NORTON ROSE FULBRIGHT

# Regulation Around the World

## Issue 17

**2026 Global Horizon Scanning**

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# Introduction

The year 2026 promises to be a pivotal one for financial services regulation across the globe. As markets continue to evolve in response to technological innovation, geopolitical shifts, and the lingering lessons of recent financial turbulence, regulators and policymakers are recalibrating their approaches to ensure resilience, competitiveness, and consumer protection. This edition of Regulation Around the World presents our annual horizon-scanning analysis of the key regulatory developments that institutions operating in financial services should anticipate in the year ahead.

At the international level, standard-setting bodies are driving significant reforms. The Financial Stability Board has approved an ambitious 2026 work program focusing on non-bank financial intermediation, while continuing efforts to strengthen crisis preparedness following the 2023 banking turmoil. The Basel Committee on Banking Supervision will continue to monitor Basel III implementation and follow up on identified deviations. The International Organization of Securities Commissions will continue focusing on its 2024 priorities which include the monitoring of its crypto and digital assets recommendations and further work on the use of artificial intelligence in financial markets. Meanwhile, the Financial Action Task Force is entering a delivery year, with the fifth round of mutual evaluations and continued pressure on beneficial ownership and Travel Rule implementation.

In the United Kingdom, the regulatory agenda remains firmly oriented towards growth and competitiveness, with the Smarter Regulatory Framework continuing to replace assimilated EU law, alongside reforms to the Senior Managers and Certification Regime and non-financial misconduct rules coming into force in September 2026. The Bank of England has also published proposals for a sterling-denominated systemic stablecoin regime, and the Financial Conduct Authority is expected to finalize its comprehensive crypto asset regulatory framework.

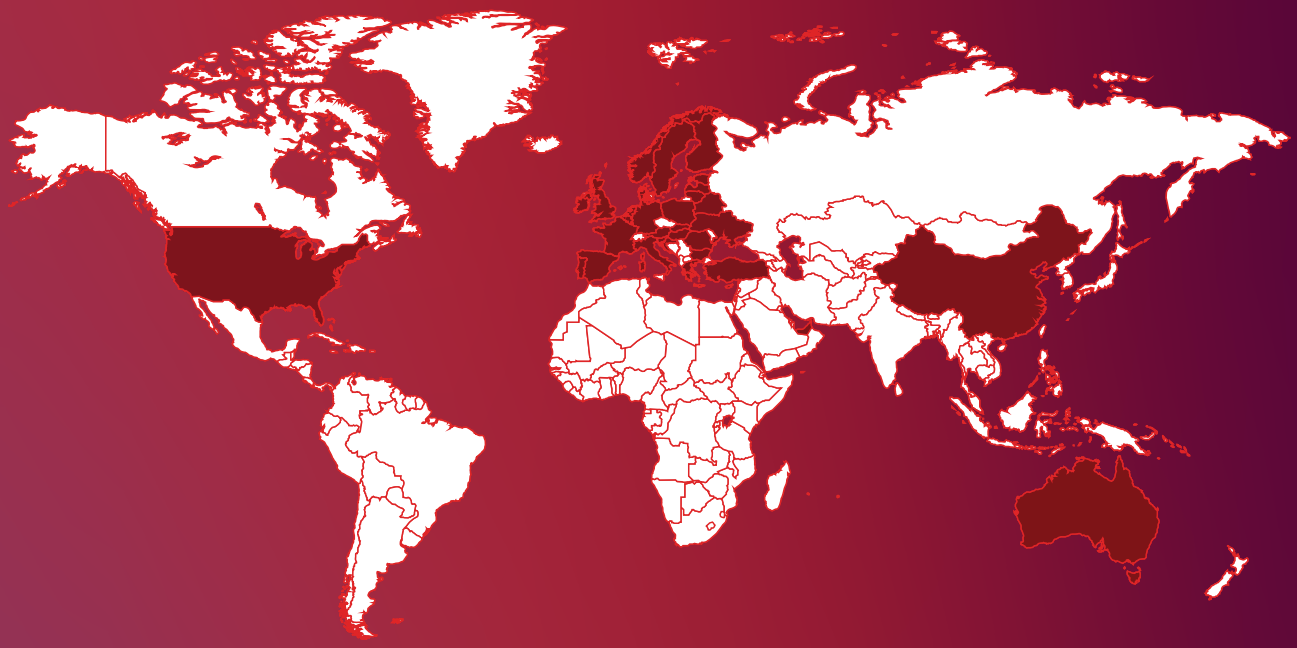
In Europe, the European Commission is gathering momentum with legislative reviews on NBFI, the Retail Investment Strategy package, the Payments Package (PSD3 and PSR) and significant reforms to the Sustainable Finance Disclosure Regulation aimed at simplifying sustainability disclosures and improving product comparability. Member States are working hard to transpose key EU legislative measures including the CRD VI, which includes a new framework for third country branches, and AIFMD II which, among other things, makes targeted amendments to delegation and the regulation of loan originating alternative investment funds. In addition, in 2026, Europe will see a new anti-money laundering supervisor in the form of the Anti-Money Laundering Authority and Member States will also be getting ready for a directly applicable AML Regulation which will apply from July 10, 2027. Regulators in individual Member States will also be pursuing their own agendas. For instance, the Dutch Authority for the Financial Markets will focus on those issues outlined in its 2026 trend monitoring report and the German BaFin will continue its focus on reducing bureaucracy which includes streamlining ownership control procedures and raising managers' transactions reporting thresholds.

In the United States, the administration has ushered in significant legislative and regulatory initiatives to open markets to digital assets and innovation, including the enactment of the GENIUS Act, establishing the first comprehensive federal framework for payment stablecoins. The federal banking agencies are expected to repropose the Basel III Endgame capital requirements by mid-2026.

Across the Asia-Pacific region, Australia is implementing new outsourcing standards under CPS 230 with material service provider requirements taking effect by July 2026, alongside new mandatory merger clearance processes commencing in January 2026. Like Europe, Australia's AML regime is also undergoing significant change. In China, the Central Committee of the Communist Party of China has recently released its 15th Five-Year Plan and the China Securities Regulatory Commission has released action plans to promote the development of the mutual fund industry.

And finally, in the UAE, the Payment Token Services Regulation will become operational in February 2026, and the new CBUAE Law will consolidate banking and insurance supervision. Tokenization will also be a key focus for the regulators in the region.

Research for this publication concluded on 31 December 2025, and later events may fall outside its scope.




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# International

## FSB

On November 19, 2025, the Financial Stability Board's (FSB) Plenary approved the FSB's work program for 2026, including key deliverables for the United States G20 Presidency.

Areas of focus include:

**Non-bank financial intermediation (NBFI)**
The Plenary supported further work to promote implementation of the FSB's recommendations on liquidity management by open-ended funds and on NBFI leverage. The latter includes working with industry to enhance disclosure by non-bank entities to their prime broker counterparties.

**Resolution**
The 2023 banking turmoil underscored the need to coordinate across different authorities to strengthen crisis preparedness. Continuing efforts to improve implementation monitoring of resolution standards in all sectors will form the basis of the FSB's work on resolution in 2026. For the banking sector, the Plenary noted that funding in resolution remains a challenge for the effective implementation of the FSB's resolution framework. This issue, alongside enhancing the effectiveness of the execution of cross-border bail-in, will also be addressed in 2026.

**Crypto assets and stablecoins**
The FSB's Thematic Peer Review of the FSB Global Regulatory Framework for Crypto-Asset Activities, which was delivered to the G20 in October 2025, highlighted the rapid growth of stablecoins and increasing interest from the traditional financial sector. The report also highlighted challenges related to regulatory fragmentation. Members also discussed in the Plenary the latest developments in stablecoins, including innovations, use cases, and policy responses, and considered work that the FSB should undertake on the financial stability implications of stablecoins, including laying the groundwork to address regulatory fragmentation and promote enhanced cooperation. Members noted the importance of coordination and collaboration across international organizations, standard-setting bodies and the Financial Action Task Force (FATF).

**Cross-border payments**
The Plenary discussed progress on the G20 Roadmap for Enhancing Cross-Border Payments. The FSB's latest progress report on enhancing cross-border payments was published in October 2025 and warned that the G20's targets were unlikely to be met by the end-2027 deadline. Members called for jurisdictional and regional action plans and emphasized the need to continue to engage with the private sector to drive improvements.

## Basel Committee

The Basel Committee on Banking Supervision (Basel Committee) will be in the second year of its 2025–26 program. It concentrates on completing and monitoring Basel III implementation, safeguarding resilience in light of recent stresses, addressing the prudential implications of digitalization, and strengthening liquidity risk practices.

**Basel III implementation remains the top priority**
Further jurisdictional assessments are expected as is a follow-up on identified deviations. This includes completing assessments related to the Net Stable Funding Ratio (NSFR) and large exposures and initiating reviews for any remaining outstanding standards.

**Risk assessment and resilience**
The Basel Committee continues its twin-track follow-up to the 2023 banking turmoil of strengthening supervisory practices, and assessing whether key parts of the Basel framework behaved as intended (notably liquidity risk and interest rate risk in the banking book), with any targeted policy options considered over the medium term. A deep-dive analysis of banks' interconnections with NBFI will also continue.

**Digitalization of finance**
Supervisory and analytical work will cover:

- Final supervisory principles for third-party risk management and work on information and communication technology (ICT) risk.
- Horizon-scanning of digital developments, including artificial intelligence (AI) use cases and digital fraud trends.

- Monitoring implementation of the finalized crypto asset prudential standard and related disclosure framework.

**Liquidity**
Drawing lessons from 2023, the Basel Committee is focused on practical supervisory tools for bank liquidity risk oversight. Consideration of potential refinements to the liquidity framework may follow in the medium term.

In relation to the Regulatory Consistency Assessment Programme (RCAP), there will be ongoing publication of jurisdictional assessments (including NSFR and large exposures), and further reviews of outstanding Basel III components. The Basel Committee has also initiated a targeted review of the NSFR standard where common deviations were identified.

## IOSCO

The International Organization of Securities Commissions' (IOSCO) focus in 2026 will largely be a continuation and delivery phase of the priorities set out in its 2025 work program and late-2024/2025 initiatives, with several workstreams explicitly running into 2026.

The headline priorities for 2026 include:

**Strengthening financial resilience**
Continued joint work with the FSB on leverage NBFI, closing non-bank data gaps, and finalizing/operationalizing reforms for open-ended fund liquidity risk management (including revised IOSCO recommendations and implementation guidance).

**Asset management valuations and liquidity**
Completion of the review and update of IOSCO's Principles for the Valuation of Collective Investment Schemes (including hedge fund portfolios), reflecting growth in less liquid/private assets and lessons from recent volatility. The consultation targets a final report in Q2/Q3 2026.

**Supporting market effectiveness and integrity**
Ongoing work on vulnerabilities in pre-hedging practices by intermediaries; continued review of valuation principles for collective investment schemes (CIS); monitoring of after-hours trading developments; and good practices arising from the targeted review of commodity derivatives principles.

**Retail investor protection and online safety**
Execution of the Roadmap to Retail Investor Online Safety, including actions on 'finfluencers', copy/imitative trading, digital engagement practices (gamification, prompts), and potential neo-broker conflicts. Roll-out and utilization of IOSCO's I-SCAN investor alerts portal and enhanced engagement with social media/search platforms to reduce online financial harm.

**Crypto and digital assets (including DeFi)**
Shift from policymaking to uptake — pilot implementation monitoring of IOSCO's Crypto and Digital Assets recommendations, close cooperation with the FSB on its own implementation monitoring, and continued attention to decentralized finance (DeFi) per IOSCO's final recommendations.

**Technology and innovation in markets**
Further work on AI use in financial markets (governance, controls, model risks) and continued monitoring of asset tokenization developments to assess implications for market integrity and investor protection.

**Sustainable finance delivery**
Capacity building and monitoring of the implementation of sustainability-related recommendations in asset management; continued support for jurisdictions adopting/using the standards developed by the International Sustainability Standards Board (with emphasis on growth and emerging markets); continued work on voluntary carbon markets, sustainable bonds and ESG indices; and support for carbon market development with international partners.

**Operational resilience and FMIs (with CPMI)**
Strengthening operational resilience of financial market infrastructures (FMIs), with strands on third-party risk management and cyber resilience and promoting use of existing CPMI-IOSCO cyber guidance.

**Annual meeting**
IOSCO 51st Annual Meeting in Sharm el-Sheikh, Egypt, May 11–13, 2026, followed by the host authority's public conference.

## CPMI

The Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) 2026 priorities sit within its 2025–27 work program and continue across three core themes: strengthening financial market infrastructure (FMI) risk management, delivering on the G20 cross-border payments roadmap and shaping policy on digital innovation in payments, clearing and settlement.

**Risk management of FMIs**
Continued standard-setting and implementation work on:

- Central counterparty (CCP) resilience, recovery and the handling of non-default losses.
- Margining practices in centrally and non-centrally cleared markets (follow-through from the Basel Committee-CPMI-IOSCO margin work).
- Reduction of FX settlement risk.
- Cyber and broader operational resilience of FMIs, including monitoring against the Principles for Financial Market Infrastructures (PFMI) and CPMI-IOSCO cyber guidance.

**Enhancement of cross-border payments**
Delivery against the G20 roadmap priority actions, with emphasis on:

- Interlinking fast payment systems and finalizing governance/oversight approaches for cross-border links.
- Greater data harmonization (ISO 20022) and practical application programing interface (API) usage standards to improve speed, transparency and access.
- Legal, regulatory and supervisory enablers to meet the end-2027 cost/speed/access/ transparency targets, in close coordination with the FSB and other bodies.

**Digital innovation in payments, clearing and settlement**
Analytical and policy work on:

- Tokenization in the context of money and payments, and its implications for settlement and market infrastructure.
- Cross-border central bank digital currency (CBDC) functionality and central bank collaboration models.
- Multicurrency and asset-linked stablecoin arrangements, including application of FMI standards where systemic.

In addition, the CPMI will continue its implementation monitoring and assessments including the ongoing CPMI-IOSCO reviews of the implementation of the PFMI, including follow-up on business-risk and cyber resilience practices, and publication of Red Book statistics on payments and FMIs.

## FATF

Drawing on the current FATF's Presidency's objectives, ongoing consultations and the timetable for the fifth round of mutual evaluations, it is expected that 2026 will be a 'delivery year' for the FATF.

**Fifth round of mutual evaluations**
A number of countries including the United States will be subject to the fifth round of mutual evaluations which will use the revised assessment methodology adopted in 2022. Among other things, the assessments concentrate on each country's highest money laundering/terrorist financing/ proliferation financing risks and the specific context in which they arise, to avoid "tick-box" transposition and to test whether controls mitigate the real risk profile. Countries are also expected to address priority gaps more quickly (with intensified peer pressure where progress lags), replacing lengthier, open-ended effectiveness follow-up with a faster, outcomes-driven approach.

**Beneficial ownership**
In 2026, the FATF is expected to push hard on the practical implementation of its strengthened beneficial ownership standards for legal persons and legal arrangements (Recommendations 24 and 25). That will mean using the new fifth-round evaluation cycle to test whether countries can provide timely, accurate and verified ownership data, and whether competent authorities actually use it to deliver outcomes (for example investigations or asset recovery).

**Travel Rule**
In 2026, FATF is expected to drive delivery of the Travel Rule including pushing countries to adopt and enforce the recent changes to Recommendation 16, monitoring virtual asset/ virtual asset service provider uptake, addressing "sunrise" and interoperability problems, issuing practical supervisory guidance and stocktakes, and using fifth-round evaluations to test real-world effectiveness across borders.

# GFXC

Based on its late-2025 communications and recent code updates, the Global Foreign Exchange Committee (GFXC) is expected to focus on a number of things in 2026 including:

**Updated FX Global Code**
Promoting the adoption of the updated FX Flobal Code embedding good practice across market participants, supported by the Global Index of Public Registers and renewed Statements of Commitment.

**Disclosure tools**
Rolling out and refining disclosure tools (enhanced Disclosure Cover Sheets and Algo/TCA templates) to strengthen transparency between liquidity providers, platforms and clients.

**FX settlement risk**
Advancing the work on FX settlement risk (via the GFXC's FX Settlement Risk Working Group), including good practices to mitigate principal risk and encourage robust post-trade controls.

**Supporting industry readiness**
Supporting industry readiness for market-structure changes, including preparation for T+1 settlement transitions and related operational impacts on FX hedging and funding.

# United Kingdom

## Introduction

In this article we look at key regulatory topics for 2026 that will have a significant impact on institutions operating in the UK financial services space. We have not attempted to list every single reform expected next year but rather pick out those with the potential to be most significant, as well as the key regulatory enforcement developments.

## Growth and competitiveness and the Smarter Regulatory Framework: Assimilated law and international cooperation

One theme of recent years in regulatory reform is the introduction of various measures aimed at encouraging growth and competitiveness in UK financial services. This arguably started with the previous government's introduction of the Smarter Regulatory Framework and has continued with the current government's "Leeds Reforms" set out in summer 2025, and we will be discussing in more detail some of the specific regulatory change initiatives that will be part of this continuing program into 2026. However, one ongoing piece of cross-cutting regulatory reform aimed at facilitating this relates to the ongoing work in relation to assimilated law (that is, EU laws that were retained in UK law following Brexit).

The government's program of revocation of assimilated law and the introduction of replacement rules in the Financial Conduct Authority (FCA) Handbook and Prudential Regulation Authority (PRA) Rulebook was ongoing throughout 2025 and will continue further into 2026, covering topics including changes to prudential requirements, markets regulation and asset management legislation, discussed further below. Most recently, the reform of requirements in relation to the Markets in Financial Instruments Directive II (MiFID II) Organisational Regulation[1] has moved forward with replacement rules coming into force in Q4 2025 and early 2026. Following this, the FCA is now also consulting on changes to the transaction reporting regime under the Markets in Financial Instruments Regulation (MiFIR) with a policy statement on the proposed changes promised for the second half of 2026 and a likely transitional period of around 18 months after that. In addition, the FCA also set out that it will be launching a cross-authority and industry working group to look at a variety of other transaction reporting requirements during the course of 2026.

That said, the post-Brexit reforms aimed at making the UK an attractive place for financial services firms hasn't been focused solely on domestic changes. In relation to this, the Overseas Recognition Regime Regulations[2] having come into force in Q4 2025 and the Berne Financial Services Agreement which went into force on January 1, 2026 arguably set the scene for more cross-border provision of services throughout 2026 and beyond.

And on the cross-border theme, in October, HM Treasury (HMT) announced the launch of the "Office for Investment: Financial Services" which will provide a 'concierge' service guiding foreign investors from their initial entry into the UK market through to expansion. The new service is an important component of the Government's Financial Services Growth and Competitiveness Strategy, and, in 2026, we expect to see the service providing tailored regulatory and business support to attract investment in the UK.

As part of this strategy, the FCA has also been encouraged by the government to consider how it can help to build a stronger investment culture in the UK and, in December 2025, the FCA set out a suite of measures aimed at achieving this. Several of the measures brought forward as part of this package are discussed further below but one particular area of regulation that has been under the spotlight is the Consumer Duty. In September, the FCA's CEO responded to the Chancellor's request to assess whether the Consumer Duty, aimed primarily at protecting retail investors, unduly affects wholesale activity and set out that it is intending to take forward a plan to address these concerns during the course of 2025 and into 2026. In its December 2025 statement, the FCA provided an update on its progress in relation to this plan setting out: (1) clarifications in relation to its current supervisory approach and regulatory expectations in instances where firms work together to manufacture a product

1 Commission Delegated Regulation (EU) 2017/565

2 The Financial Services (Overseas Recognition Regime Designations) Regulations 2025

or service; and, (2) that in the first half of next year, the FCA intends to consider stakeholder views and concerns about the application of the Consumer Duty to develop proposals for consultation, for example in relation to clarifying when the Consumer Duty applies, the availability of certain exemptions and when firms can rely on each other as part of distribution chains. With that in mind, hopefully firms will be able to adapt their approach to the Consumer Duty where appropriate during the course of next year.

From an enforcement perspective, the FCA has confirmed the existence of at least one 'enforcement operation' involving a firm and an individual for potential breaches of the Consumer Duty and we expect to see more of these cases coming down the track during 2026.

## Individual conduct

Another area of cross-cutting reform that will continue into 2026 relates to proposed changes to the Senior Managers and Certification Regime (SMCR). Earlier in 2025, the Chancellor arguably set a clear direction of travel for regulators to reduce costs and administrative burdens for firms in relation to this regime. What this looks like in practice should become clearer in 2026, with the FCA and PRA policy statements in relation to Phase 1 of the reforms (that is, the changes that don't require legislative amendments), such as to the 12-week rule, duration of criminal records checks and submission of statements of responsibilities, expected in mid-2026.

In addition, it is expected that we will also get some clarity on Phase 2 of the changes (that is, those requiring amendments to the Financial Services and Markets Act 2000) such as on proposals to remove the Certification Regime from legislation, reduce the overall number of senior manager roles and roles that require pre-approval, and remove certain other prescriptive legislative requirements, with a view to giving the FCA and PRA more flexibility to adapt and adjust the rules more easily over time. The legislative timetable for this and subsequent plans for consultation on replacement rules from the regulators will be something to look out for in 2026.

From an enforcement perspective in 2025, we have continued to see cases against senior individuals, including for breaches of the conduct rules and for being knowingly concerned in a breach of the Listing Rules, and we expect individual accountability to remain an enforcement focus during 2026. Lessons learned from the cases here include the importance of senior representatives: informing themselves adequately in relation to their responsibilities; providing the regulators with accurate and timely information; taking reasonable steps to identify and manage conflicts of interest; and keeping appropriate contemporaneous records of discussions held.

Staying on the topic of individual conduct issues, non-financial misconduct (NFM) has been a regulatory focus during 2025, and this will continue. In July, the FCA issued a paper on NFM which confirmed that the FCA is expanding the scope of its Code of Conduct (COCON) in non-banks with effect from September 1, 2026. In addition, in December, following a consultation, the FCA published its final guidance on NFM, amending its COCON sourcebook to explain how NFM can be a breach of the conduct rules and to make it easier for firms to interpret and consistently apply the rules; and explaining how NFM forms part of the Fit and Proper test for Employees and Senior Personnel sourcebook. This new guidance will come into force on September 1, 2026 and the FCA has stated that this publication brings its policy work on NFM to a close.

In terms of supervisory and enforcement caseload in this area, as of October 2025, the FCA had 76 open supervisory cases tagged as relating to NFM and there is one open high-profile NFM enforcement case in which a Decision Notice published in March 2025 has been referred to the Upper Tribunal, with a hearing due to take place in March 2026. We expect to see continuing supervisory and enforcement activity regarding NFM in 2026 and, in light of this, firms should ensure policies, training and reporting channels are robust, and that leaders can evidence that they set the right tone to prevent and address NFM.

## Retail reforms

At the macro level the key issues for the retail financial services industry in 2026 include navigating ongoing economic uncertainty, addressing new regulatory requirements and managing rapid technological change, particularly AI and cybersecurity. Consumer expectations for personalized and seamless digital experiences are driving much of this change. Set out below are some of the major forthcoming regulatory requirements.

Arguably, the motor finance consumer redress scheme will be the one to watch in 2026. Following the much-anticipated Supreme Court judgment in the case of *Johnson* and others in August, in October the FCA published its consultation paper

setting out its proposals in relation to an industry-wide redress scheme to compensate motor finance customers who were unfairly treated between 2007 and 2024. The FCA's analysis suggests that the motor finance industry is set to provide over £8 billion in redress but is also likely to spend almost £3 billion to implement the scheme; confirming that, as consulted upon, the scheme will be one of the most significant consumer redress schemes the sector has ever seen.

In November, the FCA extended the consultation deadline to mid-December 2025, but the FCA still expects to publish final rules in February or March 2026, and proposes that firms would then have six weeks to provide the FCA with a 'delivery forecast,' subject to any challenge from industry or consumers. Any implementation failures by firms could give rise to enforcement action, including against senior managers, for example in relation to false attestations they have provided.

With all the noise on motor finance it is quite easy to forget that HMT is in the middle of conducting the first phase of its consultation on reforming consumer credit. In summer 2025, HMT issued its 'Phase 1' consultation, which outlined the government's overall vision for a reformed consumer credit regime which involves repealing many of the provisions of the Consumer Credit Act 1974 (CCA 1974) and recasting them in the FCA Handbook. The next stage is for HMT to publish a response to its consultation and issue a further consultation setting out 'Phase 2,' which involves how the government intends to reform the scope of regulation and rights and protections under the CCA 1974.

In addition, summer 2025 saw a lot of activity regarding reforms to 'buy now, pay later' (BNPL) credit products. The Financial Services and Markets Act 2000 (Regulated Activities etc.) (Amendment) Order 2025 was made bringing interest-free BNPL agreements into the scope of regulation whilst providing for an exemption intended to ensure that most merchants (for example, eCommerce websites) are not subject to credit broking regulations when they refer customers to third-party BNPL providers (such as offering a third-party BNPL product at checkout, not their own finance product). The statutory instrument came into force on July 15, 2025 for the purpose of transitional arrangements and will come into force on July 15, 2026 (commonly known as 'Regulation Day') for all other purposes. The FCA has already issued a consultation paper regarding its proposed policy approach, CP25/23, and a policy statement is expected in Q1 2026. A negative statutory instrument is also to be laid in the future which will remove the requirement for domestic premises suppliers to have credit broking permissions to offer BNPL products. This negative statutory instrument is expected to be in place to coincide with the regulation of BNPL.

One area where the FCA has set out final rules is in relation to targeted support. As part of the Advice Guidance Boundary Review, the FCA proposed a new form of 'targeted' support in pensions and investments, which would enable firms to provide suggestions designed for groups of consumers with common characteristics to help them make important decisions. In its policy statement, the FCA explains that it is on track to enable firms to begin applying for permission to provide targeted support from March 2026, before the new rules come into effect, subject to legislation and that it expects the rules to take effect from April 6, 2026. The FCA is also planning to consult on simplifying and consolidating its investment advice rules and guidance and a consultation paper is due to be published in early 2026 with a policy statement expected towards the end of the year.

Another area where the FCA has set out final rules is in relation to providing information on Consumer Composite Investments (CCIs). The CCI regime will replace the Packaged Retail and Insurance-based Investment Products (PRIIPs) regime and the Undertakings for Collective Investment in Transferable Securities (UCITS) disclosure requirements with a single framework tailored for UK consumers and markets, also with the stated aim of facilitating a stronger retail investment culture in the UK. The FCA has confirmed in its policy statement that there will be an 18-month implementation period before the regime comes fully into force. As a result, firms will have 2026 and into 2027 to familiarize themselves with the new rules and make the necessary changes to their systems to reflect the new requirements.

There are also ongoing reform proposals in relation to the Financial Ombudsman Service (FOS) to keep an eye on in 2026. Following the Economic Secretary's review, in July 2025, HMT published a consultation proposing a package of reforms to the legislative framework in which the FOS operates, designed to stop the FOS acting as a quasi-regulator and ensure that the FOS is delivering its role as a simple, impartial dispute resolution service. Alongside this HMT consultation, also in July, the FCA and FOS published their own consultation paper, seeking views on proposals to modernise the redress framework. The FCA recognizes that the current redress regime can create uncertainty for consumers and firms, and

it wants to achieve greater predictability and transparency, with appropriate responsibility for firms to identify and address redress issues early on. Both consultations closed in October, and we are currently awaiting the outcome.

Finally, the insurance industry will be digesting the FCA's response to Which?'s super-complaint regarding home and travel insurance, which was published on 18 December. In light of the super-complaint, the FCA has stated that it is expanding its work to improve standards in the home and travel insurance markets to: (i) improve claims handling and service quality by reviewing firms' customer service and delivery and how they oversee third parties that handle claims; and (ii) improve consumer understanding by analysing how firms' different sales processes affect the outcomes people are getting. The FCA has stated that it will also continue to progress ongoing work in these markets, as well as continue to act against insurance firms where it has concerns.'

## ESG

On May 31, 2025, the FCA's anti-greenwashing rule, which was introduced as part of the UK's broader Sustainable Disclosure Requirements (SDR) framework, became one year old. From the outset, the rule has applied across the entire spectrum of UK financial services firms, regardless of size or sector so as to promote a culture of transparency and accountability in how sustainability is communicated to clients and the market. The FCA has been actively monitoring firms for their compliance with the anti-greenwashing rule, and the rule has been referred to in official communications particularly the February 2025 portfolio letter to the asset management and alternatives sector.

In parallel, the FCA continues to collaborate with both the Advertising Standards Authority and the Competition and Markets Authority (CMA) to address misleading sustainability claims. Notably, the CMA has taken enforcement action against several companies for potentially deceptive environmental claims. So, whilst the FCA has not yet delivered any enforcement outcome concerning a firm's failure to comply with the anti-greenwashing rule, it is clear that the rule remains on the regulator's radar, and it is probably only a matter of time before we see one.

In terms of cases in the pipeline, the FCA confirmed in 2024 that one climate-related investigation was opened in 2023, and a more recent announcement has confirmed that a further ESG-related investigation was opened in 2025. Whilst it remains to be seen whether either of these cases will result in penalties for the companies involved, it seems likely that other cases are also underway and that a decision may emerge in 2026, sending a message to the industry regarding the FCA's approach to ESG matters.

As regards the other components of the SDR framework, investment labels, rules and guidance on how firms market investment funds on the basis of their sustainability characteristics, the key milestone next year is that entity-level disclosure rules for firms with assets under management of over £5 billion come into force on December 2, 2026. But perhaps the bigger question is how the FCA will build on the SDR and evolve its scope and requirements. For example, HMT originally intended to issue a consultation on the application of the SDR and labeling regime for overseas funds in Q3 2024 but to date, this has not been published. Will this change in 2026?

As part of the Mansion House papers, the government dropped plans for a UK Taxonomy, but it is worth noting that, about three weeks beforehand, it issued three consultations intended to support banks and large companies in developing climate transition plans. These consultations, which included one that looked at how to take forward the government's commitment on transition planning, subsequently closed in September. Whilst the door may be closed on the UK Taxonomy, the government is moving forward on the delivery of its commitments on transition plans and the sustainability reporting standards, so more on this is expected in 2026.

## Financial crime

Financial crime remains high on the regulatory agenda, with key developments and enforcement activity across money laundering, fraud and market abuse in 2025, and more activity expected in 2026. Of note, in July 2025, the FCA and the National Crime Agency published nine economic crime priorities for the UK's regulated sector, including cash-based money laundering, the exploitation of money mules and fraud associated with overseas jurisdictions.

In terms of money laundering specifically, in July 2025, the FCA published its finalized updated guidance for firms on the treatment of politically exposed persons, which reflects changes to the legislative framework since 2017. Firms should also engage with the FCA's paper on risk assessment processes and controls published in November, which evaluates controls against, amongst other things, the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs) and the Financial Crime Guide, and forms part of the FCA's wider financial crime supervisory work.

Looking ahead to 2026, following a public consultation the government is bringing forward targeted amendments to the MLRs and related legislation which aim to close regulatory loopholes, address proportionality concerns and account for evolving risks in relation to money laundering and terrorist financing. The consultation highlighted specific weaknesses in the UK's regime, including issues with pooled client accounts, trust registration, crypto asset business regulation, and the practicalities of customer due diligence. Taking this into account, a draft statutory instrument was published in September, stated to be part of the government's response to the concerns raised, and the final instrument is expected to be laid in early 2026.

In other upcoming changes, following the announcement by HMT in October that the government has decided that the FCA should become the single professional services supervisor for anti-money laundering/countering the financing of terrorism, an HMT consultation was published in November providing further details of the reform proposals and requesting responses by Christmas. The aims are improved consistency, transparency and effectiveness via a single supervisor and the proposals include: a new FCA register for all professional services firms; the application by the FCA of a fit and proper assessment to professional services firms and their owners; and the extension to the new population of existing powers such as skilled person requirements and directions.

From an enforcement perspective, in 2025 the FCA issued sizeable fines where firms' anti-money laundering systems and controls have been inadequate and we expect to see similar cases coming through in 2026 as the FCA seeks to continue sending important signals to the market.

With regards to fraud, the key recent change in this area is that the UK's new failure to prevent fraud offense came into force on September 1, 2025 under the Economic Crime and Corporate Transparency Act 2023. Under the offense, large organizations may be held criminally liable where an employee, agent, subsidiary or other "associated person" commits a specified type of fraud intending to benefit the organization. In the event of prosecution, an organization would have a defense if it could evidence reasonable fraud prevention measures in place at the time that the fraud was committed.

The offense is designed to make it easier to hold large organizations to account where they profit from fraud and The Serious Fraud Office has made it clear that it is "*ready to act if corporates fail to comply with their new responsibilities*". We may therefore see the first prosecutions coming through in 2026. In addition, the circumstances in which corporates can be prosecuted for certain economic crimes committed by senior managers has broadened in recent years and there are proposals to widen the scope still further.

Finally, turning to preventing and detecting market abuse, we have already mentioned above the proposed changes regarding transaction reporting and HMT have also recently laid final legislation setting out details of a new regime in relation to market abuse for crypto assets and the FCA has also published proposals for consultation setting out more detailed rules in relation to this regime, alongside other proposals relating to the regulation of crypto assets, which we discuss further below.

In terms of its priorities in tackling market abuse, the FCA has been focusing on organized crime groups, which it says represent the most serious threat to markets, and has also raised concerns about strategic leaks and unlawful disclosure. The FCA also recognizes that technological advances such as AI bring the potential for increased market abuse. It has published a number of market abuse-related enforcement cases during 2025, including in relation to spoofing, insider dealing and transaction reporting, and we expect market abuse to be a continuing enforcement focus during 2026.

## M&A

From January 2026, the FCA will be measuring its performance against certain proposed new statutory deadlines and voluntary targets which include new firm authorizations and variations of permission applications being completed within 4 months (currently 6) for complete applications and 10 months (currently 12) for incomplete applications.

As of late 2025, the FCA is not making significant changes to the "change in control" requirements that apply generally across all authorized firms. Notwithstanding this, the Bank of England is due to introduce a set of requirements for central counterparties to help ensure that it is provided with comprehensive information on controllers to support well-informed decisions about controller suitability. And HMT is to follow up on its consultation on amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 which includes registration and change of control for crypto asset service providers.

There have already been a number of recent changes to the UK's short selling regime which include the publication of The Short Selling Regulations 2025. The Regulations gave the FCA the power to set out more detailed rules to complete the new regime and the regulator followed this up by publishing a consultation paper, CP25/29, in October. The FCA will issue its final policy in 2026, which includes finalizing its proposal to extend the deadline by which relevant persons are required to notify a change in their net short positions to 23:59 T+1 .

## Prudential

On the banking side, the current official implementation date for the simplified capital regime for small domestic deposit takers is January 1, 2027 so further communications from the PRA on this topic are expected in 2026. For the larger players, January 1, 2027 is also the intended date for application of most of the UK legislation and regulation implementing the Basel 3.1 standards. Many expect that, in Q1 2026, the PRA will publish the final policy statement containing all the final rules and related policy material for the Basel 3.1 reforms. During this period, it is also expected that HMT will make the secondary legislation revoking the relevant provisions in the UK Capital Requirements Regulation relating to Basel 3.1. Modifications by consent for firms meeting certain criteria to disapply the Leverage Ratio part of the PRA Rulebook will cease to apply on June 30, 2026, meaning relevant institutions must be fully compliant with the leverage ratio requirements.

In December, the Basel Committee on Banking Supervision issued its latest report as part of its Regulatory Consistency Assessment Programme which focused on how the UK has implemented the NSFR and the large exposures framework. The UK's implementation of the NSFR standard and large exposures framework was assessed as largely compliant with the global standards, which was one notch below the highest overall grade. On the same day, the Financial Policy Committee issued a paper, Financial Stability in Focus, assessing the level of capital requirements in the UK banking system and calling for views on what may warrant adjustment. Consequently, further changes to regulatory capital are expected in 2026.

Away from banking, 2026 promises to be a busy year on the prudential side for other types of entities. For example, the FCA is expected to publish all crypto asset policy statements and final rules and this will include finalizing the prudential regime. For investment firms, the FCA will continue to probe compliance with the Investment Firm Prudential Regime (IFPR), which is now four years old (as of January 1, 2026). The key development in 2026 is that, whilst overall capital levels remain unchanged, the FCA has simplified how investment firms calculate their capital. From April 1, 2026, firms will need to notify the FCA "as soon as reasonably practicable" when

including interim profits in their Common Equity Tier 1 capital. However, the verification standards for these profits remain unchanged, requiring independent verification. Regulatory reporting will also continue to be an important theme, not only in relation to this change but also with the FCA building on its recent review on data quality of prudential regulatory reporting of MIFIDPRU investment firms.

## Fintech and payments

It has been another significant year in FinTech regulation, with some long-awaited consultations having been published at various points throughout the year and with more to come as we approach 2026. In November 2025, the Bank of England (BoE) published a consultation paper setting out its proposed framework for a regulatory regime for sterling-denominated systemic stablecoins. The BoE is seeking feedback on these proposals until February 10, 2026 but made clear that this consultation paper is not intended to provide detailed implementation requirements but to clarify policy positions and set the groundwork for future phases of work, including codes of practice, which it intends to consult on next year. In addition, also in 2026, the BoE and FCA intend to jointly consult on the detailed design of the regulatory framework focusing on how authorities' remits will apply in practice.

Other significant developments have related to establishing a framework for the regulation of crypto assets. In April 2025, HMT published a draft statutory instrument, intended to create new regulated activities in relation to crypto assets. In addition, HMT confirmed in its related policy note that statutory provisions for the market abuse and admissions and disclosures regimes would be published "in due course". On December 15, 2025, HMT announced that it had laid the Financial Services and Markets Act 2000 (Cryptoassets as name of legislation) Regulations 2025. The Regulations will establish new regulated activities for crypto assets, such as operating a crypto asset trading platform and issuing stablecoins. Further, the Regulations now also include details of new regimes in relation to admissions and disclosures, and market abuse. Subsequently, on December 16, the FCA published three related consultation papers setting out: (1) proposed rules and guidance for firms conducting regulated crypto asset activities such as trading platforms, intermediaries (including crypto asset lending and borrowing), staking and decentralized finance; (2) the regulation of crypto assets in relation to admissions, disclosures, and the market abuse regime; (3) further proposals for new prudential rules for all crypto asset firms that will need FCA authorization. The deadline for feedback has been set as February 12, 2026. These papers follow the prior consultation papers published by the FCA earlier in the year, in May 2025, in relation to both stablecoin issues and crypto asset custody and initial proposals for prudential requirements.

Later, in September 2025, the FCA also published a further consultation paper on the proposed application of existing FCA Handbook rules to firms conducting regulated crypto asset activities. Those prior consultations have now closed and the FCA has explained that finalized rules in relation to each of these consultations will be set out in policy statements in 2026, as per its Crypto Roadmap. Finally, the FCA has also reconfirmed in its recent consultation papers that further consultations in relation to the application of the Consumer Duty, Conduct of Business Sourcebook and access to the FOS, can also be expected to be published in early 2026. Taken together, it is therefore expected that during 2026, the framework for the regulation of crypto asset firms will hopefully become clearer. We also expect to see an uptick in regulatory intervention and enforcement activity in connection with crypto assets in 2026, and it has been reported that in 2025, the FCA established a dedicated team of staff focused on crypto enforcement.

While there has arguably been less concrete progress in terms of setting a direction for any future regulation of AI, the FCA has gone further in 2025 in terms of setting out its approach, including some indications as to how this might be relevant already under existing rules and how AI is helping the FCA to become a 'smarter regulator', and so we can perhaps expect to hear more on this next year. More specifically, the FCA is continuing to engage with firms such as through its live testing initiative launched in autumn 2025 and has committed to publishing an evaluation report into this program at the end of the 12-month process towards the end of 2026.

More broadly, in July 2025, HMT also published a policy paper setting out its wholesale financial markets digital strategy, which sought to set out concrete steps in relation to market optimization, transformation and leadership. For example, on optimization, the UK Digitisation Taskforce report recommended the removal of paper share certificates, which the government has committed to moving forward with between now and 2027.

On transformation, the government is also moving forward with the issuance of the UK's Digital Gilt instrument (DIGIT) and the FCA confirmed in a recent consultation paper that it considers that funds ought to able to invest in this as an eligible asset. The BoE and FCA are also still working jointly on the Digital Securities Sandbox, giving firms the opportunity to explore innovation safely, which is currently intended to be open for applications until March 2027 and will remain operational until the end of 2028 with the possibility of a further extension by the government. And on leadership, the government has set out that it intends to appoint a digital markets champion and is in the process of identifying a suitable candidate to take this role.

Finally, in relation to payments regulation, the Payments Vision Delivery Committee (the Committee), established as part of the implementation of the Government's National Payments Vision, recently published a policy paper on the future of UK retail payments infrastructure setting out five strategic outcomes, such as giving consumers a greater choice of innovative payments options and ensuring that consumers trust their payments are protected. The paper makes clear that HMT, the BoE, FCA and PRA will coordinate during 2026 and over the next few years to achieve the outcomes identified. In particular, a deliverable of the Committee is to publish the Payments Forward Plan, which will set out a sequenced plan of initiatives including in relation to both retail and wholesale payments, and certain aspects of digital assets, and this is expected to be published in early 2026.

## Asset management

For 2026, asset managers will confront a challenging macroeconomic backdrop including geopolitical uncertainty, shifting regulatory regimes, heightened competitive pressures and the continued maturation of ESG investing. The rapid diffusion of AI will also be a defining force, reshaping both investment approaches and disclosures and streamlining operational performance.

As regards the UK regulatory regime, a new prospectus regime comes into force in January 2026, requiring firms to comply with new forms and checklists. At the end of 2026, the temporary marketing permissions regime for EEA investment funds ends. But perhaps the biggest story for the asset management sector will happen somewhere in between with HMT and the FCA following up on their work to replace the UK's implementation of the EU Alternative Investment Fund Managers Directive (AIFMD) as part of the government's work to repeal retained EU law relating to financial services.

HMT has consulted on removing the legislative thresholds for small regimes which will allow the FCA to recalibrate their rules for alternative investment fund managers (AIFMs) of all sizes having regard to their investment activities and investor base, as well as the specific risks they pose. As part of this the FCA has already issued a call for input regarding proposals to simplify its rules in several areas of the UK AIFMD regime. This includes adjusting the thresholds for regulatory requirements and leverage. The FCA believes that there is no immediate need to make radical changes to how asset safekeeping and fund oversight should be carried out for large and mid-size AIFMs but it has still asked for input from stakeholders on whether they would like it to explore proportionate alternatives that meet global regulatory standards. It is also worth noting that the call for input did not address at length various other important issues that the FCA is considering, and this includes prudential rules for AIFMs, regulatory reporting under the UK AIFMD, requirements for AIFMs around disclosure, distribution and marketing to retail investors and remuneration requirements for AIFMs. We can expect to see more on these topics in 2026.

On the remuneration side following changes to the dual-regulated firms' Remuneration Code, the FCA is reviewing the operation and effectiveness of its solo remuneration rules for alternative fund managers (the AIFM Remuneration Code), UCITS management companies (the UCITS Remuneration Code) and investment firms (the MIFIDPRU Remuneration Code). The FCA is engaging stakeholders to understand the value and costs of these rules. Sometime in April to June 2026 we can expect to see a progress report.

And finally, fund tokenization will be another important reform in 2026. The FCA will follow up on its consultation, CP25/28, which set out proposals to encourage the adoption of tokenization and tokenized funds in the UK. The FCA proposed a technology-neutral approach that included guidance for operating a tokenized fund under the model set out in the November 2023 blueprint report by the Technology Working Group of the Asset Management Taskforce, rules and guidance for an alternative, streamlined dealing model for conventional and tokenized authorized funds, referred to as "direct-to-fund" and a roadmap to advance fund tokenization and address key barriers. As part of the proposals, the FCA also considered what regulatory changes may be needed in

the future to promote fund tokenization, such as the use of digital cash settlement instruments or money-like instruments (such as stablecoins) for unit deals. It also considered a future vision where firms use distributed ledger technology to support retail-scale portfolio management services, including via model portfolios. The FCA intends to conduct a review to future-proof the portfolio management services rules, where tokenization may lead to a far greater use.

Of note, we have seen a number of enforcement cases in the asset management sector in 2025, reminding firms that compliance and risk are first line issues, as well as the importance of governance including proper conflict management.

## Markets reforms

The government's Growth and Competitiveness Strategy emphasized the importance of the ongoing reform of the UK's capital markets to the wider UK economy, and the FCA set out in its concurrent statement on market reforms that there is more to come in this area, focused on building a stronger retail investment culture in the UK and encouraging the democratization of retail investment, which links with other proposals mentioned above in relation to clarifying the scope of the consumer duty, finalizing the rules on targeted support and the introduction of the new regime in relation to CCIs. As part of this wider package of reforms, the FCA also published two of the proposals promised in its prior statement on market reforms: (1) a consultation on proposed changes to its client categorization rules, with a view to this new framework creating a clearer distinction between professional clients and retail customers, to allow firms to confidently operate with professional clients who don't need retail protections; and, (2) a discussion paper seeking views from industry on what more the FCA can do to ensure its regulations help consumers take informed risks and equip them with the confidence to invest.

Furthermore, the FCA have also previously set out that it is conducting a review of the securitization rules to identify possible areas where they could be simplified or where there are barriers to issuing and investing and the FCA and PRA have confirmed that they are aiming to publish a consultation paper in relation to this in early 2026. As a result, it appears that into 2026, firms will hopefully have greater clarity as to where they may be able to expand their offerings.

More broadly in relation to markets reforms, in June 2025, the FCA introduced PISCES, a new private stock market enabling investors to buy stakes in growth companies, with firms now able to apply to the FCA should they wish to operate a PISCES platform. In addition, following this, in July 2025 the FCA also confirmed its final rules to implement the new Public Offers and Admissions to Trading Regulations 2024 (POATRs), intended to make it easier for companies to raise capital in the UK and reduce costs when admitting securities to UK public markets, with the POTARs regime coming into effect on January 19, 2026.

Progress is also being made in relation to a new proposed framework for introducing an equity Consolidated Tape in the UK, on which the FCA is consulting, with feedback due to the regulator by the end of January 2026. Finally, in relation to T+1 settlement, HMT published a draft of the Central Securities Depositories (Amendment) (Intended Settlement Date) Regulations 2026, alongside an updated policy note, in November 2025, intended to mandate T+1 settlement in the UK. HMT has made clear that it will consider any technical feedback provided on the draft SI by February 27, 2026, which is currently scheduled to come into force on October 11, 2027. Therefore, it appears that firms will likely want to be ready to adapt to these broad changes to the UK capital markets framework during 2026.

In addition and in relation to operational resilience, in late 2024, the FCA, PRA and BoE published consultation papers on incident and outsourcing and third-party reporting. The relevant regulators have been considering feedback in relation to these proposals and have recently reconfirmed that final rules can be expected to be published in the first half of 2026, hopefully giving firms clarity during the course of next year on the extent they may need to implement any DORA type obligations in the UK.

Alongside this, the government has also emphasized the importance of financial market infrastructure. In the summer, initial consultations were published that focused on the regulatory framework for central counterparties. Under the proposals so far, it appears that significant parts of the current regulatory regime will be retained for now, but the papers published by the BoE do set out some policy changes. These consultations closed in late November 2025 and so, depending on the detail of the final changes, it is expected that there will be a more proportionate regulatory framework for

CCPs brought into force during next year, although the BoE has set out that the final rules will be published no earlier than the end of the first half of 2026 with a likely implementation period of six months.

Finally, as part of its commitment to wider reforms in this area, the government has also recently announced its intention to make permanent certain intragroup exemption frameworks for over-the-counter derivatives, currently enabled under the UK's Temporary Intragroup Exemption Regime (TIGER), and published a draft statutory instrument for technical comment, alongside which the FCA also published a consultation paper setting out proposals intended to streamline the regime. Consultations on these measures are due to close in early 2026, with changes expected to be brought into force during the second half of 2026 before the expiry of TIGER at the end of the year.

## Enforcement developments

In addition to the enforcement action referenced above in the context of particular areas, there have also been a number of process developments which are likely to have an ongoing impact on the industry in 2026. The FCA has been continuing to evolve its enforcement approach with the aim of conducting fewer investigations, faster. In 2023, it had 220 open enforcement investigations. As at the start of October 2025, it had 124. We are also seeing investigations being closed on tighter timelines: seven recent investigations achieved a public outcome in 16 months or less, compared to a previous average of 42 months. However, it remains the case that increased speed in investigations is often achieved through firms opting for a quick settlement and anecdotally, many investigations are still slow moving with months passing between communications from the regulator.

We are also seeing the FCA continue to use formal supervisory tools in response to misconduct concerns and firms are likely to continue to experience the 'strong arm of the supervisor' going into 2026, which can feel fairly akin to enforcement, particularly in the case of businesses limiting requirements or intrusive skilled person reviews. Following a decision by the Court of Appeal, we have seen the FCA using its powers to impose a redress scheme on a single firm, and firms have also received large fines for breaching requirements imposed, demonstrating the importance of devoting adequate resources to compliance with regulatory requirements and ensuring good governance arrangements are in place to deliver on regulator expectations.

In June 2025, the FCA published the updated version of its Enforcement Guide. Of particular note from this, in what many saw as a rare success story for industry push-back, the FCA dropped its original proposal to adopt a public interest test for naming firms when opening an enforcement investigation. Instead, the FCA opted to retain the "exceptional circumstances" test for announcing an investigation but added three additional instances where announcements could be made. These enable the FCA, in limited circumstances, to announce and name the subjects of investigations into suspected unauthorized activity or criminal offenses related to unregulated activity, reactively confirm that it is investigating in specific circumstances and share information on an anonymized basis.

The FCA is now putting this new policy into practice: a currently unnamed firm recently lost a High Court challenge to prevent the FCA announcing it is under investigation and is appealing and it is now possible to view enforcement investigation announcements in one place on the FCA's website, with a filter having been added. The FCA's move signals a continued focus on transparency, governance, accuracy of disclosures and compliance culture and firms should expect greater scrutiny of internal controls including disclosure verification and reporting processes.

The FCA has been clear that it expects firms to hold themselves to high standards: recognizing when something has gone wrong; taking responsibility for it; and taking the necessary steps to fix things. This includes paying redress to anyone harmed and in the last financial year, the FCA secured over £442 million for investors and consumers through redress schemes, settlements and civil proceedings. Where issues do arise for firms in the year to come, the FCA will expect them to take responsibility and resolve such issues early; in order to avoid requirements and/ or enforcement referrals and we expect to see a continuing focus on consumer redress.

# Europe

## Introduction

The current European Commission (Commission) has been in place for one year and its work is gathering steam. In 2025, it published a number of legislative reviews that will shape the remainder of its five-year legislative term. For 2026, the following legislative reviews have so far been announced.

**Non-bank financial intermediation**
In May 2024, the Commission published a targeted consultation on macroprudential policies for NBFI. Among other things, the consultation looks at the possible repurposing or review of existing macroprudential and reporting tools and the possible introduction of new macroprudential tools. Although it was widely expected that the NBFI initiative would be published in 2025, the Commission announced late in 2025 that it is considering a proposal in 2026

**European Venture Capital Funds (EuVECA) framework review**
As part of the Savings and Investments Union (SIU) action plan, the Commission is looking to review the EuVECA framework to improve operating conditions for EU venture and growth capital fund managers as well as increasing their competitiveness in order to further support the EU economy. The Commission expects to publish a review proposal in Q3 2026.

## Existing legislative initiatives

**Payment Services**
Published in the summer of 2023, this legislative package includes a proposed new directive, the Payment Services Directive 3 (PSD3), which amends the existing Payment Services Directive 2 (PSD2) and a proposed regulation, the Payment Services Regulation (PSR). In addition, the package includes a proposed regulation on a Framework for Financial Data Access (FIDAR). Following trilogue negotiations over the second half of 2025, the Commission and the co-legislators agreed on a compromise text on the PSR and PSD3 in November 2025. Formal adoption and publication of these two pieces of legislation are expected in the first half of 2026. Negotiations on FIDAR will continue in 2026, but both co-legislators have not made it a priority.

**Retail Investment Strategy (RIS)**
The RIS legislative package, which was proposed by the Commission in May 2023 with the aim of empowering retail investors to take more informed investment decisions that would better correspond to their investment needs and objectives, has been in the trilogue phase throughout 2025. Following a trilogue compromise, the RIS package may be formally adopted and published in the EU Official Journal (OJ) in the first half of 2026.

**Review of the Sustainable Finance Disclosure Regulation (SFDR)**
Following the application of the SFDR in 2021, the Commission held a public consultation in the final quarter of 2023 to review the framework. The Commission then published a legislative proposal to review the SFDR framework in November 2025. The proposal includes amendments to simplify and reduce the sustainability-related administrative and disclosure requirements, and to improve the ability of end-investors to understand and compare sustainability-linked financial products. Concrete proposed amendments include the limitation of the scope of the SFDR to financial market participants who manufacture, make available or manage financial instruments. Financial advisors who do not carry out this activity would therefore no longer fall within the SFDR's scope.

The Commission also proposes specific categories of sustainability-related financial products, each with a number of criteria that need to be fulfilled for a financial product to fall under a certain category, and tailored disclosure requirements. By allowing financial products to be grouped under one of these categories, the comparability of a financial product with other products falling under the same category would be enhanced. The Commission proposal has been submitted to the European Parliament and the Council. The legislative review is expected to take at least one year, meaning that a final text on the proposal may only surface by the end of 2026.

**Market Integration legislative package**
In December 2025, the Commission published its long-awaited legislative package on market integration, following a consultation in the first half of 2025. The legislative package is central to the Commission's SIU strategy. The legislative package aims to simplify the EU regulatory and supervisory framework by moving supervision to the European Securities and Markets Authority (ESMA) and by further harmonizing regulatory frameworks to remove barriers for financial market participants to provide cross-border services. The legislative package, which consists of two proposed regulations and one proposed directive, proposes changes to a large number of pieces of EU legislation.

A major part of the proposed amendments is meant to move supervision of significant CCPs, central securities depositories, significant trading venues, and "Pan-European Market Operators" to ESMA. Non-significant market infrastructures would remain under national supervision. Crypto asset service providers would also become subject to ESMA supervision.

The Commission also proposed to broaden ESMA's scope to issue "no-action letters" to address circumstances where applying a legislative act raises significant issues for market participants. Amendments to ESMA's funding and governance structure are proposed to ensure that it has the tools and resources to effectively carry out its expanded mandate.

The co-legislators are likely to spend the entire year and probably part of 2027 considering the legislative proposal and negotiate amendments. Given the proposed expansion of ESMA's remit and the corresponding curtailment of national competent authorities' powers, negotiations are likely to be contentious.

**Settlement Finality**
The Market Integration legislative package also contained a proposed Regulation on Settlement Finality. The current Settlement Finality Directive provides a framework to reduce risks arising from the insolvency of participants in payment systems and securities settlement systems by disapplying certain national insolvency rules. This ensures transactions can be settled safely and collateral is protected. The Commission proposed to convert the Directive into a Regulation to make it directly applicable and eliminate divergent national approaches resulting from Member State implementation.

**Securitization**
In June 2025, the Commission published a legislative package on the review of the securitization framework, which was last reviewed in 2019. Although the 2019 framework improved transparency and standardization in the securitization market, the Commission considers that issuance and investment barriers remain high and therefore proposed a number of amendments to make securitization more attractive. Among other things, the Commission proposed to remove some of the due diligence requirements and transparency obligations, and make further amendments to the rules for securitizations for guarantees, third party verifiers and supervision. On the basis of the envisaged timelines in the European Parliament and the Council for the adoption of their respective negotiating positions, it is expected that both co-legislators will be ready to engage in interinstitutional negotiations towards the end of Spring 2026. This may mean that the European Parliament, Council and Commission will only agree on the final text in the second half of 2026, and formal adoption will take place by the end of next year or the beginning of 2027.

# Upcoming applications

**Asset management**
In March 2024, the final text of the Alternative Investment Fund Managers Directive II (AIFMD II) was published in the Official Journal of the EU (OJ). AIFMD II amends both the AIFMD and the UCITS Directive and makes targeted changes to rules relating to delegation, authorization requirements, reporting obligations and the regulation of loan originating alternative investment funds. The deadline for Member States to implement AIFMD II and apply the new rules is April 16, 2026.

**Anti-money laundering and counter-terrorist financing (AML/CTF)**
In June 2024, the new EU AML/CTF regime was published in the OJ, advancing the EU's drive to harmonize the existing fragmented framework. The new regime comprises two key components: a new EU AML/CTF authority and an EU Single AML/CTF Rulebook.

The EU legislation implementing the new EU AML/CTF authority is a regulation establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA). Two pieces of legislation implement the EU Single AML/CTF Rulebook. The first is a regulation, and the second is a directive amending and repealing the Fourth Money Laundering Directive (MLD 6). The new EU AML/CTF regime is being partly prescribed by regulations which are directly applicable in Member States. In addition, the EU has never previously had a dedicated AML/CTF authority.

In terms of timing, the AMLA Founding Regulation has been applicable since December 31, 2025 and AMLA has been officially established. The AML Regulation applies from July 10, 2027 except in relation to football agents and professional football clubs to which it applies from July 10, 2029. Member States are required to implement MLD 6 by July 10, 2027 and apply these rules from that date. By way of derogation from this, Member States are to bring into force provisions necessary to comply with rules relating to beneficial ownership registers by July 10, 2026 and with the rules concerning a single access point to real estate information for competent authorities by July 10, 2029.

Whilst the new EU AML/CTF regime will not come into immediate effect there are steps that firms should consider in 2026 in order to prepare. This includes reviewing the AML Regulation and the MLD 6 and see how they compare with the MLD 4.

# France

## Transposition of CRD VI

One of the most significant reforms expected in France in 2026 is the transposition of Directive (EU) 2024/1619, known as "CRD VI".

Law No. 2025-391, enacted on April 30, 2025, on various provisions adapting EU law in economic, financial, environmental, energy, transport, health and free movement matters, referred to as the "DDADUE 5 Act", has empowered the French Government to transpose the directive within a one-year period. Accordingly, by April 30, 2026 at the latest, substantial amendments will be inserted into the French Monetary and Financial Code in order to implement new measures, including the:

- Establishment of a new prudential framework applicable to branches of third-country entities.
- Mandatory requirement for third-country banks to establish a branch within the EU.
- Recognition of reverse solicitation as an exception to the banking monopoly.
- Introduction of a notification obligation concerning the acquisition or disposal of qualifying holdings by a credit institution.
- Strengthening of ESG risk integration.

The forthcoming transposition will ensure the full applicability of the EU banking package, including the CRD VI and Capital Requirements Regulation III (CRR III), with the latter already having entered into force on January 1, 2025 and being fully operational in France.

## Transposition of Directive (EU) 2023/2864, enacted on December 13, 2023, amending certain directives as regards the establishment and functioning of the European Single Access Point

While Regulation (EU) 2023/2859, known as the ESAP Regulation, establishing a European Single Access Point, is directly applicable in France, this is not the case for its accompanying directive (Directive (EU) 2023/2864).

The purpose of this directive is to amend several sectoral directives (including the CRD IV, the MiFID II, the Takeover Directive, the UCITS Directive, the AIFMD, the Solvency II Directive, and the Banking Recovery and Resolution Directive) to ensure the proper establishment and functioning of the European Single Access Point.

Accordingly, the aforementioned DDADUE Act has empowered the French Government to transpose the directive within nine months. As such, by January 30, 2026, the ESAP Directive should be fully applicable in France. The act specified that the French Government will, by then, have adapted the provisions of the Commercial Code, the Monetary and Financial Code, and the Insurance Code to ensure consistency with other regulations governing the European Single Access Point, the ESAP Regulation; and Regulation (EU) 2023/2869, enacted on December 13, 2023 amending certain regulations concerning the establishment and functioning of the European Single Access Point.

This transposition will represent another important step taken by France toward achieving the Capital Markets Union, as data will no longer remain fragmented or dispersed across multiple access points, languages and digital formats.

## Transposition of AIFMD II

Directive (EU) 2024/927, enacted on March 13, 2024, known as AIFMD II, introduces significant amendments to both the AIFMD and the UCITS Directive. Its transposition is of crucial importance for Paris as a financial center, given France's significant role in the European asset management industry.

Like every Member State, France must transpose the AIFMD II by April 16, 2026. To date, no enabling legislation authorizing the French Government to transpose this text has been adopted.

The transposition process entails considerable technical, legal and strategic challenges, notably in ensuring consistency with domestic law, safeguarding the competitiveness of French management companies, and preserving the attractiveness of Paris as a financial center. In anticipation of these issues, the High Legal Committee of the Paris Financial Center ("*Haut Comité Juridique de la Place financière de Paris*") established a dedicated working group tasked with assessing the implications of the forthcoming transposition. This group has formulated several proposals, including:

- Adjustments to portfolio management company licensing procedures.
- Refinements to passporting arrangements.
- Granting the French regulator, the Autorité des marchés financiers, competence through a single-entry point mechanism to streamline interactions and expedite the processing of applications, etc.

## Publication of the implementing Decree relating to the pledge of crypto assets

In Spring 2025, the DDADUE 5 Act introduced a security interest framework under French law governing the pledge of crypto assets, which is very similar to the framework applicable to the pledge of securities accounts. The new legislative provisions are intended to be supplemented by an implementing decree, which has not yet been published and is therefore expected in the beginning of 2026.

The forthcoming decree will specify, among other things:

- The mandatory content of statements required in the declaration constituting the pledge of digital assets, which should be similar to those applicable to securities.
- The conditions under which the declaration may be signed using an automated clause-execution system.
- The procedure for serving notice from which the creditor may enforce the pledge of crypto assets.
- The methods for enforcing the pledge of crypto assets in the absence of an agreement between the pledgor and the secured creditor.

Since the legislative provisions currently in force were largely inspired by proposals from the High Legal Committee of the Paris Financial Center and by the existing legal framework for pledges of securities accounts, it is highly likely that the decree will adopt a similar approach.

## Abolition of the national regime applicable to Digital Asset Service Providers (*PSAN – "Prestataires de services sur actifs numériques"*)

Ordinance No. 2024-936, enacted on October 15, 2024 adapted French law to the Markets in Crypto-Assets Regulation (MiCA) adopted on May 31, 2023. However, several of its provisions will not enter into force until July 1, 2026. The ordinance establishes a transitional regime for Digital Asset Service Providers ("Prestataires de services sur actifs numériques", DASPs/"PSAN") already authorized, applicable until mid-2026.

One of the major consequences is a terminological shift, as the term "digital assets" will be replaced by "crypto assets" across multiple codes, including the Consumer Code, the General Tax Code, and the Monetary and Financial Code. Likewise, certain provisions introduced by the ordinance will only become applicable as from July 1, 2026.

## Transposition of Directive (EU) 2023/2673 concerning contracts for financial services concluded at a distance

Directive (EU) 2023/2673, published in the OJ on November 28, 2023, addresses a longstanding gap in consumer protection for financial services concluded off-premises or at a distance. Under the previous framework, Directive (EU) 2011/83, such contracts were excluded, creating significant uncertainty and risk for clients.

The new directive aims to simplify existing legislation, strengthen consumer protection, and ensure fair competition conditions among professionals for financial services conducted online, by telephone or through other forms of distance marketing.

In France, the DDADUE 5 Act empowers the French Government to transpose this directive by ordinance within nine months, that is, by January 30, 2026. It also provides for the adoption of all necessary coordination and adaptation measures to harmonize national legislation with the new European framework.

For French consumers, the impact will be tangible: greater clarity on offer conditions, an extended right of withdrawal and enhanced protection against abusive practices.

## Transposition of Directive (EU) 2023/2225, enacted on October 18, 2023 on consumer credit agreements

The DDADUE 5 Act empowers the French Government to transpose Directive 2023/2225 by ordinance within nine months, that is, by January 30, 2026, and to adopt all necessary coordination and adaptation measures to ensure consistency between national legislation and the new European framework.

Through the implementation of this directive, consumer credit law will evolve in several respects. Its scope will be broadened, as small loans of less than €200, overdrafts of less than one month and short-term, interest-free loans will no longer be exempt. The ceiling for covered credit agreements will also increase from €75,000 to €100,000.

Furthermore, consumer information will be strengthened: advertising must be clear and not misleading. Where precontractual information is provided less than one day before signature, the professional must remind the consumer of the right of withdrawal after the conclusion of the contract: a right that may last up to 12 months and 14 days if the mandatory documents have not been delivered.

Finally, with a view to protecting consumers against over-indebtedness, lenders will be required to assess the borrower's creditworthiness before granting any credit.

# Luxembourg

2026 will be a busy year for Luxembourg financial services. Several major EU reforms will come into effect across prudential rules, markets, funds, AML/CTF, payments, crypto and tax transparency, alongside targeted domestic legislation. Together, these changes will alter how firms operate, govern, and disclose information across banking, investment services, asset management, payments, securities financing, and market infrastructure. The themes are clear: greater harmonisation, stronger supervision, and more consistent consumer and market protections.

## Capital and prudential reforms

The CRD VI and the fully applicable CRR III will be the key prudential developments, with application broadly targeted for early January 2026. Boards should plan for updated governance and risk expectations, refreshed large exposures tests, and tighter control of model risk as output floors phase in and transitional arrangements fall away. For Luxembourg, a notable strategic change is the new EU-wide regime for third-country branches under CRD VI. While many branch requirements take effect later, 2026 should be used for gap assessments, structure reviews and early discussions with supervisors.

Luxembourg will amend the Law of 5 April 1993 on the Financial Sector to align with CRD VI and CRR III, supported by the Luxembourg regulator, the Commission de Surveillance du Secteur Financier (CSSF) guidance and updated application templates. In practice, firms should expect to refresh governance documentation, revise risk appetite statements to reflect new constraints and update internal controls and reporting to meet the sharper expectations around model risk and governance.

## Anti-money laundering and counter-terrorist financing (AML/CTF)

The EU's AML Single Rulebook advances in 2026. The new AML Regulation (AMLR) will be directly applicable and will reshape control frameworks across customer due diligence, beneficial ownership checks, measures for high-risk third countries, and internal governance. A revised AML directive, MLD 6, will require changes to national supervisory arrangements and cooperation, which will drive amendments to Luxembourg's 2004 AML law and related sectoral acts.

The new AMLA will move toward operational status, coordinating national supervisors and phasing in direct supervision for certain cross-border financial institutions. As EU technical standards are finalized, the CSSF can be expected to align operational reporting, incident escalation and thematic review expectations through circulars and FAQs. Firms should prioritize practical readiness: data quality, documentation, training and clear escalation routes.

## Payments, Open Banking and fraud

The EU "Payments Package" comprises of the PSR and PSD3. Politically agreed at the end of November 2025, the package is the most significant reset of the EU retail payments framework since PSD2. The PSR will set the day-to-day conduct and market rules in a directly applicable form, while PSD3 will modernize licensing and supervision for payment institutions and eMoney institutions.

The reforms target four persistent issues: fraud and low user confidence, frictions in Open Banking, uneven national enforcement, and structural disadvantages for non-bank providers. For Luxembourg's payments and FinTech ecosystem—including acquirers, eMoney issuers, payment institutions, processors, platforms and banks—the package will influence regulatory risk, commercial relationships and operating models through 2026 and beyond.

## Key observations on the PSR and PSD3 include the following

**Architecture and scope**
PSR for conduct; PSD3 for licensing and prudential matters. Under the PSR, core conduct obligations will be fully harmonized across the EU. The PSR will govern transparency, user rights and liabilities, strong customer authentication, Open Banking access, access to payment systems and operational and security requirements. PSD3 will house licensing, prudential and supervisory rules for payment institutions and eMoney institutions, repeal the Electronic Money Directive, and treat eMoney institutions as a sub-category of payment institutions. The Settlement Finality Directive will be amended to allow direct participation of payment institutions and eMoney institutions in designated payment systems, which could have meaningful competitive effects.

Supervisory and authorization processes will remain at the national level under PSD3 but with tighter timelines, technical standards and enhanced cooperation between competent authorities. This reduces transposition differences and limits forum shopping.

**Transparency**
The PSR significantly tightens transparency. Providers must disclose all charges before initiation, including currency conversion at ATMs and point of sale, with conversion costs shown consistently as a percentage mark-up over the ECB reference rate. Non-transparent pricing methods, including manipulative value dating, are prohibited. The ban on surcharging will explicitly cover credit transfers and direct debits in all EU currencies, closing PSD2 gaps.

To support access to cash, retailers will be able to offer cash withdrawals without purchase up to legislated amounts (with national settings, typically €100–€150). Independent ATM deployers will be clearly in scope for fee transparency and registration if they do not service payment accounts, but will not require full authorization. These measures provide legal clarity for cash services that matter to Luxembourg's retail footprint and cash logistics.

Customer support and redress will also improve. Payment service providers must offer access to a human support channel and participate in alternative dispute resolution when a consumer opts for it. Complaint procedures must be available in the relevant Member State language, and authorities will be able to publish administrative sanctions imposed on legal persons.

Luxembourg is actively observing the legislative developments surrounding the PSR and PSD3. This vigilance is included to ensure that the country is fully prepared for the forthcoming changes. At present, there has been no official communication released regarding the implementation of these regulators.

In anticipation of the changes introduced by the PSD3 and PSR, it is advisable for payment institutions and Emoney institutions to conduct a regulatory impact assessment. This initial step will allow them to identify any potential gaps in their compliance frameworks.

## Funds framework: UCITS and AIFMD II reforms

The "AIFMD II/UCITS" package comes into application in 2026, with certain reporting obligations later and some liquidity management tools subject to transitional arrangements. Luxembourg managers should prepare for practical changes in delegation oversight, liquidity management toolkits, harmonized loan-origination standards, and depositary services in markets with capacity constraints. Beyond the technical updates, expect closer supervisory coordination between ESMA and Member State authorities on valuation governance, liquidity stress testing and cross-border delegation.

## Carried interest for alternative investment fund managers: modernization and clarification

The government has introduced a bill to update and clarify the tax rules for managers of alternative investment funds who earn carried interest. The objective is to strengthen Luxembourg's financial sector and attract senior talent, particularly in front-office roles, by making the legal and fiscal framework more competitive and transparent. The reform is intended to provide clearer treatment of carried interest and improve certainty for both individuals and firms.

## Crypto assets and tax transparency

2026 is a milestone year for tax transparency in digital assets. The EU's DAC8 will extend automatic exchange of information to crypto assets, eMoney tokens and related digital instruments, in line with the OECD's Crypto-Asset Reporting Framework and enhanced CRS due diligence. Luxembourg's implementing legislation is expected in 2026 and will introduce new data collection, verification and reporting obligations for financial institutions and crypto asset service providers.

Firms authorized under MiCA and traditional institutions with digital asset exposure should align client due diligence, taxonomy and reporting systems to satisfy both prudential and tax-transparency requirements. Practical steps include systems upgrades, client outreach for data remediation and governance enhancements to oversee data quality ahead of the first reporting cycles.

## Artificial intelligence

Bill n° 8476 implements key elements of Regulation (EU) 2024/1689, the EU's new AI framework. The Regulation establishes harmonized, risk-based rules to ensure AI systems placed on the EU market are safe, respect fundamental rights and support innovation. It prohibits certain harmful practices and imposes strict requirements on high-risk AI systems, including conformity assessments and ongoing compliance for providers and users.

In Luxembourg, the *Commission nationale pour la protection des données* (CNPD) will act as the default market surveillance authority, reflecting the link between AI and personal data. Sector-specific authorities will oversee AI in financial services, insurance, media, critical infrastructure and healthcare. The Bill provides for regulatory sandboxes, cooperation between Member State and European authorities, and a graduated sanctions regime that takes account of the position of smaller firms. It also amends existing national laws on data protection, financial supervision and insurance, and clarifies the CNPD's powers and procedures, including transparency and publication of decisions.

## Resilience of critical entities

A Bill transposing Directive (EU) 2022/2557 into Luxembourg law aims to strengthen the resilience of entities providing essential services. The focus shifts from protecting "infrastructure" to ensuring that "critical entities" can prevent, respond to and recover from incidents. The law will apply to public and private entities designated as critical in 12 sectors, including energy, transport, banking, market infrastructures, health, water, digital infrastructure, public administration, space, food and waste management. Entities covered by sectoral EU laws with equivalent resilience requirements, or primarily involved in national security, defense or law enforcement, are excluded.

Designated entities will need to conduct regular risk assessments covering natural and human-made threats, including cross-sector and cross-border risks, and implement proportionate technical, security and organizational measures. These include physical protection, crisis management, business continuity and personnel security such as background checks for sensitive roles. Significant disruptions to essential services must be notified to authorities within 24 hours, followed by detailed reports as required.

## What firms should do now

Senior teams should map these reforms against their business models and timelines, identify dependencies across prudential, conduct, AML/CTF, AI and tax transparency, and plan execution in phases. Early engagement with Luxembourg authorities, timely updates to governance and policies, and investment in data and reporting architecture will be critical to smooth implementation through 2026.

# Netherlands

## Introduction

Despite the recent reshuffling of the Dutch political landscape, the implementation of EU financial services legislation continues. In addition, the two Dutch regulatory supervision bodies—the Dutch Authority for the Financial Markets (AFM) and the Dutch Central Bank (DNB)—have published reports outlining the key supervisory focus areas for 2026.

## Pending legislation

In terms of pending legislation, the key items to look out for in 2026 include the following:

**Implementation Decree on the Directive concerning Distance Contracts for Financial Services**
This decree will implement the directive on financial services contracts concluded at a distance (EU Directive 2023/2673) and contains rules regarding the provision of information of financial services providers to consumers in the case of a distance contract regarding financial services.

The key changes include: (i) information requirements, (ii) language and communication, (iii) crypto asset services and crowdfunding services and (iv) online interfaces.
The first key change relates to the information a financial services provider must provide to the consumer prior to concluding a contract at a distance. It determines which information may be presented in a "layered format", which means that the provider may present precontractual information in the first layer and more detailed information in deeper layers later.

The second key change (language and communication) provides consumers with a right to communicate with a person in the same language as the precontractual information was provided.

The third key change (crypto asset service and crowdfunding services) pulls crypto asset services and crowdfunding services into scope for certain requirements on financial contracts concluded at a distance.

Lastly, the fourth key change introduces the requirement that financial services providers, investment firms, fund managers and crypto asset or crowdfunding service providers have to design online interfaces that are not misleading. The decree provides Member States with certain optionality regarding implementation. As such the Dutch legislator has made use of the optionality regarding the language in which precontractual information is provided and thus has determined that such information has to be provided in Dutch.

**Amendment Decree on the Investor Compensation Scheme**
This decree aims to change the DNB's role in the payment mechanics of investor compensation schemes. Currently, the DNB finances compensation payments in advance and subsequently gets repaid by the investor compensation fund. However, as this structure conflicts with the prohibition on monetary financing, the decree changes this by altering the sequence of payments. Thus, in the amended investor compensation scheme, the investor compensation fund will first transfer the funds to the DNB before the DNB makes any payment distributions. Although the decree changes the role of the DNB, the contributions of financial services providers to the compensation fund is unaffected.

**Decree on the Implementation of the AIFMD II and UCITS Directive**
This decree implements AIFMD II and the UCITS Directive. Moreover, the decree introduces rules regarding liquidity risk management, loan origination by investment firms, and delegation arrangements, supervisory reporting, the provision of custody and safekeeping services, and loan origination by alternative investment funds. AIFMD II gives Member States the option prohibiting investment funds from providing credit to consumers but the Dutch legislator has decided that it will not make use of this option.

**CRD VI and CRR III**
On October 14, 2025, the Dutch Ministry of Finance submitted a revised draft of the Implementation Act Capital Requirements 2026. The CRD VI gives Member States some discretion on how the directive will be implemented. The Dutch legislator has chosen not to apply any 'gold plating' (such as implementing the directive more strictly where possible). Furthermore, the Dutch legislator has opted for a phasing-out regime regarding existing contracts with third-country firms. This approach implies that:

- Contracts entered into before July 11, 2026 may continue.
- Amendments, renewals or extensions of those contracts will, in principle, trigger the requirement to establish a branch and apply for authorization.
- Novation, term changes and netting are expressly excluded from the permitted scope.

## AFM's key supervisory focus areas

The AFM has published a trend monitoring report for 2026. The report contains useful information on the key trends and risks for 2026. These key trends and risks will be used by the AFM to take a forward-looking and preventive supervisory approach.

For the financial services sector the key trends and risks include:

- **Financial vulnerability**: The AFM anticipates that ongoing digitalization in financial markets will strain the accessibility of financial services, leaving certain customer groups increasingly vulnerable. The AFM has therefore assigned this risk as 'very high' and assesses that the probability of materialization is likely to increase in the next two years.
- **Pension transition**: According to the AFM, the Dutch pension transition risks creating unrealistic expectations about retirement outcomes when information is not correct, clear, timely and balanced. In addition, pension participants are unable to properly gauge the significance of the choices they make. The AFM assigns this risk as 'very high' level of importance but expects the likelihood of its materialization to remain unchanged for the next two years.
- **AI in the financial services sector**: According to the AFM, AI poses two principal risks to the financial services sector. First, AI-driven personalization may undermine solidarity if consumers pay only for coverage tailored to their individual risk profiles. Second, generative AI could heighten the incidence of fraud across the financial services industry. The AFM rates both categories of AI risk as 'high' and anticipates that AI-enabled fraud will increase over the next two years.
- **Overlending**: The AFM identifies 'buy now, pay later' products as a source of elevated credit risk and a potential driver of excessive borrowing. Such products may increase consumer vulnerability in the event of declining purchasing power, changes in personal circumstances or rising interest rates. The AFM classifies over lending as a 'high' risk and expects the likelihood of this risk materializing to remain unchanged over the next two years.
- **Risky investment products**: The AFM primarily identifies heightened risks in investment products tied to crypto assets and private markets. These products are increasingly marketed to retail investors who may not fully appreciate their risk profiles. While the AFM rates the associated risk as 'high,' it does not anticipate an increase in the likelihood of that risk materializing.
- **Sustainability claims**: Sustainability claims are often vague, insufficiently verifiable and lacking substantiation. As a result, the AFM identifies a risk that consumers and pension participants may end up with products that do not align with their objectives. This risk is rated as 'high,' and the AFM expects the likelihood of it materializing to remain unchanged over the next two years.

## DNB's key supervisory focus areas

About a year ago, the DNB published its supervisory strategy for 2025-2028. To date, no updates have been issued, and the strategy therefore remains in force, with the following key supervisory focus areas:

- **Geopolitical developments**: The DNB wants financial institutions to proactively identify and manage geopolitical risks. The DNB's reasons to include this as a key area of supervision are increased geopolitical tensions, the hybrid character of conflicts and the increase of financial sanctions.

- **Technological developments**: The DNB is pushing for an innovative and agile financial sector that responds to the changing environment, fully leverages the opportunities of technological developments and adequately manages risks. Amongst others this focus area covers the use of AI in the financial sector. According to the DNB the risks include data quality, data protection, explainability, incorrect results, discrimination and exclusion. In addition, a higher degree of dependence on third parties may increase systematic risk.
- **Cyber threats**: Cyber threats include ransomware, system downtime, advanced phishing techniques involving AI, and the use of insiders by criminals and state actors. The DNB highlights that these risks keep changing due to the development of new strategies by cyber criminals. The DNB will intensify its focus on cyber resilience of financial institutions.

In addition, the DNB will continue to embed the following themes in regular supervision:

- **Financial crime**: In relation to financial crime the DNB wants to pursue a more risk based approach. Such an approach means that financial institutions may conduct a less thorough assessment if there is lower risk but a more extensive assessment in instances of high risk. In addition, the DNB remains committed to the public-private collaboration to combat money laundering and terrorist financing.
- **Sustainability risks**: Climate change and loss of biodiversity impact the Dutch economic system and its financial sector. Therefore, the DNB fully integrates prudential climate and environmental risks in its regular supervisory methodology and will enforce compliance.
- **Governance and behavior**: To anticipate the above risks and developments, financial institutions need to organize themselves in an effective manner. Moreover, it imposes substantial demands on executives and leadership. The DNB mentions in particular the transition to the new pension scheme as an event that requires well-functioning governance in which the interest of all pensioners is represented.

# Germany

## Introduction

German legislators and the German regulator, the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin)) are following the trend toward simplification and reduction of bureaucracy and we are expecting this trend to continue throughout 2026. Bureaucratic hurdles are gradually being removed and the drive towards simplification is evident. Just to give a few recent examples:

- The new Ownership Control Regulation (*Inhaberkontrollverordnung*) reduces bureaucratic hurdles in the ownership control procedure.
- BaFin raised the reporting threshold for managers´ transactions conducted on their own account from €20,000 to €50,000.
- German mortgage banks (*Pfandbriefbanken*) are no longer required to submit coverage registers to BaFin.
- BaFin simplified the transmission of data on risks in payment transactions.

German legislators previously also announced their intention to implement EU directives by way of one-to-one transposition, which suggests that there should be less gold plating in the future. However, there is a different question whether this will be achieved in practice.

## CRD VI implementation

In Germany, the provisions of CRD VI will be transposed into national law by the Banking Directive Implementation and Bureaucracy Relief Act (*Bankenrichtlinienumsetzungs- und Bürokratieentlastungsgesetz* (BRUBEG)).

The draft BRUBEG includes, inter alia, significant amendments to central provisions of German Banking Act (*Kreditwesengesetz* (KWG)) in order to implement the CRD VI, including the new restrictions for third-country branches. In addition, BaFin's powers will be further enhanced. Alongside the implementation of the CRD VI's requirements, the BRUBEG aims to reduce bureaucracy requirements; outdated or duplicated reporting obligations will be abolished, the threshold for disclosure of financial statements under Section 18 of the KWG will be increased from €750,000 to €1.5 million, facilitations and simplifications of notification and reporting procedures will be made and various national rules will be tightened in terms of their wording or content. On December 19, 2025, the draft BRUBEG was discussed in the German Federal Council (*Bundesrat*). We are now awaiting Parliament´s second reading.

## AIFMD II implementation

In November 2025, the German Government published a draft of the Law on Limiting the Risks posed by Investment Funds and implementing Directive (EU) 2024/927 entitled "Fund Risk Limitation Act" (*Fondsrisikobegrenzungsgesetz* (FRiG)). The FRiG primarily introduces amendments to the German Capital Investment Act (*Kapitalanlagegesetzbuch* (KAGB)).

In addition to the transposition of the AIFMD II into national law, the possibility of launching closed-ended funds in contractual form in the public fund sector is being created. Further, citizens of affected communities should be offered a cost-effective opportunity to participate in the expansion of renewable energies in the future. It is assumed that the opportunity to participate will increase the acceptance of renewable energy projects among the citizens directly affected. Therefore, a minimum investment amount shall be abolished for the specific case of investment in renewable energy projects. We are now awaiting Parliament´s second reading.

## Credit agreements for consumers: CCD implementation

On September 3, 2025, the federal government adopted the draft of a law of the Federal Ministry of Justice and Consumer Protection to transpose Directive (EU) 2023/2225 on consumer credit agreements (the Consumer Credit Directive (CCD)) into German law.

The proposal significantly expands the scope of German consumer loan law; in the future, small loans of up to €200, interest-free and fee-free loans, and 'buy now, pay later' models will also be in the scope. The aim is to further increase the level of consumer protection when taking out general consumer loans without avoidable bureaucratic red tape.

The draft Bill makes use of leeway to avoid bureaucracy and overly far-reaching regulations. In particular, it is planned to waive the written form requirement for general consumer credit transactions. This expressly permits digital contracts to be concluded without a qualified electronic signature.

The revision of the right of withdrawal is also of great practical relevance. Currently, an unlimited right of withdrawal is legally possible in the event of incorrect customer information. In the future, the withdrawal period should in any event expire 12 months and 14 days after the conclusion of the credit agreement.

Providers of products that were not previously covered by consumer credit regulations—such as 'buy now, pay later' providers—will face extensive adjustments of their processes and compliance regarding creditworthiness assessments, information requirements and contractual terms.

Currently we are awaiting Parliament´s second reading. The new requirements will apply from November 20, 2026.

## Third-party risk management with regard to non-ICT-related services

On July 8, 2025, the European Banking Authority (EBA) launched a public consultation on the draft Guidelines on the Sound Management of Third-party risk (the EBA Guidelines). The draft EBA Guidelines focus on third-party arrangements in relation to non-ICT related services provided by third-party service providers and their subcontractors with a particular focus on the provision of critical or important functions. These Guidelines revise and update the previous EBA Guidelines on outsourcing, published in 2019, in line with the Digital Operational Resilience Act (DORA). The consultation closed on October 8, 2025.

In Germany, the outsourcing of non-ICT related services is currently regulated on the basis of BaFin´s Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement* (MaRisk)) in Section AT9. Compared to the current requirements of MaRisk AT 9, the new EBA Guidelines will broaden the scope from pure outsourcing to the life cycle of any kind of third-party arrangements that are not regulated by DORA. In-scope entities therefore will have to reevaluate their existing governance arrangements and enlarge the integration of third-party risk management in their overall strategy.

We expect the final version of the EBA Guidelines to be published in or around April 2026. BaFin is expected to amend AT9 of the MaRisk once the EBA Guidelines are in final form.

## Promotion of private investments and strengthening the financial center

On December 19, 2025, the German Parliament adopted the so-called Location Promotion Act (*Standortförderungsgesetz* (StoFöG)) to promote private investments and strengthen the financial center.

The law aims to reduce bureaucratic barriers in the financial market and create more incentives to invest in infrastructure and renewable energies in Germany. In addition, the Bill focuses on measures to improve financing conditions for companies and make Germany a more competitive financial center.

These include, in particular:

- Facilitation of access to the capital market for small enterprises and start-ups.
- Promotion of investments in renewables and infrastructure by investment funds.
- Improvement of the tax framework with the aim to create, in particular, incentives for investments in infrastructure and renewable energies.
- Measures to reduce bureaucracy in the financial markets sector without lowering the level of consumer protection, in particular streamlining supervisory processes (for example, auditing, reporting and notification requirements) at the BaFin. The million-euro credit reporting system will be abolished.

Currently, we are awaiting publication of the StoFöG in the Federal Law Gazette.

## Anti-greenwashing measures

Directive (EU) 2024/825 as regards empowering consumers for the green transition through better protection against unfair practices and through better information will be transposed into national law by amending the German Act against Unfair Competition (*Gesetz gegen den unlauteren Wettbewerb* (UWG)). The respective draft implementation act was adopted by the German Parliament on December 19, 2025. Currently we are awaiting its publication in the Federal Law Gazette. The new provisions on anti-greenwashing will enter into force on September 27, 2026.

# Türkiye

## Crypto asset ecosystem: Anticipated secondary legislation and gray areas

The primary legislative framework regarding crypto assets has been established under the guidance of the Capital Markets Board (CMB). However, significant legal uncertainities and "gray areas" persist, particularly regarding investor protection and procedural enforcement. We anticipate these to be clarified via secondary legislation in 2026.

**Issuance and tokenization processes**
Current legislative drafts primarily focus on the licensing of service providers (meaning, exchanges). However, standards concerning an entity or project issuing its own tokens (ICO/STO) remain ambiguous.

We anticipate the CMB will introduce a "white paper" standard analogous to the prospectus requirements in IPOs. This regulation is expected to clearly demarcate between "Utility Tokens" and "Security Tokens", potentially imposing issuance caps and stricter requirements for tokens classified as securities.

**Staking and yield commitments**
Since "staking" structurally resembles "interest-free banking" or "deposit collection", it is a sensitive matter for the Banking Regulation and Supervision Agency (BRSA) and the CMB.

Our expectation is that whilst regulating on-chain staking activities within individual wallets proves practically difficult, centralized exchanges (also known as CEXs) offering "Annual Percentage Yield" (also known as APY) models will likely face stringent restrictions to prevent such activities from falling under the scope of "unauthorized deposit collection". Tax regimes regarding staking income are also expected to be codified under this heading.

**Attachment, Confiscation, and Seizure Procedures**
This constitutes the most significant lacuna in the current legal system. The procedural method for an enforcement officer to seize a debtor's private key remains undefined. We believe that there will be technical amendments to the Enforcement and Bankruptcy Law and the Code of Criminal Procedure.

As regards cold wallet protocol, physical seizure (confiscation of the hardware wallet) is legally insufficient; digital forensic protocols must be defined to lawfully obtain access codes/pass phrases.

As regards attachment at the exchange level, we expect a communiqué integrating the "Electronic Attachment" (E-Haciz) system—currently used for bank accounts—into the user accounts of licensed crypto exchanges (specifically those obligated under MASAK). This would establish a procedure for liquidating crypto assets and transferring the TRY equivalent to the Enforcement Office's account.

## Payment sector and FinTech: PSD3 and liquidity reporting

The European Union's transition from PSD2 to PSD3 will have direct implications on the regulations issued by the Central Bank of the Republic of Türkiye (CBRT).

**Transition from PSD2 to PSD3 and Open Finance**
PSD3 extends beyond banking data, aiming for the sharing of broader financial data.

Within the scope of the CBRT's transition strategy from "Open Banking" to "Open Finance", the objective is to enable payment institutions to aggregate and display data not only for payments but also for insurance, pension, and investment accounts via a single interface (subject to customer consent). To combat fraud, the scope of Strong Customer Authentication and mandatory "IBAN/Name Matching" will be expanded in line with PSD3 standards.

**Liquidity and reporting standards**
Reporting obligations for payment institutions and eMoney institutions are set to increase in the coming period. The CBRT and BRSA will likely intensify scrutiny to ensure FinTech entities maintain client funds in safeguarding accounts. Stress tests will be mandated to evaluate the resilience of liquidity coverage ratios against foreign exchange volatility. As for the data taxonomy, reporting is expected to transition from manual filings to automated data sets via XBRL or APIs, within the scope of the CBRT's Data Governance initiative.

## Cybersecurity: DORA, NIS2, and governance structure in aspect of FinTech ecosystem

Cybersecurity is evolving from being solely an IT function to a core responsibility of the Board of Directors.

**Distinction between USOM and the "Cybersecurity Presidency"**
Currently, USOM (National Cyber Incident Response Center) was operating as a unit under the Information Communication Technology Authority (also known as the BTK). However, national strategy reports discuss the establishment of an independent "Cybersecurity Presidency" directly reporting to the Presidency of the Republic.

The Cybersecurity Presidency is expected to assume responsibility for strategy formulation, policy-making, international compliance (EU/NATO), drafting regulations similar to DORA/NIS2, and acting as the audit authority. The USOM is likely to remain the operational arm, handling technical coordination, intervention, and the management of the Cyber Incident Response Teams (known as SOME) network.

**Alignment with DORA (Digital Operational Resilience Act)**
With DORA entering into force in the EU on January 17, 2025, it will become a de facto standard for Turkish banks and financial institutions. A critical aspect of DORA is the supervision of cloud providers and IT suppliers serving financial institutions. In Türkiye, the BRSA's "Regulation on Information Systems and Banking Processes" is expected to align with DORA, requiring banks to submit additional reporting regarding "exit strategies" and "concentration risk" in their outsourcing activities.

**NIS2 Directive and critical infrastructure**
NIS2 expands cybersecurity obligations beyond finance to sectors such as energy, health, and transportation. The definition of "Critical Infrastructure" in Türkiye's national cybersecurity strategy will be broadened. A legal framework will be established requiring companies in these sectors to report cyber incidents to the relevant authority (USOM or the new Presidency) within strict timeframes (i.e. 24 or 72 hours).

## ESG

**Regulations related to Emission Trading System**
As the Climate Law mandated the establishment of an Emission Trading System (ETS) as one of the primary tools for reducing greenhouse gas emissions in order to achieve the net-zero emission target, the green growth vision, and the fight against climate change, the draft of ETS Regulation was submitted to the public's view in July 2025.

The draft Regulation on Operation of ETS establishes the procedures and principles for the ETS market and the Transaction Registry System (TRS) is designed to promote greenhouse gas emission reductions in line with Türkiye's net-zero emission target under Climate Law. EPIAS is designated as the market operator responsible for operating two types of markets: (i) the Primary Market, where allowances are distributed to undertakings through an auction mechanism according to a calendar determined by the presidency, and (ii) the Secondary Market, where distributed allowances are traded among participants through continuous trading methods, consisting of spot and potentially forward allowance markets.

Thereafter, in August 2025, the Draft Carbon Crediting and Offsetting Regulation which aims to establish and implement the procedures and principles for Türkiye's carbon offsetting system, regulate offsetting transactions, govern the trading of carbon credits generated from programs/projects within the Republic of Türkiye's borders in international carbon markets and facilitate the registration of credited programs/projects, has been submitted for public view.

**Extended mandatory sustainability reporting**
In October 2020, the CMB amended the existing corporate governance regulations to introduce the obligation on listed companies to report their sustainability performance, starting with their annual financial statements for the financial year 2020. The CMB further provided the ESG principles applicable under the new regulation. On December 27, 2023, the Public Oversight, Accounting and Auditing Standards Authority (the Authority) determined the scope of application of the Turkish Sustainability Reporting Standards (TSRS) in the preparation of sustainability reports by businesses, companies and institutions through the decision of its Board (the Board). The Board also published the TSRS 1 and TSRS 2 standards for sustainability reports of the following companies, in line with the IFRS S1 "General Requirements for Disclosure of Sustainability-Related Financial Information" and IFRS S2 "Climate-related Disclosures", to ensure global validity and establish uniformity.

The Authority also announced criteria for certain corporations such as financial leasing companies and investment institutions which will be obliged to apply TSRS while preparing their sustainability reports. The Public Oversight, Accounting and Auditing Standards Authority issued the Regulation on Sustainability Audit on January 17, 2025 which regulates: (i) the sustainability audit to be conducted mainly within the framework of the Commercial Code No. 6102, the Decree Law No. 660 on the Organization and Duties of the Public Oversight, Accounting and Auditing Standards Authority or on a voluntary basis, (ii) the authorization and responsibilities of independent audit firms and independent auditors who will operate in the field of sustainability, (iii) supervision and audit by the Authority, and (iv) the administrative sanctions with respect thereto. The sustainability reporting and ESG framework still operates on a voluntary basis insofar as listed companies can explain the rationale for their non-compliance with the principles and evaluate their impact. However, it is accepted that the coverage will be extended and mandatory reporting will be applicable for certain companies.

**Green, Sustainable and Social Capital Market Instruments**
The CMB has also published the draft Guidelines on Green, Sustainable and Social Capital Market Instruments regulating the principles for issuance of green, sustainable and social capital markets instruments both in Türkiye and abroad and the Guidelines on Sustainability Linked Capital Markets Instruments regulating issuances whose financial and/or structural characteristics may change depending on whether the issuer achieves pre-determined sustainability/ESG targets.

**Green Taxonomy Regulation**
Recently, the Climate Change Presidency has submitted the draft Regulation on Türkiye Green Taxonomy for public view, aiming to regulate the principles and procedures of the Green Taxonomy of Türkiye to (i) support economic activities aligned with sustainable development goals, (ii) promote the flow of financing toward sustainable investments, and (iii) prevent greenwashing in the market.

**Regulation on Commercial Advertising and Unfair Commercial Practices**
To prevent greenwashing, the Ministry of Trade has submitted the draft Regulation Amending the Regulation on Commercial Advertising and Unfair Commercial Practices, aiming to ensure accurate consumer information, protect consumers' economic interests and align with developments in digital marketing practices. The draft includes comprehensive provisions regarding advertisements made through social media influencers, environmental claims, targeted advertising, the use of AI, conditional sales, discounted sales and consumer reviews. These amendments have been prepared based on the evolving consumption habits, alignment with the European Union's Digital Services Act, the need to combat misleading environmental claims, the increasing prevalence of AI-generated content, and rising consumer complaints.

**Insurance**
It is expected that the CMB will redetermine and increase the financial thresholds/requirements for IPOs as of the beginning of 2026.

The 2026 Presidential Annual Program included the following items:

- **Alignment of the Personal Data Protection Law (KVKK) with the GDPR**: It is stated that efforts to align Law No. 6698 on the Protection of Personal Data with the provisions of the GDPR will be completed.
- **Establishment of a legal and ethical framework for AI**: A framework defining the ethical principles and legal boundaries governing the use of AI technologies will be prepared, and the need for structural regulation will be addressed.
- **AI-supported decision-making and guidance systems in the justice system**: Efforts will be carried out to implement AI-based recommendation tools in order to develop decision-support mechanisms within judicial processes.
- **Secondary legislation aligned with the EU Cyber Resilience Act (CRA)**: In line with the CRA, which aims to enhance the resilience of cybersecurity products and services, complementary sector-specific regulations will be prepared.
- **Updating competition practices in digital markets**: It is planned to update the legislation on the Protection of Competition in order to address competition issues arising in digital platform economies and to align it with EU practices.
- **National Data Strategy and Action Plan**: A comprehensive framework for data governance in Türkiye will be established, aiming to ensure a holistic structure for public authorities' data processing, storage, and data-sharing policies.
- **Legal regulation on the use of public data and establishment of an open data portal**: Legislation will be prepared to ensure the transparent sharing of data produced by public institutions, and a national open data portal will be put into operation.

# United States

## Introduction

Under the second Trump Administration, there have been significant legislative and regulatory initiatives to open up US markets to new products and innovation, including:

- Digital assets and distributed ledger technology
- New products, including perpetual derivatives and event contracts
- Moves towards 24-hour trading and instantaneous settlement
- Implementation of central clearing of U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities
- Revisions to capital requirements for banks
- Opening up private securities markets to retail investors (so-called "retailization")
- Changes in enforcement and regulatory policy priorities

Below we review many of the significant legislative and regulatory actions taken by the second Trump administration and US financial services regulatory agencies. As we note below, many of these initiatives are ongoing, and we expect significant developments in these areas in 2026.

## Digital assets

The 2025 calendar year marked a decisive shift toward integrating digital assets into the federal financial services regulatory framework. Ongoing legislative and regulatory initiatives will be a priority for 2026. The principal developments during 2025 were as follows:

### Crypto legislation

- **GENIUS Act and Related Rules**: Congress enacted the Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act) in July 2025, establishing the first comprehensive federal framework for payment stablecoins with 1:1 reserve requirements in high-quality liquid assets.[3] The Act will take effect on the earlier of January 18, 2027, which is 18 months after enactment, or 120 days after the "primary federal payment stablecoin regulators" (meaning the FDIC, Federal Reserve, NCUA and OCC) issue final rules implementing the statute. In September 2025, the US Treasury Department issued a proposed rulemaking seeking comment on implementing the GENIUS Act.[4] We anticipate formal rulemaking to implement the GENIUS Act in 2026.
- **Digital Market Structure Legislation**. The CLARITY Act passed the US House of Representatives in July 2025,[5] proposing to divide digital assets into digital commodities, investment contract assets and permitted payment stablecoins, with the Commodity Futures Trading Commission (CFTC) receiving exclusive jurisdiction over digital commodities including cash transactions. Thus far, the CLARITY Act has stalled in the US Senate, which is now considering alternative draft legislative proposals. Significant issues remain, including jurisdiction of the US Securities and Exchange Commission (SEC) and the CFTC and enforcement scope. We expect adoption of digital market structure legislation to be a priority for 2026.

### SEC's "Project Crypto"

Under the leadership of new Chairman Paul Atkins and the newly-formed Crypto Task Force led by Commissioner Hester Peirce, the SEC moved away from an enforcement-centric approach toward establishing a "fit-for-purpose" regulatory framework known as "Project Crypto".[6]

The principal crypto-related initiatives in 2025 were as follows:

- **Clarification of "security" status and taxonomy.** A central initiative of 2025 was defining which digital asset activities fall outside the scope of federal securities laws. The SEC issued guidance clarifying that several crypto activities do not constitute securities transactions:

3 *See* *Guiding and Establishing National Innovation for U.S. Stablecoins Act* (July 18, 2025).

4 *See* Proposed Rule, *GENIUS Act Implementation*, 90 FED. REG. 45159 (Sept. 19, 2025).
5 *See* H.R. 3633, *Digital Asset Market Clarity Act of 2025*.
6 *See* Speech of SEC Chair Paul Atkins, *American Leadership in the Digital Finance Revolution* (July 31, 2025); Speech of SEC Chair Paul Atkins, *The SEC's Approach to Digital Assets: Inside "Project Crypto"* (Nov. 12, 2025).

- **Investment contract duration:** Chairman Atkins and Commissioner Peirce articulated the view that an "investment contract" is a relationship that can expire. Consequently, a token initially sold as part of an investment contract does not remain a security forever; once the issuer's essential managerial efforts cease or the contract terminates, the token may trade as a non-investment contract.[7]
- **Proof-of-Work mining, protocol staking, and liquid staking:** The Division of Corporation Finance clarified that certain proof-of-work mining activities,[8] certain proof-of-stake blockchain protocol staking activities,[9] and certain "liquid staking" activities (where users receive a receipt token for staked assets),[10] do not involve securities transactions.
- **Decentralized physical infrastructure networks no-action letter:** The SEC's Division of Corporation Finance issued a no-action letter determining that tokens distributed to facilitate decentralized infrastructure (like bandwidth or storage) are functional incentives rather than securities.[11]
- **Payment stablecoins:** Following the passage of the GENIUS Act, the SEC's Division of Corporation Finance acknowledged that payment stablecoins are not securities and will be overseen by banking regulators.[12]

- **Market structure and trading products:** Over the course of 2025, the SEC took steps to integrate crypto assets into the national market system and harmonize regulations with the CFTC:
  - **In-kind creations for ETPs:** The SEC approved orders permitting in-kind creations and redemptions for crypto asset exchange-traded products (ETPs), removing the previous "cash-only" requirement. This move was designed to lower costs and align crypto ETPs with other commodity-based ETPs.[13]
  - **SEC-CFTC harmonization.** The SEC and the CFTC issued a joint statement clarifying that registered exchanges are not prohibited from facilitating the trading of certain spot commodity products. They also launched a joint roundtable to discuss harmonizing product definitions and margin frameworks.[14]
  - **Tokenization of securities**. SEC commissioners have emphasized that tokenized versions of traditional securities (for example, stocks on a blockchain) remain securities subject to federal law.[15] Furthermore, in December 2025, the Division of Trading and Markets issued a no-action letter allowing The Depository Trust Company to launch a pilot program for the tokenization of security entitlements.[16]
- **Custody and intermediaries:** The SEC addressed long-standing industry concerns regarding custody rules to foster greater competition and clarity:
  - **Rescission of Staff Accounting Bulletin 121**: The SEC issued Staff Accounting Bulletin 122 which rescinded Staff Accounting Bulletin No. 121, which had previously required an entity to recognize a liability and corresponding asset for its obligation to safeguard crypto assets.[17]
  - **State trust companies as custodians:** The SEC's Division of Investment Management issued a no-action letter stating it would not recommend enforcement against registered advisers or funds for maintaining crypto assets with certain state-chartered trust companies, effectively recognizing them as permissible custodians.[18]
  - **Broker-dealer custody:** The staffs of the SEC Division of Trading and Markets and the Office of General Counsel of the Financial Industry Regulatory Authority withdrew prior restrictive guidance regarding broker-dealer custody of digital asset securities.[19]

7 *See, e.g.,* Speech of SEC Chair Paul Atkins, *The SEC's Approach to Digital Assets: Inside "Project Crypto"* (Nov. 12, 2025).
8 *See* Statement of SEC Division of Corporation Finance, *Statement on Certain Proof-of-Work Mining Activities* (March 20, 2025).
9 *See* Statement of SEC Division of Corporation Finance, *Statement on Certain Protocol Staking Activities* (May 29, 2025).
10 *See* Statement of SEC Division of Corporation Finance, *Statement on Certain Liquid Staking Activities* (Aug. 5, 2025).
11 *See* Response of the Division of Corporation Finance, *DoubleZero* (Sept. 29, 2025).
12 *See* Statement of SEC Division of Corporation Finance, *Statement on Stablecoins* (April 4, 2025).
13 *See* Press Release, *SEC Permits In-Kind Creations and Redemptions for Crypto ETPs* (July 29, 2025).
14 *See* Statement of Staff of SEC and CFTC, *SEC-CFTC Joint Staff Statement (Project Crypto-Crypto Sprint)* (Sept. 2, 2025).
15 *See* Statement of SEC Commissioner Hester Peirce, *Enchanting, But Not Magical: A Statement on the Tokenization of Securities* (July 9, 2025).
16 *See* Letter of Jeffrey S. Mooney, Associate Director of the Office of Clearance and Settlement, Division of Trading and Markets, Securities and Exchange Commission, *No-Action Letter Request Related to The Depository Trust Company's Development of the DTCC Tokenization Services* (Dec. 11, 2025).
17 *See* Publication of Staff Accounting Bulletin, *Staff Accounting Bulletin No. 122*, 90 FED. REG. 8492 (Jan. 30, 2025)
18 *See* Response of the Office of Chief Counsel, SEC Division of Investment Management, No-Action Letter, *Request for No-Action Relief Under Section 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-2 Thereunder and Sections 17(f) and 26(a) of the Investment Company Act of 1940 with Respect to State Trust Companies that Provide Crypto Asset Custody Services* (Sept. 30, 2025).
19 *See* Statement of SEC Division of Trading and Markets and FINRA Office of General Counsel, *Withdrawal of Joint Statement on Broker-Dealer Custody of Digital Asset Securities* (May 15, 2025).

- **Issuance and disclosure**
  - **Disclosure guidance**: The SEC's Division of Corporation Finance issued a statement clarifying how the federal securities laws apply to offerings of securities in crypto markets, focusing on material disclosures regarding development timelines and holder rights.[20]
  - **DeFi and code as speech:** During roundtables, leadership emphasized that the publication of software code is protected speech under the First Amendment, distinguishing between the developers of code and the providers of financial services.[21] Chairman Atkins has also expressed support for an "innovation exemption" to allow registrants to bring on-chain products to market.[22]

**CFTC's "Crypto Sprint"**

The US CFTC, under the leadership of Acting Chairman Caroline D. Pham, launched "Crypto Sprint" in August 2025.[23] Crypto Sprint is a 12-month initiative designed to implement the recommendations of the Presidential Working Group report on *Strengthening American Leadership in Digital Financial Technology* and to foster a "Golden Age of Crypto" through regulatory clarity and innovation.[24]

The initiative focuses on three main components: (i) enabling listed spot crypto trading on designated contract markets; (ii) facilitating the use of tokenized collateral, including stablecoins, in derivatives markets; and (iii) pursuing a rulemaking to make technical amendments to CFTC regulations to enable the use of blockchain technology and market infrastructure.[25]

- **Tokenized collateral and margin initiatives:** In December 2025, the CFTC's Staff issued guidance to facilitate the use of digital assets as collateral.
  - **Guidance on tokenized assets**: CFTC Letter 25-39 permitted the use of tokenized assets, defined as digital representations of real-world assets like US Treasuries or money market funds recorded on a blockchain, as collateral in futures and swaps trading subject to conditions as to eligibility, enforceability, segregation, custody, haircuts and valuation requirements, and operational risks.[26]
  - **No-action relief for FCMs:** CFTC Letter 25-40 permitted futures commission merchants (FCMs) to accept certain non-security digital assets, including payment stablecoins, as margin for derivatives transactions, subject to conditions regarding valuation and haircuts, regulatory reporting, and adherence to risk management requirements[27]
  - **Withdrawal of outdated guidance:** CFTC Letter 25-41 withdrew Staff Advisory 20-34 (issued in 2020),[28] declaring it outdated in light of the GENIUS Act and the new initiatives regarding tokenized collateral.
- **Listed spot crypto trading:** On December 4, 2025, the CFTC announced that listed spot cryptocurrency products would begin trading on US federally regulated futures exchanges for the first time.[29] This initiative relied on the CFTC's existing statutory authority and followed a joint statement by the CFTC and SEC in September 2025 which affirmed that current laws do not prohibit registered exchanges from facilitating trading of certain spot crypto asset products.[30]
- **Legislative context:** The CFTC's initiatives are designed to align with the GENIUS Act, which, as noted above, established a federal regulatory framework for payment stablecoins. Accordingly, the CFTC views qualified payment stablecoins—those that are dollar-denominated, non-yield-bearing, and 1:1 redeemable—as "money-like instruments" suitable for collateral and settlement.[31]

20 *See* Statement of SEC Division of Corporation Finance, *Offerings and Registrations of Securities in the Crypto Asset Markets* (April 10, 2025).
21 *See e.g.* Statement of SEC Commissioner Hester Peirce, *DeFining the American Spirit* (June 9, 2025).
22 *See* Statement of SEC Chair Paul Atkins, *Remarks at the Crypto Task Force Roundtable on Decentralized Finance* (June 9, 2025).
23 *See* CFTC Press Release, *Acting Chairman Pham Announces CFTC Crypto Sprint* (Aug. 1, 2025).
24 *See* Presidential Working Group on Digital Asset Markets, *Strengthening American Leadership in Digital Financial Technology* (July 30, 2025).
25 *See* Statement of Acting Chair Caroline Pham, *Keynote Address by Acting Chairman Caroline D. Pham* (Nov. 18, 2025).
26 *See* CFTC Letter 25-39, *Tokenized Collateral Guidance* (Dec. 8, 2025).
27 *See* CFTC Letter 25-40, *Staff No-Action Position Regarding Digital Assets Accepted as Margin Collateral* (Dec. 8, 2025).
28 *See* CFTC Letter No. 25-41, *Withdrawal of CFTC Staff Advisory 20-34 on Accepting Virtual Currencies from Customers into Segregation* (Dec. 8, 2025); CFTC Letter No. 20-34, *Accepting Virtual Currencies from Customers into Segregation* (Oct. 21, 2020).
29 *See* CFTC Press Release, *Acting Chairman Pham Announces First-Ever Listed Spot Crypto Trading on U.S. Regulated Exchanges* (Dec. 4, 2025).
30 *See* CFTC and SEC Staff Joint Statement, *CFTC-SEC Joint Staff Statement (Project Crypto-Crypto Sprint)* (Sept. 2, 2025).
31 *See* Statement of Acting Chair Caroline Pham, *Keynote Address by Acting Chairman Caroline D. Pham* (Nov. 18, 2025).

**US bank regulatory treatment of crypto**

The past year marked a fundamental transformation in federal banking regulation of crypto assets. The primary federal banking regulators—the Board of Governors of the Federal Reserve System (FRB or Federal Reserve Board or Federal Reserve), Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC)—have shifted from a policy posture of procedural restriction and what can be called "crypto skepticism", to developing a framework of principles-based supervision and explicit incorporation of crypto assets within the bank regulatory perimeter. The following are some of the key bank regulatory developments that have occurred over the past year with respect to crypto assets:

- **Rescission of supervisory pre-approval process for crypto-related activities:** In March 2025, the OCC issued Interpretive Letter 1183, rescinding OCC Interpretive Letter 1179, and the FDIC-issued FIL-7-2025, rescinding FIL-16-2022.[32] Relatedly, in late April 2025, the FRB withdrew SR 22-6 and SR 23-8.[33] Collectively, OCC Interpretive Letter 1179, FIL-16-2022, and SR 22-6 and SR 23-8 effectively established the pre-2025 federal banking agencies' framework of supervisory prior approval/non-objection requirements that functioned as de facto prohibitions on crypto asset activities for many banking institutions. Collectively, the rescissions of OCC Interpretive Letter 1179, FIL-16-2022, and SR 22-6 and 23-8 restore the traditional bank regulatory presumption that activities within a bank's general corporate powers may be conducted subject to safety and soundness principles, without requiring affirmative regulatory clearance, notwithstanding the risks posed by crypto asset activities. Importantly, these rescissions do not eliminate supervisory authority with respect to crypto asset activities. Institutions supervised by the federal banking agencies remain subject to significant, multifaceted examination, must implement adequate risk management, and may face supervisory criticism or enforcement action if deficiencies are identified.

  In contrast to OCC Interpretive Letter 1179, OCC Interpretive Letter 1183 clarified that national banks may engage in crypto asset activities, including custody and stablecoin support, "provided that [such national banks] conduct [such crypto asset activities] in a safe and sound manner", without requiring national banks to receive supervisory pre-approval before engaging in such crypto asset activities. In addition, FIL-7-2025 provided a somewhat unprecedented enumeration of permissible crypto asset activities for FDIC-supervised institutions, including: (i) acting as crypto asset custodians; (ii) maintaining stablecoin reserves; (iii) issuing crypto and other digital assets; (iv) acting as market makers or exchange or redemption agents; (v) participating in blockchain- and distributed ledger-based settlement or payment systems, including performing node functions; and (vi) related activities such as finder activities and lending.

- **Withdrawal of Joint Statement on Crypto-Asset Risks and Liquidity Risks:** Early in 2025, the FRB, FDIC, and OCC all withdrew their January 2023 Joint Statement on Crypto-Asset Risks and February 2023 Joint Statement on Liquidity Risks related to crypto assets.[34] These joint statements had emphasized the liquidity risks and safety and soundness concerns of crypto assets and effectively established a prudential regulatory presumption that crypto activities were inherently significantly risky.
- **Sunsetting of novel activities supervision program:** The FRB announced in August 2025 that it was sunsetting its novel activities supervision program that was established in SR 23-7. The FRB indicated that it had "strengthened its understanding" of crypto and FinTech activities, and would return to monitoring such novel activities through the normal supervisory process.[35]

32 *See* OCC Interpretive Letter 1183, *OCC Letter Addressing Certain Crypto-Asset Activities* (March 7, 2025); FDIC Financial Institutions Letter, FIL-7-2025, *FDIC Clarifies Process for Banks to Engage in Crypto-Related Activities* (March 28, 2025).
33 *See* FRB Press Release, *Federal Reserve Board Announces the Withdrawal of Guidance for Banks Related to Their Crypto-Asset and Dollar Token Activities and Related Changes to Its Expectations for These Activities* (April 24, 2025).
34 *See id.*
35 *See* CFRB Press Release, *Federal Reserve Board Announces It Will Sunset Its Novel Activities Supervision Program and Return to Monitoring Banks Novel Activities Through the Normal Supervisory Process* (Aug. 15, 2025).

- **Permission for banks to engage in custodial activities and riskless principal transactions:** In May 2025, the OCC published Interpretive Letter 1184 to confirm that national banks may buy and sell assets held in custody at the customer's direction and are permitted to outsource to third parties bank-permissible crypto asset activities, including custody and execution services, subject to appropriate third-party risk management practices.[36] In November 2025, the OCC issued Interpretive Letter 1186 which confirmed that national banks may hold crypto assets as *principal* for two specific purposes: (i) network fee payments (meaning banks may hold network-native tokens to pay transaction fees); and (ii) testing of otherwise permissible crypto asset-related platforms, as requiring third-party testing "could introduce risks (for instance, operational) that could disincentivize thorough and ongoing testing".[37] Most recently, on December 9, 2025, the OCC issued Interpretive Letter 1188 which confirmed that banks may engage in "riskless principal transactions" involving crypto assets as this constitutes the "functional equivalent to recognized bank brokerage activities," and is a "logical outgrowth of crypto-asset custody activities".[38]
- **Joint statement on crypto asset safekeeping:** In July 2025, the banking agencies issued the "Joint Statement on Crypto-Asset Safekeeping", which establishes comprehensive risk management expectations for banking organizations providing crypto asset custody services. Among other things, the Joint Statement on Crypto-Asset Safekeeping (i) defined what "control" means for purposes of crypto asset custody; (ii) formally applied the Bank Secrecy Act and the Travel Rule to bank crypto asset custody, requiring banks to implement systems for collecting, verifying and transmitting customer identifying information for qualifying transactions; (iii) mandated that banks manage risks associated with on-chain governance and voting, forks, airdrops, probabilistic settlement, and smart contracts; and (iv) clarified that while banks may use sub-custodians and other third parties for crypto asset custody, banks retain responsibility for all such custody activities and must conduct evaluate any such third party's cryptographic key management solution… as well as its adherence to standard safekeeping risk management practices".[39]

The 2025 regulatory developments represent a decisive shift in federal banking regulation of crypto assets from a restrictive framework characterized by procedural barriers and presumptive risk to a principles-based approach that integrates crypto asset activities into standard supervisory processes. New interpretive guidance also provides explicit authorization for a broad range of activities, including custody, stablecoin services, node operations, and limited principal holdings for operational purposes. However, banking organizations should recognize that this transformation represents an integration of crypto assets into existing banking regulations rather than solely deregulatory efforts by the banking regulators. Supervisory expectations for robust risk management remain in force, and the Joint Statement on Crypto-Asset Safekeeping establishes detailed control standards, Travel Rule obligations and technical risk management requirements. While the GENIUS Act removes capital barriers, it does not eliminate operational risk considerations.

Looking forward to 2026, the FDIC recently proposed a rule to establish procedures for FDIC-supervised institutions to issue payment stablecoins through subsidiaries—the first action to implement the GENIUS Act. In a speech by Acting Chairman Travis Hill regarding the proposed rule, Acting Chairman Hill stated that "[i]n the months ahead, we expect to issue a proposed rule to establish the statutorily mandated capital, liquidity and risk management requirements for subsidiaries of FDIC-supervised institutions that are approved to be [permitted payment stablecoin issuers], among other GENIUS Act-related workstreams. We will also continue to explore ways to provide regulatory clarity regarding activities related to digital assets and tokenized deposits more broadly".

36 *See* OCC Interpretive Letter 1184, *Clarification of Bank Authority Regarding Crypto-Asset Custody Services* (May 7, 2025).
37 *See* OCC Interpretive Letter 1186, *Authority of National Banks to Hold as Principal and Pay Crypto-Asset Network Fees as Incidental to a Permissible Banking Activity* (Nov. 18, 2025).
38 *See* OCC Interpretive Letter 1188, *National Bank Engagement in Riskless Principal Transactions in Crypto-Assets* (Dec. 9, 2025).
39 *See* Statement of FRB, FDIC, and OCC, *Crypto-Asset Safekeeping by Banking Organizations* (July 14, 2025).

# Prediction markets / event contracts

### Regulatory approach

In February 2025, the CFTC announced it would hold a public roundtable to inform its approach to regulation of prediction markets, characterizing it as "a necessary first step in order to establish a holistic regulatory framework that will both foster thriving prediction markets and protect retail customers from binary options fraud".[40] In the event, the roundtable was cancelled. However, the SEC-CFTC September 2025 Joint Statement included a commitment to "provide clarity for innovators that want to list event contracts on prediction markets responsibly, including those based on securities".[41]

### Political event derivatives

In May 2024, the CFTC proposed a rule to ban the listing and clearing of certain "events contracts" and "gaming" derivatives, citing its authority under the Commodity Exchange Act. A trading platform successfully challenged the rulemaking, arguing that the CFTC had exceeded its statutory authority by attempting to ban Congressional Control Contracts.[43] The platform contended that its prediction markets serve a public purpose by offering tools for hedging economic risks related to political outcomes and providing reliable data for gauging electoral probabilities. The CFTC appealed the ruling.

On May 6, 2025, the CFTC filed an unopposed Motion for Voluntary Dismissal of its appeal, effectively conceding the litigation and permitting the trading platform to offer political event derivatives.[44]

### Sports event derivatives

Sports-related event contracts remain a key area of contention. Key issues are whether sports event contracts should be regulated as derivatives contracts or gaming contracts, and whether event contracts should be subject to federal or state regulation.

On September 30, 2025, CFTC staff issued Advisory Letter No. 25-36 regarding sports-related event contracts, focusing on "contingency planning and disclosure obligations" given pending state regulatory actions and litigation involving sports contracts, cautioning market participants about unresolved questions regarding the interplay between the CEA and state gaming laws and noting that the CFTC has not made formal determinations on whether self-certified sports contracts involve prohibited "gaming" activity.[45]

# Perpetual derivatives

On April 22, 2025, the CFTC issued a Request for Comment on perpetual derivatives which sought input on whether perpetuals should be classified as futures or swaps under the Commodity Exchange Act, whether they raise novel risk, surveillance, or customer protection issues not addressed by current regulations, and whether they could "adversely impact the liquidity or usefulness for commercial risk management purposes of traditional futures products".[46] The comment period ended on May 21, 2025.

The SEC-CFTC September 2025 Joint Statement stated that the SEC and CFTC "could consider concurrent steps to onshore perpetual contracts", thereby providing US traders "access to products with transparent leverage limits and robust risk management".[47] We anticipate further regulatory guidance on perpetual derivatives in 2026.

# 24-hour trading and instantaneous settlement

In April 2025, the CFTC issued a Request for Comment (RFQ) on 24/7 derivatives trading and clearing.[48] The RFQ focused on "system resilience, operational continuity without downtime, continuous market surveillance, clearing and margin practices outside banking hours, regulatory constraints, and collateral management".

CFTC staff noted that futures exchanges currently have daily settlement cycles and moving to 24/7 operations would require "substantial changes" to procedures

40 *See* CFTC Press Release, *CFTC Announces Prediction Markets Roundtable* (Feb. 5, 2025).
41 *See* Joint Statement of SEC Chair Paul Atkins and Acting CFTC Chairman Caroline D. Pham, *Joint Statement from the Chairman of the SEC and Acting Chairman of the CFTC* (Sept. 5, 2025).
42 *See* Proposed Rule, *Event Contracts*, 89 FED. REG. 48968 (June 10, 2024).
43 *See Trading Platform Argues CFTC Lacks Authority to Bank Election Betting*, NORTON ROSE FULBRIGHT US REG. INTEL. (Nov. 18, 2024).
44 *See CFTC Gives Up on Election Betting Case*, NORTON ROSE FULBRIGHT US REG. INTEL. (May 6, 2025).
45 *See* CFTC Letter 25-36, *Certain Contract Markets* (Sept. 30, 2025).
46 *See* CFTC Request for Comment, *Request for Comment on the Trading and Clearing of "Perpetual" Style Derivatives* (April 21, 2025).
47 *See* Joint Statement of SEC Chair Paul Atkins and Acting CFTC Chairman Caroline D. Pham, *Joint Statement from the Chairman of the SEC and Acting Chairman of the CFTC* (Sept. 5, 2025).
48 *See* CFTC *Request for Comment, Request for Comment on Trading and Clearing Derivatives on a 24/7 Basis* (April 21, 2025).

regarding valuation and margin calls. Staff cautioned that illiquid off-hours trading could lead to "rapid shifts in prices, and thus rapid shifts in portfolio values", and warned that under 24/7 clearing, DCOs may not be able to "collect additional margin, if needed, on non-business days".

In addition, several US securities exchanges have obtained, or are in the process of obtaining, SEC approval for "near" 24-hour trading.[49]

The SEC-CFTC September 2025 Joint Statement articulated a commitment to "further expanding trading hours, where appropriate", recognizing that expanded hours could "better align US markets with the evolving reality of a global, always-on economy".[50] The regulators acknowledged that "expanding trading hours may be more viable in some asset classes than others", signaling a product-specific approach rather than comprehensive cross-market mandates.

We anticipate further developments in 24/7 trading and instantaneous settlement, which are closely related to developments in use of tokenized collateral and initiatives regarding perpetual derivatives.

## Retailization of private markets etailization of private markets

The year 2025 marked a transformative period for retailization policy in the United States, including the following developments:

**SEC Division of Investment Management guidance**
On August 15, 2025, the SEC issued ADI 2025-16, withdrawing the staff's longstanding informal position requiring registered closed-end funds investing more than 15 percent of assets in private funds to limit offerings to accredited investors with a $25,000 minimum investment.[51] The staff guidance substantially expanded the universe of retail investors who may access private funds through registered closed-end fund structures, and emphasized appropriate disclosures to "promote retail investor understanding…in making informed investment decisions".[52]

**Accredited investor definition**
Congressional legislation advanced in 2025 would establish competency-based pathways to "accredited investor" status, the investor eligibility standard for private placements under SEC Regulation D. [53] The SEC also issued a no-action letter permitting verification of accredited investor status through minimum investment amounts rather than documentary financial evidence.[54]

**Executive Order on 401(k) Access**
On August 7, 2025, President Trump signed Executive Order 14330, declaring it US policy that retirement savers should have access to alternative assets including private equity, real estate and digital assets.[55]

**SEC Investment Advisory Committee recommendations**
On September 18, 2025, the SEC Investor Advisory Committee (IAC) adopted recommendations asserting that "the optimal way for retail investors to access private market assets is through [SEC-]registered funds", citing protections including SEC review, audited financials, and independent board governance.[56] In addition, the IAC stated that if there were to be an expansion of direct access to private market assets, this expansion should be accompanied by certain basic investor protection guardrails. These included a focus on investor sophistication (rather than income or wealth) when determining accredited investor status; prudential limits on the amount that can be invested by retail investors who do not meet sophistication or wealth criteria; enhanced filing requirements; and improved disclosure and transparency to facilitate investor decision-making.

49 *See e.g.,* SR-NASDAQ-2025-106 (Dec. 15, 2025) (Nasdaq request for SEC approval to provide for the exchange to trade equity securities and exchange traded products 23 hours per day, five days per week).
50 *See* Joint Statement of SEC Chair Paul Atkins and Acting CFTC Chairman Caroline D. Pham, *Joint Statement from the Chairman of the SEC and Acting Chairman of the CFTC* (Sept. 5, 2025).
51 *See* Statement of SEC Division of Investment Management, *ADI 2025-16 – Registered Closed-End Funds of Private Funds* (Aug. 15, 2025).
52 *Id.*
53 *See* H.R. 3394, *Fair Investment Opportunities for Professional Experts Act*.
54 *See* SEC No-Action Letter, *Response of the Office of Small Business Policy Division of Corporation Finance* (March 12, 2025).
55 *See* Executive Order No. 14330, Democratizing Access to Alternative Assets For 401(k) Investors (Aug. 7, 2025).
56 *See* Recommendations of the Investor as Owner and Market Structure Subcommittees of the SEC Investor Advisory Committee, *Retail Investor Access to Private Market Assets* (Sept. 18, 2025).

## Shifts in regulatory enforcement and policy priorities

Over the course of 2025, new leadership across the federal financial services regulatory agencies has articulated a regulatory philosophy emphasizing "common sense" regulation, the elimination of "regulation by enforcement", enhanced due process protections for financial industry respondents, and a focus on "core" enforcement priorities such as fraud and market manipulation, rather than technical or process-based violations.

Below we highlight some of the key shifts in enforcement and policy priorities at the federal financial services regulators over the past year.

**SEC enforcement and regulatory policy priorities**
SEC Chair Atkins has emphasized a return to "common sense" regulation and a move away from the "regulation by enforcement" approach of the prior administration.

- **Decline in enforcement activity and retreat from digital asset enforcement:** SEC enforcement activity declined sharply in fiscal year 2025. The SEC initiated 56 actions against public companies and their subsidiaries—a 30 percent decrease from fiscal year 2024—and total monetary settlements fell 45 percent to $808 million, the lowest level since fiscal year 2012.[57] Of note, fiscal year 2025 displayed a record 52 actions—93 percent of the year's total—filed under SEC Chair Gensler before he stepped down in January 2025, while the new administration initiated only four actions—the lowest number of actions ever recorded by a new SEC administration during its first fiscal year since at least fiscal year 2013.[58]

  The most significant programmatic shift in 2025 regarding SEC enforcement is the SEC's "coordinated retreat" from litigation against digital asset intermediaries. Following the change in administration, the SEC (i) voluntarily dismissed its case against Coinbase (the first such dismissal in the history of the Securities Enforcement Empirical Database) and (ii) dismissed its case against Kraken with prejudice.[59]

- **Deprioritization of technical violations:** The SEC has shifted focus away from "technical" violations that do not involve direct investor harm. While the beginning of fiscal year 2025 saw a final wave of off-channel communications recordkeeping cases filed under previous leadership, there was a notable absence of new cases in the latter half of the year. Chair Atkins stated that regulators should provide firms time to correct deficiencies before imposing penalties, criticizing the "sweeping fines" of the past.[60] Chair Atkins also emphasized that future enforcement and rulemaking must be grounded in economic analysis, pledging to "measure twice and cut once" to avoid imposing unnecessary burdens that undermine capital formation.[61]
- **FY 2026 Examination Priorities:** Published in November 2025, the SEC's 2026 Examination Priorities indicate that examinations will focus on, among other things, (i) investment advisors' adherence to fiduciary standards, (ii) the effectiveness of investment advisors' compliance programs, (iii) broker-dealers' compliance with financial responsibility rules, (iv) broker-dealers' compliance with Regulation Best Interest, (v) broker-dealers' best execution requirements and pricing and valuation of illiquid assets, and (vii) information security and operational resiliency.[62]
- **Withdrawn proposals**: In June 2025, the SEC formally withdrew 14 proposed rulemakings issued between March 2022 and November 2023, stating it "does not intend to issue final rules with respect to these proposals."[63] Key withdrawals included proposals regarding Regulation Best Execution, rules regarding conflicts of interest associated with the use of predictive data analytics, regulations regarding Regulation NMS and other market structure regulations, and rules regarding cybersecurity risk management for broker-dealers and investment advisers.

57 *See* SEC Enforcement Activity Declines Sharply in FY 2025, NORTON ROSE FULBRIGHT US REG. INTEL. (Nov. 20, 2025).
58 *Id.*
59 *Id.*

60 *See* SEC Chair Paul Atkins Signals Shift in Enforcement and Digital Asset Policy, NORTON ROSE FULBRIGHT US REG. INTEL. (Sept. 15, 2025).
61 *See* Speech of SEC Chair Paul Atkins, *Remarks at the 12th Annual Conference on Financial Regulation* (May 16, 2025).
62 *See* SEC Division of Examinations, *Fiscal Year 2026: Examination Priorities* (2025).
63 *See* Notice of Withdrawal of Proposed Rules, *Withdrawal of Proposed Regulatory Actions*, 90 FED. REG. 25531 (June 17, 2025).

- **SEC Wells Process Reforms:** In October 2025, SEC Chairman Paul Atkins announced reforms to enhance transparency and due process in the Wells Process. Such reforms include extended timelines, offering potential respondents access to the evidentiary basis for charges (including testimony transcripts and key documents) prior to submission of a Wells response, and review of every Wells submission by all five SEC commissioners.[65]
- **Settlement procedures and waiver consideration:** In September 2025, Chairman Atkins restored the policy permitting settling entities to request simultaneous SEC consideration of settlement offers and waivers of collateral consequences[66] This reverses the prior administration's "siloed" approach, allowing respondents to withdraw settlement offers if accompanying waivers are denied.[67]
- **Revocation of delegated authority:** In March 2025, the SEC voted to eliminate the delegation of authority that allowed the Division of Enforcement to issue formal orders of investigation without an SEC vote.[68] This requires SEC commissioners to be engaged earlier in the investigative process, which is expected to result in fewer, more scrutinized enforcement actions.

**CFTC enforcement and regulatory policy priorities**

President Trump named Commissioner Caroline Pham as Acting Chair of the CFTC in January 2025 following a unanimous vote by CFTC commissioners, succeeding Rostin Behnam. With the departure of all other CFTC commissioners over the course of 2025, Acting Chair Pham has effectively unilaterally reshaped the agency's regulatory and enforcement priorities.

- **End of "regulation by enforcement" and enforcement sprint:** Commissioner Pham had been a consistent critic of 'regulation by enforcement' under the prior administration and dissented from several major enforcement actions and rulemakings. Thus, Acting Chair Pham led a reorganization of the Division of Enforcement's task forces to "stop regulation by enforcement".[69] In February 2025, the CFTC also announced the consolidation of previous task forces into two new units: the Complex Fraud Task Force and the Retail Fraud and General Enforcement Task Force.[70] In addition, the CFTC conducted a 30-day "enforcement sprint" to resolve outstanding investigations that did not involve customer harm or market abuse.[71]
- **New materiality standards for enforcement referrals:** CFTC staff issued guidance in April 2025 establishing a "materiality" threshold for referrals to the Division of Enforcement.[72] Operating Divisions will only refer matters if they involve "material" violations that cause harm to clients or market integrity. Isolated technical or operational issues will not trigger a referral unless they result in systemic failures. Staff will apply a reasonableness standard based on the size and complexity of the registrant, with materiality potentially found in cases of "especially egregious or prolonged systematic deficiencies" or "knowing or willful misconduct by management". The CFTC also introduced a Mitigation Credit Matrix offering penalty reductions of 10 percent to 55 percent for self-reporting and cooperation. Commissioner Goldsmith Romero detailed a seven-factor framework for evaluating outcomes, emphasizing that penalties should reflect the level of scienter, recidivism and acceptance of responsibility.[73]

64 *See* Speech of SEC Chair Paul Atkins, *Keynote Address at the 25th Annual A.A. Sommer, Jr. Lecture on Corporate, Securities, and Financial Law* (Oct. 7, 2025).
65 *Id.*
66 *See* Statement of SEC Chair Paul Atkins, *Statement on Simultaneous Commission Consideration of Settlement Offers and Related Waiver Requests* (Sept. 26, 2025).
67 *See id.* ("In consultation with the Divisions of Enforcement, Corporation Finance, and Investment Management, I believe that it is appropriate to restore the Commission's prior practice of permitting a settling entity to request that the Commission simultaneously consider an offer of settlement that addresses both an underlying Commission enforcement action and any related waiver request…This approach will enhance efficiency and certainty in the settlement process and avoid a siloed internal consideration of the matter, which are critical factors in reaching comprehensive settlements that are in the best interests of investors.")
68 *See* Final Rule, *Delegation of Authority to Director of the Division of Enforcement*, 90 FED. REG. 12105 (March 14, 2025).

69 *See* CFTC Press Release, *CFTC Division of Enforcement to Refocus on Fraud and Helping Victims, Stop Regulation by Enforcement* (Feb. 4, 2025).
70 *Id.*
71 *See* CFTC Press Release, *Acting Chairman Pham Announces Successful Completion of Enforcement Sprint* (Sept. 4, 2025).
72 *See* CFTC Staff Letter No. 25-13, *Staff Advisory on Materiality or Other Criteria that Operating Divisions Will Use to Determine Referrals to the Division of Enforcement* (April 17, 2025).
73 *See* Statement of CFTC Commissioner Christy Goldsmith Romero, *Statement of Commissioner Christy Goldsmith Romero: A Commissioner's Evaluation of Cases & Cooperation Credit* (May 21, 2025).

- **CFTC Rules of Practice amendments:** Effective December 3, 2025, the CFTC amended its Rules of Practice to codify similar protections as to the SEC's revised Wells Process, including: (i) increased Wells response time from 14 days to 30 days; (ii) requiring the Division of Enforcement to provide written notice identifying specific charges and supporting facts; and (iii) mandating that staff provide an objective internal memorandum to the Commission when recommending settlements, explicitly distinguishing unfavorable facts or legal precedents.[74]

**Federal banking regulators enforcement and regulatory policy priorities**

- **OCC**
  - **New policy on Criminal Enforcement for Regulatory Violations:** The OCC issued guidance in June 2025 requiring examiners to consider the defendant's *mens rea* (intent) and the actual harm caused before referring matters to the US Department of Justice.[75] This policy responds to executive concerns regarding "overcriminalization".
  - **Structural revision to supervision.** In September 2025, the OCC announced a major structural change, effective October 1, 2025, splitting its Bank Supervision and Examination group into three distinct units: Large Bank Supervision, Midsize and Community Bank Supervision, and Specialty Supervision. This reorganization aims to align supervision with a "tailored regulatory framework" and includes splitting the Office of the Chief National Bank Examiner into five specialized divisions. [76]
- **FRB**
  - **Reform of Department of Supervision and Regulation:** The Federal Reserve is reportedly reshaping its supervision and regulation division to reduce staff by approximately 30 percent by the end of 2026 and flatten its organizational structure.[77] The Federal Reserve's Division of Supervision and Regulation also issued guidance directing examiners to focus on material financial risks and avoid "excessive attention" to process-based issues. The guidance reinstates nonbinding "supervisory observations" for lower-level concerns and instructs examiners to rely on internal audit findings where possible.[78]
  - **Reform of Large Financial Institutions Supervisory Framework:** The Federal Reserve finalized amendments to its Large Financial Institution Supervisory Framework in November 2025.[79] A firm may now be considered "well managed" if it has no more than one "Deficient-1" component rating, provided other components are satisfactory. This replaces the prior standard under which any single "Deficient-1" rating in capital, liquidity or governance and controls automatically disqualified a firm from "well managed" status. The Fed also removed the presumption that a "Deficient-1" rating will automatically trigger an enforcement action. The "well managed" designation has substantial practical significance, as various statutory and regulatory provisions condition benefits, exemptions or reduced regulatory requirements on an institution being "well managed".
- **FDIC**
  - The FDIC and OCC proposed a rule formally defining "unsafe or unsound practice" as one that is contrary to prudent standards and likely to cause material harm to the financial condition of the institution or the FDIC's Deposit Insurance Fund.[80] Under this proposal, Matters Requiring Board Attention (MRBAs) would be restricted to issues meeting this materiality threshold. Examiners would be precluded from issuing MRBAs for minor policy deficiencies or "potential" violations.

74 *See* Final Rule, *Amendments to CFTC Rules of Practice and Rules Relating to Investigations*, 90 FED. REG. 55642 (Dec. 3, 2025).
75 *See* Notice, *Guidance on Referrals for Potential Criminal Enforcement*, 90 FED. REG. 26413 (June 20, 2025).
76 *See* OCC News Release, *OCC Announces Updates to Organizational Structure* (Sept. 18, 2025).
77 *See Fed's Bowman Plans to Cut Bank Supervision By About 30%, Email Shows*, *last accessed* Dec. 19, 2025.
78 *See* FRB Division of Supervision and Regulation, *Statement of Supervisory Operating Principles* (Oct. 29, 2025).
79 *See* Final Notice, *Revisions to the Large Financial Institution Rating System and Framework for the Supervision of Insurance Organizations*, 90 FED. REG. 51329 (Nov. 17, 2025).
80 *See* Proposed Rule, *Unsafe or Unsound Practices, Matters Requiring Attention*, 90 FED. REG. 48835 (Oct. 30, 2025).

# Clearing of US Treasuries and US Treasury repo

The implementation of the SEC's Treasury clearing mandate, adopted in December 2023, has advanced steadily in 2025, though some significant challenges remain before the new 2026 and 2027 compliance deadlines. We detail below some of the key regulatory developments in 2025 with respect to the Treasury clearing mandate.

**Extension of compliance dates**

On February 25, 2025, the SEC extended the original compliance dates by one year to provide additional time for resolving outstanding implementation issues. Thus, the new compliance dates for eligible cash market transactions and eligible repo transactions are December 31, 2026, and June 30, 2027, respectively.[81] The SEC cited the need to "mitigate the costs that industry participants will face" and "reduce the possibility of costly disruptions" as justification for the extension, explicitly referencing industry concerns about the development of "done-away" market structures, standard documentation, legal opinions, significant onboarding processes and regulatory uncertainty regarding the extraterritorial scope of the Treasury clearing mandate and the scope of the inter-affiliate exemption.

Simultaneously, the SEC issued a temporary extension regarding the deadline for covered clearing agencies to enforce policies separating proprietary from customer margin from March 31, 2025 to September 30, 2025.

In a September 2025 speech, Commissioner Mark Uyeda—who was designated by SEC Chairman Paul Atkins to oversee implementation of the Treasury clearing mandate—indicated that the SEC does not intend to consider further extensions, stating that "industry participants are strongly encouraged to continue their efforts to prepare for a smooth and successful transition".[82]

**Guidance on SEC Rule 15c3-3**

In August 2025, the Division of Trading and Markets issued FAQs addressing the mechanics of recording debits under Item 15 of SEC Rule 15c3-3a.[83] The August 2025 FAQs clarified that broker-dealers may use their own cash or Treasury securities to pre-fund a customer's margin requirement, and that a broker-dealer may record an Item 15 debit on "Day 1" of pre-funding, provided that the relevant broker-dealer receives sufficient eligible assets from the customer by close of business on the next business day. The FAQs also clarified that the Item 15 debit is strictly limited to the amount of *required* margin; broker-dealers may not take a debit for excess margin posted to a covered clearing agency.

**Guidance on mixed CUSIP triparty repo**

In September 2025, the Division of Trading and Markets clarified the scope of eligible secondary market transactions required to be cleared under the Treasury clearing mandate regarding "mixed CUSIP" collateral schedules.[84] In new FAQs, the Division of Trading and Markets stated that a triparty repo is not an "eligible secondary market transaction" subject to mandatory clearing if: (i) the collateral is allocated based on a "collateral eligibility schedule" (that is, a shell); and (ii) the parties selected a matching CUSIP corresponding to securities *other than* US Treasuries at trade execution. The Division explained that "the inclusion of US Treasury securities as merely eligible collateral on a schedule should not be considered as specifically structuring a particular triparty repo transaction to include US Treasury securities". This guidance resolved divergent interpretations, as FICC had previously suggested that transactions with shells permitting Treasury collateral may be in scope of mandatory clearing.

81 *See* Final Rule, Extension of Compliance Date, *Extension of Compliance Dates for Standards for Covered Clearing Agencies for U.S. Treasury Securities and Application of the Broker-Dealer Customer Protection Rule with Respect to U.S. Treasury Securities*, 90 FED. REG. 11134 (March 4, 2025).
82 *See* Speech of SEC Commissioner Mark Uyeda, *Update on Working Toward Treasury Clearing Implementation* (Sept. 30, 2025).
83 *See* SEC Division of Trading and Markets, *Frequently Asked Questions – Treasury Clearing and Rule 15c3-3a* (Aug. 6, 2025).
84 *See* SEC Division of Trading and Markets, *Frequently Asked Questions – Treasury Clearing* (Sept. 30, 2025).

### Accounting treatment for Agent Clearing

In September 2025, the SEC's Office of the Chief Accountant provided a "non-objection" to the conclusion that an Agent Clearing Member acts as an agent for accounting purposes with the customer remaining the principal.[85] This interpretation allows the Agent Clearing Member to avoid reflecting customer transactions on its balance sheet—a critical factor for bank-affiliated broker-dealers constrained Supplementary Leverage Ratio requirements.

### CME Securities Clearing, Inc.

In early December 2025, the SEC approved CME Securities Clearing, Inc. as a new covered clearing agency, introducing competition with the FICC to the Treasury clearing landscape. CME Securities Clearing, Inc. is expected to launch in Q2 2026.[86]

### Bank capital relief related to Treasury market intermediation

In November 2025, the federal banking regulators finalized modifications to the enhanced supplementary leverage ratio, capping the depository institution subsidiary buffer at 1 percent to reduce disincentives for Treasury market intermediation.[87]

### Regulatory uncertainty

Notwithstanding the developments detailed above with respect to the Treasury clearing mandate's implementation by market participants, a number of issues remain uncertain and require resolution prior to the December 2026 and June 2027 compliance dates. These issues include (i) the scope of inter-affiliate transactions; (ii) the extra-territorial scope of the Treasury clearing mandate; (iii) double-margining issues for registered funds and cross-margining issues; (iv) failed trades and outages; (v) lack of industry preparedness and delays in standardized documentation for "done away" clearing; (vi) and bank capital issues.

85 *See* SIFMA, *Accounting Treatment for UST Repo Transactions Cleared Through FICC* (Sept. 11, 2025).
86 *See* SEC Release No. 34-104281, *CME Securities Clearing, Inc.; Order Granting an Application for Registration as a Clearing Agency Under Section 17A of the Securities Exchange Act of 1934* (Dec. 1, 2025).
87 *See* SFinal Rule, *Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies*, 90 FED. REG. 55248 (Dec. 1, 2025). Regarding bank capital regulations more generally, notwithstanding the 2023 capital proposals from the federal banking regulators, the election of the new presidential administration has led to comprehensive review of such proposals. The federal banking agencies are expected to re-propose the Basel III Endgame and related capital proposals by the first half of 2026. We have covered the proposed implementation of Basel 3.1 standards in a recent edition of *Regulation Around the World*. For comprehensive background on the proposed implementation of Basel 3.1 standards in the United States, please see *Regulation Around the World: Basel 3.1 Implementation* (Nov. 2025). (Sept. 30, 2025).

# Australia

## Introduction

As 2026 unfolds, Australian financial services firms face a demanding regulatory agenda, with a number of significant reforms reaching critical implementation milestones and new policy initiatives taking shape across prudential, conduct, and market infrastructure domains. The Australian financial services regulators each have active regulatory programmes that will require close attention from regulated entities over the coming months, spanning areas such as AI, money laundering, climate-related financial risk and digital assets. This update provides a horizon scanning overview of the key regulatory developments anticipated in 2026, highlighting the reforms that financial services firms should be preparing for.

## Use of AI and automated advice

In its Corporate Plan for 2025-2026, the Australian Prudential Regulation Authority (APRA) has said that in the first half of 2025-26, APRA will undertake targeted supervisory engagements with a group of larger APRA-regulated entities to help it understand emerging practices and potential risks associated with AI. APRA's focus will be to assess the appropriateness of entities' risk management and oversight practices to support responsible adoption of AI.

In its Corporate Plan for 2025-2026, the Australian Securities and Investments Commission (ASIC) has signaled it will focus on pursuing continuous improvement in AI governance and cybersecurity. ASIC is also examining the growing use of AI, robo-advice and digital advice in funds management, focusing on transparency, algorithmic bias and the need for appropriate oversight and consumer protection. ASIC has also flagged a willingness to take enforcement action, where necessary, to protect investors and consumers from poor use of AI.

Lastly, ASIC is considering frameworks for ongoing monitoring of AI-driven platforms, including requirements for stress testing algorithms and maintaining audit trails. ASIC's Report 798: Beware the Gap: Governance arrangements in the face of AI innovation (REP 798) highlights the need for Australian financial services (AFS) licensees to document algorithmic decision making. In REP 798, ASIC concluded that AFS licensees are implementing AI more quickly than they are implementing compliance frameworks to manage the risks of AI.

## Foreign financial services providers: Australian licensing relief

Generally, anyone who carries on a financial services business in Australia needs to hold an AFS license unless they can rely on an exemption or licensing relief granted by ASIC.

The Treasury Laws Amendment (Genetic Testing Protections in Life Insurance and Other Measures) Bill 2025 was introduced into Parliament on November 26, 2025. Schedule 2 of the Bill implements a new AFS licensing exemption regime for foreign financial service providers (FFSPs).

FFSPs that held the benefit of "sufficient equivalence relief" under certain pre-existing ASIC class order instruments on March 31, 2020 as well as those relying on "limited connection relief" will continue to benefit from these transitional arrangements until March 31, 2027.

The Bill aims to facilitate cross-border financial services and promote regulatory oversight of FFSPs. The Bill provides four exemptions to the requirement to hold an AFS license including a new professional investor exemption, comparable regulator exemption, market maker exemption and fit and proper test exemption.

FFSPs wishing to rely on this new licensing exemption regime will be required to notify ASIC before or on March 31, 2027, subject to the enactment of the Bill. Foreign entities intending to provide financial services to Australian wholesale clients should carefully consider whether they are required to obtain an AFS license or whether relief is available to them.

## Mandatory sustainability reporting requirements for certain corporate entities, registrable superannuation entities, registered schemes and retail corporate collective investment vehicles

In-scope entities will be required to lodge sustainability reports with ASIC along with their financial reports. The sustainability reporting requirements are subject to a phased implementation for in-scope entities, with large corporate entities (so-called 'Group 1' entities) being required to prepare sustainability reports for financial years commencing on or after January 1, 2025. Smaller corporate entities as well as in-scope superannuation funds and registered schemes and retail corporate collective investment vehicles will be required to prepare sustainability reports for financial years commencing on or after July 1, 2026 (for 'Group 2' entities) or July 1, 2027 (for 'Group 3' entities).

## AML/CTF Regime

The Australian AML/CTF Regime is changing to align with international standards set by the FATF and will expand to cover new industries and also affect current reporting entities. Following the assent of the Anti-Money Laundering and Counter Terrorism Financing Amendment Bill on December 10, 2024, a series of reforms are being implemented which include expanded reporting obligations, customer due diligence requirements, greater beneficial ownership transparency requirements and significantly heightened penalties for non-compliance.

Existing reporting entities must comply with the amendments by March 31, 2026, while newly regulated sectors under Tranche 2 (such as lawyers, accountants, real estate professionals, conveyances, dealers in precious stones, metals and products and trust service providers) must comply by July 1, 2026. The regulatory burden is expected to fall most heavily on Tranche 2 entities, particularly in relation to customer due diligence obligations, value transfer transactions and other general compliance requirements, including the establishment of AML/CTF programs.

Reporting entities will face broader requirements to submit suspicious matter reports, threshold transaction reports and international fund transfer instructions. The reform aims to capture a wider range of financial activities, including digital assets and value transfers.

In 2026, the FATF will comprehensively assess Australia's AML/CTF regime which has been flagged by the Attorney-General's Department as an assessment that could have serious economic and reputational consequences.

## Digital assets and crypto regulation

ASIC has recently published a new Information Sheet 225: Financial products and services (INFO 225) dealing with crypto regulation. Digital payment platforms are also the subject of recent government exposure draft legislation of which we await industry feedback.

INFO 225 has, among other things:

- Provided further guidance on some of the perceived challenges encountered by the digital assets industry in meeting specific requirements for custodians, professional indemnity insurance, suitably qualified responsible managers, the requirement to hold client money in a separate trust account with an Australian-authorized deposit-taking institution and preparing a target market determination under the design and distribution obligations.
- Added five new examples (Bitcoin, native proof-of-stake systems, tokenized real estate, wrapped tokens and non-interest bearing stablecoins) and five amended examples. In particular, INFO 225 restates ASIC's view that Bitcoin is unlikely to be a financial product.
- Added examples of non-yielding bearing stablecoins (that are non-cash payment facilities) and wrapped tokens (that are derivatives).
- Clarified that custodial or depository standards apply to any financial product, based on any technology, using the existing principles-based approach.

## Open Finance

A major development is the Treasury Laws Amendment (Consumer Data Right) Act 2024 (Cth) (the Action Initiation Act). However, the government has indicated that it will not 'turn on' any specific types of actions under this Act until the consumer data rights (CDR) ecosystem is on a more sustainable footing. The Action Initiation Act represents a significant evolution of the CDR framework by introducing "write access" capabilities. This amendment allows accredited third parties not only to read consumer data, but also to initiate actions on behalf of consumers, such as making payments, switching service providers or automating loan applications. Once implemented, this would transform the CDR regime to an interactive platform, driving consumer convenience and competition.

Australia's Open Finance landscape is evolving, giving more people control over their financial data. What started with banks sharing data under the CDR framework is now expanding to include non-bank lenders, superannuation funds and insurance companies by 2026. This phased integration reflects a trend towards holistic financial management, enabling consumers to consolidate their financial information on a unified platform. Key use cases harnessing CDR data include automating and streamlining credit decisioning by using real-time financial data, utilizing consolidated financial data for integrated wealth management like retirement planning, and integrating data to offer more tailored and fairer insurance premiums. However, challenges remain such as liability for unauthorized sharing of consumer data, unequal access to data under the CDR framework, and persistent cybersecurity risks.

The CDR rules for superannuation and insurance are expected to be finalized by the first quarter of 2026. The expansion aims to promote competition and transparency, allow consumers to access a consolidated view of their financial status and enable enhanced personalization of financial advice.

## APRA's Prudential Standard CPS 230

One of the more significant regulatory shifts for the Australian banking, insurance and superannuation industries has been the introduction by APRA of Prudential Standard CPS 230 Operational Risk Management (CPS 230) which commenced on July 1, 2025. Agreements between APRA-regulated entities and material offshore service providers must meet the minimum content requirements in CPS 230.

CPS 230 aims to ensure that all APRA-regulated entities effectively manage operational risks, maintain critical operations through disruptions and manage the risks arising from service providers. Relevantly, CPS 230 also requires APRA-regulated entities to comply with minimum content requirements in all material outsourcing agreements.

Material service providers (whether domestic or offshore) will generally be "material service providers" of APRA-regulated entities under CPS 230. This means that agreements with custodians, asset managers, investment managers, IT vendors and other key outsource providers must meet these minimum content requirements, including provisions which:

- Ensure the service provider can meet its legal and compliance obligations.
- Require notification from the service provider of its use of other material service providers that it materially relies upon in providing the services.
- Require the material service provider to be liable for the failures of its subcontractors.
- Allow APRA access to documentation, data and other information relevant to the services being provided.
- Include the right for the APRA-regulated entity to terminate the agreement in whole or part. In the case of a superannuation trustee, this must include the ability for the trustee to terminate the agreement where the agreement is no longer in the best financial interests of the members of its fund.

These requirements apply to pre-existing contractual arrangements from the earlier of the next renewal date of the relevant contract or July 1, 2026. APRA also recently announced in its Corporate Plan 2025-26 that it will be reviewing compliance with CPS 230.

## Reforms to streamline and strengthen Australia's foreign investment framework

On May 1, 2024, the government announced reforms to streamline and strengthen the foreign investment framework. The reforms apply greater scrutiny to high-risk investments to protect the national interest while streamlining assessment of low-risk investments. The government has commenced implementation, which will continue in 2026. ASIC is focusing on strengthening operational, digital and data resilience and safety, particularly in relation to offshore outsourcing arrangements and the adoption of good practices for managing risk.

In particular, some of the proposals for which the government is seeking feedback include:

- Introducing new categories (defined by objective criteria) of lower risk actions for which investors would be required to inform the government, but which would not require review and approval before the investment could be made.
- Enabling more parties to give notice on behalf of others to reduce reporting obligations for a single transaction, where that transaction technically comprises multiple actions. Also, changing the types of acquisitions that are reportable (for example, removing requirements to report equitable interests).
- Consolidating the existing exemption certificate powers into a new, broad exemption certificate that will ensure a consistent approach to exemption certificate applications across all action categories and eliminate the need for "combination" exemption certificates given under multiple provisions for a single proposal.
- Accelerating the operation of disposal orders (so that they can take effect before risks can be realized).
- Adding further categories to the definition of associate relationships, allowing for a fact-based determination of relationships of association and lowering the thresholds for existing associate relationships categories.

## Private credit regulation

Private credit regulation in Australia has drawn heightened regulatory attention, with ASIC's recent Report 814: Private Credit in Australia (Report 814) and Report 820: Private credit surveillance report: Retail and wholesale surveillance (Report 820) highlighting governance and transparency concerns. APRA's System Risk Outlook report echoed the importance of transparency. APRA will collaborate with ASIC to assess the implications of growing activity by financiers that are not prudentially regulated.

Report 820 is based on ASIC's surveillance of 28 private credit funds (20 retail funds and 8 wholesale funds) which found inconsistent practices and, in some cases, material deficiencies such as:

- Inconsistent and unclear reporting and terms, masking portfolio risks and challenging investor decisions.
- Opaque interest margins and fee structures, obscuring the risk and cost to investors.
- Weak governance and poorly managed conflicts of interest.

Australia's regulatory stance aligns with the approach of global regulators, who are also scrutinizing private credit markets. The US Securities and Exchange Commission and European regulators have raised similar concerns about valuation practices, disclosure and systemic risk, reinforcing the need for harmonized oversight.

## Mergers and acquisitions reforms

The Treasury Laws Amendment (Mergers and Acquisitions Reform) Bill 2024 which was passed by Parliament on November 28, 2024 reformed Australia's merger rules to promote competition, protect consumers and provide greater certainty by streamlining merger and acquisition approval processes. The Competition and Consumer (Notification of Acquisitions) Determination 2025 was registered in June 2025 to support the new merger control system. The new merger control system commenced on a mandatory basis on January 1, 2026 and applied on a voluntary basis from July 1, 2025. The reforms replace the existing Australia Competition and Consumer Commission voluntary clearance process with a mandatory clearance process that imposes notification requirements for transactions that meet specified thresholds. The changes will substantially affect deal structuring, compliance costs and lead times—failure to comply with this regime will automatically void the acquisition. The regime has been drafted broadly, and there remains considerable uncertainty regarding the practical application of these reforms. Early indications suggest that the framework may have broader implications than originally anticipated.

# UAE

## Introduction

2025 was a significant year for the UAE's financial services regulatory framework, with the introduction of a new federal anti-money laundering legislation (AML Law) and a comprehensive new legal framework governing the Central Bank of the UAE (Central Bank) and its regulation of financial institutions and activities. 2026 promises to be another significant year where we will see further important regulatory initiatives coming into effect.

## Enhanced oversight of Authorised Individuals in the DIFC

The Dubai Financial Services Authority (DFSA) is implementing important changes to its Licensed Function and Authorised Individual framework. While the DFSA continues to require specific authorization for core roles—specifically compliance officers, finance officers and senior managers—the updated rules contain some important changes.

The DFSA's definition of "compliance officer" has been amended to remove the compliance officer's responsibility for the firm's compliance with DFSA regulations. Instead, the compliance officer is now responsible for the implementation and management of the firm's control framework.

Further, all employees of an "Authorised Firm" involved in activities carried on in connection with the financial services business, except those in ancillary roles, will also be subject to Principles 1 – 4 (1. Integrity, 2. Due skill, care, and diligence, 3. Market conduct, and 4. Relations with the DFSA).

The new changes will come into force of July 1, 2026.

## Overhaul of the DFSA Client Assets Regime

The long-awaited amendments to the DFSA's Client Assets regime (CAS) came into effect on January 1, 2026.

The reform introduces additional disclosure requirements, requiring firms to provide information about the jurisdiction in which custody is being provided on request. Further, an important shift in the CAS reform is the elevation of due diligence for Third Party Agents (TPAs) from non-binding guidance to binding rules.

Firms are now legally required to conduct structured, risk-based assessments at the point of onboarding and at least annually thereafter. This review must cover a TPA's financial strength, operational resilience, settlement performance and the legal enforceability of security interests in their specific jurisdiction.

## Payment Token Services Regulation implementation

The Central Bank's Payment Token Services Regulation (PTSR) establishes a formal licensing and prudential framework for payment tokens (that is, stablecoins). We understand that the transition period previously announced has been extended by a further six months, meaning that the PTSR will become operational toward the end of February 2026. This will mark an important step in the UAE's transition toward a regulated digital economy.

## Consolidation of banking and insurance regulation

In September 2025, Federal Decree Law No. 6 of 2025 Regarding the Central Bank Regulation of Financial Institutions and Activities and Insurance Business (the New CBUAE Law) was issued, replacing the previous 2018 law.

Relevantly, the New CBUAE Law consolidated the supervision of the banking and insurance sectors. The New CBUAE Law grants the Central Bank enhanced supervisory and enforcement powers. Notably, it introduces the concept of "early intervention", empowering the Central Bank to take pre-emptive measures to address emerging capital or liquidity risks within financial institutions before they escalate.

The New CBUAE Law also strengthens enforcement mechanisms, raising the maximum administrative fine from AED200 million to AED1 billion. It also provides the Central Bank with a wider array of administrative and financial sanctions, including the ability in severe cases to revoke licenses and appoint administrators.

The New CBUAE Law provides a one-year transition period. Therefore, persons subject to the New CBUAE Law have until September 16, 2026 to reconcile their positions.

## Strengthening of the national AML/CTF framework

The UAE has significantly expanded its AML/CTF obligations through new primary laws and executive regulations. A key change is the express inclusion of proliferation financing risk, requiring firms to implement specific screening and controls to prevent financing linked to weapons of mass destruction.

The scope of the regime has been broadened through an expanded definition of Designated Non-Financial Businesses and Professions (DNFBPs), which now covers more real estate, precious metals and corporate service activities.

## FSRA targeted enhancements to the ADGM funds framework

The Financial Services Regulatory Authority (the FSRA) is currently consulting on targeted enhancements to its funds framework in the Abu Dhabi Global Market (the ADGM) to right-size the regulatory burden for different categories of managers. A more proportionate regime is being considered for managers of smaller, less complex funds, featuring simplified systems and controls, streamlined reporting and potentially adjusted capital thresholds.

The relevant consultation paper closes on January 30, 2026. We would expect to see a number of the proposals implemented given that the FSRA's Business Plan for 2025-2026 flagged the FSRA's intention to review its regulatory and supervisory framework for funds and fund managers.

## Tokenisation

We expect tokenization to be a key focus for regulators in 2026. In the DIFC, the DFSA launched a regulatory sandbox in 2025. In the ADGM, while the FSRA's rules are particularly developed for stablecoins, further changes may come to address emerging tokens such as commodity tokens. In the Emirate of Dubai, the Virtual Asset Regulatory Authority continues to develop a framework that accommodates real-world asset tokenization, particularly in the real estate sector.

## FSRA full-ecosystem stablecoin framework

The FSRA's expanded regime for Fiat-Referenced Tokens (FRTs) (that is, stablecoins) came into effect on January 1, 2026. The updated framework updates the regime from a focus purely on issuance activities to a full-ecosystem framework. Through its expanded framework, the FSRA will license and supervise the custody, payment services and intermediation of fiat-pegged tokens.

A key component of the new framework is the FSRA's approach to "accepting" FRTs for use within the ADGM. Under the changes, the FSRA will accept foreign FRTs for use within the ADGM provided they meet certain assessment criteria. These criteria include reserve adequacy, robust AML traceability mechanisms, and the foreign issuer being subject to appropriate regulatory oversight in their home jurisdiction.

The new framework represents a significant step by the FSRA to comprehensively regulate a growing segment of the digital assets market. It also reflects the ADGM's role as a leading global financial center for FRTs.

## Virtual asset staking

Regulators in both the DIFC and ADGM are sharpening their focus on specific virtual asset activities, notably staking. The FSRA has moved to bring staking services explicitly within its scope, setting high expectations for client asset segregation, validator selection and concentration risk management. Client agreements for staking must now clearly delineate title, control and prohibitions on rehypothecation.

## Crypto Token changes in the DIFC

In the DIFC, the DFSA is making changes to its Crypto Token regime. The updated rules went into effect on January 12, 2026. The DFSA has removed centralized recognition for most tokens. Instead, firms are required to assess whether a token is suitable for their activities against defined criteria such as transparency, liquidity, technology and regulatory status. Therefore, the DFSA will no longer prescribe a list of "Recognised Crypto Tokens". The DFSA will retain responsibility for assessing the suitability of fiat crypto tokens for use in the DIFC.

# China

## Introduction

In this update we cover the upcoming reforms to China's asset management sectors. First, we briefly describe the 15th Five-Year Plan and then dive into the domestic regulatory priorities. The update then concludes by focusing on certain cross-border reforms.

## The 15th Five-Year Plan: Establishing the 2026 regulatory baseline

In October 2025, the Central Committee of the Communist Party of China released the 15th Five-Year Plan (the Plan), outlining the strategic blueprint for China's economy from 2026 to 2030. As regards the financial sector, the Plan highlights several key priorities:

- **Overall strategy**: Promote vigorous development in technology finance, green finance, inclusive finance, pension finance and digital finance.
- **Securities sector:** Enhance the inclusiveness and adaptability of capital markets, improve mechanisms for coordinating investment and financing, actively develop direct financing channels such as equity and bonds, and advance the steady development of futures, derivatives, and asset securitization.
- **Institutional supervision:** Optimize the financial institutional landscape by encouraging institutions to focus on core businesses, strengthen corporate governance and pursue differentiated development.
- **Localized regimes:** Accelerate Shanghai's development as an international financial center.
- **Regulatory supervision:** Strengthen financial supervision, improve coordination between central and local regulators, expand the risk resolution toolkit, build robust risk-prevention systems, and safeguard financial stability.

## Domestic regulatory priorities

Regulatory priorities across China's asset management sectors are increasingly aligned. Key areas of focus include enhancing consumer protection, standardizing information disclosure, strengthening corporate governance and risk management, applying differentiated oversight based on institutional ratings and tightening AML/CTF controls. These priorities are being implemented through new rules and consultation drafts. In addition to these cross-cutting initiatives, several notable sector-specific reforms are expected in 2026.

## High-quality development of mutual fund management companies

In May 2025, the China Securities Regulatory Commission (CSRC) released action plans (the Mutual Fund Plans) to promote the high-quality development of the mutual fund industry. These plans outline a comprehensive three-year reform agenda for mutual fund management companies in China, covering corporate governance and business model reforms. The key proposals include:

- **Governance:** The reforms propose stricter regulations for shareholders, directors and senior management personnel (SMPs), including enhanced qualification and conduct requirements, improved selection and appointment mechanisms for independent directors and measures to prevent improper interference by major shareholders and insider control.
- **Business model:** The reforms introduce performance-linked floating management fees and a standardized performance benchmark regime, covering benchmark selection, disclosure, ongoing evaluation, and adjustment. Product disclosure templates will be revised to improve readability, conciseness and relevance. Investor costs are expected to decrease through adjustments to subscription and distribution fees. Performance assessment frameworks will prioritize long-term investment returns over asset scale and short-term operating indicators, with remuneration more closely aligned to investment outcomes. Fund operational

rules will be refined to optimize fund launch standards, operating criteria, and exit mechanisms, as well as to improve product classification and broaden permissible investment scopes and strategies.

Consultation drafts on performance benchmarks, distribution fees, and investor suitability were issued in 2025, signaling a sequenced implementation of the Mutual Fund Plans. Further consultations and formal regulations are expected in 2026.

## Formal launch of mutual fund investment advisory regime

According to the Mutual Fund Plans, regulations establishing and governing the mutual fund investment advisory regime will be formally promulgated. The regime introduces a new, license-based financial service that complements the existing securities investment advisory and asset management regimes. Since the pilot began in October 2019, more than 60 asset managers and fund distributors have been allowed to offer mutual fund investment advisory services on a pilot basis.

Once formally launched, the regime will broaden the range of regulated wealth solutions available to clients and create additional business opportunities for a wider scope of market participants. Notably, the mutual fund investment advisory license permits a discretionary advisory model, allowing licensed advisers to make portfolio decisions and execute transactions (for example, subscriptions, redemptions, conversions) on behalf of clients, in accordance with a pre-agreed investment strategy.

## Pilot regime to expand the REITs framework to include commercial real estate

In November 2025, the CSRC issued a consultation draft to pilot the expansion of China's Real Estate Investment Trusts (REITs) regime beyond infrastructure to include commercial real estate as eligible underlying assets. The draft states that the establishment, fundraising, and operation of commercial REITs should largely follow existing rules for infrastructure REITs.

Commercial REITs are defined as closed-end mutual funds that acquire stable cash flows by holding or operating commercial real estate and distribute profits to fund unit holders. However, the scope of eligible commercial real estate remains unclear. While the CSRC cites commercial complexes, retail properties, office buildings, and hotels as examples, there is overlap with existing eligible infrastructure categories. Further regulatory clarification is anticipated.

## Reshaping of the trust asset management business

In October 2025, the National Financial Regulatory Administration (NFRA) issued a consultation draft establishing a unified framework for asset management-type trust business (as opposed to service-type trusts, such as family or testamentary trusts, or charity trusts, which generally do not involve fundraising from investors). The draft consolidates and updates previously fragmented rules and is poised to reshape the trust asset management landscape upon formal issuance.

The draft addresses longstanding compliance issues in the traditional trust asset management market. It affirms that asset management trusts are private asset management products based on a trust law relationship, requiring trust companies to undertake active management duties while prohibiting guaranteed returns and "channel" arrangements designed to circumvent regulatory constraints.

Additionally, the draft standardizes the full lifecycle of the trust asset management business, strengthening corporate governance and internal controls of trust companies, and setting comprehensive rules on investor suitability, product classification, valuation, information disclosure, leverage constraints, liquidity and risk segregation.

## Expansion of pilot regime for pension wealth management services

In October 2025, China's NFRA announced an expansion of China's pilot regime for pension wealth management services. Launched in 2021, the pilot has permitted selected wealth management companies to offer special pension wealth management products (designed for retirement needs, longer investment terms, more prudent investment strategies, and generally higher returns) within designated cities.

The latest NFRA notice broadens the pilot's eligibility to more wealth management companies that meet specified prudential requirements and extends the geographic scope nationwide for a new three-year pilot period. The previous fixed fundraising caps (that is, RMB10 billion or RMB50 billion per pilot company) will be replaced by a dynamic limit linked to each company's net capital, aligning fundraising capacity with balance sheet strength.

These changes aim to scale the third-pillar pension market while reinforcing risk management and investor protection. By widening participation, removing regional constraints, and calibrating fundraising to capital adequacy, the NFRA seeks to encourage product innovation and competition, deepen long-term savings, and better match household retirement liabilities with appropriately structured investment products.

## Continued regulatory themes for private fund and insurance asset management sectors

Overall, 2026 is expected to be a year of implementation rather than headline-reform for the private fund and insurance asset management sectors. The comprehensive rulemaking of recent years will see practical application, with operational guidance expected to inform day-to-day operations.

In particular:

- **Private funds:** Regulators are expected to intensify look-through oversight to curb regulatory arbitrage via multi-layer fund structures, promote diversified sources of funds for private equity investment, and broaden exit pathways to improve liquidity and capital recycling. Policymakers are also likely to advance measures supportive of patient capital, alongside continued stringent enforcement against misconduct.
- **Insurance asset management:** New insurance contract accounting standards will be fully implemented across the industry. Refreshed asset risk classification rules and strengthened internal-control guidance on the use of insurance funds should tighten portfolio construction, risk grading, and monitoring, enhancing routine investment governance and execution.

## Cross-border: A new round of comprehensive reforms to the QFII regime

In October 2025, the CSRC released a two-year work plan to optimize the Qualified Foreign Institutional Investor (QFII) regime, which has enabled foreign investors to make direct cross-border investments in China's securities market for over two decades. This work plan signals the most significant update to the QFII regime since its last reform in 2020, addressing practical needs and longstanding concerns of foreign investors.

Key initiatives include:

- Establishing a green channel and simplified licensing mechanism for sovereign wealth funds, international organizations, pension funds, charitable funds and similar allocation-focused foreign investors.
- Expanding the scope of commodity futures and options available to QFIIs, supporting multi-asset allocation strategies and enabling trading and industrial foreign investors to hedge pricing risks more effectively.
- Optimizing the regulatory framework for transactions such as total return swaps conducted via the QFII channel, with clear rules on market access, ongoing supervision and penalties for violations.

- Allowing domestic licensed institutions to provide securities investment advisory services to QFIIs, including exploring pathways for discretionary advisory services.

## Regional cross-border asset management initiatives in Hainan and Shanghai

Launched in August 2025, the Hainan Cross-Border Asset Management Pilot Regime is a significant step in China's financial opening, enabling overseas investors to access China's domestic market. The regime permits qualified foreign institutional or individual investors to invest in RMB-denominated asset management products issued by Hainan-based financial institutions, including wealth management products, private asset management products (issued by securities, fund or futures institutions), mutual funds, and insurance asset management products. Initially, qualifying foreign institutions are limited to licensed financial institutions and offshore subsidiaries of People's Republic of China enterprises, with potential expansion after the initial pilot period ends in February 2026.

In parallel, the NFRA and the Shanghai Municipal Government jointly announced work plans in June 2025 to reinforce Shanghai's position as an international financial center. These plans encourage the establishment of innovative asset management service platforms in Shanghai to accelerate the industry's transformation toward risk-based, data-enabled, high-quality growth.

Together, Hainan's product-level opening and Shanghai's infrastructure-focused initiatives signal a dual-track strategy: targeted liberalization to attract global capital alongside institutional upgrades to deepen asset management market efficiency, transparency and resilience.

## Expected developments in Mainland China-Hong Kong Connect and other cross-border asset management regimes

Further liberalization and optimization of Mainland China-Hong Kong market interconnection frameworks are expected in 2026, strengthening two-way capital flows and broadening product access for Mainland China, Hong Kong, and international investors using Hong Kong as a gateway to China.

As for the two key market interconnection frameworks:

- **Stock Connect**: Following the remarks made by an executive of the Hong Kong Stock Exchange in October 2025, who emphasized the active collaboration between the Hong Kong Stock Exchange and the Shanghai and Shenzhen Stock Exchanges, enhancements are anticipated, including the introduction of REITs, a block-trading mechanism, and an RMB counter (allowing southbound investment to be settled in RMB rather than HKD) to the current Stock Connect regime.
- **Bond Connect:** The Mainland China and Hong Kong regulators announced forthcoming moves to broaden and streamline the regime, expanding eligible investors for southbound investment (which currently only concentrates on Mainland China banks) to include securities firms, mutual fund managers, insurers and wealth management companies.

High-level policy signals at both central and local levels support the development and expansion of other regimes enabling cross-border investment in securities and equities, such as the Qualified Domestic Institutional Investors regime and the Qualified Domestic/Foreign Limited Partnership) regimes. Regulatory updates or detailed implementation rules are worth monitoring in 2026.

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