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INTERNATIONAL REGULATORY UPDATE: 31 August – 04 September 2026

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CRR: Technical standards on operational risk requirements published in Official Journal

Commission Delegated Regulation (EU) 2026/1167 setting out regulatory technical standards (RTS) on operational risk requirements under the Capital Requirements Regulation (CRR) has been published in the Official Journal.

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.

Commission Implementing Regulation (EU) 2026/1166 laying down implementing technical standards (ITS) with regard to the mapping of the business indicator components with corresponding FINREP supervisory reporting references has also been published in the Official Journal.

Both measures will enter into force on 23 September 2026.

ESG rating providers: RTS on information to be provided in applications for authorisation and recognition published in Official Journal

Commission Delegated Regulation (EU) 2026/1119 supplementing the ESG Rating Regulation ((EU) 2024/3005) with 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 has been published in the Official Journal.

The Delegated Regulation entered into force on 2 September 2026 and applies from 2 July 2026.

Listing Act: RTS on EU code of conduct for issuer-sponsored research published in Official Journal

Commission Delegated Regulation (EU) 2026/1092 supplementing the Markets in Financial Instruments Directive (MiFID2) with RTS establishing an EU code of conduct for issuer-sponsored research in accordance with the Listing Act Directive has been published in the Official Journal.

The EU code of conduct sets out standards of independence and objectivity for research providers and specifies procedures and measures for the identification, prevention, and disclosure of conflicts of interest, with a view to enhancing the trust in and use of issuer-sponsored research.

Delegated Regulation (EU) 2026/1092 will enter into force on 7 September 2026.

FSB Chair highlights risks arising from frontier AI models

Financial Stability Board (FSB) Chair Andrew Bailey has written to G20 Finance Ministers and Central Bank Governors ahead of their meeting in Asheville, North Carolina on 31 August and 1 September 2026.

Against the backdrop of the ongoing Middle East conflict, the letter warns that markets remain vulnerable to a potentially disorderly correction that could spread across borders, particularly given fragilities in sovereign debt markets and vulnerabilities in private credit, as well as stretched asset valuations.

Bailey also highlights that the risk landscape has been further complicated by the emergence of frontier AI models, which he notes are showing increasingly sophisticated autonomy and problem-solving abilities, as well as threat capabilities. The FSB's most immediate concern is the potential impact of frontier AI on cyber risk. The letter calls on jurisdictions to take appropriate steps to support safe and responsible model release and deployment as a priority. For financial firms, Bailey underlines the importance of robust response and recovery capabilities and resilience amongst critical third-party technology providers and other common service providers.

FCA publishes Quarterly Consultation No. 53

The Financial Conduct Authority (FCA) has published its latest quarterly consultation paper (CP26/32) on proposed amendments to the FCA Handbook.

CP26/32 sets out proposals to:

- amend the readily realisable security definition to include fractional shares;
- remove an expired reference in BCOBS 2.3.9G and replace the reference in BCOBS 2 Annex 1, Note 1, to the latest 'Annual Equivalent Rate (AER) Practice Note' issued by UK Finance and the Building Societies Association;
- make deferral arrangements for the admission process of qualifying cryptoassets on UK QCATPs, the execution venue requirements on UK-authorised dealers and arrangers, and the execution policy requirement for these firms;
- remove data point DISP 1.10.1IR(2)(a) which is a data point on claims management fee cap redress erroneously duplicated in the Consumer Credit Reporting return (CCR);
- update the definition of the Glossary term 'firm ' for the purposes of DISP 1.10 and DISP 1.10A to capture all payment services and e-money firms for the purposes of complaints data publication;
- remove reference to the 2-stage complaints process for the Society of Lloyd's in DISP 1.11.8G;
- update Money Market Fund (MMF) reporting requirements to ensure a proportionate approach that allows for effective monitoring of financial stability risks and is integrated into wider funds reporting requirements; and
- make minor amendments to Consumer Composite Investments rules in the DISC and COBS sourcebooks, following feedback to PS25/20.

Comments are due by 12 October 2026.

FCA publishes findings from multi-firm review on frontier AI and cyber resilience

The FCA has published the results of a multi-firm review of how firms are using, testing and preparing for frontier AI models with cyber capabilities.

The main themes that firms reported during the review were that:

- vulnerability discovery is accelerating faster than firms' ability to respond;

- frontier AI is becoming a test of organisational resilience, not just a tool;
- the value of frontier AI depends on the firm's operating environment;
- frontier AI is making foundational cyber and operational resilience more important; and
- effective governance and human judgement remain critical.

The FCA has highlighted a number of key questions for firms to consider under the following headings:

- harness engineering, which refers to the environment, controls and processes around an AI model that make its outputs useful, safe and reliable;
- preparing for a vulnerability wave; and
- effective cyber and operational resilience foundations.

ASIC and APRA urge organisations to turn frontier AI awareness into action

The Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) have issued an information paper urging financial market entities to move from gaining awareness of the risks linked to frontier artificial intelligence (AI) to taking decisive action.

The regulators note that frontier AI is increasing the speed, scale and sophistication of cyber threats to the financial system, while also accelerating technology and operational risks. To support the industry in navigating this dynamic and rapidly evolving risk environment, and in line with their commitment to better regulation, the regulators conducted nine roundtables across industry in June and July 2026 to understand how entities are responding to frontier AI risks.

Several key themes emerged from the roundtables, including:

- the importance of getting the cyber fundamentals right, including identifying and managing critical assets and systems, timely patching, strong identity and access controls, attack surface reduction, backup integrity, tested response and recovery arrangements, and third-party risk management;
- the need to consider key decisions such as risk appetite, escalation authority, recovery priorities and communication strategies at board level before a crisis hits, given that frontier AI compresses incident response timeframes;
- a growing interest in defensive AI, including for threat intelligence, vulnerability detection, code review and incident response, however it was also acknowledged that capability remains limited;
- common dependency and concentration risk associated with third-party service providers can turn isolated individual incidents into much broader sector-wide disruption; and
- the importance of actively contributing to industry-led collaboration, including sector-wide threat intelligence sharing, dependency mapping, supplier assurance and sector incident coordination.

The regulators expect entities to enhance their resilience and demonstrate that key decisions, escalation pathways, recovery arrangements, assurance activities and governance processes can operate at the speed required by emerging frontier AI threats.

HKMA updates regulatory expectations regarding remote on-boarding of individual customers

The Hong Kong Monetary Authority (HKMA) has issued a circular to update its regulatory expectations regarding remote customer on-boarding, considering the widespread adoption of remote on-boarding solutions driven by rapid technological innovation in recent years. The HKMA notes that artificial intelligence driven automation and sophisticated tactics, including the use of deepfake technology, have increased the potential for impersonation, online fraud and associated mule-account networks at much greater scale.

To address the associated risks, the HKMA expects authorised institutions (AIs) and stored value facility (SVF) licensees to remain compliant with two core principles: (i) where an individual customer's identity is obtained through electronic channels, to take appropriate measures to ensure the reliability of the document, data or information obtained for the customer's identity verification; and (ii) to use appropriate technology to link the customer incontrovertibly to the identity provided in (i).

In addition, the HKMA expects AIs and SVF licensees to adopt a risk-based approach to the design of their products and services that should be proportionate to the customer's assessed money laundering and terrorist financing (ML/TF) risk profile. AIs and SVF licensees should also conduct a comprehensive review of their remote on-boarding solutions, and the systems and oversight to ensure their ongoing effectiveness, taking into account the latest intelligence about fraud and scam tactics shared by the HKMA and the Hong Kong Police Force.

The circular supersedes the HKMA's circulars on 'Remote onboarding of individual customers' issued on 1 February 2019 and 'Remote on-boarding and iAM Smart' issued on 24 May 2021. However, the circulars on 'Remote onboarding of corporate customers' dated 24 September 2020 and 'Feedback from recent thematic reviews of Anti-Money Laundering and Counter-Financing of Terrorism control measures for remote customer on-boarding initiatives' dated 3 June 2020 remain applicable and should be read in conjunction with the circular.

SFC enhances guidance for authorised funds with exposure to private market assets

The Securities and Futures Commission (SFC) has issued a circular to provide guidance on SFC-authorised funds with exposure to private credit and private equity (collectively, private market assets).

The SFC has observed that some funds may gain indirect exposure to private market assets through various types of investments for asset allocation and yield enhancement purposes. The SFC also notes that retail investors in Hong Kong may have limited familiarity with private market assets and their associated risks, as some of these indirect exposures involve layered structures and complex financial instruments, which may lack transparency.

Against this backdrop, the circular sets out enhanced disclosure requirements, obligating fund managers with direct or indirect exposure to private market assets to provide a clear, sufficiently completed and balanced picture of the characteristics, nature and risks associated with private market assets. The SFC has indicated that, where appropriate, it may classify a fund as a complex product, subject to the SFC's relevant prevailing requirements including but not limited to suitability.

For existing funds that may have exposure to private market assets, the SFC expects fund managers to review their funds and update their offering documents as soon as practicable.

MAS introduces measures to strengthen Singapore's competitiveness as leading asset management hub

The Monetary Authority of Singapore (MAS) has announced a set of measures intended to strengthen Singapore's competitiveness as a leading asset management hub. The measures comprise:

- a tax exemption for profit-related returns – the MAS and the Ministry of Finance plan to introduce a tax exemption for profit-related returns arising from the provision of fund management services to funds that qualify for tax exemption under Sections 13D, 13O, 13OA, 13U, and 13V of the Income Tax Act 1947 of Singapore). The proposed tax exemption will apply to qualifying profit-related returns received by entities or individuals directly or indirectly for the provision of fund management services, which would allow investment profits/carried interest earned by managers and investment professionals to be exempt from Singapore income tax. It is expected to take effect from the year of assessment 2027. Further details will be announced at Budget 2027;
- a MAS Hedge Fund Investment Programme – the MAS will introduce a new Hedge Fund Investment Programme to invest with hedge fund managers that are committed to establishing or deepening their presence in Singapore. Beyond anchoring global and regional hedge fund managers and investment talent, this programme will support the growth of Singapore's hedge fund investment ecosystem, including ancillary service providers and prime brokerages; and
- an Overseas Networks & Expertise (ONE) Pass Investment Management Track – the MAS and the Ministry of Manpower intend to introduce a new Investment Management Track under the ONE Pass framework to attract top global leaders and senior investment professionals who have the potential to contribute or are already contributing significantly to Singapore's asset management industry. The new track may include refining the assessment of salaries to better reflect established compensation structures in the industry, such as recognising returns linked to investment performance and fund outcomes.

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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