newsletter. If you would like to go on the distribution list, please contact: [Beth Dobson](#).

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## GENERAL //

### 1 EUROPEAN COMMISSION

- 1.1 Preparedness in the EU financial sector - European Commission publishes report - 10 March 2026** - The European Commission has published a report addressed to the Council of the EU and the European Parliament on the preparedness in the EU financial sector. The report assesses the sector's capacity to continue to carry out its critical functions, including making payments and funding the economy, under all circumstances.

The report states that at EU level preparedness in the financial sector has improved over the past few years through legislative measures and by creating governance structures at EU level. Stress testing is also flagged as a key aspect of preparedness, forcing institutions and providers to improve risk management, boost capital buffers and refine strategic planning.

The report concludes by underlining the continued importance of assessing the level of preparedness of the EU financial sector given the unprecedented threats and the more uncertain geopolitical environment that the EU faces. Going forward, the development of the Savings and Investment Union and the introduction of the digital euro is expected to improve the overall resilience of the EU financial sector.

[European Commission report: Preparedness in the EU financial sector](#)

### 2 FINANCIAL CONDUCT AUTHORITY

- 2.1 Aligning CASS with the new cryptoassets regime - FCA publishes Quarterly Consultation Paper No.51 - 6 March 2026** - The FCA has published Quarterly Consultation Paper No. 51 (CP26/8), which proposes a range of miscellaneous amendments to the FCA Handbook for feedback. These include consequential amendments to the Client Assets Sourcebook (CASS) following FCA proposals to expand on the definition of 'designated investment business' to capture specified qualifying cryptoasset activities (see FCA consultation papers CP25/25 and CP26/4, published in September 2025 and January 2026 respectively). The amendments aim to clarify how CASS rules apply to cryptoasset firms, and to avoid overlap with the wider crypto regime.

Other amendments include: (i) increasing the clearing threshold for commodity derivatives under the retained EU law version of EMIR (648/2012) (UK EMIR) to EUR 5 billion to ensure it remains appropriate in a market with higher commodity prices, and (ii) aligning the scope of the prohibition on distributions on instruments in a form other than cash or own funds instruments for FCA investment firms with the current prohibition in Article 73 of the retained EU law version of the Capital Requirements Regulation (575/2013) (UK CRR). This ensures that existing capital instruments continue to qualify as own funds.

The deadline for comments spans from 13 April 2026 to 23 March 2026 depending on the amendment under consideration. The deadline for comments on the amendments to CASS related to cryptoasset activities is 13 April 2026.

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## BANKING AND FINANCE //

### 3 COUNCIL OF THE EUROPEAN UNION

- 3.1 **CMDI proposals - Council adopts first reading positions for amendments of BRRD, SRM Regulation and Deposit Guarantee Schemes Directive - 5 March 2026** - The Council of the European Union has adopted its positions at first reading on the legislative proposals for amendments to the Bank Recovery and Resolution Directive (2014/59/EU) (BRRD), the Single Resolution Mechanism (SRM) Regulation (806/2014) and the Deposit Guarantee Schemes Directive (2014/49/EU) (DGSD), together with statements of the Council's reasons.

The proposed reforms were first published by the European Commission in April 2023, and relate to the Commission's review of the EU bank crisis management and deposit insurance (CMDI) framework. They seek to improve the resolution process for small and medium-sized banks by giving them access to industry-funded safety nets as an additional resolution-financing tool.

The Commission also published communications to the European Parliament confirming that it accepts the Council's positions. The European Parliament is scheduled to consider these proposals during its plenary session to be held on 25 and 26 March 2026.

[Position of the Council at first reading with a view to the adoption of a Directive amending BRRD \(15445/1/25\)](#)

[Position of the Council at first reading with a view to the adoption of a Directive amending SRM Regulation \(15389/1/25\)](#)

[Position of the Council at first reading with a view to the adoption of a Directive amending DGSD \(15484/1/25\)](#)

### 4 HOUSE OF COMMONS TREASURY COMMITTEE

- 4.1 **PSR powers and supervisory functions - Treasury Committee publishes correspondence - 10 March 2026** - The House of Commons Treasury Committee (the Committee) has published a letter received from David Geale, Managing Director of the Payment Systems Regulator (PSR), providing information following an oral evidence session held on 4 February 2026. Of particular interest, Geale states that the PSR is:

- not seeking broad new powers as it works with the FCA and HM Treasury to consider how a new legislative framework can support effective integration of the PSR and FCA regimes. However, legislative changes such as simplifying access arrangements and enhancing appeals and enforcement mechanisms for information gathering notices could support a more coherent and effective regulatory system; and

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- currently considering how best to refine and communicate its supervisory approach in light of the planned consolidation of the PSR into the FCA. Its aim is to ensure that any future approach is coherent, proportionate and aligns, where appropriate, with the FCA's established supervisory practices, while continuing to reflect the PSR's distinct responsibilities as the economic regulator of payment systems.

**PSR correspondence****House of Commons Treasury Committee Correspondence****5 FINANCIAL CONDUCT AUTHORITY**

- 5.1 Second charge mortgages - FCA publishes review findings - 12 March 2026** - The FCA has published the findings of its review into second charge mortgage intermediaries and lenders. The review assessed the quality of advice given to consumers, how brokers and lenders assess affordability, and the fees and charges applied to consumers. A sample of 40% of second charge advice firms and around 50% of second charge lenders was used for the review.

The FCA found examples of good practice across both intermediaries and lenders, including around gathering and assessing detailed customer information, evidence of discussions around planned retirement age and innovative use of technology aimed at improving customer outcomes. The FCA also states, however, that it was disappointed to find evidence of some poor practices that can create a risk of poor customer outcomes. Among other things, the FCA found that:

- standards of advice, particularly for debt consolidation, could be improved;
- affordability assessments could be more robust; and
- intermediary fees were higher than for first charge mortgages, and hard to compare.

The FCA is communicating directly with the firms included in the review regarding remedial action which it expects to be taken, and is calling on all second charge mortgage firms to take appropriate action. The FCA is also considering policy changes in its rulebook to further support good outcomes for customers consolidating debt, such as through its work on protecting vulnerable customers in the Mortgage Rules Review.

**FCA review: Second charge mortgages****Press release**

- 5.2 Regulatory Priorities for mortgages - FCA publishes report - 12 March 2026** - The FCA has published a new 'Regulatory Priorities' report - these are reports which replace the FCA's former portfolio letters and act as a 'one-stop shop' for industry - covering the mortgage sector. The priorities outlined in the report, underpinned by the consumer duty, include:

- improving consumer outcomes under the FCA's Mortgage Rule Review;

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- encouraging responsible lending and supporting mortgage borrowers in financial difficulty; and
- ensuring the quality of advice, where the FCA wants to see advisers in intermediary firms and lenders recommending products that are suitable for consumers' needs.

#### [FCA regulatory priorities: Mortgages](#)

##### [Webpage](#)

**5.3 Regulatory Priorities for retail banking - FCA publishes report - 12 March 2026** - The FCA has published a new 'Regulatory Priorities' report - which replace the FCA's portfolio letters and act as a 'one-stop shop' for industry - covering the retail banking sector. The priorities outlined in the report include:

- ensuring access to cash and essential banking services, including monitoring designated firms to make sure gaps in access to cash are filled quickly;
- ensuring good outcomes from products and services, with a focus on improving firms' data management so that they can see areas where further action is needed;
- fighting fraud and other financial crime; and
- operational resilience and data security.

#### [FCA regulatory priorities: Retail banking](#)

##### [Webpage](#)

## SECURITIES AND MARKETS //

### 6 EUROPEAN SECURITIES AND MARKETS AUTHORITY

**6.1 MiFID II - ESMA publishes report on call for evidence on the retail investor journey - 12 March 2026** - The European Securities and Markets Authority (ESMA) published a report on the responses received in its call for evidence on key aspects of the retail investor journey. This call for evidence had a particular focus on the Markets in Financial Instruments Directive 2014/65/EU (MiFID II) regulatory requirements that impact retail investors when engaging with capital markets. ESMA was particularly interested in whether these requirements effectively support investor protection while also ensuring accessibility and ease of engagement.

ESMA states that the responses show that there is no single key obstacle in the investor journey and, instead, multiple factors, of regulatory and non-regulatory nature, together may create barriers for people to start investing. Non-regulatory barriers identified included lack of financial literacy, and cultural and behavioural factors (particularly risk aversion and the consequential preference for bank deposits). Respondents also highlighted the limited effectiveness of disclosures owing to their volume, complexity, fragmentation and technical language. The report also considers the appeal of speculative and volatile investments among young investors.

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ESMA has identified three areas where it will take action and introduce operational improvements, as follows:

- streamlining disclosure requirements and tackling information overload for investors;
- reducing complexity in suitability and appropriateness assessments; and
- simplifying MiFID II requirements on sustainability preferences.

The report will guide ESMA's future technical advice on MiFID II delegated acts and potential updates to its guidelines.

[ESMA report on call for evidence: The retail investor journey: understanding retail participation in capital markets \(ESMA35-243228190-7410\)](#)

[Press release](#)

## ASSET MANAGEMENT //

### 7 FINANCIAL CONDUCT AUTHORITY

**7.1 Regulatory Priorities for pensions - FCA publishes report - 10 March 2026** - The FCA has published a new 'Regulatory Priorities' report - these are reports which replace the FCA's former portfolio letters and act as a 'one-stop shop' for industry - covering the pensions sector. The priorities in the report are aimed at FCA regulated firms, meaning that they are primarily centred around the contract-based defined contribution (DC) market which accounts for £1.36 trillion of total assets in the pension market. The priorities outlined in the report include:

- ensuring well-run schemes that provide value for money to savers, including work to ensure savers will not remain in poorly performing workplace schemes;
- encouraging effective support for consumers, where low consumer understanding and engagement continues to be a challenge within the pensions market;
- supporting growth and innovation through proportionate regulation; and
- modernising pensions and long-term savings.

[FCA regulatory priorities: Pensions](#)

[Webpage](#)

## FINANCIAL CRIME //

### 8 HOME OFFICE

**8.1 Fraud Strategy 2026-2029 - published by the Home Office - 9 March 2026** - The Home Office has published its Fraud Strategy for 2026-2029, entitled '*Disrupting crime, supporting economic resilience and delivering justice*' (the Strategy). The Strategy introduces a new system-wide

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approach made up of three pillars: (i) ‘disrupt’, focused on earlier intervention and disrupting the tools, methods, systems and vulnerabilities exploited by criminals, making it harder for them to commit all forms of fraud; (ii) ‘safeguard’, focused on strengthening resilience so fraud can be detected and repelled before harm occurs; and (iii) ‘respond’, promoting a coordinated, victim-centred response which brings together reporting, victim support, reimbursement, criminal and civil justice.

Initiatives of interest for financial services firms under these pillars include:

- a government commitment of £31 million to launch the Online Crime Centre, set to begin operations in April 2026, which will bring together expertise from UK government, policing, the intelligence community and private sector partners from the financial, telecommunications, tech and cyber industries;
- the launch of a call for evidence focused on unauthorised fraud in 2026, where levels remain consistently high, but the underlying drivers are still unclear;
- HM Treasury will repeal the existing Strong Customer Authentication technical standards, allowing the FCA to incorporate key standards into its rules and adopt a more agile, outcomes-focused approach, as soon as Parliamentary time allows; and
- the introduction of a Fraud Victims Charter which will set out a minimum standard of care across all support providers, to ensure consistent victim support in Q2 2027.

Finally, the report announces that the government will invest over £250 million between 2026 and 2029 to deliver this strategy.

[Home Office Policy Paper: Fraud Strategy](#)

[Webpage](#)

## ENFORCEMENT //

### 9 PRUDENTIAL REGULATION AUTHORITY

- 9.1 **Miscalculation of Solvency II balance sheet - PRA publishes final notice and imposes financial penalty on insurer - 11 March 2026** - The PRA has published a final notice issued to UK Insurance Limited (UKI Limited), fining the firm £10,625,000 in connection with a miscalculation of their Solvency II balance sheet during 2023 and 2024. This resulted in UKI Limited overstating its solvency to the PRA and to the market. UKI Limited, is a subsidiary and principal underwriter of Direct Line Group (DLG), and now part of Aviva plc.

The PRA permitted UKI Limited to participate in the Early Account Scheme (EAS) and the firm made early admissions and agreed to resolve the matter, thereby qualifying for a 50% enhanced reduction in the amount of the financial penalty which otherwise would have been £21.25m. The case is a landmark enforcement action for the PRA as it is the first in which the EAS has been used. Sam Woods, Deputy Governor for Prudential Regulation and Chief Executive Officer of the

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PRA, said “*DLG and Aviva’s proactive engagement with the PRA, via the Early Account Scheme, shows how enforcement action can be more efficient when firms are open, candid and accept responsibility for failings at an early stage*”.

[Final notice](#)[Press release](#)

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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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