

POLICY AND REGULATORY NETWORK MEETING

DATE: WEDNESDAY 25 FEBRUARY 2026, 16:00 – 17:30

VENUE: A&O SHEARMAN (ONE BISHOPS SQUARE, LONDON, E1 6AD)

AGENDA / SUMMARY

ATTENDEES

Latham & Watkins	Rob Moulton	AFB Members	Annex 1
Simmons & Simmons	Alex Ainley/Charlotte Rendel	AFB Representatives	Annex 2
A&O Shearman	Bob Penn/Kirsty Taylor		

SECTION A – GENERAL

1. **Intro/AFB Competition Law Guidance (attached to email)**
2. **Draft Minutes of last PRN Meeting held on 2 December 2025 (attached to email, and [here](#))**
3. **Overview of AFB Policy Initiatives as of 1 February 2025 (attached to email, and [here](#))**

SECTION B – ISSUES FOR DISCUSSION BY PRN MEMBERS

4. **PRA 2026 Priorities Letter – International Banks Supervision**

On 15 January, the PRA published its 2026 priorities ([here](#)) for international banks and designated firms, signed by Rebecca Jackson, Executive Director, ARTIS, and Alison Scott, Director, ARTIS. In the letter the PRA identified five priorities for international banks, as follows:

A. Strategic risk management

Senior managers and boards must ensure proportionate, adaptive, and robust risk management frameworks across the organisation. Counterparty credit risk remains a key supervisory focus, particularly as exposures to non-bank financial institutions and private markets grow amid data and aggregation challenges. The PRA acknowledges that banks have improved monitoring and stress testing, however, weaknesses persist, especially in monitoring intraday counterparty risks, and adapting to shifting global trade flows.

B. Operational Resilience

Following the PRA's review of firms' work to meet the 31 March 2025 deadline in SS1/21, it expects firms, where applicable, to improve their operational resilience testing, and for operational resilience to be an integral part of their decision making. Firms' senior managers and board should routinely consider

how strategic changes such as new products, IT upgrades, and outsourcing affect resilience. Measures should be proportionate and focused on important business services.

Cyber-attacks and geopolitical risks remain the most common sources of risks among financial institutions, and most challenging to manage. Firms will require robust capabilities to prevent breaches and detect attacks quickly, respond effectively and recover critical services within their impact tolerances. The growing reliance on a small number of third parties increases concentration risk, requiring firms to understand chains of dependency, maintain and test contingency and exit plans, and independently validate third-party resilience rather than relying solely on assurances.

C. Financial Resilience

Firms are expected to manage risks across a set of forward-looking liquidity and capital metrics, taking into account any changes to their business models or booking practices, using rigorous stress testing to evaluate their financial resilience. This is particularly important ahead of major UK capital reforms, with Basel 3.1 due to take effect on 1 January 2027.

In 2026, variable Pillar 2 requirements will be rebased, requiring timely, high-quality data submissions from firms and strong board oversight of risk-weighted asset calculations. ICAAPs approved in 2026 should assess the impact of Basel 3.1 or Strong and Simple, with ICAAPs from 2027 prepared on the new basis. Firms should also engage early with regulators on regulatory permissions, ensuring applications align with the forthcoming capital frameworks.

D. Data Risk

Data is fundamental to effective risk management, but persistent weaknesses in data quality continue to cause operational and prudential issues, especially as greater use of technologies such as AI increases reliance on accurate and well-governed data. Firms are expected to maintain strong data governance and controls to support sound decision-making, regulatory calculations, and resilience.

Despite some progress, challenges remain due to legacy systems, complex IT landscapes, and governance gaps. Firms should continue investing in data architecture and validation to ensure timely and accurate regulatory reporting. Regulators will maintain scrutiny, including specialist and skilled person reviews where weaknesses persist, to reinforce data quality as a core element of prudential resilience.

E. Facilitating competition, international competitiveness and growth

As well as working with firms to improve data quality, the PRA is looking to streamline and modernize its reporting requirements through the Future Banking Data (FBD) programme and will look to additional opportunities to support the competitiveness and growth of the UK economy. The PRA is also planning to commence the transition to a two-year Periodic Summary Meeting (PSM) cycle for all firms which remain on an annual cycle. Lastly, the PRA will continue to pursue a range of other initiatives to support the delivery of its secondary objective on competitiveness and growth. This will include accelerating timelines for reviewing Senior Manager applications, new firm authorisations and internal ratings based (IRB) model change pre-approval applications.

Rob Moulton (RM) set out the key updates to the PRA's supervisory approach. The PRA announced a transition to a two-year Periodic Summary Meeting (PSM) cycle. The PRA engage regularly with banks (particularly the largest banks) and so it is extending the PSM cycle to alleviate the administrative burden. The PRA's note on AI shows it has acknowledged the challenges involved with adopting new

technologies. Strategic Risk management and counterparty risk are key priorities for the PRA, as the collapse of Archegos still appears to be present in the PRA's thinking on how banks can tie together their view of risk across their own geographies or linked clients. The PRA also addressed Basel 3.1 Implementation and the workplan for the next couple of years. Lastly, the PRA covered data risk and the challenge of providing high quality and reliable data to the regulators. This is an ongoing challenge, as firms can use AI to make this process more efficient, but its effectiveness depends on the quality of the data entered.

A member asked how the PRA's supervision strategy compares with its enforcement strategy.

RM said that we have observed the PRA focuses more on supervision than enforcement, as enforcement is not as effective as supervision in promoting better compliance with the rules.

Giles French (GF) mentioned that although climate risk was not mentioned in the letter, the PRA has stated that it is still a priority. There is an assumption that firms have done what is required and the PRA promotes firms continuing with their progress. On geopolitical risk, the PRA has said that it doesn't want to know about firms processes for reporting and monitoring geopolitical risk, but instead, it wants to know what firms think about these events and how firms consider second order effects.

A member queried about whether there was any coordination between the PRA and the FCA when setting these regulatory priorities.

Bob Penn (BP) said that the PRA takes a quieter approach to enforcement when compared with the FCA. This is most likely due to the different remit between the two regulators. The PRA's enforcement strategy is focused on preventing damage to the financial system.

A member noted that the FCA published a webpage listing nine annual Regulatory Priorities reports to replace its portfolio letters the previous day. These reports are focused on different sectors, including mortgages, wholesale, buy side wholesale and payments. The report on Insurance has been published with the other reports due in March. has issued an extension relating to certain reporting requirements, including buy-side reporting. They also observed that, in recent FCA speeches, the regulator has signalled an intention to make less use of formal enforcement action and to rely more frequently on section 166 (skilled person) reviews, particularly where improved data quality is required.

Alex Ainley (AA) said that the PRA are more interested in more general supervision rather than enforcement – enforcement is time consuming and expensive.

PRA publishes PS1/26 – Implementation of Basel 3.1: Final rules

On Tuesday 20 January, the PRA published PS1/26 ([here](#)) which set out its final rule instruments, revised Supervisory Statements (SS), Policy Statements (PS) and templates to finalise the remaining key steps in implementing the Basel 3.1/CRR reforms. In this PS the PRA re-emphasises its priorities to ensure the safety and soundness of the institutions it supervises.

The key points are as follows:

- The PRA has introduced targeted measures to address concerns to the risk weighting of exposures to unrated corporates to increase risk sensitivity under the credit risk standardised approach
- Confirmed the introduction of SME and infrastructure lending adjustments to Pillar 2A requirements to ensure the removal of Pillar 1 support factors do not result in an increase of in overall capital requirements for SME and infrastructure exposures

- Delay of the FRTB-Internal Model Approach (FRTB-IMA) implementation by one year to 1 January 2028. Firms will be able to continue using existing market risk models during the interim period and existing IMA reporting and disclosure templates will be retained until Friday 1 January 2028. FRTB-IMA reporting and disclosure requirements are also deferred until 2028
- De minimis threshold for LTA (Look Through Approach) eligibility lowered to 50% for collective investment undertakings
- PRA has introduced a permissions regime for the residual risk add-on (RRAO) where firms can demonstrate that the RRAO capital requirement is disproportionate, firms may apply to the PRA to capitalise such risks using an alternative methodology.
- The PRA has clarified its valuation guidance, that for existing exposures, if the last valuation at origination is over 5 years old (or 3 years in certain circumstances), firms may rely on the most recent valuation (prior to 1 January 2027). Firms are expected to update valuations within a “reasonable time”.
- Firms must assess whether all existing residential and commercial real estate exposures are materially dependent on cash flows generated by the property, by 1 January 2027.

Kirsty Taylor (KT) set out the current position of Basel Implementation in the UK and internationally, focusing primarily on the US and EU. The initial U.S. proposals were met with industry opposition, prompting U.S. regulators to prepare revised proposals. The revised proposals are expected in March 2026. The UK has faced some friction with EU authorities due to its decision not to implement the final rules in alignment with the EU. The UK also needs to remove the UK CRR and replace it with PRA rules. The internal models for market risk have been deferred.

KT flagged that there are firm dates for implementation in the UK. There is a large body of work to undertake for banks with UK subsidiaries, this includes where exposures are bucketed and where firms are using external models and must now implement standardised models. In the context of the priorities letter, Basel implementation is a consistent theme. It is expected that all firms should take this seriously and meet the 20 January 2027 implementation date. Firms should also note that there is a transitional period for internal models permission prior to 1 January.

BP stated that will be the time to revisit this topic will be in March, when the U.S. publishes its revised draft rules, as that will set out the competitive playing field.

Giles French noted that it was mentioned that the U.S. proposals could be revised. In that scenario, might the PRA then have to re-examine its approach to implementation.

KT said that would take place, but also that it is important to acknowledge that the US proposals are part of a larger package, so it must be viewed at a higher level above the Basel 3 endgame.

BP commented that these competitive distortions present two potential scenarios. First, if the UK adjusted its position in light of the US proposals, the EU could introduce restrictions that effectively exclude UK firms from cross-border business. While this would remove the competitive distortion, it would come at the cost of reduced access to global financial services for EU consumers. The second scenario is that if the UK is unable to take a similar approach to the US, it would need to either accept the resulting competitive distortions or follow the direction of Basel Implementation. In either case, a disparity is likely to remain between the EU and U.S.

5. Priorities of Foreign Banks for the Reform of UK Financial Service Regulation

AFB has prepared a draft paper (attached) setting out recommendations for Government and the regulators. The recommendations focus on the UK being a competitive destination for international firms and maintaining a proportionate and effective regulatory regime for firms already operating in the UK. AFB circulated the draft document to the PRN and has requested comments from AFB members by Friday 20 February. Once finalised, the document will be used by AFB in its engagement with policy makers and regulators.

Andrew Brooke provided an introduction to the AFB position paper and outlined the AFB's ambition to synthesise the thoughts of members and to press for longer-term changes to the regulatory system. The paper takes the perspective of international banks, and in particular smaller banks/branches. This document will be updated over time. AB asked the attendees for more ideas on items they may consider should be included.

GF stated that the Government wants detailed ideas on actions for competitiveness. Industry aspirations around tax, capital and mobility are clear but require further details to feed into the Government's plan and put pressure on the regulators. The AFB is therefore looking for concrete examples and practical suggestions, including how to achieve the target of reducing the cost of compliance by 25% by the end of this Parliament.

AB commented further that the paper focuses on proposals for the UK Government/HMT, but that AFB could also submit proposals to the European Commission with the aim of improving effectiveness (competitiveness within the FS sector).

A member said that they support the AFB position paper and consider it to be an important document. They stated that they believe the Government needs more substantive suggestions on how to advance the secondary objective. The member suggested that the SM&CR is a good area to push for further changes, particularly on pre-approvals. They also suggested that AFB include suggested changes to transaction reporting, with a particular focus on back reporting. Lastly, they suggested that a crucial area where AFB suggests reform is employment legislation.

Another member suggested that AFB include examples of best practice or areas where rules have been clearer - for example, comparing SS5/25 with SS3/19. They noted that the EEA approach under the CRR is generally effective and asked why the UK could not adopt a similar model, particularly in relation to Pillar 3 disclosures.

A member noted that, as a UK branch of an EU bank, divergences in UK requirements that trigger systems changes can be costly. It is significantly easier for firms when the same requirements apply across jurisdictions. They emphasised that the issue is about regulatory approach and manageability, rather than operating dual systems.

Bob Penn noted that transaction reporting forms part of broader data-reporting challenges, with numerous overlapping requirements. While there is already work underway to develop a more global and efficient approach, members could encourage the Government to be more ambitious. HMT is considering options for overseas recognition, and it was suggested that the Government should be encouraged to go further by enabling improved cross-border data-sharing arrangements, allowing regulators to access information directly from foreign authorities that already collect it.

SECTION C – FOR NOTING

6. Government response to House of Lords European Affairs Committee Report on the UK-EU reset

On 27 January 2026, the Government published its [response](#) to the House of Lords European Affairs Committee [report](#) entitled '*Unfinished Business: Resetting the UK-EU relationship*'. The response emphasises the Government's commitment to strengthening UK relationships with all international partners, including the EU as a priority of the Government's Growth and Competitiveness Strategy. The Government states that it wants to work with the EU to ensure that firms across the EU are able to access investment as efficiently as possible. The 4th Joint UK-EU Financial Regulatory Forum took place on 1 October 2025, where discussions focused on shared policy challenges and the common objectives of safeguarding financial stability, ensuring market integrity, and protecting investors and consumers. The next Forum is expected to take place in London in the first half of 2026.

7. CP25/36 – Client Categorisation and conflicts of interest

On 8 December 2025, the FCA published CP25/36 ([here](#)) seeking feedback on its proposals to reform how wholesale firms distinguish between retail and professional clients, and to rationalise conflicts of interest rules. This consultation followed the Government's July 2025 request for the FCA to review the Consumer Duty and its impact on wholesale firms. The FCA proposes to amend its elective professional client categorisation rules in COBS 3.5.3 (for clients other than local authorities). In particular, it would remove the current quantitative test as a mandatory element of the qualitative assessment, on the basis that it is no longer fit for purpose. Instead, the FCA proposes a new wealth assessment alternative for clients with investable assets above £10 million to opt out of retail protections and to be treated as an elective professional client. To mitigate the risk of poor outcomes for wealthy clients with insufficient investment knowledge, firms would be required to obtain informed consent alongside an enhanced qualitative assessment of a client's expertise, experience and knowledge. The FCA is also proposes to simplify the per se professional client category criteria, based on feedback to CP24/24. Under this proposal, the FCA would replace the current list of per se professional client types with a broader definition, while retaining an optional list for clarity. In addition, the FCA proposes to harmonise size thresholds for large undertakings across MiFID and non-MiFID business, removing unnecessary complexity. AFB's response to the CP can be found [here](#).

8. PS25/23 – Tackling non-financial misconduct in financial services

On 12 December 2025, the FCA published [PS25/23 – Tackling non-financial misconduct in financial services](#) setting out its feedback on responses received to CP25/18 (published on 2 July 2025), together with its updated guidance. The FCA has provided detail on its changes to both the COCON and FIT guidance (see below). The new rules will come into force on 1 September 2026. AFB's response to CP25/18 can be found [here](#).

COCON

- The FCA has aligned its guidance with employment and equality law. It uses shorthand terms such as 'bullying' and 'harassment' to describe unwanted conduct that violates a colleague's dignity or creates an intimidating, hostile, degrading, humiliating or offensive environment
- The FCA clarifies scenarios that would and would not trigger COCON, such as misconduct at training events or workshops organised by clients

- Managers will not be held responsible for failing to prevent NFM if they could not reasonably have known about it or lacked authority to act.
- Firms hold primary responsibility for preventing and addressing NFM. The FCA considers firms are best placed to assess the seriousness of each case and will consider a firms' judgement whether misconduct breaches regulatory standards. The seriousness threshold for the new rule for COCON 1.1.7FR aligns with the threshold for harassment in the Equality Act

FIT

- The FCA has clarified that firms do not need to investigate allegations that, even if true, would not be relevant to fitness and propriety. Only conduct in private life that shows a material risk of breaching regulatory standards will be considered relevant
- An individual's social media activity in their private life will only be relevant to their fitness and propriety if it indicates a material risk that will breach regulatory standards and requirements
- Repeated minor breaches may be relevant to fitness and propriety as they could indicate a consistent disregard for compliance with the rules
- The FCA reassures firms that they are not expected to apply the FCA's statutory objectives when assessing an employee's fitness and propriety and that such judgement is better placed with the FCA

9. The FCA's Review into the Long-Term Impact of AI on Retail Financial Services

On 27 January 2026, the FCA published the Mills Review into the long-term impact of AI on retail financial services (the Review). The Review seeks to evaluate how AI may reshape retail financial services for consumers, firms, markets, and regulators by 2030 and beyond. The deadline for responding to the Review is 24 February 2026. A report will then be made to the FCA Board in the summer of 2026, setting out recommendations and culminating in an external publication. In initiating the Review, it is reemphasised that, in its approach to AI, the FCA has confirmed it does not plan to introduce extra regulations. It will instead rely on existing principles-based frameworks focussed on outcomes. The Review will consider consumer outcomes, consumer protection, and UK financial services competitiveness and growth. Whilst wholesale markets and broader societal impacts are out of scope of the Review, these areas will be considered where relevant to retail markets. It poses questions along four interrelated themes: (1) how AI could evolve in the future, including the development of more powerful, autonomous and agentic systems, assessing the whole AI value chain; (2) how these developments could affect markets and firms, including changes to competition and market structure and UK competitiveness; (3) the impact on consumers, including how AI could improve outcomes, create new risks, change behaviours, and alter demand and provision of financial services; and (4) how financial regulators may need to evolve to continue ensuring that retail financial markets work well.

10. Treasury Committee Report – Artificial Intelligence in Financial Services

On 20 January 2026, the Treasury Committee published a report on AI in financial services ([here](#)). The Committee launched an inquiry on 3 February 2025, to examine the opportunities and risks posed by AI for the UK financial services sector and took evidence throughout the year. The core question posed by the inquiry was whether the financial services regulators are doing enough to manage the risks to

consumer and to financial stability presented by AI in financial services. The Treasury report found that the FCA, the Bank of England and HM Treasury are not doing enough to manage the risks presented by AI. The key recommendations of the report are as follows:

- A.** By the end of 2026, the FCA should publish practical guidance for firms on: (a) the application of the Consumer Duty to their use of AI, (b) accountability and the level of assurance expected from senior managers under the SMCR for harm caused through the use of AI.
- B.** To build firms' readiness for AI-driven market shocks, the Bank of England and the FCA must conduct AI-specific stress testing
- C.** By the end of 2026, HM treasury must designate the major AI and cloud providers as critical third parties for the purposes of the Critical Third Parties Regime.

11. Consumer Composite Investments (CCI) Regime

On 8 December 2025 the FCA published [PS25/20](#), setting out the final Consumer Composite Investment (CCI) product information rules. The new rules follow a post-Brexit commitment to replace the UK's existing retail disclosure frameworks for PRIIPs and UCITS. The regime will come into effect on 6 April 2026, with firms given until 8 June 2027 to comply with the rules. It replaces the requirement to produce and use PRIIPs Key Information Documents (KIDs) and UCITS Key Investor Information Documents (KIIDs). The aim of the new regime is to move towards a more flexible and proportionate disclosure approach. This replaces what the FCA described as PRIIPs and UCITS "rigidly prescribed document templates", which it criticised for containing "excessive amounts of information," being unengaging and relying on legalistic financial jargon. The CCI regime is underpinned by the Consumer Duty and requires firms to focus on delivering good outcomes for retail clients. The objective is to ensure that UK investors receive information that empowers them to make more effective, timely and properly informed investment decisions.

SECTION D – AOB

A member asked attendees on their views on the FCA's final rules in PS25/23, particularly regarding the question of monitoring staff's social media.

Another member commented that monitoring social media should only be undertaken for certified staff and if you have a sufficient reason. A firm's policies and procedures will also need to be aligned with GDPR and privacy regulation/legislation.

Members also discussed CP26/4 on adapting the Handbook for digital assets. It was noted that Annex 4 contains wording that appears to be inaccurate. More broadly, firms noted that the branch model is generally not considered suitable for meeting digital-asset compliance obligations. The wording in the consultation suggests that branches may be inappropriate for such activities, with a preference implied for incorporated entities. This was a concern for members.

BP noted that this is unlikely to be an error, as the issue has been under discussion for several years. He added that there is a wider point to raise with the FCA, as the rationale given does not appear coherent. This is a point to raise with the FCA as it might ultimately be required to align with the EU's

approach. It was also observed that the emerging US framework is expected to diverge and may be viewed as overly restrictive.

ANNEX 1

First Name	Last Name	Bank	Position
Paul	Timmins	AIB Group (UK) plc	Head of Compliance - London Branch
Carla	Lara-Vivanco	Bank of China	Head of Regulatory Liaison
Rebecca	Nagioff	Bank of China	AVP - Regulatory Liaison
Romain	Gevrey	BNP Paribas London Branch	UK Regulatory Advocacy and Prudential Policy VP
Douglas	Hull	China Construction Bank Corporation London Branch	Head of Central Compliance
Marili	Anderson	Coöperatieve Rabobank U.A.	UK Head of Compliance
Harpreet	Dhami	Danske Bank	Head of Compliance
David	Pfeiffer	Finantia UK Ltd	Managing Director and General Manager
Jude	Njoku	Guaranty Trust Bank (UK) Ltd	Compliance Manager
Andrew	Garth	Guaranty Trust Bank (UK) Ltd	Chief Risk Officer
Vivien	Foetz	Gulf International Bank (UK) Ltd	Head of Risk
Meng	Barnie	Havin Bank Ltd	Head of Compliance / MLRO
Gesine	Schmidt	Landesbank Baden-Württemberg	Compliance
Simon	Ibbitson	LGT Bank AG, UK Branch	Head UK Branch
Emma	Hamilton	Macquarie Bank Ltd (London Branch)	Senior Manager Compliance Risk Management Group
Edwin	Schooling-Latter	Mizuho Bank Ltd	Head of Compliance
Philip	Read	National Australia Bank	Director, Regulatory Change and Training Europe
Robert	Wells	Natixis	UK Head of Regulatory Affairs
Mirka	Gastaldello	Nedbank Ltd	CCO/MLRO
Simon	Nicholls	Nedbank Ltd	Head of Legal: London
Andrew	Moseley	RBC Europe Ltd	Associate Director, Regulatory Reporting
Amelia	Hagelin	Skandinaviska Enskilda Banken AB (Publ)	Head of Regulatory Office UK
Andrew	Cheetham	The Bank of East Asia Ltd	Head of Compliance Oversight
John	Sebastian-Price	The Bank of Nova Scotia	Senior Manager
Dean	Graham	The Chiba Bank, Ltd	Compliance Officer
Stephen	Herron	Zenith Bank (UK) Ltd	Manager: Prudential Risk

ANNEX 2

First Name	Last Name	Position
Giles	French	Chief Executive
Andrew	Brooke	Director, Policy and Regulatory Affairs
Ethan	Moxam	Senior Associate, Policy and Regulatory Affairs
Samuele	Viscariello	Associate, Policy and Regulatory Affairs
Nicholas	Soutar	Associate, Policy and Regulatory Affairs