Clifford Chance

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ESAs call for enhanced governance and consistent supervision to mitigate ICT risks from frontier AI models

The European Supervisory Authorities (ESAs) have published a statement calling for a cross-sectoral, risk-based and consistent supervisory approach to mitigate the ICT risks stemming from frontier AI models.

The statement takes into account existing regulatory requirements, the EU Commission's Action Plan on Cybersecurity and Artificial Intelligence, as well as recent publications by the European Systemic Risk Board (ESRB), the European Union Agency for Cybersecurity (ENISA), the Single Supervisory Mechanism (SSM) and other competent authorities. It sets out measures to help financial entities strengthen their operational resilience against cyber risks linked to frontier AI models, with particular emphasis on the prevention, detection and management of these risks.

The statement underlines that financial entities should have robust governance and risk management frameworks in place to support the effective management and mitigation of cyber risks associated with frontier AI models. It also provides an update on ongoing and planned Digital Operational Resilience Act (DORA) oversight activities for critical ICT third-party providers (CTPPs) to address this risk.

The ESAs encourage both financial entities and competent authorities to use the statement as a basis for supervisory dialogue, taking into account existing supervisory expectations, to help ensure that the EU financial system remains resilient against the risks driven by frontier AI technologies.

EMIR: ESAs publish final draft RTS on initial margin requirements

The ESAs have published their final report on draft regulatory technical standards (RTS) proposing to simplify the bilateral margin requirements of Commission Delegated Regulation (EU) 2016/2251.

Delegated Regulation (EU) 2016/2251 sets out the risk mitigation techniques for over-the-counter (OTC) derivative contracts not cleared by a central counterparty (CCP) under EMIR. It specifies the level of collateral that counterparties to bilateral derivatives transactions need to maintain, the type of collateral, and segregation arrangements.

Article 28(1) of the Delegated Regulation allows counterparties to derogate in their risk management procedures under Article 11(3) of EMIR from the collection of initial margins for all new OTC derivative contracts entered into within a calendar year. This is applicable where one of the two counterparties has an aggregate month-end average notional amount (AANA) of non-centrally cleared OTC derivatives for the months March, April and May of the preceding year below the threshold of EUR 8 billion.

The draft RTS extend the scope of the derogation to existing contracts once one of the counterparties falls below that threshold to address the practical issues resulting from the absence of such derogation, and are intended to simplify the treatment applicable when one of the two counterparties falls below the threshold, while aligning with the treatment applied in other jurisdictions.

The final report has been submitted to the EU Commission alongside the draft RTS for endorsement.

CRR: EBA publishes no-action letter and technical considerations for market risk framework implementation

The European Banking Authority (EBA) has issued a no-action letter and technical clarifications on the implementation of the revised Fundamental Review of the Trading Book (FRTB) market risk framework under the Capital Requirements Regulation (CRR). The measures are intended to support consistent application across the EU once the Delegated Act introducing temporary amendments to the EU's implementation of the market risk framework, adopted by the EU Commission on 4 June 2026, enters into force.

The no-action letter recommends that supervisors do not prioritise enforcement action in relation to the provisions of the FRTB framework governing the boundary between the banking book and the trading book and internal risk transfers between these books, as well as certain related reporting requirements. The EBA has also provided technical considerations on key implementation issues and clarified the treatment of institutions for supervisory benchmarking purposes.

EBA consults on reporting framework for validation and monitoring of ISDA standard initial margin model

The EBA has published a consultation paper on a new reporting framework to support the validation and ongoing monitoring of initial margin models (IMM) based on the standard IMM (SIMM) developed by the International Swaps and Derivatives Association (ISDA).

The EBA has acted as the central validator of *pro forma* initial margin models under the European Market Infrastructure Regulation (EMIR) since March 2026. To support this role, the EBA is proposing a standardised set of regular reporting requirements for counterparties seeking validation to use ISDA SIMM.

The reporting requirements cover a number of items including:

- an overview of the over-the-counter (OTC) trading activities subject to initial margins;
- information used to calculate the annual fee due to the EBA for its validation of ISDA SIMM;
- information about the use and performance of ISDA SIMM; and
- the IMM built on it, covering margin disputes, adjustments to the initial margin applied and back-testing results.

Comments are due by 2 November 2026.

FCA publishes policy statement on transaction reporting regime

The Financial Conduct Authority (FCA) has published a policy statement (PS26/15) setting out final rules to simplify the UK transaction reporting regime.

The rules set out in PS26/15 replace and restate assimilated EU law derived from the Markets in Financial Instruments Regulation (MiFIR). Among other things, the new rules:

- reduce the number of transaction reporting fields from 65 to 52;

- remove reporting obligations for 7 million financial instruments which are only tradeable on EU trading venues;
- remove foreign exchange (FX) derivatives from the scope of reporting requirements;
- reduce the default back reporting period from five to three years;
- exempt most corporate actions from reporting obligations;
- require trading venues to populate fewer fields in their transaction reports; and
- create a new framework for conditional single-sided reporting (CSSR).

PS26/15 sets out the feedback received to the FCA's consultation paper on the proposed changes (CP25/32) and its responses. The new regime comes into force on 3 April 2028. The FCA intends to take a flexible supervisory approach until that date.

FCA updates rules on information sharing for equity IPOs

The FCA has published a policy statement (PS26/16) updating its rules on information sharing during UK equity initial public offerings (IPOs).

The updated rules remove the requirement for firms to wait 7 days between publishing an approved registration document or prospectus and connected research. They also remove the information sharing requirement for syndicated banks intending to publish connected IPO research; previously these were required to share the same information with unconnected analysts as with their own research analysts. The FCA intends the changes to lower market risk, lower compliance costs and support the UK's competitiveness as a listing venue.

The updated rules take effect immediately.

FCA increases scrutiny of Annex I firms

The FCA has published a statement outlining its concerns about a number of risks among firms including unregulated lenders, safe custody providers, money brokers and financial leasing companies (Annex I firms).

The FCA has identified a number of risks among Annex I firms including:

- the potential for them to facilitate financial crime;
- reliance on financial crime controls of parent companies;
- reliance on off-the-shelf procedures designed for different companies; and
- risks to consumers and markets from unregulated lending often conducted through complex structures, including special purpose vehicles (SPVs).

To address these risks, the FCA has increased the scrutiny on applications to register as an Annex I firm. Firms must clearly demonstrate that they can comply with UK money laundering regulations and the FCA has warned firms to expect registration applications to take longer. It has also issued an information request to approximately 900 Annex I firms to improve its understanding of their activities, business models and risks.

CRD6: Implementing Order published in France

A Ministerial Order implementing the Capital Requirements Directive (EU) 2024/1619 (CRD6) has been published in the Official Journal. The Order follows Ordinance No. 2026-255 of 8 April 2026 and Decree No. 2026-309 of 24 April 2026 and introduces amendments to existing ministerial orders in order to:

- strengthen internal controls, risk governance (including ESG risks, cryptoassets and climate transition plans) and the prudential supervision framework applicable to credit institutions, financing companies and, where relevant, investment firms;
- update the regulatory framework applicable to banking operations offered in France by third-country institutions benefiting from development assistance;
- update the prudential framework applicable to third-country credit institution branches, including enhanced internal governance, accounting and reporting requirements; and
- harmonise and clarify the procedures applicable to qualifying holding acquisitions, significant asset transfers, mergers and demergers of regulated entities covered by the relevant ministerial orders.

The Order entered into force on 2 August 2026, with a deferral until 11 January 2027 for the most significant provisions regarding third-country credit institution branches and certain related aspects of internal control.

First-phase measures to enhance regulation of licensed money lenders come into effect in Hong Kong

The Hong Kong Government has announced that the first phase of its measures to enhance the regulation of licensed money lenders is in effect from 1 August 2026. The key measures introduced in the first phase include prohibiting money lenders from requesting borrowers to provide loan referees and introducing 'debt servicing ratio' caps for unsecured personal loans of low-income earners.

The Government notes that a second phase of measures will take effect on 1 June 2027, and will include requiring all money lenders engaging in unsecured personal loan businesses to regularly submit personal credit information of their unsecured personal loan borrowers to the Credit Data Smart (CDS). Money lenders will also need to meet specific requirements to join the CDS to obtain personal credit information of borrowers for loan application assessment.

As part of the first-phase implementation, the Companies Registry has revised its guidelines on licensing conditions of money lenders licence.

Hong Kong and China introduce new measures to deepen capital markets cooperation

The Securities and Futures Commission (SFC) and the China Securities Regulatory Commission (CSRC) have jointly announced a series of new measures to further deepen cooperation between the Hong Kong and Mainland China capital markets. The key measures include:

- continuing to support eligible Mainland China enterprises in raising funds through listings in Hong Kong, eligible Hong Kong-listed companies in seeking listings in Mainland China, and eligible Hong Kong enterprises in issuing bonds in Mainland China;

- supporting index providers in both places to strengthen cooperation and launch more indices based on Chinese assets;
- deepening cooperation between the futures markets of both places to support the launch of a wider range of RMB-denominated and settled futures products in Hong Kong;
- supporting institutions in both places to launch more exchange-traded funds (ETF) products based on the two markets and oriented toward Mainland China's modern industrial system, and implementing a fast-track registration mechanism for conventional equity ETF products;
- supporting eligible securities firms and fund companies in expanding overseas, and using Hong Kong as a base to develop their international business in an orderly manner;
- promoting pilot programmes for listed companies in both places to disclose climate-related transition plans; and
- exploring ways to encourage and support securities and futures professionals working at Hong Kong banks in applying for relevant Mainland China professional qualifications through a streamlined process.

The regulators have also indicated that they will further deepen their participation in global financial governance to provide a solid foundation for the stable and healthy development of both markets.

MAS issues guidelines on audit of payment service providers

The Monetary Authority of Singapore (MAS) has issued the guidelines on audit of PSPs [PS-G04] under the Payment Services Act 2019 (PS Act), setting out its expectations on the annual audits for all licensed payment service providers (PSPs).

Among other things, the guidelines specify:

- the reports that are required to be submitted to the MAS;
- the information that PSPs should provide to auditors;
- the MAS's baseline expectations for the audit of PSPs;
- the mandatory audit areas that all licensees are required to cover during their annual audit; and
- the requirement for a mandatory end-to-end review of the adequacy and operating effectiveness of risk management systems and controls relating to anti-money laundering and countering the financing of terrorism risk and technology risk. Such reviews must be conducted: (i) for newly licensed PSPs, within one year after the commencement of operations; and (ii) for licensed PSPs that have started offering newly licensed payment services, within one year after the commencement of the relevant new payment service(s).

The guidelines will be effective for annual audits with financial year ending 31 December 2026 onwards i.e. for 'Form 4 – Auditor's Report for a Licensed Payment Service Provider' (Form 4) due from 30 June 2027 onwards. The MAS has also revised Form 4, which will be made available on the Monetary Authority of Singapore - Financial Institutions

Transactions Platform in the second quarter of 2027. It has indicated that documents for audits of the financial year ending before 31 December 2026 should continue to be submitted using the existing Form 4.

The MAS expects PSPs to implement the guidelines in a manner that is commensurate with the level of risk and complexity of their business models, as well the products and services offered.

The MAS has also indicated that the guidelines provide general guidance and are not intended to be comprehensive nor replace or override any legislative provisions. They should be read in conjunction with the provisions of the PS Act, Payment Services Regulations 2019 and other relevant legislation, written directions, notices, codes and guidelines issued by the MAS.

MAS and ABS establish taskforce to strengthen cyber and technology resilience against AI-driven threats

The MAS and the Association of Banks in Singapore (ABS) have announced the establishment of the AI-Driven Cyber and Technology Risk Taskforce (ACT), an industry-wide initiative to strengthen collective cyber and technology resilience in response to the emerging risks posed by frontier artificial intelligence (AI) models.

The ACT will focus on the following three areas:

- industry collaboration – facilitating the sharing of AI cybersecurity use cases and experience across financial services industry, and supporting engagement and collaboration with industry cybersecurity and AI experts;
- capability uplift – uplifting the financial services industry cyber defence knowledge and conducting proof-of-concept trials to explore and validate advanced AI-enabled tools against the evolving threat landscape; and
- guidance development – strengthening financial institutions' cyber security posture by developing guidance on new measures, controls and solutions to better detect, prevent and respond to sophisticated AI-enabled threats.

MAS and Bank of Thailand sign memorandum of understanding on cybersecurity cooperation and digital fraud protection

The MAS and the Bank of Thailand (BOT) have signed a memorandum of understanding (MoU) on cybersecurity cooperation and digital fraud protection. The MoU formalises and expands the ongoing collaboration between the MAS and the BOT to strengthen cyber resilience and combat digital fraud across their respective financial sectors.

The MoU provides a framework for cooperation in:

- information sharing on cybersecurity and digital fraud – exchange of regulatory and incident updates and threat intelligence affecting the financial sector;
- competency-building – joint activities such as staff training, study visits, and exchange of research and policy insights to deepen technical collaboration; and

- operational preparedness – conducting joint cross-border cybersecurity and crisis management exercises.

Recent Clifford Chance briefings

Financing European defence – how can Europe address the fiscal and capital challenges?

Against a backdrop of geopolitical, strategic uncertainty, Europe is progressing plans to rearm and shoulder more responsibility within NATO. In June 2025, NATO allies made a clear commitment to invest 5% of GDP annually by 2035, including at least 3.5% on core defence spending. However, three concrete questions remain unresolved: (i) how this commitment can be delivered given national budgetary constraints, (ii) how to plug the funding gap for the defence supply chain composed of small and medium-sized enterprises (SMEs), innovative tech companies and start-ups which do not have the same access to finance as the defence primes, and (iii) can new funding instruments, new institutions and a new approach close this gap, leverage public investment and create a virtuous circle which crowds in private capital to meet our needs?

Clifford Chance has prepared a briefing paper highlighting emerging financing options which may help address these challenges and which complement initiatives taken by the EU, such as the SAFE programme. These include:

- new financial products which can help direct private capital to finance the defence and security sectors;
- intergovernmental and multinational initiatives which can complement SAFE, create capacity to raise debt in the capital markets which is not consolidated into national debt figures but which, when combined with the palette of instruments used by development and promotional banks, create a multiplier or leveraged effect that crowds in private capital into funding the defence and security sectors; and
- recent market trends which demonstrate that defence, resilience and security could be the new "green" and can attract private capital in the form of both debt and equity.

https://www.cliffordchance.com/briefings/2026/08/financing-european-defence--how-can-europe-address-the-fiscal-an.html

US rebuilds tariff regime using established tools

The US administration has imposed a raft of new tariffs on 59 countries and the European Union, citing their failure to impose or effectively enforce a prohibition on the import of goods produced with forced labour. The tariffs, which range from 10% to 12.5%, became effective on 24 July. They were imposed just as the US administration's global 10% tariffs, imposed under Section 122 of the Trade Act 1974, expired.

Clifford Chance has prepared a briefing paper outlining the legal basis for these tariffs (namely Section 301 of the Trade Act 1974), which countries are affected, which goods are exempted and practical steps businesses should be taking.

https://www.cliffordchance.com/briefings/2026/07/us-rebuilds-tariff-regime-using-established-tools.html