

Global regulatory update

Q3 2026

Introduction

Q3 2026 continued the strong supervisory momentum seen in the first half of the year. Regulators focused on fund and investment firm reporting, outsourcing and delegation, risk-management effectiveness, cross-border supervision, financial-crime controls, digital assets, artificial intelligence ("AI"), and implementation of Alternative Investment Fund Managers Directive II ("AIFMD II") and Undertakings for Collective Investment in Transferable Securities VI ("UCITS VI").

AI emerged as a significant cross-jurisdictional regulatory theme during the quarter. The European Union commenced enforcement of key provisions of the AI Act from August 2, 2026, including transparency requirements relating to certain AI systems, AI-generated content, and human interaction with AI systems. Regulators highlighted governance, accountability, transparency, third party oversight, and ongoing monitoring of AI applications used within financial services.

In parallel, the International Organization of Securities Commission's ("IOSCO") supervisory work on AI in capital markets continued to influence regulatory expectations globally, with a focus on AI governance frameworks, board oversight, model risk management, outsourcing arrangements, disclosures, record keeping, and monitoring of AI-enabled processes.

The implications for investment managers, funds, and investment firms include:

- Higher board and senior management accountability for implementation, documented applicability assessments, and evidence of timely closure.
- Greater scrutiny of outsourcing and secondment arrangements involving investment management, risk management, valuation, compliance, anti-money laundering ("AML"), internal audit, and technology providers.
- More detailed and consistent regulatory reporting expectations, including data ownership, validation, traceability, and proportionality.
- Continued focus on AML / Countering the Financing of Terrorism ("CFT") / Countering Proliferation Financing ("CPF") risk assessment, fraud, virtual assets, unhosted wallets, offshore virtual asset service providers ("VASPs"), and sanctions evasion.
- Increased expectations regarding AI governance, including board oversight, defined accountability, model-risk management, testing, validation, monitoring, explainability, record keeping, and appropriate human oversight of material AI-enabled decision making.

- Greater scrutiny of third-party technology providers and AI vendors, particularly where AI is used within investment decision making, client servicing, financial-crime controls, transaction monitoring, regulatory reporting, or risk management processes.

- The need to assess whether AI-enabled customer communications, chatbots, AI-generated content, or digital tools are subject to the transparency obligations introduced under the EU AI Act.

- The need to distinguish final rules and applicable requirements from supervisory observations, consultation papers, international guidance, and future regulatory milestones within regulatory-change management frameworks.

This update highlights key official publications and regulatory milestones during Q3 2026. Each substantive update is accompanied by an individual link to the relevant official source.

European Union

European Securities and Markets Authority ("ESMA")

ESMA published a follow-up report on the supervision of cross-border activities of investment firms on July 20, 2026. It reviewed actions taken by six national competent authorities following the 2022 peer review, covering permission, ongoing supervision, cooperation, enforcement, and cross-cutting issues.

Impact:

- Investment firms providing services cross-border should maintain a clear inventory of permissions, host-state obligations, client-outcome controls, complaints, and distribution management information.

- AML relevance is indirect but important where cross-border onboarding, sanctions screening, surveillance, or outsourcing creates fragmented oversight.

ESMA follow-up report on cross-border investment services

ESMA / National competent authorities

The 2026 common supervisory action focuses on the effectiveness of risk-management functions of AIFMs, UCITS management companies and self-managed funds, including governance, organisation, staffing, risk identification, measurement, monitoring, management, and reporting.

Impact:

- Boards should be able to evidence independence, adequate resourcing, challenge, escalation, and remediation.
- Risk reporting should connect fund-level exposures, breaches, and liquidity matters to enterprise governance.

ESMA launches Common Supervisory Action

Luxembourg

Commission de Surveillance du Secteur Financier ("CSSF")

The CSSF highlighted both the opportunities and risks arising from the increasing adoption of AI in the financial sector, stressing the need for strong governance, risk management, and regulatory compliance when deploying AI solutions.

Impact:

Financial institutions and fund managers using or considering AI should ensure appropriate governance frameworks, oversight, model risk controls, data quality standards, cybersecurity measures and regulatory compliance processes are in place, as regulators are expecting firms to manage AI-related risks in a structured and documented manner.

CSSF Communication dated July 7, 2026

CSSF monitoring

Circular CSSF 26/914 required specified investment firms, investment fund managers, and other obliged entities to submit data supporting the anti-money laundering authority's ("AMLA") identification of entities eligible for direct supervision. The submission deadline fell on July 22, 2026.

Impact:

- In-scope groups and solo entities should retain evidence of scope determination, data ownership, validation, and submission governance.
- The exercise is directly relevant to AMLA's 2027 selection process and fee determination.

Circular CSSF 26/914 - AMLA direct supervision data

CSSF monitoring

The CSSF has communicated changes introduced by AIFMD II regarding the notification and denotification process for Luxembourg-domiciled investment fund managers ("IFMs") using a European passport, updating the procedures for cross-border management activities.

Impact:

- Luxembourg IFMs will need to review and, where necessary, update their passporting and cross-border marketing/governance procedures to ensure compliance with the revised AIFMD II notification and de-notification requirements, particularly when commencing, modifying, or ceasing management activities in other EU Member States. This may require updates to internal compliance checklists, regulatory filing processes, and governance oversight arrangements.

CSSF communication dated July 30, 2026

CSSF monitoring

The CSSF clarified that branches in Luxembourg of non-EU (third-country) financial institutions are subject to the requirements of the Digital Operational Resilience Act ("DORA") where they fall within the scope of the regulation and must ensure appropriate information and communications technology ("ICT") risk management and operational resilience arrangements.

Impact:

- Third-country firms operating through Luxembourg branches may need to assess whether their existing ICT governance, incident management, resilience testing, third-party ICT risk management, and DORA compliance frameworks adequately cover their Luxembourg operations, potentially requiring enhancements to local governance and oversight arrangements. This impact assessment is a practical interpretation of the CSSF clarification.

CSSF communication dated August 27, 2026

CSSF monitoring

The CSSF has extended its eDesk liquidity management tool ("LMT") module to require notifications of the activation and deactivation of redemption-only suspensions for certain Luxembourg funds from September 21, 2026.

Impact:

- This is primarily an operational and reporting change, rather than a new regulatory obligation. Luxembourg funds that suspend redemptions must now notify the CSSF through the eDesk LMT activation module, creating a more uniform and traceable reporting process.

CSSF communication dated September 18, 2026

CSSF monitoring

The CSSF has issued additional guidance to Luxembourg-regulated financial entities regarding the reporting of major ICT-related incidents under DORA (Regulation (EU) 2022/2554).

Impact:

- The CSSF expects financial entities to take these instructions into account when implementing and operating their DORA major ICT incident reporting process

CSSF communication dated September 29, 2026

Malta

Malta Financial Services Authority ("MFSA")

On July 20, 2026, the MFSA published amendments to subsidiary legislation supporting partial transposition and implementation of Directive (EU) 2024/927. The changes address AIFMD II/UCITS VI matters including supervisory cooperation, reporting, liquidity management, depositary arrangements, and third-country considerations.

Impact:

- AIFMs, UCITS managers, and fund boards should maintain an implementation map covering fund documents, policies, depositary arrangements, liquidity governance, and reporting.
- Third-country and service-provider changes should be reflected in due diligence and risk assessments where relevant.

MFSA circular on AIFMD II / UCITS VI subsidiary legislation

MFSA - outsourcing review

The MFSA issued an outcomes-based review on outsourcing, including secondment, by fund managers and self-managed AIFs, UCITS, and professional investor funds ("PIFs"). The review covers investment management, risk management, valuation, compliance, AML, and internal audit, and assesses the full outsourcing lifecycle.

Impact:

- Boards should revisit outsourcing decisions, selection and due diligence, contractual controls, ongoing oversight, and exit arrangements.
- Compliance monitoring should test substance, conflicts, independence, access to information, and documented challenge.

MFSA Dear CEO Letter on outsourcing by fund managers

MFSA - transaction reporting

On July 21, 2026, the MFSA issued an outcomes-based supervisory questionnaire to firms within Article 26 MiFIR transaction-reporting scope.

Impact:

- Investment firms should evidence governance, field-level validation, reconciliations, issue escalation, record keeping, and periodic second-line testing.
- Accurate transaction data also supports market-abuse and financial-crime surveillance.

MFSA Dear CEO letters register - July 21 transaction reporting item

MFSA - regulatory reporting

The MFSA introduced its Harmonised Regulatory Reporting Framework in July 2026, setting out a phased move toward machine-readable reporting.

Impact:

- Firms should map data ownership, data lineage, validation, and submission-accountability before their sector enters scope.

MFSA Harmonised Regulatory Reporting Framework

Financial Intelligence Analysis Unit ("FIAU")

FIAU Q3 communications highlighted AMLA and Financial Action Task Force ("FATF") activity relevant to subject persons, including ongoing monitoring, data collection, virtual assets, and payment transparency.

Impact:

- AML teams should retain horizon-scanning evidence and assess whether consultation outcomes require changes to monitoring, risk assessment, or reporting processes.

FIAU news and regulatory updates

United Kingdom

Financial Conduct Authority ("FCA") - FRAME

On July 14, 2026, the FCA opened CP26/26 on Fund Reporting for Asset Management Entities. The proposed FRAME framework would consolidate fund reporting, reduce some notifications, and apply more proportionate requirements to smaller funds. The consultation deadline was extended to October 22, 2026.

Impact:

- UK AIFMs, UCITS managers, national private placement regime managers, operators of established schemes, and certain markets in financial instruments directive ("MiFID") firms should assess proposed data fields, ownership, systems, and implementation dependencies.
- Boards should receive a documented impact assessment and approve any consultation response.

FCA CP26/26 - Fund reporting for asset management entities

FCA – UK AIFM regime

The FCA launched a consultation to replace elements of the current UK AIFM regime with a more proportionate, risk-based framework tailored to a manager's size, activities, and risk profile, while simplifying existing requirements.

Impact:

- This represents one of the most significant reforms of the UK alternative asset management regime since the introduction of AIFMD and could materially affect approval thresholds, risk management, valuation, delegation, leverage, depositary oversight, and regulatory reporting for AIFMs managing private equity, private credit, real assets, infrastructure, and hedge funds. Firms should assess the impact on operating models, governance frameworks, and future regulatory obligations.

CP26/28: The UK AIFM regime

HM Treasury Draft AIFM Regulations 2026

FCA - wealth management

The FCA published its 2026 wealth management survey report on August 18, 2026. It addresses governance, digital transformation, AI, outsourcing, financial-crime controls, vulnerability, and fair value.

Impact:

- Wealth managers should benchmark governance and financial crime controls against the supervisory observations and assess whether AI and outsourcing oversight is proportionate to use.
- Boards should ask for clear evidence of remediation where survey themes apply.

FCA Wealth Management Survey Report 2026

Channel Islands

Guernsey Financial Services Commission ("GFSC")

On July 30, 2026, the GFSC and Policy & Resources Committee opened a consultation addressing MONEYVAL supervisory recommendations. It proposed amendments to the AML/CFT/CPF Handbook and legislation, including VASP scoping and Appendix C equivalence considerations. The consultation closed on October 9, 2026.

Impact:

- Fund managers, administrators, and investment businesses should assess reliance, introducer and intermediary arrangements, group controls, and VASP exposure.
- Final changes may require policy, risk –assessment, and training updates.

GFSC MONEYVAL supervisory recommendations consultation

GFSC consultation

The GFSC launched its annual fees consultation for 2027.

Impact:

- Relevant for licence cost planning

Consultation document

Jersey Financial Services Commission ("JFSC")

The revised AML/CFT/CPF Handbook became effective immediately before Q3, on June 30, 2026, and is therefore treated as a Q3 implementation milestone. It applies to all supervised persons.

Impact:

- Jersey firms should confirm that policies, governance, risk assessments, money laundering compliance officer ("MLCO") arrangements, procedures, and training reflect the effective handbook.

JFSC AML/CFT/CPF handbook

United States

Securities and Exchange Commission ("SEC")

The SEC published updated registered-fund statistics during Q3, including an August 2026 report based on Form N-PORT and other filings. These are analytical publications rather than new rules.

Impact:

- Fund managers may use the statistics as market context but should not treat them as a new compliance obligation.

SEC Registered Fund Statistics

Financial Crimes Enforcement Network ("FinCEN")

FinCEN issued Q3 alerts concerning money laundering linked to digital-asset investment scam operations and Iranian procurement activity. The separate Investment Adviser AML Rule remains postponed until January 1, 2028.

Impact:

• Where relevant to a firm's customer and transaction profile, alert indicators should be considered in risk assessment, transaction monitoring, and suspicious activity escalation.

• Investment advisers should keep implementation planning proportionate and should not treat postponement as withdrawal of the rule.

FinCEN alerts, advisories and notices

FinCEN final rule postponing the Investment Adviser AML Rule

Mauritius and South Africa

Financial Services Commission Mauritius ("FSC")

The FSC announced the launch of the Register of Trusts on September 30, 2026. Q3 operational communications also covered licence fee and filing matters.

Impact:

- Firms using trust structures should confirm registration applicability, beneficial-ownership data quality, access controls, and change management responsibilities.

FSC Mauritius official website and announcements

United Arab Emirates

Abu Dhabi Global Market ("ADGM") / Financial Services Regulatory Authority ("FSRA")

On September 16, 2026, the FSRA confirmed enhancements to the funds and fund-managers framework. The rules establish streamlined categories for managers of smaller funds, institutional-only funds and specified asset managers; facilitate employee investment in private funds; and revise the foreign fund manager framework. A transition period runs to March 31, 2027 for venture capital and foreign fund managers.

Impact:

- ADGM managers should assess eligibility, permissions, client classification, fund documentation, and transition requirements.
- Streamlined treatment does not remove AML/CFT/CPF, sanctions, customer due diligence ("CDD"), or suspicious-reporting obligations.

ADGM FSRA enhanced funds framework

Abu Dhabi Global Market ("ADGM") / Financial Services Regulatory Authority ("FSRA")

On July 27, 2026, the FSRA published Consultation Paper No. 2 of 2026, proposing a new regulatory framework for transfers of business within ADGM. Under the proposals, insurance business transfers would remain subject to mandatory court sanction under Part 7 of the Financial Services and Markets Regulations, while transfers of other regulated businesses would be subject to more proportionate regulatory notification or consent requirements under a new Chapter 8A of the General Rulebook ("GEN").

Impact:

- ADGM firms contemplating a restructuring, business migration, portfolio transfer, merger, novation or transfer of regulated activities should assess whether the proposed framework could apply.
- Governance arrangements should identify responsibility for regulatory engagement, customer and counterparty communications, contractual consents, data migration, operational continuity and the protection of client assets.
- As this was a consultation rather than a final rule, firms should record it as a future regulatory development and monitor the FSRA's final rules and implementation timetable.

FSRA Consultation Paper No. 2 of 2026: Proposed Regulatory Framework for Transfer Schemes

Abu Dhabi Global Market ("ADGM") / Financial Services Regulatory Authority ("FSRA")

On July 14, 2026, the FSRA issued FCCP Notice No. 117 of 2026 reminding regulated firms and relevant designated non-financial businesses and professions of key AML and targeted financial sanctions obligations, including registration and reporting through the goAML portal.

Impact:

- Firms should confirm that their goAML registration, authorised-user access and reporting arrangements remain current and operational.
- Money Laundering Reporting Officers should ensure that internal escalation and external reporting procedures support timely submission of suspicious transaction and suspicious activity reports.
- Targeted financial sanctions procedures should address screening, potential-match escalation, freezing obligations, regulatory notifications, record keeping and the prohibition against tipping off.
- Business-continuity arrangements should cover the unavailability of key reporting personnel or systems.

ADGM FCCP notices and circulars

Abu Dhabi Global Market ("ADGM") / Financial Services Regulatory Authority ("FSRA")

On August 21, 2026, the FSRA issued FCCP Notice No. 147 of 2026 concerning the National Anti-Money Laundering and Combatting Financing of Terrorism and Financing of Illegal Organisations Committee's decision regarding high-risk jurisdictions.

Impact:

- Firms should assess whether the relevant jurisdictional changes have been incorporated into customer and investor risk-rating methodologies, country-risk lists and enhanced due diligence procedures.
- Screening and onboarding systems should be reviewed to confirm that changes are consistently reflected across clients, investors, beneficial owners, counterparties and relevant transaction-monitoring controls.
- Firms should retain evidence of their applicability assessment, system updates, affected relationship reviews, senior management reporting and any resulting control enhancements.
- The notice should not be treated as requiring the automatic rejection of all relationships connected with a listed jurisdiction. Firms should apply the specific measures required by the applicable notice and their risk-based AML framework.

ADGM FCCP notices and circulars

Dubai International Financial Centre ("DIFC") / Dubai Financial Services Authority ("DFSA")

On July 2, 2026, the DFSA made Rule-making Instrument No. 441 of 2026, amending the Prudential, Investment, Insurance Intermediation and Banking Business Module ("PIB"), and Rule-making Instrument No. 442 of 2026, amending the Conduct of Business Module ("COB"). The amendments followed Consultation Paper No. 171 and came into force on July 2, 2026.

Impact:

- DIFC-authorised firms should document an applicability assessment against the final PIB and COB amendments rather than relying solely on the proposals contained in the consultation paper.
- Where applicable, firms should update policies, procedures, compliance-monitoring plans, client documentation, prudential processes and staff guidance.
- Compliance teams should retain evidence of rule mapping, accountable ownership, implementation decisions and testing of affected controls.
- Group-wide procedures should distinguish DFSA requirements from those applying to entities regulated by the ADGM FSRA, the Central Bank of the UAE or the Securities and Commodities Authority.

DFSA Notice of Amendments to Legislation: July 2026

Central Bank of the United Arab Emirates ("CBUAE")

On September 14, 2026, the CBUAE published its Operational Risk Management Regulation for licensed financial institutions.

Impact:

- In-scope licensed financial institutions should assess their operational-risk governance, risk appetite, risk and control self-assessment processes, key risk indicators, loss-event reporting and escalation arrangements.
- Firms should consider dependencies involving outsourcing, information technology, cybersecurity, data, people, premises, business continuity and other third parties.
- Boards and senior management should receive sufficiently detailed operational-risk information to support oversight, challenge and remediation.
- This development is sector-specific. It should not be presented as directly applicable to ADGM or DIFC firms unless they are separately subject to CBUAE supervision or the requirements are being used as relevant group-level benchmarks.

CBUAE Rulebook revision updates

Central Bank of the United Arab Emirates ("CBUAE")

On September 13, 2026, the CBUAE published the Small to Medium-Sized Enterprises Customer Protection Regulation, applicable to banks and finance companies.

Impact:

• In-scope institutions should review customer communications, product governance, disclosures, fees and charges, complaints handling, sales practices and the fair treatment of SME customers.

• Firms should identify the relevant SME population and ensure that customer classification is applied consistently across onboarding, servicing, credit and complaints processes.

• This is a sector-specific development and would not ordinarily apply directly to fund managers or fund administrators unless they also conduct an activity falling within the CBUAE's scope.

CBUAE Rulebook revision updates

FATF

On July 16, 2026, the FATF published its seventh targeted update on virtual assets and VASPs. It identified progress but continuing gaps in licensing, registration, supervision, and enforcement, and highlighted risks involving stablecoins, unhosted wallets, offshore VASPs, DeFi, and industrial virtual asset-enabled fraud.

Impact:

- Funds and managers with direct or indirect virtual asset exposure should reassess counterparties, custody, wallet exposure, outsourcing, geographic risk, and monitoring.
- Business-wide risk assessments should expressly consider these typologies where relevant.

FATF seventh targeted update on virtual assets and VASPs

FATF - fraud roadmap

The UK assumed the FATF Presidency in July 2026 and launched a 2026–2028 roadmap focused on combatting fraud, risk-based supervision, and cross-border and cross-sector information sharing.

Impact:

- Investment firms and managers should incorporate technology-enabled fraud into customer, product, and channel risk assessments.

FATF UK Presidency announcement

What's coming up?

Authority	Date / timeline	Milestone	Individual official link
FCA	October 22, 2026	FRAME consultation closes	*FCA CP26/26*
GFSC	Autumn 2026	Planned stablecoin feedback and rules	*GFSC Engagement Hub*
ADGM FSRA	March 31, 2027	Transition deadline for specified venture-capital and foreign fund managers	*ADGM enhanced funds framework*
AMLA / EU supervisors	2027 selection process	Selection of entities for AMLA direct supervision	*CSSF Circular 26/914*
FinCEN	January 1, 2028	Effective date of Investment Adviser AML Rule	*AML Rule FinCEN postponement rule*
ESMA / NCAs	2026–2027 supervisory cycle	Risk-management function CSA activity and follow-up	*MFSA notice on ESMA CSA*

Final thoughts

Q3 2026 was a significant implementation and supervisory quarter for investment managers, funds, investment firms, and AML professionals. Regulatory priorities focused on fund-reporting reform, outsourcing and delegation oversight, risk-management effectiveness, cross-border supervision, implementation of AIFMD II / UCITS VI, evolving financial-crime risks, and the responsible use of AI. Firms should focus on:

- Maintaining regulatory-change registers that clearly distinguish final rules, consultations, supervisory findings, international guidance, and future milestones.
- Completing documented gap analyses covering outsourcing, AIFMD II / UCITS VI, risk management, fund reporting, and AI governance.
- Strengthening oversight of outsourced and technology-enabled activities, including due diligence, accountability, human oversight, data governance, and ongoing monitoring.
- Updating AML risk assessments and controls where fraud, virtual assets, offshore VASPs, sanctions evasion, AI-enabled financial crime, or cross-border exposure are relevant.
- Assessing the applicability of new AI requirements and supervisory expectations, including transparency, governance, third-party risk, record keeping, and responsible deployment.
- Providing boards with concise implementation reporting that identifies accountable owners, deadlines, dependencies, required evidence, and clear closure criteria.

Overall, the quarter reinforced the expectation that firms should move beyond policy-level compliance and demonstrate that regulatory change, financial-crime controls, and emerging technology risks are embedded within governance, operational processes, and board oversight.

How we can help

We combine industry knowledge with scalable compliance, AML, risk, and regulatory reporting support tailored to the nature, scale, and complexity of each business. Our teams can support applicability assessments, regulatory change registers, policy and control reviews, outsourcing oversight, AML framework enhancements, board reporting, and implementation assurance.



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