

## INTERNATIONAL REGULATORY UPDATE: 25 - 29 May 2026



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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](mailto:firstname.lastname@cliffordchance.com)

Clifford Chance LLP,  
10 Upper Bank Street,  
London, E14 5JJ, UK  
[www.cliffordchance.com](http://www.cliffordchance.com)

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## **EU Commission publishes report on commodity derivatives markets**

The EU Commission has published a [report](#) following its 2025 consultation and call for advice on the current regulatory landscape of commodity derivatives, emission allowances markets and certain aspects of spot energy markets under Article 90(5) of MiFID2.

The Commission's findings include that:

- the reporting framework for commodity derivatives is complex, particularly for energy commodity derivatives, and there is scope for increasing efficiencies in existing reporting processes;
- harmonising and streamlining reporting standards and requirements would help simplify the relevant frameworks, reduce the burden on firms and rationalise data used by supervisors, but this would require a thorough assessment of necessary legislative amendments and the costs for market participants and supervisors;
- short-term measures to facilitate data-sharing between supervisors and improve the interoperability of data sets could be explored;
- the ancillary activity exemption (AAE) is functioning adequately. Amending its scope and operation may have significant and far-reaching consequences and could potentially impact the competitiveness of EU firms in commodity derivatives markets. Responses provided by stakeholders suggest changes to the AAE are not urgently required at this point in time. If a review is considered, the Commission recommends a prudential regime tailed to the risk profile of firms operating in commodity derivatives markets would be more appropriate; and
- the current position limits regime functions adequately. The Commission does not think it appropriate to transfer the power to set position limits to trading venues but suggests trading venues could be given greater responsibilities in granting hedging and liquidity provision exemptions, which would make the framework more agile and responsive to market trends.

The Commission concludes that the analysis did not suggest an urgent need to make substantive changes to the elements of the commodity derivatives framework it reviewed.

## **CRR: EU Commission adopts RTS on operational risk requirements**

The EU Commission has adopted a [Delegated Regulation](#) setting out regulatory technical standards (RTS) on operational risk requirements under the Capital Requirements Regulation (CRR).

The RTS specify key aspects of the operational risk framework including:

- the components of the business indicator;
- how institutions are to determine the adjustments to the business indicator following mergers, acquisitions and disposals;
- a risk taxonomy on operational risk and a methodology to classify the loss events included in the loss data set;
- the conditions under which the calculation of the annual operational risk loss should be deemed unduly burdensome for institutions with a

business indicator equal to or exceeding EUR 750 million and not exceeding EUR 1 billion; and

- how institutions are to determine the adjustments to their loss data set following the inclusion of losses from merged or acquired entities or activities.

The Delegated Regulation will enter into force on the twentieth day following its publication in the Official Journal.

### **ESG rating providers: EU Commission adopts RTS on information to be provided in applications for authorisation and recognition**

The EU Commission has adopted a [Delegated Regulation](#) under the ESG Rating Regulation, setting out RTS specifying the information to be included in the application for authorisation as an ESG rating provider and in the application for recognition of an ESG rating provider.

The Delegated Regulation will enter into force on the day following that of its publication in the Official

### **CSDR: ESMA consults on amended guidelines on standardised procedures and messaging protocols**

The European Securities and Markets Authority (ESMA) has launched a [consultation](#) on amendments to its guidelines on standardised procedures and messaging protocols under the Central Securities Depositories Regulation (CSDR).

The updates are intended to enhance settlement efficiency and support a smooth transition to T+1 on 11 October 2027. They reflect the amendments proposed in ESMA's October 2025 final report recommending significant amendments to the RTS on settlement discipline.

Key changes include:

- reflecting the mandatory use of electronic, standardised communication channels and international messaging standards; and
- removing references to non-electronic and non-machine-readable communication methods, such as oral allocations and confirmations, except in cases of temporary technical disruptions.

The revised guidelines should apply from 7 December 2026, in alignment with the expected date of application of the proposed new requirements for allocations and confirmations under the RTS on settlement discipline.

Comments are due by 7 July 2026.

### **IOSCO publishes AI supervisory toolkit for capital markets**

The International Organization of Securities Commissions (IOSCO) has published a [report](#) (FR/02/2026) containing a supervisory toolkit for the use of artificial intelligence (AI) in capital markets.

The toolkit is intended to support capital markets regulators in supervising and overseeing the use of AI systems. It covers the full lifecycle of all types of AI systems and provides practical, non-binding and non-prescriptive supervisory tools. The toolkit has three layers:

- areas for supervisory consideration, providing a framework for understanding which areas may require most attention;
- tools for oversight of key areas, focusing on governance and risk management, disclosure, record keeping and reporting; and
- suggested indicators and data sources for monitoring AI adoption and use.

IOSCO has invited feedback on the report, which also contains a survey on emerging AI use practices in financial services. Responses are due by 26 June 2026.

IOSCO has also published a standalone extract of the toolkit (OR/07/2026) designed for direct use in supervisory activities.

## **PRA issues policy statement on restatement of CRR Definitions in PRA Rulebook**

The Prudential Regulation Authority (PRA) has issued a policy statement ([PS14/26](#)) setting out its final policy on the restatement of definitions set out in the CRR in the PRA Rulebook and providing feedback to the responses received to its July 2025 consultation (CP19/25).

CP19/25 set out the proposed PRA Rulebook Glossary definitions that would replace definitions in Articles 4, 4A, 4B, and 5 of the CRR for the purposes of the PRA Rulebook, among other things.

The PRA has made changes to the draft rules and related policy materials that do not substantially amend the substance of the proposals in CP19/25, including:

- consistent italicisation of embedded CRR terms in PRA Rulebook Glossary definitions;
- a change to the 'branch' definition in the PRA Rulebook Glossary to better align its wording with the CRR definition;
- additional wording in Article 229(3) of the Credit Risk Mitigation (CRR) Part to specify the meaning of 'market value' in that context;
- a change to the 'recognised exchange' definition to reflect the policy position confirmed in PS6/26;
- an update to the 'securitisation' definition in the PRA Rulebook Glossary to reflect changes to the legislative definition in the Securitisation Regulations 2024, made by the CRR Definitions SI, for consistency with the PRA's Basel 3.1 rules;
- amendments to certain definitions relating to regulatory capital instruments to clarify these definitions capture all relevant provisions in the Own Funds (CRR) Part; and
- further minor non-material amendments, to ensure clarity.

As a result of changes introduced in the PRA's policy statement on the final rules relating to the implementation of Basel 3.1 (PS1/26), the definitions of 'conversion factor', 'loss given default' and 'probability of default' no longer need to be restated and the chapter regarding qualifying debt instruments has already been removed.

The final policy will become effective on 1 January 2027, alongside the Basel 3.1 package.

## **PRA issues policy statement on Pillar 2A review**

The PRA has issued a policy statement ([PS15/26](#)) setting out its final policy on the first phase of updates to Pillar 2A methodologies and guidance and providing feedback to the responses received to its May 2025 consultation (CP12/25).

CP12/25 set out the PRA's proposals to:

- address areas of undercapitalisation that remained in the standardised approach (SA) framework;
- update the approach to idiosyncratic credit risk given the improvement in risk capture under the Basel 3.1 standards;
- improve information, guidance and transparency for firms, including about the methodologies used by the PRA to inform the setting of Pillar 2A capital; and
- improve the proportionality of the policy and reduce reporting burden.

Following feedback received, the PRA has amended its proposals to provide greater detail, increase clarity, refresh obsolete references and improve consistency in its policy materials.

The PRA has also changed the implementation date for all final policy and rules set out in PS15/26 to 1 January 2027.

The PRA intends to conduct a more in-depth review of certain individual methodologies within Pillar 2A and consult on proposals in 2027.

## **BaFin applies updated ESMA guidelines on stress test scenarios under MMF Regulation**

The German Federal Financial Supervisory Authority (BaFin) has [announced](#) that it will apply the German translation of ESMA's guidelines on stress test scenarios under the Money Market Funds (MMF) Regulation, which were published on 26 March 2026.

The purpose of the guidelines is to ensure common, uniform and consistent application of the provisions in Article 28 of the MMF Regulation. They establish common reference parameters for the stress test scenarios to be included in the stress tests conducted by MMFs or managers of MMFs in accordance with that Article.

In accordance with Article 28(7) of the MMF Regulation, ESMA is to update these guidelines at least every year, taking into account the latest market developments. In 2025, section 5 of the guidelines was updated so that managers of MMFs have the information needed to complete the corresponding fields in the reporting template referred to in Article 37 of the MMF Regulation, as specified by Commission Implementing Regulation (EU) 2018/7082. This information includes specifications on the types of stress tests mentioned in section 5 and their calibration.

## **BaFin publishes circular on proportionate retail diversification methods under CRR**

The German Federal Financial Supervisory Authority (BaFin) has published a [circular](#) (04/2026) specifying proportionate retail diversification methods under Article 123(1) of the CRR. Through this circular, BaFin has incorporated the relevant European Banking Authority (EBA) guidelines

(EBA/GL/2026/02) into its administrative practice with effect from 19 May 2026.

The draft circular does not introduce any additional requirements for market participants beyond those set out in the EBA guidelines.

### **FSTB and SFC conclude consultations on virtual asset advisory and management regimes**

The Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission (SFC) have published their [consultation conclusions](#) on the legislative proposal to regulate virtual asset (VA) advisory and management service providers in Hong Kong.

Based on the feedback received, the FSTB and SFC have confirmed the following key points:

- consistent with the 'same business, same risks, same rules' principle, the scope of the VA advisory and management regimes will be aligned with those for Type 4 (advising on securities) (RA4) and Type 9 (asset management) (RA9) regulated activities under the Securities and Futures Ordinance (SFO), respectively. Activities that do not in themselves involve advice concerning the acquisition or disposal of VAs will fall outside the scope of the VA advisory regime;
- advising solely on tokenised securities will not fall within the VA advisory regime, but will generally be regulated within RA4 under the SFO. Advising on derivatives and structured products referencing VA will generally fall within RA4, Type 5 regulated activity (advising on futures contracts) (RA5) and/or Type 11 regulated activity (dealing in OTC derivative products or advising on OTC derivative products) under the SFO;
- advising on investment products that constitute securities or futures contracts referencing VAs or having VAs as underlying assets will generally fall within RA4 or RA5 under the SFO;
- given the functional similarities between (i) SFO RA4 licensed corporations and VA advisory service providers, and (ii) SFO RA9 licensed corporations and VA management service providers (in each case, except for authorised institutions), the financial resources requirements applicable to VA advisory and VA management service providers will be aligned with those for RA4 and RA9 licensed corporations, respectively;
- there will not be a *de minimis* threshold for the licensing regime for VA management service providers (VA Management Regime). As a result, intermediaries licensed by or registered with the SFC to carry on RA9 under the SFO which currently manage portfolios with VA exposure below the *de minimis* threshold will be required to obtain a licence or registration for providing VA management services under the VA Management Regime, and will be subject to the same regulatory standards as those currently managing portfolios with VA exposure above the *de minimis* threshold;
- the VA Management Regime will apply to the management of a portfolio of VAs where the manager has discretionary power to make investment decisions in respect of the VAs in the portfolio for another person. This includes the management of funds and discretionary accounts in the form of an investment mandate or pre-defined model portfolio; and

- the licence or registration application fee and annual fee for VA advisory service providers and VA management service providers licensed by or registered with the SFC will be benchmarked with the relevant fees for RA4 and RA9 under the SFO.

The FSTB and the SFC intend to finalise the legislative proposals for establishing the licensing regimes for 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. Existing and prospective VA advisory and management service providers are encouraged to engage with the SFC at an early stage to initiate pre-application discussions.

### **SFC issues circular on provision of relevant stablecoin services by virtual asset trading platforms and licensed corporations**

The SFC has published a [circular](#) to set out its expected standards for licensed virtual asset trading platforms (VATPs) and licensed corporations when conducting activities involving relevant stablecoins. Relevant stablecoins refer to those that: (i) qualify as 'specified stablecoins' under section 4 of the Stablecoins Ordinance (SO); and (ii) are issued by an entity licensed under the SO and are authorised under such licence.

The circular also clarifies the application of the following guidance to activities involving relevant stablecoins:

- the Guidelines for Virtual Asset Trading Platform Operators (VATP Guidelines); and
- the joint circular on intermediaries' virtual asset-related activities issued by the SFC and the Hong Kong Monetary Authority (HKMA) on 22 December 2023, as supplemented by the supplemental joint circular on intermediaries' virtual asset-related activities on 30 September 2025.

The SFC recognises that the nature and risk profile of relevant stablecoins differ from other virtual assets. In light of the differences, and to provide regulatory clarity, the circular provides guidance on:

- the regulatory requirements relating to relevant stablecoins applicable to VATPs and licensed corporations, including guidance on liquidity and index requirements for tokens available for trading by retail clients, disclosure, assessment of knowledge of virtual assets, exposure limit and ensuring suitability; and
- the regulatory requirements relating to relevant stablecoins applicable to licensed corporations, including partnering arrangements, dealing through VATPs, as well as deposit and withdrawal arrangements.

The revised licensing conditions for VATPs, the corresponding updates to the 'Licensing or registration conditions and terms and conditions for licensed corporations or registered institutions providing virtual asset dealing services and virtual asset advisory services' and the 'Terms and conditions for licensed corporations or registered institutions which manage portfolios that invest in virtual assets' and track changes can be found in the appendices to the SFC circular.

## **SFC sets out measures to address forged documents, money laundering risks and account opening standards**

The SFC has issued a [circular](#) setting out the expected controls for account opening and the maintenance of client relationships. The circular follows the SFC's review of the account opening practices of 12 securities brokers, which revealed significant deficiencies. These included inadequate due diligence on account opening documentation, the acceptance of questionable or forged documents during the account opening process, and weaknesses in managing cross-border correspondent relationships with overseas intermediaries.

The SFC requires all licensed corporations (LCs) to conduct an internal review as soon as practicable to detect if any questionable or forged documents have been accepted for account opening. The SFC has also reminded LCs that they must be vigilant against red flags such as accounts used solely as depositories of funds which remain inactive after all funds are withdrawn, frequent changes in bank account, shared bank accounts or addresses among unrelated clients, and profiles of clients of overseas intermediaries that are not aligned with the intermediaries' jurisdiction or typical client base. Three appendices are attached to the circular:

- Appendix A – deficiencies identified in the SFC's review and the standards expected of LCs;
- Appendix B – additional measures for opening and managing the investment accounts of Mainland China investors; and
- Appendix C – a set of frequently asked questions on assisting LCs in implementing the controls and measures outlined in the circular.

The SFC has indicated that it will continue to monitor LCs' compliance through off-site monitoring, on-site inspections and thematic reviews. It also intends to collaborate with regulatory authorities in other jurisdictions to address misconduct in the industry in accordance with the memoranda of understanding signed with them.

## **HKMA issues guidance on banking services for individuals with higher risk profiles**

The Hong Kong Monetary Authority (HKMA) has issued a [circular](#) providing guidance to authorised institutions (AIs) in relation to banking services for individual customers assessed as presenting higher risks. Following a review, the HKMA observed that in some cases, AIs have not adequately and effectively addressed the genuine needs of higher-risk individuals for basic banking services in Hong Kong.

Following consultation with the industry, the HKMA has set out practical guidance on the provision of banking services to higher-risk individuals, having regard to both anti-money laundering and counter-financing of terrorism and financial inclusion considerations.

The HKMA expects AIs to take the expectations set out in the circular into account and determine their implementation approach based on their risk assessments, including the range of services to be offered, the extent of safeguards and limitations to be applied, as well as the level of scrutiny required to address identified risks. AIs are reminded to refrain from adopting a one-size-fits-all approach to the treatment of banking services.

The HKMA expects AIs to review and, where necessary, revise their policies and procedures in respect of banking services for higher-risk individuals,

and take into account the guidance set out in the annex to the circular in the design and implementation of the relevant measures.

### **Japan FSA publishes implementing regulations and public comment results for 2025 Payment Services Act amendments**

The Financial Services Agency (FSA) has [announced](#) the promulgation of cabinet orders, cabinet office ordinances and related measures implementing the 2025 amendments to the Payment Services Act, together with the results of the public consultation process. The implementing regulations set out detailed rules across multiple areas and are scheduled to take effect on 1 June 2026, alongside the 2025 amendments to the Payment Services Act and related administrative guidelines.

Amongst other things, the regulations:

- clarify categories of cross-border collection services that are exempted from the licensing requirement under foreign exchange transaction regulations. They also set out the scope and conditions of newly introduced user fund safeguarding methods under the amended act, including the types of eligible guarantors and the contractual requirements for guarantee and trust arrangements. Furthermore, the rules provide that Type I fund transfer service providers may, subject to specified conditions (including full safeguarding of user funds and the establishment of prompt and reliable repayment systems), bear foreign exchange obligations for a period not exceeding two months;
- specify the scope of assets that may be subject to domestic holding requirements for electronic payment instrument service providers and cryptoasset exchange service providers. They also establish detailed requirements for the newly created electronic payment instrument and cryptoasset service intermediary business, including application materials, disclosure and information provision to users, prohibited conduct, user protection measures and record-keeping obligations; and
- specify the scope of activities that banks, insurance companies and their subsidiaries may conduct in relation to electronic payment instrument and cryptoasset intermediary services.

### **Japan FSA updates capital adequacy Q&A with clarifications on enterprise value charges and NEXI-insured exposures**

The FSA has [announced](#) an update to its Q&A on bank capital adequacy (equity capital ratio) regulations, introducing guidance on:

- the treatment of the newly introduced 'enterprise value charge' (*kigyo-kachi tampo-ken*) as a credit risk mitigation tool for banks; and
- the regulatory capital treatment of exposures covered by insurance provided by Nippon Export and Investment Insurance (NEXI).

For enterprise value charges, the FSA has clarified that eligible collateral within the secured asset pool may be recognised as credit risk mitigation assets, subject to a case-by-case assessment against regulatory criteria. Such recognition requires banks to maintain and evidence effective arrangements for preserving the underlying collateral rights. The guidance also addresses credit risk mitigation effects of a security interest that interacts with an enterprise value charge.

For exposures insured by NEXI, the FSA has confirmed that such insurance may be treated similarly to a government guarantee under the capital adequacy framework, reflecting the statutory backing and expectation of government support behind NEXI's obligations.

## **MAS concludes consultation on enhancements to product highlights sheets and streamlined framework for complex products**

The Monetary Authority of Singapore (MAS) has published its [responses](#) to the feedback it received on its July 2025 consultation on the proposed enhancements to product highlights sheet (PHS) requirements and the complex products framework.

Among other clarifications, the MAS has confirmed the following:

- regarding enhancements to PHS templates:
  - the MAS will be proceeding with most of its original proposals, in particular the proposed wording for introductory statements and the complexity disclosure statement;
  - a lighter shade of red will be used for complex products, to avoid causing excessive alarm while maintaining the visual prominence needed to alert investors to product complexity;
  - the MAS will not require issuers to mandate the disclosure, in the PHS, of diagrams (except diagrams to illustrate the amount invested into the fund after accounting for initial and recurring charges), information on fund size, top 10 holdings and percentage asset allocations, but encourages issuers to consider including in the PHS a hyperlink or QR code to where investors may access the latest fund information;
- regarding new PHS requirements for investment-linked policies (ILPs):
  - ILPs will be required to have a PHS and will be classified as complex products; and
- regarding the review of the complex products framework:
  - the MAS will revise the terms 'Excluded Investment Product' and 'Specified Investment Product' (SIP) to 'non-complex product' and 'complex product' respectively, and combine the current customer knowledge assessment (CKA) and CAR into a single set of criteria and term it as the CKA;
  - the revised CKA will not distinguish between listed and unlisted products. Investors who have passed either the CKA or CAR previously will be deemed as having passed the revised CKA. A pass outcome in the CKA will not expire. Financial institutions will still be required to collect and document information used in conducting the revised CKA;
  - the CKA requirement for advised transactions (including digital advisory platforms) will be removed. For execution-only transactions in complex products, the CKA requirement will remain in place; and
  - while the MAS will not proceed with the product knowledge assessment, the existing SIP learning modules will be retained as an optional resource for investors. Investors that pass any of the existing SIP learning modules will be considered as having passed the CKA.
  - The MAS has indicated that all these enhancements will take effect concurrently. It will also consult on the amendments to relevant legislative instruments to implement the complex product framework requirements and the appropriate transition period from the time the legislative instruments are issued in that forthcoming consultation paper.

- Managers of collective investment schemes (CIS) (excluding real estate investment trusts (REITs)) will not be required immediately to update all PHS of existing funds to the revised templates on the effective date. Instead, the PHS of existing CIS (excluding REITs) will need to incorporate the revised templates when the accompanying updated prospectus is lodged on or after the effective date.

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

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Clifford Chance, 10 Upper Bank Street, London, E14 5JJ

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