Clifford Chance

International Regulatory Update:
05 – 09 January 2026

Clifford Chance's International Regulatory Update is a weekly digest of significant regulatory developments, drawing on our daily content from our Alerter: Finance Industry service.

To request a subscription to our Alerter: Finance Industry service, please subscribe to our Client Portal, where you can also request access to the Financial Markets Toolkit and subscribe to publications, insights and events.

If you would like to know more about the subjects covered in this publication or our services, please contact:

International Regulatory Group Contacts

Marc Benzler +49 69 7199 3304

Caroline Dawson +44 207006 4355

Steven Gatti +1 202 912 5095

Rocky Mui +852 2826 3481

Lena Ng +65 6410 2215

Gareth Old +1 212 878 8539

International Regulatory Update Editor

Joachim Richter +44 (0)20 7006 2503

To email one of the above, please use firstname.lastname @cliffordchance.com

Clifford Chance LLP,
10 Upper Bank Street,
London, E14 5JJ, UK
www.cliffordchance.com

- **Sustainable finance: Delegated Regulation simplifying Taxonomy disclosures and technical screening criteria published in Official Journal**
- **ESAs issue final guidelines on integration of ESG risks in financial stress tests for banks and insurers**
- **ESMA publishes final guidelines on internal controls for benchmark administrators, credit rating agencies and market transparency infrastructures**
- **CRD4: EBA publishes final draft RTS on booking arrangements and on supervisory cooperation for third-country branches**
- **CRR: EBA publishes report on prudential consolidation and final guidelines on ancillary services undertakings**
- **Berne Financial Services Agreement takes effect**
- **UK MiFIR: FCA confirms that its direction on the derivatives trading obligation remains in effect**
- **FCA publishes information on UK's new cryptoasset regime**
- **FCA launches further consultation on value for money framework for pension schemes**
- **House of Lords Financial Services Regulation Committee publishes private markets report**
- **New ordinance and decree governing distance marketing of financial services published in France**
- **BaFin issues new general decree on Common Equity Tier 1 instruments of cooperative banks**
- **BaFin grants exemption from submission of cover registers for Pfandbrief banks**
- **FSTB and SFC conclude consultations on virtual asset dealer and custodian regimes and further consult on two new regimes**
- **MAS publishes information paper on thematic review of financial institutions' recruitment and onboarding training of representatives**

- **Recent Clifford Chance briefings: The COINS Act – Congress takes on outbound investment regulation. Follow this link to the briefings section**

Sustainable finance: Delegated Regulation simplifying Taxonomy disclosures and technical screening criteria published in Official Journal

EU Commission Delegated Regulation (EU) 2026/73 amending the Taxonomy Disclosures Delegated Act ((EU) 2021/2178) as regards the simplification of the content and presentation of information to be disclosed concerning environmentally sustainable activities and the Taxonomy Climate Delegated Act ((EU) 2021/2139) and the EU Taxonomy Environmental Delegated Act ((EU) 2023/2486) as regards simplification of certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives has been published in the Official Journal.

Delegated Regulation (EU) 2026/73 will enter into force on 28 January 2026 and applies from 1 January 2026.

ESAs issue final guidelines on integration of ESG risks in financial stress tests for banks and insurers

The European Supervisory Authorities (ESAs) have published the final report on their joint draft guidelines on ESG stress testing under the Capital Requirements Directive (CRD4) and Solvency II.

The aim of the guidelines is to ensure that competent authorities (CAs) for the banking and insurance sectors consistently integrate environmental, sustainable and governance (ESG) risks into their supervisory stress testing activities. The guidelines are addressed to CAs and should be applied when performing supervisory stress tests, either by integrating ESG-related risks into their existing framework or by measuring the impact of ESG risks under adverse scenarios in a complementary assessment, where applicable according to the sectoral legislation.

The guidelines establish a common framework for developing ESG-related stress testing methodologies and standards across the EU's financial system. They provide guidance on the design and features of stress tests with ESG elements, and on the organisational and governance arrangements these stress tests would need to have.

The guidelines will be translated into the official languages of the European Union and published on the websites of the ESAs. The deadline for competent authorities to notify the respective ESA whether they comply or intend to comply with the guidelines will be two months after the publication of the translated guidelines.

The guidelines will apply from 1 January 2027.

ESMA publishes final guidelines on internal controls for benchmark administrators, credit rating agencies and market transparency infrastructures

The European Securities and Markets Authority (ESMA) has published its final report on guidelines relating to the internal control framework for

some of its supervised entities. The guidelines are intended to promote good practices among supervised entities and ensure ESMA applies a consistent approach when assessing internal control frameworks across its supervised entities.

The guidelines build on the internal control guidelines currently in place for credit rating agencies and extend them to include benchmark administrators and market transparency infrastructures. The report outlines ESMA's expectations for the components of an effective internal control system, ensuring:

- a strong framework, detailing the internal control environment and informational aspects; and
- effective internal control functions, including compliance, risk management, and internal audit.

The report also explains in greater detail how ESMA applies proportionality in its expectations regarding the internal controls for a supervised entity.

The guidelines will become effective on 1 October 2026.

CRD4: EBA publishes final draft RTS on booking arrangements and on supervisory cooperation for third-country branches

The European Banking Authority (EBA) has published two sets of final draft regulatory technical standards (RTS) under CRD4, specifying the booking arrangements that third-country branches must apply and on cooperation and colleges of supervisors for third country-branches.

The first set of draft RTS specify:

- the approach for identifying and recording assets and liabilities booked or originated by the third-country branch, including off-balance sheet items;
- the minimum information necessary to keep a comprehensive and precise track record of booked or originated assets and liabilities; and
- the risk data and associated risk management measures that must be maintained in the registry book for the activities of the branch.

The second set of draft RTS are intended to enhance collaboration and information exchange among competent authorities supervising third-country branches in the EU. They also set out practical arrangements for organising colleges of supervisors.

CRR: EBA publishes report on prudential consolidation and final guidelines on ancillary services undertakings

The EBA has published a report on prudential consolidation (EBA/REP/2026/01) and its final guidelines on ancillary services undertakings (ASU) under the Capital Requirements Regulation (CRR) (EBA/GL/2026/01). The report and guidelines are intended to improve the efficiency and proportionality of the EU prudential consolidation framework and to foster greater convergence and comparability of supervisory practices and regulatory requirements across the EU.

EBA/REP/2026/01 puts forward recommendations to support the EU Commission in considering further legislative changes to the regulatory framework. Recommendations include:

- simplification of sub-consolidation requirements;
- improved alignment with accounting standards;
- refinement of the definition of control; and
- further clarification on how to determine the perimeter of prudential consolidation, especially with regards to the 'Danish compromise' under Article 49 of the CRR.

EBA/GL/2026/01 sets out criteria for identifying activities that are defined as ancillary services under Article 4(1)(18) of the CRR. These criteria are intended to help financial institutions and competent authorities identify where relevant activities are being performed, in order to enable the effective application of prudential requirements. Ancillary activities performed by ASUs may include operational leasing or data processing services, for example; innovative and digital business models are also addressed by the guidelines.

Berne Financial Services Agreement takes effect

The Berne Financial Services Agreement (BFSA) has taken effect.

The BFSA is intended to make it easier for UK and Swiss firms to do business in each other's country. It uses outcomes-based mutual recognition to enable firms to take part in cross-border trade in financial services to wholesale and sophisticated clients.

The Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) published joint guidelines in November 2025 to assist firms that are considering providing services under the BFSA.

UK MiFIR: FCA confirms that its direction on the derivatives trading obligation remains in effect

The FCA has issued an explanatory statement relating to its direction on the derivatives trading obligation (DTO).

On 31 December 2024, the FCA issued a direction under Article 28a of UK MiFIR to modify the UK DTO, replacing the expiring transitional direction. The direction allows firms subject to the UK DTO, trading with or on behalf of EU clients subject to the EU DTO, to execute those trades on EU trading venues provided certain conditions are met.

Under Article 28a(9), where a direction remains in effect for longer than six months, the FCA must publish, as soon as reasonably practicable after each six-month period, a statement explaining why the conditions under Article 28a(1)(a) and (b) continue to be met to extend it for a further six months.

The explanatory statement covers the six-month period to 30 June 2026 and confirms that the direction remains in effect because, in the FCA's view, both conditions in Article 28a(1)(a) and (b) continue to be satisfied. A further review will be conducted at the conclusion of the next six- month period, after which, if the direction is still in force, the FCA will issue a new statement.

FCA publishes information on UK's new cryptoasset regime

The FCA has published a new webpage on the UK's new cryptoasset regime, which is expected to come into force on 25 October 2027. Firms wishing to undertake any of the new cryptoasset regulated activities will need to be authorised by the FCA under FSMA with permission to undertake those activities at the point the new regime commences.

The new webpage is intended to help cryptoasset firms that are within scope of the new regime but for whom this is the first time they will be regulated by the FCA. In particular, it contains information on:

- FSMA and the FCA Handbook;
- FCA standards;
- authorisation, supervision and enforcement;
- how the gateway will operate; and
- the transitional provision.

FCA launches further consultation on value for money framework for pension schemes

The FCA has published a consultation paper (CP26/1) which includes:

- the FCA's response to its August 2024 consultation (CP24/16) on proposed rules and guidance for a new value for money framework for savers invested in default arrangements of workplace defined contribution pension schemes;
- a further consultation on proposed detailed rules and guidance for contract-based arrangements (implemented through the FCA Handbook); and
- a discussion paper inviting input on trust-based arrangements, which are implemented through legislation drafted by DWP, to be used in developing the regulations enabled by the Pension Schemes Bill currently before Parliament.

The further consultation sets out proposed revisions intended to make the way arrangements are assessed and compared more objective and robust, including:

- the introduction of forward-looking metrics to be considered alongside backward-looking metrics in assessments;
- fewer cost and backward-looking investment performance metrics, focused on key metrics;
- streamlined service quality metrics to allow further engagement with industry on others;
- comparisons of value against a commercial market comparator group rather than three other arrangements; and
- a four-point rating system rather than three, to allow identification of top performers.

Comments are due by 8 March 2026.

House of Lords Financial Services Regulation Committee publishes private markets report

The House of Lords (HoL) Financial Services Regulation Committee has published a report on private markets.

The Committee's key findings and conclusions include that:

- reforms introduced after the Global Financial Crisis, particularly bank capital and liquidity regulatory requirements, have encouraged banks to retreat from riskier lending, leaving certain segments of the economy less well served;
- banks are increasingly relying on an 'originate to distribute; model of lending, in which private credit plays a significant role;
- addressing constraints on smaller and specialist banks' ability to lend could increase the finance available to SMEs, should demand increase;
- the growth in collateralised loan obligations and significant risk transfers in the UK may pose a potential risk to the UK's financial stability;
- there is a potential gap in policy and rule makers evidence base, as the Committee was not able to obtain extensive or detailed data on the growth of private markets in the UK, the growth of lending provided by private credit, or the scale of the interconnections between banks and private markets; and
- HM Treasury has a responsibility for maintaining financial stability.

New ordinance and decree governing distance marketing of financial services published in France

An ordinance and a decree on distance marketing of financial services to consumers have been published in the Official Journal.

The ordinance is based on Article 2(VII) of Law No. 2025-391 of 30 April 2025 (Loi DDADUE), which implements Directive (EU) 2023/2673 on the legal framework applicable to financial services contracts concluded at a distance.

Key provisions of the ordinance include:

- a simplification of the use of the withdrawal right made available to consumers;
- the enhancement of the framework for pre-contractual information provided to consumers;
- complementary requirements for voice telephony communications, requiring the provision of adequate information and a written confirmation of the financial service offer, prior to any contract being entered into ('two-step sale'); and
- a modification of the sanctions regime, with the ACPR becoming competent to impose administrative fines for breaches.

The decree further specifies the conditions for exercising the withdrawal right and completes the list of pre-contractual information that must be provided to consumers for distance financial services contracts.

These provisions will enter into force on 19 June 2026, except for the provisions on 'two-step sales', which will take effect on 1 January 2027.

BaFin issues new general decree on Common Equity Tier 1 instruments of cooperative banks

The German Federal Financial Supervisory Authority (BaFin) has issued a new general decree (Allgemeinverfügung) concerning cooperative banks pursuant to Article 26 para 3 and Articles 77 para 1 lit. a), 78 para 1 lit. b) of the Capital Requirements Regulation (CRR) and Article 32 para 2 of Commission Delegated Regulation (EU) No 241/2014.

The decree sets out the conditions under which newly issued shares may be classified as Common Equity Tier 1 instruments. It also specifies the circumstances in which the repayment of credit balances, following the termination of cooperative shares that qualify as Common Equity Tier 1 instruments, is pre-approved. The decree applies exclusively to CRR credit institutions in the legal form of registered cooperatives that are not subject to direct supervision by the European Central Bank (ECB) under the SSM Regulation (Regulation (EU) No 1024/2013).

The general decree is effective from 1 January to 31 December 2026. BaFin's previous general decree on Common Equity Tier 1 instruments of cooperative banks was limited until 31 December 2025.

BaFin grants exemption from submission of cover registers for Pfandbrief banks

BaFin has issued a supervisory notice, applicable until 30 June 2026, stating that, in order to reduce bureaucratic burdens, it will not object during this period if Pfandbrief banks refrain from transmitting an electronic record of all entries in the cover register.

This position anticipates the planned amendment to section 5 para 2 of the German Pfandbrief Act (Pfandbriefgesetz) and the repeal of sections 15 to 17 of the Cover Register Ordinance (DeckRegV) through the Banking Directive Implementation and Bureaucracy Relief Act (BRUBEG).

Pfandbrief banks remain responsible for ensuring that, in the event of loss or damage to the cover register, all information necessary for its restoration is securely retained at all times. In particular, section 7 para 2 DeckRegV requires that a complete backup copy of each electronically maintained cover register be created on a separate data carrier at the end of each working day. This backup, like the original, must be located within the territorial scope of the German Pfandbrief Act.

The proper maintenance of the cover register will continue to be reviewed as part of the regular cover audits.

FSTB and SFC conclude consultations on virtual asset dealer and custodian regimes and further consult on two new regimes

The Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission (SFC) have published their consultation conclusions on legislative proposals to regulate virtual asset (VA) dealing and custodian service providers in Hong Kong. At the same time, the FSTB and the SFC have also commenced a further consultation on new regimes for providers of VA advisory and management services.

Noting broad market support, the FSTB and the SFC will go ahead and proceed with the legislative proposals for the VA dealer and custodian

regimes. For VA dealers, the regime will be aligned closely with that for Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance and similar exemptions are under consideration. For VA custodians, the new regime will focus on managing risks related to safekeeping private keys of client VAs in Hong Kong. The SFC encourages interested parties to work collaboratively with the SFC to initiate pre-application discussions on the proposed regimes.

The SFC and the FSTB have also commenced a further public consultation on introducing two additional licensing regimes for VA advisory service providers and VA management service providers respectively, with reference to the licensing regimes for Types 4 and 9 regulated activities under the Securities and Futures Ordinance. Comments on the further consultation are due by 23 January 2026.

Based on these consultation conclusions and taking into account the market feedback to be received in the further consultation, the FSTB and the SFC will finalise the legislative proposals for establishing the licensing regimes for VA dealing, VA advisory and VA management service providers under the Anti-Money Laundering and Counter Terrorist Financing Ordinance, with a view to introducing a bill into the Legislative Council in 2026.

MAS publishes information paper on thematic review of financial institutions' recruitment and onboarding training of representatives

The Monetary Authority of Singapore (MAS) has published an information paper on financial institutions' (FIs') recruitment and onboarding training of representatives.

The information paper is based on the findings of a thematic review conducted on four FIs regulated under the Financial Advisers Act between 2024 and 2025. The thematic review examined the FIs' controls, policies and procedures for representative recruitment and onboarding training. While the MAS observed that FIs generally have frameworks to assess the fitness and propriety of their representatives, and conduct onboarding training, deficiencies were identified across several key areas.

A common deficiency observed was inadequate monitoring and supervision of representatives with adverse information, stemming from poorly designed oversight arrangements and ineffective control implementation. Other weaknesses identified included inadequate assessments of representatives' conflicts-of-interest and financial soundness, deficient oversight and governance over third-party product training, poor oversight of assistants hired by representatives, and insufficient supervision over outsourced activities.

The information paper sets out standards that the MAS expects FIs to apply when assessing whether their appointed representatives are fit and proper to carry out regulated activities. Specifically, it outlines the MAS' supervisory expectations, good practices observed and areas for enhancement in the following areas:

- onboarding of representatives;
- monitoring of representatives with adverse information;
- onboarding training; and

- other areas including hiring of assistants by representatives (e.g., ensuring assistants do not engage in regulated activities) and oversight of outsourced activities (i.e., complying with outsourcing requirements).

The MAS requires FIs' board and senior management to establish robust policies and procedures, as well as effective oversight mechanisms in these areas. FIs are also expected to benchmark their current policies, processes and procedures against the supervisory expectations and good practices outlined in the information paper, and take action to address any identified gaps.

RECENT CLIFFORD CHANCE BRIEFINGS

The Comprehensive Outbound Investment National Security (COINS) Act – Congress takes on outbound investment regulation

The Comprehensive Outbound Investment National Security Act of 2025 (COINS Act), which President Trump signed into law on 18 December 2025, codifies and expands the US legal authority to regulate outbound investment – i.e., capital flowing out of the United States – to protect US national security. This marks a further commitment to US outbound investment regulation following implementation of the US Outbound Security Investment Program in January 2025, which was adopted pursuant to an Executive Order signed by President Biden. The COINS Act authorizes prohibition of certain US investments in companies engaged in specified sensitive technology activities, requires notification of other investments in these areas, and provides the President authority to impose sanctions against covered foreign persons. The COINS Act also provides the flexibility to add additional covered technology sectors in the future, which is consistent with the clear indications from the Trump Administration that the OISP regulations issued in 2025 were just a starting point for regulating outbound investment to address US national security concerns.

This briefing paper discusses the Act.

https://www.cliffordchance.com/briefings/2025/12/the-comprehensive-outbound-investment-national-security--coins--.html