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Sustainable Finance: EU Parliament adopts report on SFDR 2.0

The EU Parliament's Committee on Economic and Monetary Affairs (ECON) has voted to adopt a report on the EU Commission's proposed set of amendments to the Sustainable Finance Disclosure Regulation (SFDR 2.0).

The proposed amendments are intended to result in simpler and more usable information for investors, enabling them to make better informed choices. They include significantly reducing product-level disclosures and a simpler categorisation system for financial products making environmental, social and governance (ESG) claims, comprising three categories for 'sustainable', 'transition', and 'ESG basics' products.

Amongst other things, the Parliament has agreed that:

- the transition products channelling investments towards companies not yet sustainable should exclude those earning revenue from fossil fuel exploration, extraction, mining, or refining, unless such companies invest heavily in environmentally sustainable activities, have a measurable, time-bound plan to cut emissions, and put more capital into sustainable activities than into new fossil fuel projects;
- only the largest financial market participants should disclose their impact on environment and society, with professional investors, financial advice and portfolio management not being in scope of the rules; and
- investment companies would need due diligence and monitoring processes for categorised financial products, reviewed at least once a year and updated as needed.

The Parliament intends to announce the negotiating mandate at the start of the October plenary session, following which trilogue negotiations with the Council can begin.

CRR: Delegated Regulation introducing temporary adjustments to Basel III market risk rules published in Official Journal

Commission Delegated Regulation (EU) 2026/1221, which introduces temporary amendments to the EU's implementation of the Fundamental Review of the Trading Book (FRTB) framework for market risk as part of the Capital Requirements Regulation (CRR), has been published in the Official Journal.

In response to delays in FRTB implementation across several major jurisdictions, the Delegated Regulation introduces targeted temporary amendments intended to help maintain a level playing field for EU banks during this period. It introduces transitional provisions for:

- the profit and loss attribution test under the alternative internal model approach for market risk;
- own funds requirements for:
  - non-modellable risk factors;
  - positions in collective investment undertakings under the alternative internal model approach and the alternative standardised approach;
  - the residual risk add-on under the alternative standardised approach; and
  - default risk under the alternative standardised approach;
- own funds requirements under:
  - the internal default risk model;
  - the alternative standardised approach for instruments subject to carbon trading risk under the EU Emissions Trading System; and
  - the alternative standardised approach and simplified standardised approach;

- data requirements for the assessment of modellability of new issuances;
- the calculation frequency for the alternative internal model approach;
- the treatment of instruments in the Alternative Correlation Trading Portfolio;
- the derogation for small trading book business institutions; and
- the application of a multiplier to own funds requirements for market risk.

The Delegated Regulation enters into force on 12 September 2026 and applies from 1 January 2027.

CRR: EBA responds to EU Commission's non-adoption of draft amending technical standards on prior permission

The European Banking Authority (EBA) has written to the EU Commission acknowledging the Commission's decision not to adopt the targeted amendments of Commission Delegated Regulation (EU) No 241/2014 intended to shorten the application period for reducing own funds and eligible liabilities instruments.

The Commission informed the EBA in July of its decision not to endorse the draft regulatory technical standards (RTS) submitted by the EBA on 19 March 2026. The draft RTS were intended to accelerate the processing of prior permission applications under the RTS adopted in 2021, which both the industry and competent authorities had considered unnecessarily lengthy.

The EBA has confirmed that it will proceed with a broader review of the RTS, in line with the Commission's proposal, with a view to delivering further simplification and efficiency gains at a later stage.

MLD4: EU Commission adopts RTS on central contact point appointments by CASPs

The EU Commission has adopted a Delegated Regulation amending the RTS laid down in Delegated Regulation (EU) 2018/1108 as regards the criteria for the appointment of central contact points for cryptoasset service providers (CASPs) and rules on their functions under Article 45(10) of the Fourth Money Laundering Directive ((EU) 2015/849) (MLD4).

The RTS specify the criteria according to which CASPs should appoint a central contact point to ensure compliance with the anti-money laundering and countering the financing of terrorism (AML/CFT) obligations of the host Member State. This includes the circumstances in which appointing a central contact point is appropriate and the functions of those central contact points.

Listing Act: ESMA consults on disclosure requirements and updates guidelines and Q&As under Prospectus Regulation

The European Securities and Markets Authority (ESMA) has published a package of materials under the Prospectus Regulation to reflect changes introduced by the Listing Act. The measures are intended to promote supervisory convergence and contribute to ESMA's simplification and burden-reduction efforts.

In particular, the package includes:

- a consultation paper on updated guidelines on disclosure requirements, which are intended to help issuers and their advisers better understand expected disclosure under the revised Prospectus Regulation and to simplify existing guidance by reducing the parts that are no longer necessary;
- updated Q&As;
- a final report on guidelines for supplements that introduce new securities to a base prospectus (product supplements); and
- a final report on RTS on key financial information to be included in prospectus summaries.

Comments on the consultation paper are due by 9 November 2026 and ESMA expects to publish the final report and updated guidelines in Q2 2027.

Financial market infrastructures: CPMI-IOSCO publish cyber resilience toolkit and discussion paper on reliance on third-party service providers

The Bank of International Settlements (BIS) Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) have published a Cyber Resilience Toolkit setting out practical considerations for financial market infrastructures (FMIs) and a discussion paper on the challenges and risks associated with FMIs' reliance on third-party service providers.

The toolkit provides practical considerations to support FMIs in strengthening their cyber resilience frameworks and implementing operational resilience-related components of the CPMI-IOSCO Principles for Financial Market Infrastructures (PFMI). It comprises a set of voluntary, non-binding tools covering several broad topics relevant to cyber resilience and is designed to complement the 2016 CPMI-IOSCO Guidance on Cyber Resilience for Financial Market Infrastructures.

The discussion paper identifies and examines several key challenges related to the provision of third-party services to FMIs, especially for the delivery of critical services. The paper sets out several questions for stakeholders to provide feedback on the identified risks and on potential further engagement.

Comments on the toolkit and discussion paper are due by 1 December 2026.

FCA launches consultation on minor general insurance value measures

The Financial Conduct Authority (FCA) has issued a consultation paper following its post-implementation review of the value measures rules applicable to general insurance products and firms. The review identified inconsistencies in reporting practices that make the data harder to use and compare.

The FCA proposes to remove two reporting requirements: the amount that the top 2% of claim pay-outs are above, and the names of firms' five largest distribution arrangements for each product. These changes are intended to reduce the reporting burden on firms, improve reporting consistency and make value measures data more useful.

Comments are due by 9 October 2026.

HKMA consults on Phase 2B prototype of Hong Kong taxonomy for sustainable finance

The Hong Kong Monetary Authority (HKMA) has launched a public consultation on the Phase 2B prototype of the Hong Kong taxonomy for sustainable finance (Hong Kong Taxonomy).

Building on Phase 2A of the Hong Kong Taxonomy published in January 2026, Phase 2B introduces additional green and transition activities that contribute to climate change mitigation across the transportation, manufacturing, and waste sectors.

The key features of the Phase 2B prototype include the following:

- broadening climate change mitigation activities through the addition of ten new economic activities, together with technical criteria for green and transition activities and measures where applicable;
- accelerating regional transition and decarbonisation by scaling financing towards climate change mitigation activities that are critical to regional decarbonisation efforts. Phase 2B adds key enabling technologies that can support the development of other decarbonisation applications. It also provides practical transition pathways for hard-to-abate sectors to channel capital towards supporting their progressive decarbonisation; and
- enhancing the climate change adaptation methodology by further expanding adaptation-related measures and introducing a process-based approach to address the location- and context-specific nature of adaptation.

Comments on the consultation are due by 7 October 2026.

HKMA provides guidance on sale and distribution of private market investments

The HKMA has issued a circular reminding registered institutions (RIs) of the regulatory requirements concerning the sale and distribution of private market investments, publicly or privately offered.

This follows the Securities and Futures Commission's (SFC) Circular on SFC-authorised funds with exposure to private market assets issued on 3 September 2026, and reflects the growing interest among bank customers in funds and other investment products that provide exposure to private credit and private equity (collectively, private market assets).

The HKMA notes that private market investments may not be suitable for all investors, as their underlying assets are often subject to limited regulatory oversight and exhibit characteristics that may render them illiquid or difficult to value. Amongst others, the HKMA reminds RIs to:

- conduct proper product due diligence on private market investments, considering factors such as the product's nature, features and risks, target clients, any restrictions on sale, and suitability for different risk categories of clients;
- ensure that the product risk rating assigned to a private market investment is appropriate, taking into account the relevant factors;
- provide clients with sufficient, fair, balanced and non-misleading information on the characteristics, nature and extent of risks associated with a private market investment;
- where a private market investment is a derivative product, ensure compliance with the SFC's requirements on derivative products. If a private market investment is a complex product, RIs should comply with the SFC's requirements on the sale of complex products; and
- exercise particular care in assessing suitability and explaining the suitability of private market investments to clients.

The HKMA has also clarified that existing exemptions continue to apply when dealing with 'Institutional Professional Investors' and 'Qualified Corporate Professional Investors'. RIs are expected to maintain adequate policies, procedures, controls and monitoring, and sufficient staff training to ensure compliance with relevant regulatory requirements.

MAS consults on legislative amendments to implement stablecoin regulatory framework

The Monetary Authority of Singapore (MAS) has launched a consultation on proposed legislative amendments to the Payment Services Act 2019 (PS Act) to implement the MAS single-currency stablecoin (MAS-SCS) framework in Singapore. The proposed framework includes requirements relating to value stability, capital, redemption at par and disclosure.

The MAS-SCS framework permits only issuers licensed under the framework to describe themselves as licensed MAS-regulated stablecoin issuers and represent their stablecoins as 'MAS-regulated stablecoins'. The framework is intended to enable users to distinguish well-regulated stablecoins from other cryptocurrencies that purport to be 'stablecoins' but are not subject to MAS regulation to keep their value stable. Non-MAS-regulated stablecoins will be treated as digital payment tokens (DPTs) and be subject to the same consumer protection safeguards that apply to DPTs. These include measures to determine a customer's risk awareness to access DPT services, not offering any incentives to trade in DPTs, not providing any financing, margin or leverage transactions, and not accepting locally issued credit card payments.

Additionally, the MAS is seeking feedback on policy positions in further areas, taking into account recent developments and best practices in stablecoin regulation internationally. These include:

- multi-jurisdictional issuance of stablecoins – the MAS proposes to allow stablecoins that are jointly issued by a Singapore and foreign issuer to be regulated under the MAS-SCS framework, and labelled as MAS-regulated stablecoins, provided that risks are sufficiently mitigated;

- recognition of foreign-issued stablecoins – the MAS proposes to recognise a limited number of foreign-issued stablecoins regulated under a comparable foreign regulatory framework, taking into account the cross-border wholesale use cases of stablecoins;
- additional requirements to safeguard financial stability – the MAS proposes several enhancements to the MAS-SCS framework, including the prohibition of interest to be paid on MAS-regulated stablecoins, the requirement for stress testing, and to have in place plans for recovery and orderly wind-down of MAS-regulated stablecoin issuers; and
- additional consumer protection safeguards – the MAS proposes to impose safeguards similar to those applicable to existing PS Act licensees, including the requirement to safeguard customer's monies received before the stablecoins have been issued.

The MAS has indicated that it will consult on the subsidiary legislation required to implement the framework at a later date.

Comments on the consultation are due by 16 October 2026.