

## INTERNATIONAL REGULATORY UPDATE 21 – 25 JULY 2025

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### CRR: EU Commission consults on prudential treatment of equity exposures

The EU Commission has launched a [targeted consultation](#) on the prudential treatment of investment in equities by banks under legislative programmes in the Capital Requirements Regulation (CRR).

These legislative programmes provide both public and private financing to businesses operating in specific sectors of the economy. Banks authorised to invest in equity under qualifying legislative programmes benefit from favourable prudential treatment for the calculation of their capital requirements.

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The Commission is proposing guidance to ensure that rules on legislative programmes under the CRR are applied consistently in the Single Market, promote broader use of these programmes and ultimately increase equity investments, while preserving the soundness of investing banks. The guidance would also cover the conditions under which equity exposures would be eligible, including the presence of significant public subsidies or guarantees, and oversight by public authorities.

Comments are due by 8 September 2025.

### **EU Commission consults on draft Delegated Regulation on benchmark administrator fees**

The EU Commission has launched a [consultation](#) on a draft Delegated Regulation amending Delegated Regulation (EU) 2022/805 as regards fees for the supervision by the European Securities and Markets Authority (ESMA) of benchmark administrators endorsing third-country benchmarks.

Regulation (EU) 2025/914 amended the scope of the Benchmarks Regulation ((EU) 2016/1011) and tasked ESMA with supervising EU benchmark administrators that endorse third-country benchmarks. This comes in addition to recognised third-country benchmark administrators, which ESMA has supervised since 2022.

The draft Delegated Regulation updates Delegated Regulation (EU) 2022/805 to include supervisory fees for EU administrators that endorse third-country benchmarks.

Comments are due by 15 August 2025. The Commission expects to adopt the Delegated Regulation in Q3 2025.

### **EBA publishes report on direct provision of banking services from third countries**

The European Banking Authority (EBA) has published a [report](#) on the direct provision of banking services from third countries.

The report has been prepared under Article 21c(6) of the Capital Requirements Directive (CRD6) and considers the case for extending the possibility for third country undertakings to provide core banking services directly from third countries without a branch in the EU not only to EU credit institutions, but to any EU financial sector entity.

According to the EBA, the quantitative and qualitative analysis it carried out did not provide evidence to recommend amending Article 21c, which identifies how core banking services should be provided in a Member State. However, the EBA has suggested that a clarification of the interaction between Article 21c and the Undertakings for the Collective Investment in Transferable Securities (UCITS) Directive and the Alternative Investment Fund Managers Directive (AIFMD) could be beneficial to authorities and market participants, in particular in relation to those provisions entitling EU financial sector entities to receive core banking services for their ongoing operability in third countries in accordance with their business model.

## **ECB updates its policies on options and discretions in EU law**

The European Central Bank (ECB) has updated the [policies](#) outlining how it exercises options and discretions when supervising banks, following a public consultation which ended on 24 January 2025.

The updated policies clarify how the ECB exercises the options and discretions introduced by the CRR3/CRD6 package and also reflect other supervisory developments that have occurred since the ECB last updated its policies on options and discretions in 2022.

In light of the consultation feedback, the ECB has made some amendments relating to how it grants permissions to banks concerning how they calculate capital requirements for operational and market risks, and to whether minority interests in subsidiaries can be included in the capital of a banking group.

The updated policies also clarify how the Danish Compromise, which allows banks, in certain circumstances, to risk-weight their investments in insurance subsidiaries instead of deducting them from their capital, should be applied in the Banking Union. Banks risk-weighting their investments in an insurance subsidiary should risk-weight all the own funds instruments they hold in that subsidiary and not only core equity instruments. The ECB will grant a one-year transition period to all affected banks.

## **Mortgage Rule Review: FCA publishes policy statement on simpler rules and increased flexibility**

The Financial Conduct Authority (FCA) has released a policy statement ([PS25/11](#)) providing feedback on its May 2025 consultation paper (CP25/11) on simplifying responsible lending and advice rules for mortgages and setting out its final rules, which are intended to make it easier, faster and cheaper for consumers to make certain changes to their mortgage and engage with their provider.

In particular, the changes set out in PS25/11 are intended to make it easier to:

- remortgage with a new lender;
- reduce the overall cost of borrowing through term reductions; and
- discuss options with a firm, whilst still having the option to seek advice if needed.

The rule and guidance changes came into effect on 22 July 2025.

In June 2025, the FCA launched a separate public discussion paper (DP25/2) on the future of the mortgage market to consider what the market needs to deliver for different consumers at different stages of their lives and for the wider UK economy, and the role of regulation to deliver it.

Comments on DP25/2 are due by 19 September 2025.

## **National Security and Investment Act 2021: UK Government consults on Notifiable Acquisition Regulations**

The Cabinet Office has launched a [consultation](#) on proposed changes to the National Security and Investment Act (Notifiable Acquisition) (Specification of Qualifying Entities) Regulations 2021 to update the sectors of the economy

subject to greater scrutiny under the National Security and Investment Act 2021.

In particular, the Government is consulting on:

- creating new standalone mandatory areas already covered in the regulations – critical minerals and semiconductors;
- making updates to some areas that would otherwise go out of date – advanced materials, AI, communications, critical suppliers to Government, data infrastructure, energy, suppliers to the emergency services, and synthetic biology; and
- introducing a new area to be covered by mandatory notification – water.

Comments are due by 14 October 2025.

In addition, the Government has announced plans to ease the burden on businesses by no longer requiring mandatory notifications for certain types of internal reorganisations or appointing liquidators, special administrators and official receivers.

The Cabinet Office has also published its National Security and Investment Act Annual Report, setting out the Investment Security Unit's activity between 2024-2025.

## **HM Treasury publishes National Risk Assessment of Money Laundering and Terrorist Financing 2025 and responds to consultation on MLRs**

HM Treasury (HMT) has published its [National Risk Assessment of Money Laundering and Terrorist Financing 2025](#) (NRA) and its response to its March 2024 consultation on improving the effectiveness of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) (MLRs).

The NRA sets out the key money laundering and terrorist financing risks for the UK, how these risks have changed and actions that have been taken since the previous risk assessment was published in 2020. The key changes identified include:

- increased global instability, leading to increased convergence between money laundering and sanctions evasion;
- the adoption of new financial technologies, including electronic money institutions, cryptoassets and AI; and
- the increased risk from informal value transfer systems (IVTS) such as underground banking and Hawala.

The [consultation response](#) confirms that the Government will proceed with the proposals outlined in the March 2024 consultation. These include:

- extending the trust registration service (TRS) trust data rules to non-UK express trusts with no UK trustees that have acquired UK land, and the registration requirement to these trusts where the UK land was acquired before 6 October 2020;
- introducing a common registration deadline for trusts associated with an estate, by excluding co-ownership property trusts and trusts created by deed of variation from registration for two years from death; and

- introducing a *de minimis* exemption for certain trusts currently required to register on the TRS. The *de minimis* exemption will not be retrospective and will only apply to new trusts created on or after the date that the exemption comes into force.

HMT will publish a draft statutory instrument later in 2025, before laying it in Parliament.

## **Berne Financial Services Agreement: FCA invites UK and Swiss firms to register to provide cross-border services**

The FCA [has invited](#) UK and Swiss firms to submit their interest in providing cross-border services as part of the Berne Financial Services Agreement (BFSA).

The BFSA is intended to make it easier for UK and Swiss firms to do business in each other's country from 2026. It uses outcomes-based mutual recognition to enable firms to take part in cross-border trade in financial services to wholesale and sophisticated clients.

Under the treaty, UK insurance companies will be able to provide wholesale insurance services into the Swiss domestic market without requiring Swiss authorisation. Swiss firms will also be able to provide investment services to UK high net worth clients, professional clients and eligible counterparties, without requiring authorisation in the UK.

Eligible firms will need to be authorised to supply their services in their domestic market and placed on the relevant BFSA register.

## **The OTC Derivatives Risk Mitigation and Central Counterparties (Equivalence) (Switzerland) Regulations 2025 made and laid**

The OTC Derivatives Risk Mitigation and Central Counterparties (Equivalence) (Switzerland) Regulations 2025 ([SI 2025/898](#)) have been made and laid before Parliament.

The Regulations set out HM Treasury's determinations that Switzerland's regulatory and supervisory regimes for risk mitigation for over-the-counter (OTC) derivative contracts and for central counterparties (CCPs) are equivalent to the UK regime under the UK European Market Infrastructure Regulation (UK EMIR). Among other things, the Regulations:

- enable UK firms transacting with Swiss counterparties to meet UK risk mitigation standards for OTC derivative contracts by relying on Swiss risk mitigation standards;
- enable Swiss CCPs to provide clearing services to UK clearing members and trading venues without needing to comply with UK authorisation and prudential measures, subject to recognition of individual Swiss CCPs by the Bank of England (BoE); and
- implement the commitments made under the Berne Financial Services Agreement.

The Regulations come into force on 1 January 2026.



## **Draft Financial Services and Markets Act 2023 (Mutual Recognition Agreement) (Switzerland) Regulations 2025 published**

HM Treasury has published the [draft Financial Services and Markets Act 2023 \(Mutual Recognition Agreement\) \(Switzerland\) Regulations 2025](#).

The draft Regulations amend UK legislation to implement the commitments made under the Berne Financial Services Agreement. Specifically, the Regulations will:

- enable Swiss investment services firms to supply cross-border services to certain UK clients including sophisticated high net worth individuals;
- require the BoE, FCA and Prudential Regulation Authority (PRA) to support the effective functioning of the BFSA and support HM Treasury in meeting the UK's obligations under it; and
- grant the FCA and PRA new powers and duties to manage risks stemming from Swiss investment services firms supplying into UK and ensure an orderly wind-down of these firms' activities if the BFSA is terminated.

The Regulations would come into force on 1 January 2026.

## **HKMA provides updates on Phase 2 of mandatory reference checking scheme**

The Hong Kong Monetary Authority (HKMA) has published a [circular](#) on Phase 2 of the mandatory reference checking (MRC) scheme which is intended to address the 'rolling bad apples' phenomenon in the banking sector.

Following the launch of Phase 1 in May 2023, covering senior positions in authorised institutions (AIs), the HKMA has been monitoring the implementation of the MRC scheme and has undertaken a post-implementation review with industry associations, which concluded that Phase 1 of the scheme has been running smoothly and there is strong industry support to move forward to the next phase.

The HKMA notes that Phase 2, to be implemented on 30 September 2025, will cover a substantially wider scope of staff members, including those who are licensed or registered to carry on securities, insurance or Mandatory Provident Fund regulated activities. The major refinements introduced in Phase 2 of the MRC scheme are intended to provide clarity to AIs on a number of areas with practical examples to assist them in discharging their reporting obligations.

Whilst the MRC scheme is not introduced as a supervisory requirement, the HKMA attaches great importance to its effective implementation. In particular, the HKMA considers that repeated failures of an AI to adhere to the requirements of the MRC scheme may indicate potential weaknesses with its governance arrangements or internal controls and procedures.

The circular supersedes the HKMA circular issued on 5 May 2022 on the MRC scheme.

## HKMA publishes revised SPM module on validating risk rating systems under IRB approach

The HKMA has published its [revised supervisory policy manual \(SPM\) module](#) 'CA-G-4: Validating Risk Rating Systems under the IRB approach' as a statutory guideline under section 7(3) of the Banking Ordinance.

The revisions in the SPM module CA-G-4 primarily reflect the latest guidance issued by the Basel Committee on Banking Supervision on the use of the internal ratings-based (IRB) approach for calculating capital charge for credit risk exposures. The revised SPM module also incorporates updates to the HKMA's supervisory expectations for authorised institutions (AIs) using the IRB approach.

Unlike the standardised (credit risk) approach (STC approach), the IRB approach provides a framework under which AIs meeting the relevant requirements will be allowed to use a more risk-sensitive method to calculate the capital charge for their credit risk exposures. The HKMA anticipates that AIs with prudent and robust credit risk management will likely benefit from adopting the IRB approach.

With the implementation of the Basel III final reform package (B3F) from 1 January 2025, AIs are no longer required to meet the minimum IRB coverage ratio. This allows greater flexibility for AIs in using a combination of the STC and IRB approaches to calculate their credit risk capital charge having regard to their circumstances, such as practicality and data limitation. This flexibility also applies to AIs which have been approved for using the IRB approach prior to the B3F implementation, provided they satisfy the relevant requirements.

The revised SPM module CA-G-4 is effective from 18 July 2025.

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

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