A&O SHEARMAN

Financial services *horizon report*

2026

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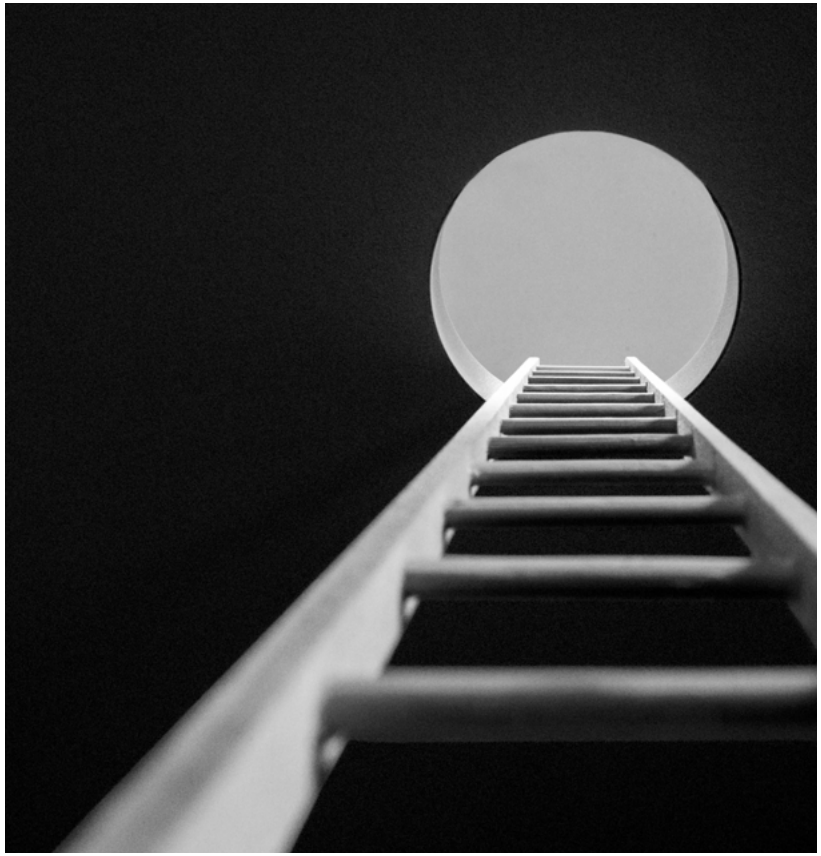


Overview of *the year ahead*

Trade tensions and broader political risks and uncertainty persist and remain of concern to financial markets and their supervisory authorities generally. Across the UK and EU, consistent themes continue to centre around policy objectives of competitiveness, growth and innovation which we discuss throughout the various sections of this report.

Please note that this document does not seek to cover all regulatory developments planned for 2026 and speaks to matters known as of December 31, 2025. It does not consider changes planned for the insurance or pensions sectors. Equally, the timing of a number of updates remains uncertain, and in some instances, we are unable to identify when in 2026 they are anticipated. Furthermore, any expected date is subject to change.

Resilience in uncertain times

UK

The UK's Prudential Regulation Authority (PRA) set out its strategic priorities for 2025/26 in April 2025. Priority 1 is to maintain and ensure the safety and soundness of the banking and insurance sectors and ensure continuing resilience. Priority 2 is for the PRA to be at the forefront of identifying new and emerging risks, and developing international policy.

EU

Similarly, priority 1 of the European Central Bank's (ECB's) supervisory priorities for 2026–2028 is strengthening banks' resilience to geopolitical risks and macro-financial uncertainties. The 2026 thematic stress test will assess institution-specific geopolitical risk scenarios and their potential to have a significant impact on banks' solvency and how the geopolitical risk scenarios considered by the banks could have an impact on banks' funding and liquidity conditions.

The European Banking Authority's (EBA's) union supervisory priorities for 2026 include monitoring and addressing financial stability and sustainability in a context of evolving interest rates and geopolitical risks. Stemming from this, a key topic for prudential supervisors' attention in 2026 is the growing relevance of cybersecurity risks for the EU financial sector, which are heightened by existing geopolitical tensions, as well as an increased reliance on ICT third-party providers and AI.

Competitiveness, growth and simplification

While resilience remains a key priority, the debate on the balance between risk and growth as objectives of regulation also continues.

UK

In March 2025, the UK Financial Conduct Authority (FCA) launched its new five-year strategy with growth mentioned 30 times in the 22-page document and innovation mentioned 15 times.

Sarah Pritchard, deputy chief executive of the FCA, in a November 2025 speech on rebalancing risk for growth, said that the FCA is committed to outcomes-focused regulation. Ms Pritchard said that this was essential if the FCA is to be forward looking and supportive of innovation.

The FCA's 2025/26 work programme starts with a commitment to being "a smarter regulator—one that supports growth, helps consumers and fights crime". The FCA considers that being a smarter regulator means being more efficient and effective. Among the measures intended to achieve this, it lists streamlining data collection and improving regulatory interactions. To reduce the regulatory burden, it also intends to streamline rules, guidance materials and wider communications, now that the consumer duty is in place.

In July 2025, the UK government published its Financial Services Growth and Competitiveness Strategy, a ten-year plan to drive growth and competitiveness in the UK financial services sector. The strategy followed a call for evidence issued in November 2024 and was published in tandem with the Leeds Reforms. The strategy covers five areas of focus: (i) delivering a competitive regulatory environment; (ii) harnessing the UK's global leadership of financial services; (iii) embracing innovation and leveraging the UK's fintech leadership; (iv) building a retail investment culture and delivering prosperity through UK capital markets; and (v) setting the UK's financial services sector up with the skills and talent it needs.

The UK regulators also continue to report on how they have advanced their respective secondary competitiveness and growth objectives, under the scrutiny of the House of Lords Financial Services Regulation Committee.

EU

In the EU, there is equal focus on the sector's competitiveness. In January 2025, the European Commission published a communication on a "Competitiveness Compass for the EU", which set out an action plan in response to the Draghi report published in September 2024. The communication set out the framework for the Commission's work on competitiveness for the next five years. One of the Commission's key aims is to reduce the regulatory burden. As part of this, in 2025 a series of Simplification Omnibus packages were published. The first related to sustainable finance reporting, sustainability due diligence and the sustainable finance taxonomy (see the **Sustainability and ESG section** for further information).

Additionally, in March 2025, the Commission set a strategy on a Savings and Investments Union, followed by a set of specific proposals, which aim to promote low-cost savings and investments products at EU level for retail investors (see the **Financial markets section** for more discussion of the related proposals). Longer term work includes removing barriers to consolidation of financial markets infrastructure and taxation barriers to cross-border investment, promoting the EU's securitisation market, and pursuing the reform and harmonisation of insolvency frameworks in the EU.

Further reports striving to advance the competitiveness and simplification agenda in the EU include a study on enhancing EU competitiveness in the banking sector, provided by the Economic Governance and EMU Scrutiny Unit (EGOV) at the request of the European Parliament's Committee on Economic and Monetary Affairs, and the EBA's Report on the efficiency of the regulatory and supervisory framework developed by its Task Force on Efficiency (TFE).

Both reports contained a number of recommendations for the European Commission. These include prioritising the defragmentation of the banking market, and simplifying and streamlining the prudential framework for banks without compromising resilience (see the **Prudential regulation section** of this report for further discussion of recommendations). The TFE also propose refocusing EU prudential law from directives to regulations, increasing harmonisation and regulatory transparency, and streamlining level 2 and 3 acts. The EGOV study also recommends the elimination of national gold plating. Both papers encourage completion of the banking union, to reduce national fragmentation and allow for more efficient capital markets. The TFE state "to lay the foundations for increasing cross-border banking, the completion of banking union should facilitate other measures that support integrated and efficient risk management at consolidated level. This will enable capital and liquidity to flow within banking groups in the banking union." The efficient flow of capital has long been hampered by areas of fragmentation and a matter of consternation for industry.

The TFE also recommend reconsidering the level of prescriptiveness of legislation governing supervisory processes, to identify areas where more risk-based approaches can be implemented and to increase the risk focus of supervision, thereby reducing administrative costs for banks on lower-risk issues. The TFE's recommendations were endorsed by the Governing Council of the ECB in December 2025. The ECB also published its own report on "streamlining supervision, safeguarding resilience" which discusses its ongoing agenda to increase the effectiveness, efficiency and risk focus of European banking supervision "[complementary to] the ... recommendations".

The European Council also published its conclusions on simplifying the Union's financial services regulation in December 2025. The Council "acknowledges that over time, the Union's financial services regulation has become more complex and more extensive than necessary" and "underlines that ... simplification should address both the existing stock of regulation and the flow of new Regulation" with a focus on eliminating unnecessary requirements and on measures with high potential impact. This, the Council suggests, should include ensuring improved coherence between different pieces and different fields of legislation and their implementation, aligning definitions, by removing duplications, out-dated provisions and unnecessary or overlapping reporting requirements. It states, however, that "simplification should not lead to de-regulation, which could put financial stability a risk".

The Council sets out a number of principles to guide the simplification of the Union's financial services regulation. These include: preserving the key pillars of the regulatory framework (robust capital and liquidity requirements, strong resolution frameworks, high consumer and investor protection, effective supervision, and a robust framework against money laundering and terrorist financing); public and stakeholder consultation; consistent, thorough and realistic impact assessments; and improving coordination, timing and sequencing in the implementation of legislative acts. The Council conclude by calling on the European Commission to (among other actions): swiftly put forward ambitious simplification packages for the EU's financial services regulation, with clear priorities and timelines; consider further improvements to the method for impact assessments; and present an analysis of how to ensure that future Union's financial services regulation becomes less complex and burdensome.

The European Commission is preparing a report on the overall situation of the banking system, including an evaluation of competitiveness, that is expected in Q3 2026. Such a report may be accompanied by further legislative proposals.

Data and reporting

It is well understood that the burden of reporting and data requests imposed on firms is substantial and it is an area consistently viewed as ripe for simplification.

UK

Efforts to reduce reporting burdens, modernise data collection, and enhance the efficiency of supervisory processes are a key part of the PRA's and FCA's ongoing "Future Banking Data" (FBD) and "Transforming Data Collection" (TDC) programmes.

EU

The TFE is encouraging European authorities to foster mutual data sharing, for example by operationalising the Better Data Sharing Regulation. Additionally, it advocates promoting, through an EBA-led change management process, a regular coordination of EU-level data collections (including, as appropriate, via the joint bank reporting committee under common rules of procedure). The TFE expect better coordination to lead to a reduction in the need to make overlapping data requests to the financial industry, including the banking sector. They also want the authorities to ensure that data collections are of material value for the supervisory mandate and are based on a need-to-have (rather than a nice-to-have) principle

Certain specific reporting reforms are discussed further in the relevant sections of this report.

International relations

UK OVERSEAS RECOGNITION REGIME

Alongside its Financial Services Growth and Competitiveness Strategy, the UK government laid before parliament the Financial Services (Overseas Recognition Regime Designations) Regulations 2025 (the ORR Regulations) alongside an explanatory memorandum, and published Overseas Recognition Regimes Guidance (the ORR Guidance). The overseas recognition regime (ORR) is the UK's new "outcomes focused" regime for providing "recognition" of a regulatory regime in an overseas jurisdiction, allowing cross-border financial services into the UK. It is broadly similar in concept to the EU's equivalence and the U.S.'s comparability regimes.

The ORR Regulations, which were made on October 30 and came into force on November 28, 2025, bring together in a comprehensive regime the existing ORRs under the Short Selling Regulations 2025 and the Insurance and Reinsurance Undertakings (Prudential Requirements) Regulations 2023 and the equivalence decisions that were inherited when the UK left the EU. They set out the powers and obligations of HMT as regards ORR designations, including the power to request information and advice from the financial services regulators and the power to impose conditions when making an ORR designation or revoke a designation. The ORR Guidance further describes the principles and processes that will apply to the ORR regime. Whether, and if so how, this regime is used in 2026 remains to be seen.

UK/SWISS MUTUAL RECOGNITION AGREEMENT

The UK/Swiss Mutual Recognition Agreement (the Berne Financial Services Agreement (BFSA)) will enter into force on January 1, 2026. This agreement, concluded in December 2023, seeks to set sectors where the UK and Switzerland will mutually recognise each other's domestic laws and regulations on financial services, making it easier for providers to each of the two markets to do business with corporate and high net worth clients in the other. The BFSA is an outcomes-based mutual recognition agreement covering a range of wholesale financial services, including asset management, banking, investment services, insurance and financial market infrastructure, as well as the provision of investment services to sophisticated high net worth clients. The BFSA allows UK insurance companies to offer certain wholesale insurance services in Switzerland without needing Swiss authorisation, while certain Swiss firms can offer certain investment services to sophisticated clients in the UK without requiring UK authorisation.

In October 2025, the Financial Services and Markets Act 2023 (Mutual Recognition Agreement) (Switzerland) Regulations 2025 were published, implementing the UK's commitments under the BFSA. The Regulations introduce: (i) a new exclusion under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 to allow Swiss firms that are registered with the FCA for specific investment services to supply those services without authorisation; (ii) a corresponding exemption under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 to ensure that Swiss registered firms can engage in financial promotion in certain circumstances without requiring authorisation or approval; (iii) a public UK Financial Conduct Authority (FCA) register of eligible Swiss firms; (iv) a new category of firm permitted to operate in the UK under the BFSA framework; and (v) new powers and duties to UK regulators (including the FCA, UK Prudential Regulation Authority (PRA) and Bank of England) to manage risks, enforce compliance and oversee an orderly wind-down of Swiss firms' UK activities if the BFSA is terminated. The Regulations will also enter into force on January 1, 2026. The FCA and the PRA have also jointly published guidelines to assist firms considering providing services under the BFSA.

Sustainability and ESG

UK

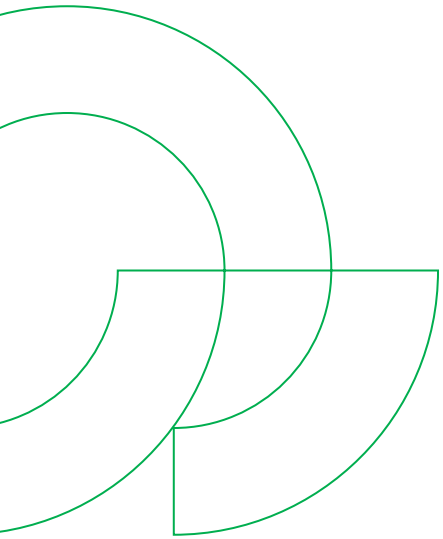
Sustainability-related initiatives are set to continue in the UK, with the government having identified sustainable finance as a growth-driving sector of the UK economy in its Modern Industrial Strategy: "The transition to net zero is the economic opportunity of the century, one which will bring significant benefits for households, communities, businesses, and the economy through good jobs, growth, energy security and lower bills. Global competition to gain a foothold in rapidly growing markets for clean energy technologies, green services and sustainable finance is intensifying. Countries that leverage their natural strengths, technological edge, and skilled workforce will seize the economic prize of the net zero transition. The UK is perfectly placed to do this ... "

That said, however, the regulatory landscape has become highly nuanced, with competing drivers. A key focus for the UK at present is as follows: reducing the burden on business, stimulating economic growth, rebalancing the approach to risk, and international competitiveness.

DISCLOSURE AND REPORTING

After a slow start, the UK is expected to make progress in 2026 on the introduction of Sustainability Reporting Standards (UK SRS). In 2025, the government conducted a consultation seeking views on exposure draft standards UK SRS S1 and S2, based on standards published by the International Sustainability Standards Board (ISSB). The UK SRS will be the foundation for the UK's future sustainability disclosures regime. Following this consultation, the intention is for the standards to be available for voluntary use at the outset, with further consultations planned on how the UK SRS should be integrated into UK law and which entities should be within scope.

Following on from the government's consultation, the FCA proposes to consult on adopting the UK SRS for UK-listed companies.



TRANSITION PLANS

A related consultation in 2025 sought views on the government's manifesto commitment on the theme of transition planning. The goal is to support an orderly transition in line with global climate goals, enhance transparency for investors, promote efficient capital allocation, and support companies in capturing net zero-related opportunities. It is also to support the growth of the UK's financial services industry by ensuring its sustainable finance framework is internationally competitive and maintains the UK's status as a global financial hub. The government will consider feedback to the consultation before bringing forward a "package of coherent and proportionate proposals that considers the UK's regulatory landscape as a whole". So far at least, it seems likely that this workstream will not move at pace, but it is possible we will see next steps emerge in 2026.

In terms of the FCA's approach, the December 2025 regulatory initiatives grid suggests that the FCA's consultation on UK SRS will include a proposed approach to transition plan disclosures. However, it is unclear if the FCA will stick with this or delay until the position of the UK government is clear.

TRANSITION FINANCE

The Transition Finance Council launched a consultation in November 2025 on draft guidelines for transition finance and an implementation handbook. The consultation closes on January 30, 2026, with final versions likely to be published in the spring.

The Council was launched in February 2025 by the City of London Corporation and the UK Government to drive forward the recommendations set out in the 2024 UK Transition Finance Market Review. The draft guidelines set out four key principles that each address a dimension of credibility. These are supported by "universal factors" containing practical criteria for assessing whether the principles are satisfied. The principles are as follows: credible ambition, action into progress, transparent accountability and addressing dependencies.

STEWARDSHIP CODE

The Stewardship Code was originally introduced in the UK in 2010, with an update in 2020. The latest version represents an overhaul of the 2020 Code, with a number of material changes having been made to (among other things) reduce the administrative burden on relevant firms. This is consistent with a general theme in UK (and EU) regulation at present, namely to streamline and simplify, taking a more pro-business approach to facilitate economic growth.

The new code applies from January 1, 2026.

The code sets out core principles of effective stewardship for asset owners and managers, as well as the service providers that support them (e.g., investment consultants and proxy advisors).

Becoming a signatory to the code is voluntary. However, most UK regulated asset managers that have professional clients must disclose on their website the nature of their commitment to the code or (if they do not commit to it) their "alternative investment strategy".

The process for becoming a signatory is set out on the Financial Reporting Council's website and includes the submission of a report and an assessment process.

ESG RATINGS

The UK government's proposal to bring ESG ratings providers into the UK "regulatory net" has similarly taken time to come to fruition, with the initiative first announced in 2022. The Financial Services and Markets Act 2000 (Regulated Activities) (ESG Ratings) Order 2025 has now been laid before Parliament, with most of its operative provisions effective from June 29, 2028. This allows time for relevant firms to obtain authorisation, and for the FCA to introduce relevant regulatory rules.

To that end, the FCA has issued a consultation which closes on March 31, 2026. The FCA is expected to publish final rules in Q4 2026. The gateway for authorisation applications will open in June 2027, with a six-month pre-gateway support period provided prior to that time for ESG ratings providers proposing to submit an authorisation application.

Key areas of focus in the consultation are transparency, systems/controls, governance and conflicts.

OTHER INITIATIVES

For completeness, it is noted that, throughout 2026, the FCA is likely to continue to monitor the industry's implementation of its entity and product level reporting regime, and ESG labelling regime, which began to take effect in 2024. It is also likely to continue to monitor developments in relation to greenwashing, in conjunction with the Competition and Markets Authority (CMA) and Advertising Standards Authority (ASA).

On the other hand, HM Treasury announced in 2005 that it would not take forward proposals to develop a UK taxonomy similar to that in force in the EU. The FCA also announced it would not take forward its proposal to extend its ESG product labelling regime to portfolio management. These initiatives will therefore not be taken forward in 2026.

EU

Progress on various sustainability-related initiatives is set to continue in the EU throughout 2026. Similar to the UK, however, the regulatory agenda is highly nuanced at present, with a focus on reducing the burden on business (through simplification and other measures), and enhancing economic growth and competitiveness, as well as energy security (given current geopolitical tensions).

The upshot is that a number of ESG-related initiatives have been delayed, pared back or revisited. Certain other actions to be taken by the Commission or other bodies have also been deprioritised.

CSRD, CSDDD AND TAXONOMY

Throughout 2025, work progressed on an omnibus package of changes to the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the EU Taxonomy Regulation and related law, with the goal of simplifying certain ESG-related laws and regulatory requirements. One key aspect of this package was a directive to delay the start date of certain requirements. This entered into force in 2025, with member states required to transpose it by December 31, 2025.

Another key aspect of the package was a directive to make certain substantive changes, including a reduction of the companies in scope of CSRD and paring back various aspects of CSDDD to reduce the impact and compliance burden. Work on this directive occurred throughout 2025, with certain final steps still to be taken in early 2026 before the directive can be said to have come into force. Member states will have 12 months to transpose it into national laws, with the directive entering into force 20 days after publication in the Official Journal.

A delegated regulation (Commission Delegated Regulation (EU) 2026/73) was adopted in relation to the Taxonomy Regulation to simplify the content and presentation of information to be disclosed and certain technical screening criteria for determining whether the DNSH (do no significant harm) test is met. The Delegated Regulation came into force on January 28, 2026, but applies from January 1, 2026.
In parallel, the Commission has published a call for evidence on proposals to further amend the taxonomy regime through two delegated regulations that would amend certain technical screening criteria that has proved complex or difficult to evidence in practice. The call for evidence closed in December 2025, with the Commission indicating a planned adoption date of Q2 2026.

The Commission proposes to adopt a new delegated act to revise the new European Sustainability Reporting Standards (ESRS), to clarify and simplify the requirements, reduce the number of mandatory datapoints and delete voluntary disclosures. This seems likely to be adopted in Q2 2026.
In the interim, a delegated act was introduced as a "quick fix" to (among other things) defer certain obligations and introduce phase-in provisions.

The Commission will also work in 2026 on various guidelines contemplated by the overall regime, including targeted assurance guidelines in relation to CSRD, and guidance and best practice on how to conduct due diligence processes for the purposes of CSDDD. Other guidelines required to be published relate to the assessment of risk factors, how stakeholders are to engage with the due diligence process, and climate transition plans.

ESMA WORK PLAN

For 2026, ESMA aims to: (i) support the Commission's efforts in streamlining sustainability-related requirements, making the regulatory framework more consistent and effective and not creating unnecessary burden; (ii) monitor ESG market developments and update risk assessments; (iii) promote effective and consistent integration of sustainability-related factors in supervisory and convergence activities; (iv) maintain investor confidence in ESG investments by promoting high quality sustainability disclosures and addressing the risk of greenwashing; and (v) contribute to facilitating the financing of the transition towards a more sustainable economy, while preserving a high level of investor protection as well as market integrity and financial stability.

Among other things, ESMA proposes to continue to review the EU rulebook to increase its effectiveness and support the reduction of unnecessary burden for market participants; it will devote specific attention to transition finance, it will build on the greenwashing reports it has prepared, and it will develop practical and digital supervisory and convergence tools.

ESG RATINGS

The EU's new regulation on ESG ratings contains new regulatory requirements for ESG rating providers operating in the EU. It came into force on January 2, 2025 and will begin to apply from July 2, 2026. Going forward, ESG ratings providers must be authorised by ESMA, but certain transitional provisions will apply for the benefit of firms already in operation. Among other things, ESG ratings providers will be subject to certain independence, conflicts and governance requirements, as well as requirements in terms of the methodologies they apply to formulate ratings. Transparency requirements will apply, with mandatory disclosures required to be made on certain matters to the public, to subscribers of ESG ratings and to rated entities. The regulation has some extraterritorial effect: a third country firm must comply with a regime on equivalence, endorsement or recognition to be able to provide ESG ratings into the EU.

NEW EU GREEN BOND REGIME

The EU's Green Bond Regulation has applied (for the most part) since December 21, 2024. The regime introduces the European Green Bond label as a designation which can be used on a voluntary basis by bond issuers. Issuers seeking to use the label must comply with various requirements, including the requirement to have certain applicable disclosures reviewed.

Firms wishing to provide external reviewer services after June 21, 2026 must be registered with ESMA.

Prior to this time, a transitional period applies. During this period, firms can provide external review services for EU Green Bonds after notifying ESMA and providing certain information to ESMA as specified in the regulation. External reviewers operating during this period are also required to comply with certain requirements on a best efforts basis.

SFDR 2.0

In November 2025, the Commission published a proposal to amend the Sustainable Finance Disclosure Regulation (SFDR). This was far reaching, with the Commission proposing to remove the entity-level disclosures on principal adverse impacts and remuneration, to remove advisers and portfolio managers from scope, and to simplify and significantly shorten product level disclosures. The Commission also proposed introducing a categorisation system for relevant products, with three levels (sustainable, transition, ESG basics). Everything else would fall with a new Article 6a. Only financial products categorised as sustainable, transition or ESG basic could include sustainability-related claims in their names and marketing communications, and claims in names and marketing communications would have to be clear, fair and not misleading. Various other requirements would apply, as well as transitional provisions.

Negotiations with the European Parliament and the Council on SFDR 2.0 are yet to begin and it is not yet clear what position they will take. This will hopefully become more clear in the next 6–12 months.

PRUDENTIAL

Although climate-related financial risks remain of concern to regulators and supervisors generally, the focus of international standard setters has subsided. The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) is, however, expected in 2026 to update the 2020 Guide for Supervisors to provide a set of recommendations and good practices on the supervision of climate- and nature-related risks.

With respect to the pillar 3 disclosure framework proposed by the Basel Committee on Banking Supervision (BCBS) in late 2023 for implementation by January 1, 2026, in the summer of 2025 the BCBS concluded that a voluntary disclosure framework for jurisdictions to consider was more appropriate. This means that jurisdictions must consider for themselves whether, and how far, to require banks and other entities to disclose qualitative and/or quantitative information about the climate-related financial risks they face.

UK

In December 2025, the PRA published a new supervisory statement setting out its expectations for firms' approaches to managing climate-related risks. It replaces the PRA's 2019 supervisory statement on the same topic. Described as "another step in the PRA's work to support the enhancement and maturation of banks' and insurers' approaches to managing climate-related risks", it requires firms to carry out an internal review of their current status in meeting the updated expectations by June 3, 2026. As part of this internal review, firms should identify the expectations that require further work for them to meet, and develop a plan for how they will address any gaps.

EU

The ECB's supervisory priorities for 2026–2028 include ensuring prudent management of climate- and nature-related risks. EU banks are expected to effectively assess and manage short-, medium- and long-term risks stemming from climate and nature crises, and remedy persistent shortcomings in their related risk management frameworks.

Directive 2024/1619 (CRDVI) contains requirements to improve the way banks measure and manage ESG risks, and to ensure that markets can monitor what banks are doing. CRDVI was published in the Official Journal in June 2024 and members states have until January 10, 2026 to transpose the requirements into national legislation, with a general application date of January 11, 2026. As at December 31, 2025, however, all but two member states were still to finalise their legislation transposing the directive.

Credit institutions will require robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of ESG risks over an appropriate set of time horizons. EU banks are required to develop prudential transition plans which will be reviewed by supervisors in accordance with the EBA's guidelines on the management of ESG risks, which also apply from January 11, 2026. 2026 will be the first year in which all EU credit institutions need to develop and monitor the implementation of specific plans to address the financial risks stemming from ESG factors in the short-, medium- and long-term, which should contain quantifiable targets and processes. Competent authorities will start to assess these plans, considering the specifications introduced by the EBA guidelines. The EBA expects emphasis to also be put on the work institutions should perform to include ESG risks in their regular risk management and remuneration policies and practices and to test their resilience to negative impacts of ESG factors using different scenarios and time horizons. The ECB states that "supervision will take a gradual and targeted approach, focusing on the new elements from [the] guidelines, first via informal dialogues with the banks that will be followed by a thematic review. Supervisors will also continue to monitor banks' compliance with Pillar 3 disclosure requirements for environmental, social and governance-related issues and perform a targeted review of their physical risk disclosures". The EBA has also published guidelines on environmental scenario analysis which are set to apply from January 1, 2027.

Prudential regulation

International standards for internationally active banks

The BCBS continues to encourage full, timely and consistent adoption and implementation of the Basel standards. The final Basel III standards were agreed by the Group of Central Bank Governors and Heads of Supervision in December 2017, with adjustments to the market risk framework endorsed in January 2019.

The final Basel standards have been designed to restore credibility in the calculation of risk-weighted assets (RWAs) and improve the comparability of banks' capital ratios by: (i) enhancing the robustness and risk sensitivity of the standardised approaches for credit risk, credit valuation adjustment (CVA) risk and operational risk; (ii) constraining the use of the internal model approaches, by placing limits on certain inputs used to calculate capital requirements under the internal ratings-based (IRB) approach for credit risk and by removing the use of the internal model approaches for CVA risk and for operational risk; (iii) introducing a leverage ratio buffer to further limit the leverage of global systemically important banks (G-SIBs); and (iv) replacing the existing Basel II output floor with a more robust risk-sensitive floor based on the Committee's revised Basel III standardised approaches.

The implementation date, initially set for January 1, 2022, was deferred by one year in response to the Covid-19 crisis to January 1, 2023, with a five-year phase-in for some elements (notably the output floor).

The Bank for International Settlements (BIS) reported in May 2025 that about 70% of the BCBS's member jurisdictions had implemented, or would shortly implement, the standards. Notably, however, the U.S. and the UK have not yet done so.

Although the UK published "near-final" rules in 2023 and 2024, it was announced in June 2025 that implementation would be further delayed from January 1, 2026 to January 1, 2027, to allow "more time for greater clarity to emerge about plans for its implementation in the United States".

Initial implementation proposals in the U.S., the so-called "Basel endgame", were met with much industry consternation. Although revised proposals were anticipated in Q3 2024, the presidential elections and subsequent changes in the administration and authorities have meant further delays. Current expectations are that the U.S. will publish revised proposals in Q1 2026, as part of a broader package of prudential reforms.

As jurisdictions take differing approaches to the substance and timing of implementation, firms are faced with challenges arising from divergent capital requirements globally. In a time of focus on international competitiveness, this is an area of concern for the banking sector. Although a number of common areas of divergence from the Basel standards have emerged, suggesting consensus that some elements of the standards need change, the BCBS is of the view that all jurisdictions must first implement before the standards are re-opened to address areas where issues with the standards, agreed in 2017–2019, have been identified.

UK

In line with the UK's post-Brexit regulatory framework for financial services, implementation of the final Basel III standards in the UK (referred to as Basel 3.1) will be effected mainly by additions and amendments to the PRA Rulebook and other PRA supervisory materials. HMT will revoke provisions of the UK's version of the Capital Requirements Regulation (CRR) that was assimilated into UK law as the new standards come into effect.

The PRA published its policy on the implementation of Basel 3.1 in two parts back in 2023 and 2024. In each instance the PRA described the policy as "near-final" rules but confirmed that it did not intend to change the policy or make substantive alterations to the instruments before the making of the final policy material. As noted above, however, implementation timing has changed in light of U.S. delays and concerns around the impact on the competitiveness of UK banks. Final rules, together with the statutory instrument necessary to revoke the provisions in the UK CRR that will be replaced by PRA rules, are now expected in Q1 2026. Although implementation has been delayed to 1 January 2027 (except for market risk provisions for which an implementation date of 1 January 2028 is currently anticipated), the output floor transitional period is still expected to expire on 1 January 2030, in line with the EU.

A number of other final policy papers have been tied to publication of the final Basel 3.1 policy by the PRA. In particular, final PRA rules on the simplified capital regime for small domestic deposit takers (discussed further below) are expected at the same time or shortly after.

EU

Regulation (EU) 2024/1623 (CRR III) and Directive (EU) 2024/1619 (CRDVI) were published in the Official Journal of the European Union on 19 June 2024.

CRR III contains the EU's final Basel III implementation and has applied generally from 1 January 2025, although the date of application of the Fundamental Review of the Trading Book (FRTB) standards for banks' calculation of own funds requirements for market risk was deferred to 1 January 2026. In June 2025, the European Commission adopted a delegated act, which entered into force on 20 September, to further postpone by one additional year (i.e. until 1 January 2027) the FRTB provisions. This was considered necessary "in order to align its implementation with other major global jurisdictions and to preserve the global level playing field for internationally active European banks in respect to their trading activities". In November, the European Commission issued its second targeted consultation for 2025 and, separately, a call for evidence on the application of the market risk prudential framework. The Commission is evaluating whether to use the empowerment granted under Article 461a of the Capital Requirements Regulation to adopt a delegated act by the end of March 2026 to mitigate potential negative impacts arising from an unlevel playing field in the international implementation of the FRTB. It would also aim to incorporate those targeted changes already proposed by other jurisdictions that the Commission believes can improve the EU framework (e.g. removing excessive rigidity and preventing excessive operational burden on banks). Firms will be monitoring the outcome of these developments as they assess whether, how and when to prepare to implement the FRTB provisions and to understand divergences across the markets, and any potential consequences.

During the postponement period, institutions should continue to use their current (pre-FRTB) methodologies to calculate their own funds requirements for market risk. In parallel, the FRTB Standardised Approach will be used for the output floor calculation. These elements therefore need to continue to be reported to competent authorities based on the current reporting requirements.

With respect to the rest of the CRR III provisions, the ECB has flagged in its supervisory priorities for 2026–28 that it will be looking to ensure adequate capitalisation and consistent implementation of CRR III with closer supervisory scrutiny accounting for the increasing role that the standardised approach plays in determining banks' solvency, including through the calculation of the new output floor. Supervisors will combine targeted on-site inspections with targeted reviews to assess the adequacy of banks' capital frameworks. Remediation of the associated findings will be addressed through regular joint supervisory team (JST) follow-up. Supervisors will also conduct an initial review of banks' application of the new non-model-based approach for operational risk, to identify potential outliers, based on banks' reported risk-weighted assets and other qualitative assessments, and will subsequently perform a targeted review of those banks with a higher risk of miscalculation.

CRD VI inserts a new Article 21c into the EU's directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Directive 2013/36, CRD IV). Subject to certain limited exemptions, Article 21c prohibits the provision of cross-border core banking services by non-EU banks or significant investment firms. Any non-EU bank or significant investment firm looking to provide deposit-taking, lending or guarantees or commitments in the EU will be required to do so through a licensed branch in each relevant member state from 11 January 2027.

Existing transactions will be "grandfathered" if entered into before 11 July 2026. Please see our most recent briefings on CRD VI which consider the **EBA's draft regulatory technical standards which elaborate on requirements for EU branches of non-EU banks** and **third-country bank and non-bank lending into the EU post-CRD VI**.

Throughout 2025, non-EU banks have been monitoring individual member state transposition of the new branch requirements, assessing the impact on their various business lines and planning for compliance. Although the deadline for transposition is January 10, 2026, at the time of writing only Denmark and the Czech Republic had finalised their legislation (and industry remains hopeful that the Danish legislation remains subject to amendment in 2026). A number of jurisdictions are still to make public their transposition proposals. Furthermore, although the prohibition on the provision of cross-border banking services set out in the directive is expressed to take effect from January 11, 2027, a few jurisdictions (including the Czech Republic) have set an earlier implementation date in 2026. Firms will continue to plan and implement for compliance throughout 2026, anticipating finalised implementing and regulatory technical standards and guidelines on key issues such as reporting and booking arrangements.

Prudential regimes for cryptoasset exposures

The BCBS has also published standards for internationally active banks on the prudential treatment of cryptoasset exposures, which it initially expected its members to implement by 1 January 2025. In May 2024, it deferred implementation by a year to 1 January 2026, to ensure that all members were able to implement the standard in a full, timely and consistent manner. As with implementation of the final Basel standards discussed above, however, national implementation in the major jurisdictions is delayed. The industry has voiced a number of concerns about the standards, their practicality and proportionality, and requested a pause and recalibration of the standards. In November 2025, the BCBS announced an expedited review of targeted elements of the standards.

The standards divide cryptoassets into two groups. Tokenised traditional assets and stablecoins with effective stabilisation mechanisms that meet classification conditions will attract the same own funds requirements as their reserve assets or the assets they reference, with the possibility for supervisors to impose add-ons. The second group, which comprises the riskiest forms of cryptoassets, is to be risk-weighted at 1,250% unless they meet certain hedging recognition criteria, in which case they must be treated according to market risk rules. Holding limits will also apply to the second group of assets. Banks would also be required to perform due diligence to ensure that they have an adequate understanding of the stabilisation mechanisms of stablecoins to which they are exposed, and the effectiveness of those mechanisms. As part of the due diligence performed, banks would be required to conduct statistical or other tests demonstrating that the stablecoin maintains a stable relationship in comparison to the reference asset.

A number of global financial trade associations wrote to the BCBS in August 2025 to propose a set of non-exhaustive recommendations to improve the cryptoasset standard, including: eliminating the distinction between permissioned and permissionless ledgers for Group 1 classification; revising classification condition 2; reconsidering the treatment of regulated stablecoins; recognising certain cryptoassets as eligible collateral; reassessing the treatment of Group 2 cryptoassets; and allowing the use of internal models for market and counterparty risk. The BCBS's "targeted review" of the standards will be followed with interest by the market.

Additionally, the BCBS published its final expectations on disclosure requirements related to banks' cryptoasset exposures in July 2024, which include a standardised disclosure table and set of templates for banks' cryptoasset exposures. Banks are expected to make qualitative disclosures on an annual basis on their activities related to cryptoassets and the approach used in assessing the classification conditions. They should also make disclosures on a semi-annual basis on: (i) cryptoasset exposures and capital requirements; (ii) accounting classification of exposures to cryptoassets and cryptoliabilities; and (iii) liquidity requirements for exposures to cryptoassets and cryptoliabilities.

UK

In December 2024, the PRA published a data request for information on firms' current and expected future cryptoasset exposures and application of the Basel framework for the prudential treatment of cryptoassets. Firms were asked to complete the information request at the highest level of UK consolidation, to the extent relevant to their business, exposure or activities by March 24, 2025. This exercise was to inform the PRA and Bank of England's work on the calibration of the prudential treatment of cryptoasset exposures, the analysis of costs and benefits of different policy options, and how the regulators will monitor the financial stability implications of such cryptoassets. The PRA is expected to consult on implementation of the Basel standards on the prudential treatment of firms' exposures to cryptoassets in Q4 of 2026.

Throughout 2025, the UK regulators have published various pieces of the jigsaw of regulation pertaining to the cryptoassets markets, including the prudential regime. In addition to the prudential regulation of cryptoasset exposures of existing regulated firms, firms engaged in regulated cryptoasset activities will, once the regime enters into force, also require authorisation and be subject to FCA prudential regulation (please see further discussion in the **Fintech/Digital assets section** of this report). In May 2025, the FCA consulted on proposed prudential rules and guidance for issuing qualifying stablecoins and safeguarding qualifying cryptoassets. In December 2025 it launched a second consultation containing additional proposed prudential rules applying to all regulated cryptoasset activities. The overall prudential framework for cryptoasset firms will be set out across two separate sourcebooks of the FCA Handbook, COREPRU and CRYPTOPRU. Crypto firms will be required to calculate their own funds requirement as the highest of three components: a permanent minimum requirement (PMR); fixed overhead requirement (FOR); or based on the application of K-factors, which seek to address the various risks. The FCA's prudential treatment of cryptoasset holdings by firms differs from the Basel standards, and is more lenient in a number of respects. The FCA expects to publish its final policy in 2026, with the regime taking effect on October 25, 2027.

EU

In the EU, CRR III required the Commission to submit a legislative proposal by June 30, 2025 to implement the BCBS standard. No such proposal has been published to date, perhaps unsurprisingly given the ongoing debate around the calibration of the standards. Meanwhile, CRR III specifies the prudential treatment applicable to banks' cryptoasset exposures in the transitional period, until implementation of such legislation. That transitional treatment is required to take into account the legal framework introduced by MiCAR.

During the transitional period, tokenised traditional assets, including e-money tokens, should be recognised as entailing similar risks to traditional assets and cryptoassets compliant with MiCAR, and referencing traditional assets other than a single fiat currency should benefit from a capital treatment consistent with the requirements of MiCAR. Exposures to other cryptoassets, including tokenised derivatives on cryptoassets different from the ones that qualify for the more favourable capital treatment, should be assigned a 1,250% risk weight. It also prescribes exposure limits.

On August 5, 2025, the EBA published a final report on draft regulatory technical standards for the calculation and aggregation of cryptoasset exposures under the transitional regime, including how to calculate the value of the exposures in cryptoassets and how to aggregate short and long positions in cryptoassets for the purposes of the calculation during the transitional period and for the application of the total exposure limit in other cryptoassets (i.e., 1% of an institution's Tier 1 capital). The draft standards are largely consistent with the BCBS standards.

CRR III also requires firms to disclose prescribed information on cryptoassets and cryptoasset services as well as any other activities related to cryptoassets. This includes direct and indirect exposure amounts, the total risk exposure amount for operational risk, the accounting classification for cryptoasset exposures, a description of the business activities related to cryptoassets and their impact on the risk profile of the institution and a description of their risk management policies related to cryptoasset exposures and cryptoasset services. For further information on the prudential and capital requirements for issuers of ARTs and CASPs, finalised in 2025, please see our **briefing**.

Prudential treatment of securitisation exposures

In tandem with the review of the securitisation frameworks in the UK and the EU (see the **Financial markets** section of this report for further information), the relevant authorities have reviewed the prudential treatment of securitisation exposures, with a view to revitalising the securitisation markets in a safe and prudent manner.

UK

In line with the general approach to the UK's post-Brexit regulatory framework, the UK's securitisation framework is being reformed in a phased manner. Further to the revocation and restatement in the PRA Rulebook of the majority of the requirements in Part Two of the CRR relating to the definition of own funds and supervisory expectations relating to the use of unfunded credit protection in synthetic SRT securitisations, the PRA consulted in October 2024 on restating firm-facing requirements in Chapter 5, Title II, Part Three of the CRR in the PRA Rulebook and for related policy materials. It finalised its changes in July and October 2025. The July policy statement addressed securitisation prudential reforms which the PRA regarded as not conceptually linked to the UK's implementation of the final Basel standards and the changes take effect on January 1, 2026 with unfunded credit protection newly eligible in UK synthetic securitisations. The October policy paper set out changes linked to Basel implementation and accordingly will take effect on January 1, 2027. 2026 will see impacted firms weighing up the reforms relating to the SEC-SA p factor, the prudential treatment of HMT's Mortgage Guarantee Scheme (MGS), the risk weight limits for prudential simple, transparent and standardised (STS) eligibility, and refinements to the credit risk mitigation approach hierarchy for securitisations. Please see our **briefing** for more detail.

EU

In June 2025, the Commission published a legislative package to amend the Securitisation Regulation, the CRR and the Liquidity Coverage Ratio Delegated Regulation and which, among other proposals, envisaged significant reforms, under all risk-weighting approaches, to the p factors, risk-weight floors and HQLA treatment of securitisation positions, and to the notification process, quantitative tests and permitted structural features associated with significant risk transfer (SRT). In December 2025, the European Council reached its position on the proposals. The review process is still ongoing within the European Parliament and it is anticipated that trilogues will commence in spring 2026. EU banks will be monitoring the outcome of the prudential calibrations and their impact on the effectiveness of securitisations in freeing up capacity to further lend, and the market will be watching with interest these developments more broadly in the context of the progress of the savings and investments union (see the **Financial markets section** of this report for further discussion of securitisation-related developments).

Investment firms prudential regimes

UK IFPR

MIFIDPRU, the prudential sourcebook for solo-regulated investment firms, defines regulatory capital through a number of cross-references to a "frozen in time" version of the UK Capital Requirements Regulation. The FCA confirmed, in October 2025, that these references will be removed from April 1, 2026, bringing the definitions into MIFIDPRU 3, amending where necessary to be more applicable to investment firms. Non-standard capital structures will be permitted, subject to enhanced disclosure requirements, and the FCA is moving from a permission-based to a notification-based approach for recognition of interim profits. No changes to the eligibility or quantum of regulatory capital of UK investment firms are proposed. MIFIDPRU investment firms, and their parents subject to consolidated supervision, will need to consider their internal policies and documentation, whether disclosures need to be made and, where relevant, review their partnership agreement and minority interests.

The FCA also published an engagement paper on market risk requirements applicable to investment firms in December 2025. As well as removing other cross-references to a "frozen in time" version of the UK Capital Requirements Regulation in this context, the paper also explores whether the nature of investment firms and the risks of harm they pose may justify more proportionate, tailored rules. The FCA expects to consult on reforms to the market risk framework for FCA investment firms in H2.

EU IFR/IFD

In February 2023, the European Commission sent a call for advice to the EBA and ESMA asking for their joint report on the prudential framework for investment firms that has applied since June 2021. This call for advice was in relation to the Commission's mandate to report, with legislative proposals if necessary, by June 26, 2024 on topics including: the conditions for investment firms to qualify as small and non-interconnected firms; the modification of the definition of credit institution in the CRR to include systemically important investment firms; the framework for equivalence in financial services; the Article 1(2) conditions for investment firms to apply the requirements of the CRR; the provisions on remuneration in the IFD and the IFR as well as in the Alternative Investment Fund Managers Directive (AIFMD) and the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive with the aim of achieving a level playing field for all EU investment firms; and the cooperation of the EU and member states with third countries in the application of the IFD and IFR.

In June 2024, the EBA and ESMA issued a joint discussion paper and data collection concerning the European Commission's call for advice. The deadline for responses was September 3, 2024. Somewhat delayed, in October 2025 the EBA and ESMA published their technical advice. Although the EBA and ESMA express their overall opinion that the current framework achieves the original general objectives, their work has identified a number of technical issues and areas for potential improvement for the prudential framework that justify changes to the IFR, the IFD or to the related delegated regulations. As such, 2026 may see legislative proposals from the European Commission to amend the EU's prudential framework for investment firms.

CRDVI will amend, from January 11, 2026, Article 8a of the Capital Requirements Directive, which prescribes the requirements for the authorisation of significant investment firms as credit institutions. In particular, the amendments clarify that the group asset test threshold (EUR30bn) applies to all "undertakings in the group established in the EU, including any of its branches and subsidiaries established in a third country". Among the recommendations in the EBA's and ESMA's technical advice is to use the scope and methodology of the EUR30bn threshold as a benchmark for the calculation of the other two thresholds on which the categorisation of investment firms under the IFR is based. Although outside the scope of IFR/IFD amendments, the EBA and ESMA also recommend further clarifying in Article 8a(1)(a) of the CRD what the scope of the solo test is, i.e., "total value of consolidated assets of the undertaking established in the Union, including any of its branches and subsidiaries established in a third country".

Non-bank financial intermediation

While implementation of the FSB's recommendations on liquidity management by open-ended funds and on non-bank financial intermediation (NBFI) leverage remains a priority, much of the focus on the risks posed by the growth of the NBFI market currently centres on banks' interconnections with such entities. In July 2025, the BCBS published a report on this topic, concluding that linkages have likely been shaped by the regulatory reforms since the global financial crisis. It suggests that differences between bank and NBFI regulations may have incentivised the shift of business activities to the NBFI sector, which is drawing on services provided by banks. Notwithstanding banks' increased resilience since the global financial crisis, the BCBS reports that their central role as providers of services to NBFIs may make the system as a whole vulnerable to procyclical reactions during market stress. Additionally, the report states tight interconnections between banks and NBFIs may also lead to spillovers between these sectors when banks depend on NBFIs for risk management and risk transfer purposes, for funding, or when they own NBFI entities. The BCBS considers that continued monitoring and information sharing of banks' interconnections with NBFIs is imperative to better understand the risks but that data gaps may impede this.

UK

The PRA has sought to address the risk of interconnectedness, in part at least, with new rules on step-in risk which enter into force on January 1, 2026. The new rules are based on BCBS guidelines and require CRR firms and CRR consolidation entities to assess their step-in risk (the risk that they provide financial support to an unconsolidated entity that is facing stress, in the absence of, or in excess of, any contractual obligations to provide such support). Banks that do not qualify as small domestic deposit takers (see further below) are required to have policies and processes to identify and evaluate their relationship with certain unconsolidated entities where they act as a sponsor, invest in their debt or equity, or have other contractual or non-contractual exposures that lead them to be exposed to the performance of the entity. They should consider whether there are any indicators of significant step-in risk in relation to those entities that have been assessed as being material and determine whether mitigating action is needed when significant step-in risk is identified. An accompanying supervisory statement details the factors that the PRA expects firms to consider when identifying potential step-in risk and in deciding, where necessary, on potential mitigating action. The rules also require firms to report their assessment to the PRA alongside their Internal Capital Adequacy Assessment Process (ICAAP) assessment.

The PRA's amendments relating to the large exposures framework and in particular on shadow banking entities and groups of connected clients (see further below) are further pieces of the PRA's policy jigsaw in this area.

EU

CRRIII requires large, listed institutions to use new, dedicated Pillar 3 templates to disclose their aggregate exposure to shadow banking entities from December 31, 2026. The EBA's 2026 work programme includes guidelines on exposure limits for shadow banking entities in Q4.

Progress on development of the UK's post-Brexit regulatory framework

Phased work on revoking UK CRR and other EU law relating to prudential regulation (which forms part of assimilated law post-Brexit) to replace it with the relevant regulator's rules and statements of policy continues into 2026. Restatement of certain CRR and Solvency II requirements in PRA rules will take effect on January 1 and the PRA's final policy on the restatement of the remainder of UK CRR is expected in Q1, with final policy on the restatement of key UK CRR definitions expected in Q2 2026. It is anticipated that restating the remaining CRR requirements into PRA rules will take effect on January 1, 2027 or shortly thereafter, aligned with the go-live date for implementation of Basel 3.1 standards and the new simplified capital regime for small domestic deposit takers.

The rationale behind the restatement of assimilated law with regulators' rules is to make the framework more agile. An example of this in practice is the PRA's ongoing review of the large exposures framework. Originally set out in Part Four of the Capital Requirements Regulation (CRR), the Financial Services Act 2021 removed these requirements and empowered the PRA to apply large exposure standards in PRA rules. They were transferred into the Large Exposures (CRR) Part of the PRA Rulebook in January 2022 with amendments to implement certain of the Basel large exposure limits. The PRA has since consulted on amendments to the framework, including proposals to remove the possibility for firms to use internal model methods to calculate exposure values to securities financing transactions, introducing a mandatory substitution approach to calculate the effect of the use of credit risk mitigation techniques, and amending the limits to trading book exposures for third-party exposures and for exposures to intragroup entities. The review has been conducted in two parts; part 1 amendments take effect on January 1, 2026 while the regulator's second policy statement is anticipated in H1 2026. The amendments taking effect in January include the removal of the option to use immovable property as credit risk mitigation for large exposures purposes and removal of the option for firms to exempt exposures to the UK's deposit guarantee scheme from large exposure limits. The PRA's supervisory statement on the identification of groups of connected clients for large exposures purposes also takes effect on 1 January 2026, while the PRA expects to finalise its policy on shadow banking entities (SBEs) in due course. In the meantime, firms are expected to make every effort to comply with the existing EBA guidelines on limits on exposures to SBEs.

The PRA is also taking a phased approach to its review of Pillar 2A methodologies and guidance; first addressing the consequential impacts of Basel 3.1 Pillar 1 changes on Pillar 2 in an off-cycle review of firm-specific requirements, followed by a review of the Pillar 2A methodologies after the PRA's rules to implement the Basel 3.1 standards are finalised. A policy statement on refined methodology to Pillar 2A is expected in Q1, to take effect on January 1, 2027, with the PRA's policy statement on phase 1 of the Pillar 2A review expected in Q2. The PRA flags in its consultation that it is assessing the adequacy of the standardised approach conversion factors for non-retail unconditionally cancellable commitments (wholesale UCCs). The PRA is therefore initiating a voluntary data request, to gather evidence from firms that assess that they have material wholesale UCC portfolios, on the likelihood of certain wholesale UCCs coming onto the balance sheet in the 12 months prior to a default event, as evidenced from their portfolio. Firms are asked to submit (voluntary) data by March 31, 2026. It is possible that this exercise could lead to further reform to Pillar 2 requirements.

The PRA's review of the UK's leverage ratio requirement thresholds also concluded in 2025 and an increased retail deposits threshold of GBP75bn takes effect on January 1, 2026. In 2024, the PRA published a direction for modification by consent the effect of which was to disapply the entire Leverage Ratio: Capital Requirements and Buffers Part until the review was complete. The modification was available to a firm that did not meet the leverage ratio requirement thresholds before September 10, 2024 but expected to meet the criteria after the next accounting reference date or any accounting reference date before December 31, 2025. Now that the review has concluded, the modification by consent will cease to have effect at the end of June 30, 2026.

The PRA proposes to review the liquidity supervisory framework in 2026.

UK Strong and Simple regime

The prudential regime applicable to "small domestic deposit taker" firms (SDDTs) nears finalisation. The scope of the regime was confirmed by the PRA in December 2023, together with the PRA's policy on liquidity and disclosure requirements for SDDTs. Proposals for simplifying the capital stack and the calculation of regulatory capital, and additional liquidity simplifications for SDDTs, were published in September 2024 and near-final rules and policy material were set out in a policy statement published in October 2025. The PRA's final policy and rule instruments relating to the simplified capital regime are anticipated in Q1 2026, alongside, or shortly after, its policy statement on its final rules on the implementation of Basel 3.1, and to take effect from January 1, 2027. Revisions to SoP 2/23 on the operation of the SDDT regime and to the ILAAP and ICAAP frequency for SDDT firms will take effect when the final policy statement is published.

The SDDT regime operates on an opt-in basis. Firms meeting the SDDT criteria (SDDT-eligible firms) can enter the regime by consenting to a Modification by Consent (MbC) to become an SDDT. Firms have until March 31, 2026 to inform the PRA of their intent to consent to the SDDT MbC in advance of implementation.

EU SIMPLIFICATION PROPOSALS

In December 2025, the European Central Bank (ECB) published the recommendations of the Governing Council's High-Level Task Force on Simplification to simplify the European regulatory, supervisory and reporting framework. The proposals intend to simplify the framework while maintaining the resilience of the European banking system and include a recommendation to introduce a materially simpler prudential regime for smaller banks, at least expanding the degree of proportionality in the EU under the existing regime for small and non-complex institutions and further increasing consistency in the application of the proportionality principle in supervision.

Other recommendations include reducing the number of elements in the risk-weighted and leverage ratio framework to reduce the complexity of the capital stack, increase transparency and facilitate capital planning for banks and investors, particularly for banks operating across multiple jurisdictions. On the capital stack, the task force suggest that the different EU capital buffers could be merged into two: a non-releasable buffer (merging the capital conservation buffer and the higher of the other systemically important institutions (O-SII) and global systemically important institutions (G-SII) buffers) and a releasable buffer (merging the countercyclical capital buffer and the systemic risk buffer). P2G would be kept separate, on top of the releasable buffer. On the leverage ratio framework, the task force suggest that one way to simplify this while maintaining Basel compliance would be to merge or adjust the EU-specific elements (P2G and P2R LR add-ons).

With respect to the quality of capital, the task force suggest that the going-concern loss-absorbing capacity of the capital stack could be improved by adjusting the design or the role of AT1 (and Tier 2) instruments. It suggests that this could be done in two ways. First, the features of AT1 instruments could be enhanced to further ensure their loss-absorption capacity in going-concern and provide additional clarity to banks and investors on the going-concern loss-absorption properties. Alternatively, non-CET1 instruments could be completely removed from the going-concern capital stack. This could be achieved either by fully or partially replacing them with CET1 instruments or by eliminating them without any replacement in the going-concern framework, although the task force recognise that this would raise difficult questions with regard to maintaining resilience and Basel compliance.

The recommendations will be presented to the European Commission. The European Commission's response remains to be seen.

REMUNERATION

UK

Following the reforms to the remuneration rules applicable to banks in 2025, the FCA is expected to update on remuneration rules for alternative fund managers, UCITS management companies and investment firms in 2026. The FCA is reviewing the operation and effectiveness of its solo remuneration rules and engaging with industry and other stakeholders to understand the value and costs of these rules. The FCA is expected to provide an update in early 2026.

Ring-fencing

UK

In July 2025, as part of the so-called Leeds reforms, a reform of the ring-fencing regime was announced with the Economic Secretary tasked with leading a review into how changes could strike the right balance between growth and stability, including protecting consumer deposits. The existential question of whether ring-fencing is really necessary in the post-global financial crisis era, given other regulatory developments (in particular in recovery and resolution), was an outstanding issue discussed in the Skeoch Review published in March 2022. The outcome of this new review is anticipated in early 2026. Please see our **thought piece** on why and how we think the ring-fence should be recalibrated.

Recovery and resolution

By way of reminder, this report does not address the developing recovery and recognition regimes applicable to insurers or any associated requirements.

UK

Consistent with the general reforms to the UK's post-Brexit regulatory framework for financial services, the UK government intends to revoke assimilated law relating to the implementation of Directive 2014/59/EU (BRRD), including delegated regulations that supplemented the BRRD, replacing it with the regulator's rules and statements of policy. To date, no timeframe has been given.

Additionally, as discussed in the **Prudential regulation section** above, on January 1, 2026 a number of provisions of UK CRR will be revoked, including relating to the definition of capital and total loss-absorbing capacity and the minimum requirement for own funds and eligible liabilities (MREL) UK technical standards. Linked to this, the Bank of England published amendments to its approach to setting MREL, the majority of which also enter into force on January 1, 2026.

The Bank of England has sought to simplify the framework, consolidating provisions in its updated MREL Statement of Policy. The indicative threshold for setting a stabilisation power preferred resolution strategy and requiring MREL has been increased from total assets of GBP15–25bn to GBP25–40bn, with reviews every three years, starting in 2028.

The PRA has consulted on changes to MREL reporting and disclosure requirements, including changes to Pillar 3 reporting to allow for specific MREL tables. Final policy is expected in Q1 2026 with a proposed implementation date of January 1, 2027. Q4 2026 data is expected to be reported during February 2027. The Bank of England has also proposed to delete six templates of the assimilated EU law Technical Standard 2018/1624 on resolution reporting (COREP13) effective ahead of the next annual reporting cycle that is due for submission in April 2026.

RESOLUTION ASSESSMENT FRAMEWORK

The PRA has also proposed an increase in the threshold for the application of the public disclosure aspects of the Resolution Assessment Framework (RAF) from GBP50bn of retail deposits to GBP100bn, expected to come into effect in H1 2026. The proposals would also see small domestic deposit takers subject to reduced frequency of reviews of their recovery plans from at least annually to at least every two years (see the **Prudential regulation section** of this report for more detail on the incoming new prudential regime applicable to such entities).

The third RAF assessment of major firms will commence in October 2026, with a focus on the continuity and restructuring outcome, including an assessment of the readiness of the major UK banks to quickly plan for and execute restructuring options to address the causes of failure and restore viability. Firms are expected to submit their reports by Friday, October 2 and publish a disclosure by Friday, June 11, 2027. Going forward, the timing of resolution assessment report submissions and disclosures will be on a periodic basis, rather than fixed two-year cycles. Firms continue to be subject to reporting and disclosure obligations on their resolvability but on a periodic basis with the reporting and disclosure dates to be communicated in advance of each cycle by the PRA, taking account of the need to provide time for firms to plan and prepare their reports.

EU

The ECB's High-Level Task Force on Simplification (HLTF) has issued a number of recommendations for simplifying the European prudential regulatory, supervisory and reporting framework for banks (see the **Prudential regulation section** of this report for more information). These include aligning the MREL and TLAC frameworks more closely without reducing gone-concern resources and reviewing their interactions with the going-concern framework. The task force suggests that an option would be to reduce the number of elements and stacks in the MREL framework; that MREL could consist of a uniform floor, calibrated at the level of the TLAC requirement, with a bank-specific component determined by the resolution authority on top.

The EBA expects to report on recovery plan dry runs in Q1 and review the RTS on resolution planning and on resolution colleges. The European Resolution Examination Programme 2026 key topics are said to be a continuation from previous years, focusing on operationalisation of resolution tools and ensuring adequate liquidity and funding strategies in resolution. The EBA, in its 2026 work programme, states that for the operationalisation of the bail-in tool, one of the focus areas will continue to be addressing complexities associated with bailing in third-country liabilities and that resolution authorities should also address potential obstacles to the bail-in of specific types of liabilities. On liquidity and funding strategies, the EBA's expectation for 2026 is that they should not be considered in isolation but should be linked and considered in the context of the expected resolution tools to be used. The single resolution board (SRB) has announced that it expects to run a public consultation on the review of the operational guidance on liquidity in resolution in Q1.

The SRB's priorities for 2026 reflect its ambition to deepen operational readiness and strengthen cooperation across the resolution community. It will launch the multi-annual testing framework established under the EBA guidelines, carry out a series of dry runs and produce a revamped resolvability assessment, in cooperation with the national resolution authorities. The SRB will continue to progressively expand its on-site inspections and deepen its analysis of governance and key operational capabilities. At the same time, it intends to contribute to broader discussions on simplification, competitiveness, the single market, and the savings and investments union. Together with national resolution authorities, it will conduct in 2026 a mid-term review of the SRM Vision 2028 strategy, including to identify areas for further improvement in light of a changing financial and geopolitical landscape.

EU resolution groups have until February 2 to finalise their 2026 resolvability work programme, endorsed by banks' management bodies, which outlines how they intend to address expectations and concrete resolvability priorities through different deliverables, timelines, milestones and budget and their first self-assessment report. The 2026 resolution planning cycle (RPC) will be the third after the completion of the phase-in of the Expectations for Banks (EfB). The common priorities for the 2026 RPC, as communicated in the 2026 priority letters sent to banks, will target further work on separability and transferability, as well as bank testing of bail-in operationalisation and operational continuity in resolution (focused on Management Information System (MIS) capabilities). New resolution reporting standard templates apply for the 2026 RPC.

The EBA will also conduct a peer review in 2026 looking at the activities of resolution authorities with a view to assessing and strengthening the outcomes of aspects of resolution planning.

CRISIS MANAGEMENT AND DEPOSIT INSURANCE

The European Parliament and Council reached provisional political agreement on the crisis management and deposit insurance (CMDI) framework in June 2025 to improve the resolution process for small and medium sized banks. The package will result in amendments to the BRRD, Directive 2014/49 on deposit guarantee schemes (DGSD) and Regulation 806/2014 (SRM Regulation). The amendments will revise the powers of competent authorities to intervene in the affairs of banks that are in financial difficulties but that are not yet failing or likely to fail (FOLTF) and the application of the public interest assessment (PIA) as part of the process for determining whether to trigger resolution. It contains new provisions on the conditions for the use of public funds in the form of extraordinary public support and measures intended to promote the use of deposit guarantee schemes (DGSs) in resolutions. The framework provides for a harmonised approach to carrying out the so-called "least cost test" to determine whether a bank should be able to use the resources of the DGS instead of using other measures such as liquidation through an insolvency procedure. It seeks to ensure that any use of DGS funds cannot exceed the amount of covered deposits held by the bank in question. The agreed text retains the current preference for the repayment of DGS-protected depositors in the first instance, and a second tier for deposits of households and SME depositors not covered by the DGS.

The HLTF's recommendations for simplification encourage the finalisation of the savings and investments union, including completion of the banking union, to reduce national fragmentation and allow for more efficient capital markets. This includes taking concrete steps towards the finalisation of the European deposit insurance scheme (EDIS), with a clear timetable for implementation. Reaching agreement on the EDIS has proven to be politically very sensitive and as such, progress on this remains a challenge for the European authorities.

CCP recovery and resolution

With frameworks already established for the recovery and resolution of central clearing counterparties (CCPs), the focus in 2026 will remain on ensuring their effectiveness.

UK

The UK's framework for the recovery and resolution of CCPs and the Bank of England's resolution powers for CCPs were enhanced by the Financial Services and Markets Act 2023. In H1 2026, the Bank of England is expected to set out further detail on how it intends to assess CCP resolvability.

In July 2025, the Bank of England launched a consultation on ensuring the resilience of CCPs. This included the proposals to move requirements in UK EMIR and the related delegated regulation related to disaster recovery plans into the Business Continuity Part of the Bank's CCP rules, with a number of modifications. The proposals also include the introduction of a second tranche of CCP capital ("skin in the game" or SITG) in the default waterfall. This second tranche of SITG, referred to as SSITG, would be at the level of mutualised default fund and would be used pro rata with the default fund contributions of non-defaulting members in a default loss scenario. The Bank of England is also proposing changes to the porting requirements which are aimed at increasing the likelihood of porting client positions. Among other things, CCPs will be required to: (i) include porting in their testing of default management procedures; (ii) trigger porting to a pre-agreed, backup clearing member that has been designated by all of the clients in the omnibus account without proactively seeking consent from clients in the porting window; and (iii) consider the portability of each clearing member's client portfolio when determining default fund contribution allocations between clearing members. Final rules are anticipated "no earlier" than the end of H1 2026. Once published, CCPs will have six months to adapt and implement the rules with proposed extended implementation times for the SSITG requirement, which would be phased in over two years, and the requirement for CCPs to provide a margin simulation tool, which would apply 12 months after the final rules are published. See the **Financial markets section** for further discussion of developments related to financial market infrastructure, including CCPs.

EU

Article 96 of Regulation 2021/23 on a framework for the recovery and resolution of central counterparties requires the Commission to produce a report on a review of the implementation of the regulation, accompanied, if appropriate, with legislative proposals revising the regulation, by February 12, 2026. The Commission is required to assess at least the following:

- the appropriateness and sufficiency of financial resources available to the resolution authority to cover losses arising from a non-default event
- the amount of own resources of the CCP to be used in recovery and in resolution and the means for its use; and
- whether the resolution tools available to the resolution authority are adequate.

Given the European Commission's "de-prioritisation" of various deliverables announced in 2025 and its focus on matters such as the savings and investments union, it remains to be seen whether the report will be delivered on time.

Outsourcing and operational resilience

International

Regulation or legislation is now generally in force in the EU and UK to require banks to have robust and resilient operational risk management frameworks, with mitigants and effective contingency plans for the risks posed to their critical infrastructures to enable them to continue to deliver important business services. The focus has now shifted to ensuring that banks can demonstrate continuous, embedded operational resilience and consistent implementation of the applicable standards and requirements.

Cybersecurity is a particular area of concern given the increase in number and sophistication of attacks and increase in digitalisation. Additionally, it has long been recognised that banks are heavily dependent on a handful of third-party service providers, which poses risks to the market. These concerns continue to shape the supervisory focus of regulators in the UK and EU.

UK

In H1 2026, final FCA and PRA rules on operational incident and outsourcing and third-party reporting are expected, following the regulators' joint consultation in December 2024. The PRA's and FCA's consultation proposed a new way for firms to report operational incidents, with rules to clarify what constitutes an "operational incident", when to report and standard templates. In addition, the regulators proposed to expand the scope of existing obligations to report on material outsourcings to also encompass material non-outsourcing arrangements. Non-outsourcing arrangements would include the purchase of data, hardware, software and other information and communication technology (ICT) products and would include intra-group arrangements. Under the proposals consulted on, firms would be required to maintain a register of all material third-party arrangements. The original proposals anticipated an implementation date no earlier than H2 2026, but a delay in publication of the outcome of the consultation (originally expected in H2 2025) may mean that implementation slips to 2027.

The FCA, PRA and Bank of England are also expected to launch a joint consultation on expectations around the management of ICT and cyber resilience risks in H1.

EU

The ECB's supervisory priorities for 2026–28 include strengthening banks' operational resilience and fostering robust ICT capabilities. The ECB notes that operational risk and ICT risk continue to receive the worst average scores in the EU's SREP.

Following past supervisory reviews of IT security/cyber resilience and IT outsourcing risk management, targeted follow-up will now take place with those banks with material shortcomings in these areas. Supervisors will conduct a deep dive to evaluate targeted banks' preparedness for potential service disruptions caused by a major cloud service provider, and banks should note the ECB's guide on outsourcing cloud services to cloud service providers finalised in July 2025. ECB Banking Supervision will also conduct a targeted review of ICT change management to identify gaps in basic control frameworks and improve banks' change management capabilities, having identified ICT system changes as the primary root cause of unplanned downtime in banks.

Two on-site inspection campaigns focusing on cybersecurity and third-party risk management will be carried out targeting more vulnerable banks, as identified by the JSTs. Threat-led penetration testing will also take place to promote improvements in banks' cyber resilience strategies. Further, ECB Banking Supervision expects to "gradually step up its effort to engage with banks on how they use new technologies, and in particular AI, to exploit the potential gains while also being aware of the associated risks". The ECB expects that this engagement will assist the development of a future supervisory approach.

The oversight of critical third-party providers under the Digital Operational Resilience Act (DORA) oversight framework will launch in January 2026 to "complement but not substitute sound third-party risk management". The European Supervisory Authorities (EBA, EIOPA and ESMA—the ESAs) published their first list of designated critical ICT third-party providers (CTPPs) under DORA in November 2025.

Cyber risk and digital resilience will also drive the agenda of ESMA's Union Strategic Supervisory Priorities for 2026. ESMA is calling on NCAs to keep up their efforts in 2026 to continue ensuring effective supervisory implementation across the EU. For this, ESMA sees coordination between authorities' supervisory work and the DORA oversight framework as essential.

AML/Financial crime

UK

Tackling financial crime continues to be a focus for legislators and regulators in the UK. The government and the Financial Conduct Authority (FCA) are planning several initiatives over the coming years to strengthen oversight and raise standards across the financial services sector. The FCA lists fighting crime as one of its four strategic priorities for 2025–2030, with financial crime-related issues currently dominating FCA enforcement priorities and accounting for 74% of FCA investigations opened in 2024/25. Please listen to our webinar "**Ahead of the Curve: The modernizing of the UK financial crime framework**" for further discussion generally on this topic.

ECONOMIC CRIME PLAN 2

The second Economic Crime Plan 2023–26 (ECP2) sets out the UK's approach to reducing economic crime, safeguarding national security and promoting legitimate economic growth in the UK. Similar to the previous three years, it sets out the government's aims for 2026 which relate to: (i) developing the profession beyond investigation to counter fraud, by providing technical updates, training and apprenticeships (Q1); (ii) continuing to deploy UK expertise to priority countries to provide technical assistance to improve transparency over ownership and control of corporate entities (2023–2026); and (iii) launching the City of London Law Court (2026).

The Home Office published a progress report on the ECP2 in September 2025. The report notes a 36% increase in prosecutions and a 7% increase in convictions for money laundering offences in 2024 compared to the previous year, indications that Suspicious Activity Reports are having a positive effect on asset recovery, and evidence of improved transparency in company ownership, with 32,000 entities having registered on the Companies House Register of Overseas Entities as of March 31, 2025. However, the report acknowledges data limitations, and notes first steps being taken to address them, including through HM Treasury's Effectiveness Framework and the Home Office's Economic Crime Survey 2024. The Home Office plans to publish a further update to this progress report in 2027.

NATIONAL RISK ASSESSMENT 2025

HM Treasury published a National Risk Assessment (NRA) of Money Laundering and Terrorist Financing in July 2025, addressing the UK's exposure to financial crime. The NRA sits alongside a range of government strategies, including the ECP2, and supports the UK's alignment with the international standards set by the Financial Action Task Force. Building on the 2015, 2017 and 2020 assessments, the 2025 NRA evaluates: (i) the UK's anti-money laundering (AML)/counter-terrorism financing (CTF) framework and the government's response to the 2020 NRA; (ii) overarching AML risks; (iii) overarching CTF risks; (iv) sector-specific AML/CTF risks under the Money Laundering Regulations (known as the MLRs); and (v) emerging cross-cutting risks in sectors not in scope of the MLRs.

Noteworthy developments in risks since 2020 include increased convergence between AML and sanctions evasion due to global instability and the growing use of financial technologies, such as electronic money institutions, payment service providers, cryptoassets and Artificial Intelligence, which can enhance criminals' ability to operate covertly. Persistent risks which remain include: (i) high levels of cash-based money laundering through smuggling, cash-intensive businesses, money mules and legitimate channels like Post Offices for inserting criminal proceeds into the banking system; (ii) continued exploitation of financial and professional service firms by organised criminal groups; and (iii) the misuse of UK corporate structures by both domestic and international actors to launder illicit funds through front companies and complex cross-border arrangements. Looking ahead, the findings of the NRA will directly inform the government's policy, regulatory, and operational priorities and response.

REFORM OF THE MLRS

HM Treasury's response and policy relating to its 2024 consultation on improving the effectiveness of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (known as the MLRs) was published in July 2025. The 2024 consultation concentrated on four areas: (i) customer due diligence; (ii) system coordination around economic crime; (iii) clarifying scope; and (iv) registration requirements for the Trust Registration Service. HM Treasury's response confirms that a number of updates will now be made to the MLRs and associated guidance, including:

- narrowing enhanced due diligence (EDD) obligations to focus on "unusually complex" transactions rather than all complex transactions, and in relation to high-risk third countries, EDD requirements will now be limited to transactions or customers linked to countries on the FATF "Call for Action" list
- decoupling pooled client accounts from the simplified due diligence framework and setting out new criteria for offering pooled client accounts
- financial institutions will not have to conduct customer due diligence (CDD) on all underlying clients
- introducing flexibility for identity verification in bank insolvency cases
- strengthening information-sharing among AML supervisors
- clarifying exemptions and converting monetary thresholds from euros to sterling; and
- requiring trust and company service providers to conduct CDD across their services, including "off-the-shelf" company sales and reforming registration requirements for the Trust Registration Service.

For cryptoasset firms, HM Treasury's response helpfully confirms that the MLRs will be aligned with the new crypto Financial Services and Markets Act 2000 (FSMA) authorisation framework, and in future the current requirement for cryptoasset firms both to register under the MLRs and to be authorised under FSMA will be removed. As a result, firms authorised under FSMA by the FCA will no longer need to register separately under the MLRs as cryptoasset exchange providers or custodian wallet providers.

HM Treasury's response also gives the green light to digital verification. HM Treasury will produce guidance on using digital identities for MLR checks jointly with the Department for Science, Innovation and Technology, with the guidance providing clarity on the definition of a digital identity and giving further detail on how digital identities can be used in line with the MLRs' risk-based approach. The guidance will also clarify how MLR requirements interact with the digital identity trust framework set up under the Data (Use and Access) Act 2025.

HM Treasury published a draft statutory instrument amending the MLRs, the Money Laundering and Terrorist Financing (Amendment and Miscellaneous Provision) Regulations 2025, for technical consultation in September 2025. The final statutory instrument is expected to be laid before Parliament in early 2026. The provisions relating to cryptoasset firms will align with the commencement of the FSMA cryptoasset perimeter in 2027 (please refer to the Fintech/Digital assets section for further information on the **Future UK crypto regime**).

For more detailed information, please see our blog post "**Improving the effectiveness of the UK Money Laundering Regulations – what do the proposed amendments mean for fintech firms?**".

REFORM OF AML/CTF SUPERVISION FOR NON-FINANCIAL PROFESSIONAL BODIES

HM Treasury's response following its 2023 consultation on reform of the anti-money laundering (AML) and counter-terrorism financing (CTF) supervisory system was published in October 2025. The consultation built upon a 2022 review of the UK's AML/CTF regulatory and supervisory regime, which concluded that weaknesses in supervision may need to be addressed through structural reform. The 2023 consultation assessed four models proposed in the 2022 review and sought views on whether to expand requirements on supervisors and their regulated populations relating to sanctions compliance.

HM Treasury has now confirmed its intention to implement a new Single Professional Services Supervisor (SPSS) model. Under this model, the Financial Conduct Authority (FCA) will become the sole AML/CTF supervisor for in-scope legal service providers, accountancy service providers and trust and company service providers, consolidating supervisory responsibilities previously held by 23 separate professional supervisory bodies. The FCA will be granted new powers through forthcoming legislation and will operate independently of HM Treasury in its supervisory role. Professional Body Supervisors will retain their broader regulatory and representative functions outside of AML. The Office for Professional Body Anti-Money Laundering Supervision will no longer be needed and so will be disbanded. Given the scale of the proposed reform, implementation will take time and is contingent on the passage of enabling legislation, confirmation of funding arrangements and the development of a detailed transition and delivery plan. As such, the timeline for implementation will depend heavily on the availability of parliamentary time. A separate consultation which was published in early November and ran until December 24, 2025, outlines the powers the FCA should hold as the new supervisor.

FCA FINDINGS ON FINANCIAL CRIME CONTROLS

As part of its wider strategy to fight financial crime, the Financial Conduct Authority (FCA) published its findings from a recent survey on financial crime controls in corporate finance firms which are not required to submit financial crime data returns. The findings reflect firms' self-reported practices and are not based on an FCA review. They highlight both good practices and areas needing improvement. It was concluded that approximately two-thirds of respondents may be non-compliant with one or more aspects of the Money Laundering Regulations (MLRs). Key deficiencies include the absence of documented business-wide risk assessments, gaps in customer due diligence and inadequate oversight of appointed representatives. Despite these concerns, the FCA identified some good practices, such as regular reporting to senior management and the use of risk registers. The FCA has begun contacting firms falling short of expectations to prompt remedial action and will follow up with these firms in due course to understand what remedial actions they have taken. Firms are reminded of their obligations under the MLRs and are expected to address identified gaps in their financial crime frameworks.

FCA TREATMENT OF PEPS

The issue of politically exposed persons (PEPs) has been on the agenda in light of "de-risking" priorities, resulting in client terminations by banks and others, some of which being high profile, and pressure from UK Members of Parliament who are finding it increasingly difficult to obtain access to basic financial services. A Financial Conduct Authority (FCA) review into the treatment of PEPs was published in July 2024 and identified areas for improvement which called upon firms to, among other things: (i) ensure their definition of a PEP, family member or close associate is tightened and in line with the Money Laundering Regulations (MLRs) and the FCA's guidance; (ii) review the status of PEPs and their associates promptly once they leave public office; (iii) communicate to PEPs effectively and in line with the consumer duty, explaining the reasons for their actions where possible; (iv) effectively consider the actual level of risk posed by the customer, and ensure that information requests are proportionate to those risks; and (v) improve the training offered to staff who deal with PEPs.

As a result, the FCA consulted in 2024 on amendments to its guidance on the treatment of PEPs under the MLRs. The final updated guidance was published in July 2025 and reflects the new legal starting point that UK PEPs should be treated as lower risk. The updated guidance clarifies that firms should not treat non-executive board members of UK civil service departments as PEPs and makes amendments to the definition of a PEP, providing a reference link to the government's list of international organisations to assist firms in identifying relevant roles such as directors or board members of an international organisation. The guidance also gives greater flexibility in who can approve or sign-off PEP relationships and confirms that this no longer needs to be the Money Laundering Reporting Officer (MLRO) if the MLRO still has oversight of all PEP relationships within the firm. A firm must also: (i) document its reasoning if it continues to apply enhanced due diligence to a customer who is no longer a PEP; and (ii) include the definition of "family member" that applies to a situation, and its reasoning. In addition, the updated guidance clarifies that with regards to beneficial ownership, a legal entity should not be classified as a PEP unless the firm is satisfied that a PEP is exercising significant control. Looking ahead to 2026 and beyond, the FCA has highlighted that firms must "do more to ensure parliamentarians, senior public servants and their families are not treated unfairly".

ECONOMIC CRIME AND CORPORATE TRANSPARENCY ACT 2023

The Economic Crime and Corporate Transparency Act 2023 (ECCTA) is an important legislative development in the UK's fight against economic crime with the introduction of a new "failure to prevent fraud" offence which came into effect on September 1, 2025. Other changes include amendments to the "identification principle" relevant to corporate liability and the granting of additional powers to law enforcement to aid the seizure and recovery of cryptoassets which are the proceeds of crime or associated with illicit activity such as money laundering, fraud and ransomware attacks. ECCTA has also refashioned existing duties on companies to collect information about their persons with significant control (PSCs), place it on registers maintained by the companies and report the information to the registrar, so those duties now form part of a legal regime in which a PSC register for all companies is held centrally, rather than companies holding their own "local" PSC register. This requirement has applied since November 2025. Companies House may follow-up after companies have identified such PSCs and companies need to be prepared for this.

While many of the substantive provisions of ECCTA are already in force or partially in force, implementation activity and transitional periods will continue until completion in 2027. Provisions still being rolled out include, by spring 2026, Companies House being able to enforce identity verification for all presenters of information, making it a compulsory aspect of filing any document, and new restrictions on who is authorised to file documents at Companies House on behalf of companies. By the end of 2026 Companies House should be able to complete the 12-month transition period for all individuals on the register requiring identity verification and start compliance activity against those who have failed to verify their identity. The Home Office and Companies House are evaluating the impact of ECCTA as it is being implemented. The second progress report was published in June 2025 with the third progress report expected by June 2026.

EU

AML PACKAGE

The EU's package of key anti-money laundering (AML) and counter-terrorism financing (CTF) reforms was published in the Official Journal of the European Union in June 2024. The package comprises:

- A new Regulation on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (AML Regulation), which will apply from July 10, 2027, except in relation to football agents and certain transactions conducted by professional football clubs, to which it will apply from July 10, 2029. The requirements set out in the Fourth Money Laundering Directive (MLD4) that apply to obliged entities are being moved to the AML Regulation so that they become directly applicable provisions with a view to ensuring supervisory convergence within the EU. However, the provisions in the AML Regulation are more detailed and granular than the former MLD4 requirements and, furthermore, will be supplemented by technical standards and guidelines.
- The Regulation establishing the Anti-Money Laundering Authority (AMLA Regulation), which has mostly applied since July 1, 2025. AMLA is based in Frankfurt and is a central authority coordinating all national AML and CTF supervisors (i.e., not just those in the financial services sector). AMLA will not replace national AML and CTF supervisors. However, it will have some direct supervisory powers over certain high-risk credit institutions and other financial institutions. AMLA is expected to start the first process to select the initial high-risk credit and other financial institutions for direct supervision in July 2027, with a view to becoming fully operational by January 1, 2028.
- The Sixth Money Laundering Directive (MLD6), which EU Member States must generally transpose into national laws, regulations, and administrative provisions by July 10, 2027. MLD6 will repeal and replace the MLD4, as amended by MLD5, and complement the AML Regulation. It contains provisions that organise the institutional AML and CTF system at national level, including provisions on the powers and tasks of national supervisors, as well as the establishment and access to beneficial ownership and bank account registers.
- The recast revised Wire Transfer Regulation, which extends the scope of the "travel rule" to the transfer of certain cryptoassets and has applied since December 30, 2024.

The European Banking Authority (EBA) transferred its AML/CTF powers to AMLA on December 31, 2025. However, the EBA will remain responsible for addressing AML/CTF risk across its prudential remit and will cooperate closely with AMLA. The EBA has also provided the European Commission with technical advice on important aspects of the future EU AML/CTF framework which AMLA will now take forward. Many provisions in the AML Regulation are detailed and granular, and there will therefore be more technical standards and guidelines which AMLA is tasked with preparing.

In December 2025, AMLA published final reports containing draft regulatory technical standards (RTS) on risk assessments specifying data points and criteria that national supervisors will use to assess the entities they supervise, and draft RTS on selection applying these same data points and criteria to set out how AMLA will assess risks for the purposes of selecting entities for direct supervision. The draft RTS are expected to be adopted by the Commission in Q1 2026. AMLA has also launched a consultation on draft implementing technical standards that set out how AMLA and national financial supervisors will cooperate during the selection process and when transferring supervisory powers for institutions or groups that will be directly supervised by AMLA. In 2026, AMLA will continue to work with national supervisors to test the risk assessment methodology and selection process. Firms will need to start preparing in 2026 for the implementation of this new regime.

EU GUIDELINES ON GOVERNANCE ARRANGEMENTS FOR EU AND NATIONAL RESTRICTIVE MEASURES

In 2026, firms should ensure compliance with the EBA's two sets of final guidelines on governance arrangements and the policies, procedures and controls that financial institutions should have in place to be able to comply with EU and national restrictive measures. In this context, restrictive measures applicable to financial institutions comprise targeted financial sanctions and sectoral measures, e.g., economic and financial measures. Both sets of guidelines have applied since December 30, 2025.

For further information specific to payments fraud, please refer to the **Payment services and payment systems section**.

Financial markets

Capital markets

PRIMARY MARKETS

UK

Most significantly for UK primary markets in 2026, the UK is replacing the onshored EU Prospectus Regulation with a new domestic framework designed to support more flexible capital raising, while maintaining critical investor protections. The reforms are delivered through the Financial Services and Markets Act 2023 which includes the new designated activities regime, and the Public Offers and Admissions to Trading Regulations 2024 (POATRs), together with new UK Financial Conduct Authority (FCA) rules. The reforms reflect recommendations from the UK Listing Review and the Secondary Capital Raising Review, and the FCA's aim to make it easier to list and raise capital—making it more attractive for companies to list in the UK.

As a brief reminder of the approach of the incoming regime, the new architecture separates the regulation of public offers from the regulation of admission to trading. The reforms reframe the UK prospectus regime in three fundamental ways: a prohibition-and-exceptions model for public offers; greater rule-making flexibility for the FCA on admission to trading; and targeted recalibration of liability and disclosure to facilitate efficient issuance, including for retail-facing offerings.

The principal commencement date for the new regime is January 19, 2026, with prospectuses approved by the FCA before that date remaining subject to the current regime. Transitional measures will apply for such prospectuses so they can continue to be used in accordance with their existing validity and the current law. Operationally, then, market participants will be dealing with a dual-track environment and may need to manage divergence between UK and EU regimes.

Key changes include those in relation to the exceptions to the general prohibition in the POATRs on public offers in the UK, which are similar to those under the current regime (including offers to qualified investors and offers to fewer than 150 persons other than qualified investors) but go broader. There is also, notably, a change in the threshold for secondary capital raising as, under the new rules, the threshold at which a prospectus may be required for secondary issues is being raised from 20% to 75%. The regime also introduces the concept of a public offer platform to provide a controlled route for certain public offers of non-transferable securities, addressing past regulatory gaps while preserving appropriate avenues for retail access. The reforms also address long-standing obstacles to retail participation, permitting alleviations for plain-vanilla listed bonds and allowing lower denomination issuance where appropriate safeguards exist, while closing loopholes for non-transferable securities.

Looking further ahead, post-January, while the FCA has not specified additional milestones where further guidance may be issued, there may be refinements as the FCA monitors market outcomes. One such example is the challenge faced by utility company issuers, many of which are unable to meet the criteria for plain-vanilla listed bonds because their bonds are not issued by an issuer (or subsidiary) in the equity shares (commercial companies) listing category, which is a requirement for the retail access regime to apply. In terms of the broader picture, the new regime aims to contribute to the UK's attempts to ease regulatory red tape and support retail investment—both of which are key themes throughout all the sectors covered by this report. However, as noted elsewhere, both these aims may bring into play various risks. For anyone following the implementation of the UK regime (and the areas of divergence from the EU version), it will be interesting to observe the extent of the impact in terms of opening the markets to retail investors and how institutional and sell-side market participants adapt.

For further detail on the impact of these changes and EU divergence, focussing on debt capital markets, please see our article **here**.

EU

On the EU side, 2026 will see the main changes introduced by the EU Listing Act package come into force. The package included three measures: (i) a Listing Act directive (which, among other things, repealed the Consolidated Admissions and Reporting Directive); (ii) a directive making changes in relation to multiple-vote share structures; and (iii) a Listing Act regulation which amended the Prospectus Regulation, the Market Abuse Regulation and the Markets in Financial Instruments Regulation. Certain changes entered into force straight away in 2024, but over the next year there will be further tranches of rules coming into force: those set to apply after a 15-month transitional period (and so will apply from March 2026); others after an 18-month transitional period (and so will apply from June 2026); and the compliance deadline for new rules regarding multiple-vote share structures on December 5, 2026.

The March changes relate to the alleviated prospectus regimes, with Commission deadlines for delegated acts in relation to reduced content and standardised format and sequence for the EU follow-on prospectus regime (which is replacing the simplified disclosure regime for secondary issuances) and the EU growth issuance prospectus regime. The bulk of the remaining changes are due to come into force and apply from June 5, 2026, including changes to prospectus standardisation, formatting and sequence and the requirement for the set-up of a mechanism to exchange order data (although the deadline by which this mechanism must be operational is not until June 5, 2028). Also from June 2026, the new level 2 measures establishing an EU code of conduct for issuer-sponsored research are due to apply. This code is non-binding, but all research providers must comply with it if they intend their research to be labelled and distributed as issuer-sponsored rather than as a marketing communication. Finally, as mentioned above, for the new rules regarding multiple-vote share structures, the deadline for compliance by member states is December 5, 2026. However, it should be noted that certain level 2 measures in relation to the Listing Act package have been de-prioritised by the Commission, meaning that the Commission will not adopt those measures before October 1, 2027.

For further detail on the impact of these changes, and focussing on debt capital markets, please see our article **here**.

The Listing Act package also changes the ability for investment firms to pay for research and execution services jointly or separately, which is discussed below in the **Secondary and wholesale markets section**.

Also noteworthy is the European Commission's EU market integration package (mentioned elsewhere in this report) which was published in December 2025. The measures propose amendments across a wide range of legislation, including MiFID, and many of the proposals specifically target financial market infrastructure. Please see further below in the **Secondary and wholesale markets section** and the **Financial market infrastructure section**.

Secondary and wholesale markets

UK

During 2025 the FCA focussed on progressing reforms to wholesale financial markets, which resulted from HM Treasury's Wholesale Markets Review in 2021 and 2022. However, there is still further work to be done in 2026 and there are a number of developments in the pipeline, particularly in relation to market transparency.

The FCA published its policy statement and final rules for the removal of the systematic internaliser regime in Q4 2025. The main tranche of changes came into force on 1 December 2025, and remaining changes will come into force on 30 March 2026. These latter changes include: removing the prohibition on multilateral trading facility operators engaging in matched principal trading; allowing firms operating an organised trading facility to do so using an entity which is a systematic internaliser; and amending the reference price waiver conditions to allow the reference price to be sourced more widely.

Also on transparency, the tender process for the UK bond consolidated tape was concluded in August 2025, and in Q4 2025 the FCA launched its consultation on a proposed framework for a UK equity consolidated tape which is due to be in operation in 2027.

The UK Wholesale Markets Review has also led to an incoming revised commodity derivatives regulatory framework. New rules come into effect (for the most part) on July 6, 2026. These rules (among other things) focus the scope of the regime so that it applies to "critical contracts" which are identified by the FCA, and transfer the responsibility for setting and enforcing position limits and granting exemptions to trading venues. The FCA provided feedback to trading venues on their frameworks for how they will implement the new regime during 2025, and has confirmed that by the end of Q1 2026, it will provide further feedback on all determinations of scope and position limits to ensure a smooth transition into the new regime. By then, any open points on position limits and accountability threshold levels should have been addressed. In relation to the ancillary activities test, which is an important exemption from regulation for commercial participants in commodity markets, the FCA has confirmed its final rules which will come into force when the new framework starts on January 1, 2027, which seek to provide legal certainty to firms, and establish quantitative criteria for the test that make it easier for firms to assess whether the exemption is available to them.

Finally on transparency, a consultation on the broader picture of the structure and transparency of UK equity markets is expected during the first half of the year. The FCA has been engaging with the industry on this topic, and particularly the impact of fragmentation and the changing nature of well-established equity markets. In July 2025, the FCA published a discussion paper trailing the proposed consultation which came out as part of the package accompanying the chancellor's Mansion House speech. The discussion paper addresses the systematic internaliser regime for bonds and derivatives, and seeks input on the rise of bilateral negotiation and effectiveness of price formation, how best to identify addressable liquidity, and the functioning of the equity systematic internaliser regime. The FCA has also commented, in the context of the findings of its multi-firm review of best execution in UK listed cash equities (published in December 2025), that, in conjunction with its analysis of equity markets, it has been exploring execution outcomes across different venues and may consult on rule changes in this area too.

Please see the **Market surveillance, market abuse and transaction reporting section** for discussion of transaction reporting developments in 2026.

EU

Over the course of 2025, progress was made in terms of level 2 developments required as a result of the EU's MiFID II and MiFIR review, following the publication of the finalised level 1 texts in 2024. ESMA completed its four consultation packages, but not before the level 1 implementation deadline in September 2025. In October 2025, there were two key statements published: first, the Commission's de-prioritisation statement confirming that it would be delaying certain level 2 and level 3 workstreams until after October 1, 2027; and second, a statement by ESMA confirming (among other things) a general expectation that firms comply with the future, amended versions of the MiFID provisions unless otherwise specified. The ESMA statement provides guidance in particular on the commodity derivatives and emissions allowances rules, the systematic internaliser regime, the single volume cap mechanism, and the application of transparency rules amended as a result of the MiFID II and MiFIR review.

ESMA has, however, confirmed in its 2026 workplan that it will focus on non-equity transparency, the requirement to provide market data on a reasonable commercial basis, the single volume cap, and broader trends on market structure and liquidity fragmentation, and encourage supervisory convergence in relation to its opinion on the trading venue perimeter (published in 2023). Also expected in 2026 are ESMA opinions on pre-trade waivers and position limits for agricultural and significant commodity derivatives.

On consolidated tapes, in July 2025 the EU bond consolidated tape provider was announced and the selection process for the equity consolidated tape provider is in train. For the derivatives consolidated tape, the selection procedure for the consolidated tape provider will be launched in early 2026.

Regarding inducements and research, there has been movement in relation to amendments allowing investment firms to pay for research and execution services together, or on a bundled basis. Reflecting parallel liberalisation in the UK, the MiFID II requirement for separate payment was first addressed as part of the EU "quick-fix" MiFID changes in 2021, and further amendments were made by the Listing Act directive which formed part of the Listing Act package to stem the decline in investment research (see further on the Listing Act package above, in the **Primary markets section**). The Commission consulted at the end of 2025 on amendments to the relevant delegated directive, to ensure it reflects the fact that firms are now allowed to choose whether to pay separately or on a bundled basis. These amendments are expected to take effect as part of the tranche of Listing Act changes coming in June 2026. Also in June 2026, the temporary exemption from the payment for order flow prohibition under MiFIR will come to an end.

Also noteworthy is the European Commission's EU market integration package (mentioned elsewhere in this report) which was published in December 2025. The proposed measures include amendments to MiFID, and form a key component of the savings and investments union strategy.

Many of the proposals specifically target financial market infrastructure—please see further below in the **Financial market infrastructure section**. In relation to the EU commodity derivatives position management regime, the proposals include the introduction of new MiFID provisions, giving trading venues monitoring and information gathering powers, as well as powers to require positions to be terminated or reduced, and to require persons to provide liquidity temporarily, in order to mitigate the impact of a large or dominant position. They also include proposed amendments in relation to the EU commodity derivatives reporting regime, including changes in relation to the publication of weekly reports (subject to minimum thresholds) and classification of position holders according to their main business. As noted elsewhere, any such changes, however, are not imminent given the complexity of the package, and the expected length of time legal deliberations and trilogue negotiations may take.

For more on investment research developments, please also see the comments above in the **Primary markets section**, which refers to Listing Act package changes in relation to issuer-sponsored research in the EU, which are expected to take effect in June 2026. Related to the topic of inducements, please also see the **Buy side and retail section** below which in particular notes the upcoming EU common supervisory action anticipated for 2026 in relation to conflicts of interest.

Please see the **Market surveillance, market abuse and transaction reporting section** below for transaction reporting developments.

Derivatives

UK

In 2025, the UK regulators made a substantial start on the post-Brexit reframing of the UK version of EMIR in line with the UK's secondary objective for growth and competitiveness, and we have seen developments in a number of key areas.

The temporary intragroup exemption regime (known as TIGER) is due to expire on December 31, 2026. The UK regulators have taken steps towards establishing a permanent intragroup regime, with the aim of streamlining the process to support risk management and reduce costs. In November, HM Treasury published a draft statutory instrument and policy statement on the intragroup exemption frameworks for margin and clearing, implementing the government's intention to make the exemptions permanent and streamlining the intragroup exemption process. The FCA also published an associated consultation paper on rules to replace the relevant regulatory technical standards on the definitions, process, timings and notification requirements of the current regime. The key point of the proposed position is that the current requirement for intragroup counterparties to be established in a third country that has been deemed "equivalent" under the UK version of EMIR will be removed. At the time of writing, virtually no such equivalence assessments have been concluded by the EU or UK to date, resulting in perpetual roll-over of temporary reliefs.

The new UK regime will enable counterparties to rely on intragroup exemptions on a permanent basis, as long as the relevant conditions are met, and subject to a blacklisting process for non-allowed jurisdictions. Notably, neither the Treasury nor the FCA commented on the removal or amendment of the other relevant conditions including those relating to robust risk-management procedures and the possibility of practical or legal impediment to transfer of own funds or repayment of liabilities. In addition to the removal of the equivalence criterion, HM Treasury has proposed other ways in which the process can be streamlined and the framework simplified, including moving from an application-based regime to a notification-based regime. The final rules are expected to come into force in the second half of 2026 (likely Q4), before the current regime expires.

Another key area of progress in 2025 was the process commenced for the repeal and replacement of UK EMIR requirements on central counterparties. This is covered in the **Financial market infrastructure section** below.

An additional recent development is the Bank of England's consultation paper, published in December 2025, on exempting post-trade risk reduction transactions from the derivatives clearing obligation. The current lack of such an exemption was identified by the UK Wholesale Markets Review as a market hindrance, and it is expected that exempting post-trade risk reduction services will align with the UK's broader goals of enhancing the stability of the financial system and support innovation and growth. There is not yet any clarity on expected timings, aside from the Bank's proposed three-month implementation period following the publication of rules when finalised.

Moving forward, the UK regulators have confirmed that they will review the remainder of UK EMIR Title II (which relates to clearing, reporting and risk mitigation of over-the-counter derivatives) as a priority, revoking firm-facing requirements to be replaced in statute or via regulatory rules. Consideration will also be given to whether policy changes are needed in priority areas, with the Treasury citing the setting of clearing thresholds as a potential area for review.

For the new UK regime for overseas central counterparties, please see the **Financial market infrastructure section** below.

For the new UK commodity derivatives regulatory framework which takes effect in 2026, please see the **Secondary and wholesale markets section**, where this is discussed in the context of other changes stemming from the UK's Wholesale Market Review.

EU

The key developments impacting the EU derivatives market in 2026 concern the continuing implementation of EMIR 3, which entered into force on December 24, 2024 with the intention of addressing two policy aims: reducing the EU's reliance on third-country central counterparties (particularly UK central counterparties), and improving the efficiency and resilience of EU clearing markets, data quality and supervisory coordination. Most notably, EMIR 3 included the "active account requirement", under which EU clearing members must clear a certain proportion of specified types of trades at EU central counterparties. For further information on EMIR 3, please see our trio of bulletins on: the impact on uncleared over-the-counter derivatives markets, **here**; the impact on cleared over-the-counter derivatives markets, **here**; and the active account requirement, **here**.

Implementation of the active account requirement, especially given the significant package of level 2 measures and the technicality of the requirement, has presented certain challenges to date. In particular, industry has expressed concern about the level 1 active account requirement coming into force mid-2025, but in the absence of clear and consistent level 2 measures. At the time of writing, we are still awaiting, in particular, the publication of the active account conditions regulatory technical standards (although the final report was published by the European Securities and Markets Authority (ESMA) in June 2025) and under the level 1 text's provisions, by June 25, 2026, ESMA is required to have assessed the effectiveness of the active account requirement. As a reminder, in 2025 the European Commission extended the equivalence for UK central counterparties to June 30, 2028, to provide time for the implementation of EMIR 3.

There was, however, some positive movement at the end of 2025 with regard to the EMIR 3 reporting obligations. In December 2025, ESMA issued a much-anticipated statement confirming that the first reporting submission by entities subject to the active account requirement should be provided by July 2026 and ESMA will develop reporting instructions to provide clarity and consistency, supporting the templates set out in draft regulatory technical standards, and will specify the active account requirement conditions. These are currently in draft and being scrutinised by the European Parliament and Council, having been published by ESMA alongside its final report on the conditions of the active account requirement on June 19, 2025.

The reporting requirement under article 7d of EMIR has also presented challenges in practice. This pertains to reporting of information on clearing activity at recognised third-country central counterparties. ESMA has confirmed that it expects the relevant 2025 data to be submitted with the 2026 reporting cycle, once the level 2 measures have been implemented. In 2026, then, market participants will need to ensure that they track these developments closely to ensure that they are able to report as required in line with the 2026 reporting cycle.

As mentioned above, there is a significant package of level 2 measures supporting EMIR 3's implementation and so market participants should take note of the European Commission's letter, published in October 2025, confirming the Commission's de-prioritisation of level 2 acts in financial services legislation, in line with the Commission's aim to simplify and streamline regulation and the objectives of the savings and investments union. A number of EMIR 3 level 2 measures feature on the de-prioritisation list, meaning they will not be adopted before October 1, 2027. Certain EMIR 3 level 2 and 3 measures were also subject to de-prioritisation and postponement by ESMA in March 2025. There is, however, still progress in terms of the implementation of EMIR 3 and, most imminently, the regulatory technical standards for central counterparties establishing admission criteria and assessing the ability of non-financial counterparties acting as clearing members to meet margin requirements and default fund contributions (which were originally subject to a December 25, 2025 submission deadline and are expected to be submitted to the Commission by the end of Q1 2026). As mentioned above, the regulatory technical standards on the conditions of the active account requirement are still being scrutinised by the European Parliament and Council following the publication of ESMA's final report in June 2025.

In addition to EMIR 3 implementation, market participants should also be aware of the impact of the proposed market integration package, which was published by the European Commission in December 2025. This is a very broad set of legislative measures, including a proposed regulation which will, among other things, make changes to EMIR to designate certain central counterparties as "significant", which will be supervised directly by ESMA. Other central counterparties will remain supervised by national competent authority colleges chaired by ESMA, with the option for member states to designate ESMA as the competent authority. Because of the political nature of the proposals, trilogue discussions (which will include specifying the thresholds and methodology used to designate a central counterparty as "significant") are expected to run through 2026.

For the proposed changes in the EU market integration package which impact the commodity derivatives regulatory framework, please see the **Secondary and wholesale markets section** above.

Securitisation

UK

The UK Securitisation Regulation was part of the first tranche of changes targeted by the regulators' work on the UK's smarter regulatory framework, with the repeal and replacement of the onshored Securitisation Regulation. Phase 1 of the UK reforms saw the introduction of the UK Securitisation Framework from November 1, 2024 (which, subject to certain grandfathering and transitional provisions, was largely a recast of the pre-November 1, 2024 regime into a more fragmented framework split between different statutory instruments and new securitisation-specific rules in the PRA and the FCA rulebooks). Phase 2 of the UK reforms is coming—more consultations are expected in H1 2026 and further changes will focus on reforms to the UK transparency and reporting requirements, potentially moving away from "public"/"private" securitisation distinction, substantively amending some of the UK reporting templates (and introducing some new ones) and further fine-tuning and making clearer some of the rules on UK STS, risk retention and investor due diligence (with divergence between FCA and PRA rules on due diligence coming).

Divergence between regulation of securitisation in the EU and UK regimes exists already, and it will continue to evolve as the reforms in the EU and the UK unfold in the course of 2026/27.

EU

In the summer of 2025, the European Commission published the package of its legislative proposals on the wide-ranging prudential and non-prudential securitisation reforms covering amendments to the EU Securitisation Regulation, treatment of securitisation in the EU Capital Requirements Regulation, the EU Liquidity Coverage Ratio Delegated Regulation, and the EU Solvency II frameworks. Securitisation reforms have been identified as one of the components of the EU savings and investment union and are aimed at making the securitisation regulatory framework simpler and more fit for purpose, facilitating the use of securitisation to the benefit of the EU economy by removing some of the barriers to issuance and investment. It is hoped that financial institutions will engage in more securitisation activity and that EU banks will use the capital relief for additional lending to the EU households and business. Further discussion on the CRR changes and prudential impact of the package can be found in the **Prudential regulation section** of this report.

The amendments to the EU Securitisation Regulation are focused in particular on streamlining template-based reporting requirements thus reducing the burden of transparency obligations, certain investor due diligence-related matters including a move to a more principles-based approach to certain due diligence requirements, changes to some aspects of the eligibility criteria for securitisations designated as "simple, transparent and standardised" (STS) and various matters relating to the supervision of securitisation. The proposed changes amount to a mixed bag overall and while many proposals represent a move in the right direction, the package lacks ambition on some fronts and includes some alarming changes (e.g., a new sanctions regime for non-compliance with due diligence) that could undermine efforts to grow the European securitisation market.

In December 2025, the Council's negotiation position and the draft reports from the European Parliament's rapporteur on the EU Securitisation Regulation and EU Capital Requirements Regulation amendments were published. The European Parliament's final negotiation position will be confirmed later in 2026 (likely in early May 2026) with the expectation that the trilogue process between the co-legislators will start in H2 2026 and a political compromise on the final position on all amendments will be reached towards the end of 2026/early 2027 (date of application later in 2027 is still to be confirmed). What is clear is that there are a few areas in the proposals where the Council's position and the draft position of the Rapporteur are not aligned with the EC proposals, so in both cases it is a combination of some very helpful improvements as well as less helpful changes being proposed by the Council or the draft Rapporteur's report compared to what was in the EC proposals.

As an aside, the Commission's EU market integration package published on December 4, 2025 (which is also discussed elsewhere in this report) contains certain securitisation-specific proposals, most notably, proposals for amending the acquisition limits in securitisation for UCITS. However, the latter is being also addressed through the industry advocacy on the ongoing securitisation-specific reforms (which are on the faster track for being finalised), so it remains to be seen how these two EU workstreams will play out on this issue.

Market surveillance, market abuse and transaction reporting

UK

On short selling, the FCA has confirmed that the new UK regime will be coming into force in June 2026 (subject to transitional provisions). In terms of the current state of play, January 2025 saw the introduction of the Short Selling Regulations 2025, and in October the FCA duly consulted on its proposed rules and guidance for the new UK short selling regime. These will be set out in a new sourcebook which will form part of the FCA handbook of rules and guidance. The UK rulebook will consolidate the existing requirements and introduce targeted changes to reduce regulatory burdens and improve market efficiency. For an overview of the new, lighter-touch short selling regime, please see our article **here**.

Following its publication of the consultation paper, the FCA subsequently confirmed that the main commencement date for the new regime will be in June 2026, with the final rules and statement of policy published two months before, in April 2026. The current regime will be revoked at that point, meaning that (among other things) the removal of sovereign debt and sovereign credit default swaps from scope will come into effect from June 2026. However, the FCA will retain ad hoc powers to request information on those instruments. Significant changes will be coming into force, including changes to the timing and deadlines of reports and publication of data, the new reportable shares list (which is replacing the current exempt share list) and the aggregation of the data published in relation to net short positions, meaning that position holders will no longer be identifiable.

Later in 2026, a second phase of implementation will be actioned. In December 2026, operational changes will be made to the reporting systems to allow bulk uploads and fully implement the new mechanism for market maker exemption notifications, where the new regime includes certain modifications to make it easier for firms to use this exemption. Phase 2 will close on June 1, 2027, which marks the end of the transitional period for market maker exemptions. Looking further ahead, the FCA proposed that the reportable shares list would be updated on April 1, 2028 following the FCA's review, and a two-yearly review cycle will be applied thereafter.

Another area which will remain in the spotlight in 2026 in the UK is transaction reporting. Following its discussion paper in 2024, the FCA is currently consulting on improving the UK transaction reporting regime—being the onshored MiFIR transaction reporting regime which includes a mandatory 65-field reporting template. The consultation's aims are in step with other initiatives both in the UK and EU in terms of seeking simplification and streamlining requirements, and reducing the regulatory and administrative burden on firms without compromising the regulator's ability to monitor the market effectively.

As a recap, there are some significant changes proposed in relation to the scope of the transaction reporting regime, including carving out foreign exchange derivatives and financial instruments tradeable only on EU trading venues, which will be good news to many firms. From the buy-side perspective, there is moderately good news in the FCA's proposal for conditional single-sided reporting, which seeks to make the current article 4 transmission route for reporting more usable; however, this proposal stops short of a total exemption for buy-side participants on the grounds that such an exemption would mean too great a loss of visibility for the regulator. On the technical side, the proposals include suggested changes to the reporting fields and flags. While the overall result is a reduction in the number of transaction reporting fields from 65 to 52, the implementation of these technical changes and the further divergence from the EU MiFIR transaction reporting regime may present operational challenges going forward.

In terms of the broader picture, transaction reporting is a key area for awareness, given the UK regulators' appetite for data-led regulation and the emphasis being placed on reduced and clearer data, which includes fewer errors so that it can be used more effectively for supervision. The FCA has kept transaction reporting in the spotlight over the course of 2025, with significant enforcement activity seen in the cases of Infinox and Sigma and sustained focus in its Market Watch publications during the course of the year. Firms and other market participants would do well to keep a watching brief on transaction reporting developments, not least given the UK regulators' intention to carry out a longer-term review of reporting requirements across several regimes.

On timings, the FCA plans to publish a policy statement following the current consultation in the second half of 2026, and expects that there will be an implementation period of around 18 months. There will be a follow-up consultation covering transitional provisions and consequential amendments. The FCA also intends to consult on the new transaction reporting user pack in 2026. The FCA has stated that a longer-term review of reporting requirements across transaction reporting regimes (including EMIR and SFTR alongside MiFIR) is planned, which will involve HM Treasury and the Bank of England. A working group will be established to inform the approach, with further information forthcoming in Q1 2026, although the primary focus will be on the MiFIR piece.

EU

Transaction reporting has been front and centre of 2025 and will continue in the limelight for 2026. The MiFID II and MiFIR review work on MiFIR transaction reporting was superseded by a call for evidence by ESMA, published in June 2025, on a holistic approach to simplifying financial transaction reporting. This call for evidence is in line with other EU initiatives for the simplification and streamlining of regulatory requirements, and consequentially reducing the administrative burden on firms operating in the financial markets. The call for evidence goes beyond the MiFIR regime and contemplates various possible approaches involving EMIR and SFTR reporting as well. ESMA expects to publish a final report in 2026, due by Q2.

In 2024, the Listing Act made certain amendments to EU MAR and most of these changes came into force in 2024 (including the clarifications to the "safe harbour" aspects of the market soundings regime which attracted industry attention). Other amendments to MAR will apply from June 5, 2026. One such change relates to the enhancement of competent authorities' ability to identify and tackle cross-border market abuse by introducing a mechanism for the exchange of order data by competent authorities for shares, by June 5, 2026, and for bonds and futures, by June 5, 2028. However, the Q1 2026 deadline for the implementing technical standards for the technical details for the appropriate mechanism for the exchange of order book data was listed as a non-essential act in the Commission's letter communicating the de-prioritisation of certain level 2 acts in financial services legislation, and so adoption will be delayed accordingly. Please also refer to our discussion above on the implementation of the EU Listing Act in the **Primary markets section**.

Financial market infrastructure

REGULATION OF FMIS

UK

The Financial Services and Markets Act 2023 brought in significant reforms to the way in which financial market infrastructures are regulated in the UK, giving increased powers to the Bank of England alongside new accountability obligations. During 2025, the Bank published various key statements in exercise of its new role, including new fundamental rules for financial market infrastructures (which were published as part of the Mansion House July 2025 publications) and a statement of policy for undertaking rule reviews, in December, which is open to feedback until September 4, 2026. The fundamental rules are a new set of ten rules which are high level and, unsurprisingly, echo the PRA's fundamental rules and the FCA's principles for businesses. They will apply to central counterparties, central securities depositories, recognised payment system operators and specified service providers. The implementation period for all fundamental rules has been extended to July 18, 2026 (with guidance in the supervisory statement also taking effect from that date).

In July 2025, HM Treasury published the statutory instrument to revoke the relevant UK EMIR provisions, and restate any necessary elements, and the Bank of England consulted on the future regulatory framework for central counterparties. HM Treasury intends to lay the statutory instrument before Parliament in 2026, with the Bank's final rules for financial market infrastructures published no earlier than the end of the first half of 2026. The proposals include some policy changes—most notably a new "second skin in the game" (referred to as SSITG) requirement which introduces a new tranche of central counterparty capital into the default waterfall, to be used pro rata with default fund contributions of non-defaulting members. There are also proposed policy changes in relation to porting, margin requirements, liquidity risk controls, the change in control framework and the supervisory process. A six-month implementation period is proposed for most of the changes which would mean an implementation deadline of the end of 2026; however, the Bank proposes a longer 12-month implementation period in relation to new margin simulation requirements, and a two-year phase-in period for the SSITG requirement.

Please also see the **Derivatives section** above in relation to the Bank of England's consultation on exempting post-trade risk reduction transactions from the clearing obligation. This was identified as an area for improvement during HM Treasury's Wholesale Markets Review.

EU

As noted elsewhere in this report, in December 2025, the European Commission adopted a major legislative package, the EU market integration package, which is a cornerstone of the savings and investments union strategy. In line with the strategy and other in-flight Commission workstreams, the package aims to tackle barriers in relation to national implementation and supervisory divergence, and streamline duplicative or overlapping requirements. Many of the proposals specifically target financial market infrastructure.

For significant financial market infrastructures established in the EU (trading venues, central counterparties, central securities depositories and cryptoasset service providers), the Commission is proposing direct supervision by ESMA, with strengthened supervisory convergence tools. There are proposed amendments removing barriers to cross-border trading and settlement and streamlining passporting. The proposals also include the introduction of a new framework for market operators seeking to operate more than one trading venue in more than one member state in reliance on a single authorisation granted by ESMA. In addition, the package features measures to modernise existing regulation to cater for distributed ledger technology, and in particular to ensure technological neutrality in settlement and collateral frameworks.

Predictably, given the breadth, nature and harmonisation intent of the package, the legislative impact is wide-ranging. The substantive amendments cover the ESMA Regulation, the European Market Infrastructure Regulation, the Markets in Financial Instruments Directive and Regulation, the Central Securities Depositories Regulation, the Digital Ledger Technology Pilot Regime, the Markets in Cryptoassets Regulation, and the Settlement Finality Directive, which is being re-stated as a regulation. Other targeted amendments are proposed in relation to other regulations, to align them with the proposed ESMA supervisory framework and harmonise national competent authority cooperation, reporting and data-sharing. These amendments impact the recovery and resolution regime for central counterparties, securities financing transactions, benchmarks, simple, transparent and standardised securitisations, green bonds and ESG ratings.

In terms of what lies ahead in 2026, given the spread and impact of the proposals, legislative deliberations in the European Parliament and Council are expected to be lengthy, and no indicative timings have yet been given as to when political and technical trilogues may commence.

In terms of other specific developments for the year ahead, in December 2025 ESMA published its final report on the guidelines on internal controls for benchmark administrators, credit rating agencies and market transparency infrastructures with new guidelines (which will repeal and replace the existing guidelines on internal control for credit rating agencies) which will become effective on October 1, 2026. In addition, certain outstanding articles of CSDR Refit will come into effect from January 17, 2026 (although note that remaining level 2 measures resulting from CSDR Refit changes are subject to the Commission's de-prioritisation and postponement decision as communicated on October 1, 2025).

Settlement

UK

In the UK, the key development in relation to settlement is the work towards the move to T+1, which is set to go-live on October 11, 2027. In November 2025, HM Treasury published its draft statutory instrument amending the onshored UK version of the Central Securities Depository Regulation to allow for T+1. Notably, the statutory instrument not only seeks to make the amendment necessary to shorten the settlement cycle, but includes scope clarification in relation to securities financing transactions. The accompanying policy paper also includes commentary around the treatment of derivatives for the purpose of T+1. The government intends to lay the final statutory instrument ahead of October 11, 2027, with enough notice to ensure certainty for the sector.

In terms of the industry's work in preparing for the 2027 deadline, the UK T+1 taskforce has made significant progress and collaboration both within the UK financial sector and with the EU and Swiss workstreams, which are also targeting October 11, 2027 for the move to T+1. Key operational deliverables for 2026 include a joint UK/EU testing plan, which is due by the end of Q1 2026 and will be implemented in 2027. Further practical guidance is also expected to be forthcoming during the course of 2026 on the question of "what does good look like" with regards to T+1 implementation.

For information on the consolidated tapes being developed by the UK and EU, these are covered above in the **Secondary and wholesale markets section**.

EU

Similarly in the EU, work is underway to move to T+1 settlement on October 11, 2027, in coordination with the UK (and Switzerland). Much of the work is coordinated with the UK, although there are some differences (for example, the EU amending regulation making the necessary changes to the EU CSDR in respect of securities financing transactions is drafted slightly differently to the amendment proposed by the UK statutory instrument). Upcoming deliverables include a new EU T+1 handbook, which is expected to be published mid-January 2026. In terms of the existing settlement regime, discussions in the context of T+1 have also indicated that it is hoped that the regulatory technical standards on settlement discipline will be adopted in Q1 2026.

Also of note in relation to EU settlement is the EU market integration package, which includes a proposal to convert the current Settlement Finality Directive into a regulation to address issues caused by fragmentation and facilitate better cross-border operations. The core driver here is the difficulty caused by divergent national implementation and practices, which are undermining legal certainty and market confidence.

The proposed regulation in particular specifies a harmonised procedure for the designation of EU settlement systems and a new framework for the registration of third-country settlement systems in each member state in which they have a participant. Enhanced and expanded insolvency law protections are proposed. The proposed regulation also amends the Financial Collateral Arrangements Directive to include cash, financial instruments and credit claims issued or recorded on distributed ledger technology in scope.

As mentioned above, given the complexity of the package as a whole, legislative deliberations are expected to be lengthy and continue during 2026, and no indicative timings have yet been given as to when trilogues may commence. The Commission is currently consulting and the proposal is open to feedback from December 18, 2025 for eight weeks, subject to extension to reflect the point at which the proposal is made available in all EU languages.

Clearing

UK

During 2025, work progressed on the new UK framework for overseas central counterparties that offer clearing services directly to UK clearing members, which is replacing the existing equivalence regime. The framework takes the form of an overseas recognition regime (which falls within HM Treasury's purview), with recognition decisions taken by the Bank of England, in accordance with specified criteria. As part of the Mansion House output in July 2025, HM Treasury published its policy paper and related statutory instruments, which amend and restate aspects of the UK version of EMIR and other legislative provisions, as well as a draft statutory instrument regarding overseas recognition regime designations. Finally, new rules will set the criteria the Bank must consider when determining whether an overseas central counterparty is of systemic importance to the financial stability of the UK. In parallel, the Bank published its draft statement of policy on its approach to tiering overseas central counterparties and comparable compliance, which will replace the equivalent delegated regulations on these topics under UK EMIR.

Equivalence and recognition decisions under the current regime will continue to have effect under the new regime (although the Bank may request updated information) and firms in the temporary recognition regime (or its run-off regime) will continue to be able to benefit from these regimes. The Treasury's July publications also provided welcome news to overseas central counterparties in the form of a statutory instrument extending the temporary recognition regime for overseas central counterparties until December 31, 2027, and extending the transitional regime for overseas qualifying central counterparties under the UK Capital Requirements for 12 months (meaning the expiry date for most firms will now be December 31, 2026). These extensions are to ensure that overseas central counterparties awaiting a recognition determination will be able to continue to offer their services in the UK, and ensures certainty in relation to firms' market access as the new regime is bedded in.

In terms of the road ahead, the government intends to lay the statutory instruments in the first half of 2026, with the Bank final rules published no earlier than the end of the first half of 2026. For further details on the Bank's work on enhancing central counterparty resilience, which includes proposed changes that will apply to overseas central counterparties which are determined to be systemically important to UK financial stability (and a small number of which will also apply to non-systemic recognised overseas central counterparties), please refer to the **Derivatives section** above.

A further development in clearing matters which should be kept on the radar for 2026 is the Bank of England's work on enhancing the resilience of the gilt repo market, an important part of the Bank's work on the resilience of core sterling markets. The Bank published a discussion paper in September 2025, which seeks to explore the potential for greater central clearing to enhance the resilience of the gilt repo market. The discussion paper closed in November, and, as at the time of writing, there is not yet any confirmed timing for the publication of feedback and next steps. This follows recent measures in the U.S. to promote clearing of U.S. treasury repos.

EU

Please see the **Derivatives section** above which includes EMIR 3 changes impacting central counterparties. As noted above, a number of EMIR 3 level 2 measures are being delayed as confirmed by the Commission's de-prioritisation communication published on October 1, 2025. In addition, in March 2025 ESMA separately issued a communication de-prioritising and postponing certain deliverables which were due in 2025, which also impact certain level 2 and level 3 measures required by EMIR 3 implementation. Commentary is also included in the **Derivatives section** above in relation to the implementation of the active account requirement.

Benchmarks

UK

On December 17, 2025, HM Treasury published a consultation proposing the repeal and replacement of the UK Benchmarks Regulation with a new Specified Authorised Benchmark Regime. The regime would focus regulatory oversight on a much smaller number of benchmarks and administrators that may pose systemic risks to UK markets, removing the current obligation for authorised firms to use benchmarks on the FCA register. This is in effect a reversion to the position in the UK before the introduction of the EU Benchmarks Regulation, which purported to regulate all benchmark administrators globally, if used in the EU, but this proved unmanageable.

In future, HM Treasury would designate specified benchmarks and administrators, taking advice from the FCA, and publish those designations; the FCA would then set and consult on firm-facing requirements in due course. The consultation does not propose any voluntary opt-in regime. Designation by the Treasury would turn on the potential impact on the integrity of the UK financial system and the markets that benchmarks measure. For benchmarks, the proposed criteria pertain to non-substitutability and the risk of significant adverse effects if a benchmark were to cease without sufficient notice or were calculated on unrepresentative or unreliable data. For administrators, an aggregate impact test would apply: where, taken together, the firm's benchmarks could significantly and adversely affect system integrity or consumers if they ceased, were based on unrepresentative or unreliable data, or were not administered in accordance with their methodologies.

For overseas benchmarks, the current equivalence framework would be replaced with an overseas recognition regime. Open questions remain as to whether endorsement and recognition routes will be replaced (or whether reliance on authorisation routes for branches and subsidiaries of international firms would suffice); the appropriate length of any "sufficient notice" period; the position of ESG benchmarks that may fall outside scope and the interaction with the developing ESG ratings regime; removing the commodity benchmarks sub-regime; the proposed removal of supervision of non-authorised benchmark contributors; the potential introduction of supervision for contributors of nonprice data (such as ESG metrics and qualitative indicators); and interactions with other regimes that use benchmark definitions.

Under the new framework, the FCA would have delegated responsibility for firm-facing requirements. The FCA has confirmed that it welcomes the reform of the UK Benchmarks Regulation but has not yet confirmed any specific timings on any consultation on the new rules, merely stating that it will consult in "due course", with the Regulatory Initiatives Grid indicating that it will not be taking action until after July 2027.

As a reminder, the UK transitional regime for third-country benchmarks is still in force, and not due to expire until 2030.

EU

From January 1, 2026, the EU BMR amending regulation will apply, significantly reducing the scope of EU BMR. Only significant and critical benchmarks, plus certain climate and commodity benchmarks, will remain in scope of the core aspects of the regulation. Systemically important third-country FX spot rates (to be identified in a delegated act) and administrators of rates provided by EU and non-EU central banks are exempt.

Benchmarks are determined as significant if they meet the criteria of the new qualitative or quantitative usage threshold tests. Non-significant benchmarks will, from January 1, 2026, fall outside of scope of the core requirements of EU BMR. However, there is a new "opt-in" process allowing EU benchmark administrators of a non-significant benchmark to request a competent authority designation of such benchmark as "significant", provided certain conditions are met (including a EUR20bn usage threshold test).

There will be a nine-month transitional period from January 1, 2026 to September 30, 2026. This allows EU and third-country administrators of benchmarks included (as at December 31, 2025) in ESMA's Article 36 benchmarks register (as authorised, registered or recognised, or as endorsing administrators) to retain that status. From September 30, 2026, administrators that do not administer benchmarks remaining in scope of the revised regime will be removed from the Article 36 benchmarks register. Furthermore, ESMA published a statement confirming that benchmarks provided by third-country administrators that applied for recognition or endorsement by the end of 2025 may continue to be used unless ESMA refuses the application. For administrators of non-significant benchmarks seeking to "opt-in", the deadline for requesting that a benchmark be designated "significant" is January 1, 2027.

As a reminder, on December 31, 2025, the exemption in Article 51(5) EU BMR for third-country benchmarks expired. As a result, from January 1, 2026 any third-country benchmarks that had previously relied on this exemption and that remain in scope of the revised regime have needed to obtain endorsement or recognition, or otherwise be able to benefit from an equivalence decision (although a transitional period applies to the extent an application to ESMA was submitted before the end of 2025). The timing of this expiry coincides with the new significance test coming into force, and so is not an issue for non-significant third-country benchmarks.

Buy side and retail

FUNDS AND FINANCIAL PRODUCTS

UK

2025 saw progress in the UK's journey towards a new regime for alternative investment fund managers, as HM Treasury published a consultation paper on meaningful reform of the alternative investment fund managers regime under the UK version of the Alternative Investment Fund Managers Directive (AIFMD). There was welcome content in the HM Treasury's proposals, including the proposal to categorise alternative investment fund managers into three size bandings based on net asset value (rather than leveraged assets under management), and a correlated, proportional application of the rules. However, there was less welcome news for listed closed-ended investment companies, as the Treasury propose to keep those companies in scope of the regime, to ensure financial stability and consumer protection (given that these aspects of the rules in particular are not reflected in the Listings Rules). In parallel, the FCA published a call for input which included possible ways the new rules may be applied, and is currently considering feedback. The FCA expects to consult on rules in the first half of 2026.

2026 will see the introduction of the new UK consumer composite investment regime, which was finalised at the end of 2025. The FCA policy statement was published in December, as part of what the FCA described as a "landmark package to boost UK investment culture" which included other publications in respect of client categorisation, consumer access to investments, and the application of the consumer duty. To recap, the scope of the regime is set out in the legislative framework (The Consumer Composite Investments (Designated Activities) Regulations 2024), which specifies designated activities in relation to manufacturing, advising on, offering or selling consumer composite investments to retail investors in the UK. The incoming FCA rules in respect of the new regime are being introduced across various modules of the FCA's handbook of rules and guidance.

The FCA policy statement confirmed some significant industry wins, including some helpful guidance on scope (in particular that plain vanilla listed bonds are not in scope and clarification of the neutral features that will not cause a debt security to fall within the definition of CCI), simplifying the criteria for non-retail products (removing the term "readily realisable security" and the minimum investment amount requirement of GBP50,000), a clearer delineation between the responsibilities of manufacturers and distributors (only manufacturers can produce product summaries and not distributors, which the FCA had previously proposed), the removal of the requirement to aggregate one-off costs and ongoing costs, and confirming the distinct treatment of structured products which will calculate their risk and return scores using the value-at-risk equivalent volatility (VEV) methodology and will not automatically be assigned a 9 on the risk and return scale for features such as low liquidity. For closed-ended investment funds, the policy statement confirmed that, as per the government's legislative intention, closed-ended investment funds are subject to the new regime but, following extensive industry engagement, the rules do make certain accommodations to reflect the specific nature of such funds.

The FCA policy statement confirms an 18-month implementation period which ends on June 8, 2027, at which point the FCA rules come into full force. However, the legislation comes into effect on April 6, 2026 and this marks the start of a transitional period before the regime goes live, during which manufacturers can choose whether they will continue to produce product information in line with the current regime, or move to using a product summary which complies with the incoming rules.

The UK has also made progress during 2025 in terms of fund tokenisation. For further discussion, please refer to the **Digital assets section** below.

EU

The EU retail investment strategy was originally launched in 2023, and included two proposals—a regulation in respect of packaged retail and insurance-based investment products (PRIIPs) and an omnibus directive impacting the markets in financial instruments directive (MiFID), the insurance distribution directive (IDD), Solvency II, the undertakings for collective investment in transferable securities (UCITS) directive and the alternative investment fund managers directive (AIFMD). The focus of the strategy is to enhance investor protection, and foster retail participation in the financial market while improving overall market efficiency. Core elements of the package include enhancing disclosure requirements, further regulation of inducements, justified and proportionate costs, changes regarding suitability assessments and improved product governance (introducing value for money and undue costs concepts). The omnibus directive also includes proposals around financial literacy to empower retail investors to make decisions about their financial choices and circumstances.

While both the European Parliament and Council finalised their negotiating positions in 2024, there has been significant movement in terms of the EU's legislative agenda since. Initially, there was industry pushback on the strategy because it increased complexity and added more red tape and regulation where the industry felt it was not needed. Furthermore, the strategy appeared to contradict the Commission's stated goals of a simpler regulatory environment and ensuring the EU markets remained competitive. The industry request to review the strategy, to ensure it would strengthen capital markets and drive retail investment, found further grounds for support when the Commission unveiled its strategy for the savings and investments union in March 2025 and, later in the year, published its report on simplification, implementation and enforcement in October 2025. This political environment has naturally impacted the progress of the retail investment strategy trilogues to date.

On December 18, 2025, the European Parliament and Council confirmed that they had reached provisional agreement on the core elements of the package and technical work is in progress to finalise the legal texts in early 2026. The PRIIPs changes will start applying 18 months after the final text is published in the EU Official Journal (expected to be the second half of 2027). In terms of the other changes requiring member state transposition, the deadline for transposition is set two years after publication (expected to be the first half of 2028), and new rules applying 30 months after publication (expected to be the second half of 2028). 2026 will see further work to implement the package in full, including the development of technical standards and guidelines by ESMA and EIOPA.

A key deadline for 2026 for the asset management sector is the implementation deadline for AIFMD II, as by April 16 member states must have transposed the directive's measures into national law. While the new rules cover a range of areas, it is those for loan originating funds that have attracted particular industry attention. The new regime on loan origination comprises two sets of rules—one which only applies to alternative investment funds (AIFs) falling within the new definition of "loan-originating AIF" and the other being relevant for all AIFs originating loans, irrespective of whether or not loan origination is their main strategy. Although the national implementation deadline is April 16, 2026, existing AIFs originating loans may benefit from certain exemptions and/or a grandfathering period until April 2029.

In terms of the associated level 2 and level 3 measures for the new loan origination regime, progress has been impacted by the de-prioritisation exercises undertaken by ESMA in March 2025, which included a proposed delay to the regulatory technical standards on open-ended loan originating alternative investment funds by six months, and the subsequent de-prioritisation decision of the Commission, which confirmed (among other delays relevant to AIFMD II implementation) that the regulatory technical standards on open-ended loan originating alternative investment funds would not be adopted before October 1, 2027.

The other core element of AIFMD II (which also impacts UCITS funds) is the new requirements for managers of open-ended AIFs and UCITS around liquidity management tools. These aim at harmonising the approach taken across the EU by managers in terms of managing liquidity in preparation for market stress situations, and make clarifications in relation to specific liquidity management tools where practices vary in different EU jurisdictions (such as side pockets). In November 2025, the Commission adopted the level 2 measures specifying characteristics of liquidity management tools under

AIFMD and the UCITS directive, which introduce clarifications in particular in relation to redemption gates, redemption in kind and side pockets. These regulatory technical standards are expected to be published in the Official Journal in Q1 2026. In parallel, ESMA published its final report on the amended guidelines on the selection and calibration of liquidity management tools (which were updated in light of changes to the level 2 measures). The guidelines will apply from the application date of the regulatory technical standards on the characteristics of the liquidity management tools. For open-ended AIFs and UCITS which are constituted before April 16, 2026 (the implementation deadline for AIFMD II), there is a one-year transitional period so the compliance deadline will be April 16, 2027.

On the UCITS side, it is worth noting that the Commission previously indicated that it would move forward with public consultations and market analysis following ESMA's technical advice on amending the UCITS Eligible Assets Directive (which was submitted to the Commission in June 2025). However, there is not yet clarity on timings, and notably the Commission's 2026 workplan does not include any reference to a legislative proposal for this workstream.

Also noteworthy is the review by the European Commission of the regime for European Venture Capital Funds (known as EuVECA), which is expected for Q3 2026. It is anticipated that the review will cover expanding the scope and flexibility of the regime, and will propose changes to eligibility and portfolio composition rules.

Fund and asset managers will also need to monitor developments in respect of the EU market integration package, which was adopted by the Commission in December 2025. The package includes many changes that will impact the sector, in particular, a proposal amending the UCITS directive, AIFMD and MiFID. In particular, the proposals target the harmonisation of UCITS authorisation, prudential and conduct rules, streamlined passporting and cross-border marketing processes for management companies, and the introduction of the depositary passport. While fund managers (unlike significant financial market infrastructures) are not in line for direct ESMA supervision, they may nonetheless be indirectly impacted by the proposals in relation to supervisory convergence and data collection, where ESMA's powers are being extended to facilitate the cooperation of national competent authorities, and ensure financial market participants are subject to high-quality supervision and adequate enforcement.

For 2026 horizon scanning in relation to environmental, social and governance (ESG) matters, including those which impact buy side and retail sectors, please see the **Sustainability and ESG section** of this report.

Clients, investors and consumers

UK

In 2026, there will be a sustained focus on this sector as the regulators and UK government continue to encourage retail investment and support the UK's growth and competitiveness agenda. This was heralded in December 2025, when the FCA issued a package of measures and proposals aimed at improving the UK's investment culture, a key part of which is enabling retail investment and engaging consumers so that they have the confidence to invest.

The publications cover a range of areas, including a discussion paper on expanding consumer access to investments. It centres on two key themes: changes to how retail investors access investments (including digital investments and tokenisation, and non-advised platforms such as trading apps); and the extent to which the FCA can rebalance risk within the regulatory framework without compromising consumer understanding and confidence. Predictably, the FCA highlights concerns around access to risky investments, including contracts for difference, high-risk exchange traded products, complex structured products and cryptoasset proxies. No specific follow-up is confirmed in the discussion paper, but discussion of these topics will form part of the cross-cutting work being carried out by the FCA in relation to consumers, artificial intelligence and digitisation.

Also as part of this "landmark package", the FCA published a consultation paper on client categorisation and conflicts of interest. The question of client categorisation is, again, being raised in light of the objective to encourage retail investment in the capital markets to drive growth and competition. The proposals seek to facilitate investment by removing the current quantitative test, and enhancing the qualitative test, for opting up clients to professional status, and introducing a new alternative wealth assessment route. There is not yet clarity on the timeline for final rules, although the Regulatory Initiatives Grid indicates various market engagement on consumer-related initiatives throughout the course of 2026.

In the same week, the FCA published its policy statement and near-final rules on targeted support, a new regulated activity. The aim of targeted support is to allow authorised firms to provide recommendations designed for pre-defined consumer segments with common needs or objectives, rather than comprehensive, individualised advice. The regime is outcomes-focused, underpinned by the consumer duty and product governance rules, and supported further by bespoke rules in the FCA handbook. Suitability is assessed at segment level, not individually, and firms are not required to undertake ongoing suitability reviews for each consumer. The gateway for authorisation applications will open in March 2026, with the new regime expected to come into force in April 2026 and a post-implementation review due in 2028. For further insights, please see our article **here** and summary information **here**, with information on the practicalities of applying for permission to conduct the new regulated activity of providing targeted support **here**.

Turning to the inevitable consumer duty, 2025 saw a distinct shift in supervisory messaging as the FCA acknowledged that there remain areas of confusion, and FCA commentary in this regard noted that it was aware of firms going above and beyond in their application of the consumer duty—particularly wholesale firms. From the outset, the FCA's framework envisaged that the duty could apply to wholesale firms where they determine or materially influence retail outcomes within distribution chains, even without a direct retail relationship, while the concept of "manufacturing" and "co-manufacturing" has been central to allocating responsibilities across value chains. For more discussion on this and other aspects of the FCA's work in this space, please listen to our webinar **here**.

The chancellor's Mansion House speech in July 2025 cast the spotlight on the application of the duty to wholesale firms, and the FCA duly published a response in September confirming a four-point action plan to address these concerns. This included providing clarity on the FCA's expectations when firms manufacture products and consulting on client categorisation. The FCA recognised concerns about uncertainty across distribution chains, business-to-business activities which should not be captured, services reaching consumers outside the UK, and the burden on wholesale providers distant from the end retail investor. The regulator has accordingly committed to clarifying scope and expectations, assessing whether existing exemptions go far enough, and setting out when and how firms may reasonably rely on each other in chains. The FCA also indicated an intention to draw a clearer line around non-UK business being outside the consumer duty.

The FCA has already delivered its statement of expectations for co-manufacturers, which was published in December 2025; however, this did not provide a great deal of detail or drill into all issues and areas of uncertainty, as discussed in our bulletin, **here**. The FCA also issued the client categorisation and conflicts of interest consultation; for our bulletin on this, see **here**.

Looking ahead to 2026, in the first half of the year the FCA will consult on changes to the rules on the application of the consumer duty, including through distribution chains and business-to-business activities. As mentioned above, the FCA will also propose to remove non-UK customer business from the scope of the consumer duty in the first half of 2026.

Separately, the FCA will publish findings on its review of how model portfolio services apply the consumer duty in summer 2026, and more broadly, work will continue on four cross-cutting reviews of: the products and services outcome; firms' approaches to outcomes monitoring; customer journey design; and the consumer understanding outcome.

The other key area on the radar in 2026 is lending to consumers, where the sector will be seeing developments particularly in relation to regulated mortgages, motor finance and deferred payment credit (previously known as buy-now, pay-later). The FCA's mortgage workplan for 2026 and beyond, which includes a feedback statement on its recent mortgage rules review alongside an indicative 2026 roadmap, confirms a number of consultations for 2026 and possible consultations for 2027. In Q1, the FCA and PRA will consult on the loan-to-income framework following the Financial Policy Committee's recommendation to provide more flexibility at the firm level for lending at 4.5x income and above, and in the first half of 2026, the FCA plans to consult on responsible lending rules, and proposals around affordability in the retirement interest only segment. The FCA then expects to publish feedback and final policy from these consultations in the second half of 2026. The FCA has also confirmed that no further near-term changes are envisaged to the shared ownership regime, the interest rate stress approach or the treatment of long-term fixed rates.

In the longer term, the FCA will also undertake in 2026 a series of information-gathering and policy-development exercises designed to inform consultations in 2027. These include a focused market study on later life lending, aimed at assessing whether the market is positioned to meet growing consumer demand; work under the consumer duty on disclosure, with an emphasis on enabling innovation and improving digital customer journeys; and related research and policy development on the broader disclosure framework. The FCA also flags that mortgage standards may be affected by cross cutting initiatives running in parallel, notably ongoing consumer duty supervision and guidance work (as discussed above), remedies following the credit information market study, the review of securitisation rules, and the programme to transform data collections.

Subject to the outcomes of this work, the FCA is considering consulting in the first half of 2027 on three areas: holistic advice within the later life lending context; a modernised disclosure framework to support innovation and digitalisation; and debt consolidation measures aimed at strengthening protections for vulnerable consumers. Consistent with the FCA's overarching themes—supporting first-time buyers and underserved groups, enhancing later life lending, enabling innovation, and protecting vulnerable consumers—feedback statements and policy for these potential consultations would be expected in the second half of 2027.

A regular feature of 2025 headlines was the UK Supreme Court decision that lenders who financed car loans were not liable to their customers for failing to obtain their informed consent to commission payments made by lenders to the dealers arranging the finance. In parallel with the UK court proceedings, the FCA has been providing regular updates as to how it proposes to handle motor finance complaints in light of the court proceedings. In December 2025, the FCA published its policy statement on changes to handling rules for motor finance complaints including an extension of time for final responses (except for leasing complaints) to May 31, 2026. The FCA is expected to confirm final rules regarding the redress scheme in March 2026, at which point the scheme will commence and compensation payments will be paid later in the year. For further information, please see our bulletin on the consultation **here**.

For those monitoring the review of the Consumer Credit Act 1974, HM Treasury have not yet confirmed timings on the next stage of their consultation process. The phase 1 consultation was carried out in Q2 2025 and closed in July 2025. Consumer credit and other firms may also be interested in looking out for the FCA's outreach for views on advertising consumer credit (focussing on CONC 3) which is expected in Q2 2026.

A final development for the 2026 radar relates to the project to modernise the redress framework and review the Financial Ombudsman Service (FOS). One of the many publications accompanying July's Mansion House speech was HM Treasury's consultation on its review of the FOS, published alongside a joint FCA/FOS consultation on proposals for modernisation. In line with the FCA's 2025–2030 strategy and the UK government's regulatory action plan, the proposals seek to align the FCA and FOS roles and responsibilities and provide clarity for firms and consumers alike. There will be further developments during 2026, as the FCA and FOS plan to publish their policy statement and a further consultation in the first half of the year.

For discussion of the incoming UK consumer composite investment regime, please see separate commentary in the **Funds and financial products section** above.

For discussion of the upcoming changes in relation to deferred payment credit (previously known as buy-now, pay-later), please see the **Payment services and payment systems section** of this report.

EU

Clients, investors and consumers will of course be impacted (both directly and indirectly) by financial markets developments in relation to the capital markets and infrastructure which are discussed in the **Capital markets section** and **Financial market infrastructure section** above, which highlight developments targeting growth in terms of encouraging more retail investment and greater consumer access to investments. In particular, the EU's retail investment strategy work following the provisional agreement reached in December 2025 will be of significant interest to buy side and retail firms. It is also worth noting some other specific workstreams relevant to the retail sector: June 19, 2026 is the deadline for member states to have transposed the directive on distance marketing of financial services, which extends certain consumer protection requirements to financial services; and in 2026 a common supervisory action on MiFID II conflicts of interest requirements (launched in December 2025) will be carried out during the course of the year.

In addition, work will continue in 2026 on implementing the European Single Access Point (ESAP). The ESAP project is centred on the concept of there being a single access point about EU companies and products which is aimed at encouraging easier access to information for investors, and increasing companies' visibility (particularly small and medium-sized enterprises) towards investors. The ESAP is due to start collecting information from July 2026 (although information will not be published until 2027, and no later than July 2027).

DIGITAL ASSETS

Please note that this section only covers digital assets matters specifically relating to financial instruments (rather than broader crypto topics). For the wider regulatory outlook for cryptoassets, please see the **Fintech/Digital assets section** of this report.

International

Globally, there are a number of moving parts at play which impact the regulation of digital assets in capital, wholesale and retail markets, as the merging of fintech and trad-fi continues. There is also a trend for digital asset regulation, which for many jurisdictions has, up until now, predominantly sat within or alongside payments-related regulation, to expand or move into securities regulation.

Tokenisation will continue to feature in the 2026 limelight. Since the arrival of blockchain, the financial services sector has been exploring various use cases for tokenisation and 2026 is expected to be a significant year for progress on projects on tokenised collateral, particularly given the U.S. CFTC's 2025 request for input on its use in derivatives markets. Tokenised stocks are expected to be launched in Japan in 2026 (with 2026 being declared the "Digital Year" by the Japanese finance minister), subject to the required legislative and regulatory processes. For commentary on the international Project Guardian work, this is covered in the UK sub-section below.

The rise of digital ledger technology and other technological advances also, naturally, feeds into interoperability considerations and the integration of firms offering regulated services and products with the technology underpinning the provision of that service or product, and the necessary associated activities. It will be essential for firms operating in this space to think about how matching, settlement and flow activation will work in practice as legislation and regulation solidifies over the next 12 months. This topic goes hand-in-hand with operational resilience matters; for further details, please see the **Outsourcing and operational resilience section** of this report.

UK

In conjunction with the chancellor's Mansion House speech in July 2025, the UK government published its Wholesale Financial Markets Digital strategy, which draws together a range of ongoing and imminent government and regulatory workstreams on market digitalisation. The strategy purports to cover three broad areas: market optimisation, market transformation, and market leadership; although in reality, the initiatives and projects cited have implications and potential spanning all three and, of course, play into the broader UK growth and competitiveness agenda. Core elements of the strategy are highlighted below. For discussion of the UK's move to T+1—which is relevant here as part of the UK's commitment to automation and removing manual processes relying on human intervention from wholesale markets. Please also see the discussion in the **Financial market infrastructure section**.

In terms of market transformation, and as mentioned above in the context of international developments, a key component is tokenisation and the drive to realise the benefits of technologies such as distributed ledger technology—particularly in the use cases of fund tokenisation and the post-trade processes including tokenised collateral.
In October 2025, the FCA published its consultation paper on progressing fund tokenisation which proposes changes to the FCA rules for collective investment schemes to clarify the application of those rules to authorised funds (and their managers) using digital ledger technology to operate the unitholder register. The proposed changes also include amendments to allow for direct dealing models, where the authorised fund manager no longer sits between the investor and the fund, but the investor makes payments into and receives payments from an issuer and cancellations account, and the fund itself (or the depositary) acts as principal in unit deals. The current rules do not prohibit a direct dealing model, but are drafted on the presumption that there will be an authorised fund manager acting as principal, and so these changes will make the relevant requirements more readily applicable.

The consultation paper also provides feedback on the FCA's earlier 2023 consultation on tokenised money market funds, and confirms that work is continuing with the Bank of England (in the UK) and through Project Guardian, which is an international initiative spearheaded by the Monetary Authority of Singapore focussing on asset tokenisation. The FCA further proposes possible modifications to the general asset eligibility rules for UK undertakings for collective investment in transferable securities (UCITS) so that UCITS managers have more flexibility to use new categories of assets in order to support fund operations on-chain or other operational purposes, like unit dealing. Notably, the consultation also asks whether the consumer duty would provide sufficient protection for investors, if funds were allowed to hold cryptoassets for settlement and fund operational purposes only. The FCA is due to publish the policy statement in respect of this consultation in the first half of 2026.

Also in conjunction with the chancellor's Mansion House speech the UK government published a policy paper update on the Digital Gilt Instrument (DIGIT) pilot, confirming that, in response to views from potential suppliers and others in the sector, the pilot would also be testing the settlement of DIGIT on distributed ledger technology (including the cash leg of transactions), enabling settlement of over-the-counter trades, interoperability as between traditional and digital markets, and transparency. The update also notes ongoing development in relation to collateral mobility, listings and other secondary market features. The tender submission deadline was in November 2025, but the results are still outstanding. DIGIT will be issued as a transferable security on a platform within the UK's digital securities sandbox (DSS).

Relatedly on the DSS, progress will continue over the course of 2026 as current sandbox participants exploring the use of technology with central securities depository activities (and potentially in combination with trading venue activities) pass through gate 2 and into the go-live stage—meaning, in practical terms, we will be seeing more firms commence real-world digital ledger technology operations this year. The expected timelines are mobile, but original indicative timeframes allowed for two gate 3 review points in 2026. The DSS is set to close to new entrants around March 2027.

For discussion of the FCA's ongoing work in the crypto space, please see the **Fintech/Digital assets section** of this report.

EU

The EU markets integration package, which has been mentioned a number of times elsewhere in this report, proposes amendments to enable DLT-based innovation and in particular changes to post-trade legislation and the DLT Pilot Regime. The European Commission proposal recognises that there are aspects of the DLT Pilot Regime which present challenges to small and scaling-up participants, and there is a lack of certainty about the long-term picture for pilot participants. As noted elsewhere, any such changes however are not imminent given the complexity of the package, and the expected length of time legal deliberations and trilogue negotiations may take.

Also on the EU side, the Pontes project, which links market DLT platforms and TARGET services, will advance during the course of 2026. A pilot is due to be launched by the Eurosystem by Q3 2026. For more on European digital assets topics, please see the **Fintech/Digital assets section** of this report.

Payment services and payment systems

UK

NATIONAL PAYMENTS VISION

HM Treasury published its National Payments Vision (NPV), outlining the government's plans for bolstering the UK payments sector, at the end of 2024. The NPV responds to the findings of the independent Future of Payments Review 2023, chaired by Joe Garner (the Garner Review), and addresses key issues across the landscape. In the NPV, the government outlined its priorities for UK payments through a joint remit letter to the Financial Conduct Authority (FCA) and Payment Systems Regulator (PSR) and welcomed the regulators' commitment to revise their existing memorandum of understanding on cooperation in relation to payments regulation. Another key objective is ensuring payments infrastructure is resilient. In light of industry feedback during the Garner Review, the government also concluded that the New Payments Architecture programme (the project to upgrade the UK's retail payments infrastructure) is not sufficiently agile. It has therefore established a Payments Vision Delivery Committee which, through work led by the Bank of England, the FCA and the PSR, is clarifying the upgrades required to the existing Faster Payments System and assessing longer-term requirements and the appropriate funding and governance arrangements needed to deliver this.

The government also provided direction on two priority areas: Open Banking and tackling fraud. The NPV seeks to clarify regulatory responsibilities for Open Banking, transitioning away from current arrangements to the FCA acting as the UK's regulator in the future (see the item below on **Open Banking and Open Finance** for further information).

The NPV also reaffirms the government's commitment to continue exploring a potential retail central bank digital currency, the "digital pound" (see the **Fintech/Digital assets section** for more information on the **Digital pound**). To further build the effectiveness of payments fraud regulation, the FCA will lead work to manage existing overlaps between itself and the PSR, and the PSR has committed to an independent post implementation review of the authorised push payment fraud reimbursement rules, after 12 months (see the item below on **APP fraud**).

Alongside the NPV, HM Treasury also published a letter it sent to the FCA and PSR setting out recommendations for the regulators in relation to payments regulation. HM Treasury's priorities for the regulators included: (i) enhancing coordination to address congestion in the regulatory landscape, including through the FCA's commitment to lead work on enhancing the management of overlaps between the FCA and PSR's exercise of their functions, including on fraud and Open Banking policy; (ii) supporting the development of Open Banking; (iii) ensuring high standards of consumer protection and that people and businesses can make payments efficiently and safely; and (iv) driving an agile approach to delivering the UK's retail payments infrastructure needs, including through work of the Payments Vision Delivery Committee to examine and refresh the requirements for the UK's retail payments infrastructure and the governance and funding arrangements required to deliver this.

Building on the government's NPV, the Payments Vision Delivery Committee (PVDC) published its long-term strategy for the future UK retail payments infrastructure in November 2025. The PVDC, comprising HM Treasury, the Bank of England, the FCA and PSR, developed the strategy following the Mansion House 2025 announcement of a new model of public and private sector collaboration. With user needs at its core, the strategy focuses on five high-level strategic outcomes: (i) greater choice of innovative, cost-effective payment options that meet consumer and business needs; (ii) interoperability across a multi-money ecosystem, including new and existing forms of digital money; (iii) strong protections against fraud and financial crime; (iv) fair, transparent and non-discriminatory access for participants to drive competition and innovation; and (v) operational and financial resilience of the payments ecosystem. Governance and delivery oversight will be led by the newly established Retail Payments Infrastructure Board (RPIB), alongside an industry-led Delivery Company responsible for implementing the design of the future retail payments infrastructure. Implementation is expected to span several years. The RPIB will consult on and develop a workplan to deliver on the strategy. A consultation on the set up and design of the new infrastructure is expected in Q1 2026. The FCA also confirmed that the strategy will be followed by a "Payments Forward Plan", which will be a sequenced plan of future payments initiatives across retail, wholesale and digital assets. The Payments Forward Plan was due to be published by the end of 2025, but this is also now likely to be in Q1 2026. Throughout 2026, work will continue on the high-level design of the future retail payments infrastructure.

CONSOLIDATION OF PSR FUNCTIONS INTO FCA

In September 2025, HM Treasury published a consultation paper on its proposals to consolidate the functions of the PSR into the FCA. The move, announced in March 2025 as part of the government's broader Regulatory Action Plan and in line with the NPV priority to tackle regulatory congestion, aims to simplify the regulatory framework to help support growth, better manage burdens on businesses and minimise overlaps between regulators' responsibilities. Under the proposal, the FCA will assume the PSR's responsibilities, including on promoting competition and innovation, and supporting consumer protection in payment systems. Transitional work is already underway, and the consultation set out the government's proposed policy approach.

Key things to note include:

- HM Treasury intends to integrate the PSR's functions into the FCA's existing framework under the Financial Services and Markets Act 2000 (FSMA 2000), to the extent this is practicable. Where full integration is not feasible, the relevant functions are expected to be set out in a new part of FSMA 2000.
- Transferring the PSR's functions to the FCA will not result in new categories of persons being brought in scope of payment systems regulation. Instead, the FCA's payment systems regulatory regime would apply to the same categories of persons as the PSR's regime in the Financial Services (Banking Reform) Act 2013 does today, namely payment system operators, infrastructure providers and payment service providers.
- The FCA will retain its current conduct and prudential regulatory roles, including its existing oversight of payment services and e-money legislation it has today. The government is not seeking to expand the FCA's remit in relation to these functions, as a consequence of integrating the PSR into the FCA. This means that conduct and prudential regulations that currently exist under FSMA 2000, the Payment Services Regulations 2017 and the Electronic Money Regulations 2011 will not apply to any new category of person as a result of integrating the PSR into the FCA. However, it is possible that the FCA's rulemaking powers for payment service providers would expand to address their participation in payment systems.
- HM Treasury does not intend to introduce new regulated activities in connection with payment systems regulation following the transfer of PSR functions to the FCA. Regulation will continue to be based on which payment systems HM Treasury designates.

The consultation specifically focused on core design decisions for this new regulatory setup, including: (i) the FCA's role in relation to other public authorities; (ii) its future objectives and powers concerning payment systems; and (iii) other key structural features of the framework. Notably, the government has sought feedback only on these core design aspects, not on all issues related to the consolidation. Legislation is expected to follow when Parliamentary time allows.

The FCA and PSR welcomed the proposals, agreeing with the overarching approach to the consolidation. They provided a further update on their consolidation as part of a letter to HM Treasury in November 2025, which provided a progress update on their implementation of HM Treasury's November 2024 recommendations on payments regulation. The FCA and the PSR will continue working with HM Treasury to support the transition.

SAFEGUARDING

The FCA adopted certain changes to the safeguarding regime for payment institutions and electronic money institutions. The FCA previously consulted in September 2024 on proposals to bring the safeguarding regime more closely in line with the FCA's Client Assets Sourcebook (CASS), which many other financial institutions, such as brokers and custodians, must comply with when they hold client money and assets.

In its consultation, the FCA proposed to make changes to the safeguarding regime in two stages, the interim and end-state, and consulted on rules and guidance for both stages of the proposed regime.

The interim rules aimed to: (i) support a greater level of compliance with existing safeguarding requirements in the Electronic Money Regulations 2011 (EMRs) and Payment Services Regulations 2017 (PSRs); (ii) support more consistent record keeping; and (iii) enhance reporting and monitoring requirements to identify shortfalls in relevant funds and improve supervisory oversight.

The proposed end-state rules had aimed to replace the safeguarding requirements of the EMRs and PSRs with a regime where relevant funds and assets are held on trust for consumers.

In its subsequent final rules, the FCA uses the terms "Supplementary Regime" and "Post-Repeal Regime" to describe the two-stage approach to the changes (previously referred to as interim rules and end-state rules in its consultation).

The FCA's final rules relate to the Supplementary Regime and introduce three categories of changes: (i) improved books and records; (ii) enhanced monitoring and reporting; and (iii) strengthening elements of safeguarding practices. Taking into account the feedback from its consultation, the FCA has also made the rules more proportionate and improved some implementation points.

These changes include:

- Amending the rules so that reconciliations are not required on weekends and bank holidays;
- Introducing a threshold of GBP100,000 for relevant funds under which payments firms will not be required to arrange a safeguarding audit; and
- Removing the requirement for a limited assurance audit for payments firms holding no relevant funds.

The FCA has stated that it is not now proposing to implement the Post-Repeal Regime without further consideration and consultation. The FCA will review the implementation of the Post-Repeal Regime once a full audit period has been completed after the Supplementary Regime has come into force.

The changes to the rules can be found in the Payments and Electronic Money (Safeguarding) Instrument 2025, which will come into force on May 7, 2026. Payment and e-money institutions will need to be ready to comply with these new rules.

The Financial Reporting Council (FRC) is also developing a safeguarding assurance standard. The FRC started monthly working group meetings in September 2025 which will run until April 2026, with a view to developing proposals for consultation in H2 2026, and publication of the final assurance standard in H1 2027.

For further discussion on the safeguarding changes, please listen to our webinar "**Ahead of the Curve: New UK safeguarding rules for payments and e-money firms**".

RISK-MANAGEMENT AND WIND-DOWN PLANS

In June 2025, the FCA published the findings of its multi-firm review into risk management and wind-down planning across firms with e-money and payments permissions. While the FCA observed examples of good practice in the structure of firms' wind-down plans and risk management frameworks, it concluded that no firm fully met its expectations and in particular were not adhering to the FCA's finalised guidance. Key areas identified as needing improvement were:

- Enterprise-wide risk management. Although operational staff were found to generally manage tasks appropriately, oversight was often limited. Risk appetites were unclear and misaligned with business activities. Several firms failed to identify all material risks, define risk appetite, or maintain adequate resources to support risk management;
- Liquidity risk management. The FCA found that firms demonstrated weaknesses in identifying and assessing the impact of stress events. Many relied on cash balances to mitigate liquidity risk without conducting appropriate analysis. The FCA encourages firms to quantify their liquid resources in line with their risk appetite and set appropriate liquidity triggers for wind-down; and
- The consideration of group risk. The FCA emphasises the need for firms to identify all material sources of group risk and to tailor their risk management policies accordingly.

Looking ahead, the FCA expects all e-money and payments firms to assess their current practices against the review's findings and the FCA's guidance to identify where they need to invest in risk management and wind-down planning.

APP FRAUD

The UK's authorised push payment (APP) fraud reimbursement scheme came into force on October 7, 2024. It requires in-scope payment service providers (PSPs) sending payments between UK accounts through either the Faster Payment System (FPS) or the Clearing House Automated Payment System (CHAPS) to reimburse their customers (consumers, micro-enterprises or small charities) if they are the victim of an APP scam, subject to certain exceptions such as the consumer standard of caution. The sending PSP will have to refund the victim and the receiving PSP must reimburse 50% of the cost of a refund to the sending PSP. Sending PSPs will be allowed to apply an excess up to GBP100 to a claim under the policy, except for claims made by vulnerable consumers. In addition, the sending PSP is not obliged to reimburse above the maximum level of reimbursement, which the PSR has reduced to GBP85,000, for a single APP scam case or to reimburse any APP scam claim where the customer submits the claim more than 13 months after making the last payment in the case. If the PSP has evidence or reasonable grounds for suspicion of either first party fraud or gross negligence on the part of the claimant, it will also have more time to investigate and can delay the refund.

A "consumer standard of caution" applies such that a refund can be denied to a claimant who is grossly negligent in one of four specific circumstances. These are the requirement to have regard to interventions by the PSP, to make prompt notification to their PSP, to respond to reasonable requests for information from their PSP and to report (or permit their PSP to report) to the police. However, a vulnerable consumer cannot be denied a refund on the basis that they breached the consumer standard of caution.

All customers (including vulnerable customers) can be denied a refund in the case of first party fraud (i.e. where the customer is implicated in the fraud for which a refund is sought).

To implement the reimbursement requirement, the PSR published four legal instruments: (i) Specific Requirement 1—imposed on Pay.UK to include the reimbursement requirement in the Faster Payments scheme rules; (ii) Specific Direction 19—given to Pay.UK to create and implement an effective compliance monitoring regime; (iii) Specific Direction 20—given to direct and indirect participants in Faster Payments, obliging them to comply with the reimbursement requirement and the reimbursement rules; and (iv) Specific Direction 21—given to direct and indirect CHAPS participants to reimburse APP scam payments and comply with the CHAPS rules. In addition, Pay.UK published amended FPS rules and its FPS Reimbursement Rules: Compliance Monitoring Regime. The Bank of England added the CHAPS reimbursement rules as an annex to the CHAPS Reference Manual.

In October 2025, the PSR published findings of the impact of its APP scam reimbursement requirement policy, one year after its implementation. Between October 2024 and June 2025, GBP112m was reimbursed to victims, with 88% of claimed losses refunded, an increase from 66% for the same period in the previous year. Firms resolved 97% of claims within 35 days, and 84% within five business days. Claim volumes fell, indicating improved fraud prevention by firms. However, purchase fraud continues to be a significant issue, accounting for nearly 60% of APP scam cases. The survey also reveals that awareness of the reimbursement policy is low, with 71% of victims unaware of it.

The PSR has committed to publish a post-implementation review after 12 months of the APP fraud reimbursement policy being in force and we expect to see the results of this in Q3 2026. It will also review the maximum reimbursement level. The government has also confirmed that it will release an expanded fraud strategy.

Our guide to the UK's APP fraud mandatory reimbursement scheme can be found **here**.

ROMANCE FRAUD

The FCA published in October 2025 its findings from a multi-firm review assessing how PSPs (including banks and other businesses offering payment accounts) detect and respond to romance fraud, a growing financial crime where victims are deceived into sending money to fraudsters who engineer false romantic relationships or friendships. The review covered 60 cases across six firms and the conclusions highlight examples of good practice and areas for improvement. While some firms are leading the way with proactive engagement and compassionate support reflecting best practice, these examples were not consistent across the industry and it is clear that staff play a critical role in interventions. The review also examined the effectiveness of firms' systems and controls in detecting romance fraud, to avoid missed opportunities to detect suspicious activity, including transactions to overseas jurisdictions, multiple payments over a short period and sudden increases in the value of funds being sent.

The FCA encourages firms to consider financial distress and unusual borrowing as potential red flags, and to strengthen due diligence on both incoming and outgoing payments. While some firms showed strong customer care, others failed to escalate safeguarding concerns or identify vulnerabilities early enough to intervene. The FCA expects firms to improve staff awareness, support vulnerable customers and ensure communications meet consumer duty standards. The review found that some firms rely too heavily on passive messaging, such as website content, which may not be sufficient to engage customers at risk. Looking ahead, the FCA expects firms to review their controls, enhance staff training and adopt a victim-centred approach to better tackle romance fraud and support those affected.

CONTRACT TERMINATION

The Payment Services and Payment Accounts (Contract Termination) (Amendment) Regulations 2025 have been published. The aim of the Regulations is to strengthen consumer protections when banks and payment service providers terminate payment service contracts. Under the new rules, payment service providers must now provide customers at least 90 days' notice—an increase from the two months currently required—before closing a customer's account or ending a payment service contract. They must also give a clear, specific written explanation for the termination, enabling customers to understand the decision and, if necessary, challenge it through the Financial Ombudsman Service.

The legislation enters into force on April 28, 2026 and will apply to contract terminations and bank account closures for contracts agreed from and including April 28, 2026.

CONTACTLESS LIMITS

Ahead of the revocation of payments authentication regulations relating to strong customer authentication, the FCA proposed replacing fixed regulatory limits on contactless payments with a risk-based exemption that would allow PSPs to process contactless transactions without payer authentication where payment service providers assess the transactions as low risk. This gives greater flexibility to banks and other PSPs to set their own contactless limits in line with business models and compliance with regulatory obligations. The FCA finalised these changes in December 2025 and they come into force on 19 March 2026. Adoption by firms is optional but firms will need to communicate any contactless limit changes to consumers in line with the consumer duty.

ACCESS TO CASH

The FCA has published an update on its forthcoming review of the access to cash regime. The regime, introduced under the Financial Services and Markets Act 2023, seeks to maintain responsible provision of cash access services to consumers and businesses. The FCA expects to begin its review in Q4 2026 and publish findings in Q2 2027. While the exact scope and methodology will be determined closer to the time, the review will assess compliance, costs to firms and the regime's effectiveness in preventing gaps in cash access. It will include quantitative analysis and evaluation of indicators such as consumer sentiment and cash coverage data, alongside stakeholder engagement.

MARKET REVIEW OF CARD SCHEME AND PROCESSING FEES

The PSR is carrying out two market reviews into card fees—one on card scheme and processing fees and one on cross-border interchange fees.

The market review of card scheme and processing fees looks in detail at the levels, structure and types of scheme and processing fees. In April 2025, the PSR published its consultation on potential remedies to address findings following the PSR's final report (published in March 2025) on its review of card schemes and processing fees. The consultation seeks to address the findings of the review, namely that there were ineffective competitive restraints, fees have risen without sufficient evidence of the rationale, and there is insufficiently clear and detailed information provided in respect of costs and pricing. The proposals in the consultation paper relate to:

1. Information transparency and complexity remedies—to ensure that acquirers have sufficient information to understand the fees they are charged and enable merchants to make informed decisions about fees. The PSR is also seeking input on the reduction of the volume of fees being charged, and complexity.

2. Regulatory financial reporting—this would provide the PSR with more detailed and accurate information of the profits the card schemes earn from UK businesses so it can monitor their performance and assess whether any future regulatory action is needed.

3. Pricing governance—the proposals impose requirements on the schemes in respect of their pricing decisions, including three pricing principles that would need to be considered when making any changes.

4. Publication of scheme information—this remedy would require card schemes to publish: (i) financial and performance-based metrics on UK businesses such as the number of transactions and approximate revenue from scheme and processing fees; and (ii) information about the schemes' regulatory financial reporting and pricing governance.

The PSR has subsequently published a consultation paper, proposing specific draft directions to implement two of the potential remedies: (i) information, transparency and complexity remedies; and (ii) a pricing governance remedy. A draft direction for a third remedy on regulatory financial reporting will be consulted on separately in spring 2026. A final decision on remedies is expected by the end of June 2026. The PSR has confirmed that other previously proposed remedies will not proceed.

MARKET REVIEW OF CROSS-BORDER INTERCHANGE FEES

The PSR's second market review focuses on consumer cross-border interchange fees between the UK and the EEA. The PSR wants to understand the reason behind the increase in fees associated with some UK-EEA payments, as well as to engage with businesses to better understand how the increases are impacting them. The PSR published a report setting out its interim conclusions on UK-EEA consumer cross-border interchange fees in December 2023. A year later, in December 2024, the PSR published its final report. The final report finds that due to a lack of competition, cross-border interchange fees have increased since 2021/2022 and are costing businesses GBP150—200m extra annually. The PSR did not identify any justifications for the increases and found that the potential detrimental consequences for services users were not considered. Alongside the report, the PSR also launched a consultation on a potential price cap remedy on outbound interchange fees. The PSR proposed a two-stage intervention. Stage 1 would consist of an initial, time-limited cap, set for a transitional period while an appropriate methodology for determining the most appropriate level of the price cap is developed and implemented. For stage 2, during the stage 1 period, the PSR would undertake work to develop an appropriate and longer-lasting cap, which might be higher, lower or the same as the cap set during the stage 1 period.

The PSR published a consultation paper on a methodology for developing a price cap on multilateral interchange fees for UK-EEA customer not present outbound transactions in October 2025. The proposed approach uses the Merchant Indifference Test (MIT) as a starting point. The PSR will decide on an appropriate cap based on the results of the MIT and on evidence of the impact of interchange fees on issuers' incentives and on competition between payment methods. The PSR will publish a statutory consultation setting out the proposed level of any cap before taking a final decision on whether to impose a price cap. The commencement of MIT survey work and other analysis is expected in spring 2026 and the PSR's final decision on remedies is expected in H1 2027.

The PSR also referred to its December 2024 consultation on whether to have a two-stage process and impose a first-stage, interim price cap while developing the longer-term cap. It confirms it has decided not to proceed with a first stage cap.

REVIEW OF REAL-TIME GROSS SETTLEMENT (RTGS) AND CHAPS SETTLEMENT HOURS

Following the launch of the Bank of England's Real-Time Gross Settlement (RTGS) service in April 2025, the Bank of England is considering extending the Clearing House Automated Payment System (CHAPS) settlement hours. In October 2024, the Bank of England issued a discussion paper outlining the case for longer hours. The Bank of England's current ambition is to move to near 24x7 by the turn of the decade. It intends to adopt a phased implementation approach and, in July 2025, launched a consultation paper on a proposal to start CHAPS settlement at 1:30am (currently 6:00am) to take effect from H2 2027. Additionally, it sought views on opening CHAPS on certain bank holidays and extending the evening contingency window from 8:00pm to 10:00pm. The Bank of England is now considering responses ahead of publishing a policy statement in early 2026. The Bank of England will also publish a separate consultation in early 2026 considering the approach to moving to near 24x7 settlement.

Looking ahead, as set out in the Bank of England's 2024/25 annual report for the RTGS system and CHAPS, the Bank of England is shifting towards an "ongoing programme of change" focused on continuous improvement to further strategic deliverables.

This includes:

- A series of maintenance releases to address minor defects, enhance functionality and update the CHAPS ISO 20022 messaging format.
- Progressing the Future Roadmap for RTGS, which prioritises: i) extended settlement hours, with its first consultation published in July 2025; (ii) a synchronisation interface to enable interoperability with other ledgers and technologies (e.g., overseas RTGS systems and assets such as land registries), and to support new payment technologies like distributed ledger technology. A Synchronisation Lab will launch in 2026 to test messaging flows in a non-live environment; and (iii) new ways to connect to RTGS to enhance resilience and adaptability in response to emerging services and evolving threats.
- Maintaining the current CHAPS authorised push payment fraud reimbursement limit of GBP85,000, given that many payment service providers voluntarily reimburse above this threshold. The Bank of England will continue to monitor developments and engage with the PSR on this.
- Mandating the use of enhanced data in CHAPS payments, including structured purpose codes, Legal Entity Identifiers, and standardised address and remittance formats. The Bank of England has since published a policy statement confirming the expansion of mandatory ISO 20022 enhanced data requirements for CHAPS payments, following its 2024 consultation. While these requirements will apply from November 2027, the policy statement also addresses feedback on the inclusion of Legal Entity Identifiers within ISO 20022 payment messages. The Bank of England will provide an update on Legal Entity Identifiers and structured remittance expansions by May 2026.
- Introducing an annual change management process for changes to the ISO 20022 implementations for RTGS and CHAPS, aligned with international standards and timelines to maintain interoperability.

OPEN BANKING AND OPEN FINANCE

Open Banking is a focus area in the UK government's National Payments Vision (NPV) (see the item on the **National Payments Vision** above), and looking ahead to 2026 and beyond, the government has clarified its regulatory responsibilities and priorities.

The 2017 Competition and Markets Authority (CMA) Order on Open Banking required the nine largest UK retail banks to make customer data available for use by authorised third-party providers, through a standard set of Application Programming Interface (API) standards. However, the government now believes that there is significant opportunity for Open Banking to grow beyond the scope of the CMA Order, following the successful implementation of the roadmap in September 2024. For Open Banking to scale and help deliver more competition and innovation in the market, the government believes that it needs to transition to a sustainable long-term regulatory framework. The government is committed to delivering this framework and intends to use smart data powers in the Data (Use and Access) Act 2025 (DUAA), to do so. The DUAA grants HM Treasury the powers necessary to lay secondary legislation to create smart data schemes for financial services. With this, the FCA will be able to establish the long-term regulatory framework for Open Banking and potentially extend it to future Open Finance schemes. A statutory instrument for Open Banking is expected to be laid in Q4 2026, with the FCA consulting on new rules for the long-term regulatory framework shortly after. The FCA's Open Finance road map is due to be published before March 2026 to align with the NPV and the FCA's five-year strategy.

The Joint Regulatory Oversight Committee (JROC) was a committee chaired by the FCA and PSR and also comprising HM Treasury and the CMA. It previously took responsibility for delivering a programme of work to promote the development of Open Banking in the UK. However, for Open Banking to further flourish and successfully deliver seamless account-to-account payments, the roles of the regulators needed to be clear. JROC has now been wound down, and the government has asked the FCA to be the UK's sole regulator for Open Banking as set out in the NPV. The government expects the FCA to engage as appropriate with the PSR, including in relation to the interaction of Open Banking overlay services with underlying payment rails which are designated as PSR regulated payment systems.

In August 2025, the FCA published a feedback statement on the design of the Future Entity for UK Open Banking, following the publication of proposals in April 2024. The feedback statement confirms that, subject to legislation, the Future Entity will become the primary UK standard-setting body for Open Banking APIs. It will set and maintain common standards for minimum service and interoperability, monitor API performance and adherence to standards (without enforcement powers), provide directory and certification services and support development of standards to enable commercial schemes, while not owning or operating such schemes where market innovation incentives exist. The FCA is leading next steps and expects the Future Entity and commercial scheme operators to be regulated as "interface bodies" under the DUAA. The final design of the Future Entity is expected in Q1 2026.

Previously under the JROC, the PSR led work seeking to develop a commercial model for the phase 1 use cases for Variable Recurring Payments (VRPs). The FCA, as the new lead regulator for open banking, has continued to work in close collaboration with the PSR, jointly working towards the launch of commercial VRPs. VRPs are an open banking technology that allow users to securely authorise trusted third parties to manage recurring transactions. In December 2025, the FCA and the PSR published a summary report on the development and rollout of commercial VRPs.

The summary report highlights significant progress in 2025, with VRPs now accounting for 16% of Open Banking transactions, with much of the growth occurring through "sweeping VRPs". The FCA has been working with industry to advance VRPs for broader commercial use, in line with the NPV to build a competitive UK Open Banking market and accelerate rollout to "phase 1" use cases. This year, 31 firms came together to establish a new UK Payments Initiative (UKPI) to drive VRP adoption for "phase 1" use cases, including utilities, financial services, and government payments. Market momentum is growing, with additional players developing VRP schemes and transaction testing already in progress. In relation to UKPI, industry has agreed on a first-phase commercial model and the FCA expects the first live payments under the UKPI scheme will take place in Q1 2026. Over 2026, the FCA will continue to support industry in the rollout of VRPs.

As the FCA set out in its five-year strategy and in line with the expectations set through the NPV, in 2025 the FCA prioritised work on the development of seamless account-to-account payments, so people have more choice about how they pay. This aim is also supported by the strategy for future retail payments infrastructure published by the Payments Vision Delivery Committee (see the item on the **National Payments Vision** above). This work will continue in 2026.

DEFERRED PAYMENT CREDIT (PREVIOUSLY KNOWN AS BUY-NOW, PAY-LATER)

Buy-now, pay-later, or as it is now called, deferred payment credit (DPC) is joining the ranks of regulated credit products. The Financial Services and Markets Act 2000 (Regulated Activities etc.) (Amendment) 2025 Order (the 2025 Order) was laid before Parliament in July 2025, bringing interest-free DPC agreements within the regulatory perimeter. This means certain providers of these products will require FCA authorisation or will be required to hold a temporary permission by July 15, 2026 in order to continue to provide such services.

The government laid the Financial Services and Markets Act 2000 (Regulated Activities etc.) (Amendment) (No. 2) Order 2025 (the Amendment Order) before Parliament in November 2025. The 2025 Order exempted most merchants from credit broking requirements when offering DPC but excluded domestic premises suppliers. The Amendment Order makes domestic premises suppliers exempt, in line with other merchants ahead of the DPC regime go-live date on July 15, 2026.

Separately, the FCA published a consultation paper in July 2025, setting out its proposed rules to regulating DPC products. A final policy statement is expected in early 2026. For further information, please see our blog post "**The continuing journey towards buy-now, pay-later regulation**".

EU

EU PAYMENTS PACKAGE

On June 28, 2023, the European Commission published the texts of legislative proposals that it adopted concerning reforms to EU payment services. The first proposal is a Directive on payment services and electronic money services (PSD3) which will modernise and repeal the revised Payment Services Directive (PSD2) and the revised Electronic Money Directive (EMD2). The package will also establish a new Payment Services Regulation (PSR). PSD3 establishes the licensing and supervisory requirements for payment institutions. The PSR lays down the conduct rules for payment service providers offering payment and electronic money services in the EU. The package of measures consists of: (i) merging the legal frameworks applicable to electronic money services and to payment services; (ii) strengthening measures to combat payment fraud, by enabling payment service providers to share fraud-related information between themselves, strengthening customer authentication rules, extending refund rights of consumers who fall victim to fraud and making a system for checking alignment of payees' IBAN numbers with their account names mandatory for all credit transfers; (iii) allowing non-bank payment service providers access to all EU payment systems, with appropriate safeguards, and improving their access to bank accounts; (iv) improving the functioning of Open Banking, especially as regards the performance of data interfaces, removing obstacles to Open Banking services and ensuring consumer control over their data access permissions; and (v) further improving consumer information and rights. Please see our **bulletin** for further information.

The European Parliament adopted its negotiating position on the proposed PSD3 and the PSR in April 2024, with the Council of the EU subsequently adopting its negotiating mandate in June 2025. Proposed changes to the Commission's original legislative proposals include: (i) bringing electronic communications service providers, such as internet carriers and messaging platforms, within the scope of fraud prevention; (ii) requiring ATM transactions to show all fees due and exchange rates before a transaction takes place; (iii) introducing further provisions to enhance transparency on payment card scheme fees and rules; and (iv) introducing safeguards to be put in place concerning new and innovative ways of making payments. The Council of the EU's agreement on the negotiating mandate paved the way for the start of trilogue negotiations, with a view to reaching political agreement on the legislation.

At the end of November 2025, the European Parliament and the Council of the EU announced a provisional political agreement on the EU payments package. While the final texts of the PSD3 and PSR are not yet available at the date of this report, press releases indicate that key areas still for discussion include fraud prevention, transparency requirements and Open Banking. Formal adoption by the European Parliament and Council of the EU is expected in H1 2026 and will follow finalisation of separate technical discussions on the texts. While exact implementation timelines are yet to be confirmed, the legislation is now expected to apply after a 21-month transition period.

EBA AND ECB REPORT ON PAYMENT FRAUD

At the end of 2025, the European Banking Authority (EBA) and the European Central Bank (ECB) published their joint 2025 report examining payment fraud trends across the EU/EEA from H1 2022 to H2 2024. The report confirms that strong customer authentication (SCA), mandated under the revised Payment Services Directive (PSD2) since 2020, remains effective in reducing fraud, particularly for card payments. However, overall fraud losses rose to EUR4.2 bn in 2024 (up from EUR3.5bn in 2023). Credit transfer fraud accounted for EUR2.2bn, while card payment fraud reached EUR1.3bn, with losses significantly higher for transactions outside the EEA where SCA is not required. The EBA and ECB stress the need for adaptive security measures and continued monitoring to address evolving fraud risks. It is likely that these findings will play a critical role in the final stages of EU negotiations on the EU payments package (see the adjacent item on the EU payments package), where fraud prevention is a key priority. For more information, please see our blog post "**Key takeaways from the EBA and ECB joint 2025 report on payment fraud**".

INSTANT PAYMENTS

Regulation (EU) 2024/886 on instant credit transfers in euros (the Instant Payments Regulation) entered into force on April 8, 2024 and aims to improve the availability of instant payment options in euro to consumers and businesses in the EU and in EEA countries. The date on which the various obligations begin to apply depends on the type and location of the payment service provider (PSP). For example, PSPs in the Eurozone have shorter implementation deadlines than those outside, and non-bank PSPs, payment and e-money institutions, have more time to comply with the new obligations than banks and other PSPs. The Instant Payments Regulation amends the SEPA Regulation to set out new rules on the execution of instant credit transfers as well as obligations for PSPs to provide a verification of payee service to payers (checking that the IBAN and the name of the payee match) in respect of all credit transfers (instant and non-instant). The Instant Payments Regulation also amends the rules on charges for cross-border payments and on the possibility for a PSP to levy additional charges when a user does not provide an IBAN and a Bank Identifier Code (where applicable) as set out in the Cross-Border Payments Regulation.

In addition, the Instant Payments Regulation amends the Settlement Finality Directive and revised Payment Services Directive (PSD2) to introduce rules on direct access to payment systems for non-bank PSPs and new requirements for these non-bank PSPs and payment systems in relation to offering the services of sending and receiving instant credit transfers. Amendments to the Settlement Finality Directive and PSD2 had to be transposed by EU Member States in their national legislation and have applied since April 9, 2025.

The first set of obligations under the Instant Payments Regulation applied on January 9, 2025. From this date, traditional banking PSPs located in the euro area have been required to provide a payment service of receiving instant credit transfers, as well as charging the same or lower fees for instant payments as for regular transfers. They have also been required to provide a payment service of sending instant credit transfers in euro and provide the service of verification of payee since October 9, 2025.

Traditional banking PSPs located outside the Eurozone will be required to provide a payment service of receiving instant credit transfers in euro, as well as charging the same or lower fees for instant payments as for regular transfers, by January 9, 2027. Traditional bank PSPs located outside the Eurozone will be required to provide a payment service of sending instant credit transfers and the service of verification of payee where they are the payer's PSP by July 9, 2027. Non-bank PSPs from the Eurozone that already provide a service of receiving/sending credit transfers in euro will be obliged to offer a service of receiving/sending instant credit transfers in euro from April 9, 2027, and non-bank PSPs from outside the Eurozone that already provide a service of receiving/sending credit transfers in euro will be obliged to offer a service of receiving instant credit transfers in euro from April 9, 2027 and also to provide a service of sending instant credit transfers in euro from July 9, 2027. All PSPs, whether located inside or outside the Eurozone, are subject to an obligation to perform daily sanctions screening to verify whether any of their payment service users are subject to targeted financial restrictive measures in the context of the offering of the service of receiving/sending instant credit transfers in euro (this obligation began to apply from January 9, 2025).

For more information on the Instant Payments Regulation, please read our brochure **here**.

OPEN FINANCE

The European Commission's proposed regulation on a framework for financial data access (FIDA) was published in June 2023, alongside the EU payments package (see the item on the **EU payments package** above). This proposal establishes a framework for responsible access to individual and business customer data across a range of financial services—Open Finance. The proposal aims to ensure that all consumers and firms have effective tools to control the use of their financial data and builds on the Open Banking regime established under the revised Payment Services Directive (PSD2). In December 2024, the European Parliament decided to open interinstitutional negotiations and that month also saw the Council of the EU reaching agreement on its mandate on FIDA. Trilogue negotiations among the European Parliament, the Council of the EU and the Commission to reach agreement on the final text of FIDA are currently underway. The last interinstitutional negotiations on FIDA took place in mid-October 2025 with no new date set. Formal adoption is now expected in 2026 and the majority of provisions will apply 24 months after FIDA's entry into force.

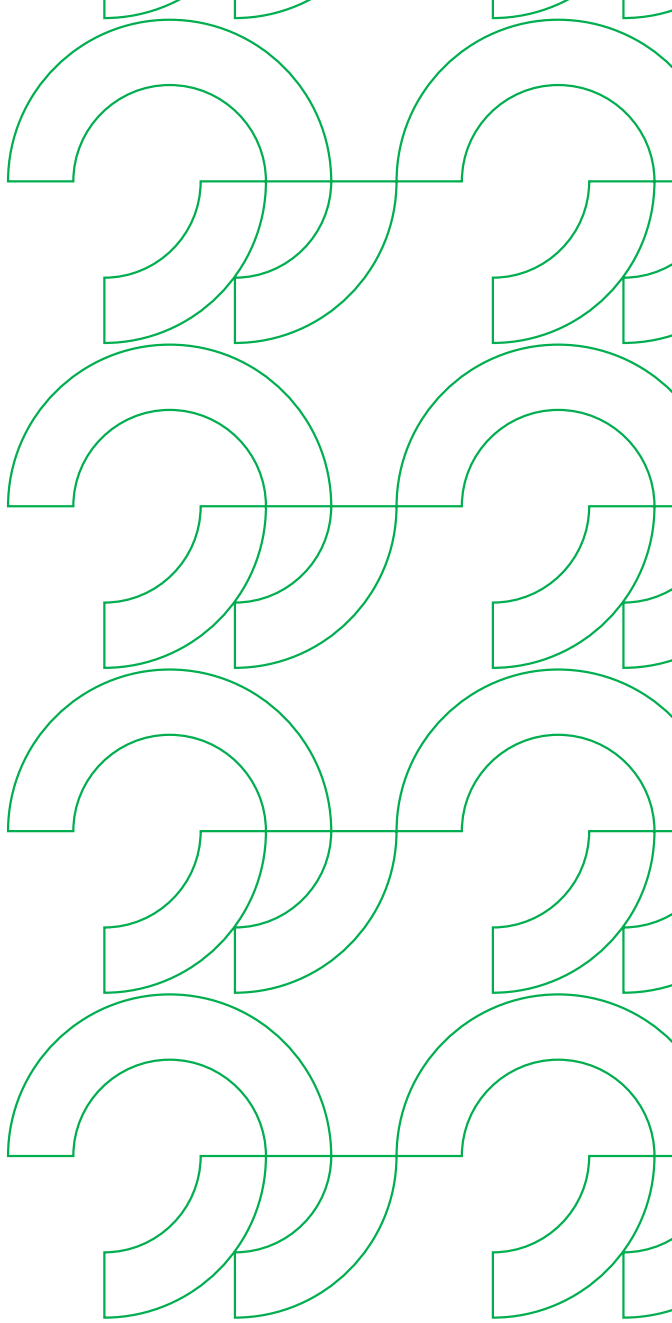
Interntional

FATF STANDARDS ON PAYMENT TRANSPARENCY

The Financial Action Task Force (FATF) has published revised standards updating its comprehensive framework on recommendations to strengthen global efforts in anti-money laundering, counter-terrorist financing and counter-proliferation financing. The FATF update includes amendments to Recommendation 16, which governs the transparency of wire transfers through the payment chain and is commonly referred to as the "Travel Rule". The revised recommendation aims to modernise FATF standards in response to the evolving payments landscape, which now includes a broader range of products and services, technologies and business models. The changes to the standards are described below.

- Clarification of responsibilities within the payment chain, specifying who is accountable for including and maintaining information in payment messages and ensuring it remains unchanged to support secure payments. Under the new standard, the payment chain begins with the financial institution that receives the customer's instruction.
- Implementing standardised requirements for peer-to-peer cross-border payments exceeding USD/EUR1,000, requiring the inclusion of the sender's name, address and date of birth to improve transparency and aid in detecting suspicious transactions.
- Requiring financial institutions to adopt new technologies that protect against fraud and error, such as tools to verify recipient banking information—many of which are already in use in some jurisdictions.
- Clarifying the scope of "purchase of goods and services" on card transactions while maintaining the exemption of such transactions from the full requirements of Recommendation 16.

The changes will take effect by the end of 2030, with the FATF committed to issuing guidance and maintaining active engagement with the private sector to support the industry preparing for them.



Fintech/Digital assets

UK

FUTURE UK CRYPTO REGIME

The countdown to the UK's future crypto framework has now begun. On 15 December 2025, HM Treasury published the final text of the UK's cryptoasset legislation, which will bring currently unregulated cryptoasset and stablecoin activities within the scope of the UK financial services regime. This follows a consultation on the draft legislation in April 2025. The legislation has now been laid before Parliament, and the "go-live" date for the new licensing regime is October 25, 2027.

The legislation in question is the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025. They set out the legal basis for the Financial Conduct Authority (FCA) to regulate a range of activities in the UK in respect of "qualifying cryptoassets" and "qualifying stablecoins". The Regulations amend the existing Financial Services and Markets Act (Regulated Activities) Order 2001 to specify new regulated activities including: (i) issuing qualifying stablecoin; (ii) safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets; (iii) operating a qualifying cryptoasset trading platform; (iv) dealing in qualifying cryptoassets as principal or agent; (v) arranging deals in qualifying cryptoassets; and (vi) making arrangements for qualifying cryptoasset staking. Going forward, firms carrying out these new regulated activities will need to be licensed under the Financial Services and Markets Act 2000.

Firms which offer cryptoasset or stablecoin-related services to UK customers will generally be caught by the new rules even if they operate from overseas. A tailored licensing regime for stablecoin issuance will only be available to firms established in the UK; however, activities involving off-shore-issued stablecoins are still likely to require licensing under other categories set out in the previous paragraph. Limited exclusions from licensing will apply.

New provisions included in the Regulations also create "designated activities" relating to public offers of qualifying cryptoassets and the admission of qualifying cryptoassets to trading. Such designated activities will not be subject to licensing but will be subject to rules, for example rules on disclosures/white papers. Exemptions apply in limited circumstances.

Under the Regulations, a crypto-specific market abuse regime will also apply to relevant qualifying cryptoassets admitted or seeking admission to trading, and to related instruments, mirroring familiar market abuse concepts: inside information, insider dealing, unlawful disclosure and market manipulation. Firms within scope must implement systems and procedures to prevent, detect and disrupt abuse, notify trading platforms of suspicious orders/transactions, maintain insider lists, and comply with information-sharing provisions under FCA rules.

In addition, the Regulations make consequential amendments to existing anti-money laundering and financial promotions requirements for cryptoasset firms to reflect the new regulatory perimeter.

Transitional measures will be available to firms that apply to the FCA for a licence ahead of the regime's start date, enabling them (and certain affiliates) to continue providing services in the UK to a greater or lesser extent while their applications are being considered.

Parliamentary approval of the Regulations is expected in 2026, and the regime will then go live on October 25, 2027. The FCA is empowered to make rules ahead of the go-live date.

Accordingly, on December 16, 2025, the FCA also published three consultation papers setting out its proposed rules and guidance on regulating cryptoasset activities, the admissions and disclosures and market abuse regime for cryptoassets, and a prudential regime for cryptoasset firms.

The consultation on regulating cryptoasset activities sets out the FCA's proposed rules and guidance for some of the new regulated cryptoasset activities introduced through the Regulations. These activities include: (i) operating a trading platform; (ii) intermediaries; (iii) lending and borrowing; (iv) staking; and (v) the approach for decentralised finance.

The consultation on admissions, disclosures and a market abuse regime for cryptoassets sets out the FCA's proposals for two new regimes under the designated activities regime: (i) admissions and disclosures—governing public offers of qualifying cryptoassets and their admission to trading on cryptoasset trading platforms, and disclosure obligations relating to admissions to trading and the issuance of UK-issued qualifying stablecoins; and (ii) a market abuse regime for cryptoassets—introducing requirements to prevent, detect and disrupt market abuse in cryptoasset markets.

The consultation on a prudential regime for cryptoasset firms sets out the FCA's proposed prudential requirements for cryptoasset firms, building on earlier proposals published in May 2025. Please also see the Prudential regulation section for further information on the **Prudential regimes for cryptoassets exposures**, including the prudential requirements under the future UK regime.

The consultations close on February 12, 2026, and final rules and guidance are expected later in 2026.

For further information on the future UK crypto regime, please see our blog post "**UK future crypto framework: The countdown begins**" and our webinars **here** and **here**.

STABLECOINS

The UK is advancing in its plans to regulate stablecoins. The FCA has said that stablecoin payments are a priority in 2026 and it is working closely with the Bank of England to develop the UK's regulatory regime for stablecoins.

Under the UK's future crypto framework, issuing "qualifying stablecoins" will become a regulated activity. Firms wishing to issue qualifying stablecoins will need to be authorised by the FCA under the Financial Services and Markets Act 2000 and will be subject to ongoing supervision (see the item above on the **Future UK crypto regime**).

The FCA consulted on its rules for stablecoin issuance and cryptoasset custody in May 2025. In the consultation paper, the FCA proposed rules and guidance for the issuance of qualifying stablecoins and the safeguarding of qualifying cryptoassets, including stablecoins—activities which will become new regulated activities under the UK's future crypto regime.

The FCA set out proposals under which qualifying stablecoin issuers will be required to:

- Back qualifying stablecoins with secure, liquid assets in a statutory trust for qualifying stablecoin holders (held with a third-party custodian who is not in the issuer's group so as to mitigate contagion risk);
- Offer redemption of qualifying stablecoins in exchange for money to all holders; and
- Clearly disclose their policy for redemption and the composition of backing assets to consumers.

The FCA also proposed that custodians of qualifying cryptoassets will be required to: (i) segregate client cryptoassets from their own; (ii) hold those qualifying cryptoassets on behalf of clients in a trust; (iii) have accurate books and records of clients' cryptoassets holdings; and (iv) have adequate controls and governance to protect clients' cryptoassets holdings. Final rules are expected to be published in 2026 before the future UK crypto regime go-live date on October 25, 2027.

To enable firms to experiment with the issuance of stablecoins, the FCA will open its regulatory sandbox for safe testing and to support innovative policy development. It is inviting firms that plan to issue a stablecoin in the UK and wish to test their products in its regulatory sandbox to apply by January 18, 2026.

The Bank of England is also currently consulting on its proposed regulatory framework for sterling-denominated systemic stablecoins. Under the framework, HM Treasury will determine which payment systems using stablecoins, and their service providers, should be recognised as systemically important. Once recognised, these entities will fall within the Bank of England's remit and be subject to its powers under the Banking Act 2009, in addition to, where applicable, future licensing supervision by the FCA.

Key proposals include:

- Allowing issuers to hold up to 60% of backing assets in short-term sterling-denominated UK government debt, with the remaining 40% as unremunerated deposits at the Bank of England. Issuers deemed systemic at launch, or transitioning from the FCA's non-systemic regime, may initially hold up to 95% in short-term UK government debt to support viability during growth;
- Using existing international standards as the baseline for capital requirements for general business risk of systemic stablecoin issuers, with capital to be held in the UK;
- Having central bank liquidity arrangements to support systemic stablecoin issuers during periods of stress; and
- Introducing temporary holding limits of GBP20,000 per stablecoin for individuals and GBP10mn for businesses, with an exemption regime for large corporates requiring higher holdings. The Bank of England expects that these limits will be removed once transition risks to real-economy financing are fully understood and mitigated or subside. Limits will not apply to stablecoins used for wholesale financial market settlement within the Bank of England and FCA's Digital Securities Sandbox.

In H1 2026, the Bank of England is expected to publish a policy statement and a consultation on rules for systemic stablecoins. The Bank of England and the FCA are also due to publish a joint approach document that will clarify how the rules will apply in practice. The Bank of England will publish its final rules instrument and supervisory approach in H2 2026.

For further discussion on stablecoins, including on why they matter, how they're being used today and what the future could look like, please listen to our podcast "**Beyond the buzz: What is driving stablecoin adoption?**".

Please also see our webinar "**Navigating the global crypto regulatory landscape: UK, U.S. and EU alignment and divergence**".

PROPERTY (DIGITAL ASSETS ETC) ACT 2025

The Property (Digital Assets etc) Act 2025 has come into force and gives effect to recommendations of the Law Commission confirming in statute that a thing that is digital or electronic in nature can be recognised as personal property even if it does not fall within the traditional categories of "things in possession" or "things in action". This means that certain digital assets such as crypto-tokens or crypto currencies can now be recognised as property providing legal certainty for businesses and individuals.

DIGITAL POUND

With the belief that "public" money will become increasingly less useful and useable and of shrinking relevance to a large part of the population, HM Treasury and the Bank of England consulted on a UK retail central bank digital currency (CBDC) in February 2023. The "digital pound", if introduced, would be issued by the Bank of England and could be used by households and businesses for everyday payments in-store and online. It would be interchangeable with cash and bank deposits. The consultation explored the need for a digital pound and proposed a set of design choices. The Bank of England and HM Treasury published their response in January 2024.

The first digital pound progress update was published in January 2025. The update summarises the work over the past year, including how it relates to the evolving payments landscape, such as the National Payments Vision. It also announced the Bank of England's plans to launch the Digital Pound Lab, an experimental platform for industry to test use cases and understand potential business models for a digital pound. The Lab is expected to run until July 2026.

In October 2025, the Bank of England published an update on the ongoing design phase of the digital pound. While no decision has yet been made on its introduction, the focus over the past year has been on developing a detailed blueprint, supported by design notes and practical experimentation through the Digital Pound Lab. The blueprint is expected to be published in 2026. This work will inform a decision by the Bank of England and HM Treasury on next steps in 2026. In parallel, payment trends in the UK and internationally will continue to be monitored to support this assessment. If a decision is made to proceed, a digital pound would only be introduced following the passage of primary legislation by Parliament.

The Bank of England will continue targeted experiments and stakeholder engagement to explore what is viable and what may need to change.

EU

MICAR

The European Commission's Regulation on markets in cryptoassets (known as MiCAR or MiCA) has now had its first birthday. MiCAR established an EU legal framework for a broad range of cryptoassets that were not covered by existing EU financial services legislation, and introduced specific rules for stablecoins, which are divided into e-money tokens (EMTs) and asset-referenced tokens (ARTs). MiCAR has applied fully since December 30, 2024, subject to certain transitional measures, while the provisions related to issuers of ARTs and EMTs have applied since June 30, 2024.

MiCAR introduced requirements for cryptoasset issuers and cryptoasset service providers (CASPs) relating to transparency and disclosure for the issuance, offer to the public and admission to trading of cryptoassets. This includes an obligation on all issuers of cryptoassets that fall within the scope of MiCAR to publish a white paper, setting out mandatory disclosures. The white paper must be notified to competent authorities, who may require modifications (although there is no pre-approval requirement before publication). Additional disclosures are required for ARTs and EMTs.

MiCAR also introduced requirements for: (i) authorisation of CASPs and issuers of ARTs (unless they are already authorised under existing financial services legislation); (ii) supervision of CASPs, issuers of ARTs and issuers of EMTs, including powers for the European Supervisory Authorities to supervise certain "significant" issuers and CASPs; (iii) operation, organisation and governance of CASPs, issuers of ARTs and issuers of EMTs; (iv) consumer protection in the issuance, offer to the public and trading, exchange and custody of cryptoassets; (v) prevention of insider dealing, unlawful disclosure of inside information and market manipulation related to cryptoassets; and (vi) a change in control regime governing the acquisition of interests in CASPs.

MiCAR contains a substantial number of mandates for delegated acts, regulatory technical standards and implementing technical standards. Throughout 2025, the European Supervisory Authorities (namely ESMA and the EBA) continued finalising these level 2 measures, as well as level 3 measures. The Commission has been able to adopt the majority of the draft standards. Most are now in force. Others have been adopted but are still subject to scrutiny, and some are yet to be adopted. Once the remaining standards are adopted and come into force during the course of 2026, the EU framework for cryptoassets will be complete. In 2026, we also expect to see the first annual report on the application of MiCAR and developments in markets in cryptoassets from the EBA and ESMA—the deadline for this was December 31, 2025.

Entities benefitting from the transitional measures under MiCAR, including grandfathering and simplified authorisation procedure, must acquire authorisation by July 1, 2026 to continue providing cryptoasset services. This is the date on which the transitional phase of MiCAR ends.

The EBA has also issued temporary guidance on the interaction between MiCAR's stablecoin rules and the revised Payment Services Directive (PSD2), including to the effect that CASPs will also require payment services licensing for certain of their activities. The EU co-legislators hope to make use of the ongoing legislative process of PSD3 and the PSR to amend and strengthen MiCAR in this area. Please refer to the item on the **EU payments package** under the Payment services and payment systems section for further information on the PSD3 and the PSR.

Looking ahead, the market integration package published by the Commission in December 2025 proposes centralised supervision for CASPs by ESMA, to ensure a consistent application of MiCAR requirements and enhance supervisory and investigative powers. For further information on the market integration package please see the **Financial markets section**.

The Commission is likely to consult on changes to MiCAR in early 2026 as part of its delayed review, with a full report due to be presented on the application and impact of MiCAR by mid-2027.

Please see the Prudential regulation section for further information on the **Prudential regimes for cryptoassets exposures**, including the prudential requirements under MiCAR.

For more information on MiCAR, please see our bulletins

"**MiCAR under the microscope—Part 1: MiCAR is law**",

"**MiCAR under the microscope—Part 2: Are you in or out of scope?**"

"**MiCAR under the microscope—Part 3: The issuance of stablecoins under MiCAR: Scope and requirements**",

"**MiCAR under the microscope—Part 4: The CASP licensing regime**",

"**MiCAR under the microscope—Part 5: Regulatory requirements applicable to CASPs**"

"**MiCAR under the microscope—Part 6: Acquisition of qualifying holdings of CASPs and ART issuers**"

"**MiCAR under the microscope—Part 7: Prudential and capital requirements for issuers of ARTs and CASPs**"

"**MiCAR under the microscope—Part 8: White paper vs. prospectus**".

DIGITAL EURO

The digital euro project is the European Central Bank's (ECB) response to the changing landscape of consumer payments, driven by the rise of cryptocurrency, payment fintechs and electronic transactions. A digital euro would be a new form of digital money, issued and supervised by the ECB as a CBDC. To advance the development and implementation of this project, on June 28, 2023, the European Commission presented the digital euro package. This legislative package includes a Regulation establishing the legal framework for a possible digital euro. The digital euro would be a supplement to euro cash. It would take the form of a universal means of payment across the euro area, which would hold legal tender status (as euro cash) and be widely accepted as a means of payment.

The digital euro project has now completed its two-year preparation phase, which laid the groundwork for the potential issuance of a digital euro. During this stage, the digital euro rulebook was developed, and providers have been selected that could develop a digital euro platform and infrastructure. The ECB will now move on to the next phase of the digital euro project of building and testing technical systems. The ECB's final decision on whether to issue a digital euro, and on what date, will only be taken once the legislation has been adopted. Under the assumption that European co-legislators will adopt the Regulation on the establishment of the digital euro in the course of 2026, a pilot exercise and initial transactions could take place as early as mid-2027, and the digital euro could be issued for the first time during 2029.

For further information on digital assets specifically relating to financial instruments, please see the **Digital assets subsection** of the **Financial markets section**.

Timeline

Click on a theme (▶) to read more.

- **January 1, 2026** Implementation date for BCBS standards on prudential treatment of cryptoassets ▶ International Prudential
- **January 1, 2026** Changes to retail deposits threshold for application of leverage ratio take effect ▶ UK Prudential
- **January 1, 2026** New PRA Step in risk rules and accompanying policy materials apply ▶ UK Prudential
- **January 1, 2026** Restatement of certain CRR and Solvency II requirements in PRA Rulebook takes effect ▶ UK Prudential
- **January 1, 2026** The Financial Reporting Council's 2026 version of the UK Stewardship Code begins to apply ▶ UK Sustainability and ESG
- **January 1, 2026** EU BMR amendment regulation applies ▶ EU Financial market infrastructure
- **January 1, 2026** Amendments to MREL Statement of Policy take effect ▶ UK Recovery and Resolution
- **January 1, 2026** Part 1 amendments to the Large Exposures Framework take effect ▶ UK Prudential
- **January 1, 2026** Commission Delegated Regulation (EU) 2026/73 begins to apply ▶ EU Sustainability and ESG
- **January 10, 2026** CRD VI transposition deadline ▶ EU Prudential
- **January 10, 2026** EBA to deliver final ITS on supervisory reporting for third-country branches under CRD VI ▶ EU Prudential
- **January 11, 2026** CRD VI requirements and EBA guidelines on the management of ESG risks apply ▶ EU Prudential / ESG
- **January 30, 2026** Transition Finance Council consultation closes on its November 2025 draft of the Transition Finance Guidelines and Implementation Handbook ▶ UK Sustainability and ESG
- **January 19, 2026** UK Public Offers and Admissions to Trading Regulations 2024 main commencement date ▶ UK Primary markets
- **January 17, 2026** EU CSDR Refit outstanding changes come into effect ▶ EU Financial market infrastructure
- **January 11, 2026** Amendments to Article 8a CRD take effect clarifying scope of the group asset test threshold ▶ EU Prudential
- **January 2026** ESAs will commence oversight engagement with ICT third-party providers designated as critical on the list published in November 2025. ▶ EU outsourcing and operational resilience
- **January 2026** ESAs to develop guidelines in relation to certain issues relevant to the stress testing of ESG risks ▶ EU Sustainability and ESG
- **February 10, 2026** Deadline for comments on BoE consultation on proposed regulatory regime for sterling-denominated systemic stablecoins ▶ UK Fintech/Digital Assets
- **February 12, 2026** Deadline for responses to FCA consultation paper on cryptoasset admissions and disclosures, and market abuse regimes (CP25/41) ▶ UK Fintech/Digital Assets
- **Early 2026** EC to consult on changes to MiCAR ▶ EU Fintech/Digital Assets
- **February 13, 2026** Deadline for responses to PSR consultation CP25/3 on directions to implement remedies relating to scheme and processing fees ▶ UK Payment services
- **February 12, 2026** Deadline for responses to FCA consultation paper on prudential regime for cryptoasset firms (CP25/42) ▶ UK Fintech/Digital Assets
- **February 12, 2026** Deadline for responses to FCA consultation paper on regulating cryptoasset activities (CP25/40) ▶ UK Fintech/Digital Assets
- **Early 2026** Order aligning MLRs with new cryptoassets regulatory regime expected to be made ▶ UK Financial Crime
- **Early 2026** HMT expected to lay final version of Money Laundering and Terrorist Financing (Amendment and Miscellaneous Provision) Regulations ▶ UK Financial Crime
- **Early 2026** HMT to suggest further reforms to ring-fencing regime ▶ U.K. Ring-fencing
- **Early 2026** EU consolidated tape provider selection process launch ▶ EU Secondary and wholesale markets
- **Early 2026** BoE policy statement on extension of CHAPS settlement hours expected ▶ UK Payment services
- **Early 2026** Omnibus directive amending certain corporate sustainability reporting and due diligence requirements, including CSRD and CSDDD, expected to enter into force ▶ EU Sustainability and ESG
- **Early 2026** UK Government to publish finalised versions of UK SRS S1 and S2 for voluntary use ▶ UK Sustainability and ESG
- **Early 2026** EU RIS final texts expected ▶ EU Funds and financial products
- **Early 2026** BoE consultation on CHAPS 24x7 settlement expected ▶ UK Payment services
- **March 5, 2026** EU Listing Act changes in relation to alleviated prospectus regimes apply ▶ EU Primary markets
- **By March 31, 2026** PSR to consult on a draft direction to implement a regulatory financial reporting remedy relating to scheme and processing fees ▶ UK Payment services
- **By March 31, 2026** Deadline for SDDT-eligible firms to consent, or notify PRA of intent to consent, to the SDDT MbC before implementation ▶ UK Prudential
- **March 2026** UK FCA opens gateway for targeted support authorisation applications ▶ UK Clients, investors and consumers
- **March 2026** UK FCA final rules on motor finance redress scheme expected ▶ UK Clients, investors and consumers
- **By March 2026** FCA to publish a roadmap for Open Finance ▶ UK Payment services
- **By March 31, 2026** FCA consultation closes on its proposed new rules for ESG ratings providers ▶ UK Sustainability and ESG
- **Q1 2026** Final PRA policy statement on restatement of remainder of UK CRR ▶ UK Prudential
- **Q1 2026** PRA policy statement on refined methodology to Pillar 2A expected ▶ UK Prudential
- **Q1 2026** Final SI and PRA Rules on Basel 3.1 implementation expected ▶ UK Prudential
- **Q1 2026** Final PRA rules on simplified capital regime for SDDT firms expected ▶ UK Prudential
- **Q1 2026** Payments Forward Plan to be published as part of NPV implementation ▶ UK Payment services
- **Q1 2026** EC to adopt AMLA draft RTS on assessing inherent and residual risk profile of obliged entities under Article 40(2) MLD6 ▶ EU Financial Crime
- **Q1 2026** EC to adopt AMLA draft RTS on risk assessment for selecting credit and financial institutions and groups for direct supervision ▶ EU Financial Crime
- **Q1 2026** Final report on market risk framework expected to be published to EC ▶ UK Prudential
- **Q1 2026** Retail Payments Infrastructure Board to consult on set up and design of new retail payments infrastructure ▶ UK Payment services
- **Q1 2026** SRB Consultation on expectations on Liquidity and funding in resolution expected ▶ EU Recovery and Resolution
- **Q1 2026** Revised PRA policy on resolution reporting expected ▶ UK Recovery and Resolution
- **Q1 2026** UK FCA further feedback on commodity derivatives framework expected ▶ UK Secondary and wholesale markets
- **Q1 2026** EU EMIR RTS on active account requirement may be published in the Official Journal ▶ EU Derivatives
- **Q1 2026** EU CSDR settlement discipline RTS expected to be adopted ▶ EU Financial market infrastructure
- **Q1 2026** UK/EU joint testing plan for the move to T+1 due ▶ UK Financial market infrastructure
- **Q1 2026** EU EMIR possible publication of active account conditions RTS in Official Journal ▶ EU Derivatives
- **Q1 2026** FCA to consult on Sustainability Reporting Standards disclosure requirements for UK listed companies ▶ UK Sustainability and ESG
- **Spring 2026** Transition Finance Council to publish its Transition Finance Guidelines and Implementation Handbook in final form ▶ UK Sustainability and ESG
- **April 1, 2026** Amendments to MIFIDPRU on definition of capital for FCA investment firms enters force ▶ UK Prudential
- **April 6, 2026** UK CCI regime and implementation period commences ▶ UK Funds and financial products
- **April 2026** UK short selling regime final rules, statement of policy and draft reportable shares list expected ▶ UK Market surveillance, market abuse and transaction reporting
- **April 2026** COREP 13 template deletions expected to take effect ▶ UK Recovery and Resolution
- **April 28, 2026** The Payment Services and Payment Accounts (Contract Termination) (Amendment) Regulations 2025 come into force ▶ UK Payment services
- **April 16, 2026** EU AIFMD II implementation deadline ▶ EU Funds and financial products
- **April 2026** UK targeted support regime expected to come into force ▶ UK Clients, investors and consumers
- **May 7, 2026** Changes to safeguarding rules applicable to payment services and e-money firms come into force ▶ UK Payment services
- **June 3, 2026** UK banks / insurers to have reviewed status in meeting updated PRA expectations on managing climate related risks ▶ UK Prudential / ESG
- **June 5, 2026** EU Listing Act remaining changes mostly apply ▶ EU Primary markets
- **June 30, 2026** PRA MbC disapplying Leverage Ratio – Capital Requirements and Buffers Part of PRA Rulebook whilst thresholds under review ceases to apply ▶ UK Prudential
- **June 29, 2026** Latest date for EC to report on delegation of powers to adopt delegated acts under MiCAR ▶ EU Fintech/Digital Assets
- **June 21, 2026** Transitional period for external reviewers under the Green Bond Regulation ends ▶ EU Sustainability and ESG
- **June 19, 2026** EU Distance marketing of financial services implementation deadline ▶ EU Clients, investors and consumers
- **June 30, 2026** Final decision on market review of card scheme and processing fees remedies expected ▶ UK Payment services
- **June 2026** UK short selling regime main commencement date ▶ UK Market surveillance, market abuse and transaction reporting
- **Q2 2026** PRA policy statement on restatement of key UK CRR definitions expected ▶ UK Prudential
- **Q2 2026** FCA expected to update on remuneration rules for AIFMs, UCITS management companies and investment firms ▶ UK Prudential
- **Q2 2026** Commission to adopt a new delegated act to revise the new European Sustainability Reporting Standards (**ESRS**) ▶ EU Sustainability and ESG
- **Q2 2026** Commission to adopt delegated legislation to update and improve the usability of certain technical screening criteria under the taxonomy regime ▶ EU Sustainability and ESG
- **Q2 2026** ESMA final report on transaction reporting call for evidence expected ▶ EU Market surveillance, market abuse and transaction reporting
- **Q2 2026** PRA policy statement on phase 1 of Pillar 2A review expected ▶ UK Prudential
- **H1 2026** PRA second policy statement on large exposures expected ▶ UK Prudential
- **H1 2026** Increase in threshold at which firms come into scope of Resolution Assessment Part of PRA Rulebook expected to take effect. ▶ UK Recovery and Resolution
- **H1 2026** Bank of England to set out further detail on how it intends to assess CCP resolvability ▶ UK Recovery and Resolution
- **H1 2026** European Council and European Parliament anticipated to adopt CMDI proposals ▶ EU Recovery and Resolution
- **H1 2026** BoE expected to publish policy statement following consultation on the regulation of sterling-denominated systemic stablecoins and on Codes of Practice ▶ UK Fintech/Digital Assets
- **H1 2026** UK FCA policy statement on fund tokenisation ▶ UK Digital assets
- **H1 2026** FCA, PRA and BoE consultation on expectations around management of ICT and cyber resilience risks expected ▶ UK outsourcing and operational resilience
- **H1 2026** Final FCA/PRA rules on operational incident and outsourcing and third-party reporting expected ▶ UK outsourcing and operational resilience
- **H1 2026** BoE and FCA to publish joint supervisory approach document on regulation of systemic stablecoins ▶ UK Fintech/Digital Assets
- **H1 2026** Delivery company for National Payments Vision (NPV) implementation to be set up ▶ UK Payment services
- **H1 2026** Market review on card scheme and processing fees—final decision on remedies expected ▶ UK Payment services
- **H1 2026** UK equity markets (structure, transparency and related topics) consultation paper expected ▶ UK Secondary and wholesale markets
- **H1 2026** UK FCA consultations on regulated mortgages proposals expected ▶ UK Clients, investors and consumers
- **H1 2026** UK FCA consultation(s) on consumer duty application expected ▶ UK Clients, investors and consumers
- **H1 2026** UK FCA consultation on AIFMD reform expected ▶ UK Funds and financial products
- **H1 2026** UK Securitisation Regulation phase 2 consultations expected ▶ UK Securitisation
- **H1 2026** UK FCA and FOS policy statement and further consultation on modernisation of the redress framework expected ▶ UK Clients, investors and consumers
- **End of H1 2026 (or later)** UK EMIR new CCP regime final rules expected ▶ UK Derivatives
- **End of H1 2026 (or later)** UK CCP overseas regime final rules expected ▶ UK Financial market infrastructure
- **July 1, 2026** Latest date by which cryptoasset entities grandfathering under the MiCAR transitional measures must be authorised ▶ EU Fintech/Digital Assets
- **July 15, 2026** Deferred payment credit (previously known as BNPL) regime go-live date ▶ UK Payment services
- **July 10, 2026** Deadline for Member States to bring into force laws required for compliance with MLD6 Articles 11, 12, 13 and 15 ▶ EU Financial Crime
- **July 6, 2026** UK commodity derivatives framework main commencement date ▶ UK Secondary and wholesale markets
- **July 2, 2026** New ESG ratings regulation begins to apply ▶ EU Sustainability and ESG
- **July 18, 2026** UK FMI fundamental rules end of implementation period ▶ UK Financial market infrastructure
- **July 26, 2026** Commission to issue guidance and best practice on how to conduct due diligence processes for the purposes of CSDDD ▶ EU Sustainability and ESG
- **July 2026** EU EMIR first deadline for active account reporting ▶ EU Derivatives
- **July 2026** ESAP information collection due to start ▶ EU Clients, investors and consumers
- **Q3 2026** EU Pontes project pilot launch ▶ EU Digital assets
- **Q3 2026** Independent post-implementation evaluation of PSR's APP fraud reimbursement policies due to be published ▶ UK Payment services
- **September 2026** Cryptoasset application gateway expected to open ▶ UK Fintech/Digital Assets
- **September 30, 2026** EU BMR transitional period expires ▶ EU Financial market infrastructure
- **Q3 2026** Climate Financial Risk Forum to publish work on adaptation, nature as a financial risk, scenario analysis and Transition Finance metrics ▶ UK Sustainability and ESG
- **Q3 2026** ESMA to publish a thematic note on transition finance ▶ EU Sustainability and ESG
- **December 2, 2026** UK managers of UK AIFs/UCITS with over GBP5bn of AUM must publish first entity level report under FCA's SDR regime ▶ UK Sustainability and ESG
- **December 31, 2026** UK TIGER due to expire ▶ UK Derivatives
- **Q4 2026** FCA to publish a policy statement and its final rules for ESG ratings providers ▶ UK Sustainability and ESG
- **Q4 2026** PRA consultation on implementation of Basel standard on prudential treatment of firms' exposures to cryptoassets expected ▶ UK Prudential
- **Q4 2026** HMT to publish Open Banking statutory instrument and FCA to consult on new rules for the long-term regulatory framework ▶ UK Payment services
- **Q4 2026** FCA to begin access to cash review ▶ UK Payment services
- **Q4 2026** FCA to open a six-month pre-gateway support period for ESG ratings providers proposing to submit an authorisation application ▶ UK Sustainability and ESG
- **Q4 2026** ESMA to publish a thematic note on sustainability claims ▶ EU Sustainability and ESG
- **Q4 2026** ESMA to publish material on greenwashing risks and issues in the sustainable investment fund market ▶ EU Sustainability and ESG
- **H2 2026** FCA consultation on reforms to market risk framework for FCA investment firms ▶ UK Prudential
- **H2 2026** UK FCA MiFIR transaction reporting regime final rules expected ▶ UK Market surveillance, market abuse and transaction reporting
- **H2 2026** EU Securitisation Regulation trilogues expected ▶ EU Securitisation
- **H2 2026** UK EMIR new intragroup exemption regime final rules expected ▶ UK Derivatives
- **H2 2026** BoE to publish final rules instrument for systemic stablecoins regulation and its supervisory approach ▶ UK Fintech/Digital Assets
- **H2 2026** UK FCA policy statements and final rules on regulated mortgages changes expected ▶ UK Clients, investors and consumers
- **2026** PRA to review liquidity supervisory framework ▶ UK Prudential
- **2026** Parliament to approve draft Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025 ▶ UK Fintech/Digital Assets
- **2026** FCA to consult on discussion chapters 6–7 of CP25/25 on consumer duty application to cryptoassets and complaint handling rules ▶ UK Fintech/Digital Assets
- **2026** Outstanding EC Delegated Regulations under MiCAR adopted by the EC to be scrutinised by Council and European Parliament ▶ EU Fintech/Digital Assets
- **2026** EC to present interim report on the application of MiCAR under Article 140 (due in June 2025) ▶ EU Fintech/Digital Assets
- **2026** EC to present report to the Parliament and Council of the EU under MiCAR on latest cryptoasset developments ▶ EU Fintech/Digital Assets
- **2026** FCA expected to publish all cryptoasset policy statements and final rules ▶ UK Fintech/Digital Assets
- **2026** EC to decide whether to adopt outstanding draft technical standards under MiCAR ▶ EU Fintech/Digital Assets
- **2026** Outstanding ESMA and EBA final MiCAR guidelines will apply two months after all language translations are published on ESMA's website ▶ EU Fintech/Digital Assets
- **2026** ESMA and EBA deadline for presenting first annual report on application of MiCAR and developments in markets in cryptoassets ▶ EU Fintech/Digital Assets
- **2026** Regulation on the digital euro to be adopted ▶ EU Fintech/Digital Assets
- **2026** PSD3 and PSR to enter into force ▶ EU Payment services
- **2026** HM Treasury is working on updating the National Risk Assessment (NRA) on proliferation financing ▶ UK Financial Crime
- **2026** Home Office expected to publish money mules action plan ▶ UK Financial Crime
- **2026** FCA to publish a discussion paper on the roles and responsibility of industry and consumers in tackling fraud ▶ UK Financial Crime
- **2026** Review of the exit and pay away exemption introduced under ECCTA is scheduled ▶ EU Payment services
- **2026** BoE to publish blueprint for potential digital pound ▶ UK Payment services
- **2026** UK FCA consultation on new transaction reporting user pack expected ▶ UK Market surveillance, market abuse and transaction reporting
- **2026** UK FCA industry engagement on consumer initiatives ▶ UK Clients, investors and consumers
- **January 1, 2027** EBA guidelines on environmental scenario analysis to apply ▶ EU Prudential / ESG
- **Late 2026** FATF guidance to help implement the revised version of recommendation 16 (payment transparency) of its AML/CTF standards expected ▶ International Payment services
- **2026** Commission to work on various guidelines in relation to new omnibus EU directive, including targeted assurance guidelines ▶ EU Sustainability and ESG
- **2026** Commission continuing discussions with the European Parliament and the Council on SFDR 2.0 ▶ EU Sustainability and ESG
- **January 1, 2027** EU delayed application of own funds requirements for market risk ▶ EU Prudential
- **January 1, 2027** New simplified capital regime for small domestic deposit takers takes effect ▶ UK Prudential
- **January 1, 2027** Changes anticipated to MREL reporting policy (firms will submit Q4 data during February 2027) ▶ UK Recovery and Resolution
- **January 1, 2027** UK ancillary activities test (commodity derivatives framework) changes take effect ▶ UK Secondary and wholesale markets

For more information, please contact:

LONDON

Allen Overy Shearman Sterling LLP
One Bishops Square
London
E1 6AD
United Kingdom

Tel +44 20 3088 0000
Fax +44 20 3088 0088

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