Global Financial Services Regulatory Outlook 2026

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Contents

Introduction

Shifting geopolitical forces, technology, localization and growth agendas will shape global financial regulation in 2026.

Global financial regulation stands at a crossroads. We have been reporting on many of the trends in this Outlook for multiple years, but this time we observe something different. We are in a rapidly transforming space, and the change we are seeing is likely to reverberate for many years. 2026 will bring home the geopolitical and economic impacts of this new reality – particularly the global effects of developments in the US. International agendas focused on growth and competitiveness have led the system to this crossroads, prompting jurisdictions to re-evaluate the post-Global Financial Crisis (GFC) settlement on financial stability. While competitiveness has been rising on agendas, key questions have arisen, including how far regulators should go to balance stability against pressures to foster growth, innovation and competitiveness.

As the US pursues a deregulatory agenda to prioritize innovation and growth, the rest of the world must consider its response which will vary by jurisdiction. Against this shifting background, financial regulation also operates on two levels, geostrategic and local. Jurisdictions beyond the US are not necessarily making the same choices: the EU and UK competitiveness agendas are not following the US, and we will see equal and opposite reactions to US geopolitical and trade moves – either to maintain the post-GFC regulatory settlement or to assert national independence more forcefully, as in the case of India. Asia-Pacific jurisdictions are either maintaining their current stance or focusing on developing their respective markets.

Much of what we foreshadowed in last year's Outlook has come to fruition, and as the implications of these shifts become clearer, we should expect 2026 to add further complexities to the mix. However, our familiarity with the issues shouldn't underplay them.

Compared to 12 months ago, we now face a more volatile situation that could lead to very different outcomes through 2026 and beyond.

In 2026, firms should:

- Continue to focus on geopolitical developments with a focus on how to respond to the evolving growth and competitiveness agendas of governments and regulators.
- Focus on delivering prudent risk management and compliance outcomes against a backdrop of a shifting risk environment and financial stability.
- Build strategies, capability and change processes both to maximize opportunities and to minimize risks from changing regulatory expectations.

1 Increased regulatory fragmentation

The scale and scope of regulatory fragmentation has increased over the financial sector, spanning areas beyond prudential regulation, and now including AI, digital assets, payments, and data governance.

The increasingly uncertain environment forces market participants to adapt to shifting rules and expectations. It also challenges regulators elsewhere to respond to knock-on effects that are spreading well beyond national borders, while considering issues of national sovereignty and the need to secure critical parts of the supply chain.

In Asia-Pacific to date, we see little focus on competitive threats arising from US deregulation, and responses from other regions are evolving accordingly. Hong Kong and Singapore are still more focused on maintaining their lead in innovation, for example in digital assets, and sustainability, and competition to capture trade flows. Meanwhile, India is taking several measures to boost its financial sector.[1] Japan is more focused on enhancing regional financial functions and ensuring trust in a stable, fair and secure financial system. One outlier is Australia, as it is taking the lead from overseas countries and is cautiously considering regulation. For example, in respect of AI governance and digital assets.[2]

In the US, regulatory agencies are broadly reviewing and proposing changes to rules and supervision, with the goal of reducing the burden on financial institutions to allow for economic growth and financial innovation. This includes recent and planned reforms to capital regulation, efforts to revise methodologies for supervisory assessments, and reduce the number of supervisory findings, reductions on barriers to innovation through rescinding guidance, and increased openness to mergers and acquisitions among the largest US banks. Europe is revisiting existing legislation in the name of competitiveness and growth, while pursuing new initiatives under the umbrella of the European Savings and Investments Union (SIU).[3] In the UK, there has been a marked change of tone in conduct regulation to emphasize the government's growth agenda, while prudential regulation continues to balance potential growth with financial stability.

This international push-and-pull has resulted in a more fragmented regulatory architecture complicating compliance efforts of multinational organizations to adopt consistent global risk management frameworks globally and creating pressures to align frameworks to the jurisdictions with the most stringent requirements. International standard setters are steering clear of the drivers behind fragmentation and remain focused on previously set priority areas.[4]

Setting up for success

- Firms must be keenly aware of the higher costs and opportunities of doing business in certain countries or regions caused by diverging regulation.
- They must continue to monitor specific risks and regulatory changes in markets where they operate.
- They should use scenario planning and analysis to identify the potential implications for their business of different regulatory outcomes with a more critical focus.

Prudential regulation

The ability of current frameworks to respond to external shocks – a key concern of prudential regulators – is being tested by tariffs, trade disputes, and shifting geopolitical forces.

Many global jurisdictions have adopted the new Basel III Framework, either in full or in part, with many more countries' banks now implementing compared to last year. Despite the varied approaches to implementation, supervisory leaders remain committed to establishing a level playing field. In the EU and the UK, the final element of the Basel reforms, the Fundamental Review of the Trading Book (FRTB), which updates the capital charges that apply to banks' wholesale trading activities, has been delayed. This has been pushed back by a year to 1 January 2027[5], in the EU and 1 January 2028, in the UK. In the US, Michelle Bowman, Vice-Chair of Supervision at the Federal Reserve, has said that a Notice of Proposed Rulemaking for the final components of Basel III – the Basel Endgame – is expected at the beginning of 2026.[6]

The problems that arise from timing differences in Basel III implementation are well illustrated by Japanese banks. Japan implemented FRTB in 2024, well ahead of other major jurisdictions, and its international banks now face major competitive challenges due to the higher capital requirements they face under FRTB.

Basel III reform status by jurisdiction

	North America		Asia-Pacific				EMEIA		
	Canada	USA	Australia	Hong Kong	Japan	Singapore	Switzerland	UK	EU
Revised Standardized Approach (SA) for credit risk	Final rule in force	Draft regulation published	Final rule in force	Final rule in force	Final rule in force	Final rule in force	Final rule in force	Final rule published	Final rule in force
Revised Internal Ratings Based (IRB) approach for credit risk	Final rule in force	N/A	Final rule in force	Final rule in force	Final rule in force	Final rule in force	Final rule in force	Final rule published	Final rule in force
Revised Credit Valuation Adjustment (CVA) framework	Final rule in force	Draft regulation published	Draft regulation not published	Final rule in force	Final rule in force	Final rule in force	Final rule in force	Final rule published	Final rule in force
Fundamental Review of the Trading Book (FRTB)/market risk	Final rule in force	Draft regulation published	Draft regulation not published	Final rule in force	Final rule in force	Final rule in force	Final rule in force	Final rule published	Final rule published
Output floor	Final rule in force	Draft regulation published	Final rule in force	Final rule in force	Final rule in force	Final rule in force	Final rule in force	Final rule published	Final rule in force
Revised operational risk framework	Final rule in force	Draft regulation published	Final rule in force	Final rule in force	Final rule in force	Final rule in force	Final rule in force	Final rule published	Final rule in force

Source: Bank of International Settlements, *RCAP: Basel III implementation dashboard* RCAP on timeliness: Basel III implementation dashboard

Key:
- Draft regulation not published
- Draft regulation published
- Final rule published (not yet implemented by banks)
- Final rule in force (published and implemented by banks)

In the US, other capital rules for banks are either in the process of being finalized or remain undecided. For example, US regulators are likely to propose changes to the capital surcharge framework for global systemically important banks (G-SIBs) in early 2026. As part of its simplification agenda, the EU may consider reviewing its banking Capital Requirements Regulation[7], and it has also put forward a revision of its securitization framework.[8] In Australia, APRA has announced that it will reform its banking framework to reduce the regulatory burden and enhance proportionality by improving transparency around capital requirements and refining its licensing process.[9]

Actions for firms:

- International firms should continue to navigate significant variances in Basel III rules across the jurisdictions in which they operate.
- They should consider optimizing their capital allocation considering the uncertainties and asymmetries in the regulatory landscape and reflect on how this could impact their strategy and operating environment.
- Firms should assess their ability to calculate and report across regimes consistently and effectively, given that the current fragmentation and lack of harmonization between jurisdictions is likely to persist.

Artificial intelligence

Regulatory approaches to AI remain inconsistent globally. According to the Financial Stability Board (FSB), over 40 jurisdictions have now issued some form of AI-related regulatory or supervisory guidance, highlighting the complex and evolving landscape faced by firms deploying AI across multiple regions.[10]

Efficiency gains are the primary driver of AI adoption. However, the technology carries inherent risks — particularly dual risks when firms use AI for regulatory compliance. The onus is on firms to understand and mitigate these risks in the absence of consistent AI-specific regulations for the financial sector. This lack of sector-based regulation partly stems from existing financial rules and laws, which are designed to govern activities rather than technologies. For example, the Australian Securities & Investments Commission (ASIC), the country's conduct regulator, is emphasizing consumer outcomes from AI, welcoming innovation but cautioning that "cutting-edge technology can't leave your customers bleeding.[11] "In the UK, the Financial Conduct Authority (FCA) regulatory approach is principles-based and focused on outcomes, usually adopting a technology-neutral stance in developing regulatory requirements. The FCA has confirmed it does not plan to introduce additional AI regulations and instead will rely on existing frameworks, which "mitigate many of the risks associated with AI."[12]

State of play: How is AI regulation progressing globally?*

		AU	CAN	CN	EU	HK	JP	SG	KR	UK	US
	Current market approach	Risk-based[2]	Sector-led[3]	Centralized[4]	Risk-based	Sector-led[5]	Pro-innovation	Sector-led	Risk-based[6]	Pro-innovation[7]	Decentralized[8]
Law	AI legislation (e.g., EU AI Act or similar)[1]	☐	☐	√	√	—	√	—	√	—	√
Principles	Voluntary Frameworks and Principles	√	√	√	√	√	√	√	√	√	√
Digital policies	AI-related risks considered in digital policies (i.e., data, cyber, operational resilience)	√	√	√	√	√	√	√	—	√	√
FS focus	Existing industry guidance (e.g., market-led)	—	√	√	—	√	√	√	—	√	☐
FS focus	Regulatory/ Supervisory guidance/ standards	√	—	√	√	√	—	√	√	—	—

Key: √ Present — Not present ☐ Proposed/Under consultation

Institutions are increasingly required to apply critical IT-level scrutiny to AI services, focusing on explainability, auditability, resilience and accountability throughout the AI lifecycle. The FSB urges a holistic approach to third-party risk management, especially as reliance grows on pre-trained models and providers without formal contracts, increasing third-party and systemic risks.[13] There are also emerging concerns about agentic AI and the risk that over-governing innovation – due to fears about wholesale job replacement – may stifle progress.[14] This risk particularly affects knowledge workers in areas such as call centers, customer support, software development (especially testing), and professions like accountancy and law.

Actions for firms:

- Implement robust AI governance and model management with data security, audit trails, and provenance controls to mitigate risks such as biased data and model errors.
- Control unofficial AI use by employees through clear policies, training and device restrictions.
- Safeguard client and firm data confidentiality by preventing exposure via public or third-party AI platforms and tailor AI tools to firm-specific workflows.
- Update existing AI policies to cover AI integration across software and service supply chains, including robust third-party risk management to assess and mitigate risks posed by external vendors.

Sustainable finance

The sustainability reporting landscape is rapidly evolving but remains fragmented globally. Geopolitical instability has led to varied regulatory approaches, creating uncertainty for firms. The EU is streamlining Environmental, Social and Governance (ESG) reporting via its Omnibus Simplification Package to reduce compliance burdens. Meanwhile, the US has indefinitely delayed federal climate disclosures, while California pursues mandatory climate reporting. The EU also signals a softer ESG stance to facilitate trade discussions with the US.

The International Sustainability Standards Board (ISSB) aims to create a global reporting baseline. Australia, Malaysia, Brazil, Singapore[15] and Mexico will phase in ISSB-aligned disclosures from the 2025 financial year. The UK has consulted on adopting ISSB standards as voluntary UK Sustainability Reporting Standards (UK SRS). Firms face a patchwork of standards and timelines, requiring careful navigation.

Regulators worldwide consider transition plans essential for assessing financial stability and monitoring climate-related risks. Despite the US withdrawing its Principles for Climate-related Financial Risk Management,[16] supervisors globally – including central banks – emphasize robust, scenario-based transition strategies. This is evident in the UK Prudential Regulation Authority's Supervisory Statement 3/19,[17] the European Banking Authority's ESG risk guidelines,[18] Hong Kong Monetary Authority's recent circular on climate risk management[19] and California's SB 261.[20] The UK is consulting on mandating transition plans aligned with the Paris Agreement's 1.5°C goal for financial firms and FTSE 100 companies.[21]

Carbon markets remain crucial for net-zero goals. Brazil and Mexico are expanding emissions trading schemes, aiming for full rollout by 2030[22] and 2029[23], respectively. The UK has developed principles for voluntary carbon markets,[24] while the EU plans a nature credit market.[25] Fragmented regulations and inconsistent standards continue to impede market scalability.

Actions for firms:

- Ensure high-quality, auditable sustainability data and disclosures.
- Stay alert to regulatory shifts, simplifications, deadlines, and geopolitical influences and adapt sustainability and reporting strategies accordingly.
- Develop credible, scenario-based transition plans for climate-related financial risks.

Digital assets

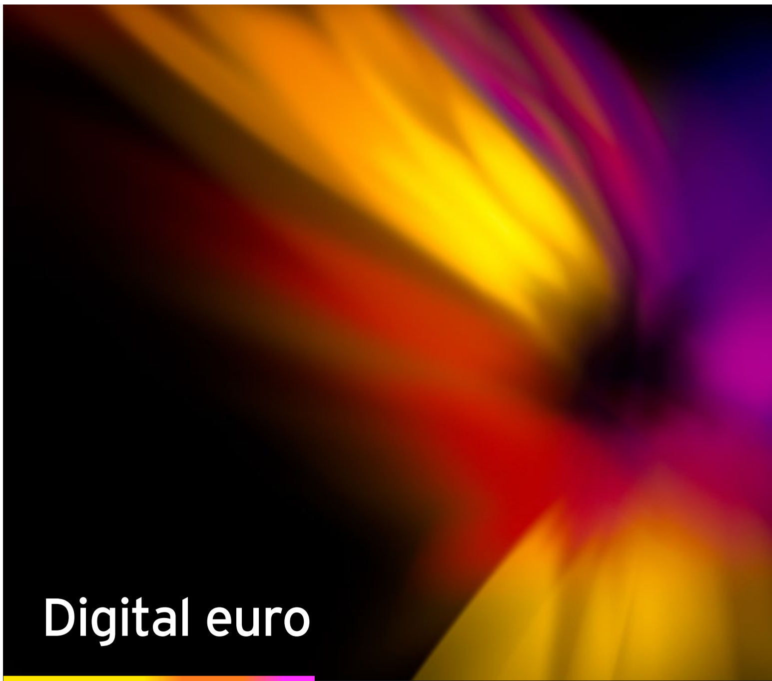
The global boom in stablecoins is prompting regulators to act, with jurisdictions including Brazil, the EU, Hong Kong, Japan, South Korea, Singapore, United Arab Emirates (UAE), UK and US developing or implementing dedicated regulatory regimes. The GENIUS Act in the US is the first US federal law to provide a broad legal framework for digital assets, including oversight and requirements for payment stablecoins.[26] Regulators appear to be coalescing around three key elements for regulation of stablecoins: full reserve backing; clear redemption rights, and robust custody and safeguarding of client assets.

The specific regulatory requirements can differ from one jurisdiction to another. The differences between them are likely to create regulatory and supervisory fragmentation, which will enable arbitrage. This fragmentation is also expected to impact business models and drive different levels of stablecoin adoption across the world. Japan's Financial Services Agency is rethinking its crypto regulation[27] to align more closely with unfolding regulatory changes in the US. Hong Kong Monetary Authority SAR's Stablecoins Ordinance[28] has established a comprehensive regulatory regime on the issuance, offering, and marketing of fiat-referenced stablecoins.

In Europe, the ECB has encouraged legislators to ban multi-issuance stablecoins, or, at minimum, introduce new safeguards,[29] as these are seen as a threat to financial stability. Similarly in the UK, the Bank of England has consulted on regulatory requirements for systemic payment systems using stablecoins. The Bank is also considering making central bank liquidity arrangements available to issuers.[30] The European Systemic Risk Board (ESRB) has argued that existing EU regulations heighten exposure to run risks, especially given EU entities behind multiple issuances are often owned or controlled by the non-EU issuers.[31] It has recommended the EU take action to mitigate this risk, potentially by changing the interpretation of MiCA.[32] In addition, the European Commission is reportedly considering proposing to empower the European Securities and Markets Authority (ESMA) as a single supervisor for large crypto-asset service providers (CASPs) in its forthcoming Markets Package.[33]

Payments

Payments regulation is also caught in a battle between local and global efforts. While there is the desire to regulate globally, payments are inherently local, which means specific rules are determined by the jurisdiction where the payment is received. However, international bodies such as the Committee on Payments and Market Infrastructures (CPMI) set standards to ensure the stability and resilience of payment systems globally.



Digital euro

- The two-year preparation phase for the Digital Euro, led by the European Central Bank, concluded in October 2025. The final decisions on whether, when, and how to launch the digital euro will depend on the outcome of negotiations on its legislative framework, with the earliest date potentially in mid-2029.
- The ECB released its closing progress report on the Digital Euro in October 2025[39], including work on the draft rulebook and contingency on the legislative process.
- In September 2025, EU finance ministers agreed to a roadmap for the Digital Euro and struck a political compromise on holding limits.[40]
- Negotiations on the legislative framework are expected to be contentious, given the differing perspectives between and among EU Member States and the political groups of the European Parliament.

In the US a further pro-innovation signal came from the US Fed Governor Christopher Waller, who noted in a recent speech that the Fed is studying the creation of a 'payment account' for legally eligible institutions to provide limited access to Fed payment services for digital-native firms that currently rely on third parties like banks for that access.[34] Meanwhile, under the third Payment Services Directive, the EU will bring regulation of non-bank payment services providers, which issue most virtual IBANs, into line with the regime for banks, removing the opportunity for regulatory arbitrage.[35]

In Canada, the Retail Payments Activities Act (RPAA) came fully into force during 2025.[36] This creates a regulatory regime for payment services providers (PSPs) that goes beyond anti-money laundering (AML) requirements to include obligations to safeguard funds and manage operational risks. Furthermore, by late 2025, Canada will be close to launching its new real-time payments system, Real-Time Rail (RTR).[37]

Other jurisdictions are also taking steps to strengthen regulation and supervision of payments systems, including new formations such as the Reserve Bank of India's decision to constitute a new Payments Regulatory Board to replace the Board for Regulation and Supervision of Payment and Settlement Systems.[38] Stringent governance of systemic risks from the payments ecosystem may be combined with a focus on facilitating innovation to balance growing volumes of digital payments.

Actions for firms:

- Horizon scanning, impact assessments, interpretation of upcoming regulatory proposals and building of roadmaps.
- Design and oversee simulations and stress tests for stablecoin operations, including high-volume redemptions and market volatility scenarios.
- Determine how to treat customers "fairly" and provide a degree of recourse that takes into consideration customer expectations.

GENIUS Act

- On 18 July 2025, President Trump signed into law the Guiding and Establishing National Innovation for U.S. Stablecoins Act, (GENIUS ACT).
- The GENIUS Act provides for the first time a broad framework in federal law for digital assets, including oversight and requirements for payment stablecoins. The aim is to support responsible innovation and wider adoption of stablecoins, by establishing prudential, risk management, and compliance requirements.[41]
- The GENIUS Act stipulates that payment stablecoins may be issued or marketed in the US only by entities granted approval from an appropriate federal or state regulator.
- It defines a payment stablecoin as a digital token, issued by an approved entity, that is backed 1:1 by cash or short-term Treasuries, designed for payments and redeemable at par value.

Building resilience to external threats — a key supervisory priority

Concerns over financial services firms' resilience are focused on operational and cybersecurity vulnerabilities, the impact of financial crime, and the growing connections between traditional finance and "shadow banking."

Supervisors will be focused on shoring up firms' defenses against threats that originate outside the regulated sphere. Geopolitical uncertainty intensifies these threats and, alongside increased risks to macroeconomic and financial stability, creates a regulatory and supervisory landscape for firms that is more complex and challenging than ever, particularly for those operating across borders. Firms that can demonstrably enhance their resilience to these risks will be better positioned to manage through this difficult environment.

Setting up for success

- Develop and prioritize future potential scenarios including geopolitical and other external risk uncertainty across all regions.
- Ensure financial crime initiatives have an appropriate level of oversight with clearly defined roles and responsibilities.
- Understand and manage risk exposures resulting from business relationships with NBFIs.

Operational and cyber resilience

Within the EU, the Digital Operational Resilience Act (DORA) has been a major milestone for digital resilience in financial services, together with their critical third-party technology providers (CTPPs).[42] Firms in 2026 will need to adapt to the iterative work of Joint Examination Teams, which may be expected to scrutinize firms and especially their CTPPs, with a focus on risk assessment, planning, oversight examinations and recommendations. In the UK, a Critical Third Parties (CTP) regime came into effect on 1 January 2025 and decisions on which organisations will be designated as CTPs for supervision under the regime is awaited from HM Treasury.[43]

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) E-21 Guidelines on Operational Risk and Operational Resilience has deadlines in 2026 and 2027 for firms to build and implement their Operational Resilience Framework.[44] The OFSI is particularly concerned about risks of foreign interference in critical financial systems and continues to collaborate with firms on its evolving integrity and security agenda. In the US, resilience and cybersecurity remain key concerns, with oversight shared among federal and state agencies. While prioritizing economic growth and financial innovation, regulators are expected to maintain a strong focus on these areas.

Managing geopolitical risks and enhancing organizational resilience is becoming a growing priority for business leaders in Asia. Hong Kong's newly passed Legislative Framework to Enhance Protection of the Computer Systems of Critical Infrastructure Ordinance will drive new actions locally for exchange, clearing houses and note-issuing banks. It takes effect on 1 January 2026.[45]

Actions for firms:

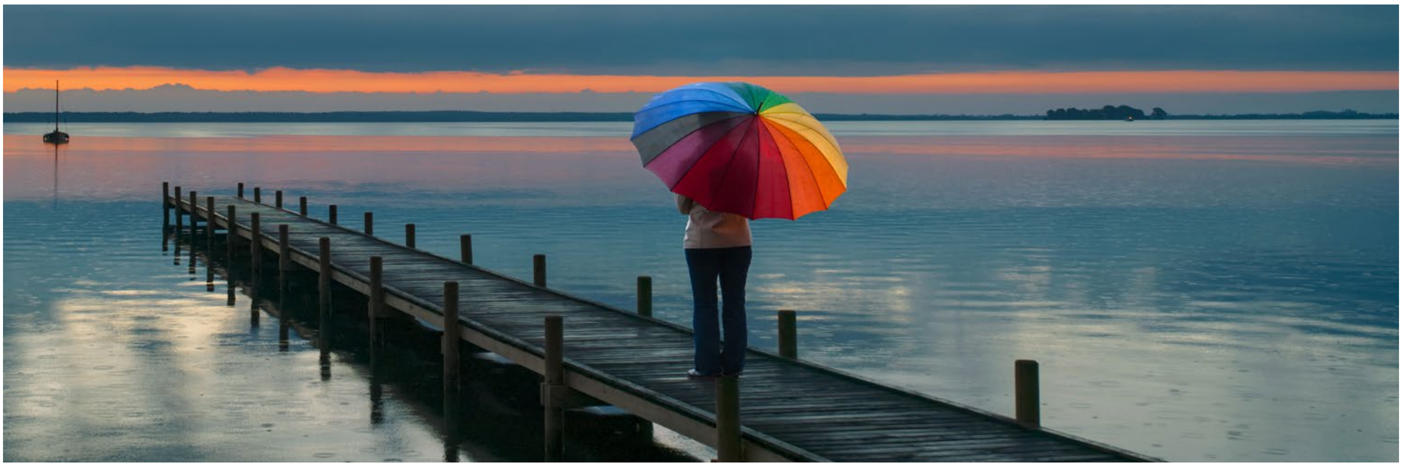
- Map exposures to third-party providers, especially in relation to critical services, and put in place measures to mitigate disruption risks. International groups should understand their exposures at a local, regional and global level.
- Firms should benchmark their approach to cybersecurity and cyber resilience in detail.
- Benchmarking should include board-level sponsorship, expert technical resources, regular leadership updates, and prompt actions to address identified gaps.

Financial crime and sanctions

The volume of changes to financial crime regulations and sanctions has increased significantly and we expect this to continue. A more complicated geopolitical landscape is leading to additional sanctions and asset freezes, with global AML fines rising. Firms need the capability to address inconsistent requirements across multiple jurisdictions.

In the EU, the 6th AML Directive (6AMLD),[46] the Anti-Money Laundering Regulation (AMLR)[47] and the establishment of the Anti-Money Laundering Authority (AMLA), mark a step up in supervision and enforcement activity. AMLA, whose leadership is in place, and which has absorbed the former AML staff of the European Banking Authority, will directly supervise 40 of the largest financial institutions active in the single market. Ongoing work includes developing technical standards under the AML package, including customer due diligence and penalties. AMLA has also indicated it will focus particularly on crypto assets early in its work. In the UK, the government has confirmed it will create a single AML/CTF Single Professional Services Supervisor (SPSS) and give the responsibility to the FCA, reducing the number of UK AML/CTF supervisors to three public bodies.[48]

In the US, the Financial Crimes Enforcement Network (FinCEN)'s interim final rule on beneficial ownership was amended in March 2025, significantly reducing its scope.[49] US entities are now exempt from reporting beneficial ownership information to FinCEN. Foreign entities registered to do business in the US are required to report but are exempt from reporting US citizens as beneficial owners. The US issued an executive order on debanking, which led banking agency regulators to issue revised guidance related to filings of SARs that relaxes expectations under the Biden Administration. Additional reform of requirements and expectation is forthcoming.[50]



The Monetary Authority of Singapore (MAS) updated its AML/CFT framework with stricter customer checks, more monitoring of high-risk activities, and higher reporting standards effective 1 July 2025.[51] MAS fined nine financial institutions S$27.5m for AML violations, highlighting enforcement priorities like virtual assets, third-party risks, and governance failures for 2025–2026.[52]

Actions for firms:

- Continue to invest in technologies for alert disposition and data analysis to generate threat intelligence, monitor emerging risks and identify vulnerabilities in their systems and controls.
- Prepare for proactive assessments of AML systems and controls, especially for entities identified as higher-risk or that operate in higher-risk markets.
- Assess changes in beneficial ownership requirements and establish written procedures to identify and verify beneficial owners of legal entity customers and include these procedures in AML compliance programs.

Non-bank financial institutions

Regulators remain concerned about the lack of transparency around non-bank financial institutions (NBFIs), which are not subject to prudential regulation but are becoming increasingly interconnected with traditional finance.

Since NBFIs are significant users of traditional financial services such as banking — especially the provision of leverage — this lack of transparency increases the risk that problems within NBFIs could spill over and threaten the stability of the regulated financial sector.

Regulators have typically adopted two approaches to deepen their oversight of NBFIs: extending regulation to cover NBFIs directly or using their existing oversight of regulated banks to increase their influence over NBFIs indirectly. In the latter vein, the Bank of England is using the lessons learned from its first System-Wide Exploratory Scenario (SWES), which, among other things, enhanced the understanding of the risks NBFIs pose to core UK markets, to "build modeling capability that could support lighter touch versions of SWES-type exercises for core UK markets in the future, supplemented with targeted engagement with financial firms."[53] In France authorities will conduct a similar exercise in the first half of 2026[54] on the national financial system, drawing in more than 25 institutions. This will contribute to ongoing discussions around NBFI risks in the EU, where regulators are considering a range of policy options,[55] but are equally cautious not to penalize certain sectors seen as vital to its investment imperative. The EU may consider conducting a similar, Europe-wide exercise.

Actions for firms:

- Institutional-facing NBFIs should expect more demands from regulated firms and their supervisors for data sharing, which could extend to mandatory disclosures.
- Consumer-facing NBFIs should expect to be held to the same standards of customer care as authorities demand from regulated firms. Regulators will focus on good consumer outcomes and move to plug gaps in regulation.

3 Delivering good consumer outcomes

Efforts to ensure fair treatment of consumers are spreading alongside intensifying efforts to combat fraud and promote financial education and inclusion. For open finance, while regulators are actively involved in setting the rules, the ultimate goal is to meet consumer needs for better financial tools and decision-making.

The treatment of customers will continue to feature heavily in the coming year, with policymakers actively implementing changes to elevate standards and address the evolving risk landscape. Changing customer expectations over service levels are placing increasing pressure on firms and increasing the political pressure on regulators. Consumer protection depends on a mix of international standards, regional directives, and national regulations.

Fraud is a growing concern worldwide. Increased remote access and widespread adoption of digital products and services – such as real-time payments – have brought major consumer benefits but simultaneously increased fraud risks, now a significant global issue.

While financial scams and frauds may lead to a sudden loss in assets, the cumulative loss of wealth caused by poor-value products and services can have a significant material impact on household budgets and contribute to a loss of trust in firms individually and the financial system.

Setting up for success

- React to policymakers' efforts to promote greater financial and digital inclusion.
- Consider your organization's role in enhancing customer financial literacy.
- Evaluate the use of prompts or controls within the customer journey to help customers protect themselves from scams.

Fair treatment of consumers

Key existing initiatives include policy guidance from the OECD, the EU's consumer directives and national requirements such as the UK Financial Conduct Authority's Consumer Duty. The latter has set a new benchmark for consumer protection, establishing a duty of care by financial services firms to their retail customers.[56] This has sparked widespread interest among regulators globally, many of whom are bringing forward similar measures.

The Monetary Authority of Singapore (MAS) has broadened its Guidelines on Fair Dealing to include requirements that mirror aspects of the UK regime, relating to product design, explanations of products and their terms and conditions, and complaints handling.[57] Japan has implemented new product governance rules,[58] while New Zealand's Conduct of Financial Institutions Regime, effective March 31, 2025, aims to bolster systems ensuring fair treatment of customers.[59]

In Australia, ASIC is focused on customers in financial hardship (reflecting the economic environment) and firms' compliance with regulatory requirements — as well as its higher expectations around customer support, set out in REP 782. Middle Eastern authorities are updating their conduct and consumer protection regimes. Similarly, the proposed EU Retail Investment Strategy (RIS) seeks to align the treatment of customers across jurisdictions within the EU.[60] EU Member States are also pursuing their own initiatives. For example, Ireland updated its Consumer Protection Code in 2025, adding a dedicated insurance chapter and allowing 12 months for implementation.[61]

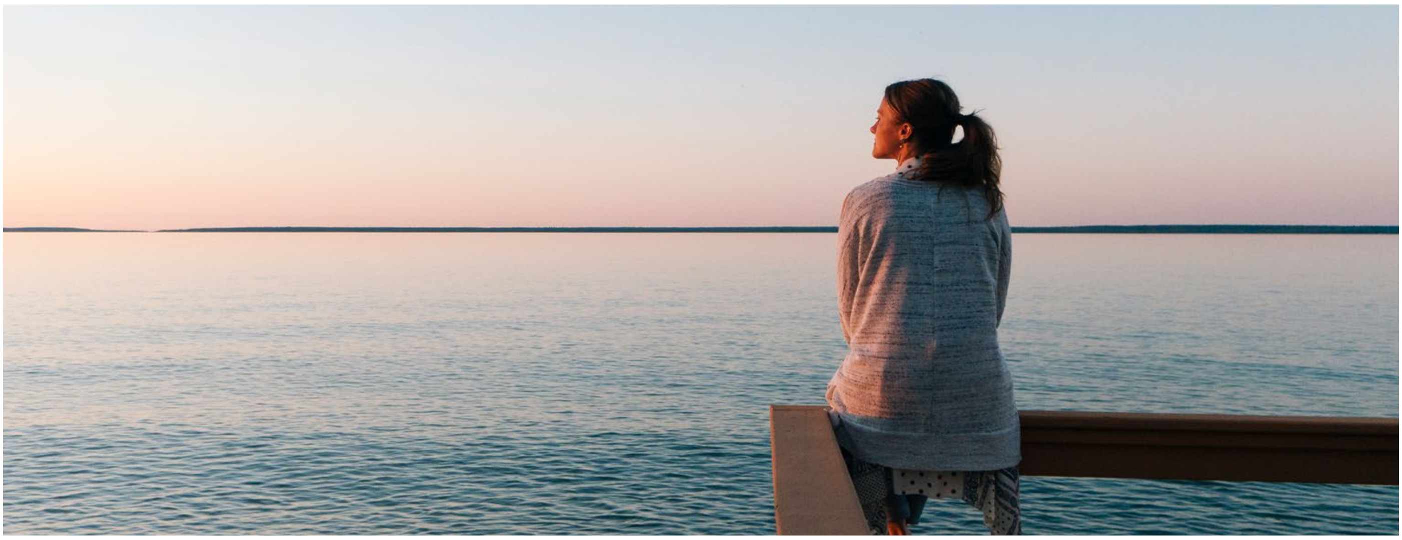
The Financial Consumer Agency of Canada (FCAC) conducted two thematic reviews on low balance e-alerts and complaint handling.[62] It found continued opportunities for banks to enhance their programs, including their compliance oversight of these programs. Meanwhile, the UK FCA is in 2026 focusing on how the Consumer Duty has been embedded and is being implemented by firms, streamlining its wider conduct rules and reducing complexity for businesses following the introduction of the Consumer Duty.[63] Whereas in the US, the virtual shutdown of the Consumer Financial Protection Bureau has left a void in retail protection,[64] and the OCC has frozen all fair lending exams.[65]

Financial education and fraud

Incidence of financial scams and frauds has surged in recent years on the back of widespread adoption of digital services. Given the predominance of digital channels through which fraud occurs, regulators are navigating the evolving role of electronic communication service providers and online platforms in combating financial fraud, traditionally regulated within the financial sector.

A similar debate over the role of electronic communication service providers is playing out in Japan, where the government is reportedly considering introducing data retention requirements to better combat financial fraud. The "Comprehensive Measures for Protecting People from Fraud 2.0" are largely driven by concerns over rising rates of fraud through digital channels and may also introduce new information-sharing mechanisms for financial institutions.[66]

In the UK, a new corporate criminal offence of failure to prevent fraud came into effect in September 2025.[67] In-scope firms now risk criminal prosecution or entering into a deferred prosecution agreement in relation to a criminal offence, with the attendant negative publicity, penalties, costs, demands on management time and other unwanted consequences.



The EU's Payments Service Regulation (PSR), currently in the late stages of negotiation, will introduce fraud prevention obligations and liabilities that govern the full spectrum of payment services providers (as well as online platforms and electronic communication service providers).[68] Provisions governing impersonation fraud, transaction monitoring, the definition of authorization, and the concept of gross negligence will require firms to review their controls and procedures. As part of its bid to develop a more market-based financial ecosystem and increase rates of financial literacy that are comparatively low internationally, the EU published its Financial Literacy Strategy in October 2025.[69] This may contribute to financial independence, improved risk management, and protection against fraud and scams, indirectly strengthening the financial stability of individuals and, in turn, supporting greater economic stability.

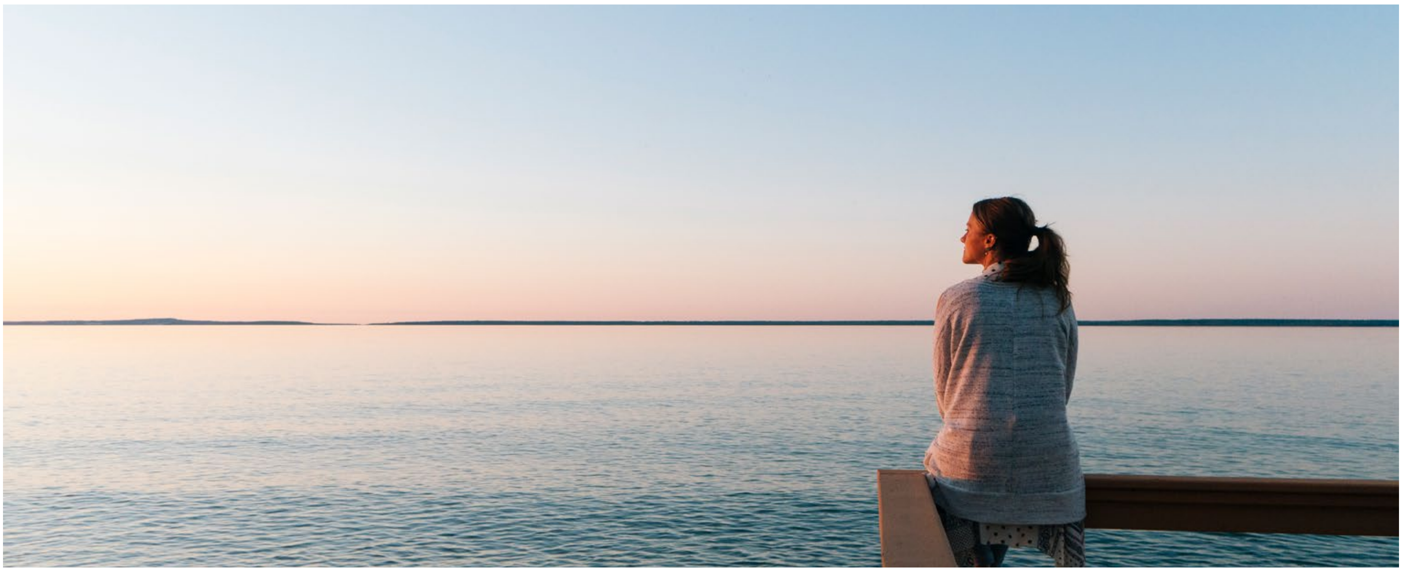
Open finance

The core value proposition of open finance for consumers is a more holistic view of their finances. Open finance enables them to manage all aspects of their financial life, from bank accounts to pensions, in one place. The EU's proposed framework for financial data access (FiDA) extends the principles of open banking to other financial sectors, including insurance and fund management. Firms would be required to establish data-sharing schemes over the next four years wherein retail customers may consent to share their information.[70]

In the US, the CFPB gave notice in August 2025 of its intention to reconsider the existing Open Banking Rule to enable consumers to authorize a third party to access and share data associated with bank accounts, credit cards, mobile wallets, payment apps and other financial products free of charge.[71] The CFPB recognizes the "desire to increase consumers' access to their financial information". Canada's federal government is expecting to launch its Consumer-Driven Banking (open banking) framework by early 2026.

Actions for firms:

- Review your end-to-end user journeys to eliminate unfair practices, simplify information, and clarify fee structures.
- Familiarize yourself with how regulators interpret the principle of fairness and be prepared to demonstrate how you are acting in customers' interests.
- Understand your responsibilities in managing the consumer impact created by your partners and affiliates.
- Combat exposure to fraud and scams by assessing how your organization can enhance customer awareness and consider implementing controls to help customers protect themselves.



Managing risk in a changing environment

The shifting nature of geopolitical risk, especially for international organizations, is a growing priority for supervisors and requires firms to revisit their risk management, governance and accountability frameworks.

The shifting geopolitical environment requires firms to address their resilience to geopolitical risks thoroughly, while also meeting supervisory expectations. Banks with international operations face further challenges due to increased regulatory scrutiny at the subsidiary level coupled with divergent requirements across different jurisdictions.

Financial institutions and authorities need to work together to mitigate potential impacts, recognizing the interconnected nature of geopolitical risk and financial stability.

Setting up for success

- Establish and clearly communicate effective country risk governance and risk management routines throughout your organization.
- Maintain continuous dialogue with supervisors, ensure implementation of agreed actions, and keep supervisors updated on progress.
- Cultivate a robust, adaptable risk culture that handles uncertainty effectively.

Risk management

Geopolitical tensions can destabilize financial markets and are likely to increase pressure on financial institutions to adapt their processes for identifying and managing emerging risks. Robust governance with clearly defined responsibilities is essential for efficient risk management, including from a supervisory perspective.

Supervisors' expectations are rising in some regions, for example, at the European Central Bank. The 2026 supervisory reverse stress tests will focus on geopolitical risks, rather than economic shocks, with banks required to explain which geopolitical scenarios would cause specified capital losses.[72]

When risk scenarios materialize within banks, their impacts are felt in different ways across the bank's various risk categories. Risks are increasingly interconnected, and their materialization may be accelerated by additional effects. The intricate interplay and potential cascading effects inherent in the diverse set of risk categories necessitate faster and more thorough consideration within firms' risk management frameworks.

Actions for firms:

- Develop tailored risk scenarios to assess impacts and opportunities.
- Leverage advanced technologies like data analytics and AI to predict emerging issues.
- Identify and quantify region-specific risks, including transferability and convertibility risks.

Governance and accountability

Robust governance is key to firms' ability to navigate challenging and changing times. Regulators' governance expectations are well established and are usually contingent on the organization's business model, strategy, and risk profile. Meeting these expectations depends critically on the organization's culture and on the role of the board in setting the tone from the top. Effectiveness in this area depends on firms' success in creating a balance of diversity and skills, and in evolving the skills base of their organization to meet changing conditions.

Actions for firms:

- Invest in risk management, governance, technology, and infrastructure both to meet regulatory expectations and to build customer trust.
- Explore how regulations may have extra-territorial reach and therefore present governance challenges across your organization.

Conclusion

The 2026 regulatory outlook reflects a fundamental contextual shift over the past year. The outlook today is complex, volatile, and increasingly defined by the interplay between global and local forces. With the US leaning toward the promotion of domestic innovation and growth, other countries and regions must decide how to respond, balancing the need to remain competitive with ongoing concerns over financial stability and regulatory alignment between jurisdictions. Financial institutions, regulators and clients alike must be more attuned than ever to the shifting balance of regulation, technological innovation and geopolitics.

About the EY Global Regulatory Network

Our GRN is a network of former regulators that helps the C-suite and board-level executives respond to constantly changing regulatory and supervisory expectations.

We advise financial institutions, as well as governments and regulators, on actions they can take to address the changing risk environment.

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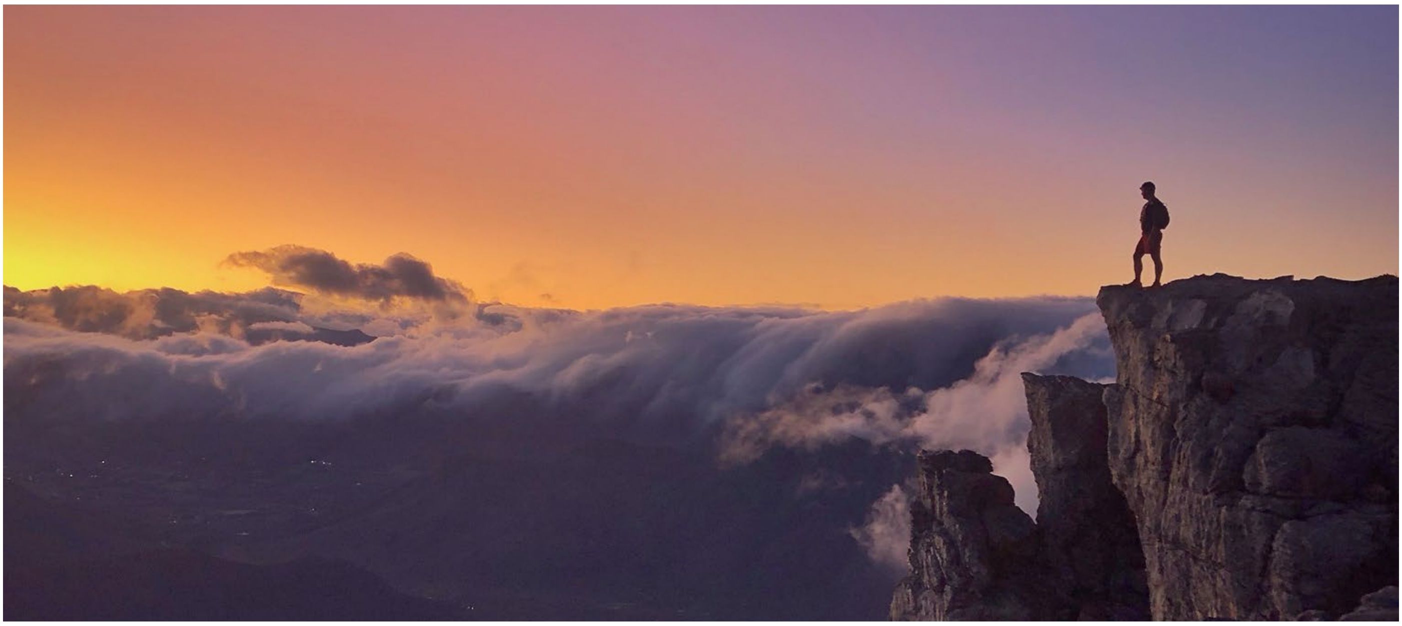

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* *Analysis based on EY research as of 24 October 2025*

1. Criteria is based on countries adopting or proposing a "whole-of-economy" AI law applicable across all sectors.
2. The Australian Government adopts a risk-based framework for the safe and responsible use of AI, with voluntary AI Ethics principles established in 2019 and most recently a Voluntary Safety Standard. It has proposed mandatory guardrails for AI in high-risk settings in a public consultation, although outcomes are still TBC, one of the approaches proposed was developing a whole-of-economy AI law
3. The Canadian Government aims to regulate AI federally through the Artificial Intelligence and Data Act (currently on hold). The Financial Industry Forum on AI released the "EDGE Principles" in 2023, promoting responsible AI in finance through Explainability, Data, Governance, and Ethics.
4. The 2025 Legislative Work Plans of China's State Council and National People's Congress reaffirm commitment to AI legislation, but no national AI law is official yet. Interim measures (2023) serve as de facto law. Existing FS guidance include 2018 Asset Management Regulation and 2023 AI-Based Financial Disclosure Guidelines.
5. Hong Kong sector-led approach: The Hong Kong Monetary Authority and Securities and Futures Commission have regulations in place, while the Insurance Authority and Mandatory Provident Fund Schemes Authority are consulting on AI regulation.
6. The Korean Government passed the AI Basic Act in December 2024, effective January 2026. The Financial Services Commission issued AI operation guidelines in 2021 and 2022.
7. The UK Government plans to consult on binding regulations for powerful AI models to reduce uncertainty, strengthen public trust, and boost business confidence, focusing on pro-innovation reforms.
8. At the federal level, the US Government is unlikely to enact broad AI regulations, but states are introducing diverse AI regulations with varying approaches.

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