Clifford Chance

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Taxonomy Regulation: EBA and ESMA publish technical advice on KPIs and review of Disclosures Delegated Act

The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) have published their final reports providing technical advice to the EU Commission on certain key performance indicators (KPIs) and other aspects of the Disclosures Delegated Act under Article 8 of the Taxonomy Regulation.

The supervisory agencies advise against the voluntary use of an OpEx KPI in Taxonomy disclosures, and recommend the development of simpler but meaningful rules for group-level disclosures.

In addition, the EBA recommends:

- removing the Fees and Commissions KPI and the Trading Book KPI from the disclosure requirements;
- narrowing the services included in the 'other services' KPI to those most relevant to capital markets;
- aligning grandfathering provisions with the EU Green Bond Regulation, limited to bonds issued under that Regulation; and
- other targeted improvements to the disclosure framework including simplifying and harmonising templates.

ESMA recommends revising the mandatory OpEx KPI to focus on non-capitalised R&D expenditure, and suggests other targeted amendments intended to make disclosures simpler, clearer and more proportionate.

The final reports have been submitted to the EU Commission for consideration.

Draft Securitisation (Amendment and Miscellaneous Provisions) Regulations 2026 laid

The draft Securitisation (Amendment and Miscellaneous Provisions) Regulations 2026 have been laid in Parliament according to the affirmative procedure.

The draft Regulations amend the Securitisation Regulations 2024 (SI 2024/102) and the Financial Services Act 2012 (Relevant Functions in relation to Complaints Scheme) Order 2014 (SI 2014/1195). Amongst other things, they:

- exclude from the complaints scheme the Financial Conduct Authority (FCA)'s and Prudential Regulation Authority (PRA)'s functions of issuing statements of policy under regulation 46 of the Securitisation Regulations and make a consequential amendment following the omission of regulation 22 of the Securitisation Regulations;
- remove provisions relating to securitisation repositories from the Securitisation Regulations;
- make a consequential amendment to regulation 13 of the Securitisation Regulations, which concerns the designation of countries and territories in relation to overseas STS securitisations, to reflect the revised due-diligence requirements applying to occupational pension schemes;
- omit regulation 32A of the Securitisation Regulations to define 'FCA due-diligence rules';

- substitute regulation 32B of the Securitisation Regulations to require trustees or managers of occupational pension schemes who are not the originator, sponsor or original lender, before and while holding a securitisation position, to comply with the FCA due-diligence rules as applicable to institutional investors, and also make provision about responsibility where investment management decisions, and compliance with the relevant due-diligence obligations, are delegated to an authorised institutional investor;
- omit the requirement for the FCA and the PRA to make general rules relating to due-diligence requirements of relevant institutional investors; and
- change the requirement for the FCA to make due-diligence rules for small registered UK AIFMs into a power to do so.

UK EMIR: The Central Counterparties (Equivalence) (Indonesia and the People's Republic of China) Regulations 2026 made

The Central Counterparties (Equivalence) (Indonesia and the People's Republic of China) Regulations 2026 (SI 2026/1134) have been made.

Under the Regulations, the legal and supervisory arrangements for specified CCPs authorised by the regulatory bodies in China and Indonesia are deemed to be equivalent to the UK's corresponding regime. The equivalence granted under the Regulations is a precondition for a CCP from China or Indonesia to be recognised by the Bank of England (BoE), after which it will be able to provide clearing services to UK market participants.

The Regulations will come into force on 19 November 2026.

BoE and FCA report on AI in UK financial services

The BoE and the FCA have published a report setting out the results of their fourth survey of artificial intelligence (AI) and machine learning in UK financial services.

The report provides insight into how regulated financial services firms are using, governing and managing AI, including developments in generative AI (GenAI), AI agents and third-party AI systems. The survey received responses from 196 firms across banking, insurance, investment and capital markets, lending, payments and other areas of financial services.

AI adoption has continued to increase, with 86% of respondents reporting that they currently use AI, compared with 75% in 2024 and 58% in 2022. The survey also found widespread adoption of AI agents, with 80% of respondents reporting that they have agents deployed and a further 14% planning deployment within the next 12 months. However, most deployments currently involve limited autonomy and human decision-making, with only 2% of respondents reporting agents with broad autonomy.

The principal perceived current benefits of AI relate to operational efficiency, automation and productivity. The highest-rated current risks are data protection and security, third-party and supply-chain risk and GenAI-specific risks, including hallucinations, prompt manipulation and data leakage.

The most significant perceived regulatory constraints are UK data protection and privacy requirements. The main non-regulatory constraints are difficulties integrating AI into existing business processes and decision-making and limitations arising from legacy systems and infrastructure.

The report builds on the BoE and FCA's previous surveys in 2019, 2022 and 2024, as well as their wider work on AI, including the AI Public-Private Forum, the discussion paper and feedback statement on Artificial Intelligence and Machine Learning (DP5/22 and FS2/23) and the AI Consortium.

BoE consults on CCPs' acceptance of tokenised collateral

The BoE has launched a consultation on a proposed Supervisory Statement concerning central counterparties' (CCPs') acceptance of tokenised forms of eligible collateral. The proposals are intended to provide greater clarity on how the BoE would assess applications involving tokenised collateral to support innovation in central clearing.

The BoE considers that the existing regulatory framework does not prevent CCPs from accepting tokenised forms of eligible collateral, provided the collateral meets the standards required in central clearing. In particular, the BoE has emphasised that tokenised collateral must remain capable of being valued, transferred and realised when needed, including in stressed conditions. It further notes that, consistent with the principle of 'same risk, same regulatory outcome', different tokenised collateral arrangements may achieve the required outcomes in different ways.

The consultation forms part of the BoE's broader work with the FCA, HM Treasury and industry to support the responsible adoption of tokenisation and the development of UK digital wholesale financial markets.

Comments are due by 12 February 2027.

FCA publishes review of conflicts of interest and fair customer treatment in private markets

The FCA has published the findings of its multi-firm review on conflicts of interest and fair customer treatment in private markets. The review focused on how private equity, private credit and real estate firms identify, manage, mitigate and disclose conflicts of interest in private market assets.

According to the FCA, while many firms demonstrate effective governance and conflict identification processes, there is considerable variation in standards. Examples of good practice include clearly defined governance structures and documentation practices, as well as conflicts identification being treated as an ongoing process. Areas of weakness identified by the FCA include fragmented governance frameworks and a lack of oversight of transactional conflicts, particularly where firms' controls had not been kept up to date to reflect the growing complexity of private markets and business models. Recurring weaknesses were identified in relation to cross-fund transfers and multi-party transactions, gifts and entertainment, and information barriers.

The FCA will carry out targeted follow-up work where appropriate and intends to continue its engagement with firms and industry bodies on its findings.

FCA publishes review on access to banking services for defence SMEs

The FCA has published the findings of its multi-firm review on how small and medium-sized enterprises (SMEs) in the defence sector experience and access banking services.

The FCA found that defence SMEs often face barriers to access due to banks' risk appetites. Firms may regard defence SMEs as higher-risk applicants due to financial crime risks, reputational risks and environmental, social and governance (ESG) risks. The resulting enhanced due diligence processes can lead to friction and delays for defence SMEs trying to access services.

The FCA's suggestions to mitigate friction for defence SMEs include that:

- firms should complete their compliance checks efficiently while maintaining appropriate controls;
- firms should take a tailored approach to risk management while complying with legal requirements;
- firms should consider whether they can accurately identify and monitor their defence SME customers to support effective oversight; and
- firms should ensure they have enough information to understand how defence SME customers are being treated and should review this regularly to ensure consistent application of decisions and risk management policies.

FCA consults on income allocation and operational incident reporting for consolidated tape providers

The FCA has published a consultation paper (CP26/39) proposing rules on the allocation of income among data contributors to a UK equity consolidated tape (CT). It also proposes extending enhanced operational incident reporting requirements to all consolidated tape providers (CTPs).

The income allocation proposals follow the FCA's July 2026 policy statement confirming that the equity CTP must share a portion of its income with data contributors. The proposals aim to better align incentives between data contributors and the equity CTP, and to build on existing reporting requirements to support consistent reporting of significant operational incidents.

Comments are due by 17 December 2026.

SFC approves first-ever secondary trading of tokenised public funds

The Securities and Futures Commission (SFC) has approved the world's first secondary trading of tokenised public funds on an SFC-licensed virtual asset trading platform (VATP), under which two existing SFC-authorised tokenised money market funds became available for round-the-clock secondary trading on 26 October 2026.

The SFC introduced a new regulatory framework in April 2026 to pilot secondary trading of tokenised SFC-authorised funds on SFC-licensed VATPs. In its circular dated 20 April 2026, the SFC set out the relevant

requirements and safeguards, covering the operation of the trading channel, fair pricing, liquidity provision and disclosure.

Looking ahead, the SFC expects tokenised public funds to further leverage the tokenised deposit capabilities developed through its collaboration with the Hong Kong Monetary Authority (HKMA) under Project Ensemble. In particular, the SFC believes that the interaction between tokenised funds and tokenised money on digital rails could support more efficient trade settlement and asset mobility, with investors able to sell their tokenised assets on VATPs on an around-the-clock basis and transfer their trading proceeds instantly to elsewhere for other investment opportunities and use cases.

The SFC has indicated that, while the first batch of products focuses on tokenised money market funds, it will monitor the relevant trading activities and consider broadening the product scope over time, after taking into consideration market developments and experience gained.

SFC issues guidance to support enhancements to Hong Kong's retail fund regime

The SFC has published guidance to help the fund industry prepare for the revised Code on Unit Trusts and Mutual Funds (UT Code), which took effect on 1 November 2026.

The set of guidance comprises circulars, frequently asked questions (FAQs) and updated guides on applications for authorisation of new funds, the use of derivatives and the application of the UT Code to Undertakings for Collective Investment in Transferable Securities (UCITS) funds. The documents highlight key changes under the revised UT Code, including the adoption of a value-at-risk approach to managing funds' derivatives exposure, liquidity risk management, and enhanced investment and disclosure requirements for money market funds.

The SFC has also updated other FAQs to reflect current regulatory practices and expectations, and to provide guidance on: (i) facilitative measures for covered-call strategies; (ii) investment limits for SFC-authorised funds investing in leveraged and inverse products (L&I Products) and virtual asset exchange-traded products; (iii) more advanced tokenisation features for tokenised products; (iv) orderly secondary trading of exchange-traded funds, L&I Products and tokenised products; and (v) financial reporting requirements and termination process for open-ended fund companies.

To further enhance transparency regarding authorised funds, the SFC has also published revised key facts statement templates for different types of funds, all with enhanced disclosure requirements on product classification and liquidity risk management tools.

Separately, the SFC has published a list of guidance for implementation of revised UT Code and other operational matters.

MAS publishes information paper on complaints management practices

The Monetary Authority of Singapore (MAS) has published an information paper setting out key observations from its 2025 and 2026 thematic inspections of the complaints management practices of selected banks

and insurers, including sound practices and areas where institutions should strengthen their complaints management frameworks.

The inspections assessed how institutions have implemented measures to achieve fair dealing outcomes in their handling of retail customer complaints. The MAS found that banks and insurers generally had the foundational governance structures, processes and systems needed to manage complaints, although the maturity and effectiveness of their practices varied. Some institutions treated complaints mainly as individual cases to be resolved, while stronger institutions used them as a source of insight into potential trends of customer detriment, operational weaknesses and emerging risks.

The MAS expects all financial institutions to review their complaints management practices against the observations set out in the information paper, incorporate relevant good practices and address material gaps, having regard to their business models, scale of operations and customer profiles, in a risk proportionate manner. Financial institutions are expected not only to resolve individual complaints fairly and promptly, but also to learn from them, prevent recurrence and strengthen fair dealing outcomes over time. The MAS has indicated that it will engage financial institutions on the reviews conducted and any actions taken in response to the information paper

MAS publishes guidelines and accompanying FAQs on anti-scam measures for brokers

The MAS has published guidelines setting out its supervisory expectations on the anti-scam measures that retail brokers should implement to protect retail customers against unauthorised access to their trading accounts and scam-related financial losses.

The MAS has observed an increase in scams targeting investors through capital market intermediaries, particularly brokers, as scam threats continue to evolve and shift over time across different parts of the financial system. Scammers have also increasingly exploited vulnerabilities in digital channels, using impersonation and social engineering techniques to gain unauthorised access to customer accounts. Once access is obtained, scammers perform unauthorised activities, including trading in illiquid stocks, resulting in financial losses to victims. According to the MAS, such activities erode customer trust and threaten the integrity of the financial system.

The MAS expects all brokers to remain vigilant and responsive to emerging risks and to continuously review and enhance their controls. Brokers are also advised to calibrate their anti-scam measures to the nature of their business, customer base, and overall risk profile, and regularly review these measures to ensure they remain effective and keep pace with developments in the scam landscape and new scam typologies.

The guidelines also require brokers to demonstrate to the MAS their observance of the expectations set out in the guidelines and maintain sufficient documentation evidencing such observance, which should be provided to the MAS upon request. Where the MAS is not satisfied with a broker's observance, it may require the broker to take additional measures to address the identified deficiencies. The MAS may also take non-observance into account in its assessment of the broker, considering the severity of the deficiencies, the broker's track record in internal controls and risk management, and the circumstances of the case.

The guidelines will be effective from 30 June 2027. However, the MAS has strongly encouraged all retail brokers to implement the anti-scam measures as early as practicable.

Concurrently, the MAS has also published an accompanying set of FAQs on guidelines on anti-scam measures for brokers. In particular, the FAQs:

- clarify the rationale for requiring brokers to implement controls on concurrent access to customer trading accounts and provide guidance on how such controls should be operationalised;
- clarify whether brokers are expected to send transaction notifications to all joint account holders; and
- provide guidance on whether transaction notifications are required for orders placed through trading representatives or withdrawal requests where direct communication with, and verification by, the customer has already taken place.

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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