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2026 Regulatory Outlook

Re-writing the script

INSIDE

“

Movies touch our hearts and awaken our vision and change the way we see things. They take us to other places; they open doors and minds.”

– Martin Scorsese

From debate to action

I am a big fan of the cinema. There's just something about a trip to the cinema that gives it special status that even the fanciest widescreen TV and streaming service cannot compete with at home – the popcorn smell, the vast darkened room, the panoramic sounds, the velvet seats – it all hits different.

The wide gamut of emotions that movies can elicit finds audiences for all genres, ranging from high-octane action and adventure to serious drama, horror, or light 'n' breezy rom coms depending on your mood.

This diversity of movie genres brings to mind global asset managers who, depending on the day, may feel widely varying emotions in the current environment. One theme is consistent however: the news cycle is delivering to asset management and banking more twists and storylines than even the Hollywood script writers.

I described 2025 as "Organized Chaos" as asset managers and banks jostled to get their heads around a dizzying confluence of geopolitical turmoil, nascent technology, and perennial regulatory tidal waves. 2026 will likely continue some of the same characteristics as orthodoxies and conventional wisdoms continue to be challenged.

However, there's growing market consensus that we need less talk and more action when it comes to regulatory changes, the use of nascent technologies, and building greater investor participation in markets.

In 2026, we will move from debate to action (or from scripting to production, if you've been following my theme).

Whether it's a shift from traditional fund vehicles, distribution channels, or payment mechanisms, certain technologies will likely move from experimental phases to mass adoption aided by regulatory certainty.

The shift towards policymaking geared to improving competitiveness is particularly significant in view of its potential impact. How this unfolds will create new challenges and opportunities for banks and asset managers as they consider the implications of what looks to be a new era of regulatory arbitrage coupled with regional simplification and harmonization (e.g., within the EU).

Incessant change means industry must anticipate and solve for evolving complexity. There will be adventure, there will be drama, there may even be some comedy along the way – but horror shows are to be avoided!

This outlook is intended to highlight some important areas likely to shape the coming year for banks and asset managers. As we move on from circular debates about possible policies, it now appears that policymakers in 2026 are ready to shout for lights, camera, and in particular, action.

Hopefully this overview helps you follow the regulatory script for 2026, at least a little. I'd welcome the opportunity to further discuss these topics with you.

Best,

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Regulating Nascent Technology

Remaking a classic

As I look to 2026, discussing regulatory policy relating to artificial intelligence and digital assets – stablecoin, cryptocurrency, and tokenized deposits and CBDCs – is unavoidable. These are hot topics across industry but also at many dinner tables as nascent tech rapidly goes mainstream. However, trying to write anything coherent and useful to the reader on the myriad rules currently implemented or under review is a task I'm afraid might lie beyond me and this outlook.

While these nascent technologies may appear complex and fast paced, ironically, this is not the first time we've seen this movie. Looking back at how previous rules and standards have been assessed and codified, the regulatory foundations have and will remain the same as the markets mature and grow.

This is not intended as a defense of the status quo for its own sake but rather a pragmatic recognition that financial services has made step-change advances in the past, involving very significant re-ordering of players and priorities. This realization has occurred not just to us in the industry but also to policymakers.

At the end of the day, new technology is a tool to achieve enduring goals – fostering investment, delivering returns, and protecting investors. While some tools may be new, the questions we must ask are unchanged: How is capital investment improved, made more efficient, liquid? How are returns generated through new means of investment? How are investor interests protected?

While words like unprecedented and unique are thrown around to describe many of the issues currently under debate relating to nascent technology, they are similar in some respects to what has come before. For this reason, policy reactions broadly have adapted earlier flicks. Major legislative developments such as the Genius Act or EU MiCA begin by addressing the questions mentioned above and prioritize familiar principles.

Here are five foundational principles that will remain in perpetuity regardless of technological advancements in global capital markets:

Investor Protection Mechanisms

- Product disclosures
- Suitability assessments
- Liquidity promise
- Investor recourse to property and contract rights

Systemic Resilience

- AML/KYC and cybersecurity
- Data protection and provenance
- Prevention of market manipulation
- Capital markets liquidity

Good Governance

- Executive accountability
- Ethical considerations
- Approved use and oversight protocols

Transparency and Disclosure

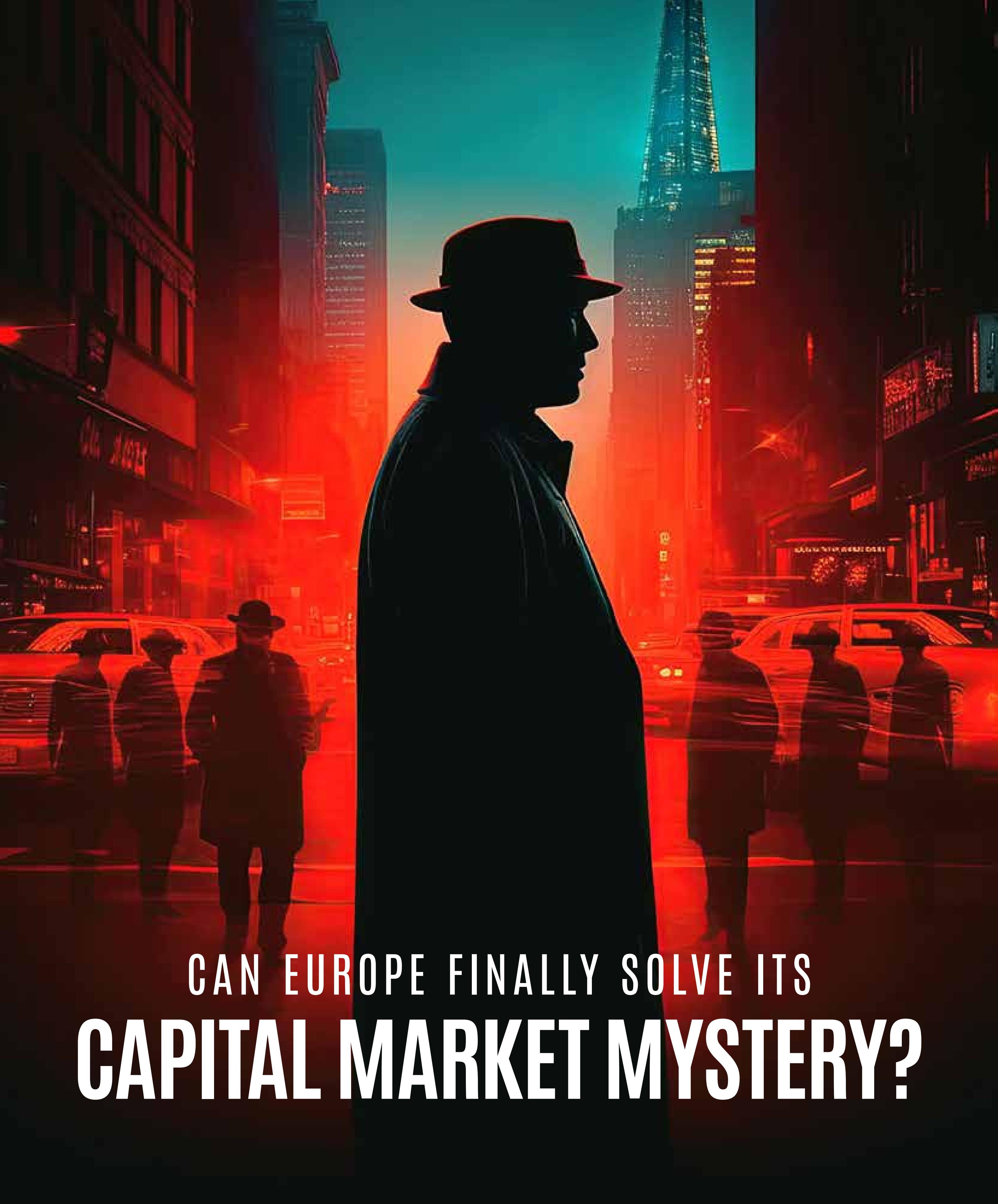
- Clear accurate and timely information – no "wizard of Oz" black box modelling
- Strategy, risks, conflicts, and fees cannot be opaque
- Ability to explain product or model in "plain English" to regulator and client

Regulatory Staples

- Conflicts of interest – identify, manage, and disclose
- Reporting – data led supervision increases
- Fair valuation – digital assets valued accurately and according to established methodologies

Technology Regulations to Watch for in 2026

United States	European Union	United Kingdom
Genius Act	MiCA recalibration and digital Euro (CBDC) (e.g., ECB Project Appia)	FCA CP25/14: Stablecoin issuance and cryptoasset custody; BoE proposed regime for GBP systemic stablecoins; HMT & BoE consideration of digital pound and tokenized deposits
Clarity Act	DLT Pilot Regime	FCA CP25/40, CP25/41 and CP25/42; HM Treasury Statutory Instrument for implementing crypto assets framework in the UK
Anti-CBDC Surveillance State Act	ESMA to authorize and supervise all crypto-asset service providers (CASPs) - proposed	CP25/42
Revisions to Uniform Commercial Code (UCC)	EU member state national law developments	Property (Digital Assets) Act 2025 and application of existing common law to digital assets
US developments, mostly through DTCC	DLT Pilot Regime, ECB Project Pontes	DIGIT/DSS (Digital Securities Sandbox)
EO National AI Policy; SEC 2026 Exam Priorities include cybersecurity, AI and emerging technologies; State-level legislation and regulation	EU: review and revision of EU AI Act	Gov.uk - AI regulation: a pro-innovation approach



CAN EUROPE FINALLY SOLVE ITS CAPITAL MARKET MYSTERY?

The crime mystery, or whodunit, usually ends with all being revealed but not always in the way the audience expected.

The European Union (EU) is currently attempting to solve its own long-running mystery. The puzzle centers on how the bloc can increase capital markets activity and channel large stores of European cash savings – about 70% of EU citizens' savings are currently held in deposit accounts[1]-into more productive investments.

The aim of this is to boost economic growth via private capital in ways that can benefit both EU markets and its citizens.

This goal comes at a time of shifting geopolitical pressures and rising competition. Economic blocs are becoming increasingly focused on defense spending, sourcing rare industrial raw materials, building infrastructure to support aging populations, as well as technology investments and risks such as those relating to AI and quantum computing. And the EU is rightly asking itself how it will fund its future as the need for economic self-sufficiency comes into sharp focus.

In the center of the storm is the European Commission, which is pushing for massive change. The centerpiece of the EU's efforts to solve its investment and capital markets mystery is the Savings and Investment Union (SIU), a large package of reforms inspired by the seminal Draghi and Letta[2] Reports.

While the reform has already begun, 2026 marks a year in which the frantic debate around a raft of policy changes will need to be concluded. These range from fostering higher levels of financial literacy and pension campaigns to highly technical regulation revisions across the entire capital markets regulatory rulebook.

How the various EU and member state policymakers and public authorities can place the various pieces of this reform jigsaw will ultimately decide if the mystery of EU competitiveness is resolved or remains frustratingly elusive. Industry and other stakeholder engagement with policymakers and public authorities will be increasingly important to successfully solve this mystery.

OVERARCHING SIU PACKAGE

Open Industry Debates

- Market Integration Package: wholesale re-write of EU financial services law and regulationPensions Reform
- Pensions reform
- Securitization review

Published Recommendations Requiring EU Member State Action

- Savings and Investment Accounts
- Financial literacy strategy
- Pension auto-enrolment, tracking systems, and dashboards

Regulatory Simplification

- Omnibus Packages
- De-prioritisation of regulatory standards
- Single supervision

2026 Upcoming Reviews

- EU Venture Capital Review (EuVECA)
- Shareholder Rights Directive

Aspects of the Market Integration Package

- Delegation: concept of an "EU Group"
- Depositary passport
- From directives to regulations
- UCITS investment limits
- Single supervision

Aspects of the Supplementary Pensions Package

- Communication: access, prudent person principle, and diversification
- Legislative proposals: Pan European Pension Product (PEPP) and Institutions for occupational retirement provision (IORP) 2 Directive
- Recommendations to Member States: Pension auto-enrolment, tracking systems, and dashboards

[1] Arthur Cox LLP (AC). Savings and Investments Union: Commission outlines its plans. 20 March 2025.

[2] In 2024, two separate official reports on the European economy were released authored by former Italian prime ministers Mario Draghi and Enrico Letta.

Cartoonish or deserving of critical acclaim?

> “My money’s the best friend I ever had,”
>
> – *Scrooge McDuck*

Animated movies have the power to bring people together and bridge generations like no other film genre. At surface level they can often seem like a cheerful and colorful novelty but often blend in deeply emotional and sensitive human themes. They can provide the perfect medium for conveying complex ideas that sometimes feel less accessible when portrayed through human actors.

In the same way, digital money was once largely seen as a novelty – unserious but nonetheless interesting. However, that narrative has fundamentally changed. With continued exponential growth rates and traditional institutions increasingly taking a leading role in the space, it is clear digital money is no longer a short-term novelty. More likely, we have entered an era where digital cash is an important payment option co-existing and thriving alongside more “traditional” fiat currency.

What’s interesting is that although we have had multiple currency types for decades – largely fiat currencies that maintained identical or near identical characteristics – the growth of digital cash highlights some key attributes. These attributes need to be understood in order to appreciate where we are likely headed.

Let’s take a quick spin through the forms of digital cash being used in industry and the various digital forms that are likely to come into sharper view in 2026:

Fiat Currency

The demise of fiat currency has been predicted pretty much since its inception. However, this old timer isn’t going anywhere. Fiat currency is government-issued money that isn’t backed by a physical commodity but instead derives its value from the public's trust in the issuing government and its economic stability. Its value is generally maintained by supply and demand, government regulation, and central bank monetary policy, making it "legal tender" by decree, not due to its intrinsic worth.

The very characteristics that make it so commonly utilized are actually the same reasons its detractors criticize it.

Digital

Before diving into the various forms of digital cash I will try to give it an overarching umbrella definition which broadly applies to each type:

> *Digital cash is money that exists only in digital form rather than physical forms like coins and banknotes, but it is also distinguished from money represented by claims on banks, which we call deposits. It is designed to be used in payments, but it is both stored and transferred electronically, utilizing distributed ledger technology.*

Electronic Money (E-money)

E-money is stored and transacted electronically within traditional centralized banking systems managed by financial institutions or intermediary payment providers. Unlike blockchain-based varieties, e-money is held in traditional bank accounts or mobile wallets like Venmo, PayPal, Apple, or Google Pay.

Cryptocurrency

Cryptocurrency is a digital or virtual currency secured by cryptography, operating on a decentralized blockchain (distributed ledger) network, meaning it isn't controlled by any central authority, allowing for secure, "peer-to-peer" transactions. It can function as an electronic payment system with transactions recorded on a public ledger, making them difficult or impossible to alter (depending on the protocol employed). Bitcoin is the most famous example, but others like Ethereum and Solana also exist, with varying features.

Central Bank Digital Currencies (CBDCs)

These are the digital versions of a sovereign government's fiat currency utilizing digital ledger technology. CDBCs are issued and regulated by the country's central bank. They are a direct liability of the central bank and are designed to combine the efficiency of digital payments with the stability and trust of traditional money. Examples include China's Digital Yuan (e-CNY) and the potential of a Digital Euro in the European Union. In contrast, the US has categorically ruled out the implementation of a CDBC for the dollar.

Stablecoins

A type of digital asset issued by a private company designed to maintain a stable value by pegging it to a secure underlying reference asset such as the US dollar, a commodity like gold, or potentially other instruments such as money-market instruments or even cryptocurrencies. Stablecoins seek to provide the benefits of being potentially borderless and offering instantaneous settlement with minimal price swings, making them suitable for everyday transactions. Popular examples include Tether (USDT) and USD Coin (USDC).

Tokenized Cash Deposits

Tokenized bank deposits are regular bank deposits that are represented as digital tokens on a distributed ledger while remaining claims on a commercial bank (not central bank). They are merely an "on-chain" representation of "off-chain" fiat money. Several global banks are now offering tokenized cash deposits.

Virtual Currencies

These are unregulated digital forms of money used in a limited fashion within very specific online platforms and communities like video games or social networks. Within these closed loop markets they may be used to purchase virtual goods and services. They are usually controlled by the developers of the platform and cannot be used beyond the closed loop market or sold or transferred in a secondary market. "V-Bucks" in the game Fortnite and "Robux" in Roblox are common examples.

As we enter 2026, it is clear that regulations such as EU MiCA revisions, the US GENIUS Act and Clarity Act, and the UK's three open consultations on crypto assets closing on February 12, 2026 mean that we will have more options for paying for things (including as cash legs for settlement of tokenised real world assets) in the not so distant future.

In 2026, cash may still be king, but its future seems to be more diverse and digital.

FUND TOKENIZATI

Industry's Digital Quest Adv

Fund tokenization is set to be one of the most intense areas of focus across global markets in 2026. And like a good action-adventure movie, its story will be fast moving, things could break along the way, and uncertainty around the direction we're headed should be expected.

With recent tailwinds like pro-digital policy shifts, increasing market awareness, and a broad dialogue on establishing use cases for digital ledger technology (DLT) in capital markets, digital transformation appears to have achieved critical mass. The question is no longer *if,* but how and when it should be applied. However, like most action movies, the path remains unclear in many respects, antagonists may appear to thwart progress, and plot twists may lie ahead.

Origin story

DLT in finance involves much more than cryptocurrencies: it may be employed for the tokenization of almost any right or asset, including securities traded and settled in traditional capital markets. Moreover, DLT will form the backbone of tokenized deposits, Central Bank Digital Currencies (CBDCs), and stablecoin. DLT may be used to facilitate not just trading, but also lending, staking, payment, credit scoring, identity management, collateral management, and virtually any activity associated with a tokenized right or asset.

Positive Policy Drivers

United States	European Union	United Kingdom
The Genius Act	ESMA Direct Supervision	Digital Property Act 2025
The Clarity Act	Market Integration Package	FCA Stablecoin, Fund Tokenization and Crypto Consultations
Revisions to Uniform Commercial Code (UCC	Expansion of DLT Pilot Regime	Statutory Instrument for implementing cryptoassets framework in the UK
DTCC SEC No-Action Relief for tokenized securities	Project Pontes, Project Appia	Digital Securities Sandbox (DSS)

The blockchain banner has been taken up enthusiastically both by newer fintech champions (DeFi) and traditional financial services players (TradFi). The two tracks of DeFi and TradFi, each of which has been portrayed in the media as intent on excluding the other, are merging, as the realization has set in that they need each other. Perhaps this is a coming-of-age story in which conflicts are overcome and jealousy and grievance blossoms into collaboration!

From paper trails to blockchain rails

In the asset management space, many firms want the benefits of traditional asset management supercharged with certain operational advantages that DLT offers. These include the possibility of near-real-time atomic trading and settlement, the high levels of automation that come with self-executing smart contracts to support asset management activities (e.g., repo, stock lending, corporate action processing, etc.), and reduced cost.

Not only can assets in which fund managers invest be tokenized, but the funds themselves can be tokenized, opening up additional possibilities. The tokenization of fund shares and units in practical terms that has drawn most recent industry attention, and we expect to see a lot more funds of all types issue tokenized share classes globally in 2026.

For example, some of the largest global investment providers already have begun tokenizing money market funds.

Serendipity – the curious DLT collateral case

It became apparent very quickly that the benefits of tokenization – especially automation, programmability, and composability – could work particularly well in areas of the market that were most manual/least automated.

Interestingly, one of the last bastions of manual process in capital markets also happens to be one of the largest and systemically important areas: collateralization. The collateralization of repurchase agreements, derivatives, and securities lending positions involves trillions of dollar of value being exchanged across the globe daily.

Collateral quality for the largest transaction must be what is referred to as High Quality Liquid Assets (HQLA)[1] and money market funds could play an even more central role in providing HQLA, reducing risk-based capital requirements in the context of collateral arrangements globally (although this is still developing).

However, the use of money market funds in collateral arrangements involves multiple parties in an arrangement that is not particularly automated, fast, or simple. Nor have they proven to be sufficiently liquid in default scenarios. Tokenization of collateral – including money market funds – could deliver significant savings for financial institutions and is expected to increase the mobility of collateral generally.

By enabling near-instant ownership transfer and programmable settlement, tokenized money market funds (TMMFs) could help improve liquidity, reduce the operational burden of sourcing cash for margin calls, and alleviate collateral bottlenecks — especially during periods of market volatility. Their adoption could also help address intraday funding needs that frequently arise for both central counterparties (CCPs) and bilateral counterparties.

While legacy collateral instructional processes created multiple reporting silos and reconciliation requirements that made it slow and costly, tokenization offers a completely new way forward.

With tokenization, everyone sees the same data at the same time within a single live dashboard. It allows for the reimagining of decades old processes at some of the largest and most risk-averse financial institutions on the planet.

What happens next?

For all this, fund tokenization remains at the early stage of its journey. But the growing removal of regulatory uncertainties along with multiple proof of concepts, scaled and delivered, will drive more major market players into this space.

Focus will continue on the efficiency and access opportunities that lie at the heart of tokenization's value proposition, such as fractionalization benefits, tokenization of real-world assets, continued operational streamlining, quicker settlements, and the possibility of new channels of digitally native distribution.

Consideration will be given to tokenizing beyond money market funds and mutual funds: private funds and even exchange traded funds are all suggested as being ripe for change. While that remains to be seen, for anyone still in doubt, fund tokenization is not the future. It is the here and now and 2026 will see the sector filled with plenty of action. Watch this space!

[1] High-Quality Liquid Assets (HQLA) are a prudential regulatory concept used in the banking and financial sector to ensure institutions can survive a short-term liquidity crisis. HQLA are a core component of the Liquidity Coverage Ratio (LCR), a key regulation introduced after the 2008 financial crisis under the Basel III framework.

FUND TOKENIZATION

How it started	How it's going
Regulatory scepticism	Improving regulatory certainty (but still developing)
Niche distribution – digital natives	Digital twins and new digital native distribution channels and demographics possible
Inefficiency of assets on digital infrastructure and payments on fiat infrastructure	Focus on improving interoperability, including (especially) with respect to stablecoins
Lack of practical use cases	Concrete market examples emerging
Limited Interoperability	Interoperability efforts under way
Improbability of digital cash proliferation	Digital cash growth mushrooms
The need for new laws	Existing laws largely allow for growth – harmonization efforts under way to ensure compatibility across borders
Need new infrastructure	Leverage existing infrastructure fused to digital 3rd parties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MARKET
the world watches on the edge of its seats

At times a feel-good piece, at others a courtroom drama, we've all watched as the US economy overcomes adverse circumstances with the hopes of a happy ending.

Despite tumultuous geopolitics, when it comes to stock market performance and regulatory tailwinds, the United States has largely been able to buck the trend of stagnation with its mix of market friendly policies and continued resilience of stock market valuations. While the AI trade has come under some pressure, overall US economic exceptionalism continues as the rest of the world looks on somewhat enviously.

This envy also extends to the regulatory environment where the US appears to be capable of framing policy in a market friendly and speedy fashion compared to other regions. Since the elevation of Paul Atkins in April 2026 as Chairman of the SEC, he and his Commission have been broadly viewed as a free-market, pro-business regulator that advocates for reduced regulatory burdens and a return to more principles-based rulemaking.

Atkins pledged in his inaugural speech to advance Trump's agenda to bolster the US Economy. The SEC, unlike other global regulators, has always had a formal responsibility for capital formation and market growth as well as its investor and market protection remit. Atkins himself has articulated an explicit desire to back cryptocurrencies and digital asset development and encourage both innovation and market growth. This view on growth, competitiveness, and innovation is very much attuned with that of the White House's overarching principles.

Beyond regulation, broader initiatives like the Invest Act – an element of the Big Beautiful Bill that creates federally funded and tax incentivized "Trump Accounts" to allow every newborn in US be an investor from birth – are policy decisions just so far beyond the ambition and capability of other regions in practice. Nowhere do you see society and the stock markets so intertwined.

DIFFERENT VIEWS

The current SEC leadership marks a significant shift away from the enforcement-intensive approach of the Gensler administration. The SEC also saw significant headcount reduction (>20%) throughout 2025, with many industry participants seeing this swing as necessary to make US markets more competitive globally.

Naturally, not everyone agrees with the US' deregulatory flight path. Recently, Atkins' SEC colleague Caroline Crenshaw criticized the recent policy shift in her final speech as an SEC commissioner, referring to the SEC's "rapacious appetite to deregulate" as a huge risk to investors and the market.

Crenshaw stated that shareholder rights were being eroded by the SEC with attempts to curb activism and reduce the frequency of financial disclosures. She also threw shade on the large swaths of US equity market trading moving from tightly regulated "lit" exchanges to anonymous private "dark" venues, as well as the continued championing of illiquid private markets to Main Street investors as a "harmful policy choice" by the SEC.

CHARGING AHEAD

The Depository Trust & Clearing Corporation (DTCC), making a big move into tokenization as a major milestone to support digital asset adoption, has received a No Action Letter (the Letter) from the SEC. The Letter allows DTCC to offer a new service to tokenize real-world assets in a controlled production environment. The Letter authorizes DTCC to offer a tokenization service for DTCC Participants and their clients on pre-approved blockchains. Under the Letter, the tokenized assets will hold all the same entitlements, investor protections, and ownership rights as the asset in its traditional form. The Letter is significant because it allows DTCC to launch the service once finalized, subject to certain limitations and representations, more quickly than would otherwise be possible. The purported benefits include streamlined post-trade processes, reduced operational risks and better capital allocation on participants balance sheets – identical benefits derived from 2024's shift to T+1 settlement.

THE ONES TO WATCH IN 2026:

	Regulatory growth tailwinds 2026	Continued areas of scrutiny
1	Private funds to retail	Regulation S-P disclosures
2	Continued pro digital assets policy	Marketing rule shortcomings
3	Unceasing ETF innovation – dual-share classes and eligible investment strategies	Cybersecurity
4	Tokenization of real-world assets	Artificial intelligence usage
5	The invest act	Private fund advisors

So, while the SEC is set on its market friendly approach in 2026, it is not like all rules have been cast aside. Even if the bromance is to continue all asset managers in the US should be aware that while scrutiny may be less intense and new rulemaking lessens – investor protection mechanisms have long been a bipartisan pillar of the capital markets in the US. Championing innovation will be seen as a success if investors are not denied a happy ending to this movie.

REGULATORY SEQUELS
REMAIN POPULAR IN 2026

This year is set to feature several highly anticipated movie sequels, including additional installments of the Scream, Avengers, Spiderman, Shrek, and The Hunger Games franchises. Both movie makers and audiences love sequels since they build on existing stories and characters, and lead to higher box office returns.

Regulators it seems are also fans of the franchise approach. Here's some of the more important regulatory sequels impacting banks and asset managers for this year.

TOP 2026 REGULATORY SEQUELS

1. AIFMD 2

Enhances the EU's ruleset for cross border non-UCITS, regulated funds.

- New pan-EU loan origination regime
- Enhanced liquidity management tools (LMT)
- Enhanced delegation and substance requirements
- Additional regulatory reporting
- Depositary passport

Member states must transpose into national law by April 16, 2026.

2. Market Integration Package

Forms an integral part of the wider Savings & Investment Union policy agenda. It looks to remove existing barriers to the single EU capital market, reduction of cross-border rule fragmentation, and generally increased harmonization of regulations across the bloc.

- Amendments to UCITS, AIFMD, and MiFID 2 (the holy trinity of EU asset management regulation)
- Delegation: Concept of an "EU Group"
- Annual ESMA reviews of "large" EU management companies
- One-stop shop passporting framework
- Shift from directives to regulations

“Rita: Do you ever have déjà vu?
Phil: Didn't you just ask me that?”

- Groundhog Day, 1993

3. Europe T+1

The proposed settlement cycle under which most securities trades in European markets will settle in one business day rather than two to align with North America.

- EU, UK, Switzerland, and Liechtenstein each moving to T+1 settlement
- Focus on automation and straight through processing
- ESMA suggesting a phased-in implementation schedule, running from December 2026 to October 11, 2027, to ensure a smooth transition to the new regime. Urgency is recommended.
- Industry groups already working on specific considerations such as those relating to partial settlement (including auto-partialling), ETFs, foreign exchange, fund liquidity cycles, securities finance transactions (including a new gateway for SFT optimisation), testing, etc.
- There will be no delay to this highly synchronized market event

The go-live date for Europe T+1 is October 11, 2027, with certain market change requirements slated for 2026.

4. SFDR 2.0

Updates and refines the EU ESG disclosure rules for funds.

- Move to a mandatory product categorization regime
- Simplified Disclosure Regime
- Removal of certain entity-level reporting
- Stricter marketing rules and surveillance of greenwashing
- No grandfathering provisions and limited exemptions apply

The rules are expected to apply in H2 2027 however proposals will move through trilogue in 2026, and progress must be tracked by all EU funds.

5. SEC Regulation S-P amendments

Updates and upgrades requirements to protect customer information, including mandatory written cybersecurity, incident response, and customer notification programs.

- Mandatory incident response program
- Customer notification obligations after breaches
- Scope of covered information expanded
- Stronger vendor oversight requirements
- Heightened risk of SEC examination and enforcement

Larger firms' compliance date was December 3, 2025. Smaller firms must comply by June 3, 2026.

6. FCA's Targeted Support Regime

Maybe less of a sequel and more a reimagining of advisory framework to calibrate and close the “advice gap” where the Conduct of Business Sourcebook (COBS), the Consumer Duty, UK Retail Distribution Review (RDR), and various MIFID rewrites have failed to succeed thus far.

- A new regulated activity lying between “advice” and “guidance”
- Designed to close the “advice gap” for retail investors
- Firms must define client segments
- New conduct, governance, and disclosure rules separate to COBS suitability
- Communications must be labelled clearly and explain service limitation

The targeted support regime is expected to come into effect on April 6, 2026, in the UK.

SUSTAINABLE INVESTING

Rising from the ashes

Hollywood loves a comeback story. From Rocky to Legally Blonde or even the animated escapades of Paddington Bear – audiences love nothing more than a plucky and resilient underdog overcoming seemingly insurmountable odds to ultimately triumph.

Well, 2026 could be the year that the sustainable investing landscape returns to sharp focus.

Despite falling out of style in recent years – in a post pandemic world riven with increasingly polarized socio-political debate – environmental, social, and governance (ESG) factors and sustainability remain stubbornly relevant themes for investors.

Indeed, prolonged spells of market volatility are making some investors more attentive than ever to non-financial risks such as supply chain, physical climate impacts, and the benefits of good corporate governance.

An unavoidable fact is that the global economy faces growing damage and costs from climate-related weather extremes. While some skepticism remains, many still believe that how we address climate change will shape future global competitiveness, security, and prosperity.

However, since the Covid-19 pandemic, raw politics, geopolitical instability, and a much-hyped regulatory rollout that promised much and has thus far delivered little, has left sustainable investing nursing some ugly bruises.

Nevertheless, its underpinning principles remain sound, and a cohort of investors continue to retain and grow holdings of sustainable funds.

Regional cameos

Europe has long stood as the epicentre of ESG rulemaking, but even in the “cradle of ESG,” the EU is recalibrating its ESG rules through measures like the Omnibus Simplification Package to reduce compliance burdens. The recalibration of the EU’s Sustainable Finance Disclosure Regulation (SFDR 2.0) and the successful prior implementation of its UK equivalent, the Sustainable Disclosure Regulation (SDR), should also improve investor understanding of available products across Europe.

While a US backlash from President Trump's White House has removed the US from various multilateral climate initiatives and helped choke off investment in various environmental and sustainability led projects, US states like California continue to pursue mandatory climate reporting for corporates.

Elsewhere, countries ranging from the UK to Australia, Malaysia, Brazil, Singapore, and Mexico continue to phase in International Sustainability Standards Board (ISSB)-aligned corporate disclosures. While there remains a global patchwork of rulesets, standards, and timelines surrounding sustainability, ESG rules remain part of the investing and industrial policy universe.

While the political cacophony will doubtless continue on topics ranging from climate change to DEI and whether defense spending is compatible with ESG principles, the wider market is largely beginning to view sustainable finance more in terms of profit and loss. It also recognizes the importance of reputation management and meeting client demands while realizing that the policymaking in this space means that attention and resource must be allocated to ESG.

Environmental, social, and governance issues are not going away, and like the plucky underdog story, ESG funds might be about to pick themselves up off the floor and get back on an upwards trajectory in 2026.

What to watch

In the EU in particular, there are two significant revisions to its sustainability policies worth watching in 2026.

These revisions to simplify and, in essence, dilute some ESG policies are being vigorously debated and disputed as they proceed – proof that they continue to polarize opinion. At the same time, history shows us that this is very often a characteristic of the maturing of a new innovative concept and way of thinking:

1. Sustainable Finance Disclosure Regulation amendments
2. The Omnibus Simplification Package

SFDR 2.0	**Omnibus Simplification Package**
Portfolio management removed from scope	Corporate Sustainability Reporting Directive (CSRD) scope thresholds set at: • 1,000 employees and • €450 million annual turnover De-scopes >80% of companies from reporting obligations
New fund categorization system • "Sustainable" • "Transition" • "ESG Basics"	Mandatory climate transition plan removed from the Corporate Sustainability Due Diligence Directive (CSDDD)
Common set of basic criteria to be met to qualify for a criteria: • Mixture of exclusions and positive contribution attributes • At least 70% of portfolio holdings must align with categorization	CSDDD – risk-based approach retained for all companies however restrictions on information requests to companies with less than 5,000 employees
Streamlined reporting – removes entity level requirements	Scope of CSDDD increased to: • 5,000 employees and • €1.5 Billion turnover per annum
Removal of confusing "sustainable investment" definition and deletion of the principle of "Do No Significant Harm" (DNSH)	Application of CSDDD postponed by 12 more months until July 2029
ESG claims can only be made by funds qualifying for one of the three new categories – all other funds must not make ESG claims	
Likely final legal agreement in H2 2027 and market implementation in H2 2028	

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