SLAUGHTER AND MAY

6 August 2026
ISSUE 1363

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.

Selected headlines

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General

1. EUROPEAN SUPERVISORY AUTHORITIES

1.1 **Mitigating ICT risks posed by frontier AI models - ESAs publish joint statement** - *31 July 2026* - The European Supervisory Authorities (ESAs) (that is, the EBA, EIOPA and ESMA) have published a joint statement on mitigating ICT risks emerging from the use of frontier AI models (that is, the most advanced AI models available or under development) (JC 2026 25). The statement calls on regulated firms to adjust their ICT risk management processes, procedures and controls accordingly. Among other things, it recommends the maintenance of comprehensive IT asset inventories and the application of secure-by-design principles to ensure that their systems have built-in safeguards. An Annex to the statement provides examples of recommended risk mitigation strategies that can be used by firms in their dialogue with ICT third-party service providers.

The statement takes into account existing regulatory requirements (such as the Digital Operational Resilience Act (DORA)), the European Commission's Action Plan on Cybersecurity and Artificial Intelligence, and the recent warning issued by the European Systemic Risk Board on systemic cyber risks (published on 7 July 2026 and previously reported in this Bulletin).

Statement

Webpage

Press release

2. FINANCIAL CONDUCT AUTHORITY

2.1 **Climate adaptation and resilience – FCA publishes new webpage** – *4 August 2026* – The FCA has published a new webpage on the impact of physical risks posed by climate change on the UK property insurance and mortgage markets. The FCA warns that, as physical climate risks grow in frequency and severity, they could affect firms' ability to operate, manage risk and deliver essential financial services, with direct consequences for consumers, market integrity and competition. The webpage sets out some of the key risks and makes several suggestions for what firms could be doing to mitigate them.

The FCA wants to work with firms to understand emerging risks and related challenges, as well as support their approaches to managing climate-related impacts.

FCA webpage: Climate adaptation and resilience

Banking and finance

3. EUROPEAN BANKING AUTHORITY

3.1 **Implementing the EU bank market risk framework - EBA publishes no-action letter and technical considerations** - *3 August 2026* - The European Banking Authority (EBA) has published a no-action letter (EBA/Op/2026/08) (also referred to as an opinion) on the boundary between the banking book and the trading book as well as technical clarifications related to the European Commission's Delegated Act modifying the calculation of own funds requirements for market risk based on the Fundamental Review of the Trading Book (FRTB) framework.

The Delegated Act was adopted by the European Commission on 4 June 2026 and would, upon entry into force, modify the calculation of own funds requirements for market risk from 1 January 2027. In its no-action letter, the EBA recommends that competent authorities do not prioritise supervisory or enforcement action in relation to the provisions of the FRTB framework governing the boundary between the banking book and the trading book and internal risk transfers between these books, as well as certain related reporting requirements. According to the press release, without these clarifications, firms applying the institution-specific multiplier that will be introduced by the Delegated Act would face significant operational complexities.

EBA opinion

EBA consideration on the application of the FRTB from 1 January 2027

Press Release

4. EUROPEAN CENTRAL BANK

4.1 **Geopolitical stress test – 2026 results published by the ECB** - *31 July 2026* - The European Central Bank (ECB) has published a report setting out the results of its 2026 geopolitical risk reverse stress test on certain banks in the Single Supervisory Mechanism.

The ECB found that participating banks were generally able to produce economically meaningful stress scenarios reflecting their individual vulnerabilities. However, the exercise also highlighted areas where further improvements are needed. These include the granularity and sensitivity of risk assessments, the consistency between scenario narratives and their translation into solvency and liquidity impacts, the realism of mitigating actions, particularly under systemic crisis situations caused by heightened geopolitical conditions, as well as the articulation of solvency-liquidity interactions in stress-testing frameworks.

The ECB states that any qualitative deficiencies may be considered in the governance part of the Supervisory Review and Evaluation Process and could therefore affect Pillar 2 requirements.

2026 SSM thematic stress test results

Press release

Securities and markets

5. EUROPEAN BANKING AUTHORITY

5.1 **Reporting framework for validation and monitoring of ISDA standard initial margin model - EBA consults –** *5 August 2026* **–** The EBA has published a consultation paper (EBA/CP/2026/16) on a new reporting framework to support the validation and ongoing monitoring of initial margin models (IMMs) based on the standard IMM (SIMM) developed by ISDA. The EBA has acted as the central validator of pro forma initial margin models under EMIR (648/2012) (as amended by EMIR 3 ((EU) 2024/2987)) since 1 March 2026 and is now proposing a standardised set of regular reporting requirements for counterparties seeking validation to use the ISDA SIMM. Reporting firms are asked to provide the relevant information on a recurring basis.

The EBA will finalise the reporting requirements and issue a decision that will be directly applicable. The first reference date for the reporting is expected to be December 2027, with submission in Q1 2028.

Comments can be made on the consultation until 2 November 2026.

EBA consultation paper: Reporting for the validation and monitoring of ISDA SIMM

Webpage

Press release

6. EUROPEAN SUPERVISORY AUTHORITIES

6.1 **Initial margin requirements under EMIR – ESAs publish final report on amending RTS** – *31 July 2026* - The European Supervisory Authorities (ESAs) have published a joint final report (ESA 2026 07) on draft regulatory technical standards (RTS) amending Commission Delegated Regulation (EU) 2016/2251 proposing to simplify bilateral margin requirements under EMIR (648/2012). The proposed amendments aim to simplify the bilateral margin framework for counterparties that are subject to initial margin requirements and that fall below the €8 billion threshold for exchanging initial margin. They are intended to facilitate the phase-out of initial margin requirements for these counterparties.

As it stands, counterparties that are below the threshold are exempt from exchanging initial margin for new uncleared over-the-counter (OTC) derivative contracts but continue to exchange initial margin for existing contracts. With the proposed amendments, counterparties would no longer be required to exchange initial margin for either new or existing contracts if they are below the threshold.

The ESAs have submitted the final report and draft RTS to the European Commission for endorsement.

Final Report (ESA 2026 07)

Press release

7. FINANCIAL CONDUCT AUTHORITY

7.1 **UK equity market transparency reforms - FCA consults** - *31 July 2026* - The FCA has published a package of reforms that are designed to improve transparency and support confidence in UK equity markets. The package includes a consultation paper on market transparency and market structure developments (CP26/30) which is intended to build on CP25/20, published in July 2025. As explained in the earlier consultation, UK equity markets have evolved significantly over the past decade, driven primarily by technological and product innovation and changes in the way investors access liquidity. In particular, overall secondary market trading activity has increased but has also become more dispersed across different execution mechanisms.

CP26/30 contains several targeted proposals, including a suggested extension of the exclusion from post-trade transparency for non-price forming OTC transactions to equivalent transactions reported to trading venues. The proposals would strengthen the rules on back-reporting and amend the reference price waiver (to encourage wider use by enabling trading venues to integrate mid-point dark orders within transparent limit order books). Furthermore, the transparency regime for equity systematic internalisers (SIs) would be simplified. CP26/30 closes to comments on 16 October 2026.

The FCA has published a policy statement on the framework for a UK equity consolidated tape (CT) which is intended to be read alongside CP26/30. This includes a consultation on draft rules for the inclusion of SI quotes in the equity CT and a call for input on the FCA's contract with the equity consolidated tape provider (CTP) (CP26/31). The equity CT will include both post-trade data and the first level of pre-trade data (the attributed best bid and offer).

As an interim step before the equity CT goes live, the FCA has launched a market activity publication tool: the market activity reporter for shares. This tool will stay in place until the equity CT is launched.

Press release

Consultation Paper (CP26/30)

Webpage

Policy Statement for the framework for a UK equity consolidated tape (CT) and next steps for delivery (CP26/31)

Webpage

7.2 UK transaction reporting regime – FCA consults - *3 August 2026* – The FCA has published a policy statement (PS26/15) on new transaction reporting rules that will replace and restate retained EU law derived from the Markets in Financial Instruments Regulation (600/2014) (MiFIR). The policy statement follows proposals made in CP25/32, published in November 2025, as previously reported in this Bulletin. The FCA is proceeding with some proposals as consulted on but has made targeted adjustments and clarified points in others.

More specifically, the FCA has reduced the number of transaction reporting fields and removed reporting obligations for seven million financial instruments that are only tradeable on EU trading venues. It has also removed foreign exchange derivatives from the scope of reporting requirements and reduced the default back reporting period from five to three years.

The new rules will come into force on 3 April 2028. The FCA intends to publish a draft schema, validation rules and new guidelines for consultation in October 2026.

Policy Statement (PS26/15)

Updated Webpage

Press Release

7.3 Changes to information flows for UK equity IPOs – FCA publishes policy statement – *5 August 2026* – The FCA has published Policy Statement PS26/16 setting out final rules amending the requirements on information flows during UK equity initial public offerings (IPOs). The policy statement responds to feedback on Consultation Paper CP26/14 and confirms that the FCA will implement its proposals as consulted on.

The FCA will remove the seven-day waiting period between the publication of an approved prospectus or registration document and connected research (where there is no joint unconnected and connected analyst briefing) and the one-day waiting period (where there is a joint briefing). The rules in COBS 11A.1.4BR to COBS 11A.1.4ER (which required syndicate banks intending to publish connected IPO research to share the same information with a range of unconnected analysts as they did with their own research analysts) will be removed. The FCA is also making a technical correction to COBS 12.2.21R.

The changes came into effect on 5 August 2026. The FCA has committed to, and welcomes further input on, reviewing the rules and identifying opportunities to encourage research coverage of UK IPOs.

FCA policy statement: Changes to information flows for UK equity IPOs

FCA handbook instrument: Changes to information flows for UK equity IPOs instrument 2026 (FCA 2026/53)

Webpage

Press release

8. PAYMENT SYSTEMS REGULATOR

8.1 **Card scheme and processing fees – PSR publishes policy statement on directions** - *30 July 2026* - The Payment Systems Regulator (PSR) has published a policy statement (PS26/1) setting out its final directions to Mastercard and Visa (the firms) implementing two remedies arising from the PSR's market review of card scheme and processing fees. Specific direction 22 will require the firms to provide acquirers with clearer information on existing fees and on new or modified fees at least six months before implementation; Specific direction 23 will require them to pay due regard to service users' interests when making relevant pricing decisions.

Both directions came into force on 30 July 2026. The remedy on pricing governance will take effect within four months. The requirements to provide clearer information to acquirers will be implemented over 12 months, reflecting the need for operational changes. The PSR has confirmed that it is also progressing work on a measure that will require the firms to report on the financial performance of their UK card businesses.

Policy statement (PS26/1)

Updated webpage

Press release

Enforcement

9. RECENT CASES

9.1 ***Alec Finch and Robert Finch v The Financial Conduct Authority [2026] UKUT 00217 (TCC) (UT/2025/000072)*** - *5 August 2026* - The Upper Tribunal (Tax and Chancery Chamber) has dismissed (on 12 June 2026) applications by Alec Finch and Robert Finch (the individuals) to prevent the publication of decision notices issued to them by the FCA on 4 July 2025. The FCA had decided to ban the individuals from UK financial services after the High Court found that they had engaged in fraud and misused client money. The FCA concluded that each individual had failed to act with integrity in breach of the Statement of Principle 1 and was therefore not a fit and proper person.

The Tribunal (Judge Mark Baldwin) referred to section 391 of the Financial Services and Markets Act 2000 which gives rise to a presumption in favour of publication of decision notices, reflecting the open justice principle. For their applications to succeed, the individuals would have had to "establish by cogent evidence that publication of the Decision Notices would cause serious harm or have another result which would otherwise make it unfair to publish.... The embarrassment to an applicant that could result from publicity, in particular that it might lead to people asking questions or voicing criticisms which the applicant would rather not answer, would not amount to unfairness."

The substantive hearing is scheduled for 7-8 September 2026.

Upper Tribunal decision: Alec Finch and Robert Finch v The Financial Conduct Authority [2026] UKUT 00217 (TCC)

Webpage

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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