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Evolving asset management regulation 2026 report



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Contents

03 Foreword

04 About the authors

05 Executive summary

07 Key regulatory milestones around the world

09 Drivers of asset management regulation

15 Public and private markets

25 Digital innovation

34 Protecting investors

45 Firm and system resilience

52 Sustainability

60 How KPMG can help

61 Report scope and methodology

62 Acknowledgments

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Foreword

Welcome to the 16th edition of KPMG's flagship Evolving Asset Management Regulation report, featuring insights on almost 250 regulatory developments across over 20 jurisdictions and global standard-setting bodies.

In discussions across the industry, I often hear the view that, after years of regulatory reform following the global financial crisis, the era of significant policymaking for asset managers is largely behind us. Our analysis tells a different story. The breadth and depth of developments captured in this report demonstrate that regulatory change remains a defining feature of the asset management landscape.

While regulators continue to be highly active, the focus has increasingly shifted from creating entirely new frameworks to refining existing rules, with an emphasis on supporting growth, competitiveness, and effective market functioning. However, approaches vary significantly across jurisdictions, creating growing divergence that will continue to challenge firms operating across borders.

For the 16th consecutive year, we have brought together perspectives from specialists across KPMG's global network to help asset managers navigate the evolving regulatory environment. This report is designed to support executive leadership teams, business and risk functions, and compliance professionals as they assess strategic implications, respond to regulatory priorities, and manage emerging risks and opportunities.

Although momentum around some topics, including sustainability, has moderated, I see regulation of private markets and artificial intelligence emerging as two of the industry's most significant regulatory focal points. At the same time, resilience remains central to nearly every client conversation, spanning operational effectiveness, financial strength, governance, and control environments.

What may distinguish successful firms in this environment? In my view, it comes down to strong governance, disciplined oversight, and the ability to deliver high-quality products that meet evolving client needs. Equally important is maintaining high standards of conduct, building organizational resilience, and adopting new technologies responsibly as part of a long-term business strategy.

I encourage you to explore the key themes highlighted in this year's report and consider what they may mean for your organization. If you would like to discuss your firm's unique regulatory landscape and strategic priorities, please reach out to your local KPMG member firm.



David Neuenhaus
Global Sector Head of Private Capital and Asset Management
KPMG International

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About the authors



David Neuenhaus
Global Sector Head of Private Capital
and Asset Management
KPMG International

David is the Global Sector Head Private Capital and Asset Management, which includes Sovereign Wealth Funds and Pension Funds, and serves as the US Leader for Asset Management and Private Equity.

Based in New York, he has deep experience advising institutions on large-scale transformational initiatives, developing and leading industry groups, and designing technology-enabled managed services and solutions.

David has supported global institutions on investments, acquisitions, complex transformations, and exit strategies across a broad range of asset classes, including private equity, private credit, real assets, and the public capital markets. In addition to his US experience, he spent several years living and working in Europe and is a frequent speaker at industry conferences and events worldwide.



David Collington
Asset Management Lead
EMA region Regulatory Insight Centre
KPMG in the UK

Since 2022, David has led the development of KPMG International's annual Evolving Asset Management Regulation report, leveraging KPMG's global network, research and tools to provide clients with deep insights into the changing regulatory landscape facing asset managers around the world.

Based in London, he scans the horizon and analyzes incoming regulatory developments impacting the asset management sector. He also works on a variety of advisory projects where he helps asset managers implement regulatory change and improve their practices.

Prior to joining KPMG, David worked in asset management supervision at the UK Financial Conduct Authority. During that time, he was also seconded to the Bank of England.

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Executive summary

After more than a decade of intensive policymaking following the global financial crisis, asset managers might have expected the pace of regulatory change to slow. This year's edition of KPMG's *Evolving Asset Management Regulation* report tells a different story. Activity continues at pace, but the focus has shifted from adding new rules to realigning existing ones so they work better for markets, managers and investors.

Growth and competitiveness remain the driving force behind this recalibration, yet regulators are approaching it in markedly different ways, creating further divergence and fragmentation for firms operating across borders. Meanwhile, resilience, private markets and responsible AI adoption are emerging as key regulatory priorities, as the focus on sustainability eases in some jurisdictions.

Based on our analysis of almost 250 recent and upcoming regulatory developments from over 20 jurisdictions and global regulatory standard setters, here are 6 key areas where asset management executives and firms may want to focus.

1

Drivers of regulation are increasingly converging around the world, from efforts to deliver growth and attract asset managers to modernizing rules, managing financial stability risks, supporting innovation and boosting retail investment. Yet as regulators press ahead with these agendas at different speeds and in different ways, international divergence is increasing, prompting many asset managers to revisit how requirements have been implemented and whether their approach can be simplified.

2

The rapid growth of private markets continues to reshape where regulators focus their time, with priorities converging around valuation governance, conflicts of interest, fund liquidity, risk management and reporting. Retailization of private assets is accelerating even as views diverge on its risks and benefits. Meanwhile, public markets reform continues and the European transition to T+1 settlement looms closer.

3

Regulatory approaches to artificial intelligence are also diverging as some jurisdictions hold firm on technology-neutral rules while others pull back from wide-ranging AI-specific requirements introduced early in the evolution of the technology. Tokenization frameworks are maturing from pilot to mainstream adoption in leading jurisdictions, and digital asset rules continue to be refined to ensure they are regulated appropriately.

4

Protecting investors remains at the top of the regulatory agenda, even as some regulators streamline their rules in other areas. Conduct frameworks are becoming more principles-based, disclosure rules are being reshaped for clarity and flexibility, and conflicts of interest are regaining regulatory prominence. Scams, finfluencers and AI-enabled fraud are also driving coordinated regulatory action, while governance and accountability expectations are being clarified.

5

Resilience now features in practically every board-level conversation, and many asset managers increasingly see it as a source of strategic advantage rather than a compliance burden. Operational resilience expectations are expanding to cover AI-driven cyber risks, asset managers are being brought into system-wide stress testing, and financial crime reforms, particularly in the EU, continue to gather pace.

6

The focus on sustainability is shifting from expansion to recalibration, with established regimes in the EU and UK being simplified while others tighten disclosure and anti-greenwashing rules. Early adopters of corporate reporting requirements are now simplifying their requirements in some jurisdictions, while others continue to roll out new rules. And regulatory oversight is extending to ESG ratings.

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Key takeaways for asset management executives

Delivering growth and competitiveness

Revisit how recently introduced requirements have been implemented and look for opportunities to simplify governance and oversight without reducing their effectiveness.

Public and private markets

Ensure private markets governance and controls keep pace with growth, including across valuation, liquidity, conflicts of interest and risk management. Check that operational preparations for the European T+1 settlement transition are on track.



Digital innovation

Build an approach to AI governance that keeps pace with diverging regulation around the world. Continue building out compliant tokenization and digital asset use cases within pilot regimes.

Protecting investors

Use evolving conduct frameworks to strengthen governance of disclosures, conflicts of interest and outcomes monitoring frameworks. Take the opportunity to use more detailed consumer insights to improve the design and features of products and services for clients.

Firm and system resilience

Treat resilience as a source of competitive advantage by embedding operational and cyber resilience across the business, especially considering developments in the context of frontier AI. Prepare for further system-wide stress testing and ensure that financial crime controls are robust.

Sustainability

Reassess sustainability strategies and disclosures for markets in light of regulatory recalibration and fragmentation and prepare for incoming corporate reporting requirements.

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Key regulatory milestones around the world

2026

Q3

July
UK: UK AIFMD review launched

September
Cayman Islands: New requirements on compliance programmes

Q4

TBC
FSB: Final report on AI sound practices

TBC
UK: Phase 2 consultation on the Senior Managers & Certification Regime

Q4
UK: Bank of England system-wide exploratory scenario exercise (SWES) interim findings due

October
Switzerland: Revised AML rules and new transparency register for beneficial owners

December
Canada: CSA response to the ETF consultation expected

December:
EU: Potential political agreement on the Market Integration and Supervision Package

2027

January
EU: Retail Investment Strategy rules expected to be finalized and published

January
Canada: First 'Total Cost Reporting' to be delivered to investors

January
Switzerland: End of transitional periods for various rules on the prevention of greenwashing in the financial sector (AMAS, SBA, SIA)

March
EU: Revised CSRD reporting requirements to be transposed into national law

April
EU: AIFMD II reporting requirements progressed further

June
UK: Transition period ends for the new UK retail-facing disclosure regime

July
EU: AML package takes effect

October
EU: Switzerland, UK: T+1 transition deadline

November
US: N-PORT reporting: compliance deadline for larger fund groups

TBC
UK: Bank of England SWES final report

TBC
EU: SFDR 2.0 Level 1 text potentially finalized, with a transition period

TBC
UK: Amendments to the UK AIFMD regime confirmed

TBC
EU: ESMA common supervisory action on risk management concludes

2028/2029

January 2028
EU: AMLA direct supervision of certain firms commences

2028
Canada: Final ETF rule amendments expected

2028/2029
Canada: Implementation of a formal tokenization framework or regulatory guidance expected

April 2029
EU: End of the transition period for the EU loan origination fund regime

2029 (TBC)
EU: Retail Investment Strategy rules may take effect

A wide variety of acronyms are used in this report. For definitions, please refer to 'EAMR abbreviations' at the end of the report.

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Chapters at a glance



Drivers of asset management regulation

- Delivering growth and attracting asset managers and their funds
- Modernizing and simplifying asset management regulatory frameworks
- Ensuring financial stability
- Promoting innovation
- Boosting retail investment



Public and private markets

- Private markets regulatory priorities
- The retailization of private markets
- Improving the effectiveness of public markets
- Fund liquidity management



Digital innovation

- Regulating AI
- Progressing tokenization of financial assets and funds
- Safely adopting digital assets



Protecting investors

- Retail conduct frameworks
- Customer understanding and disclosures
- Conflicts of interest
- Protecting investors online
- Strengthening governance, culture and controls
- Evolving accountability frameworks



Firm and system resilience

- Operational resilience and outsourcing oversight
- Cyber resilience and information security
- Financial and system-wide resilience
- Fighting financial crime



Sustainability

- Sustainable finance frameworks and regulatory disclosures
- Simplifying corporate reporting requirements
- Product governance and sustainability preferences
- Sustainability in the capital markets

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01

Drivers of asset management regulation

Chapter summary

Drivers of regulation around the world are increasingly converging as regulators focus on the five priority themes covered in this report.

These drivers include efforts to deliver growth and attract asset managers, modernize regulation, manage financial stability risks, support innovation and boost retail investment. All of these aim to give asset managers and their investors greater confidence in the industry. However, as regulators push on with renewed efforts to deliver these changes, international regulatory divergence is increasing.

Indeed, in recent years the volume and complexity of regulatory change have posed significant implementation challenges for asset managers. As such they are now reviewing how those sprawling requirements were implemented and whether their overall approach and governance and oversight could be improved or simplified.



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Delivering growth and attracting asset managers and their funds

Regulatory efforts continue to support economic growth and competitiveness while also trying to attract overseas managers and their funds. As assets under management (AUM) stall in some jurisdictions and competition intensifies, authorities and regulators are going into bat for their industries, with the goal of attracting new funds, investable capital and growing domestic asset management capacity.

One of the most wide-reaching of these initiatives is the **EU's** Market Integration and Supervision package (MISP) which aims to promote the **EU** as a globally competitive financial services powerhouse.[1] Some of the more impactful aspects of the proposals include centralizing supervision of the largest asset management groups and re-opening the debate over portfolio management delegation. The Commission is also considering how the growth of the private assets industry can be supported[2] and is addressing challenges with the regulatory framework for venture capital funds.[3]

Similar initiatives can be observed in **Australia**, where the Australian Securities and Investments Commission (ASIC) released a roadmap for capital markets to grow the Australian economy,[4] and in the **UK** where progress is being monitored against the financial services growth and competitiveness strategy, one year on from its launch.[5]

Several reforms are also underway to enhance the competitiveness of local fund regimes:

- In **Hong Kong (SAR), China**, the Securities and Futures Commission (SFC) consulted on aligning the local retail fund regime with international standards to drive growth in its fund market and strengthen the resilience of the sector.[6]
- In **Saudi Arabia**, the Capital Market Authority (CMA) is seeking to reduce complexity in the fund sector and emerge as a new investment hub. The introduction of the new simplified investment funds regime should better cater to institutional investors, which could be especially useful in the context of growing private assets.[7] The CMA has also released enhanced regulations for funds that engage in financing activities, aiming to broaden distribution possibilities in that space.[8]
- In mainland **China**, the regulator is optimizing the Qualified Foreign Investor (QFI) regime, which facilitates overseas access to Chinese opportunities.[9] Amendments will be introduced over two years to enhance the attractiveness of the regime and improve how it works in practice.
- In **Jersey**, local laws were streamlined to make it easier for fund managers to raise capital.[10] This followed changes last year to enhance Jersey's private fund regime,[11] following similar reforms in **Guernsey**.[12]

One of the most wide-reaching of these initiatives is the **EU's** Market Integration and Supervision package (MISP) which aims to promote the **EU** as a globally **competitive financial services powerhouse.**

[1] *Market integration and supervision package,* European Commission, 4 December 2025
[2] *Commission seeks stakeholder feedback on private equity exits,* European Commission, 2 March 2026
[3] *Commission seeks input for venture and growth capital funds reform,* European Commission, 15 January 2026
[4] *Australia's public and private markets,* ASIC, 18 June 2026
[5] *One Year On: Delivering the FS Growth and Competitiveness Strategy,* HMT, 14 July 2026
[6] *SFC proposes to enhance Hong Kong's retail fund code to bolster global competitiveness,* SFC, 22 October 2025
[7] *Instructions of Simplified Investment Funds,* CMA, 2 March 2026
[8] *Instructions on the Financing Investment Funds,* CMA, 11 February 2026
[9] 中国证监会印发《合格境外投资者制度优化工作方案》, CSRC, 27 October 2025
[10] *Changes to Control of Borrowing Order to streamline regulation,* JFSC, 10 March 2026
[11] *Updated Jersey Private Fund guide goes live,* JFSC, 6 August 2025
[12] *The Commission announces streamlined private fund regime,* GFSC, 19 May 2025

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Modernizing and simplifying asset management regulatory frameworks

Partly linked to the growth agenda, many regulators are simplifying aspects of the regulatory regime. While some are going further and faster than others, the general goal is to retain the substance of existing rules while making them work better in practice. This reflects concerns that some requirements had become overly complex or burdensome with limited upsides.

Examples include the Central Bank of **Ireland** (CBI), which launched a new roadmap on delivering a more efficient and effective regulatory framework[13] that aims to reduce complexity and improve clarity without lowering standards. In the **US**, the Securities and Exchange Commission's (SEC) proposed strategic plan aims to return it to its core mission with a focus on investor protection, orderly markets and capital formation.[14] Its key focus will now be on ensuring regulation does not become unduly burdensome.

Australian efforts to simplify local requirements are also underway with ASIC developing clearer guidance and simplified legislative instruments, improved access to regulatory information and modernized digital services.[15] And **Spain's** Comisión Nacional del Mercado de Valores (CNMV) has plans to review its supervisory practices and guidance to eliminate unnecessary requirements and procedures.[16]

Meanwhile, the **UK** is reforming its regime for alternative funds, looking to modernize and streamline the regime, and making it easier for alternative fund managers to grow, compete, innovate and enter the UK market.[17]

Luxembourg has also consolidated and modernized its regulatory regime for funds, replacing a series of older circulars with the goal of aligning rules and adding additional clarity, flexibility and harmonized terminology.[18] In addition, a proposed amendment to Luxembourg's implementation of the AIFMD would allow certain AIFs to establish multiple compartments for the first time, importantly without needing to opt into a regulated Luxembourg fund regime.[19] If adopted, this would offer significantly greater flexibility to private asset managers while preserving the ring-fencing of assets and liabilities between compartments.

Similarly, **Poland** has streamlined the rules for certain non-public closed-ended funds, removing requirements to register their investment certificates with a central securities depositary and the need to appoint an issuing agent for that purpose. This should simplify the issuance of investment certificates and reduce operating costs for private markets funds.

Going against the grain, some jurisdictions are increasing requirements within their asset management regulatory frameworks.

For example, amendments to the **EU** UCITS and AIFMD frameworks introduced several uplifts, including standardizing the availability and use of liquidity management tools, which should have already been transposed by EU member states by April 2026.[20]

[13] *Central Bank of Ireland publishes roadmap to deliver a more effective and efficient regulatory framework,* Central Bank of Ireland, 10 December 2025
[14] *SEC Publishes Draft Strategic Plan for Public Comment,* SEC, 2 June 2026
[15] *ASIC continues to ease regulatory burden,* ASIC, 19 May 2026
[16] *Activity plan 2026,* CNMV, 26 February 2026
[17] *CP26/28: The UK AIFM Regime,* FCA, 14 July 2026
[18] *Circular CSSF 25/901,* CSSF, 19 December 2025
[19] *Projet de loi portant modification de la loi modifiée du 12 juillet 2013 relative aux gestionnaires de fonds d'investissement alternatifs,* Le gouvernement du Grand-Duché de Luxembourg, 30 July 2026
[20] *Directive (EU) 2024/927 of the European Parliament and of the Council,* EUR-lex, 26 March 2024

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One of the most impactful changes was the introduction of a loan-origination regime to account for growing private credit funds, the first time the AIFMD has had product-level requirements. These are especially significant given that they may require changes to investment policies and exposure limits. Notably, not all member states adopted a strictly literal transposition of these requirements. **Italy**, for example, absorbed the loan origination fund concept into its broader domestic regime which had existing requirements for funds that originate credit, including the purchase of loans on a secondary market.[21]

In parallel, some national regulators (such as in **Sweden**) took the opportunity to make additional adjustments to their local regimes, for example by simplifying existing rules and streamlining supervisory activities.[22] Other member states are still working on implementing the **EU** Directive in national law. One example is in **Poland**, where the draft legislation has been progressed but not yet adopted. There is also work ongoing to operationalize the legal text in practice, for example in **Italy**, where the Bank of Italy and the securities regulator (the Commissione Nazionale per le Società e la Borsa, or Consob) are consulting on second-level implementing provisions.[23]

Given enhanced requirements for **EU** AIFMs, and preserved access to EU professional investors through National Private Placement Regimes (NPPRs) for non-EU AIFs, some asset managers are considering whether jurisdictions such as **Jersey** and **Guernsey** could become more attractive because managers outside the EU may be subject to more proportionate requirements.

Regulators also need to keep on top of product-related developments. As ETFs continue to gain popularity, regulators in **Canada** are updating the regime for ETFs with proposals to enhance some aspects of the framework.[24] And following significant modernization of **Brazil's** mutual fund framework in recent years, the regulator is now considering whether active ETFs should be permitted for the first time.[25]

Meanwhile **South Africa** is progressing an extension of its existing 'twin peaks' model as the local Prudential Authority prepares to take on new responsibilities for certain asset management activities, including retirement funds and collective investment schemes.[26]

Ensuring financial stability

In the wake of the Iran conflict, supervisors and regulators stepped up monitoring as volatility increased. The Financial Stability Board (**FSB**) identified a need for heightened monitoring of government bond markets, global asset prices and private credit and warned about potential vulnerabilities associated with stretched asset valuations, leverage and liquidity mismatch.[27] It also described financial markets as "overly optimistic" given the uncertain economic and geopolitical situation.[28]

While central banks are now more comfortable on topics such as fund liquidity management following post-pandemic policymaking, the next potential hotspots are becoming clearer, with one clear example being private assets and private credit in particular (read more in chapters 2 and 5). AI-related risks are also a priority for the FSB, leading to the publication of a report on how financial authorities can monitor AI adoption and assess related vulnerabilities.[29]

[21] *Decreto Legislativo 13 marzo 2026, n. 39,* Gazzetta Ufficiale della Repubblica Italiana, 13 March 2026
[22] *FI föreslår regeländringar om fonder med anledning av ändrade EU-direktiv,* FI, 12 March 2026
[23] *Documento di consultazione contenente le disposizioni della Banca d'Italia per l'attuazione della direttiva (UE) 2024/927 e di alcune novità introdotte dal d.lgs. 27 marzo 2026, n. 47, di attuazione della delega della Legge Capitali,* Banca d'Italia, 27 May 2026
[24] *Canadian securities regulators launch consultation on ETF framework,* CSA, 19 June 2025
[25] *Agenda Regulatória CVM (SDM) 2026,* CVM, 15 December 2025
[26] *Prudential Authority: Regulatory Strategy: 2025-2030,* South African Reserve Bank, 2025
[27] *FSB Chair warns of rising financial risks stemming from Middle East conflict,* FSB, 13 April 2026
[28] *Building resilience in an uncertain world,* FSB, 28 May 2026
[29] *Monitoring adoption of artificial intelligence and related vulnerabilities in the financial sector,* FSB, 10 October 2025

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As 2026 progressed, the **FSB** re-evaluated its priorities and work program.[30] In June it set out two notable new potential vulnerabilities that require further attention, including concerns about the emergence of powerful frontier AI models (read more in chapter 5).[31]

To gain comfort over asset managers' controls, some supervisory activities have focused on the adequacy of fund managers' compliance and internal audit functions. The European Securities and Markets Authority's (ESMA) review in the **EU**, for example, put firms on notice that improvements are needed in areas such as independence of control functions, policies and procedures and senior management and board oversight.[32] Next in ESMA's sights is fund managers' risk functions; it plans to carry out a coordinated review on their effectiveness, independence and expertise, concluding in 2027.[33]

Promoting innovation

Technological developments are creating new opportunities and risks. As explored in chapter 3, regulators are considering how best to balance facilitating innovation and growth while ensuring responsible implementation. However, as an overarching driver, promoting innovation increasingly features in all aspects of regulators' thinking, and that is prompting a rethink of the regulatory perimeter to ensure all relevant activities are captured.

Several regulatory sandboxes have been launched around the world, some of which now specifically feature an AI component, with facilitating tokenization at scale an additional priority.

Innovation also extends to products, with active ETFs and retail private asset vehicles becoming increasingly popular and firms changing the way they engage and interact with customers. In response, the International Organization of Securities Commissions (**IOSCO**) plans to explore the implications of the increasing availability of novel products such as cryptoasset funds, private credit vehicles and retail-facing derivatives.[34]

Boosting retail investment

Many jurisdictions are seeking to grow their domestic capital markets. Some are responding to what is perceived as a consumer bias toward saving over investing and are now launching substantial efforts to increase retail participation in capital markets.

The types of initiatives being explored include implementing a common approach to savings and investment accounts in the **EU** and exploring the functioning of the retail investor journey and associated constraints.[35] Regulators are also carrying out research and analysis on retail investment trends, for example in **Ireland**.[36]

Similar efforts are underway in the **UK** where the Financial Conduct Authority (FCA) gathered views on how its rules could be amended to increase consumer confidence in investing.[37] In a particularly notable development, a new advice regime known as 'targeted support' was launched in April 2026.[38] This aims to close the gap between those that can afford advice and those that need it by allowing firms to make recommendations to clients by grouping them into segments with similar characteristics. In the run-up to the launch of targeted support, the FCA published good and bad practice on the client segmentation process, which is one of the more challenging aspects of the new regime.[39]

Next in ESMA's sights is fund managers' risk functions; it plans to carry out a coordinated review on their effectiveness, independence and expertise, concluding in 2027.

[30] *FSB Work Programme for 2026,* FSB, 3 February 2026
[31] *FSB Plenary highlights potential new vulnerabilities to financial stability,* FSB, 1 June 2026
[32] *ESMA identifies areas for further supervisory convergence on compliance and internal audit in the funds sector,* ESMA, 11 May 2026
[33] *ESMA launches Common Supervisory Action with NCAs on the risk management function,* ESMA, 3 July 2026
[34] *IOSCO publishes 2026 Workplan,* IOSCO, 9 February 2026
[35] *Report on the retail investor journey: understanding retail participation in capital markets,* ESMA, 12 March 2026
[36] *Irish households are not realising the full benefit of investment options,* Central Bank of Ireland, 1 December 2025
[37] *DP25/3: Expanding consumer access to investments,* FCA, 8 December 2025
[38] *PS25/22: Supporting consumers' pensions and investment decisions: rules for targeted support,* FCA, 11 December 2025
[39] *Targeted support: firm considerations when designing consumer segments,* FCA, 23 March 2026

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Potential opportunities for asset managers



Growing the business: In light of the enhancements to regulatory regimes and significant simplification efforts, strategically review the jurisdictions where you are managing funds and assets and assess whether the current set-up best promotes growing assets under management.



Embedding regulation and operating models: As regulators embark on streamlining and simplification, now is an ideal time for asset managers to review how they can reduce operational complexity in the business and align with new requirements in the most efficient way possible.

Possible risks for asset managers



Lowering standards: Some asset managers may mistake the drive for simplification with lowering standards. Although aspects of the rules are being streamlined, we do not see regulators lowering their expectations.



Regulatory divergence: As regulators realign their policy frameworks (seen throughout this report), it is inevitable that regulatory fragmentation will continue to increase around the world. Firms need to adopt an efficient approach to regulatory change that ensures compliance across jurisdictions.

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Public and private markets

Chapter summary

The shape of markets continues to change as private asset management expands at a rapid pace. Naturally, this has influenced where regulators are spending their time and resources.

Regulators' priorities for private markets are converging around valuation governance, fund liquidity, conflicts, risk management and regulatory reporting. Unsurprisingly, private credit has been a focal point across these, with regulators increasingly seeking to untangle perceived opacity and interconnections across financial services and the real economy.

Efforts to promote the controlled retailization of private assets continue, with the key focus now on the rollout of new products by asset managers and in turn by distributors. There is some divergence in terms of how regulators and firms around the world perceive the potential benefits and risks of these products.

Meanwhile, reforms to public markets are ongoing. In some jurisdictions, the current trend is toward modernizing requirements, simplifying transaction reporting and increasing market transparency. But the European transition to T+1 settlement now looms ever closer, with firms stepping up their preparations.

International policy work on fund liquidity management has been picked up by national regulators and is being turned into final rules and guidance. For Money market funds (MMFs) some further changes are on the horizon.



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Private markets regulatory priorities

Private markets have grown rapidly in recent years. Some firms without a private markets capability are looking to build or acquire one in short order, while those with an existing footprint are looking to accelerate their growth. But this has inevitably attracted increasing regulatory scrutiny.

The increasing scale and importance of private markets as a source of financing for the real economy has also prompted regulators to assess the extent to which financial stability could be impacted by private markets activity (read more in chapter 5).

IOSCO and the **FSB** have set the global agenda. IOSCO's latest work program noted it would focus on supporting the FSB's deep dive on private credit.[40] Shortly after, the FSB published its report on related vulnerabilities.[41] While it acknowledged some of the benefits of private credit, it focused on potential vulnerabilities that it considers 'warrant close attention'. Work will continue in four key areas.

Private credit has also been a focal point for national regulators. For example, ASIC in **Australia** identified emerging issues in private credit as a 2026 enforcement priority and put managers on notice ahead of the 30 June valuation and reporting window.[42]

More broadly, valuation governance continues to be a focus area at the international level. The **FSB's** private credit work noted above highlighted challenges associated with valuation practices and limited data transparency, and, following consultation, **IOSCO** published final recommendations on valuation in funds.[43] This responded to developments since the original principles were published, such as the rise in funds investing in less liquid, harder-to-value assets and the increasing participation of retail investors (see more below). IOSCO noted the importance of accurate valuation for investor protection and maintaining confidence in financial markets, especially during times of stress.

National regulators continue to roll out expanded policy frameworks, targeted supervisory reviews and novel system-wide stress tests that aim to inform future work. The table on the next page shows a summary of key developments in selected jurisdictions.

The FSB's next steps on private credit

The **FSB's** next private credit focus areas include:



[40] *2026 Work program,* IOSCO, 9 February 2026
[41] *Report on vulnerabilities in private credit,* FSB, 6 May 2026
[42] *ASIC puts private credit on notice, ahead of 30 June valuations and reporting,* ASIC, 18 June 2026
[43] *Recommendations on valuing collective investment schemes,* IOSCO, 1 June 2026

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Private markets regulatory priorities in selected jurisdictions

Regulator	Valuation governance	Conflicts of interest	Risk management	Disclosures	Retailization and conduct	Financial crime	Regulatory reporting	Macroprudential oversight
UK FCA/BoE	2025 multi-firm review[44]	Ongoing review on identification, management and mitigation[45]	New review noted in 2026 priorities report[45]	Valuations review included quality of disclosures	Application of Consumer Duty to retail vehicles (including liquidity considerations)	A 2026 review found that private markets firms are exposed to heightened financial crime risks[46]	AIFMD reporting to be expanded in some respects[47]	Private markets System-Wide Exploratory Scenario (SWES) exercise[48]
EU ESMA/ECB	Common Supervisory Action (CSA)[49]		New regime for loan-origination funds under AIFMD II[50]	Partially covered under the valuation CSA			AIFMD reporting to be expanded under AIFMD II	Desktop review of private credit markets (May 2026)[51]
US SEC/Federal Reserve	Relevant enforcement action	Examining advice given to private funds vs separately managed accounts[52]		Various work, including on calculation and allocation of fees/ expenses[52]	Examining advice on private funds.[52] March 2026 roundtable[53]		Proposals to raise the filing threshold and streamline Form PF reporting[54]	Private credit analysis in latest financial stability report[55]

[44] *Private market valuation practices,* FCA, 5 March 2025
[45] *Regulatory priorities — Wholesale Buy-Side,* FCA, 19 March 2026
[46] *Asset management and alternative firms' financial crime controls: our findings,* FCA, 22 July 2026
[47] *CP26/26: Fund Reporting for Asset Management Entities (FRAME),* FCA, 14 July 2026
[48] *The Bank of England's private markets system-wide exploratory scenario exercise,* Bank of England, December 2025
[49] *ESMA report points out improvements needed in supervision of asset valuation,* ESMA, 24 May 2023
[50] *ESMA publishes implementing rules on loan-originating AIFs,* ESMA, 21 October 2025
[51] *Stress in global private credit markets and its implications for euro area financial stability,* ECB, 19 May 2026
[52] *Fiscal year 2026 examination priorities,* SEC, 17 November 2025
[53] *Opening remarks at private markets roundtable,* SEC, 4 March 2026
[54] *SEC and CFTC jointly propose amendments to reduce private fund reporting burdens,* SEC, 20 April 2026
[55] *Financial stability report,* Federal Reserve, May 2026

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While regulators are increasingly converging on several of these focus areas, in others they are moving in opposite directions. One such example is in relation to regulatory reporting for fund managers. While the **EU** and the **UK** plan to expand existing requirements to improve transparency and the decision-usefulness of data, the **US** will rationalize the scope of its requirements, streamline aspects of reporting and raise the threshold for managers that need to report. The SEC considers these changes are appropriate in the face of existing arrangements that are 'overly burdensome'.

In addition to the EU-level activities highlighted above, which include the introduction of a loan-origination regime under AIFMD II, member states continue their own work. Examples include the CNMV's consultation in **Spain** to tighten up firms' internal controls in closed-ended private asset vehicles, including in relation to conflicts of interest.[56]

And **Luxembourg** has carried out a thematic review that followed on from ESMA's CSA and focused on funds investing in illiquid assets, resulting in new guidance on valuation policies, procedures and controls.[57] This indicates that the lessons from ESMA's CSA may not have been fully digested and implemented by firms.

China is also taking steps to tighten up its private funds regime, with incoming changes that will enhance and standardize information disclosure requirements with the goal of better protecting investors.[58]

Real estate managers need to be mindful of some specific new developments. For example, in **Switzerland**, there are proposals to tighten up existing legislation that would make it more difficult for overseas funds, persons and entities to acquire real estate.[59] This may have the effect of boosting Swiss-domiciled real estate funds, targeting domestic investors.

While the EU and the UK plan to expand existing requirements

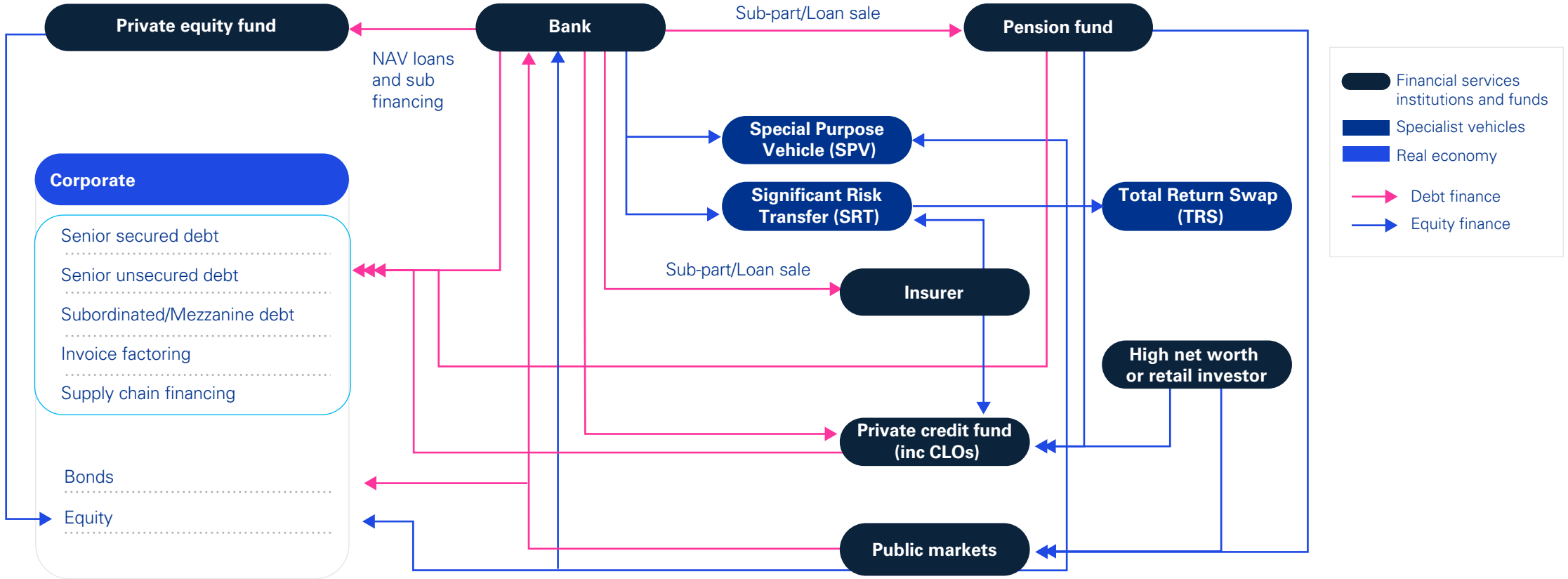
to improve transparency and the decision-usefulness of data, the US will rationalize the scope of its requirements, streamline aspects of reporting and raise the threshold for managers that need to report.

[56] *CNMV launches public consultation on draft technical guide regarding internal controls in closed-ended vehicle management companies,* CNMV, 29 May 2026
[57] *Communication on the CSSF Feedback Report — Thematic review — Valuation framework for less liquid and illiquid assets,* CSSF, 4 June 2026
[58] 中国证监会发布《私募投资基金信息披露监督管理办法》, CSRC, 27 February 2026
[59] *Bundesrat will den Grundstückerwerb für Personen im Ausland weiter beschränken,* Federal Council, 15 April 2026

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Mapping interconnections in private credit

Private credit is under particular regulatory scrutiny. In part this is due to the complexity of the relationships between different market participants and the real economy, which can be illustrated as follows:



Source: "Developments in private credit", KPMG International, January 2026

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The retailization of private markets

As reported in last year's Evolving Asset Management Regulation (EAMR) report, regulators around the world have introduced various fund vehicles to facilitate retail, high/ultra net worth and pension schemes' access to private markets.

The supervisory scrutiny outlined above is especially relevant to retail managers' arrangements in terms of valuation, liquidity management, governance and distribution.

In some countries, regulatory efforts to facilitate retailization are accelerating. In the **US**, the SEC is focused on "responsible retailization", arguing that retail investor demand is "real and robust".[60] However, others have cautioned against potential risks. ASIC's key issues outlook for **Australia** warned about the potential for mis-selling, suitability issues and inadequate disclosures.[61]

In addition to the round-up of retail private asset vehicles we reported in last year's report, there have been some further developments this year. Examples include **Canada's** Ontario Securities Commission (OSC) providing a progress update on its Long-Term Asset Fund Project, playing back feedback to its consultation and announcing plans to engage further with stakeholders.[62] And in **Hong Kong (SAR), China**, the SFC's proposed changes to the local fund regime (summarized in chapter 1) would also facilitate new fund offerings for retail access to private markets under certain conditions.[63]

Improving the effectiveness of public markets

Although much has been made of the rise of private markets, regulators continue to progress initiatives that aim to improve the functioning and effectiveness of public markets.

Broadly speaking, these continue existing simplification initiatives that were kicked off in recent years. The **EU** has simplified its MiFID transparency requirements[64] and plans to streamline transaction reporting obligations.[65] Meanwhile, the **UK** FCA has streamlined transaction reporting (for example by reducing the number of transaction reporting fields from 65 to 52 per report) with effect from April 2028.[66]



[60] *Opening remarks at private markets roundtable,* SEC, 4 March 2026
[61] *Key issues outlook 2026,* ASIC, 27 January 2026
[62] *OSC Staff Notice 81-740 Update on Long-Term Asset Fund Project,* OSC, 20 November 2025
[63] *SFC proposes to enhance Hong Kong's retail fund code to bolster global competitiveness,* SFC, 22 October 2025
[64] *ESMA simplifies MiFID II/ MiFIR obligations on market data,* ESMA, 23 February 2026
[65] *ESMA identifies up to €1 billion in potential annual savings from simplifying EU transaction reporting,* ESMA, 2 July 2026
[66] *FCA finalises rules to cut firms' transaction reporting costs by over £100m a year,* FCA, 3 August 2026

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Both jurisdictions are also implementing changes to increase market transparency via consolidated tapes that deliver real-time prices and trading activity information in one place. The **EU** is preparing for the launch of equity and bond consolidated tapes[67] while the FCA has launched a consolidated tape for the **UK** bond market.[68] Their launch will bring European markets into line with market practice in other asset management centers such as the **US**.

Switzerland's plans to modernize its public markets via updates to the Financial Market Infrastructure Act, originally launched in 2024, are now approaching implementation.[69] The changes aim to reflect technology developments in recent years and will streamline aspects of the regime, including in relation to derivatives trading, disclosures and the market abuse regime.

For asset managers dealing on European markets, the transition to T+1 settlement is rapidly moving from a distant milestone to a looming deadline. This follows the transition in the **US** and **Canada** in 2024. The **EU**, **UK** and **Switzerland** will move to the accelerated settlement window on 11 October 2027. Regulators are already issuing communications with their expectations for implementation, one example being the FCA's letter to chief compliance officers which set out expectations on planning, implementing and testing.[70] ESMA also published a statement that noted preparations should be a key priority for firms.[71]

Fund liquidity management

Several years into a raft of international analysis and subsequent policy work from IOSCO and the **FSB**, national regulators are now uplifting their domestic regimes to bring them into alignment.

For **EU** firms, amendments to fund regulatory frameworks took effect in April 2026, requiring fund managers to implement at least two liquidity management tools (LMTs) and to comply with detailed definitions of LMTs and guidelines on how they should be calibrated.[72] However, there was only a minimal impact on more sophisticated asset managers as industry practice was already broadly aligned with the new regulatory expectations.

The FCA has also enhanced the requirements for **UK** firms, introducing similar amendments on the use of liquidity management tools compared with the **EU**.[73] However, it went further by clarifying how firms should assess the liquidity of underlying assets, most notably by removing a presumption that listed assets are automatically liquid. In the medium term, the **EU** may land in a similar position, given that ESMA has floated a comparable idea with the European Commission.[74]

Canadian authorities are also revisiting their requirements. Proposals from the CSA aim to make changes to requirements for funds' liquidity risk management frameworks, their oversight and governance, and operational matters.[75]

Requirements for money market funds (MMFs) specifically are also back on the agenda in Europe. The **EU** has issued new guidance and FAQs on the use of liquidity buffers,[76] while the **UK** plans to publish new requirements that significantly increase MMFs' minimum liquid asset requirements and remove the link between liquidity levels and the activation of LMTs.[77] Enhancements to the regime for MMFs in **Hong Kong (SAR), China** are also on the horizon following an SFC consultation.[78]

[67] *ESMA clarifies expectations in the run-up to the launch of EU's Consolidated Tapes,* ESMA, 1 April 2026
[68] *Investors get real-time view of UK bond market activity for the first time,* FCA, 22 June 2026
[69] *Federal Council launches consultation on amendments to the Financial Market Infrastructure Act,* Federal Council, 19 June 2024
[70] *FCA expectations for the UK move to T+1 securities settlement,* FCA, October 2025
[71] *Statement on T+1 preparations,* ESMA, 20 July 2026
[72] *Directive (EU) 2024/927 of the European Parliament and of the Council,* EUR-lex, 26 March 2024
[73] *PS26/17: Enhancing fund liquidity risk management,* FCA, 13 August 2026
[74] *ESMA provides advice on eligible assets for UCITS,* ESMA, 26 June 2025
[75] *CSA publishes proposed liquidity risk management amendments and launches consultation,* CSA, 27 November 2025
[76] *Commission reinforces resilience of money market funds with new guidance,* European Commission, 11 May 2026
[77] *FCA update on reforms to the UK Money Market Fund Regulation,* FCA, 8 June 2026
[78] *SFC proposes to enhance Hong Kong's retail fund code to bolster global competitiveness,* SFC, 22 October 2025

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Potential opportunities for asset managers



Enhance private markets risk management capabilities: As private markets have grown, asset managers need to scale their first- and second-line risk management arrangements to keep pace and enhance their sophistication. Firms should look to move from manual controls to automation where possible, alongside implementing consistency across desks and products, to build capacity, resilience and clients' trust.



Roll out retail private asset products: As the retailization agenda picks up, firms will want to consider revisiting their product ranges and partnerships with distributors to ensure they are meeting client demand in a responsible manner.



Market efficiency: With markets around the world moving toward T+1 settlement, asset managers should be considering how they can best take advantage of opportunities to automate processes and reduce operational risks.

Possible risks for asset managers



Increased scrutiny of private markets: Regulators are closely examining firms' capabilities and compliance in all the areas identified above. Firms with weak governance and oversight arrangements will be particularly exposed to regulatory challenges and interventions.



Liquidity management: As this topic has moved up regulators' agendas, firms need to be comfortable that their arrangements will function well in normal and stressed conditions, and that remaining and exiting investors will not be harmed. This is particularly important as private market product retailization picks up.



Regulatory reporting: Although simplification in some areas is welcome, regulatory divergence is increasing. Asset managers will need to ensure their systems are correctly configured to accurately report data across jurisdictions, taking into account IT development time and costs.

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Specialists' corner



Katherine Ruta
Partner
KPMG in Canada

Katherine was asked how Canada's ETF reforms are changing what it means to be a successful asset manager.

"

Canada's evolving regulatory framework for ETFs, including enhanced cost transparency and market structure reforms, is accelerating trends that were already underway. By making costs easier to compare while reducing the cost and complexity of operating an ETF platform, these reforms reinforce a market where scale, disciplined execution and differentiated investment capabilities matter more than ever.

Greater fee transparency could make it increasingly difficult to defend higher fees for products offering similar exposures. That raises the premium on delivering something investors cannot easily replicate, whether through differentiated investment strategies or a superior client experience. At the same time, the capabilities behind the ETF, including data, reporting, trading infrastructure and capital markets support, are becoming increasingly important to achieving scale and maintaining competitiveness.

Perhaps the clearest sign of this shift is the industry's response. The conversation has moved beyond debating greater transparency to building the infrastructure needed to compete in a more transparent market.

Success may increasingly depend on whether firms simply treat ETFs as products to manufacture, or as platforms that integrate investment expertise, distribution, capital markets capabilities and technology. Canada's regulatory reforms are reinforcing that shift, and the firms that recognize it early will be best positioned to compete.

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Specialists' corner



Felix Metzler
Senior Manager
KPMG in Switzerland

Felix was asked to share insights on private markets focus areas for regulators in Switzerland and how asset managers are uplifting their standards in response.

"

Switzerland features a unique and fast-growing private market ecosystem, connecting private equity, private debt, real estate, and infrastructure. Over the past decade, there has been a structural shift from public to private markets. Asset classes once limited to institutional investors are opening to a broader investor base. Besides specialized mandates and capital contribution programs, a growing number of evergreen funds, ELTIFs, and similar structures with lower entry barriers are being distributed via numerous boutiques, wealth hubs and digital platforms, alongside a bustling venture capital scene.

Known as the democratization of private markets, this trend offers vast potential for asset managers, while also posing risks to be mitigated. Liquidity mismatches are heightened when semi-liquid vehicles permit periodic redemptions despite holding illiquid underlying assets. Beyond this, the current market and outlook is determined by valuation uncertainties from shifting interest rates, respective pressure in levered real estate and debt portfolios, as well as growing geopolitical and macroeconomic uncertainties that complicate exit strategies and deal flows.

FINMA is addressing these challenges through heightened scrutiny of asset valuations, revised liquidity management tools and buffers, as well as new risk-monitoring and testing frameworks. To meet regulatory expectations and market dynamics, asset managers and private market firms alike are well advised to actively uplift their corporate governance by strengthening and automating internal controls, formalizing independent risk oversight and enhancing valuation and investor transparency.

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03

Digital innovation

Chapter summary

As the rollout of AI gains speed and widespread adoption, regulators are considering how best to keep up while also balancing goals to foster innovation and control risks.

This has resulted in markedly different approaches emerging around the world to regulating the deployment of AI in financial services and asset management firms. As some jurisdictions continue to rely on technology-neutral rules and guidance, others are now pulling back on AI-specific requirements that were implemented early in the deployment of AI.

Frameworks for tokenization of funds and financial assets continue to be refined. In leading jurisdictions, supervisors have published further guidance that aims to provide sufficient clarity for tokenization to move from small pilots to mainstream adoption, while second-mover jurisdictions have launched pilots in efforts to catch up.

Digital asset frameworks also continue to be implemented. Significant new policies have been rolled out globally and adjustments to frameworks are being made to align regulatory requirements with use cases and ensure frameworks are fit-for-purpose.



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Regulating AI

Regulation is evolving as asset managers look to deploy AI at speed across their business. But regulators are seeking to support responsible adoption while facilitating innovation. Even where new AI-specific regulations have been introduced, the onus remains very much on firms to ensure that their overall AI governance (how they select, deploy and oversee AI tools and agents) remains robust.

For regulators, this includes overseeing the use of agentic AI and considering how the regulatory framework and firms' governance may need to change to make the most of the opportunities safely. More broadly, there are concerns that the technology could increase cyber-related risks (see more in chapter 5).

Regulatory divergence continues to increase as different approaches to regulating AI are embedded. As noted in chapter 1, the **FSB** is carrying out monitoring for potential financial stability risks. To bring about some common practice across jurisdictions, it consulted on 12 proposed sound practices for firms, covering AI governance, managing AI use cases through their lifecycle, and managing AI-related cyber, IT and third-party-related risks.[79]

IOSCO is also aiming to promote consistency amongst supervisors with the launch of its supervisory toolkit, giving supervisors practical support across the full lifecycle of AI systems.[80]

National and regional authorities have taken radically different approaches to regulating AI. The **EU** was one of the first jurisdictions to launch an AI-specific regime, but it is now being reworked in the context of the growth and competitiveness agenda. Among several changes being introduced, the most significant is to postpone the deadline for complying with rules for high-risk systems, although these have largely not been relevant for asset managers' activities.[81]

Others have adopted a different approach. The **UK** FCA considers that legislation will be unable to keep up with the pace of innovation, so it is currently relying on existing regulatory regimes that are technology agnostic.[82] However, the industry has called on regulators to ensure expectations of firms are clear.[83] In the **US**, the SEC has stated that prescriptive mandates are not the answer to every emerging technology and has not published AI-specific rules.[84]

Even where new AI-specific regulations have been introduced,

the onus remains very much on firms to ensure that their overall AI governance (how they select, deploy and oversee AI tools and agents) remains robust.

[79] *FSB consults on sound practices for the responsible adoption of artificial intelligence,* FSB, 10 June 2026
[80] *IOSCO publishes AI supervisory toolkit,* IOSCO, 25 May 2026
[81] *Artificial Intelligence: Council gives final green light to simplify and streamline rules,* Council of the EU, 29 June 2026
[82] *Rethinking regulation for the age of AI,* FCA, 24 June 2026
[83] *Financial Services AI Adoption Plan,* HMT, 14 July 2026
[84] *Remarks at Financial Stability Oversight Council Artificial Intelligence Innovation Series Roundtable on Strategy and Governance Principles,* SEC, 4 March 2026

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Other jurisdictions have also adopted a broadly similar approach, for example, the **Guernsey** Financial Services Commission's (FSC) policy statement noted that firms should treat the adoption of AI tools in the same way as any other technical or strategic project and stated it does not plan to issue AI-specific rules.[85]

Other leading jurisdictions plan to issue new guidance. The **Singapore** MAS has consulted on guidelines covering the oversight of AI risk management, systems, policies and procedures, and controls across the AI deployment lifecycle.[86] **Japan's** Financial Services Agency (FSA) has revised its AI discussion paper in response to industry feedback.[87] And **Jersey's** FSC plans to publish guidance to support firms as they design and implement AI solutions.[88]

Regulators are monitoring wider developments. A report to the **UK** FCA's board evaluated how AI will reshape retail financial services, finding that it has the potential to reshape the sector by improving outcomes and reducing the so-called 'advice gap', but that it also has the potential to amplify fraud and cyber risks.[89] A separate independent report to the UK government set out recommendations, including that regulators should provide clear expectations for firms to support AI adoption and that the regulatory perimeter should be reviewed to take account of financial advice-like guidance generated by AI.[90]

Industry collaboration will be key. In **Singapore**, the MAS partnered with industry to develop a toolkit for financial services firms around managing AI-related risks.[91] And regulators will continue to develop and roll out AI-related sandboxes to support innovation in local markets. Examples include the Gen AI Sandbox++ initiative launched by regulators in **Hong Kong (SAR), China**[92] and the **UK** FCA's 'Live Testing' initiative.[93]

Progressing tokenization of financial assets and funds

Regulators and policymakers are continuing their efforts to capitalize on the potential for tokenization to drive growth and competitiveness. While major financial centers are moving to shape the rules, build infrastructure and capture market share, other jurisdictions are progressing at a slower pace and seeking to catch up.

Industry collaboration will be key.

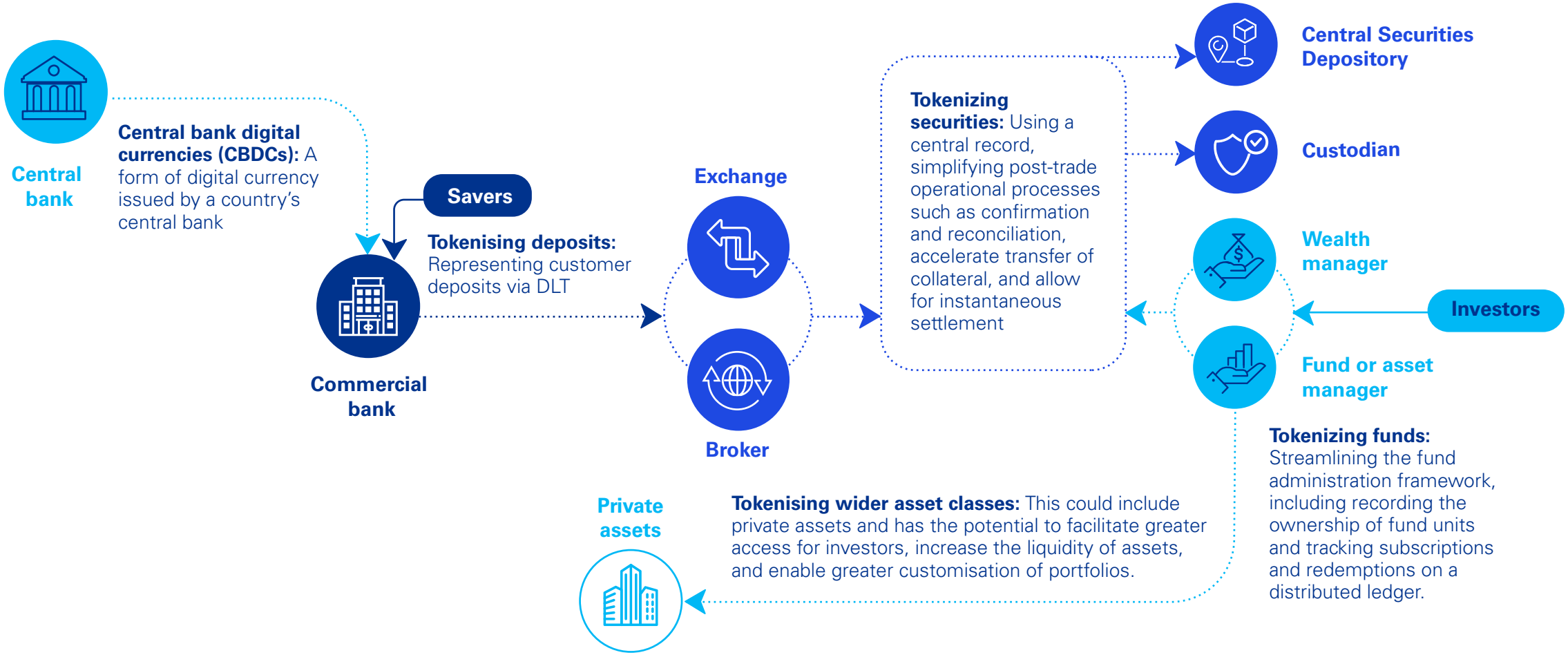
In Singapore, the MAS partnered with industry to develop a toolkit for financial services firms around managing AI-related risks.

[85] *Policy Statement — Use of Artificial Intelligence,* GFSC, 29 January 2026
[86] *MAS Guidelines for Artificial Intelligence (AI) Risk Management,* MAS, 13 November 2025
[87] *Publication of AI Discussion Paper (Version 1.1),* FSA Japan, 3 March 2026
[88] *AI in financial services: enabling innovation with confidence,* JFSC, 1 May 2026
[89] *AI and the future of retail financial services (The Mills Review),* FCA, 6 July 2026
[90] *Independent report, Financial Services AI Adoption Plan,* HMT, 14 July 2026
[91] *MAS Partners Industry to Develop AI Risk Management Toolkit for the Financial Sector,* MAS, 20 March 2026
[92] *Regulators launch GenA.I. Sandbox++ to foster A.I. innovation across financial services,* SFC, 5 March 2026
[93] *FCA helps firms to test AI safely,* FCA, 3 December 2025

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The tokenization ecosystem

The tokenization of traditional assets is rapidly evolving and has the potential to transform the financial services ecosystem.



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IOSCO has published its final report on financial asset tokenization which surveyed the rate and form of adoption of tokenized assets in capital markets. It outlined the key drivers for accelerating tokenization which include interoperability and cross-border regulatory cooperation.[94] Notably, IOSCO found that tokenization is growing but remains nascent, with obstacles including a lack of blockchain interoperability and credible settlement assets.

Some jurisdictions in Asia have retained their momentum and have the most progressed frameworks in place. **Singapore**'s Project Guardian, led by the MAS, published a report on operationalizing tokenized funds, providing a playbook for firms looking to launch and scale tokenized funds using tokenized MMFs (tMMFs) as a reference point.[95] It covered key use cases across private and public chains, as well as important enablers for scalable adoption.

Building on previous work, the SFC in **Hong Kong (SAR), China** published additional guidance to facilitate secondary trading of tokenized SFC-authorized open-ended funds on local digital asset platforms.[96] This also had the effect of broadening access to regulated trading services for retail investors. While the initiative will facilitate round-the-clock liquidity, the SFC also introduced associated investor protection-related measures, including on fair pricing, orderly trading, liquidity provision and disclosure requirements.

European jurisdictions are at varying stages of efforts to facilitate tokenization.

The **EU** is reviewing whether the current regime is fit for purpose. A section of the European Commission's consultation on MiCA (see more below) focused on the legal treatment of tokens, including ownership rights, custody, collateral arrangements, insolvency treatment and consistency of approach across EU Member States.[97] The consultation also asked which tokenized assets (such as funds and MMFs) are most difficult to classify in practice.

In the **UK**, the FCA published final guidance on tokenizing funds, providing important clarity for fund managers.[98] It set out the FCA's expectations across the tokenization lifecycle, including on record keeping, smart contracts, unit ownership aggregation, network risks and financial crime considerations. It also confirmed that firms may use tokenized MMFs (tMMFs) as collateral under certain conditions. More broadly, the FCA and the Bank of England (BoE) turned their attention to tokenized securities, publishing a call for input on their joint vision for tokenized wholesale markets.[99] This proposed that the same broad principles which apply to non-tokenized assets (such as operational resilience and financial crime) will apply to tokenized equivalents. A consultation will follow next year. In the meantime, the **UK's** 'Wholesale Digital Markets Champion' recommended several initiatives to the government, including establishing a tokenized funds market.[100]

Other jurisdictions are also progressing initiatives on tokenizing traditional assets. In **Ireland**, a Central Bank of Ireland discussion paper highlighted the benefits of tokenization while also stressing that realizing potential benefits is contingent on key enabling conditions such as legal and regulatory clarity, interoperability and standardization across systems and robust operational and cyber resilience.[101] From an asset management perspective, the Central Bank of Ireland highlighted growing interest in fund tokenization, particularly within ETFs and money market funds, while noting that existing regulatory safeguards remain applicable, irrespective of technological form.

[94] *Final Report on Financial Asset Tokenization,* IOSCO, 11 November 2025
[95] *Guardian, Operationalising Tokenised Funds,* MAS, November 2025
[96] *SFC unveils new regulatory framework to allow secondary trading of tokenised SFC-authorised investment products,* SFC, 20 April 2026
[97] *Targeted consultation on the review of Regulation on the Markets in Crypto-Assets (MiCA),* European Commission, 20 May 2026
[98] *PS26/7: Progressing Fund Tokenisation,* FCA, 30 April 2026
[99] *Call for Input: The future of tokenisation — A joint vision from the authorities for UK wholesale financial markets,* FCA, 18 May 2026
[100] *Wholesale digital markets champion — first report,* HMT, 13 July 2026
[101] *DP12 — Distributed Ledger Technology & Tokenisation in Financial Services,* Central Bank of Ireland, 5 March 2026

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Similarly, a new report in **Jersey** highlighted tokenization as a key pillar for unlocking growth and recommended the government focus on tokenized private assets administration and governance.[102] Meanwhile, **Canada's** CSA (the Canadian Securities Administrators) invited stakeholders to participate in "Project Tokenization", the CSA's flagship digital asset initiative with the objective of exploring the use of tokenized investment funds and securities within the existing regulatory framework.[103]

Safely adopting digital assets

The regulation of digital assets (cryptoassets) themselves is largely beyond the scope of this report. However, the flurry of regulatory activity from previous years continues to have implications for asset managers as investors and for the broader investment ecosystem. Most notably, regulators are enhancing the requirements that govern cryptoasset providers to ensure new regimes are compatible with traditional finance requirements while protecting investors.

In Europe, regulators are fine-tuning regimes, having had the opportunity to observe the impact of cryptoasset rules in a live environment. The **EU's** review of MiCA implementation signaled regulators' willingness to identify and address existing regulatory gaps, as well as frictions between the crypto-native and traditional finance worlds.[104] In its consultation, the European Commission asked if cryptoassets that qualify as regulated financial instruments should continue to be governed by sectoral legislation or whether all assets recorded and transacted on distributed ledgers should be covered by MiCA. As this progresses, some member states are yet to fully adopt the MiCA requirements in national legislation and establish national licensing frameworks for cryptoasset service providers, with one example being **Poland**.

Switzerland's Financial Market Supervisory Authority (FINMA) clarified its expectations on the custody of cryptoassets to mitigate risks and ensure investor protection in the face of growing interest in the asset class.[105] New guidance requires firms providing portfolio management services to ensure that the assets entrusted to them are held in safekeeping and segregated per client with specified institutions such as banks, securities firms and DLT trading facilities. It also refined expectations for the safekeeping of fund assets and associated disclosure requirements.

In the **UAE**, the Dubai Financial Services Authority (DFSA) is also taking steps to refine its regime which was launched in 2022. Firms providing financial services involving 'Crypto Tokens' are now directly responsible for determining whether each token they engage with meets the DFSA's suitability criteria.[106] The reform, which is accompanied by enhanced safeguards for investors, refined conduct and operational requirements, and proportionate reporting obligations, signals the maturing of the sector within the region. Similar moves to adjust requirements are being taken in **Hong Kong (SAR), China** with consultations on cryptoasset dealing and custody having been launched in late 2025.[107]

FINMA clarified its expectations
on the custody of cryptoassets to mitigate risks and ensure investor protection in the face of growing interest in the asset class.

[102] *Time to Win: securing Jersey's competitive edge in financial and related professional services, Government of Jersey,* 16 March 2026
[103] *CSA invites stakeholders to participate in tokenization initiative,* CSA, 31 March 2026
[104] *Targeted consultation on the review of Regulation on the Markets in Crypto-Assets (MiCA),* European Commission, 20 May 2026
[105] *FINMA Guidance 01/2026: Custody of cryptobased assets,* FINMA, 12 January 2026
[106] *The DFSA implements major updates to Crypto Token Regulatory Framework, enhancing market integrity and supporting innovation in DIFC,* DFSA, 12 January 2026
[107] *FSTB and SFC conclude consultations on virtual asset dealer and custodian regimes, further consult on two new regimes,* SFC, 24 December 2025

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The **UK** FCA's final guidance and rules for the cryptoasset regime will go live by the end of 2027,[108] with the FCA potentially benefitting from observing how regulatory frameworks have played out in other jurisdictions. The rules, which will categorize cryptoassets as "qualifying investments", align their regulatory treatment with non-crypto equivalents. The FCA has also confirmed that firms may use digital cash and money-like instruments for operational purposes within authorized funds, facilitating on-chain activities, particularly transaction settlement involving cryptoassets.

In the **US**, the SEC now permits redemptions for crypto exchange-traded products (ETPs).[109] The approval aligns the treatment of bitcoin and ether ETPs with other commodity-based ETPs approved by the SEC. The regulator has also proposed a tailored securities regime for investment contracts involving cryptoassets, termed "Regulation Crypto Assets", with the objective of introducing a clear framework and exemptions for certain product offerings.[110] The developments demonstrate that establishing a fit-for-purpose regulatory framework for cryptoasset markets is a priority.

And in the **Cayman Islands**, substantial amendments were enacted to relevant investment and private equity funds legislation to deliver greater regulatory clarity and certainty for tokenized fund structures.[111] By doing so, the changes helped close the gap between the regulatory framework for funds and for digital asset service providers, as well as removing duplicative regulation for interests in tokenized funds, making the regulatory process more efficient in recognising financial innovation.

Regulators are also clarifying the type of cryptoassets in which retail funds may invest, signaling a slow but increasing acceptance of crypto into the mainstream.

In **Luxembourg** the Commission de Surveillance du Secteur Financier (CSSF) has clarified that UCITS may, solely for the purpose of processing subscriptions and redemptions, temporarily hold e-money tokens provided these assets are converted or reinvested as soon as practicable.[112] A separate Q&A also confirmed that UCITS may hold crypto-related transferable securities indirectly, worth up to 10 percent of their net asset value.[113]

Other jurisdictions have taken more conservative stances, with the Central Bank of **Ireland** confirming that it is unlikely to approve a UCITS proposing any exposure (either direct or indirect) to digital assets.[114]

The **UK** FCA has been similarly conservative to date. However, it is now consulting on allowing UK retail funds to have limited exposure to crypto ETNs for the first time.[115] The FCA plans to conduct a broader future review of the eligible assets regime but emphasized that it does not see any regulatory barriers preventing UK authorized funds from investing in tokenized forms of eligible assets. [116]

The EU-wide position remains to be seen, following ESMA's advice to the European Commission on the eligible assets of a UCITS.[117]

[108] *Overview of our cryptoassets regime policy statements,* FCA, 30 June 2026
[109] *SEC Permits In-Kind Creations and Redemptions for Crypto ETPs,* SEC, 29 July 2025
[110] *SEC Proposes New Regulation Crypto Assets,* SEC, 18 August 2026
[111] *Government Streamlines Tokenised Funds Legislation,* Cayman Islands Government, 9 February 2026
[112] *FAQ concerning the Luxembourg Law of 17 December 2010 relating to undertakings for collective investment,* CSSF, 17 February 2026
[113] *FAQ Crypto-Assets — Undertakings for collective investment,* CSSF, 24 April 2026
[114] *UCITS Questions and Answers 42nd Edition,* Central Bank of Ireland, 17 April 2025
[115] *Quarterly consultation CP26/17,* FCA, 5 June 2026
[116] *FCA sets out guidance to support innovation in fund tokenisation,* FCA, 30 April 2026
[117] *Final Report: Technical advice to the European Commission on the review of the UCITS Eligible Assets Directive,* ESMA, 26 June 2025

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Potential opportunities for asset managers



AI deployment: Consider which AI use cases could be particularly beneficial and prioritize and support their adoption with robust governance and oversight.



Tokenization possibilities: Assess where tokenization could increase operational efficiency or improve investor outcomes and develop an implementation roadmap that takes account of required governance, skills and capabilities.



Growth: Develop a digital assets and tokenization strategy, including target operating models, investment priorities and capability requirements which can help to ensure the firm is well positioned for future market developments.

Possible risks for asset managers



AI governance: Ensure there is good governance to mitigate risks across the entire lifecycle of AI adoption, especially in terms of accountability for decisions taken and outcomes delivered.



Operational risk: Test the resilience of new infrastructure to make sure it is robust and functions as expected.



Digital assets suitability: Assess whether digital asset products only go to the intended target market and implement effective risk management arrangements.

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Specialists' corner



Annick Breton
Partner
KPMG in Luxembourg

Annick was asked to share insights on how fund managers are approaching tokenizing their funds and aligning their approach with evolving regulatory requirements:

"

EU fund managers are moving from experimentation to selective adoption of tokenization, with regulation increasingly shaping the roadmap.

Today, the focus is primarily on efficiency and time-to-market. Money market funds are leading the way, given their scale, liquidity and relatively standardized structures.

The EU DLT Pilot Regime is providing a regulatory sandbox to test these models while broader rules evolve. The near-term priority is therefore not to reinvent funds, but to make existing fund infrastructure faster, cheaper and more scalable.

Tomorrow, the bigger prize is likely to be distribution access, by using tokenized fund units to reach new investors, platforms and digital channels.

This could be particularly transformative for private markets and cross-border distribution, where access and operational friction remain significant barriers. A key enabler could be interoperability across traditional and digital market infrastructure.

In short: efficiency today, distribution tomorrow, with tokenization evolving from a technology experiment into core fund-market infrastructure.

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04

Protecting investors

Chapter summary

Around the world, recent policy efforts and supervisory activity demonstrate that retail conduct remains at the top of the regulatory agenda. Even as some regulators streamline some rules in response to growth and competitiveness objectives, many are doubling down on investor protection.

Retail conduct frameworks continue to evolve, reflecting more principles-based approaches and refined expectations on monitoring consumer outcomes. As some initiatives move from implementation to embedding, supervision and monitoring are becoming the main focus.

Firms are also seeing a change in the form and content of customer disclosures. Frameworks are being reshaped to support clearer, more effective communications, while giving firms greater flexibility to tailor disclosures to their products and customer base. Supervisory reviews continue to indicate room for improvement.

Mitigating conflicts of interest remains central to delivering good customer outcomes. While conflicts have long been a regulatory focus, the level of recent supervisory activity suggests a renewed level of prominence on the regulatory agenda.

Regulators are also intensifying action as scams, finfluencers and AI-enabled fraud increase risks for retail investors. Regulators are therefore joining forces to identify and tackle bad actors, while simultaneously recognizing the need to educate consumers and finfluencers.

Strong governance, oversight and accountability remain an ever-present regulatory focus. Although some jurisdictions are simplifying accountability, fitness and probity frameworks, this reflects efforts to clarify expectations, and introduce more proportionality, rather than a lowering of standards.



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Retail conduct frameworks

The development, strengthening and embedding of conduct frameworks continues around the world. With some regulators recalibrating measures to ensure they deliver investor protection while not inhibiting growth, the continued importance of growth and competitiveness is evident.

More than three years after the original proposals were published, **EU** authorities are approaching final agreement on rules under the EU Retail Investment Strategy (RIS), a comprehensive new package of regulation that intends to enhance and modernize consumer protection.[118] It includes clearer disclosures, stronger conflicts management requirements and an emphasis on improved consumer outcomes, including through value for money requirements. Despite recent negotiations to simplify the proposals, some firms may see the package as adding unnecessary complexity and running contrary to efforts to increase retail investment.

With no significant amendments expected, the European Commission anticipates that the legislation will be confirmed and published in January 2027 with a 30-month implementation period. It has therefore requested technical advice from ESMA on the Level 2 measures required to fully implement all components of the RIS by July 2029.[119]

Spotlight on the EU Retail Investment Strategy (RIS)

When finalized and approved, the final RIS package could result in wide-ranging changes for EU firms:

Product governance and value for money

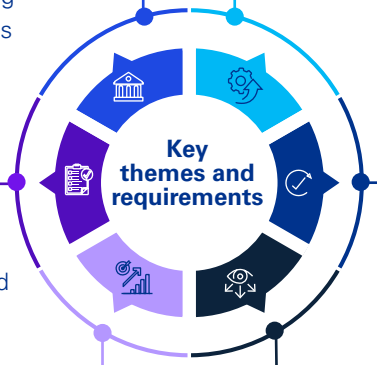
- New value for money assessment, including peer group comparisons with reference to specific criteria
- New 'undue costs' assessment for UCITS and retail AIFs, with compensation for investors where undue costs have been charged
- Enhanced manufacturer/distributor info sharing
- New test for inducements to mitigate conflicts of interest

Revised professional client categorization criteria

- Revised criteria for professional clients, including around relevant experience, transaction history and lower wealth threshold

Tightened marketing practices

- Firms to have a policy and internal controls for marketing comms
- Safeguards regarding the use of finfluencers
- Enhanced record keeping requirements



Modernized and enhanced disclosures

- Revised content and format for disclosures covering all relevant costs and inducements
- Annual statement of costs, including inducements
- Modernized PRIIPs disclosures, including digitalized Key Information Documents (KIDs)

Revised suitability requirements

- Streamlined suitability assessment for advice that is restricted to diversified, non-complex and cost-efficient investment products
- Revised disclosure requirements for particularly risky products
- Revised appropriateness test

Strengthened supervision

- Broader intervention powers including mystery shopping, marketing suspension, digital content removal

[118] *Commission welcomes agreement on the Retail Investment Strategy,* European Commission, 19 December 2025
[119] *EC request for technical advice on the implementation of the amendments to the MiFID II, UCITS Directive, and AIFMD in the context of the Retail Investment Strategy,* ESMA, 24 August 2026

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In **Canada**, regulatory focus is shifting from finalizing policy changes to evidence-based supervision and testing. Final amendments to the principal distributor model address conflicts of interest and competition concerns and improve transparency by expanding disclosure requirements.[120] Meanwhile, the CSA and the Canadian Investment Regulatory Organization's (CIRO) ongoing review into firms' implementation of the so-called Client-Focused Reforms (CFRs) to improve investor outcomes showed some firms had made meaningful progress. However, more work is needed to address the enhanced 'know your client' and 'know your product' requirements.[121] Notably, one consequence of the reforms looks to be a compression of asset managers' fees.

In the **UK**, three years after the Consumer Duty took effect, the FCA is consulting on targeted changes to the rules.[122] Its proposals focus on streamlining the scope of the Duty and clarifying its application, particularly in relation to wholesale markets, in line with the FCA's commitment to the UK government.[123] The consultation also aims to clarify firms' roles and responsibilities across distribution chains and to simplify consumer understanding requirements.

Meanwhile, firms continue to work on fully embedding the Duty. For retail investment firms, the FCA's priorities concern vulnerable customers, fair value and advice suitability, and for asset managers there is a clear focus on ensuring good outcomes.[124,125] Recent supervisory activities illustrate a continuing need for improvement, for example as illustrated in the FCA's review of firms' product governance arrangements.[126]

In **Ireland** the modernized Consumer Protection Code (CPC) is now in force, strengthening protections for consumers and small businesses.[127] Similarly to the Consumer Duty, it reinforces the requirement for firms to place consumer interests at the heart of their business models. It introduced a statutory obligation to act in consumers' best interests, including by ensuring financial products are designed to meet customer needs, require information to be provided clearly and in plain language, and that decision-making is properly supported. Now the revised CPC is in force, the Central Bank of Ireland's focus will likely shift to supervising how well firms have implemented the changes.

In a significant development for **South African** firms, the Conduct of Financial Institutions (COFI) Bill has finally been introduced in parliament.[128] If enacted, it will introduce an outcomes-based approach across all financial institutions, streamlining multiple laws applying across sectors and necessitating updates to the FSCA's regulatory framework. Addressing related changes will be a significant undertaking for asset managers, although the extent and timing of the changes will become clearer once an implementation roadmap is provided.

As these rule changes are finalized, supervision of them is also a high priority. In **Spain**, investor protection is central to the CNMV's current priorities.[129] Asset managers can expect closer scrutiny of their governance arrangements, including the quality of investor disclosures and the management of conflicts of interest (see also the following sections). The CNMV has also emphasized the investor protection role of depositaries, expecting management companies to apply objective and documented selection processes that consider service quality and the overall costs borne by funds, and to justify the appointment where the depositary belongs to the same group.[130]

[120] *Canadian securities regulators publish final amendments to the principal distributor model,* CSA, 11 June 2026
[121] *CSA and CIRO provide findings and guidance from latest phase of Client Focused Reforms reviews,* CSA, 10 December 2025
[122] *CP26/23 Consumer Duty: scope and proportionality,* FCA, 29 June 2026
[123] *Mansion House commitment on the Consumer Duty's application to wholesale firms,* FCA, 29 September 2025
[124] *Our Consumer Duty focus areas,* FCA, 30 September 2025
[125] *Regulatory Priorities: Wholesale Buy Side,* FCA, 19 March 2026
[126] *Products and services: good practice and areas for improvement,* FCA, 10 July 2026
[127] *Consumer Protection Code,* Central Bank of Ireland, March 2026
[128] *Government Gazette: Notice of introduction in National Assembly of the Conduct of Financial Institutions Bill, 2026, and publication of explanatory summary of Bill,* National Treasury, 17 April 2026
[129] *Activity plan 2026,* CNMV, 26 February 2026
[130] *El futuro de la depositaría 2026,* CNMV, 4 June 2026

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Alongside these broader conduct framework developments, regulators are also strengthening the mechanisms that support effective remediation when investor harm occurs. This includes ensuring that complaints are handled effectively, that independent dispute resolution remains fair and proportionate, and that redress systems are responsive without creating unnecessary burden for firms. At the same time, supervisory reviews continue to identify weaknesses in firms' complaints handling practices.

In **Canada**, the CSA consulted on reforms to the independent dispute resolution service to strengthen investor protection and enhance oversight to ensure procedural fairness for investment firms. Proposals include the introduction of binding investor compensation decisions and a requirement for the ombudsman to involve an external decision maker for compensation recommendations over CAD75,000.[131] These changes could materially increase complaint resolution and compensation risk for firms.

In the **UK**, reforms to the legislative framework governing the Financial Ombudsman Service (FOS) are underway. These aim to address concerns that the FOS has strayed from its original purpose as a simple, impartial dispute resolution service, and to improve the agility and responsiveness of the redress system. Proposed changes include introducing a referral mechanism to the FCA where there is uncertainty over the interpretation of rules and shortening the time limit for bringing complaints.[132]

Ahead of these legislative changes, the FCA and FOS consulted on measures that can be implemented within the existing framework, focused on efficiency, proportionality and streamlining reporting to reduce the regulatory burden on firms.[133] While welcome, these changes will require existing complaints and redress processes to be reviewed and updated. To support firms, the FCA has updated its guidance on identifying and rectifying harm.[134]

Customer understanding and disclosures

Regulators continue to focus on achieving a balance between giving retail investors clear, useful information that promotes customer understanding while avoiding overly burdensome requirements for firms. To achieve this, significant reforms are underway around the world.

In the **UK**, the FCA finalized a new disclosure regime for Consumer Composite Investments (CCI), centered on a 'product summary' document that is intended to be more flexible, proportionate, and engaging for consumers than the Key Information Document and Key Investor Information Document (KID/KIID) disclosure regime that was inherited from the **EU**.[135] Firms have until June 2027 to ensure they are compliant. To align investment cost disclosures across the ecosystem, the FCA is also consulting on amending and simplifying distributors' requirements.[136] Notably though, this package also proposed new disclosure rules where firms charge fees or pay interest on client cash, an area of recent FCA scrutiny.

Regulators continue to focus on achieving a balance

between giving retail investors clear, useful information that promotes customer understanding while avoiding overly burdensome requirements for firms.

[131] *CSA proposed process refinements and oversight for a dispute resolution service for investor complaints,* CSA, 4 September 2025
[132] *HMT Financial Ombudsman Service reform to deliver fast and impartial complaint resolution,* HMT, 16 March 2026
[133] *New measures to modernise and transform the UK redress system,* FCA, 16 March 2026
[134] *Finalised Guidance Good and Poor Practice on identifying and rectifying harm,* FCA, 16 March 2026
[135] *FCA PS25/20: Supporting informed decision making: Final rules for Consumer Composite Investments,* FCA, 8 December 2025
[136] *Financial regulator to simplify investment disclosure regime,* FCA, 2 July 2026

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In **Canada**, new rules to modernize the ongoing disclosure regime for investment funds took effect.[137] The changes remove unnecessary disclosures from funds' financial statements and introduce exemptions from certain conflicts of interest reporting. While these changes simplify disclosures, ongoing implementation of the 'Total Cost Reporting' requirements which introduced enhanced cost disclosures for investment funds is resulting in commercial and operational impacts on fund managers.[138]

Regulators in **China** have also finalized revisions to disclosure requirements for investment funds, including the content and format of reporting.[139] Effective from May 2026, the changes consolidated some disclosure items and streamlined certain requirements.

In **Singapore**, the MAS finalized changes to investor-facing Product Highlights Sheets (PHS) to improve customer information on complex products through clearer labeling. Investment-linked policies will also be classified as complex products and require a PHS, reflecting their structural complexity.[140]

As retail investor participation grows in **Brazil**, the CVM is consulting on simplifying investment fund disclosures, increasing transparency, and reducing compliance burdens for fund managers.[141] The proposed changes eliminate duplication, remove rarely used documents, and revise the frequency of certain disclosures.

The clarity and quality of customer information in online customer journeys is also prompting regulatory attention. ESMA has set out plans to simplify the retail investor journey in the **EU**.[142] In **France**, reviews of digital investment journeys by the Autorité des Marchés Financiers (AMF) identified weaknesses in the clarity and completeness of customer documents, insufficiently detailed client questionnaires, and ambiguous risk warnings.[143] A separate review of journeys via mobile applications highlighted concerns around fee transparency, the presentation of financial instruments, and oversimplified or fragmented information.[144] And in the **UK**, the FCA's review of digital design in online customer journeys raised similar concerns about customer understanding and the risks created by rapid transactions.[145]

Alongside new initiatives to modernize disclosures, supervisory work has identified weaknesses in existing communications and support for investors. For example:

- The **UK** FCA's review into firms' approaches to consumer understanding identified several areas for improvement.[146] These included inaccessible or overly complex customer communications, insufficient consideration of customer needs, and unclear accountability for decision-making.
- In **Australia**, ASIC's follow-up work on superannuation trustees' progress on the recommendations of a 2025 death benefit claims report revealed a mixed picture, with most trustees making improvements. But the report suggested there is still considerable work to be done to meet regulatory expectations.[147]
- Driven by similar concerns in the **UK**, the FCA will review investment firms' practices in the context of bereavement, including communication, support, service standards, and fee handling.[148]

[137] *CSA reduces regulatory burden in continuous disclosure regime for investment funds,* CSA, 22 January 2026
[138] *CSA and CCIR Notice of Publication — CCIR Individual Variable Insurance Contract Ongoing Disclosure Guidance and Amendments to National Instrument 31-103,* OSC, 20 April 2023
[139] 中国证监会修订发布《公开募集证券投资基金信息披露内容与格式准则第2号—定期报告的内容与格式》, CSRC, 13 March 2026
[140] *MAS Concludes Consultation on Enhancements to Product Highlights Sheets and Streamlined Framework for Complex Products,* MAS, 15 May 2026
[141] *CVM lança consulta pública que propõe simplificação no regime informacional dos Fundos de Investimento Financeiro,* CVM, 11 November 2025.
[142] *ESMA sets out actions to simplify the retail investor journey and make investing more accessible,* ESMA, 12 March 2026
[143] *In an increasingly digital investment landscape, the AMF stresses the importance of the quality of the information provided to retail investors throughout the investor journey,* AMF, 24 April 2026
[144] *The stock market investor journey: the AMF analyses the mobile applications of 14 institutions,* AMF, 12 June 2025
[145] *Digital design in customers' online journeys: good practice and areas for improvement,* FCA, 31 July 2025
[146] *Consumer understanding: good practice and areas for improvement,* FCA, 13 March 2026
[147] *Delivering on death benefits: Have super trustees stepped up?,* ASIC, 10 June 2026
[148] *FCA reviews whether investment firms are doing enough to support bereaved customers,* FCA, 13 May 2026

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Conflicts of interest

Conflicts of interest have been an inherent regulatory focus area, but signals suggest it is a renewed regulatory priority.

In addition to the specific work on conflicts in private markets (see chapter 2), regulators around the world have completed a swathe of supervisory activities, looking at how asset managers identify, assess and mitigate conflicts. Examples include:

- A review by the DFSA in the **UAE** identified several areas for improvement across the financial services industry, including unclear policies, a lack of conflict risk assessments, and poor governance.[149]
- ESMA has launched a common supervisory action in the **EU** to assess firms' compliance with obligations under MiFID II when offering investment products to retail clients. It will look at incentives, the role of digitalization, and firm-versus-clients conflicts.[150]
- The **Guernsey** FSC concluded a thematic review of the investment sector, finding that conflicts are generally being managed well. It encouraged all firms to consider its list of conflict types.[151]
- A similar review by the **Jersey** Financial Services Commission (JFSC) found inconsistent compliance with conflict rules, identifying several areas for improvement, including inadequate conflict systems and controls, deficiencies in conflict identification and management and instances where the independence of key staff was compromised.[152]
- In **Switzerland**, FINMA has observed a sharp rise in cases involving deficiencies in individual portfolio management, especially related to the use of high-risk, complex, or illiquid financial products (e.g. foreign funds, structured products, and in-house products). Accordingly, it has published guidance to raise awareness of recurring risk patterns and regulatory expectations for portfolio managers and other supervised financial intermediaries.[153]
- In the **US**, an SEC review into financial conflicts of interest found deficiencies in disclosures, inconsistent practices, and inadequate monitoring arrangements.[154]
- The **UK** FCA is also reviewing conflicts of interest in private markets (see Chapter 2).

In some jurisdictions, initiatives are underway to help firms better manage conflicts of interest. In **Australia**, ASIC reviewed its guidance on managing conflicts, clarifying the types of conflicts to be managed and practical steps for conflicts management.[155] And in the **UK**, the FCA proposed changes to improve the clarity and proportionality of conflicts of interest rules.[156]

Conflicts of interest have been an inherent regulatory focus area,

but signals suggest it is a renewed regulatory priority.

[149] *New DFSA thematic review: conflicts of interest across DIFC firms,* DFSA, 9 January 2026
[150] *ESMA to launch Common Supervisory Action on MiFID II conflicts of interest requirements,* ESMA, 2 December 2025
[151] *Thematic review on conflicts of interest, GFSC,* 22 September 2025
[152] *2025 conflicts of interest examination feedback,* JFSC, 28 November 2025
[153] *FINMA publishes Guidance on the risks associated with the use of products in individual portfolio management,* FINMA, 3 June 2026
[154] *Examinations Observations of Investment Adviser Obligations Related to Economic Conflicts of Interest,* SEC, 9 June 2026
[155] *ASIC renews guidance on managing conflicts of interest in financial services,* ASIC, 16 December 2025
[156] *CP25/36: Client categorisation and conflicts of interest,* FCA, 8 December 2025

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Protecting investors online

The growth of social media, finfluencers and the increasing sophistication of fraud and scams are heightening risks for retail investors. Regulators are responding by identifying and removing bad actors, raising consumer awareness and improving financial literacy. The OECD's Consumer Finance Risk Monitor report underlines the scale of the threat, with 85 percent of responding jurisdictions identifying financial scams and fraud as a top consumer risk.[157]

Reflecting these concerns, regulators have again coordinated international action to prevent illegal finfluencers from putting consumers' money at risk. Led by the **UK** FCA, 17 regulators participated in the global 'week of action', more than twice as many as last year, with new participants including regulators in Singapore and Brazil.[158] The initiative combined enforcement activity, consumer awareness campaigns and education for finfluencers seeking to operate responsibly. In the **UK** the FCA identified 1,267 illegal financial adverts and took targeted action, including criminal proceedings for unlawful social media promotions. In **Australia**, ASIC issued warning notices and began reviewing regulated firms' supervision of finfluencers.[159]

Beyond the week of action, in **Hong Kong (SAR), China**, the SFC secured its first custodial sentence for a finfluencer, underscoring the regulator's willingness to hold individuals and firms accountable for investment-related content.[160] Some regulators are also taking direct action to educate and inform finfluencers so that they act responsibly and comply with applicable rules. In **Canada**, the CSA and CIRO have developed guidance for content creators and firms.[161] And **Spain** has taken a similar approach with the regulator publishing a guide for finfluencers on responsible conduct.[162]

To strengthen investor education, IOSCO will run a series of TechSprints focused on developing tools, sharing good practices and creating scalable communication materials to help investors navigate market volatility and identify investment fraud.[163] The first TechSprint in collaboration with the **UK's** FCA covered investor education in the age of AI, and opened for applications in March.[164] It will explore how to help retail investors identify and avoid AI-enabled fraud and scams, and how technology can help educate and empower them to use AI as a financial learning tool.

Beyond work on scams and fraud, efforts are also underway to improve financial literacy and increase retail participation in capital markets (read more in chapter 1). The **EU's** financial literacy strategy seeks to enhance financial resilience, promote financial inclusion, and foster economic stability across member states.[165] And in the **UK** the government's financial inclusion strategy also considers ways to address financial exclusion including access, product design and digital barriers.[166]

Strengthening governance, culture and controls

Strong governance, oversight and accountability remain central to investor protection and a key regulatory priority across jurisdictions. Regulators continue to link weak governance controls to poor conduct outcomes, making board and senior management oversight a clear supervisory focus area.

In some jurisdictions, strong governance of pension schemes is seen as increasingly important as they navigate a more complex economic and social environment. Structural changes and firm failures are also increasing scrutiny.

[157] *OECD (2026), Consumer Finance Risk Monitor 2026,* OECD, 2 March 2026
[158] *FCA spearheads global action to stop illegal finfluencers,* FCA, 24 April 2026
[159] *ASIC continues finfluencer crackdown alongside global regulators,* ASIC, 24 April 2026
[160] *SFC secures first custodial sentence against finfluencer for provision of paid investment advice on social media chat group without licence,* SFC, 7 November 2025
[161] *CSA and CIRO provide guidance for finfluencers and firms on how to work with them and protect investors,* CSA, 11 December 2025
[162] *The CNMV publishes a guide for "finfluencers" to act responsibly,* CNMV, 25 May 2026
[163] *2026 Work Program,* IOSCO, 9 February 2026
[164] *IOSCO TechSprint: "Investor Education in the Age of Artificial Intelligence",* IOSCO, 2 March 2026
[165] *EU financial literacy strategy,* European Commission, 16 March 2026
[166] *Financial inclusion strategy,* HMT, 5 November 2025

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In **Australia**, significant governance and oversight failures across the ecosystem linked to the collapse of two managed investment schemes prompted efforts to strengthen the regulatory framework and intensified supervisory scrutiny. The Treasury is consulting on reforms to improve governance and oversight of managed investment schemes amid concerns that the current framework does not sufficiently address conflicts of interest or misconduct risks.[167] Proposals include measures to strengthen trustee governance, making switching safer, and requiring compensation for some investment failures.

These failures have led to closer supervision of superannuation trustees and platforms driven by concerns around investment product due diligence and ongoing monitoring:

- ASIC's review of superannuation trustees identified failures, including gaps in monitoring advice fee deductions, unusual fees and investment patterns, and high-risk switching activity.[168]
- The Australian Prudential Regulatory Authority's (APRA) review of trustees' offering platforms found a wide range of practices, prompting APRA to emphasize the need to improve investment options monitoring, strengthen oversight where good outcomes for members are not being delivered, and raise standards for onboarding.[169]

Trustee governance and pension scheme oversight are also gaining prominence in the **UK**. This has been driven by wider governmental reforms to the pensions landscape rather than scheme failures. Recognizing the importance of effective trustee decision-making, the **UK** is exploring ways to raise standards across all levels of trusteeship.[170] The Pensions Regulator also updated its scheme administration guidance, setting new expectations for schemes to maintain written policies on the scope of administration functions, monitoring and review procedures, and the appointment of administrators.[171]

In **France** a recent review of governance and the role of senior managers at asset management companies highlighted good and poor practice.[172] The review identified variations in firms' governance arrangements and weaknesses identified included some governing bodies having no defined minimum meeting frequency and no formal channel for communicating key investment committee decisions.

The Central Bank of **Ireland** conducted a review of fund managers' delegation oversight practices.[173] It found that, overall, good governance frameworks are in place but some firms need to make improvements, for example around over-reliance on group committees.

Japan also revised its corporate governance code to promote growth and value creation initiatives, with implications for listed asset managers and asset managers more broadly in their role as institutional investors and stewards.[174]

In the UK the Pensions Regulator also updated its scheme administration guidance, setting new expectations for schemes to maintain written policies on the scope of administration functions, monitoring and review procedures, and the appointment of administrators.

[167] *Enhancing member protections in the superannuation system,* Australian Treasury, 7 April 2026
[168] *ASIC calls platform trustees to account over persistent failures to safeguard super savings,* ASIC, 29 June 2026
[169] *APRA calls for stronger action by platform trustees,* APRA, 7 October 2025
[170] *Trust-based pension schemes: Trustees and governance, building a stronger future,* DWP, 15 December 2025
[171] *Administration of a pension scheme,* TPR, 9 December 2025
[172] *Summary of SPOT inspections on governance and the role of senior management at asset management companies,* AMF, 15 October 2025
[173] *Review of delegation in the Irish funds sector: Central Bank of Ireland Feedback Report,* Central Bank of Ireland, July 2026
[174] *Finalization of the Corporate Governance Code (2026 Revision),* JFSA, 3 August 2026

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Evolving accountability frameworks

Although some jurisdictions are simplifying accountability and governance requirements, this reflects a desire to clarify expectations and introduce greater proportionality, versus a lowering of standards.

In the **UK**, reforms of the Senior Managers and Certification Regime (SM&CR), aimed at improving its effectiveness and international competitiveness, have finally progressed.[175] However, expectations around clear accountability and high standards of conduct remain unchanged. The FCA has implemented its phase 1 amendments, but these are largely administrative rather than transformative. More substantive changes, including replacing the certification regime with a more proportionate approach, are expected to be consulted on later this year.

Similarly in **Ireland**, the Central Bank of Ireland has been considering the best approach to simplify and reduce the regulatory burden for individuals in relation to its Fitness and Probity (F&P) Regime. Following consultation, it made several changes including the consolidation of all F&P guidance, a streamlined process for the appointment of temporary officers and clarification that dual classification of staff does not give rise to additional due diligence requirements.[176]

Alongside accountability, the **UK** is also focused on strengthening firms' culture. The FCA's new rules, which align asset managers' non-financial misconduct requirements with those for banks, came into force in September 2026. To support understanding, compliance and consistency, the FCA issued guidance aimed at clarifying when non-financial misconduct breaches its rules and giving firms greater confidence to act against serious misconduct.[177]

Although some jurisdictions are simplifying accountability and governance requirements,
this reflects a desire to clarify expectations and introduce greater proportionality, versus a lowering of standards.

[175] *FCA and PRA confirm changes to streamline senior manager accountability and boost growth,* FCA, 22 April 2026
[176] *Feedback Statement to CP160: Amendments to the Fitness and Probity Regime,* Central Bank of Ireland, November 2025
[177] *PS25/23: Tackling non-financial misconduct in financial services,* FCA 12 December 2025

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Potential opportunities for asset managers



Decision-useful disclosures: Simplified disclosures create an opportunity to improve client communications and digital journeys. Clearer, more customer-focused experiences can build trust, improve investor understanding and support retail participation and retention.



Product design: Asset managers that embrace an approach that seeks to bolster financial literacy and design products and services that are inclusive and accompanied by clear communications could benefit from new inflows and greater customer retention.



Reduced risk of regulatory sanction: Embedding conduct frameworks and clearly assigning governance and accountability responsibilities can support good customer outcomes and reduce the risk of conduct-related failures.

Possible risks for asset managers



Managing diverging conduct requirements: Diverging conduct frameworks across jurisdictions increases complexity for global asset management firms. Firms may want to decide whether to aim for a consistent, high-standard globally, or to flex their approach in each jurisdiction.



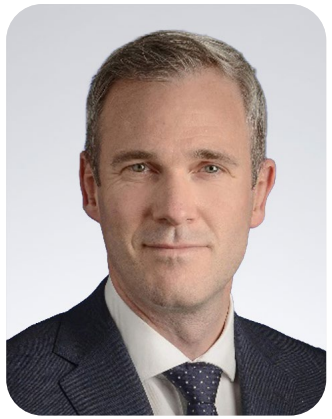
Emerging digital risks: Asset managers should ensure attention is being paid to novel reputational, regulatory and financial crime risks posed by the increasing digitalization of customer interactions and increased use of technology.



Governance: In an increasingly complex operating environment, robust governance is vital. Weak or ineffective governance and accountability processes heighten the risk of failures in investor protection and the potential for regulatory sanction.

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Specialists' corner



Daniel Barry
Partner
KPMG in the UK

Daniel was asked to share insights on how wealth and asset managers are embedding the UK's Consumer Duty regime, and challenges that firms are grappling with.

"

The FCA's Consumer Duty has driven a material change in the way in which firms in the sector develop, launch and then manage products and services. In the three years since the regime took effect, there have been positive cultural and operational enhancements with more board-level focus on customer outcomes, better articulated company vision and purpose statements and better use of data to identify and manage vulnerable customers.

However, there has been an uptick in regulatory interventions where the FCA is focused on a range of embedding challenges. These include a relatively superficial implementation of key policy and framework materials, a mixed picture on the quality and completeness of board reporting and a program of continuous improvement, and generally ensuring the Duty is embedded across firm-wide processes and operations.

Outcome measurement and monitoring has proven to be a particular challenge, with unclear definitions of outcomes, poorly evidenced approaches to testing and limited examples of 'closing the loop' — where issues are identified and changes are made to product or service delivery. KPMG in the UK's experience indicates there is work to do to ensure personal accountabilities are enforced through clear ownership and demonstrating outcomes are being consistently met. The FCA's consultation paper on revising aspects of the Duty should hopefully provide greater clarification on the roles and responsibilities across the distribution chain, something that has proven challenging in the past.

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05

Firm and system resilience

Chapter summary

Resilience features in practically every board-level conversation. And there are growing links between financial and operational resilience, as well as wider themes such as AI and sustainability. Asset managers therefore increasingly view resilience as a strategic advantage.

Firms are continuing to embed operational resilience requirements introduced in recent years across all aspects of their business. At the same time, new requirements are emerging as the cyber resilience landscape evolves at pace with many regulators now urging asset managers to consider the novel risks associated with frontier AI models.

Financial resilience requirements also continue to be revisited at the individual firm and system level. The most striking development in this context is the inclusion of asset managers in system-wide stress testing, particularly where this concerns growing interconnections between private markets and the real economy.

Combating financial crime also remains a regulatory priority. The most significant developments in this year's report relate to the substantial reforms in the EU, but other jurisdictions are also reviewing their requirements and undertaking supervisory reviews.



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Operational resilience and outsourcing oversight

With new frameworks and packages of rules now firmly established in some jurisdictions, regulators are now focusing on the effective implementation and embedding of the requirements throughout asset managers' businesses. Firms are expected to have moved beyond 'tick-box' regulatory compliance to embedding of resilience considerations across their business, including product design and overall business strategy.

The implementation and embedding of the **EU's** Digital Operational Resilience Act (DORA) requirements remain a key focus area for EU supervisors. The first iteration of the EU authorities' annual report on major ICT-related incidents noted that ICT risks are increasingly cross-border and interconnected. Additional guidance will be provided to regulators to support supervisory convergence.[178]

In the **UK,** the FCA continues to evaluate how well firms have embedded its rules. A year on from the phase 2 deadline, the FCA published its insights on good and poor practice, noting that significant work had been completed by firms, but also flagging several areas for improvement.[179]

Beyond the **UK** and **EU**, some jurisdictions are rolling out similar requirements for the first time. For example, the **UAE's** DFSA has consulted on proposals to require firms to identify critical business services, impact tolerances and associated supporting resources and scenario testing.[180]

Outsourcing remains a key area of focus for resilience requirements. In some jurisdictions supervisors are raising the bar or doubling down on supervisory reviews in the face of asset managers' increased reliance on third parties. **Singapore's** MAS is looking to extend its existing requirements by proposing new guidelines on third-party risk management.[181] These would extend MAS's requirements beyond outsourcing to all third-party arrangements and incorporate guidance from international standard setters. And in **Australia**, ASIC completed a review and identified weaknesses in firms' use of offshore service providers.[182] It called on all firms to review their governance frameworks and address any potential issues.

Beyond asset management firms themselves, governments and regulators are seeking to ensure that non-financial services entities that provide critical services to financial services firms are captured by similar regulatory regimes. Following similar moves by the **EU** under DORA, the Bank of England and the FCA have stood up their oversight regime for Critical Third Parties (CTPs) and the **UK** government has announced its first wave of CTP designations, bringing the largest global cloud services and technology providers within the FS regulatory perimeter for the first time.[183]

Firms are expected to have moved beyond 'tick-box' regulatory compliance to embedding of resilience considerations across their business, including product design and overall business strategy.

[178] *ESAs publish the first report on DORA major ICT-related incidents,* ESMA, 3 June 2026
[179] *Operational resilience: insights and observations one year on,* FCA, 27 March 2026
[180] *Consultation paper 170: Operational resilience,* DFSA, 27 March 2026
[181] *Consultation Paper on Proposed Guidelines on Third-Party Risk Management,* MAS, 6 March 2026
[182] *ASIC flags risks in offshore outsourcing after review identifies governance gaps,* ASIC, 10 October 2025
[183] *UK financial system strengthened with new safeguards for major technology providers,* HMT, 10 July 2026

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Cyber resilience and information security

With the advent of increasingly advanced AI models, governments and regulators are alert to novel risks that could impact cyber and ICT resilience. The **FSB** noted the importance of patching efforts in response to escalating threats and vulnerabilities but noted that rushed or poorly executed patching could add to firms' challenges.[184] The IMF also warned about potential risks to highly interconnected, cross-border infrastructure,[185] and suggested that supervisors should increase their cyber resilience expectations for firms and conduct system-wide tests that include AI-enabled scenarios.[186]

Regulators around the world have issued statements and guidance for firms:

- **Japan's** FSA and the Bank of Japan issued a joint request to financial services firms, asking them to implement several measures in the short-term.[187] These include making frontier AI a company-wide priority and adopting a risk-based approach to identifying priority services and IT systems.
- In **Australia,** ASIC called on firms to urgently uplift their cyber resilience measures and to work through several steps such as minimizing attack surfaces and actively managing third-party risks.[188] In parallel, APRA called on firms, including superannuation schemes, to ensure their governance, risk management, assurance and operational resilience arrangements keep pace with the increasing scale, speed and complexity of AI adoption.[189]
- **UK** authorities expect firms to be taking proactive steps across governance and strategy, risk identification and management, third-party risk, effective protections (e.g. access management) and response and recovery capabilities.[190]
- In the **US**, an Executive Order reiterated efforts to promote AI innovation but set out coordinated actions for government departments to take, as well as plans for the government to be provided with access to novel AI models for a period of up to 30 days before a more general release.[191]
- **EU** regulators are putting cyber resilience at the top of their priorities, with ESMA stating that cyber risk and digital resilience would drive the agenda for its 2026 priorities.[192] More broadly, the European Supervisory Authorities (ESAs) supported a warning from the European Systemic Risk Board (ESRB) regarding frontier AI models, urging financial services firms to make arrangements to adapt their cybersecurity capabilities.[193] They subsequently issued a more detailed statement, calling for a cross-sector, risk-based and consistent supervisory approach to mitigate ICT risks stemming from frontier AI models.[194]
- **France's** AMF called on firms to strengthen their cybersecurity arrangements.[195] In the second half of 2026 it plans to survey firms on measures taken or planned to address risks related to AI models. It also plans to carry out inspections of firms' cybersecurity arrangements, including the potential impacts of quantum computing.[196]
- Following a survey already conducted in **Switzerland**, FINMA published guidance on risks and opportunities associated with quantum computing.[197] It noted that firms need to improve their risk management processes to mitigate operational risks and ensure resilience.

[184] *FSB Plenary highlights potential new vulnerabilities to financial stability,* FSB, 1 June 2026
[185] *Financial Stability Risks Mount as Artificial Intelligence Fuels Cyberattacks,* IMF, 7 May 2026
[186] *How Central Banks Can Contain Financial Stability Risks as AI Accelerates Change,* IMF, 23 July 2026
[187] *Request Regarding "Short-Term Measures for Financial Institutions in Response to Changes in Threat Posed by Frontier AI",* FSA Japan, 15 June 2026
[188] *ASIC calls for urgent cyber uplift as AI accelerates cyber threats,* ASIC, 8 May 2026
[189] *APRA calls for a step-change in AI-related risk management and governance,* APRA, 30 April 2026
[190] *The Bank, FCA and HM Treasury joint statement on Frontier AI models and cyber resilience,* Bank of England, 15 May 2026
[191] *Promoting advanced artificial intelligence innovation and security,* The White House, 2 June 2026
[192] *Cyber risk and digital resilience will drive the agenda of ESMA's Union Strategic Supervisory Priorities for 2026,* ESMA, 24 October 2025
[193] *The ESAs support ESRB warning on systemic cyber risks from frontier AI models,* ESMA, 7 July 2026
[194] *EBA, EIOPA and ESMA call for enhanced governance and consistent supervision to mitigate ICT risks from frontier AI models in the EU financial sector,* ESMA, 31 July 2026
[195] *Cyber resilience: the AMF calls on financial market participants to strengthen their cybersecurity arrangements in response to rapidly evolving threats associated with artificial intelligence,* AMF, 4 June 2026
[196] *The AMF sets its priorities for 2026 for deeper, safer and more resilient financial markets open to innovation,* AMF, 14 January 2026
[197] *FINMA guidance on quantum computing,* FINMA, 9 July 2026

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Financial and system-wide resilience

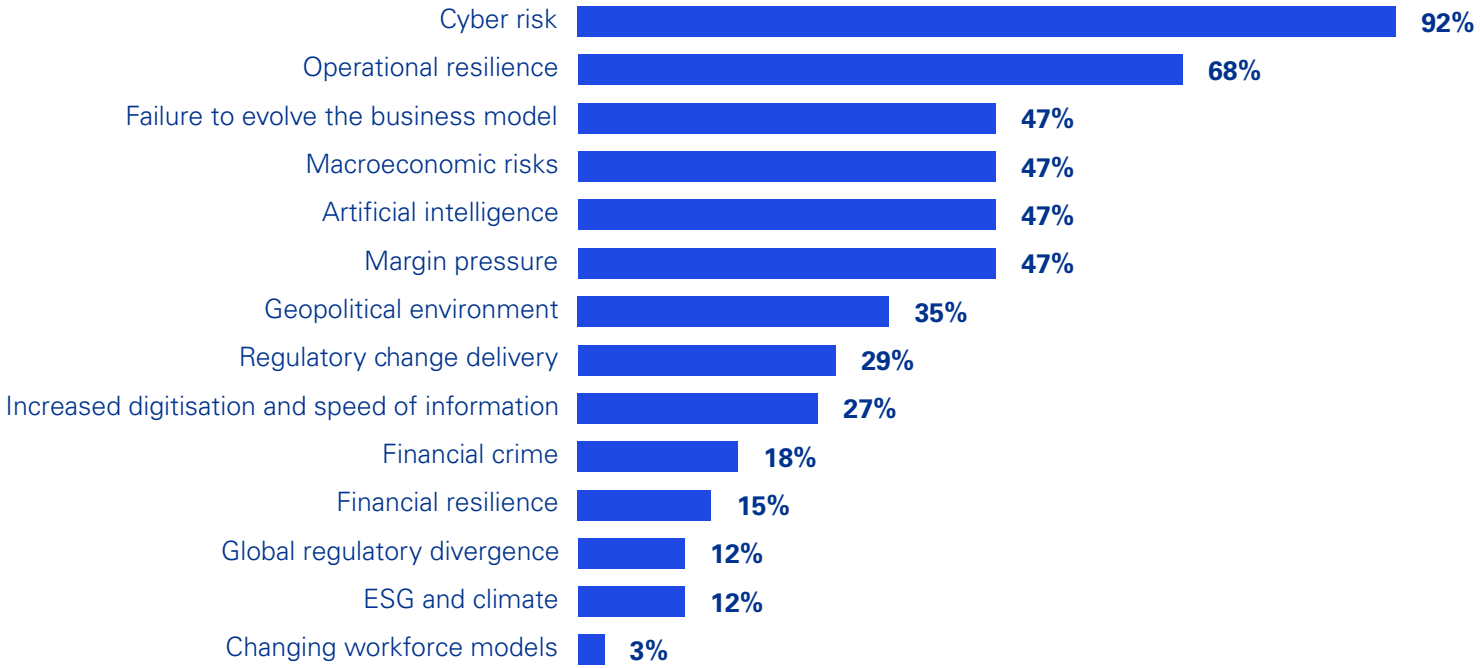
Against a backdrop of external turbulence, regulators continue to focus on the prudential soundness of asset management firms.

In recent years, some jurisdictions have introduced new prudential regimes for investment firms. Some of these are now being revised and reworked. In the **EU**, for example, ESMA and the EBA have recommended revisions to make the regime more proportionate and to ensure a level playing field.[198]

The **UK** introduced a similar regime and subsequently streamlined its regulatory capital rules, reducing the volume of legal text by 70 percent.[199] However, the updates did not change the amount of capital that firms must hold. The FCA has carried out various supervisory reviews since the regime was introduced. One focused on regulatory reporting and found instances of misreporting and recurring reporting errors that need to be addressed.[200] There has also been significant supervisory attention on firms that are active in the deals market for wealth management and advice firms, to assess whether their governance, controls and prudential arrangements have kept pace.[201]

Top 5 perceived most impactful areas of risk for wealth and asset managers over the next three years

(percent of respondents including the risks below in their top 5 most impactful areas)



Source: Risk and ICARA Benchmarking Survey 2025, KPMG in the UK

[198] *The EBA and ESMA recommend targeted revisions to the investment firms' prudential framework,* ESMA, 15 October 2025
[199] *Red tape slashed by 70 percent under new capital rules,* FCA, 15 October 2025
[200] *Prudential regulatory reporting by MIFIDPRU investment firms — data quality review,* FCA, 26 November 2025
[201] *Multi-firm review of consolidation in the financial advice and wealth management sector,* FCA, 31 October 2025

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Beyond developments in microprudential regimes such as those described above, there has been a noticeable pivot by some macroprudential regulators looking to include asset managers in system-wide stress tests.

The most notable of these is the Bank of England's second system-wide exploratory scenario (SWES) exercise. Following the first exercise in 2023, the BoE launched a second exercise focused on private markets and their interconnection with **UK** companies.[202]

The ECB carried out a desktop exercise in which it evaluated the potential implications of stress in global private markets for **EU** financial stability in the eurozone, concluding that risks around data gaps and liquidity mismatch need to be addressed.[203] And the authorities in **France** are undertaking their own joint test exercise and have already published interim findings.[204] No immediate supervisory or prudential actions were proposed but a final report will follow later in 2026.

These initiatives reflect the significant growth of the asset management industry, particularly private markets, and central banks' desire to improve their understanding of how these markets work and their potential impacts on financial stability in the event of an economic downturn or other event (see more in chapter 2).

Fighting financial crime

Financial crime continues to move up the regulatory agenda worldwide and there are significant developments to report in some jurisdictions.

In the **EU**, various initiatives already in progress will substantially tighten existing requirements. Asset managers will need to make significant preparations, some of which have the potential to be underestimated by the industry.

A substantial new package of rules will take effect in 2027 to harmonize and consolidate various existing rules.[205] Asset managers may find specific challenges related to the need to look through to underlying clients in certain circumstances. Intermediaries will also be captured by the changes. In addition, the new **EU** regulator dedicated to coordinating supervision, the AMLA, will continue work to harmonize the approach to AML regulation, and will take on direct supervision of certain firms in 2028.

Changes are also underway in other jurisdictions. In **Jersey**, the rulebook has been updated to bring together recent changes in one place and to increase consistency.[206] In **Guernsey**, the regulator is seeking to further support the use of technology to combat financial crime.[207]

In **Switzerland**, a revision of the local Anti-Money Laundering Act expands its scope to certain consulting services, such as real estate transactions and structuring services.[208] A new law also introduces transparency requirements for legal entities and for the first time establishes a central federal registry of beneficial owners (a transparency register).

The regulator in the **Cayman Islands** has published two rules embedding existing AML and sanctions compliance programme guidance into an enforceable instrument. There are new obligations for regulated entities, including investment funds, and new requirements where part of the AML compliance programme is outsourced. With an effective date of 18 September 2026 this requires an assessment of current compliance programmes.[209]

There are also various supervisory reviews underway to check compliance and uplift standards. For example, the **UK** FCA reviewed asset managers' financial crime controls, noting that private markets could be exposed to greater risk.[210] In **Luxembourg**, the CSSF checked firms' compliance with requirements that aim to counter the financing of weapons of mass destruction.[211]

[202] *The Bank of England's private markets system-wide exploratory scenario exercise,* Bank of England, December 2025
[203] *Stress in global private credit markets and its implications for euro area financial stability,* ECB, 27 May 2026
[204] *System-wide stress test (SWST) pilot exercise — Interim report,* AMF, 17 June 2026
[205] *Regulation (EU) 2024/1624 of the European Parliament and of the Council,* EUR-lex, 19 June 2024
[206] *Updated AML/CFT/CPF Handbook and upcoming changes,* JFSC, 26 May 2026
[207] *The Commission paves the way for smarter use of technology in compliance,* GFSC, 5 May 2026
[208] *Anti-Money Laundering, State Secretariat for International Finance SIF,* 12 June 2026
[209] *AML/CFT — FAQs,* CIMA, Effective 18 September 2026
[210] *Asset management and alternative firms' financial crime controls: our findings,* FCA, 22 July 2026
[211] *Publication of the results of the thematic review concerning measures implemented by Luxembourg investment fund managers to combat the proliferation financing risk,* CSSF, 17 November 2025

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Potential opportunities for asset managers



New perspectives on resilience: Leading practice firms are pivoting toward recognizing resilience as a fundamental strategic priority that is central to all business decisions, including those related to outsourcing and vendor selection.



Modernizing the operating model: Delivering high standards of resilience can involve upgrading and modernizing legacy infrastructure, which can bring the added benefit of new efficiencies and reduced operational risks.



Data availability and use: Data plays a key role across all aspects of resilience, including the monitoring of critical business services. Greater use of key data points can support better decision-making and stronger risk oversight.

Possible risks for asset managers



Service interruption or data loss: Firms that suffer disruption incidents may lose clients' trust and be subject to additional regulatory scrutiny. Robust governance and oversight and effective embedding of resilience strategies across the business can help prevent this.



Increased complexity in the business: As asset managers continue to explore new activities to outsource, they can become increasingly reliant on third-party providers. Poor due diligence or oversight of these relationships could expose firms to resilience-related issues.



Financial crime controls: Regulators are upping their expectations around the quality of onboarding controls and due diligence, as well as the extent to which firms use technology to effectively perform these tasks as they grow and scale.

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Specialists' corner



Michael Johnson
Director
KPMG in the UK

Michael was asked to share lessons learned from the Bank of England's private markets System-Wide Exploratory Scenario (SWES) exercise, as other regulators around the world consider similar exercises.

"

The Bank of England's private-markets SWES is a landmark exercise and the first system-wide stress test to examine the private-markets ecosystem at scale. Other international authorities will be watching closely, and I expect it to become an important reference point for how regulators globally assess the resilience of private markets.

This is a significant learning exercise for regulators and the industry alike. The frameworks and supervisory experience for assessing the system-wide behavior of private markets are less developed than for banks, while asset managers have not historically been subject to financial-stability stress testing of this kind.

KPMG in the UK's experience of the exercise has shown that private market stress testing cannot simply replicate the approaches used for banks or public markets. Outcomes depend on asset- and fund-specific factors that cannot be understood from top-down data alone, including operating performance, leverage, refinancing and exit prospects, valuation inputs, fund structures and the actions available to managers and investors. Credible analysis therefore requires robust portfolio data to be combined with investment judgement and detailed knowledge of the underlying assets, bringing investment professionals directly into the stress-testing process.

The results of the exercise are likely to shape future expectations around data, risk management and resilience, helping to define how private markets are supervised as they become a larger and more interconnected part of the financial system.

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06

Sustainability

Chapter summary

Sustainable finance regimes continue to evolve unevenly across jurisdictions. And that is creating a more complex and fragmented operating environment for asset managers around the world. For firms operating across borders, diverging frameworks make it difficult to apply consistent product strategies, disclosures and governance arrangements. An effective response strategy is required.

Sustainable finance regulation is shifting from expansion to recalibration, with established regimes in the EU and UK being simplified, and other jurisdictions strengthening disclosure, anti-greenwashing and transition planning requirements.

Corporate sustainability reporting is also being simplified in some jurisdictions to reduce scope and complexity. However, in some instances this is causing greater global fragmentation.

Product governance supervision is becoming more pragmatic in the EU, with ESMA encouraging dialogue over immediate enforcement. However, some regulators in other regions are being especially proactive on enforcement.

In capital markets, regulators are extending oversight to ESG ratings, with EU rules now live and similar UK requirements expected from 2028.



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Sustainable finance frameworks and regulatory disclosures

The drive for international competitiveness and domestic growth has led many jurisdictions to reconsider their sustainable finance frameworks. New initiatives in Europe demonstrate a continued commitment to sustainable finance but recognize the need to streamline regulation.

The **EU** was one of the earliest and most comprehensive adopters of asset management sustainability regulation. Although new initiatives demonstrate continued commitment to the sustainability agenda, simplification and streamlining now dominate the agenda.

The Sustainable Finance Disclosure Regulation (SFDR) is currently under review, with the European Commission proposing to make information clearer and more decision-useful for investors.[212] The main proposals involve the introduction of three new product categories to replace the existing Article 8 and 9 classifications: transition products (Article 7), ESG basics (new Article 8) and sustainable features (new Article 9). Each category would have a 70 percent investment threshold to be held in line with a binding investment strategy — a significant departure from the flexibility of the current regime.

It is worth noting that this threshold would be inconsistent with ESMA's fund name guidelines, which require a threshold of 80 percent where certain terms are used in fund names.[213]

If agreed, this fundamental overhaul and the resulting closer alignment with the **UK** Sustainability Disclosure Requirements (SDR), appears to be an acknowledgment that the original SFDR framework was flawed. However, as market participants have dedicated considerable efforts to implementing the original regime, the authorities will need to weigh the proposed changes carefully against the potential benefits. The most significant impact for firms will be strategically reclassifying their existing Article 8 and Article 9 products. Some are already reviewing their product ranges with the potential changes in mind.

The Commission's SFDR proposals are just a starting point. The European Parliament[214] and the European Council have also set out potential amendments.[215] The Council proposes an opt-out for products marketed exclusively to professional investors, which will likely be welcomed by industry. The final text will be subject to trilogue discussions and is unlikely to be agreed by the end of 2026, with a subsequent transition period before it takes effect.

On top of the **EU** authorities' annual reviews of voluntary disclosures[216] an additional supervisory review led by ESMA found there was significant room for improvement across firms' SFDR entity- and product-level disclosures, having identified inconsistencies, vague language and missing or inadequate detail.[217]

The main SFDR proposals involve the introduction of three new product categories to replace the existing Article 8 and 9 classifications: transition products (Article 7), ESG basics (new Article 8) and sustainable features (new Article 9).

[212] *Commission proposes improvements to SFDR,* European Commission, 21 November 2025
[213] *Guidelines on funds' names using ESG or sustainability-related terms,* ESMA, 21 August 2024
[214] *Draft report on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Regulation (EU) No 1286/2014 in key information documents for packaged retail and insurance-based investment products (PRIIPs) and repealing Commission Delegated Regulation (EU) 2022/1288,* European Parliament, 28 April 2026
[215] *Council agrees position on simpler transparency rules for sustainable financial products,* European Council, 24 June 2026
[216] *The ESAs note greater effort from financial market participants in their disclosure of principal adverse impacts,* ESMA, 9 September 2025
[217] *ESMA finds improvements needed in supervision of sustainability risks and disclosures,* ESMA, 30 June 2025

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The European Commission's proposals would fundamentally redesign the SFDR to create new product-level categories with minimum criteria.

SFDR 1

Entity-level disclosures

Article 4:
Website disclosures (including PAIs)

Article 5:
Remuneration policies

Product-level disclosures

Article 6:
Baseline

Article 8:
Promote E and/or S characteristics

Article 9:
Have sustainable investment objectives

SFDR 2
proposals from European Commission

Product-level disclosures

Article 6:
Baseline (with restrictions under Article 6A)

Article 7:
Transition (70% investment threshold)

Article 8:
ESG Basics (70% investment threshold)

Article 9:
Sustainable features (70% investment threshold)

Article 9A:
Combination of products (70% investment threshold)

Next steps

Trilogue negotiations

European Council:
proposing opt-out for products marketed exclusively to professional investors.

European Parliament:
proposing further measures to enhance transparency and comparability.

Timelines

2026
Trilogue negotiations from autumn

2027
Final text agreed

2027 or 2028
Entry into force at the earliest

Transition period (length to be confirmed)

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ESMA also conducted a review on the impact of its guidelines on how fund names should use ESG- or sustainability-related terms.[218] It concluded that the guidelines have driven convergence in the use of ESG terms by improving the alignment of fund names with their respective investment strategies. They have also enhanced investor protection by reducing greenwashing risks; for example, funds with less ambitious ESG strategies have removed ESG terms from their names.

In the **UK**, the FCA plans to streamline current Task Force on Climate-Related Financial Disclosures (TCFD) product-level reporting requirements for asset managers. Under its proposals, firms would no longer need to produce and disclose annual product-level TCFD reports.[219] Instead, institutional investors would be able to request key emissions data once a year for their own reporting requirements, and retail investors would receive relevant information on the potential effects of material climate risks on a product's financial performance (see more on the new retail disclosure regime in chapter 4).

The FCA continues to supervise compliance with the UK's SDR, sharing examples of good and poor practice.[220]

Given the high bar set by the regime, a much smaller number of **UK** funds adopted sustainability labels than had been expected.

Meanwhile, jurisdictions with less established sustainable finance frameworks are implementing measures to catch up.

In **Guernsey**, the FSC registered the island's first natural capital fund for schemes that make a positive contribution to the natural world or significantly reduce harm to nature.[221] It also issued a communication on greenwashing, reinforcing requirements for licensees to be 'fair, clear and not misleading' in their communications with new and existing customers.[222] Similar anti-greenwashing measures have been adopted in **Jersey**, where new guidance (including on sustainability risk management) will apply to firms from Q1 2027.[223]

In **Switzerland**, new self-regulations by the Swiss Bankers Association (SBA), the Asset Managers Association of Switzerland (AMAS) and the Swiss Insurance Association (SIA) have been introduced.[224] These rules include guidelines for sustainable investment objectives, sustainability approaches, accountability and independent audits, with implementation deadlines extending through early 2027. Open questions persist regarding alignment with **EU** law, acceptable sustainability targets and overall enforceability. The Federal Council has instructed the Federal Department of Finance to reassess the situation once the EU updates its SFDR or by the end of 2027 at the latest.

In **Singapore**, the MAS has outlined good disclosure practices for retail ESG funds, such as defining ESG-related terms clearly, clearly setting out how ESG criteria or metrics are used and disclosures around stakeholder engagement activities.[225] It has also published final guidelines for asset managers on transition planning.[226] The MAS expects firms to adequately address climate-related risks in the portfolios they manage and facilitate risk management actions by investee companies.

Asset managers will note with interest that the MAS is pressing ahead with its expectations on transition planning, whereas other jurisdictions, such as the **UK** and **EU**, remain either undecided or have rolled back their requirements (see the next section for more information).

[218] *ESMA reviews impact of Guidelines on ESG or sustainability related terms in fund names,* ESMA, 17 December 2025
[219] *Quarterly consultation CP26/17,* FCA, 5 June 2026
[220] *Sustainability Disclosure Requirements labels: good and poor practice,* FCA, 5 June 2026
[221] *Commission registers Guernsey's first Natural Capital Fund,* Guernsey Financial Services Commission, 17 February 2026
[222] *Feedback Statement on Anti-Greenwashing Guidance and Code of Corporate Governance Update,* GFSC, 9 December 2025
[223] *New sustainable finance guidance supports clarity and proportionality,* JFSC, 9 April 2026
[224] *See for example, Self-regulation Version 2.2,* AMAS, 18 September 2025
[225] *Good Disclosure Practices for Retail ESG Funds,* MAS, 10 June 2026
[226] *MAS Sets Supervisory Expectations on Financial Institutions for Transition Planning Practices in addressing Environmental Risk,* MAS, 5 March 2026

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Simplifying corporate reporting requirements

The rollout of corporate reporting requirements is at a slightly earlier stage than the developments described above, but competitiveness mandates that drive simplification and possible divergence are also apparent in this context. Some jurisdictions have set out proposals to reduce the scope and complexity of their corporate reporting frameworks. With changes either underway or likely, the political dilemmas around sustainability are clear: some governments are keen to be seen as global leaders, but may be unwilling to impose new requirements that may hinder international competitiveness.

The **EU** Corporate Sustainability Reporting Directive (CSRD), widely recognized as the first and most onerous framework for corporate sustainability reporting, has been amended significantly.[227] The final package reduces the number of companies required to report, with the scope now limited to **EU** companies with more than 1,000 employees and a net turnover of more than EUR450 million. The scope for non-EU companies has also been amended. Member states have until March 2027 to transpose the revised Directive into national law.

The European Sustainability Reporting Standards (ESRS) underpinning the CSRD have also been simplified, with the European Commission intending to make the revised standards mandatory for the 2027 reporting period.[228] The revised ESRS have an exclusion for asset managers, who will not need to disclose information in relation to client investments (though this exclusion does not apply to asset managers' activities conducted on their own behalf).[229] While some in industry may welcome this exclusion, others may argue that it could make it more difficult to assess asset managers' activities and may increase divergence with international standards.

The European Commission is also seeking technical advice on targeted changes to the **EU** Taxonomy reporting framework. ESMA has outlined targeted improvements to reporting requirements, as well as overall measures to improve the usability, relevance and proportionality of Taxonomy-aligned disclosures.[230]

Australia, another early adopter of corporate sustainability reporting (see more detail below) has now announced government proposals to reduce the scope.[231] The threshold for sustainability reporting will be doubled from AUD50 million to AUD100 million consolidated revenue and AUD25 million to AUD50 million consolidated gross assets. Companies not meeting these thresholds would no longer be required to make sustainability disclosures. The government also proposed measures to simplify climate-related financial disclosures, such as setting clearer boundaries on supplier information requests and ensuring that assurance is proportionate and practical.

Some jurisdictions have set out proposals to reduce the scope and complexity of their corporate reporting frameworks. With changes either underway or likely, the political dilemmas around sustainability are clear: some governments are keen to be seen as global leaders, but may be unwilling to impose new requirements that may hinder international competitiveness.

[227] *Directive (EU) 2026/470 of the European Parliament and of the Council,* EUR-lex, 24 February 2026
[228] *Commission adopts revised sustainability reporting standards to reduce administrative burdens for EU businesses while maintaining high-quality disclosures,* European Commission, 3 July 2026
[229] *Commission Delegated Regulation of 3 July 2026 amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards,* European Commission, 3 July 2026
[230] *ESMA consults on simplifying EU Taxonomy disclosure framework,* ESMA, 1 July 2026
[231] *Budget 2026-27 Whole-of-Government Regulatory Reform Agenda,* Australian Treasury, 12 May 2026

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The International Sustainability Standards Board's (ISSB) IFRS S1 and IFRS S2 sustainability standards have been finalized but authorities around the world are at different stages of their implementation:

- In **Japan**, the Sustainability Standards Board of Japan (SSBJ) Standards were developed in March 2025, and the FSA outlined a plan for tiered application to begin from year-end March 2027, 2028 or 2029 depending on company size.[232] Companies will be allowed to make sustainability disclosures after the financial statements for the first two years as part of a transition relief, but after that must make them simultaneously. Mandatory assurance will begin one year after the mandatory application of the SSBJ Standards.
- The **UK** government endorsed the ISSB's standards and issued UK Sustainability Reporting Standards (UK SRS) with limited modifications.[233] The FCA has consulted on applying the UK SRS to listed companies, with some elements proposed on a 'comply or explain' basis.[234] There are also plans for an oversight regime for the assurance of sustainability-related financial disclosures.[235] However, the **UK** remains undecided on its approach to transition plan requirements, having consulted in June 2025 but with no final policy outcome as yet.[236]
- In **Hong Kong (SAR), China**, the ISSB standards have been seen as a valuable enabler of transparent capital markets, and the SFC has highlighted the 'immense potential to drive positive change for the global sustainability agenda'.[237] A consultation on mandating sustainability reporting in accordance with local Sustainability Disclosure Standards (SDS) is expected in 2027, and in-scope entities will be expected to report fully against the SDS by 2028.[238]
- Despite the streamlining of requirements in **Australia** (see above), it is moving from policy development to implementation ahead of many jurisdictions. From 1 July 2026, large Australian superannuation funds entered the implementation phase of the Australian Sustainability Reporting Standards, with most APRA-regulated super funds expected to have their first mandatory reporting for periods commencing from 1 July 2027. The Australian framework is closely aligned with the IFRS S1 and IFRS S2 (noting only S2 is mandatory), supporting international comparability while providing investors with more decision-useful climate-related information. As a result, Australian asset owners and managers are likely to gain practical experience in corporate sustainability reporting and governance earlier than peers in many other markets.

Other jurisdictions, including **Guernsey**, currently have no plans to introduce mandatory corporate sustainability reporting, although companies may do so voluntarily.[239]

At the other end of the spectrum, corporate sustainability disclosures are being rolled back almost entirely in the **US**. The SEC has proposed rescission of 'overly burdensome and costly rules' on climate-related disclosures 'because they exceed the scope of the agency's statutory authority'.[240] This rationale differs materially from that adopted by other jurisdictions, where the mandate for sustainability disclosures has not been questioned but governments and regulators are seeking to modify the requirements.

As with other sustainability frameworks, the simplification of corporate reporting may reduce certain burdens but can lead to increased global fragmentation. Asset managers may need to navigate diverging approaches and manage potential data gaps impacting investment decisions. They may also want to respond to investor demand for consistent, decision-useful disclosures, including consideration of voluntary reporting beyond minimum requirements.

[232] *Publication of the Report of the "Working Group on Disclosure and Assurance of Sustainability-related Financial Information" of the Financial System Council,* FSA Japan, 9 April 2026
[233] *UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2,* Department for Business and Trade, 25 February 2026
[234] *CP26/5: Aligning listed issuers' sustainability disclosures with international standards,* FCA, 30 January 2026
[235] *Developing an oversight regime for assurance of sustainability-related financial disclosures: government response to consultation,* Dept for Business and Trade, 30 January 2026
[236] *Climate-related transition plan requirements,* Dept for Energy Security and Net Zero, 25 June 2025
[237] *Shaping Capital Markets' Sustainable Future with Quality Disclosure, S*FC, 10 September 2025
[238] *Roadmap on Sustainability Disclosure in Hong Kong: Ambition, Assurance,* Enablement, FSTB, 10 December 2024
[239] *Enhancing Biodiversity — Sustainability Reporting in the Bailiwick of Guernsey — A Feedback Paper,* GFSC, 30 July 2025
[240] *SEC proposes rescission of climate-related disclosure rules,* SEC, 29 May 2026

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Product governance and sustainability preferences

In the **EU**, ESMA has urged regulators to take a more proportionate approach to supervising the sustainability requirements in MiFID II.[241] It has called for dialogue rather than immediate enforcement action, except in the case of clear breaches or mis-selling. This will be welcomed by industry, given the challenges around gathering and acting on sustainability preferences. However, ESMA's approach should not be interpreted as a rollback of EU sustainability supervision in its entirety, but rather a nod to pragmatism. Member states will continue to monitor sustainability-related compliance as part of their supervisory priorities, especially where it is seen as an important component of the overall resilience toolkit (as in **Luxembourg**, for example).[242]

Prior to ESMA's announcement, the AMF in **France** reviewed how asset managers consider customers' sustainability preferences.[243] It found that the main challenge for firms was in integrating local guidelines on sustainability preferences without undermining the pre-existing suitability system. Areas for improvement identified by the AMF include explaining to clients how proposed qualitative thresholds translate into sustainability minimum percentages in the investment portfolio and being clearer on how sustainability criteria would be considered when clients did not express any sustainability preferences.

Meanwhile some regulators, such as those in **Australia** and **Canada**, have been especially proactive in enforcing their requirements on product governance, including testing whether ESG-related product claims are supported by investment processes and governance.

Sustainability in the capital markets

Some regulators are expanding their remit to capture broader ESG activity in the capital markets. In the **EU**, the regulatory regime for most ESG rating providers went live in July 2026.[244] ESMA is supervising firms on topics such as methodology transparency, other disclosures and managing conflicts of interest.

In the **UK**, the FCA consulted on its own regime for ESG ratings providers, with similar requirements to the **EU**.[245] It proposed a 12-month application window beginning in June 2027, with the regime to go live in June 2028. Firms should note some of the nuanced differences between the EU and UK regimes, for example on scope and exclusions, mitigating versus managing conflicts of interest and prescriptive versus principles-based governance requirements.

Areas for improvement identified by the AMF include explaining to clients how proposed qualitative thresholds translate into sustainability minimum percentages in the investment portfolio and being clearer on how sustainability criteria would be considered when clients did not express any sustainability preferences.

[241] *ESMA promotes proportionate supervision of MiFID II sustainability requirements,* ESMA, 6 May 2026
[242] *The CSSF's supervisory priorities in the area of sustainable finance,* CSSF, 2 March 2026
[243] *The AMF publishes the lessons learned from its audits on the consideration of customers' sustainability preferences,* AMF, 26 February 2026
[244] *Regulation (EU) 2024/3005 of the European Parliament and of the Council,* EUR-lex, 27 November 2024
[245] *CP25/34: ESG ratings: proposed approach to regulation,* FCA, 1 December 2025

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Potential opportunities for asset managers



Simplified regulations in established markets: Streamlining in the UK and EU could reduce duplicative reporting, product-level disclosure costs and operational complexity. Asset managers could potentially redirect resources from report production toward data quality, stewardship and investment decision-making.



Clearer product positioning and investor communication: Revised SFDR categories, UK SDR labels and fund-name guidance create scope for more credible product comparisons. Firms with robust strategies can differentiate themselves through clearer sustainability propositions and reduced potential for greenwashing risk.



Growth in transition and climate-solutions finance: Regulatory focus on transition planning, natural capital and climate-solution finance may support product innovation. Managers able to evidence credible transition strategies could capture institutional demand and private capital opportunities in some jurisdictions.



Better data, better decisions: The expansion of mandatory corporate sustainability reporting presents a significant opportunity for asset managers. Higher quality and more standardized sustainability disclosures should reduce information gaps, strengthen investment decision-making and enhance the ability to assess long-term risks and opportunities across portfolios. As reporting frameworks mature, improved transparency can support more efficient capital markets by enabling capital to flow toward businesses with credible transition strategies and sustainable long-term value creation.

Possible risks for asset managers



Cross-border fragmentation: Divergence between the UK, EU, US and Asia increases complexity for global managers. Firms may need to adjust their investment strategies across jurisdictions and may need multiple disclosure, classification and data approaches, thereby increasing governance burdens and operational risk.



Implementation and reclassification costs: With several regimes now being revisited and amended, significant product reclassification exercises may be required. Firms heavily invested in existing frameworks could face costly product reviews, documentation changes and client communication exercises in the event of product reclassifications.



Greenwashing and suitability enforcement: Regulators continue to scrutinize disclosures, sustainability preferences and ESG claims. Weak controls, unclear thresholds or misalignment between strategy and marketing could trigger enforcement, reputational damage and investor challenge.

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How KPMG can help

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Member firms' clients include investment managers, wealth managers, fund administrators and service providers which focus on mutual funds, hedge funds, private equity funds, infrastructure funds and real estate funds, and institutional investors such as pension funds and sovereign wealth funds.

We have a range of services that can help you manage risk and regulatory change while accelerating business transformation.

Examples of member firm services include helping and supporting clients with:



Strategy

Identifying missed growth opportunities or areas where your risk posture can be adapted.



Conduct risk and remediation

Building the right frameworks to deliver good outcomes to customers, restoring trust and confidence of regulators and consumers.



Risk transformation

Revisiting risk and compliance operating models and promoting efficiency as a result of the additional proportionality being introduced across various regimes.



Product and proposition

Enhancing product strategy, design and implementation, including peer benchmarking.



Technology deployment

Developing your AI strategy and associated risk governance, and bringing tokenized funds to market.



Risk assurance and internal audit

Providing the assurance your organization needs to proactively manage risk across the three lines of defense, so you can identify new opportunities.



Controls transformation

Developing a robust and sustainable control environment, blending governance, controls, automation and culture to help establish a sustainable foundation for success.

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Report scope and methodology

The 16th edition of KPMG's annual flagship *Evolving Asset Management Regulation* report brings together a broad-ranging picture of regulatory priorities, developments and proposals impacting the asset management industry around the world since last year's report.

Drawing on the KPMG Regulatory Horizon tool and the insights of KPMG specialists, we reviewed regulators' publications from global and regional standard setters and over 20 countries and territories around the world, capturing and prioritizing the almost 250 individual regulatory developments or publications that form the basis of this report.

These developments were collated into six regulatory themes, representing challenges that impact all types and aspects of asset management businesses as well as market opportunities.

At the end of each chapter, we have outlined risks and opportunities facing asset managers as a result of the identified regulatory developments, based on KPMG specialists' insights and preferred practice.

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Acknowledgments

KPMG's global network of asset management professionals

This report was created by drawing on the knowledge, insights and support of KPMG's global network of asset management regulatory specialists, working together to curate this global regulatory outlook for the asset management industry. Over 60 KPMG professionals around the world have contributed to this year's report.

Special thanks go to the following for their contributions, review and for making this year's report possible:

- **Supporting authors:** Special thanks go to **Jennifer Weaver** (investor protection) and **Radhika Bains** (sustainability) for the significant contribution they have made to this publication.
- **Technical contributors:** Please see the following page for their details.
- **EMA Regulatory Insight Centre:** We would also like to thank Michelle Adcock and Kate Dawson (Co-leads of KPMG's EMA Regulatory Insight Centre) for their review and input, as well as Charlotte Davis and Laura Nabi for making the report possible again this year.
- **Global Marketing Private Capital and Asset Management Lead:** Marsha Toomey
- **Global Communications:** Dannielle McAllister
- **Global Marketing Compliance:** Claire Needham
- **Global Delivery:** Samantha Dann
- **Global Digital:** Brittany Symns
- **Asset Management Sector Support:** Kim Kan

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Acknowledgments: technical contributors

Australia
Lisa Butler Beatty
KPMG Australia
lisabbeatty@kpmg.com.au

Nathan Kessey
KPMG Australia
nkessey@kpmg.com.au

Tom Rochford
KPMG Australia
trochford1@kpmg.com.au

Hong Kong (SAR), China
Nelson Lee
KPMG China
nelson.lee@kpmg.com

Arion Yiu
KPMG China
arion.yiu@kpmg.com

China
Tina Shu
KPMG China
tina.shu@kpmg.com

Abby Wang
KPMG China
abby.wang@kpmg.com

Don Wang
KPMG China
don.wang@kpmg.com

Brazil
Lino Martins da Silva Junior
KPMG in Brazil
lmjunior@kpmg.com.br

Canada
David Bardsley
KPMG in Canada
davidbardsley@kpmg.ca

Chris Canham
KPMG in Canada
ccanham@kpmg.ca

Peter Hayes
KPMG in Canada
phayes@kpmg.ca

James Loewen
KPMG in Canada
jloewen@kpmg.ca

Katherine Ruta
KPMG in Canada
kruta@kpmg.ca

Brooke Stal
KPMG in Canada
bstal@kpmg.ca

Germany
Martin Knocinski
KPMG in Germany
mknocinski@kpmg.com

Guernsey
Cillian Casey
KPMG in Guernsey
cilliancasey@kpmg.com

Ireland
Matthew Green
KPMG in Ireland
matthew.green@kpmg.ie

Catherine Kellaghan
KPMG in Ireland
catherine.kellaghan@kpmg.ie

Claire Pheko
KPMG in Ireland
claire.pheko@kpmg.ie

Italy
Giuseppe D'Antona
KPMG in Italy
gdantona@kpmg.it

Mirko Ottonello
KPMG in Italy
mirkoottonello@kpmg.it

Nicola Rinaldi
KPMG in Italy
nrinaldi@kpmg.it

Japan
Shunji Kato
KPMG in Japan
shunji.kato@jp.kpmg.com

Jersey
David Postlethwaite
KPMG in Jersey
dpostlethwaite@kpmg.com

Tarun Sapahia
KPMG in Jersey
tsapahia@kpmg.com

Luxembourg
Annick Breton
KPMG in Luxembourg
annick.breton@kpmg.lu

Jean Christophe Cabilin
KPMG in Luxembourg
jeanchristophe.cabilin@kpmg.lu

Sophie Charles
KPMG in Luxembourg
sophie.charles@kpmg.lu

Poland
Zuzanna Bartczak
KPMG in Poland
zbartczak@kpmg.pl

Dominic Janowski
KPMG in Poland
dominikjanowski@kpmg.pl

Paweł Wolczkiewicz
KPMG in Poland
pwolczkiewicz@kpmg.pl

Saudi Arabia
Phil Knowles
KPMG in Saudi Arabia
philknowles@kpmg.com

Meherullah Zafar
KPMG in Saudi Arabia
meherullahzafar1@kpmg.com

Singapore
Jeffrey Leong
KPMG in Singapore
jeffreyleong@kpmg.com.sg

Grace Tan
KPMG in Singapore
grace_tan@kpmg.com.sg

South Africa
Ben April
KPMG in South Africa
ben.april@kpmg.co.za

Michelle Dubois
KPMG in South Africa
michelle.dubois@kpmg.co.za

Kabelo Ramphele
KPMG in South Africa
kabelo.ramphele@kpmg.co.za

Spain
Ignacio Estirado Casado
KPMG in Spain
iestirado@kpmg.es

Alvaro Fernandez Quero
KPMG in Spain
alvarofernandez@kpmg.es

Alfonso Francisco Figal Morate
KPMG in Spain
afigal@kpmg.es

Sweden
Sven Hoglund
KPMG in Sweden
sven.hoglund@kpmg.se

Switzerland
Felix Metzler
KPMG in Switzerland
fmetzler@kpmg.com

Cayman Islands
Tony De Quintal
KPMG in the Cayman Islands
tdequintal@kpmg.ky

Justin Thomas
KPMG in the Cayman Islands
justinthomas@kpmg.ky

Niko Whittaker
KPMG in the Cayman Islands
nwhittaker@kpmg.ky

United Arab Emirates
Marcus Threadgold
KPMG in the United Arab Emirates
mthreadgold1@kpmg.com

Lotfi El Jai
KPMG in the United Arab Emirates
leljai@kpmg.com

United Kingdom
Daniel Barry
KPMG in the UK
daniel.barry@kpmg.co.uk

Michael Johnson
KPMG in the UK
michael.johnson@kpmg.co.uk

Michelle Adcock
KPMG in the UK
michelle.adcock@kpmg.co.uk

Kate Dawson
KPMG in the UK
kate.dawson@kpmg.co.uk

United States
Sean Mckee
KPMG in the US
smckee@kpmg.com

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Resources



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Regulatory Insight Centre

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Regulatory Horizon tool

Regulatory Horizon is a foundation stone for this year's edition of the *Evolving Asset Management Regulation report*. Powered by KPMG technology and specialists, Regulatory Horizon covers a live feed of more than 170 sources across 70 broad themes and specific regulations to help clients shape their regulatory change management processes.

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EAMR abbreviations

AI	Artificial Intelligence
AIF	Alternative Investment Fund (EU & UK)
AIFMD	Alternative Investment Fund Managers Directive (EU & UK)
AMAS	Asset Management Association Switzerland
AMF	Autorité des Marchés Financiers (France)
AML	Anti-money laundering
AMLA	Authority for Anti-Money Laundering and Countering the Financing of Terrorism (EU)
APRA	Australian Prudential Regulatory Authority
ASIC	Australian Securities and Investments Commission
BoE	Bank of England
CBI	Central Bank of Ireland
CCI	Consumer Composite Investment (UK)
CFR	Client-focused reforms (Canada)
CIRO	Canadian Investment Regulatory Organization
CMA	Capital Market Authority (Saudi Arabia)
CNMV	Comisión Nacional del Mercado de Valores (Spain)
COFI	Conduct of Financial Institutions Bill (South Africa)
Consob	Commissione Nazionale per le Società e la Borsa
CPC	Consumer Protection Code (Ireland)
CSA	Canadian Securities Administrators
CSA	Common Supervisory Action (EU)
CSRC	China Securities Regulatory Commission
CSRD	Corporate Sustainability Reporting Directive
CSSF	Commission de Surveillance du Secteur Financier (Luxembourg)
CTP	Critical Third Party (UK)
CVM	Comissão de Valores Mobiliários (Brazil)
DFSA	Dubai Financial Services Authority
DLT	Distributed Ledger Technology
DORA	Digital Operational Resilience Act (EU)
EBA	European Banking Authority
ECB	European Central Bank
ESAs	European Supervisory Authorities
ESG	Environmental, Social, Governance
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ESRS	European Sustainability Reporting Standards (EU)
ETF	Exchange-Traded Fund
ETN	Exchange-Traded Note
ETP	Exchange-Traded Product
F&P	Fitness and Probity (Ireland)
FCA	Financial Conduct Authority
FI	Finansinspektionen (Sweden)
FINMA	Financial Market Supervisory Authority (Switzerland)
FOS	Financial Ombudsman Service (UK)
FSB	Financial Stability Board
GFSC	Guernsey Financial Services Commission
HMT	HM Treasury (UK)
ICT	Information and communication technology
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
JFSA	Financial Services Agency (Japan)
JFSC	Jersey Financial Services Commission
LMT	Liquidity Management Tool
MAS	Monetary Authority of Singapore
MiCA	Markets in Crypto-Assets Regulation (EU)
MiFID	Markets in Financial Instruments Directive (EU)
MISP	Market Integration and Supervision Package (EU)
MMF	Money Market Fund (EU/UK)
OSC	Ontario Securities Commission
PHS	Product Highlights Sheet (Singapore)
QFI	Qualified Foreign Investor (China)
RIS	Retail Investment Strategy (EU)
SBA	Swiss Bankers Association
SDR	Sustainability Disclosure Requirements (UK)
SEC	Securities and Exchange Commission (US)
SFC	Securities & Futures Commission of Hong Kong
SFDR	Sustainable Finance Disclosure Regulation (EU)
SIA	Swiss Insurance Association
SM&CR	Senior Managers and Certification Regime (UK)
SDS	Sustainability Disclosure Standards (Hong Kong (SAR), China)
SRS	Sustainability Reporting Standards (UK)
SSBJ	Sustainability Standards Board of Japan
SWES	System-Wide Exploratory Scenario (UK)
TCFD	Task Force on Climate-Related Financial Disclosures
UCITS	Undertakings for collective investment in transferable securities (EU & UK)

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kpmg.com

David Neuenhaus
Global Sector Head of Private Capital
and Asset Management
KPMG International
dneuenhaus@kpmg.com

Chrystelle Veeckmans
EMA region Lead of Asset Management, and Partner
KPMG in Luxembourg
chrystelle.veeckmans@kpmg.lu

Yesenia Scheker-Izquierdo
US Sector Leader, Asset Management
KPMG in the US
yscheker@kpmg.com

Andrew Thompson
Asia Pacific region Lead of Asset Management
KPMG in Singapore
andrewthompson8@kpmg.com.sg

David Collington
Asset Management Lead
EMA region Regulatory Insight Centre
KPMG in the UK
david.collington@kpmg.co.uk

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Designed by Evalueserve.
Publication name: Evolving asset management regulation 2026 report | Publication number: 140653-G | Publication date: October 2026