Clifford Chance

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CRR: RTS on equivalent legal mechanism for unfinished property published in Official Journal

Commission Delegated Regulation (EU) 2026/849 setting out regulatory technical standards (RTS) on what constitutes an equivalent legal mechanism to ensure the completion of a residential property under construction within a reasonable timeframe as outlined in the Capital Requirements Regulation (CRR) has been published in the Official Journal.

CRR Article 124 contains requirements for the assignment of risk weights for exposures secured by mortgages on immovable property and, among other things, sets out the conditions under which retail immovable property that is still under construction can be eligible for preferential risk weight treatment.

The RTS:

- define the requirements applicable to the protection provider, including regarding its creditworthiness and status as a regulated institution or insurance undertaking;
- set out the operational and legal features of a qualifying completion guarantee, including the obligation to cover all remaining construction costs or, where completion is not possible, to repay the credit institution an amount equivalent to the outstanding exposure;
- clarify that completion guarantees must be comprehensive, legally binding and enforceable, and must not contain clauses that allow the provider to unilaterally reduce or cancel its obligations; and
- confirm that, where the protection provider and the credit institution belong to the same group, the treatment of the property as completed may not be recognised at the consolidated level.

The Delegated Regulation will enter into force on 12 August 2026.

MiFID2: RTS on firms' order execution policies published in Official Journal

Commission Delegated Regulation (EU) 2026/825 setting out RTS on how investment firms should establish their order execution policies and assess their effectiveness under MiFID2 has been published in the Official Journal.

In particular, the RTS include requirements on:

- the establishment of an investment firm's order execution policy – this includes the classification of financial instruments in which firms execute client orders and the selection of venues for the order execution policy;

- the investment firm's procedures and criteria to monitor and regularly assess the effectiveness of its order execution arrangements and order execution policy;
- the investment firm's execution of client orders through own account dealing; and
- how an investment firm should deal with specific client instructions.

Delegated Regulation (EU) 2026/825 will enter into force on 12 August 2026 and apply from 12 February 2028.

ESMA calls on firms to finalise preparations ahead of T+1 settlement deadlines

The European Securities and Markets Authority (ESMA) has issued a statement highlighting key deadlines and action points to be ready for the transition to a T+1 settlement cycle in EU financial markets.

With the move scheduled for 11 October 2027, the statement underlines that 2026 is a critical year for market participants to finalise their preparations. It outlines key milestones, including the first regulatory deadline on 7 December 2026 for allocations and confirmations processes.

ESMA has encouraged market participants to prepare and test their own readiness, and to check the readiness of their entire ecosystem, across the entire trading and settlement chain.

ESMA publishes report on cross-border investment services supervision

ESMA has published a follow-up report to its 2022 peer review on the supervision of cross-border activities of investment firms. The report assesses the progress of national competent authorities (NCAs) in implementing recommendations issued in 2022. The jurisdictions covered are the Netherlands, Germany, the Czech Republic, Luxembourg, Cyprus and Malta.

ESMA notes improvements across the supervisory cycle, including stronger authorisation controls for firms' cross-border plans, increased use of data and risk-based supervision and more targeted enforcement activity.

DGSD3: EBA consults on technical standards on depositor protection

The European Banking Authority (EBA) has launched four consultations on proposed Level 2 measures to improve depositor protection across the EU under the revised Deposit Guarantee Schemes Directive (DGSD3).

The EBA is seeking feedback on proposed:

- implementing technical standards (ITS) on depositor information, which set out harmonised content and formats for depositor information sheets as well as communication requirements in specific situations;
- ITS on information exchange between credit institutions, deposit guarantee schemes (DGSs) and other relevant authorities, which introduce standardised procedures to be followed in bank failure scenarios;

- RTS on the treatment of client funds protection standards across the EU, which clarify rules on client reimbursement and aim to prevent duplicate payments; and
- guidelines on how DGSs should invest their funds to ensure diversification, low risk and sufficient liquidity.

Responses are due by 23 October 2026.

EBA consults on reporting framework 4.4

The EBA has published a draft technical package for version 4.4 of its reporting and disclosure framework, covering IFRS 18 reporting, Pillar 3 ESG disclosures and other technical amendments.

The draft technical package for release 4.4 includes validation rules, the Data Point Model (DPM) and XBRL taxonomies, and introduces the following new reporting requirements:

- amendments to the ITS on Pillar 3 disclosures on ESG risks, equity and shadow banking exposures. The first reference date is 31 December 2026 (31 December 2027 for SNCIs);
- new IFRS 18-aligned templates in the Supervisory Financial Reporting (FINREP) framework. These templates should be read in conjunction with the EBA Opinion and related Annexes. The first reference date is 31 March 2027;
- the integration of FRTB-related disclosures templates into the DPM. The first reference date is 31 March 2027;
- technical amendments to DPM and taxonomy related to resolution planning, MREL decisions and Pillar 3 disclosure templates. The first reference date is 31 December 2026; and
- DPM and taxonomy to Anti Money Laundering Authority (AMLA)-Eligibility templates. The first reference date is 31 December 2026.

Comments are due by 24 August 2026 and the EBA intends to publish the final technical package in September 2026. The framework is expected to apply from Q4 2026.

AMLA finalises ITS on supervisory cooperation in direct supervision

The Anti Money Laundering Authority (AMLA) has published a final report setting out draft ITS on cooperation with national financial supervisors under Article 15(3) of the Anti-Money Laundering Regulation (EU) 2024/1620. The ITS cover the process for selecting and supervising high-risk financial-sector obliged entities with cross-border operations. AMLA's direct supervision will begin in 2028 and will apply to entities operating in at least six EU Member States with a high money-laundering or terrorist-financing risk profile. The final report also addresses data collection, risk assessment, publication of selected entities, transfer of supervisory files and cooperation arrangements between AMLA and national authorities.

The ITS have been submitted to the EU Commission for adoption.

FATF publishes update on implementation of standards on virtual assets and virtual asset service providers

The Financial Action Task Force (FATF) has published its seventh targeted update on virtual assets (VAs) and virtual asset service providers (VASPs), assessing progress and gaps in the implementation of Recommendation 15 (R.15) following the extension of the FATF's anti-money laundering and counter-terrorist financing (AML/CFT) standards to VAs and VASPs.

The report finds that while many jurisdictions have made progress in implementing anti-money laundering and counter-terrorist financing regulations – with 83% of surveyed jurisdictions having now passed Travel Rule legislation, up from 73% in 2025 – most have yet to translate legal frameworks into effective supervision and enforcement in practice. The FATF warns that organised crime groups are exploiting the uneven implementation of global standards and notes the need for further work on regulation, licensing and registration.

The report includes an updated table of regulatory steps taken by jurisdictions in the FATF's global network and highlights emerging risks arising from the criminal exploitation of virtual assets.

FATF publishes report on regulatory challenges from decentralised finance

The FATF has published a report on the regulatory challenges from decentralised finance (DeFi). The report responds to the sector's substantial expansion and builds on the FATF's 2021 guidance on a risk-based approach to VAs and VASPs.

The FATF observes that the growth of DeFi, together with the increasing involvement of institutional investors, VASPs and other regulated entities, has heightened its profile within the global financial system and amplified the associated risks of money laundering (ML), terrorist financing (TF) and proliferation financing (PF).

The report highlights that effective implementation of the FATF standards in the context of DeFi requires a functional, risk-based approach. It sets out several recommendations aimed at improving jurisdictional regulation and supervision, particularly in determining the existence of control over DeFi arrangements. The report also makes recommendations directed at DeFi arrangements themselves, as well as at financial institutions and VASPs interacting with them, with a view to mitigating the risk of criminal abuse.

PRA consults on guidance for friendly society amalgamations and transfers

The Prudential Regulation Authority (PRA) has launched a consultation on updated guidance for friendly society amalgamations and transfers. The proposals would clarify the PRA's approach to Part VIII transactions and provide detailed guidance for firms navigating the existing legislative framework. The key features of the proposal include:

- a sequence that firms would typically follow when undertaking a Part VIII transfer;
- greater transparency on the PRA's decision-making considerations;
- the scope of applicability of the process for both friendly and not friendly society firms.

Comments are due by 22 October 2026.

Bafin specifies rules for neobrokers: Supervisory statement on ban on payment for order flow

The German Federal Financial Supervisory Authority (Bafin) has published Supervisory Statement 05/2026 (WA): Entry into force of the ban on payment for order flow (PFOF) in Germany.

In its statement, BaFin sets out the requirements that credit institutions and investment firms must observe when forwarding client orders from 1 July 2026 onwards. Firms are now prohibited from accepting payments or other benefits from third parties in return for directing client orders to them, a practice known as payment for order flow (PFOF). The ban is intended to improve the quality of order execution for clients and to reduce conflicts of interest.

The statement also explains the European Union's interpretation of the PFOF rules, as published by the European Securities and Markets Authority (ESMA).

PFOF has been prohibited across the European Union since March 2024. However, Germany made use of an exemption provision until 30 June 2026, allowing credit institutions and investment firms to continue receiving payments from third parties, such as market makers and other proprietary traders, in return for forwarding client orders.

The supervisory statement applies until 30 June 2029.

Polish Financial Supervision Authority publishes recommendations on impact of frontier AI models on cybersecurity

The Polish Financial Supervision Authority (PFSA) has published recommendations for financial market participants regarding the impact of frontier AI models on cybersecurity.

The document contains a list of supervisory recommendations addressed to financial institutions, including banks, relating to the development of advanced artificial intelligence and its impact on the increasing scale of cyber threats.

The PFSA is of the view that the development of AI does not create new risks for financial institutions, but that it does lead to an increase in the scale and intensity of existing risks.

The PFSA draws the attention of the institutions under its supervision to the need to take AI-related threats into account in their ICT (information and communication technology) risk management processes. Firms should also regularly conduct resilience testing using artificial intelligence and assess their suppliers in terms of AI risk management.

From the PFSA's recommendations it also follows that financial institutions should strengthen their multi-layered protection by modernising outdated infrastructure, isolating critical systems, applying strong authentication and regularly reviewing access rights. The supervisory authority also recommends conducting incident response testing, analysing the risk of over-reliance on a single ICT and AI technology provider, and cooperating with the PFSA's CSIRT incident response team.

Polish Financial Supervision Authority publishes amendment to recommendation on long-term financing ratio

The PFSA has published an amendment to the Recommendation on the Long-Term Financing Ratio. The amendment contains changes concerning, among other things:

- the exclusion of Bank Gospodarstwa Krajowego from the scope of the recommendation;
- a change in the method of accounting for instruments classified as own funds – instead of the surplus of own funds over the OCR requirement, only AT1 and Tier 2 instruments will be included in the LTFR numerator;
- setting (as a result of recalibration) the expected LTFR at 20%, with effect from 31 December 2026, and in the case of selected cooperative banks, from 31 December 2028;
- introducing the possibility of permanently recognising a limited value of retail deposits with a contractual maturity of at least two years and, at the same time, a residual maturity of at least one year, which are fully covered by guarantee protection granted by the Bank Guarantee Fund (BGK), as well as savings accounts for housing purposes;
- clarification of the provisions concerning securitisation;
- introducing the principle of reducing the value of issued debt instruments by the value of corresponding debt securities acquired (netting), whereby: (i) debt instruments issued by BGK and debt instruments acquired by pension and disability pension funds and investment funds are excluded from netting, (ii) netting of 30% of the value of acquired covered bonds; and
- clarification of the provisions concerning structured deposits – known as 'fund-linked deposits'.

HKEX to facilitate stamp duty and trading-related fees payment in RMB

Hong Kong Exchanges and Clearing Limited (HKEX) has welcomed the Government's publication in the Gazette of the Stamp Duty (Amendment) (No. 2) Ordinance 2026, which provides for the arrangement for the calculation and payment of stamp duty arising from transactions of dual-counter stocks conducted at the Renminbi (RMB) counter in RMB.

To provide a more streamlined and coherent payment framework for Exchange Participants, HKEX will also facilitate the settlement of the SFC Transaction Levy, AFRC Transaction Levy, Investor Compensation Levy (currently suspended) and trading fee payable to the HKEX in RMB.

HKEX notes that the implementation of the new arrangement will be subject to the relevant commencement notice from the Government, regulatory approvals and market readiness. Further details, including operational arrangements and targeted implementation timelines, will be announced in due course.

SFC enhances regulatory framework for daily leveraged and inverse products

The Securities and Futures Commission (SFC) has issued a revised circular to enhance its regulatory framework for authorised leveraged and inverse products (L&I Products).

The SFC notes that Hong Kong's L&I Products market has expanded significantly since the beginning of 2026, driven by the surge in Single Stock L&I Products. It further notes that, as the market evolves, the operation of such products has become increasingly dependent on the broader ecosystem surrounding the underlying stocks to maintain the targeted leverage exposure.

In response to market developments, the SFC will require L&I Products with highly dynamic capacity dependent on evolving market conditions to adopt a flexible leverage structure. Under this structure, product providers will have more room to manage L&I Products during high-volume trading sessions by lowering the targeted leverage factor when necessary.

To enhance transparency, the SFC also requires L&I Products providers to publish the targeted leverage factor for the next trading day on their product websites and Hong Kong Exchanges and Clearing Limited website after market close every day. The product names should also indicate both the flexible leverage feature and the maximum leverage factor.

The SFC has reminded investors that L&I Projects are not designed for holding beyond one day, as their performance may significantly deviate from the underlying assets. To facilitate understanding of such complex products, the SFC has issued an infographic themed 'D-A-I-L-Y' to provide a checklist for investors and urged them to conduct daily assessment when trading L&I Products.

SFC and Securities Commission Malaysia expand mutual recognition of funds and facilitate simplified dual IPO listing framework

The SFC and the Securities Commission Malaysia (SC) have signed a memorandum of understanding (MoU) to strengthen cooperation and information exchange through the expansion of the mutual recognition of funds (MRF) scheme and the introduction of a simplified dual initial public offering (IPO) listing framework.

The MoU updates the cooperation framework under the regulators' Declaration on Mutual Co-operation on Development of Islamic Capital Market and Islamic Collective Investment Schemes signed on 9 November 2009, which provided for the mutual recognition of Islamic funds for public offering in both markets.

Under the enhanced framework, the scope of investment products eligible under the MRF scheme has been expanded to include non-Islamic exchange-traded funds, leveraged and inverse products, and real estate investment trusts (REITs).

Further details of the MRF scheme are set out in the SFC's circulars 'Mutual Recognition of Funds (MRF) between Malaysia and Hong Kong' and 'Cross-listings of Malaysian Real Estate Investment Trusts in Hong Kong', and the SC's Guidelines for the Offering, Marketing and Distribution of Foreign Funds.

Separately, to facilitate the cross-listings of equity securities, the Stock Exchange of Hong Kong Limited has added Bursa Malaysia Securities Berhad to the list of recognised stock exchanges.

MAS proposes regulatory changes to facilitate faster approvals of new fund types

The Monetary Authority of Singapore (MAS) has launched a consultation on proposed amendments to the Code on Collective Investment Schemes (CIS Code).

The MAS proposes to introduce a new Appendix of the CIS Code to cater to new fund types that satisfy certain criteria (Alternative Funds Appendix), under which these new fund types may be permitted to deviate from the investment requirements within Appendix 1 of the CIS Code. In determining whether to allow a new fund type, the MAS will consider: (i) the fund's compliance with IOSCO principles; (ii) the listing or offer history of similar products in other jurisdictions; and (iii) the proposed safeguards, such as product-level safeguards, enhanced disclosures and distribution safeguards to mitigate the risks arising from the deviation from existing CIS Code investment requirements.

The MAS proposes a new process for issuers who wish to launch new fund types under the Alternative Funds Appendix:

- such issuers are to consult with the MAS before applying for authorisation of the fund;
- where the MAS decides to allow the new alternative fund type to be authorised, such a fund type will be allowed through a public circular issued under the proposed Alternative Funds Appendix (which would take about three months);
- the circular will set out the modified investment requirements, along with alternative safeguards and enhanced disclosures; and
- once the guardrails are established, issuers may apply for a fund of the same type that fulfils these requirements to be authorised (currently a 21-day process).

However, the MAS has also clarified that where a new fund type remains largely in line with traditional funds, the more suitable approach would be to amend the investment requirements under the relevant Appendices of the existing CIS Code to accommodate the new fund type rather than classifying the fund as an alternative fund. For consistency, the MAS will also recognise foreign funds that are comparable to new fund products that are authorised by the MAS, including those under the proposed Alternative Funds Appendix.

Pursuant to the above approach, the MAS proposes changes to the CIS Code to facilitate the offer of two new fund types to retail investors.

Firstly, futures-based single-commodity funds are proposed under the proposed Alternative Funds Appendix. The MAS proposes to impose safeguards for such funds in the Alternative Funds Appendix. The fund must track a well-recognised futures price index of the relevant commodity, ensure its exposure to one of the permitted commodities is at least 90% of NAV, may only invest in commodities traded on an exchange, and limit global exposure to financial derivatives to 100% of the fund's NAV. Naming and disclosure requirements would also be imposed on futures-based single-commodity funds.

Secondly, the MAS proposes to amend the existing requirements under Appendix 1 of the CIS Code to permit a wider range of single-country government bond funds by:

- removing the existing credit rating requirements applicable to investments in debt issued by a government;

- retaining two safeguards: (i) the public debt instrument must be included in a well-recognised international index; and (ii) the fund must invest in at least six different issuances with no single issuance exceeding 30% of NAV; and
- imposing additional prospectus disclosure requirements.

Comments are due by 10 August 2026.

MAS publishes guidelines on liquidity risk management for banks

The MAS has published new guidelines on liquidity risk management, setting out its supervisory expectations for all banks, merchant banks and finance companies (collectively referred to as 'banks').

The guidelines are based on the principles for sound liquidity risk management and supervision issued by the Basel Committee on Banking Supervision in 2008 and incorporate insights gained from the banking events in March 2023. They are intended to complement the MAS's existing legislation and guidelines, including:

- for banks and merchant banks, MAS Notices 649 and 1015 on minimum liquid assets and liquidity coverage ratio, and MAS Notice 652 on net stable funding ratio; and
- for finance companies, MAS Notice 806 on minimum cash balances and minimum liquid assets.

The guidelines cover governance frameworks and risk management processes, including the need for robust liquidity stress testing and operationally ready contingency funding plans. The MAS expects banks to adopt the guidelines in a manner commensurate with the nature, size and complexity of its activities. Banks are also expected to establish well-defined frameworks and processes to maintain a sound funding profile and sufficient liquidity to meet obligations as they fall due, and to build resilience against stress scenarios, including severe ones.

Recognising that liquidity risk may be managed on a group-wide basis, the MAS notes that a foreign bank branch may leverage its head office's group-wide liquidity risk management framework, **provided that** it demonstrates that the framework, policies and processes meet the expectations set out in the guidelines and adequately address Singapore-specific considerations.

The MAS further expects local senior management to have adequate visibility into and input on matters affecting Singapore operations, supported by timely and relevant reports and data. Clear escalation channels should be in place to ensure that Singapore-specific issues are surfaced to the responsible parties for timely decision-making and resolution. The MAS also expects local senior management to be able to demonstrate how it discharges its oversight responsibilities, even when relying on group frameworks.

These guidelines are effective from 10 July 2027.

MAS publishes information paper on AML/CFT supervisory expectations for digital payment token service providers

The MAS has published an information paper setting out its observations and supervisory expectations to guide digital payment token service providers (DPTSPs) in implementing their anti-money laundering, countering the financing of terrorism, and countering proliferation financing (AML/CFT/CPF) controls in the following areas:

- assessment of risks arising from offering of new products, including the offering and listing of new digital payment tokens on their platforms;
- application of enhanced customer due diligence measures for politically-exposed persons (PEPs) and higher risk customers;
- compliance with DPT travel rule requirements;
- ongoing monitoring of customer relationships and transactions;
- screening of customers and their relevant parties against relevant money laundering or terrorism financing (ML/TF) information sources, as well as lists and information provided by the MAS or other relevant authorities in Singapore, with a view to: (a) identifying any potential risk nexus to sanctions, PEPs, and other adverse information; and (b) better assessing and effectively mitigating the attendant ML/TF risks;
- due diligence on partners and outsourced service providers before onboarding them, and periodically thereafter; and
- training and expertise of staff responsible for DPTSPs' AML/CFT/CPF obligations.

The MAS expects DPTSPs to ensure that their AML/CFT/CPF risk detection capabilities and controls remain effective to detect, assess, and mitigate these risks. It also emphasises that the board and senior management should maintain close oversight of the ML/TF risks faced by DPTSPs and ensure that AML/CFT/CPF risk mitigation remains a key priority.

DPTSPs are also expected to assess the effectiveness of existing frameworks and controls against the MAS' observations and supervisory expectations set out in this information paper and take timely and risk-proportionate steps to address any identified gaps. In addition, the MAS expects DPTSPs to incorporate relevant lessons learned into their policies and procedures and share such learnings with their staff to raise ML/TF risk awareness across the organisation.

The MAS has indicated that the information paper supplements existing AML/CFT/CPF requirements and should be read in conjunction with Notice PSN02 on Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Payment Services Licence (Digital Payment Token Service) and accompanying guidelines.