

Bank of England

The Bank of England's supervision
of financial market infrastructures
Annual Report

26 June 2025–28 February 2026



The Bank of England's supervision of financial market infrastructures Annual Report

26 June 2025 – 28 February 2026^[1]

Presented to Parliament pursuant to Section 203B of the Banking Act 2009; paragraph 33 of Schedule 17A to the Financial Services and Markets Act 2000 (FSMA); Regulation 25 of the Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018; and paragraph 32(2)(a) of Schedule 7 to the European Union (Withdrawal) Act 2018.

25 June 2026

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Foreword

**Sarah Breeden**

Deputy Governor, Financial Stability

Financial market infrastructure sits at the heart of the UK and global financial system. Each day, it enables households, businesses and financial institutions to transact with confidence. That central role makes their resilience critical, and their responsible adoption of new technologies to enhance functionality for users essential.

Over the past year, UK financial market infrastructures have been tested by periods of heightened volatility and geopolitical uncertainty. They have continued to operate effectively, supporting markets through stress without disruption. This reflects the effectiveness of the UK's supervisory and stress-testing framework.

But the nature of risk is evolving. Alongside financial risks, operational threats – including cyber risk and third-party dependencies, amplified by advances in AI – are becoming ever more prominent. In this environment, resilience must extend beyond individual firms to the system as a whole.

Our approach is to be risk-based, proportionate and forward-looking. We are strengthening operational resilience, including leading work internationally. We are promoting responsible innovation across existing FMIs – as well as in new ones through a more proportionate supervisory approach, a new regulatory regime for systemic stablecoins, and the Digital Securities Sandbox for tokenised assets. And we are increasing the efficiency and accountability of our work.

In this way, our work on FMIs promotes sustainable growth in the UK and globally, by maintaining financial stability, and ensuring the financial system remains at the technological frontier.

Sarah Breeden

25 June 2026

1: Why does the Bank supervise financial market infrastructure firms?

This section provides background on why FMIs matter to the financial system and why robust supervision matters to the UK and more widely. This section is relatively consistent between years and regular readers may wish to focus on Box A in this section and Sections 2 to 4.

Financial market infrastructure firms (FMIs) are a key part of the financial system and the public relies upon the functions that they perform.

The Bank supervises three broad categories of FMIs: central counterparties (CCPs), central securities depositories (CSDs) and recognised payment system operators (RPSOs).[2] These firms all provide different services to support the financial system: CCPs interpose themselves between counterparties to financial market transactions, CSDs ensure the transfer of securities and payments after trading and RPSOs enable funds to be transferred between businesses and individuals. In the UK, CCPs clear trillions of pounds worth of notional outstanding financial contracts each day, the CSD settles over £1 trillion of securities transactions per day, and RPSOs and their service providers facilitate payments of over £400 billion daily.[3] Information on the firms currently supervised by the Bank and key statistics on the UK FMIs are included in Annex 1.

FMIs are key to maintaining financial stability because they are interconnected with the wider financial system. It is crucial that they are resilient.

FMI members and participants include financial institutions and businesses and consequently FMIs are significantly interconnected with the wider financial system both within the UK and internationally. FMIs contribute to financial stability by making financial transactions more efficient and secure and by simplifying complex networks of counterparty exposures. Their central role in the financial system means that maintaining their operational and financial resilience is essential for maintaining financial stability. By providing critical services that allow individuals, businesses, and financial institutions to transact with each other, they act as the plumbing that underpins the financial system and the wider economy.

Disruptions to these systems can have consequences that affect the entire financial system and the economy. As such, the Bank's supervision of FMIs is aimed at ensuring that FMIs are prepared for, and resilient to, the wide range of risks that they could face. The aim is to ensure

that they are able to reduce risks to financial stability rather than transmitting or amplifying shocks and so continue to serve households and businesses, thus supporting stability and growth in the UK economy and globally.

The Bank supervises FMIs as part of its primary objective to protect and enhance financial stability.

The Bank has a primary objective to protect and enhance the stability of the financial system of the UK. To help achieve this objective the Bank has legal powers to supervise FMIs, to help assure their safety and resilience to risks, both financial and operational. The Bank's approach has an international as well as a domestic focus, recognising the importance of some Bank-regulated FMIs in other jurisdictions, and that disruptions to their services may impact monetary and financial stability in the UK and abroad. This is in support of the statutory requirement to have regard to the financial stability impact in other countries in which FMI entities are established or provide services. We work closely with overseas regulators where FMIs based in other jurisdictions may have impacts upon UK financial stability.

The Bank also has a secondary objective, to facilitate innovation in the provision of central counterparty (CCP) and central securities depositories (CSDs) services.

The Bank expects and encourages all FMIs to innovate and believes that innovation can actively support FMIs' resilience, financial stability, and growth more broadly. In exercising its FMI functions in a way that advances its financial stability objective, the Bank must, as far as reasonably possible, facilitate innovation in the provision of CCP and CSD services with a view to improving the quality, efficiency, and economy of the services. Although the Bank does not have a statutory objective to promote innovation in the provision of payments we are committed to achieving equivalent outcomes.

Over the reporting period the Bank has embedded innovation through its supervisory and policy approach. Supervisors have engaged with new and incumbent FMIs to better understand how they are innovating, understand the approach that they are taking to risk management of the changes and if there are regulatory barriers. This engagement has allowed the Bank to better identify the future needs of FMIs and enabled them to deliver new or improved services to users through facilitating new product offerings and greater choice for users of FMIs. The Bank has continued to deliver clear, proportionate frameworks which provide greater supervisory and regulatory clarity and facilitate innovation. The Bank continues to monitor and actively respond to market developments, considering where there is a role to enable innovation within firms and financial market infrastructure functions more broadly, and shape the wider discussion.

The Bank should also consider additional factors set out by His Majesty's Treasury (HMT) in a Remit letter.

HM Treasury can issue Remit and Recommendations letters (often called remit letters) to regulators setting out aspects of the government's economic policy to which they should 'have regard' when advancing their objectives. Regulators are required to respond detailing how they have acted on these recommendations. The Bank's statutory Financial Market Infrastructure Committee (FMIC) which oversees the Bank's work on FMIs received its first such letter in its capacity as CCP and CSD regulator on 1 July 2025. Box A provides more information on the current remit set out by HMT and the Bank's response.

The Bank has set objectives for its supervision to ensure it delivers against its statutory obligations.

To deliver against its statutory obligations the FMIC has established the following business aims for the year ahead. We view transparency of our business aims as an important means for Government to assess whether we are delivering on our objectives and for firms to understand how their fees are being spent.

Financial resilience: ensure UK financial stability through financially resilient FMIs and their market structures.

- We will assess CCP financial resilience and take proportionate action to bring CCPs into tolerance where necessary.
- We will maintain and improve FMID's readiness to respond to financial stress events.
- We will further develop the Bank's assessment of FMIs' roles in the wider financial system and impact on financial stability.

Operational resilience: ensure FMI services are operationally resilient and able to support financial stability in the event of disruption.

- We will ensure FMIs are making good progress against firm-specific operational resilience findings and will have capabilities to meet their Impact Tolerances (ITOLs) under high severity cyber and third-party extreme but plausible (EbP) scenarios.^[4] In doing so we will prioritise our focus on the most impactful Important Business Services (IBSs) from a financial stability perspective, for which FMIs should be in a position to deliver a minimum level of service even in the more extreme EbP scenarios.
- We will progress domestic and international policy/guidance in support of operational resilience at FMIs and operationalise the critical third party (CTP) regime (subject to HMT designation).
- We will continue to embed and enhance the Bank's response tools, available to mitigate financial stability risks that result from severe operational disruption at FMIs.

Innovation: enable and shape safe and resilient innovation in payments, settlements and clearing.

-
- We will develop and apply the Bank's policy and supervisory approach to support innovation in payments, settlement and clearing, responding to developments in technology and the evolution of markets.
 - We will develop the Bank's input to and start to deliver the UK Wholesale Financial Markets Digital Strategy and help to shape the future UK and global FMI digital ecosystem.
 - We will support development and implementation of the longer-term strategy for retail payments in the UK.
 - We will deepen dialogue with industry and other authorities to provide regulatory clarity and identify areas for regulatory action, to support the Bank's wider work on its approach to innovation.

Responsibilities: Carry out our responsibilities in an efficient, responsive, and inclusive way.

- We will be accountable and responsive, communicating clearly with firms, establishing a comprehensive rulebook for UK CCPs, and adapting our rules to account for new risks and innovations.
- We will implement a new streamlined recognition process for non-UK, non-systemic CCPs in conjunction with HMT.
- We will improve the efficiency of our operations, infrastructure and processes and publish data on our performance.

Box A: HMT Recommendations for the FMIC

The FMIC received its first remit letter^[5] from the Chancellor of the Exchequer on 1 July 2025 setting out Recommendations for the Bank's statutory Financial Market Infrastructure Committee to have regard to when considering how to advance the Bank's statutory objectives when exercising FMI functions.

The letter set out aspects of the Government's economic policy to which the FMIC should 'have regard' when considering how to advance the Bank's objectives, and when considering the application of the other 'have regards' set out in the Bank of England Act 1998. These are:

- The vital role UK FMIs play in protecting and upholding the financial stability of the UK, as well as other global markets.
- The importance of actively facilitating innovation in FMIs so that incumbents and new entrants are able to innovate responsibly and scale up new technology and processes in the UK.
- The role of proportionate regulation in facilitating growth.
- Streamlining administrative burdens and processes for FMIs to offer new products and services where possible, while maintaining high regulatory standards.
- Maintaining and enhancing the UK's position as a world-leading global finance hub and demonstrating continued leadership in global regulatory fora.

The Governor and Deputy Governor for Financial Stability responded on 15 July 2025^[6] and noted the important role that the Bank plays as regulator of FMIs in supporting sustainable economic growth by ensuring that FMIs are financially and operationally resilient. This ensures confidence in the financial system, supports the UK as a dynamic financial centre, and reduces the likelihood of growth-destroying financial crises. The response also set out the actions that the Bank is taking to fully embed its secondary innovation objective, which can support both resilience and growth.

In addition to the measures outlined in that response, the Bank has continued to consider the recommendations and incorporate them into policy development. To date, this has included proposing to simplify and shorten regulatory processes for the approval of margin models and authorising new products in the Bank's consultation on Ensuring the resilience of CCPs,^[7] reducing overlap with existing requirements in its

final policy on 'Operational incident and outsourcing and third-party reporting for FMIs', [8] and consulting[9] along with the UK financial authorities on streamlining and harmonising the framework for transaction reporting.

2: How does the Bank approach the supervision of FMIs?

This section sets out the approach that the Bank takes to the supervision of FMIs. It includes details of the Financial Market Infrastructure Committee, our statutory committee and covers our application of the statutory accountability framework.

The exercise of powers in relation to FMIs is undertaken by the Financial Market Infrastructure Committee (FMIC).

The FMIC plays a vital role in overseeing the Bank's FMI policy and supervision and, through this, helps support the Bank's statutory objective to protect and enhance UK financial stability.

The members of the FMIC are set out below. In addition to senior executives from across the Bank, including the Executive Director for Financial Market Infrastructure, the FMIC includes at least three independent members, to provide challenge, appointed by the Bank's Court^[10]. The independent members currently are Julia Black, Randall Kroszner (who is also a member of the Financial Policy Committee), Martin Pluves and David Soanes (who is also a member of the Prudential Regulation Committee).

Committee decisions are reached by consensus where possible or otherwise by majority vote. FMIC has published its terms of reference and shared details of its membership.^[11]

Oversight of the delivery of the Bank's FMI responsibilities.

The Bank's Court has oversight of the FMIC and reviews its effectiveness. The Bank's Independent Evaluation Office (IEO) reports to Court and undertook an evaluation of the supervision and regulation of FMI in 2026.

There are also external assessments of the Bank's FMI responsibilities. The International standard setting bodies CPMI and IOSCO recently concluded an international peer review^[12] of the United Kingdom to assess how the Principles for Financial Market Infrastructures (PFMI) have been incorporated into the UK's legal, regulatory and oversight frameworks. The review found that the UK's implementation is 'consistent' with the PFMI – the highest rating available – for all relevant principles applicable to central bank-operated and private-sector payment systems, and for most principles applicable to CSDs. The Bank welcomes these

findings, which confirm the strong alignment of the UK's framework with international standards as set out in the PFMI. The UK's review and the Bank's response have been published.

The design and implementation of FMI policy and supervision is undertaken by the Financial Market Infrastructure Directorate.

The Bank is organised in a set of Deputy Governorships tasked with different responsibilities. FMID falls under the remit of Sarah Breedon, the Deputy Governor for Financial Stability.

FMID is led by Sasha Mills (Executive Director) and Simon Morley (Director). The directorate works with colleagues across the Bank drawing on expertise in risk management; PRA policy and supervision; legal; market intelligence; banking and payments operations; and resolution.

Financial Market Infrastructure Committee

Members as of 25 June 2026



Andrew Bailey
Governor



David Bailey
Executive Director, Prudential Policy



Julia Black
External member
Term: 1 January 2024 – 30 June 2027



Sarah Breeden
Deputy Governor, Financial Stability



Randall Kroszner
External member
Term: 1 January 2024 – 31 December 2029



Sasha Mills
Executive Director, Financial Market Infrastructure



Martin Pluves
External member
Term: 1 January 2024 – 30 September 2028



David Rule
PRA Senior Advisor



Victoria Saporta
Executive Director, Markets



David Soanes
External member
Term: 25 September 2025 – 24 September 2028

The Bank's published documents are designed to provide firms and external stakeholders with a clear understanding of our approach and expectations.

The Bank has published 'The Bank of England's approach to financial market infrastructure supervision'[13] to enable regulated FMIs, firms considering undertaking regulated activity, the wider financial system, and other relevant stakeholders to understand the Bank's supervisory approach. The document also aids the Bank's accountability to the public and Parliament by describing what the Bank seeks to achieve and how it intends to achieve it. The supervisory approach document sits alongside the Bank's requirements and expectations as published in the Bank's policy publications as well as the rules, standards, and codes of practice that FMIs are subject to.

The Bank has also published a document explaining our approach to authorisation of new firms.[14] This publication explains the Bank's supervisory approach to onboarding new FMIs that fall within its regulatory remit, complementing our overall approach to supervising FMIs.

The Bank has published its approach to enforcement across all its regulatory responsibilities. [15] During the reporting period, the Bank imposed a financial penalty on Vocalink Limited of £11,900,000 in respect of a compliance failure under section 196 of the Banking Act 2009 for failing to fully comply with a direction issued by the Bank. The Bank's power of direction is an important supervisory tool that may be used to ensure a firm addresses those areas of its business which contain serious risks and weaknesses. This groundbreaking action emphasises that we will hold FMIs accountable for compliance failures. It signals to the wider financial services sector, that the Bank expects firms to take compliance with statutory directions seriously and to take due care in formulating their response to such directions.

The Bank has published its fee policy for FMIs that explains how it uses its fee-raising powers to fund its work.[16]

Reflecting the significance of our rulemaking powers there is a clear focus on meeting our statutory requirements for transparency and accountability. Publishing an assessment of our delivery of those requirements is important in demonstrating transparently how we have done that. Box B explains how we have delivered that accountability.

The Bank co-operates with the FCA, PRA and PSR across a wide range of FMI supervision and policymaking matters.

The Bank co-operates with the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) and the Payment Systems Regulator (PSR) regarding financial market infrastructure and payment systems, respectively.^[17] ^[18] This facilitates effective supervision and policymaking by ensuring that information is shared appropriately and promotes efficiency by minimising duplication. The regulators regularly review their co-operation, including by seeking feedback from firms, and publish an assessment of the effectiveness of their co-operation. The 2025 assessments will be issued later this year.

The Bank and FCA also have a targeted framework^[19] and a set of principles for co-operation in relation to Digital Securities Sandbox (DSS) entities and co-operation between the Bank, PRA and FCA in relation to critical third parties.^[20]

The Bank works closely with His Majesty's Treasury (HMT) on necessary legislation and shaping the UK's financial stability policy agenda and promoting safe and sustainable innovation.

Safe openness and international co-operation are fundamental components of the Bank's supervisory approach.

Some FMIs that provide critical services abroad are based in the UK. Similarly, some FMIs provide critical services from abroad into the UK. The Bank recognises the importance of taking a consistently safe and international approach to supervising FMIs, both where the Bank of England is the 'home authority' for FMIs systemically important in other jurisdictions and as a 'host authority' for non-UK FMIs providing critical services in the UK.

To ensure that appropriate arrangements are in place for cross-border supervisory co-ordination, the Bank has supervisory colleges for each of our UK CCPs and for Visa Europe. The Bank actively participates in international oversight forums for other systemically important FMIs including SWIFT, CLS, Mastercard Europe and systemically important non-UK CCPs.

The Bank's approach to supervising non-UK FMIs is based on the principle of openness and is underpinned by a desire to co-operate with the non-UK FMI's home regulator and the concept of informed reliance, where the Bank will defer to the respective home supervisory authorities wherever it is appropriate to do so. This is aligned with the Bank's preference for strong and effective cross-border supervisory co-operation. To place reliance on a home

regulator, the FMI's home jurisdiction regulatory and supervisory framework must deliver broadly similar outcomes to that of the UK, and the Bank must be satisfied that there are sufficient co-operation arrangements in place consistent with the systemic importance of the non-UK FMI.

Given the open and international nature of the UK's financial sector we play an important role in shaping international standards through our participation in international FMI-related committees and working groups, such as those hosted by the Bank for International Settlements (BIS), including the Committee on Payments and Market Infrastructures (CPMI), as well as the Financial Stability Board (FSB).

Box B: Our application of the FSMA 2023 Accountability Framework

Alongside the power for the Bank to make rules in respect of CCPs and CSDs, FSMA 2023 introduced a number of new obligations and accountabilities for the Bank in its role as the UK's regulator for CCPs and CSDs. The regulatory framework for payment system supervision remains the Banking Act 2009. Where appropriate, we have applied a similar approach to supervised payments systems as to that required for CCPs and CSDs.

The statutory accountabilities for CCPs and CSDs include:

Requirement to carry out cost benefit analysis (CBA), publish a framework for conducting CBA, and establish the new independent CBA Panel

Conducting CBA enhances transparency and scrutiny of the Bank's policymaking and provides a structured way to communicate the type and scale of the costs and the benefits its policies are expected to generate.

The Bank, as FMI regulator, published its statement of policy (SoP) on its approach to conducting CBA in December 2024. The SoP explains why and how the Bank does CBA for FMIs, how we use CBA in our policymaking process, and how we communicate CBA. The SoP also covers our arrangements for considering feedback from the CBA Panel in relation to how we are performing generally in meeting our statutory CBA obligations. The Bank consulted the CBA Panel on its approach and developed its approach to conducting CBA in conjunction with the PRA. The Bank has published an updated version of its Statement of Policy on its approach to conducting Cost Benefit Analysis,^[21] alongside seeking feedback on its use of the Standard Cost Model (SCM) to calculate firms' costs when implementing policies.

Since the previous reporting period, the Bank has consulted the CBA Panel on the CBA in relation to the proposed exempting of post-trade risk reduction transactions from the clearing obligation, which was published for consultation in December 2025.

Matters for the Bank to have regard to in its role as the UK regulator of CCPs and CSDs

FSMA 2023 introduced the requirement that when exercising its FMI functions, typically making rules, the Bank must have regard to regulatory principles such as proportionality; the effect on the financial stability of other countries; and the desirability

of regulating CCPs and CSDs in a way that supports their cross-border activities. The specified regulatory principles are similar to those applicable to the PRA and FCA. Our consultations have included an explanation of how we have considered these matters.

FSMA also introduced an obligation for HM Treasury to set out aspects of the government's economic policy to which FMIC must also have regard.

As noted in Box A, the Chancellor's remit letter to the Bank as FMI regulator in July 2025 set out further areas to which the Bank should have regard, including the role of UK FMIs in upholding UK financial stability, active facilitation of innovation, the role of proportionate regulation, streamlining administrative burdens and maintaining and enhancing the UK's position as a global finance hub. The Bank's response set out the role of financially and operationally resilient FMIs in supporting sustainable economic growth, and the actions the Bank is taking to embed the secondary innovation objective.

Further accountability mechanisms and policy measures

The Bank's accountability mechanisms for CCP and CSD regulation are now closely aligned with those of the FCA and PRA, with changes to the way the Bank interacts with Parliament, the government, and the public. This includes greater oversight by Parliamentary committees, namely the Treasury Select Committee and the House of Lords Financial Services Regulation Committee, with whom we have shared all consultations during the reporting period. Sarah Breeden, Deputy Governor for Financial Stability and Sasha Mills, Executive Director for Financial Market Infrastructure, appeared in front of the Lords Financial Services Regulation Committee (FSRC) about the innovation priorities for the coming year.

The Bank met with FMIs in roundtables to increase understanding and discuss the supervisory approach. For example, in February 2026 the Bank hosted an in-person roundtable event for the CEOs, Chairs and Independent Non-Executive Directors of UK FMIs. At the roundtable, Sasha Mills, delivered a speech on the regulatory outcomes that the Bank is pursuing, followed by a discussion of risk management, connectivity in payments, innovation, and where further regulatory clarity and guidance might be beneficial.

Our engagement with non-FMI stakeholders has included meetings with trade associations, presenting at conferences, engagement with applicant FMIs and workshops including with academics. The joint Bank/FCA UK EMIR Reporting Industry Engagement Group provides an ongoing, two-way feedback mechanism which supports the implementation of EMIR Trade Repository reporting. An inaugural meeting of the SFTR Reporting Industry Engagement Group has also taken place. The

Payments & Digital Assets Horizon Scanning Forum took place on 10 February 2026, organised by the FCA and PSR and jointly hosted with the Bank. This was the first in a planned series of annual joint horizon scanning engagement events with industry.

Looking forward, we will continue targeted and impactful engagement with stakeholders across industry, academia, and other regulators to help inform our policymaking, as well as support our work on the SIO through dialogue with those closest to emerging innovations in FMI services.

Future changes to our accountability mechanisms and policy measures

Providing clear metrics for service standards and being transparent about how those are delivered is an important way to increase accountability.

The Bank as CCP regulator set out in the ‘ensuring the resilience of CCPs’ consultation paper clear timelines for key activities such as authorisation and model approvals. In the consultation we set out proposals to publish our performance against these timelines to increase transparency and allow industry to assess our delivery. The Bank’s consultation on its approach to rule permissions and waivers also proposes that the Bank will publish data on its timelines for making decisions on permissions that allow rules to be waived or modified for CCPs and CSDs. Later this year the forthcoming policy statements in respect of both consultations will confirm the new timelines that will apply.

3: What have been the Bank's areas of supervisory and policy focus over the reporting period?

This section sets out how in carrying out the Bank's FMI and payment oversight functions, the Bank's financial stability objective under section 2A of the Bank of England Act 1998 has been met. This section also describes how the Bank has carried out its FMI functions to meet the secondary innovation objective under section 30D(2) of the Bank of England Act 1998. Over the reporting period, the Bank's supervision of FMIs has continued to contribute significantly to the delivery of its objective to protect and enhance UK financial stability.

3.1: Ensure UK financial stability through financially resilient FMIs and their market structures

Financial resilience is important for all FMIs, but it is a particular focus for those FMIs that take counterparty credit risk – most notably CCPs. Ensuring UK CCPs and indeed global cleared markets more generally are resilient to shocks is achieved through applying high standards for the level of coverage and financial resources of CCPs, complemented by transparent disclosure of the risks of clearing and how the CCPs mitigate those risks consistent with international standards.

Box C: Market volatility from the conflict in the Middle East: UK CCP resilience

In late February 2026, the outbreak of conflict in the Middle East led to significant disruption to shipping through the Strait of Hormuz, a critical channel for global energy and commodity transport. Energy production in the Gulf region fell, in part due to attacks on key infrastructure. These developments led to higher and more volatile energy prices, representing a negative supply shock to the global economy and increasing the risk of inflationary pressures, higher interest rates, and weaker growth.

During this period, markets experienced elevated volatility, particularly in energy derivatives, FX products, and equity indices. Energy prices rose sharply following supply disruptions, with oil price benchmarks fluctuating above US\$100 per barrel; Brent crude prices increased from around US\$72 per barrel prior to the conflict to a peak of around US\$118 per barrel in March, representing an increase of over 60%. European and UK natural gas prices also increased, although they remained well below the peaks observed in 2022 following Russia's invasion of Ukraine. Consistent with heightened market activity, UK CCPs observed a material increase in cleared volumes across several asset classes, reflecting both higher trading activity and portfolio rebalancing by participants.

UK CCPs responded effectively to the rapidly changing market environment and demonstrated operational and financial resilience. They closely monitored market developments and the performance of their risk management models, taking additional action in some cases to ensure risks were appropriately managed during challenging market conditions. UK CCPs maintained close engagement with clearing members to monitor concentrated positions and liquidity preparedness. System availability and operational processes continued to operate without disruption including through record trading volumes. Importantly, CCP risk management actions were proportionate and did not appear to exacerbate market stress.

The observed financial resilience of UK CCPs is also consistent with the conclusions from our 2025 stress test exercise which indicated that UK CCPs have sufficient pre-funded financial resources to withstand the default of cover-2 members under an extreme but plausible stress scenario involving high market volatility, rising geopolitical tensions, global fragmentation of trade and financial markets, and increased pressure on sovereign debt globally.

FMID has maintained close dialogue with UK CCPs, receiving regular updates on volumes, margin developments, liquidity indicators, and member behaviour to assess the impact on UK CCPs and the markets they clear. This was complemented by

increased coordination with international supervisory authorities to assess cross-border spillovers and common exposures, particularly in relation to energy markets.

This period of market stress provided an important test of margin models, including those based on portfolio value-at-risk (VaR) approaches, and offered further insight into how model sensitivities respond to large price movements and changes in correlations. FMID will continue to assess the performance of UK CCP margin models in light of these observations.

This work is complemented by our continued efforts to enhance margin transparency both through our contributions to the development of the CPMI-IOSCO international standards on margin transparency and their implementation in the UK, through enhancements to CCP margin rules as part of repeal and replace of UK EMIR. This will enable clearing members and clients to have a clearer understanding and ability to predict future initial margin needs and therefore aid their liquidity preparedness.

We assessed CCP financial resilience and took proportionate action to bring CCPs into tolerance where necessary.

We have continued to monitor and address risks to financial resilience of UK FMIs through reviewing a broad range of models and risk management practices. Feedback from our reviews contributed to improved and overall strong resilience of UK FMIs. We have continued to invite and collaborate with overseas regulators on some key reviews of UK CCPs as well as providing our input to selected reviews of other FMI regulators. Additionally, we have continued to ensure that FMIs have an appropriate risk culture, embedded across the organisation.

Regular reporting by CCPs is accessed through increasingly sophisticated internal data dashboards which allow supervisors to analyse levels of margin, default fund, collateral as well as CCPs' own stress testing results. Supervision teams are able to use insights gained from this toolkit as part of risk assessments, in supervisory activities and, as necessary, in conversations and queries with the CCPs.

In December 2025 we published results of our latest Stress Test of UK CCPs. Information on the results of the 2025 CCP Stress Test can be found in Box D. The next public stress test is planned for 2027 and we will use desk-based stress testing in the meantime.

We have used our internal stress testing models to explore CCP resilience against a much wider set of hypothetical scenarios, to identify potential vulnerabilities and blind spots. Our updated methodology allowed us to create and assess multiple scenarios that are extreme

but plausible, covered a very large combination of shocks and risk factors, and leveraged historical price relationships, while allowing for breaks in correlations between key products. The ability to generate and analyse large numbers of credible scenarios, with an option to filter for specific risks, is an innovative feature of the Bank's stress-testing toolkit. It allows us to broaden coverage of our stress testing from assessing a specific scenario with a limited scope for extension (eg scaling up) to a far more comprehensive review of CCPs' ability to withstand shocks. It should further enable a more meaningful view of CCPs' resilience over time. We intend to leverage and develop these tools further and embed them in our regular engagement with CCPs we supervise.

Box D: CCP Stress Testing

In December 2025, the Bank published the results of its fourth public CCP SST.^[22] As in previous years, the CCP SST is not a fail-pass exercise. Rather, the results and outcomes of the exercise will inform the Bank in its supervision and regulation of UK CCPs.

The 2025 CCP Stress Test focused on assessing sufficiency of prefunded resources of UK CCPs to a simultaneous severe market shock and a default of its largest members. As in previous years, we have performed extended analyses including reverse stress testing. The 2025 iteration further included a qualitative assessment of liquidity risk of UK CCPs.

Under the baseline market shock scenario, which modelled an economic slowdown driven by rising geopolitical tensions, increased concerns around global fragmentation and rising pressure on sovereign debts, we found that all UK CCPs had adequate prefunded resources to cover default of 'Cover-2' member groups – the two member groups whose default generates the greatest depletion of mutualised resources at the CCP. This conclusion held under assumption of sustaining incremental costs, linked to liquidation of large, concentrated exposures of defaulters. As in previous years, we observed that such additional costs were higher for ICEU and LMEC, which clear products that are potentially more susceptible to the build-up of concentrated positions in energy and metals derivatives, respectively.

In keeping with previous years, we also tested the CCPs against varying combinations of assumptions, including number of defaulters, scenario severity and explored liquidation rates. We found that it would take extreme combinations of market shocks, numbers of defaulting members and model concentration costs, to exhaust their prefunded resources.

In 2025 we have introduced an analysis of CCP resilience against a much larger set of scenarios developed by the Bank. We assessed resilience against Cover-2 defaults under around 1,000 scenarios, selected as the most severe from an initial set of 50,000 drawn from a multivariate distribution fitted to historical data. We found that only a small fraction of these scenarios resulted in losses exceeding margin posted by defaulters, with only ten scenarios (characterised by severity of shocks well beyond historical worst) exhausting prefunded resources of UK CCPs. We have discussed these potential vulnerabilities with CCPs through our regular supervisory dialogue.

The qualitative liquidity risk assessment concluded that, while overall liquid resources held by UK CCPs were reduced from elevated levels observed in previous liquidity stress test (2023),^[23] CCPs continue to have sufficient liquid resources to manage the default or failure of two member groups, including service providers. We have further assessed CCPs' approaches to proactive identification and mitigation of emerging liquidity risk, as well as tools and approaches set up to deal with a potential liquidity crisis. We concluded that those were adequate and proportional to the liquidity risk to which UK CCPs are exposed.

| We maintained and improved FMI's readiness to respond to financial stress events.

It is important that the Bank maintains its readiness to respond effectively and rapidly to incidents and market events impacting FMIs. This includes through testing and exercising – for example observing the CCPs' own tests for events such as member defaults.

In November 2025, UK CCPs participated in the CCP International Default Simulation (CIDS). More information on CIDS can be found in Box E.

Box E: 2025 CCP international Default Simulation (CIDS)

In November 2025, UK CCPs participated in the CCP International Default Simulation (CIDS) alongside thirty-five other CCPs and several clearing members, coordinated by the industry body CCP Global. CIDS takes place every two years and is intended to provide CCPs and their clearing members with an opportunity to test the operational effectiveness of their default management arrangements under a common high-level scenario of a major clearing member default.

In having multiple CCPs test their default management processes simultaneously, this exercise can surface operational and capacity constraints that are difficult to observe through individual CCP default exercising, and it supports the wider sharing of good practice across jurisdictions.

The Bank supports this form of coordinated testing and in 2025 led the international regulatory advisory group for the exercise alongside CFTC, ESMA, Bafin, and Bundesbank, working closely with CCP Global on the design and delivery of the programme. We were encouraged to see an increase in participation relative to the 2023 exercise from both CCPs and clearing members, highlighting the value that firms place on these exercises and the benefits they can deliver. The 2025 exercise also introduced additional elements to the scenario design, including a dedicated porting module intended to bring greater consistency to how CCP porting procedures were tested across clearing member portfolios.

Overall, the exercise demonstrated the ability of CCPs to run their default processes concurrently without experiencing major setbacks or challenges. Feedback from participants indicated that the exercise was useful and pointed to strong performance in areas that are particularly important for effective execution in a fast-moving event, including the depth of experience among staff involved and the hedging and liquidation auction components being run effectively with participation made realistic and straightforward.

Echoing reflections from the 2023 CIDS, participants also identified several areas where further enhancements could strengthen cross-CCP default management and support more comprehensive testing of procedures, including a desire for greater harmonisation of communication channels and auction portals across CCPs.

Participants also noted that, while certain modules were regarded as operationally credible, aspects of scenario realism could be refined in future iterations, including how porting is represented and the extent to which some scenarios capture the conditions

that would apply during broader market stress. Looking ahead to the 2027 exercise, the Bank will continue to work with CCP Global and other authorities in preparation and continue to encourage industry participation in these valuable exercises.

We developed the Bank's assessment of FMI's roles in the wider financial system and impact on financial stability.

Recognising the centrality of the gilt market and drawing on lessons from the first System Wide Exploratory Scenario (SWES) exercise, in September 2025 the Bank published the discussion paper (DP) on Enhancing the resilience of the gilt repo market.^[24] The DP explored potential policy options to address vulnerabilities in the gilt repo market, including greater levels of central clearing of gilt repo transactions and minimum haircuts on bilateral transactions. We continue to support the work through exploration and impact analysis of central clearing based solutions including the importance of different clearing access models.

We continue to engage on a regular basis in cross-Bank initiatives on market stress testing, sharing our expertise, experiences, and data analyses. We identify the impact on FMIs, clarify the context on wider market participants, and provide ongoing support to the development of system-wide stress testing tools and processes.

The Bank has continued to co-lead the work of the relevant standard-setting bodies to implement the BCBS CPMI-IOSCO proposals to improve transparency and evaluate the responsiveness of initial margin practices in centrally cleared markets with the objective to finalise updated standards in CPMI-IOSCO Guidance towards the end of this year.

The Bank has also supported CPMI-IOSCO's work to identify areas where further guidance or recommendations may be useful for FMIs' practices relating to losses arising from general business risks to ensure that FMIs can manage the losses that may arise from events other than member default, such as investment losses, legal risks, or cyber-attacks. This includes contributing to an assessment of FMIs' implementation of the general business risk principle (Principle 15) of the Principles for Financial Market Infrastructures (PFMI).

3.2: Ensure FMI services are operationally resilient and not a major financial stability risk in the event of disruption

The Bank works with FMIs to promote high standards of operational resilience to reduce the impact caused by major disruption. Given the complexity and interconnectedness of the financial system, the resilience of individual FMIs alone may not be sufficient to ensure system-wide resilience. In our role protecting financial stability, the Bank is focused on promoting the operational resilience of the broader financial system, working closely with the FCA, PRA, and industry.

As the FPC said in its December Record^[25], heightened geopolitical tensions and continued advances in technology have underlined the critical importance of operational resilience to the provision of vital services to households and businesses. Appropriate management of high-impact operational risks by critical firms and FMIs is therefore essential for system-wide operational resilience. The FPC supported further actions to be taken by firms and FMIs to build resilience to operational disruption, including to emerging risks from AI, quantum computing, and more broadly as the risk environment continued to evolve.

We ensured that FMIs are making good progress against firm-specific operational resilience findings and are developing capabilities to meet their Impact Tolerances (ITOLs) under high severity cyber and third-party extreme but plausible (EbP) scenarios. In doing so we prioritised our focus on the most impactful Important Business Services (IBSs) from a financial stability perspective, for which FMIs should be in a position to deliver a minimum level of service even in the more extreme EbP scenarios.

FMIs' operational resilience capabilities continue to mature in line with the expectations of the operational resilience policy and the outsourcing and third party risk management policy: Outsourcing and third party risk management; Operational resilience of the financial sector; and the joint covering document Operational resilience: Impact tolerances for important business services.^[26] FMIs were expected to comply with the operational resilience policy expectations by the end of March 2025.

We use FMIs' Operational Resilience Self-Assessments (ORSAs) to monitor their progress and the maturity of their operational resilience capabilities. In previous ORSA submission cycles, the Bank's review focused on assessing how FMIs identified Important Business Services (IBSs) and set Impact Tolerances (ITOLs), and the sophistication of the Extreme but Plausible (EbP) scenarios they have developed and their ability to meet their ITOLs under these. Our latest review focused on FMIs' response and recovery capabilities for severe cyber and third-party outage scenarios. These scenarios present some of the greatest operational risks to financial stability, as they are typically high impact and difficult to recover from. This focus is also appropriate considering the evolving risk landscape, such as increased geopolitical tensions and the concurrent increase in cyber threats.

During the reporting period, we found that there had been general progress in FMI's implementation of the policy, but that such progress (and the maturity of operational resilience capabilities) remained uneven. For this reason, we set out more specific feedback to support FMI's understanding of the Bank's expectations under the policy. For instance:

- We generally expect FMI's to continue increasing scenario severity, alongside ongoing enhancements to the range and quality of scenarios considered.
- We expect FMI's to have tested their response and recovery plans for such scenarios with adequate breadth of scope, sufficient rigour, and appropriate engagement with members and third parties.
- We expect FMI's to have clear steps and capabilities necessary to respond and recover from a disruption arising from cyber and third-party vulnerabilities, as set out in a joint publication with the PRA and FCA.^[27] This includes the ability to restore critical data from immutable back-ups and rebuild critical applications and core infrastructure, as well as being able to switch over to a tertiary facility, stand-in service, or application. For third parties, this can include requiring providers to build their own recovery capabilities, developing the ability to fail over to alternative third parties, establishing sustainable manual workarounds, or building the capability to restore the service after data loss or destruction at the third-party provider.
- There is an overarching expectation that FMI's should remain within ITOL for their IBSs, including in the upper end of EbP cyber and third-party scenarios, and where they cannot, we expect a clear, timely and funded strategic remediation plan.
- FMI's should also be able to provide a minimum level of service, while recovery is ongoing, for the most critical elements of their IBSs in this upper end of EbP scenarios. This is explored further in Chapter 4.

Operational resilience is built on a foundation of robust operational risk management. In this respect, we undertook a range of supervisory reviews on the operational risk management of individual FMI's, ranging across such areas as incident handling, outsourcing, third party risk management, and internal control frameworks.

Long-term, large-scale transformation programmes can represent both opportunities and risks to the operational resilience of FMI's. The opportunity is to embed resilience by design, as well as modernising legacy systems and infrastructure, and rationalising complex IT estates. However, they can also introduce risks during transition if there are business and operating model changes not captured by the control environment. They may also introduce new risks post go-live, for instance if there is increased reliance on outsourced service providers. We have continued to review major transformation programmes or significant new outsourcing

arrangements of FMIs, prioritising those that support the most impactful important business services (IBSs), and with a particular supervisory focus on the design and execution/migration phases.

The Bank continues to focus on FMIs' cyber resilience capabilities through delivering the CBEST programme of threat-led penetration testing on a cycle across individual FMIs. Where these have identified actions to enhance eg FMIs' cyber resilience, we ensure remediation is being identified and progressed. The Bank also published its annual CBEST thematic, which informs the sector on the findings and lessons learned from our CBEST programme across key financial institutions (both firms and FMIs).[28]

During the reporting period the Bank also published thematic findings from the 2024 Cyber Stress Test (CST24), another activity that covers both financial institutions and FMIs[29]. This was a voluntary, exploratory test which asked providers and users of wholesale services to model the impact of a suspected cyber-attack affecting transaction settlement. Looking ahead, the Bank and FMIs continue to exercise with industry through the 2026 Cyber & Operational Resilience Stress Test (CORST26) and SIMEX to identify sector-wide vulnerabilities to significant and sustained disruption to a major cloud service provider. The findings from these activities are critical to improving firms' and the authorities' understanding of potential impacts on financial stability and strengthening individual firm and sector-wide response and recovery capabilities.

We progressed domestic and international policy/guidance in support of operational resilience at FMIs and the operationalisation of the critical third party (CTP) regime.

The Bank has continued to support international work on FMI resilience through playing a leading role within the CPMI-IOSCO Operational Resilience Group (ORG), and its workstreams on third-party and cyber operational resilience.

In 2024, the Bank, with the PRA and FCA, introduced new rules to bolster the resilience of critical third parties (CTPs) providing key services to the financial sector. These rules came into effect on 1 January 2025 and apply once a CTP is designated by HM Treasury (HMT).

The CTP regime is designed to manage risks to UK financial stability, and confidence, which could arise due to the disruption or failure of the services that CTPs provide to the financial sector. The new regime addresses systemic risks that cannot be managed through regulated firms and FMIs alone. It does not reduce the responsibility of financial firms and FMIs to manage their own operational resilience and third-party risks in line with existing outsourcing rules.

The power to designate CTPs lies with HMT, which must be satisfied that 'a failure in, or disruption to the services [a third party] provides to firms could threaten the stability of, or confidence in, the UK financial system'. This is a high bar designed to capture a small

number of systemic third-party service providers.

HMT officials are in the process of gathering the necessary evidence to support decision making in relation to a number of potential CTP designations. The Bank, alongside the PRA and FCA, are working with HMT during the assessment process. HMT expects to make the first designations before the end of 2026.

The authorities are ready to start overseeing CTPs once a designation has been made. This has included establishing the Consultation and Co-ordination Forum to support cross-authority governance.

The authorities are also committed to strengthening domestic and international coordination due to the likely cross-sector and cross-jurisdictional nature of CTP's operations. To deliver on this the Financial Conduct Authority, Bank of England and Prudential Regulation Authority (UK regulators) have together signed a Memorandum of Understanding (MoU)^[30] ^[31] with the European Supervisory Authorities to enhance cooperation and oversight of CTPs that fall under the UK's CTP regime.

We have continued to embed and enhance the Bank's response tools available to mitigate financial stability risks that result from severe operational disruption at FMIs.

It is important that we engage with FMIs, other firms, and the wider market to understand the impact of disruption and to consider resilience actions that could support our objective. The Bank also maintains its own readiness to respond effectively and rapidly to incidents and market events impacting FMIs including where our FMIs are unable to continue to provide their Important Business Services. This includes through testing and exercising, as well as reflecting on lessons learned from previous events.

The Bank is sustaining and enhancing its crisis management capabilities through consideration of the key nodes for delivery of vital services, the market structure of systemically important markets, and building scenario analysis and exploratory exercising upon these. This also supports our supervisory review cycle (as outlined above); for instance, scenario analysis of an important business service disruption may reveal which components are most determinative for financial stability, thereby informing the components we would expect an FMI to deliver in its minimum level of service.

The Bank has also continued to be an active participant in industry-led collective action and response readiness through its partnership with the Cross Market Operational Resilience Group (CMORG). CMORG brings together authorities and market participants, including FMIs, to undertake sector-wide voluntary and collaborative operational resilience activity to improve the operational resilience of the finance sector. CMORG's focus through this reporting period has been to assess resilience levels and contingency capabilities for the most critical organisations and services (including FMIs and third parties), a framework for system

reconnection to support firms in safely reconnecting to the financial system following a cyber disruption, guidance on cyber recovery capabilities, and consideration of technological change (such as advances in artificial intelligence and quantum computing).

3.3: Enable and shape safe and resilient innovation in payments, settlement and clearing

The Bank continues to support responsible innovation across FMIs – improving the quality, efficiency, and economy of FMI services. Engagement with industry and the FMIs is an important component in identifying where regulation might support or conversely impede potential market innovations.

We developed and applied the Bank’s policy and supervisory approach to support innovation in payments, settlement and clearing, responding to developments in technology and the evolution of markets.

We have made significant progress in setting out the policy framework in relation to a range of innovation initiatives from stablecoin to digital assets, building on feedback from industry engagement and responding to rapid changes in the international landscape in these areas.

In relation to payments, we have progressed our work to design a regulatory regime for sterling-denominated systemic stablecoins that can support innovation in payments while safeguarding financial stability. In November 2025, we published a consultation on a proposed regulatory regime for sterling-denominated systemic stablecoins^[32] to be used for UK payments. The aim of the regime is to support trust in stablecoins as a new form of money. and Chapter 4 sets out the next steps in finalising this work.

For settlement, the Digital Securities Sandbox (DSS) continues to provide an opportunity for firms to test new approaches. Box F provides a general update on progress. The DSS launched in 2024 and firms are now starting to near Gate 2 – the point at which they can undertake activity. We have been providing information to firms on the approach that we will take to assess Gate 2 applications highlighting that it is proportionate to the risks that DSS firms pose to financial stability. It is calibrated to reflect the limits in the DSS. The areas of focus for the Bank in its Gate 2 reviews, including the key risks that entrants must demonstrate can be managed, are set out on our website.^[33]

For clearing, responses to our consultation on ‘Ensuring the resilience of CCPs’ are helping to inform the Bank’s emerging thinking on the use of tokenised collateral at CCPs. At the February 2026 roundtable event for the CEOs, Chairs, and Independent Non-Executive Directors of UK FMIs Sasha Mills outlined some of the regulatory outcomes that the Bank is pursuing explaining that the Bank takes a technology-agnostic approach to supervision and regulation, avoiding mandating or prohibiting specific technologies. We aim to reflect this approach consistently in our policy and supervisory work. Where ‘traditional’ assets, which are already accepted as collateral by CCPs, are tokenised, we expect that the risk of the underlying asset remains the same as the traditional form. The process of tokenisation may

introduce risks, but as with traditional assets, the regulatory and supervisory framework allows for risks to be mitigated. Chapter 4 highlights the recent and planned forthcoming work on tokenisation.

Internationally, we play an important role in shaping international standards through our participation in international FMI-related committees and working groups, such as those hosted by the Bank for International Settlements (BIS), including the Committee on Payments and Market Infrastructures (CPMI), and the Financial Stability Board (FSB). This includes supporting work on FMIs' risk management and digital innovation in payments, clearing and settlement, complementing our domestic efforts.

Box F: Digital Securities Sandbox

The Bank and the FCA officially launched the Digital Securities Sandbox (DSS) for applications on 30 September 2024. The DSS, which we operate jointly with the FCA, aims to support and encourage innovation in financial market infrastructure, through a transparent framework with a common set of rules that offers greater certainty, competition, and innovation, most notably through using new technologies such as Distributed Ledger Technology. It also forms part of a broader shift from pilots to production, enabling firms to undertake real, live activity rather than continued experimentation.

Since the DSS opened, sixteen firms^[34] (sandbox entrants) have been admitted. These firms have presented us with a variety of use cases, beyond greater efficiency in post-trade activity, which was the main use case the regulators initially foresaw for the DSS. Sandbox entrants are now engaging with the Bank (and the FCA) as they prepare to apply for the 'live' stage of the DSS, where firms will be allowed to carry out live business under initial limits, with issuance limits for key digital securities markets set high enough to allow for meaningful activity while still safeguarding financial stability.

Some firms are exploring how tokenisation of assets could make it more straightforward to move assets around the financial system. This can remove operational and technical barriers, open up activity that was not previously possible like intraday repos, and could also expand the pool of assets in the system that can be utilised as collateral.

While the Bank's risk appetite for a significant shift away from settling in central bank money is low, the Bank is considering how the DSS could be used to learn how privately issued forms of digital money might be used for a proportion of wholesale on-chain settlement. It also provides authorities and firms with a structured environment to learn how best to enable the responsible adaptation of Distributed Ledger Technology (DLT) in financial markets and embed those lessons in permanent operations and regulations.

Tokenised deposits represent a programmable form of money and are subject to the same standards as traditional deposits held by commercial banks and can already be used as a payment asset in the DSS.

In addition, the Bank is open to the role stablecoins could play within wholesale markets. The Bank and FCA are exploring their use as an on-chain settlement asset in the DSS (i.e. a form of payments that can be programmed in a smart contract to

execute a transaction such as the purchase of a financial security).

We are developing the Bank's input into and starting to deliver the UK Wholesale Financial Markets Digital Strategy and helping to shape the future UK and global FMI digital ecosystem.

During the reporting period we developed the Bank's input into, and began to deliver, the UK Wholesale Financial Markets Digital Strategy,^[35] supporting the Government's objective to realise the benefits of digitalisation in wholesale financial markets while maintaining financial stability. We are working closely with HM Treasury and the FCA to shape and deliver the strategy. To ensure the right foundations are in place for innovation in wholesale markets, the Bank is using the Digital Securities Sandbox (DSS) and the Digital Gilt (DIGIT) as catalysts, advancing work on the cash settlement leg and public permissionless ledgers. There is also international engagement through the Transatlantic Task Force and collaboration with the BIS and CPML.

Digital gilt (DIGIT) progress: The Bank and HMT are collaborating closely on HMT's pilot issuance of DIGIT (Digital Gilt Instrument), a key pillar of the government's Wholesale Financial Markets Digital Strategy (WFMDs). Launched by HMT, DIGIT will support the Government's commitment to maintain the UK as a world-leading and global financial centre by (i) enabling the Government to explore how DLT can be applied to UK sovereign debt issuance processes, and (ii) catalysing the development of UK based DLT infrastructure and the adoption of DLT across UK financial markets. DIGIT will be digitally native, short-dated UK government debt issued on a platform operating within the Digital Securities Sandbox (DSS). We supported HMT in their preparations for the issuance, ensuring alignment with the DSS regime and the Bank's financial stability objective. This work is strengthening the Bank's preparedness to regulate and operate in financial markets as they digitalise.

Launch of the synchronisation lab: The Bank has a preference not to see a significant shift away from central bank money (CeBM) in securities settlement. In the long-term, equal accessibility to different forms of on-chain money (RT2 synchronisation, tokenised deposits, systemic SCs) should support this outcome. The Bank is therefore currently working to ensure that there is an appropriate 'on chain' payment asset for the settlement of tokenised assets in the DSS, including by developing a central bank money (synchronisation) solution. As part of the RTGS renewal program, the Bank has developed a synchronised settlement interface which allows RTGS to interoperate with other ledgers and technologies (eg digital asset ledgers using blockchain technology). When fully operational, this will enable the settlement of tokenised securities transactions on-chain using central bank money. As part of this work, the

Bank has launched the Synchronisation Lab^[36] (a non-live environment) during the reporting period, which is being used to test the different use cases that would be made possible through RT2.

The Bank is contributing to the US–UK Transatlantic Taskforce for Markets of the Future, aimed at enhancing collaboration on capital markets, digital assets, and other innovative financial activities. The Taskforce aims to report back to both finance ministries on its recommendations via the UK–US Financial Regulatory Working Group in Summer 2026.

[37]

Internationally the Bank continues to contribute to work by the CPMI on the considerations for central banks on tokenisation in the context of money and other assets. The Bank also remains engaged in work by the FSB to monitor developments related to crypto-assets and to examine issues related to possible stablecoin vulnerabilities, such as those potentially arising from multi-jurisdictional stablecoins (stablecoins issued by the same or affiliate entities operating across different jurisdictions). The Bank remains involved in the Policy Group of Global Layer One, a collaborative initiative by the Monetary Authority of Singapore, which is exploring the design of global financial infrastructure, based on distributed ledger technology. The global regulatory framework for digital assets, including stablecoins,^[38] as well as emerging global experiences in implementation will continue to inform the development of the UK regulatory framework.

We supported development and implementation of the longer-term strategy for retail payments in the UK.

Over the reporting period, significant steps have been taken to implement the National Payments Vision^[39] (NPV). The NPV sets out an ambitious strategy for a trusted, world-leading payments ecosystem in the UK, delivered on next-generation technology, where consumers and businesses have a choice of payment methods to meet their needs. This work is led by the Payments Vision Delivery Committee (PVDC), a cross-authority committee chaired by HMT, with senior representatives from the Bank, FCA and PSR.

In July 2025, the PVDC agreed an innovative new model to deliver the next generation of UK retail payments infrastructure. The new model establishes clear roles for the public authorities and industry participants in renewing the UK's retail payments infrastructure and harness the opportunities of next-generation technologies at pace. As part of this announcement, the Bank has set up, and is chairing, the Retail Payments Infrastructure Board (RPIB), which includes broad representation across the payments ecosystem (banking sector, fintech as well as merchants and end users). RPIB is a senior advisory board that will translate the vision and strategy set by PVDC into design, including through consultation with the broader payments ecosystem and end-users.

Building on these announcements, in November 2025 PVDC published its Strategy for Future Retail Payments Infrastructure.[40] This sets out the strategic outcomes that the future retail payment infrastructure should help deliver, reflecting HMT and the authorities' objectives for the payments ecosystem. The strategy centres on five high-level outcomes focused on access, choice, and bringing to life the authorities' vision for a diverse multi-money ecosystem with interoperability between new and existing forms of digital money. Consistent with our FMI and payment oversight functions and our financial stability objective, one of these strategic outcomes is ensuring the payments ecosystem remains operationally and financially resilient.

In February 2026, the PVDC published its Payments Forward Plan,[41] delivering another key NPV milestone. The payments forward plan provides a view of payments-related initiatives being taken forward by the government and public authorities, and how each supports delivery of the NPV.

We deepened dialogue with industry and other authorities to provide regulatory clarity and identify areas for regulatory action, to support the Bank's wider work on its approach to innovation.

The Bank held a roundtable with CEOs, Chairs and Independent Non-Executive Directors of UK FMIs as part of its engagement with FMIs. The event brought together Board-level leaders so we could set out how we see the sector evolving and how our supervisory approach is adapting in response, grounded in a risk-based, judgement-led approach that remains proportionate, clear, and supportive of safe and responsible innovation. This type of engagement allows us to reiterate and explain our priorities and expectations in a clear way, while also hearing directly from Boards about the challenges and opportunities they foresee across payments, settlement and clearing. It provides a channel to explore where additional guidance would be most useful, and maintains trusted channels for constructive, two-way dialogue at senior level.

The Bank has continued to engage with the Accelerated Settlement Taskforce (AST) as an observer and with relevant FMIs as the market prepares to transition to T+1 (trade date + one business day) settlement of securities transactions. In March, the AST along with the EU T+1 Industry Committee and the Swiss Securities Post-Trade Council T+1 Task Force have jointly published a T+1 testing plan for market participants to take forward. HM Treasury has been preparing to amend UK CSDR and the Bank will continue to work with HMT and the FCA on this legislative change.

Building on the Bank's wider strategy, drawing on the 2025 Innovation survey feedback, and in line with our response to the HMT remit letter, we are focused on delivering an agenda, which supports innovation and improves the quality, efficiency, and economy of FMI services.

This contributes to the UK's Financial Services Growth and Competitiveness Strategy^[42] published in July 2025. In October 2025, the Bank set out its approach to innovation in artificial intelligence, distributed ledger technology, and quantum computing.^[43]

The Bank is also engaging with firms and broader stakeholders on FMI-innovation related topics, including through inviting feedback to discussion and consultation papers and through roundtable events.

3.4: Carry out our responsibilities in an efficient, responsive, and inclusive way

The Bank is enhancing its operational efficiency and productivity by managing its costs, streamlining regulatory processes, and facilitating smoother industry interactions to allow firms and supervisors to focus resources more efficiently and reduce regulatory burden on firms.

We were accountable and responsive, communicating clearly with firms, establishing a comprehensive rulebook, and adapting our rules to account for new risks and innovations.

Since receiving its rule making powers in FSMA 2023 the Bank has been establishing the policy framework for FMIs – focusing first on fundamental rules and then on CCPs while also creating the supporting framework to ensure that rules can be waived and reviewed. We are now looking ahead to the next priorities with work on data reporting, OTC derivatives, and the CSD rulebook.

For all FMIs, the Bank published a policy statement in July 2025 to finalise the Fundamental Rules for FMIs, which was the Bank's first use of its new rulemaking power. These rules will take effect on 18 July 2026. The Fundamental Rules provide a clear and transparent articulation of the desired outcomes of the Bank's policy framework, including the actions FMIs should take to understand and manage the risks they may pose to the broader system. They are intended to increase the transparency and effectiveness of the Bank's role in supervising FMIs, supporting UK financial stability and the UK economy more broadly.

For CCPs, we have continued to make significant progress to create the new UK framework for CCPs through the 'repeal and replace' of UK EMIR from legislation into Bank rules. HMT intends to repeal the majority of requirements that apply directly to CCPs in assimilated law (previously EU retained law) and the Bank intends to replace those provisions with Bank rules. Between July and November 2025, the Bank consulted on its proposed CCP rulebook and accompanying Statements of Policy. The proposals included a set of targeted policy changes with the aim of setting clear expectations for CCPs, implementing updated international standards, and streamlining regulatory processes to further efficiency and foster innovation. For instance, the Bank has simplified its proposed approach to assessing CCP

model changes by establishing new, more proportionate criteria for determining whether a proposed change is 'material' and therefore warrants review, as well as significantly shortening timelines for reviewing material changes. At the same time, high standards will be maintained through ex-post reviews and ongoing supervision and our expectation remains that CCPs continue to meet all regulatory requirements. The Bank is currently considering consultation responses and expects to make and publish the final CCP rulebook in the second half of 2026, subject to HMT's statutory instrument for the repeal and replace of UK EMIR coming into force.

For CSDs, the Bank is considering how to take into account the rapid pace of innovation in settlement, and the need to both address any new risks and allow for new business models where appropriate.

For OTC derivatives, as a next step in the repeal and replacement of UK EMIR, the Bank is working with HMT, the FCA and the PRA to review the over the counter (OTC) derivatives provisions under Title II of UK EMIR, and other related legislation. The review will look to transfer the detailed firm-facing requirements into the regulators' rule books, where appropriate, and aims to ensure the regime remains proportionate while supporting economic growth and financial stability.

For data reporting, in November 2025, the UK's financial authorities announced a review of the UK's transaction and post-trade reporting regimes:^[44] UK EMIR, SFTR and MiFIR. The goal is to create a streamlined and harmonised framework for transaction reporting across regimes which both reduces unnecessary duplication in transaction and post-trade reporting, ensuring all requirements are proportionate to their benefit and maintains our ability to gain actionable insights from data needed to support our respective statutory objectives.

Feedback from industry was supportive, endorsing the proposed review principles, with most supporting an approach of 'evolution not revolution'. Alongside the FCA, we have established the new Transaction and Post-trade Reporting Harmonisation Taskforce. We will continue to engage with industry through this group as we design our long-term approach.

For CCPs, CSDs and CTPs, the Bank published a statement of policy on its approach to the review of rules for CCPs, CSDs and critical third parties (CTPs). This is intended to ensure that the Bank's regulatory framework remains flexible, adaptable, and fit for purpose. It sets out the Bank's overall framework for undertaking rules reviews, how stakeholders can engage with the Bank's reviews, how the work will be communicated publicly, and how the Bank will coordinate with other public bodies.

The Bank also published a consultation and draft statement of policy on its approach to rule permissions and waivers for CCPs, CSDs and critical third parties. This power is a key part of embedding agility and flexibility into the Bank's regulatory toolkit as it develops and allows for

relevant Bank rules to be modified or waived. The draft statement of policy sets out the Bank's broad approach, including a commitment to publish data on how long it takes to assess applications for permissions. The Bank's approach to permissions is being put into practice through the draft statements of policy for subject-specific permissions published as part of the Bank's consultation on Ensuring the Resilience of CCPs.^[45]

We progressed development of a new streamlined recognition process for non-UK, non-systemic CCPs in conjunction with HMT.

The Bank continues to implement its new responsibilities for non-UK CCPs and CSDs, underpinned by our model of informed reliance (as set out in Section 2). Following the UK's withdrawal from the European Union (EU), the Bank has responsibility for recognising and supervising: non-UK CCPs who provide clearing services to clearing members or trading venues established in the UK; and non-UK CSDs who provide settlement services for securities issued under UK law. The Bank is working with HMT to prioritise applications recognising the expiry of the TRR in 2027 and the exit from the runoff regime for some CCPs in 2026 and early 2027.

HMT intends to replace the CCP equivalence provisions, which are necessary for recognition of a non-UK CCP, with an Overseas Recognition Regime (ORR). Under current UK EMIR provisions, HMT makes a determination regarding the equivalence of a jurisdiction's CCP regime with the UK's regime and typically requests technical advice from the Bank to inform its equivalence determination. The ORR will serve the same function as equivalence and is designed to ensure that the UK assessment of overseas regimes is more proportionate and outcomes based. The Bank will continue to provide technical advice.

The Bank has recently implemented a more streamlined approach to the recognition process by adopting proportionate cooperation and information sharing arrangements with overseas authorities. These arrangements are intended to reduce negotiation time, while enabling recognition prerequisites to be met and supporting the progression of non-UK CCP recognition applications.

As set out in HMT's July 2025 policy note, equivalence and recognition decisions made under the existing UK EMIR regime will continue to have effect once the new regime is in place.

The Bank has changed how it implements its existing approach to informed reliance for RPSOs and SPSs in the Bank of England Recognised Payment Systems Code of Practice (CoP). While the approach to informed reliance remains as set out in the Bank of England's approach to financial market infrastructure,^[46] the Bank will now implement informed reliance through its formal power of direction, which is preferable to supervisory notifications.

We are improving the efficiency of our operations, infrastructure, processes and publishing data on our performance.

The Bank has enhanced its operational efficiency and productivity by managing its costs, streamlining regulatory processes, and facilitating smoother industry interactions. The transition to a two-year Periodic Risk Review (PRR) cycle for all firms allows firms and supervisors to focus resources more efficiently and reduce regulatory burden on firms.

Stress testing is another good example of how the Bank is seeking efficiencies in how we work. We have worked with international regulators to achieve greater coordination and consistency in the approach to stress testing of FMIs. A significant, tangible success was the agreement on harmonisation of data collection templates, which will reduce the work required by FMIs participating in multiple regulators' exercises and help develop a consistent best practice among FMIs in different jurisdictions. We have also leveraged new technology solutions to build up our desktop-stress testing capabilities. This allows us to perform a simplified but informative stress testing without additional input from FMIs and for any date. We are exploring potential applications of the expanded capability in regulatory work, eg testing impacts of shocks on specific products.

We are increasing accountability by providing clear metrics for service standards across a range of statutory decisions and enhancing transparency about how those are delivered. The Bank as FMI regulator set out in the 'ensuring the resilience of CCPs' consultation paper clear timelines for key activities such as authorisation and model approvals. In the consultation we set out proposals to publish our performance against these timelines to increase transparency and allow industry to assess our delivery. The Bank's consultation on its approach to rule permissions and waivers also proposes that the Bank will publish data on its timelines for making decisions on permissions that allow rules to be waived or modified for CCPs and CSDs. The forthcoming policy statements in respect of both consultations will confirm the new timelines that will apply.

The Bank has consulted on rules for exempting transactions arising from Post Trade Risk Reduction (PTRR) services from the clearing obligation.^[47]

4: What are the Bank's future priorities?

This section covers the priorities for the Bank over the coming reporting period.

We will continue to focus on our business aims as set out in Section 1 to support financial stability, innovation and, in doing so, growth, for example by developing efficient and effective supervision and policy and continuing to foster innovation including through the Digital Securities Sandbox. Risks to the delivery of our objectives include market events that require the focus of our FMIs and supervisors to address.

4.1: Ensure UK financial stability through financially resilient FMIs and their market structures

We will assess CCP financial resilience and take proportionate action to bring CCPs into tolerance where necessary.

We will undertake a range of supervisory and technical risk reviews across the FMI population, including model risk management reviews. We will continue to enhance our use of data to support identification of risks to FMIs and work closely with international regulators.

We will test resilience of UK CCPs through desktop stress testing by running multiple stress scenarios, leveraging our scenario generation tool. We plan to expand the model to include incremental cost of liquidating large, concentrated position and to assess liquidity risk. This new tool enables us to perform quick and timely assessments of emerging risks which in turn will support more informed and targeted assessment of CCPs risk management.

We will track implementation of the lessons learnt from the UK CCP fire drills which aim to test how CCPs and members respond to a failure of a clearing member and provide feedback.

We will maintain and improve FMID's readiness to respond to financial stress test events.

Maintaining staff readiness to respond to financial stability events as they unfold remains a critical element of our work. This is particularly important in this current period of geopolitical uncertainty and heightened volatility when stress events are more likely to crystallise and may do so rapidly. We will leverage technology to enhance our capabilities and use new tools, such as the Desktop stress-testing tool.

We will further develop the Bank's assessment of FMI's roles in the wider financial system and their impact on financial stability.

We will continue to support the Bank as it responds to feedback on the DP on gilt repo market resilience. On 1 April 2026, the Bank published a feedback statement^[48] summarising comments received and setting out next steps. We will focus on preventing procyclicality in central clearing tools and processes and assessing whether accessibility to cleared gilt repos could be improved through regulatory changes in collateral types accepted, without adversely impacting CCP resilience.

The Bank will continue to co-lead the work of the relevant standard-setting bodies to implement the BCBS CPMI-IOSCO proposals to improve transparency and evaluate the responsiveness of initial margin practices in centrally cleared markets. The Bank will also continue to support CPMI-IOSCO's work to identify areas where further guidance or recommendations may be useful for FMI's practices relating to losses arising from general business risks. CPMI-IOSCO expect publication of final outputs for both workstreams towards the end of 2026.

4.2: Ensure FMI services are operationally resilient and not a major financial stability risk in the event of disruption

We will ensure that FMI's are making good progress against firm specific operational resilience findings and will have capabilities to meet their Impact Tolerances (ITOLs) under high severity cyber and third-party extreme but plausible (EbP) scenarios. In doing so we will prioritise our focus on the most impactful Important Business Services (IBSs) from a financial stability perspective, for which FMI's should be in a position to deliver a minimum level of service even in the more extreme EbP scenarios.

We will examine closely FMI's progress in closing any remaining gaps that prevent them from meeting ITOLs, even under more severe scenarios.

In particular we will be focused on assessing how FMI's are meeting our expectation to provide a minimum level of service for the most critical elements of important business services (IBSs), even in upper end extreme but plausible (EbP) scenarios, while recovery is ongoing. This will involve consideration of their ability to restore data, rebuild critical applications, and core infrastructure, and/or failover to a safe environment. Our review will focus on those IBS components that have the greatest financial stability impact and are thus most critical for the delivery of vital services and functioning of systemically important markets.^[49]

We will continue to analyse the impact of potential multi-day outages at FMIs in particular in light of the evolving cyber threats (discussed further in Box G), to assess their financial stability risks, and consider Bank and industry readiness to respond. This top-down system-wide approach will inform our bottom-up reviews of specific FMIs' operational resilience frameworks and capabilities.

Box G: Frontier AI and its implications for cyber security

We have seen a step-change in the speed and scale of development of cyber-related Artificial Intelligence (AI) and continued rapid evolution is expected.

Recent enhancements to AI model capabilities represent a significant change in the cybersecurity landscape. AI models already provide meaningful capability gains in operational and cyber resilience for many sectors, including financial services. However, AI also enables threat actors to increase the scale, precision and speed of reconnaissance, social engineering, vulnerability discovery, and malware development. Faced with the increased threat that these advanced AI models become widely accessible, firms need to reexamine their cyber resilience. Any underinvestment in core cyber security fundamentals is likely to become more vulnerable to attack.

The Cross Market Operational Resilience Group (CMORG), working in conjunction with the National Cyber Security Centre (NCSC), is a key forum for the Bank and other UK Authorities' engagement with the financial industry to discuss the sector's response to threats arising from emerging frontier AI models. To support the sector, the Bank, CMORG and NCSC have published industry guidance^[50] targeted towards strengthening firms' cyber defence capabilities in response to emerging frontier AI driven threats. The Bank will continue to monitor developments and actively engage FMIs on these issues.

Consistent with the Bank's Operational Resilience expectations, FMIs should continue to assume that an attack will succeed and therefore maintain focus and investment in their cyber recovery capabilities for extreme but plausible AI cyber scenarios to remain within impact tolerances. It is essential that FMIs have effective protective, detective, threat containment, and cyber response capabilities, including to address faster and more disruptive frontier AI-driven attacks.

We will progress domestic and international policy/guidance in support of operational resilience at FMIs and operationalise the critical third party (CTP) regime (subject to HMT designation).

Following publication of the Bank's final rules for operational incident and third-party reporting for FMIs,^[51] the Bank will work with FMIs to establish access to relevant FCA platforms in advance of the policy coming into force in March 2027 so that all FMIs in scope are able to submit reports. The Bank will also publish a policy statement on its proposed revocation of overlapping incident reporting rules for CCPs and amend or remove overlapping incident reporting requirements for systemic payments systems.

To further enhance the sector's operational resilience capabilities, the Bank and PRA intend to consult on policy relating to the management of Information and Communication Technology (ICT) and cyber risks at the end of 2026.

The Bank will continue to play a leading role in the CPMI-IOSCO Operational Resilience Group (ORG), including by working towards the publication of a discussion paper on third-party risk management for FMIs and a toolkit to support FMIs' cyber resilience.

The Bank will continue to work with the other regulators to roll out and embed its oversight approach in readiness to oversee CTPs, once designated by HMT. HMT expects it will make the first designation before the end of 2026.

We will continue to embed and enhance the Bank's response tools available to mitigate financial stability risks that result from severe operational disruption at FMIs.

We will continue to embed and enhance the Bank's response tools to mitigate financial stability risks arising from severe operational disruption at FMIs. This will include strengthening crisis response frameworks, leveraging insights from industry testing and exercising such as CMORG, SIMEX and CORST, to deepen our understanding of where markets are most vulnerable to FMI disruption. These insights will help inform where the Bank may need to work with firms and wider industry to address residual financial stability risks that cannot be mitigated through firm-level resilience alone.

4.3: Enable and shape safe and resilient innovation in payments, settlement and clearing

We will have developed and applied the Bank's policy and supervisory approach to support innovation in payments, settlement and clearing, responding to developments in technology and the evolution of markets.

For stablecoins, the Bank has published^[52] the policy positions for the regulation of systemic stablecoin issuers, reflecting feedback received in response to the proposals set out in the November 2025 consultation paper. It also includes a consultation on the draft Code of Practice (rules) for sterling-denominated systemic stablecoin issuers, which implement the policy positions. Following feedback, we intend to finalise the Code of Practice by the end of 2026, after which the Code of Practice can be applied to recognised systemic stablecoin issuers. Looking ahead, we expect to consult in 2027 on further materials to support the regime.

For clearing, the Bank continues to monitor and actively respond to market developments, considering where there is a role to enable innovation within firms and financial market infrastructure functions more broadly, and shape the wider discussion. The Bank has consulted on a draft Statement of Policy (SoP)^[53] on our approach to using our requirements

and permissions powers to facilitate the mobilisation of new CCPs. The draft SoP builds on the approach to new firms^[54] published in July 2025 which clarified that new FMIs, including CCPs, could pursue the discretionary stage of mobilisation, which takes place after a firm has been authorised or recognised. Mobilisation can provide an efficient way for new CCPs to provide further assurance that they are able to meet their business-as-usual regulatory requirements, build out their capabilities, and facilitate live testing with de minimis amounts of business. This should remove potential barriers to entry, provide clarity on our approach and support innovation in the FMI sector. The draft SoP set out how the Bank will use its requirements and permissions powers to impose de minimis limits under which the CCP will operate throughout the duration of an agreed mobilisation period and, where appropriate, to give permission to modify or waive certain rules. For new CCPs, we will publish a final Statement of Policy setting out the Bank's approach to using our requirements and permissions powers to facilitate the mobilisation of new CCPs.

For Tokenisation, The Bank of England and the FCA set out a shared vision for tokenisation of UK wholesale financial markets in a Call for Input paper^[55] published in May 2026. This Call for Input sits within the Government's wider Wholesale Financial Markets Digital Strategy. Responsible adoption of tokenisation in the UK can enhance financial stability and support sustainable growth – in retail and wholesale payments and in financial markets and the services they provide to the UK and global economies. The Bank, working with the FCA, Government and industry, has already done a significant amount to modernise infrastructure in support of that innovation.

For the DSS, DSS participants have told us they are concerned about building viable business models in a regime where the key elements of the future settlement framework are still being developed. We will continue to work with firms to ensure that the DSS supports innovation and we will ensure there is a clear pathway for firms inside the DSS to move out into permanent authorisation.

As the Bank develops the future settlement framework, it intends to deepen engagement with industry, including through roundtables and targeted discussions, continue to engage with the FCA and HMT, and to incorporate lessons from live DSS activity – activity which has not yet occurred but will be central to shaping the regime's parameters. This work will feed into a phased approach to policy development, including discussion and consultation papers, ensuring that the end-state regime is informed by real-world testing and remains aligned with the Bank's financial stability objective and the Bank's commitment to facilitating innovation in its work more generally.

The Bank will work with HMT to ensure that the lessons from the DSS are appropriately taken into account in updating the UK's wider regulatory regime.

For those firms moving through the DSS we may update our assessment process based on the learnings of the DSS. Any changes will be carefully considered and if we choose to make any changes, we will update entrants via DSS Bulletin and ensure that our website contains the latest information.

We will continue our work on the UK Wholesale Financial Markets Digital Strategy and we will help to shape the future UK and global FMI digital ecosystem.

We will continue work on the new initiatives set out in Chapter 3.3 consistent with the Government's wider Wholesale Financial Markets Digital Strategy. The Bank and HMT will continue to collaborate closely on HMT's pilot issuance of DIGIT (Digital Gilt Instrument). This work will strengthen the Bank's preparedness for future digital securities and support HMT's ambition to test innovative issuance models. The Bank of England and the FCA will work closely alongside the recently appointed Wholesale Financial Markets Digital Strategy Champion, Christopher Woolard CBE, who will play a key role in coordinating industry.

We will ensure that there is an appropriate settlement asset for the cash leg of tokenised assets in the DSS, including providing policy input to development of a central bank money (synchronisation) solution.

The Bank will continue to assess the appropriateness of public permissionless ledgers (PPLs) for systemic sterling-denominated stablecoins as it finalises the regime. This will include continued engagement with industry on the risks and potential mitigants associated with these technologies. It will also build on broader work on ledger innovation through initiatives such as the joint Bank-FCA Digital Securities Sandbox, the Bank's DLT Lab and Bank's Synchronisation Lab, which is intended to support experimentation on how central bank money settlement can interact with external ledgers and new technologies.

We will support development and implementation of the longer-term strategy for retail payments in the UK.

We will continue to work with the other authorities to take forward the PVDC's strategic outcomes for retail payments infrastructure and support the delivery of the NPV. Consistent with our FMI and payment oversight functions and our financial stability objective, this will include considering if any changes to the supervisory approach are needed to address any risks associated with developments in retail payments. As work on the next generation infrastructure progresses, we will continue to ensure that key outputs align with responsible innovation in payments. There are two forthcoming publications: the PVDC will publish an update on roles and responsibilities across the wider ecosystem, and the RPIB will publish a consultation on the high-level design of the next generation retail payments infrastructure.

We will also ensure an orderly transition and minimise transition risks from existing to new infrastructure. As set out in the PVDC strategy,^[56] the current retail interbank payment systems will continue to operate, while also taking action to ensure that they can best serve the ecosystem of today and bridge to the ecosystem of tomorrow.

We will deepen dialogue with industry and other authorities to provide regulatory clarity and identify areas for regulatory action to support the Bank's wider work on its approach to innovation.

We will continue to support the work of the Accelerated Settlement Taskforce to drive the UK market's move to T+1 settlement. The Bank will continue to engage with FMIs to ensure that they are making the necessary changes to their systems and procedures to ensure a smooth and orderly transition to T+1.

The Bank will publish its final rules for exempting transactions arising from Post Trade Risk Reduction (PTRR) services from the clearing obligation, later this year. The proposed policy is expected to have a positive impact on financial stability by improving the efficiency of PTRR services and supporting access to those services for a wider range of market participants. This can allow new and existing users of PTRR services to better manage risk in their derivatives portfolios.

Additionally, FMIs will have the opportunity to contribute to the Bank's biennial survey of AI usage. These insights allow us to explore issues at the forefront of FMIs' considerations and accordingly shape our innovation-focused priorities.

4.4: Carry out our responsibilities in an efficient, responsive, and inclusive way

We will be accountable and responsive, communicating clearly with firms, establishing a comprehensive rulebook, and adapting our rules to account for new risks and innovations.

Following the Bank's consultation on its proposed CCP rulebook and accompanying Statements of Policy, we are considering responses from stakeholders. We expect to make and publish the final CCP rulebook in the second half of 2026, subject to HMT's statutory instrument for the repeal and replace of UK EMIR coming into force.

The Bank is scoping what a future CSD settlement regime could look like, including which activities and instruments should be required to settle in CSDs. The Bank is considering as part of this work the development of new settlement models and considering what is needed to achieve a proportionate regime that ensures consistent treatment across tokenised and non-tokenised settlement.

We will continue to engage with industry through the new Transaction and Post Trade Reporting Harmonisation Taskforce as we design our long-term approach.

The Bank published its final policy on operational incident and outsourcing and third-party reporting (IOREP) and rules for FMIs^[57] in March 2026 alongside the FCA and PRA, following consultation. The Bank has made changes in response to consultation feedback which seek to enhance the clarity and proportionality of the policy, and alignment with the UK authorities. In parallel, the Bank has launched a consultation on revoking an overlapping operational incident reporting rule for CCPs and stated that it intends to amend overlapping operational incident reporting requirements for systemic payments systems and engaged with international counterparts to minimise duplication with other jurisdictions' regimes. The Bank's rules will take effect in March 2027.

We will implement a new streamlined recognition process for non-UK, non-systemic CCPs in conjunction with HMT.

The Bank will continue to process applications from both new applicant non-UK CCPs and CSDs for recognition and those in the transitional regimes where the relevant requirements are met. The Bank is working with HMT to prioritise applications recognising the expiry of the TRR in 2027 and the exit from the runoff regime for some CCPs in 2026 and early 2027.

In the meantime, non-UK CCPs and CSDs in the temporary regimes may continue to offer clearing and settlement services in the UK.

We will have improved the efficiency of our operations, infrastructure and processes and published data on our performance.

The Bank continues to invest in technology to improve its operational effectiveness. This investment is prioritised in the context of the Bank's overall technology estate, where there is a wider programme of work underway to address obsolescence and invest in infrastructure to make the Bank fit for the future.

As the landscape evolves, the Bank continues to refine its supervisory approach for all firms to ensure the right balance between mitigating risks to financial stability and supporting the wider economy by enabling responsible innovation.

A range of new timelines for applications will be introduced alongside the EMIR rulebook changes. We are undertaking exploratory work to prepare for the future publication of Service Level Agreements (SLA) metrics for applications. In parallel, we are developing a proportionate process to manage and triage these applications, ensuring we can track and meet the relevant SLAs.

CBA is an important tool in demonstrating that the approach the Bank is taking in relation to policy is effective and efficient. The Bank published an updated Statement of Policy (SoP) on its approach to cost benefit analysis (CBA) in April 2026. This addressed feedback received on the SoP published in December 2024, including further consideration of the potential impact of regulation on international competitiveness and clarifying our position on supervisory fees in CBAs. Alongside this, the Bank joined the PRA's publication of a Standard Cost Model (SCM) technical note, which provides transparency on the model used in CBAs to estimate firm costs from policy implementation. The Bank is seeking feedback on its use of this model and will consider any feedback received in the context of the Bank's use of the model in cost benefit analysis.

We have brought forward our FMI fees timeline significantly and published our annual consultation for CCP and CSD fees on 17th April 2026 on the same date as the PRA. Firms had requested an earlier consultation as it aligns more closely with their planning and budget cycles.

Annexes

Annex 1: FMIs and specified service providers supervised by the Bank and the key supervisory legislation to which they are subject

UK CCPs are regulated under FSMA 2000 as recognised clearing houses (RCH) and under UK EMIR. The embedded payment systems of LCH Ltd and ICE Clear Europe are also both recognised payment systems under the Banking Act 2009.

CCP	Description
ICE Clear Europe Limited	Clears a range of exchange-traded derivatives.
LCH Limited	Clears a range of securities, exchange-traded derivatives, interest rate swaps, inflation swaps, non-deliverable foreign exchange forwards, foreign exchange (FX) options, bonds and repurchase agreements.
LME Clear Limited	Clears a range of metal derivatives traded on the London Metal Exchange.

Payment systems meeting defined criteria may be recognised by HMT. Recognised payment systems are supervised by the Bank under the Banking Act 2009.

Payment system	Description
Bacs (a)	Operated by Pay.UK, processes higher-volume and lower-value payments, such as salary, benefit, Direct Credit and Direct Debit payments.
CHAPS (b)	Operated by the Bank of England, the CHAPS system is the UK's high-value payment system, providing real-time gross settlement of sterling transfers between participants.
CLS	Operates a multi-currency payment-versus-payment (PvP) settlement system for foreign exchange transactions across eighteen currencies, including sterling.
Faster Payment System (FPS) (a)	Operated by Pay.UK, processes standing orders and electronic retail transactions, including transactions generated in internet, mobile and telephone banking.
LINK	LINK is a network of card issuers and ATM deployers which allows cardholders to use their cards to withdraw cash at any ATM connected to LINK where the ATM deployer is not the same institution as the cardholder's issuing bank.
Mastercard Europe	Mastercard Europe is a four-party card scheme and cards payments processor operating in the UK, European Economic Area (EEA), and non-EEA, offering debit, credit, deferred debit, and prepaid card products.
Sterling Finality Payment System (c)	The Sterling Finality Payment system is the UK's first wholesale settlement system that uses distributed ledger technology (DLT) through the Bank's Real-Time Gross Settlement (RTGS) Omnibus Account.
Visa Europe	Visa Europe is a four-party card scheme and cards payments processor operating in the UK, EEA, Israel, Turkey, and Switzerland, offering debit, credit, deferred debit, and prepaid card products.

(a) Bacs and FPS are owned and operated by Pay.UK, which is the entity that the Bank supervises.

(b) The Bank's FMI Directorate continues to supervise CHAPS (a non-recognised payment system) to the same standard as recognised payment systems. CHAPS was formally derecognised by HMT in 2017, when responsibility for managing the system was transferred to the Bank.

(c) DLT-based sterling payment system Finality (£FnPS) started its operation under limits in December 2024. Progressing to the next stage of scaling its operations will be subject to £FnPS meeting the Bank's operational and supervisory expectations.

Specified providers may be specified by HMT where their service(s) are determined to form part of the arrangements constituting a recognised payment system. Specified service providers are supervised by the Bank under the Banking Act 2009.

Specified provider	Description
Vocalink	Vocalink is a technology company that designs, builds, and operates the IT infrastructure for the Bacs, Faster Payment, and LINK payment systems.

UK CSDs are regulated under FSMA and UK CSDR. Euroclear UK & International operates the CREST system, which is also a recognised payment system under the Banking Act 2009 and is also subject to the Uncertified Securities Regulations 2001.

CSD	Description
Euroclear UK & International	EUI operates the CREST system – a securities settlement system for a range of securities including UK gilts and money market instruments, as well as UK equities – which settles on a delivery-versus-payment basis.

Non-UK CCPs recognised by the Bank as a Tier 1 or Tier 2 incoming CCP under UK EMIR Article 25.

CCP	Description
CBOE Clear Europe N.V.	Clears a range of cash equities, depository receipts, exchange-traded funds, and securities financing transactions.
Chicago Mercantile Exchange Inc.	Clears a range of exchange-traded futures and options including on interest rates, equity indexes, FX, energy, metals, agricultural and commodities products.
Clearing Corporation of India	Clears a range of OTC debt/equity securities, derivatives, and repos.
Eurex Clearing AG	Clears a range of OTC and exchange-traded securities and derivatives including equities, debt, interest rate, FX, and OTC repo transactions.
ICE Clear Credit^[58]	Clears a range of credit derivatives
LCH SA	Clears a range of OTC and listed repo, credit default swaps, and crypto derivatives.

Non-UK CSDs recognised under Article 25 of UK CSDR.

CSD	Description
ATHEXCSD	ATHEXCSD is recognised to provide core services of central securities depositories, including settlement, notary, and maintenance services, as well as non-banking type ancillary services, for transferable securities and units in collective investment undertakings.
Clearstream Banking SA	Clearstream Banking SA is recognised to provide core services of central securities depositories, including settlement, notary, and maintenance services as well as banking and non-banking type ancillary services, for transferable securities, sovereign debt, exchange-traded funds, units in collective investment undertakings, money-market instruments, and emissions allowances.
Euroclear Bank SA/NV	Euroclear Bank SA/NV is recognised to provide core services of central securities depositories, including settlement, notary, and maintenance services, as well as banking and non-banking type ancillary services, for transferable securities, money market instruments, and units in collective investment undertakings.

Annex 2: Data on FMIs

CCPs (by default waterfall) – average of daily figures over the period

		Total initial margin requirement (£ equivalent, millions) ^(a)			Default fund (£ equivalent, millions) ^(b)			Number of clearing members		Operational availability of core systems		Products cleared
		2025	2024	2023	2025	2024	2023	2025	2024	2025	2024	
ICE Clear Europe ^(c)	Credit default swap	n/a	n/a	3,822	n/a	n/a	1,236	n/a	n/a	n/a	n/a	Clears a range of exchange traded derivatives.
	Futures and options	56,486	59,162	73,865	2,366	2,276	2,458	73	72	100%	99.997%	
LCH Ltd	EquityClear	3,666	7,197	3,509	261	162	150	33	32	100%	99.99%	Clears a range of securities, exchange traded derivatives, interest rate swaps, non-deliverable foreign exchange forwards, foreign exchange (FX) options, bonds and repurchase agreements.
	ForexClear	7,666	9,178	5,417	1,751	1,772	1,386	43	39	99.99%	99.96%	
	RepoClear	6,043	7,986	9,942	834	638	519	74	51	100%	99.96%	
	SwapClear	189,019	191,315	173,805	6,001	5,818	5,620	132	137	99.98%	99.70%	
LME Clear	LME Base	6,781	7,193	10,320	858	986	1,289	42	43	100%	100%	Clears a range of metal derivatives traded on the London Metal Exchange.

(a) The end of day total margin requirement per default waterfall, averaged over all business days in the period.

(b) The size of the clearing member prefunded default fund, averaged over all business days in the period.

(c) ICE default fund is average of requirement amount rather than deposit value.

Recognised payment systems and securities settlement systems ^(a)												
		Volume			Value (£ millions)			Number of settlement bank members		Operational availability ^(b)		Important payment types
		2025	2024	2023	2025	2024	2023	2025	2024	2025	2024	
Bacs		27,132,109	26,816,177	27,015,249	23,910	22,986	22,445	33	32	99.97%	99.90%	Operated by Pay.UK, processes higher volume and lower value payments, such as salary, benefit. Direct credit and direct debit payments.
CHAPS ^(c)		210,483	207,609	203,759	371,332	344,409	364,444	38	38	99.87%	99.79%	Operated by the Bank of England, the CHAPS system is the UK's high value payment system, providing real time gross settlement of sterling transfers between participants.
CLS	All currencies	1,252,993	1,199,866	1,152,880	5,402,655	4,637,379	4,139,025	76	73	100%	100%	Operates a multi-currency payment-versus-payment (PvP) settlement system for foreign exchange transactions across eighteen currencies, including sterling.
	Sterling	77,977	78,146	77,731	481,031	431,311	413,468					
CREST	Sterling	229,005	210,205	199,558	1,064,106	938,963	801,787	24	24	99.93%	99.98%	Settlement of gilts, equities, and money market instruments (including in respect of the Bank's open market operations and repo markets transactions more generally).
	US dollar	7,877	6,680	5,730	1,585	1,551	1,249					
	Euro	1,094	948	888	921	948	685					
	Total CREST	237,976	217,833	206,176	1,066,612	941,462	803,721					
Faster Payments Service		15,671,346	14,379,612	12,817,046	13,396	£11,741	£10,414	41	41	99.97%	99.90%	Operated by Pay.UK, processes standing orders and electronic retail transactions, including transactions generated in internet, mobile and telephone banking.
Link ^(d)		3,486,128	3,791,690	4,088,107	210	219	223	28 (21 Banks)	30 (23 Banks)	100%	100%	LINK is a network of card issuers and ATM deployers which allows cardholders to use their cash at any ATM connected to LINK where the ATM deployer is not the same institution as the cardholder's issuing bank.
Visa Europe	All currencies	193,129,814	173,119,983	152,814,230	6,333	5,668	5,230	370	363	100%	100%	A four-party card scheme and cards payment processor operating in the UK, EEA, Israel, Turkey, and Switzerland, offering debit, credit deferred debt, and prepaid card products.
Mastercard Europe	All currencies	183,777,535	166,297,128	146,978,186	5,784	5,181	4,766	854	842	100%	100%	A four-party card scheme and cards payment processor operating in the UK, European Economic Area (EEA), and non-EEA, offering debit, credit, deferred debit, and prepaid card products.

(a) All value and volume data represent daily average unless otherwise stated.

(b) The data on operational availability is not comparable between firms because each firm uses its own definition.

(c) Number of settlement bank members includes non-bank payment service participants and does not include suspended participants.

(d) Number of settlement bank members may vary as not all LINK members have their own RTGS account and will settle using other LINK members' RTGS accounts.

Annex 3: Glossary of terms and abbreviations

Terms

Credit risk – the risk of loss due to the failure of a counterparty to perform on a contractual obligation on time and in full. Credit risk arises whenever future cash flows are due from parties who may not provide them.

Digital Securities Sandbox – designed to allow firms which provide securities trading and/or settlement services to test and adopt new technologies that are not supported under current legislation.

Initial margin – collateral which is posted at the beginning of a transaction by a member to a CCP to cover potential future adverse changes in the market value of the contract and is recalculated on a regular basis.

Operational risk – the risk that deficiencies in information systems or internal processes, human errors, management failures, or disruptions from external events will result in the reduction, deterioration, or breakdown of services provided by an FMI.

Securities settlement system – an entity enabling securities to be transferred and settled by book entry according to a set of predetermined multilateral rules. Such systems allow transfers of securities either free of payment or against payment.

Stablecoin – stablecoins are a new form of privately issued digital asset that aims to maintain a stable value against fiat currency(ies) and can be used to make payments and/or settle financial transactions.

Systemic risk – the risk that the inability of one or more participants to perform as expected will cause other participants to be unable to meet their obligations when due.

Abbreviations

BCBS – Basel Committee on Banking Supervision.

BIS – Bank for International Settlements.

CBA – cost benefit analysis.

CCPs – central counterparties.

CFTC – Commodity Futures Trading Commission.

CPMI – Committee on Payments and Market Infrastructures.

CSDR – Central Securities Depositories Regulation.

CSDs – central securities depositories.

CTPs – critical third parties.

DLT – distributed ledger technology.

DSS – Digital Securities Sandbox.

EEA – European Economic Area.

EU – European Union.

EUI – Euroclear UK & International.

FCA – Financial Conduct Authority.

FMI – financial market infrastructure.

FMIC – Financial Market Infrastructure Committee.

FMID – Financial Market Infrastructure Directorate.

FMIs – financial market infrastructure firms.

FPC – Financial Policy Committee.

FPS – Faster Payment System.

FSB – Financial Stability Board.

FSMA 2023 – Financial Services and Markets Act 2023.

FX – foreign exchange.

HMT – His Majesty’s Treasury.

IOSCO – International Organization of Securities Commissions.

MoU – Memorandum of Understanding.

ORG – Operational Resilience Group.

OTC – over the counter.

PFMI – Principles for Financial Market Infrastructures.

PSR – Payment Systems Regulator.

PTRR – post-trade risk reduction.

RCH – recognised clearing houses.

RPSOs – recognised payment system operators.

RTGS – Real-Time Gross Settlement.

SIO – secondary innovation objective.

SoP – statement of policy.

TRR – temporary recognition regime for non-UK CCPs.

Annex 4: Selected Statutory Reporting Obligations

Report on the exercise of relevant sub-delegated powers for the period ending 28 February 2026.

Presented to Parliament pursuant to paragraph 32(2)(a) of Schedule 7 to the European Union (Withdrawal) Act 2018.

The European Union (Withdrawal) Act 2018 requires the Bank of England to report to Parliament annually if we exercise relevant sub-delegated powers.

During the reporting period ending 28 February 2026 the exercise of sub-delegated powers by the Bank in our supervision of FMIs was made through amendments to the UK EMIR Trade Repository reporting requirements on 8 August 2025.^[59] The previous report was issued on 23 June 2025.

Report under regulation 25 of the Central Counterparties (Amendment etc., and Transitional Provision) (EU Exit) Regulations 2018 for the period ending 28 February 2026.

The Bank extended the run-off regime for JSE Clear until 29 May 2027.

The Bank recognised ICE Clear Credit on 4 November 2025 and its CFTC regulated business exited the TRR.

The Bank has updated the relevant published list of third-country CCPs in the run-off regime and in the TRR.^[60]

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1. We have changed the reporting period for this year's publication so that we can align with the Bank and PRA Annual Reports in future years.

2. The Bank also supervises certain service providers to recognised payment systems that are 'specified' by His Majesty's Treasury (HMT), for example where the RPSO has outsourced critical parts of its operations to the service provider and the ability of the recognised payment system to deliver its responsibilities depends on the functioning of the service provider. This is separate to, and distinct from, the Bank, Prudential Regulation Authority and Financial Conduct Authority's responsibility for supervising certain Critical Third Parties which does not fall within the remit of this document. The Bank's FMI supervisory area continues to supervise CHAPS (a non-recognised payment system) to equivalent standard as other recognised payment systems. CHAPS was formally derecognised by HMT in 2017, when responsibility for managing the system was transferred to the Bank.
3. The £400 billion figure for RPSOs comprises average daily figures for CHAPS, Bacs, Faster Payment, Link, Mastercard Europe and Visa Europe. Note that CHAPS is not a RPSO but is supervised to equivalent standards by the Bank.
4. High severity cyber and third-party prolonged outage extreme but plausible (EbP) scenarios.
5. [Remit and recommendations for the Financial Market Infrastructure Committee – July 2025.](#)
6. [Remit and recommendations for the Financial Market Infrastructure Committee – July 2025.](#)
7. [Ensuring the resilience of CCPs.](#)
8. [Operational resilience: operational incident and outsourcing and third-party reporting for FMIs.](#)
9. [FCA CP25/32: Improving the UK transaction reporting regime.](#)
10. [Court of Directors.](#)
11. [Financial Market Infrastructure Committee terms of reference.](#)
12. [Implementation monitoring of PFMI: Level 2 assessment report for UK payment systems and central securities depositories/securities settlement systems.](#)
13. [The Bank of England's approach to financial market infrastructure supervision.](#)
14. [The Bank of England's supervisory approach to onboarding new financial market infrastructure firms.](#)
15. [The Bank of England's approach to enforcement.](#)
16. [The Bank of England's fees regime for UK financial market infrastructures.](#)
17. [Memorandum of Understanding between The Financial Conduct Authority and The Bank of England.](#)
18. [The Bank of England, Financial Conduct Authority, Prudential Regulation Authority, and Payment Systems Regulator revise MoU in relation to payments in the UK.](#)
19. [Bank of England and FCA joint approach to the Digital Securities Sandbox.](#)
20. [Memorandum of Understanding between the Bank of England, FCA and PRA.](#)
21. [The Bank of England's approach to cost benefit analysis.](#)
22. [2025 CCP Stress Test: results report.](#)
23. [2023 CCP Supervisory Stress Test: results report.](#)
24. [Enhancing the resilience of the gilt repo market.](#)
25. [Financial Policy Committee Record – December 2025.](#)
26. [Operational resilience: Impact tolerances for important business services.](#)
27. [Effective practices: Cyber response and recovery capabilities.](#)

28. [2025 CBEST thematic.](#)
29. [Thematic findings from the 2024 Cyber Stress Test.](#)
30. [MoU between the European Supervisory Authorities and the UK Financial Authorities.](#)
31. [The Bank of England, Financial Conduct Authority, Prudential Regulation Authority, and Payment Systems Regulator revise MoU in relation to payments in the UK.](#)
32. [Proposed regulatory regime for sterling-denominated systemic stablecoins.](#)
33. [Gate 2: Who is eligible and how to apply.](#)
34. [Digital Securities Sandbox Dashboard.](#)
35. [Wholesale Financial Markets Digital Strategy – GOV.UK.](#)
36. [Synchronisation Lab.](#)
37. [U.S.-UK Transatlantic Taskforce Hosts Industry Engagement in London – GOV.UK.](#)
38. Crypto-asset activities, consisting of the [FSB High-level Recommendations for the Regulation, Supervision and Oversight of Crypto-Asset Activities and Markets](#); [FSB High-level Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements](#); [CPMI-IOSCO guidance on Application of the Principles for Financial Market Infrastructures to stablecoin arrangements](#); and [FSB Thematic Review on FSB Global Regulatory Framework for Crypto-asset Activities.](#)
39. [The National Payments Vision.](#)
40. [Strategy for future retail payments infrastructure – GOV.UK.](#)
41. [Payments Forward Plan – GOV.UK.](#)
42. [Financial Services Growth and Competitiveness Strategy.](#)
43. [The Bank of England’s approach to innovation in artificial intelligence, distributed ledger technology, and quantum computing.](#)
44. [FCA CP25/32: Improving the UK transaction reporting regime.](#)
45. [Ensuring the resilience of CCPs.](#)
46. [The Bank of England’s approach to financial market infrastructure supervision.](#)
47. [Exempting post-trade risk reduction transactions from the clearing obligation.](#)
48. [Enhancing the resilience of the gilt repo market – discussion paper feedback statement.](#)
49. [Financial Stability in Focus: The FPC’s macroprudential approach to operational resilience.](#)
50. [The Bank, FCA and HM Treasury joint statement on Frontier AI models and cyber resilience.](#)
51. [Operational resilience: operational incident and outsourcing and third-party reporting for FMI.](#)
52. [Sterling-denominated systemic stablecoins.](#)
53. [The Bank of England’s approach to using its requirements and permissions powers to facilitate mobilisation of new CCPs.](#)
54. [The Bank of England’s supervisory approach to onboarding new financial market infrastructure firms.](#)
55. [Call for Input: The future of tokenisation – A joint vision from the authorities for UK wholesale financial markets.](#)

56. [Strategy for Future Retail Payments Infrastructure.](#)
57. [Operational resilience: operational incident and outsourcing and third-party reporting for FMIs.](#)
58. CFTC regulated business only. SEC regulated business remains in the TRR and will be determined separately in the future.
59. [Bank standards instrument: the technical standards \(EMIR reporting and data quality and miscellaneous amendments\) instrument 2025.](#)
60. [List of Third Country CCPs.](#)

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