



Evolving asset management regulation 2025 report

Igniting growth

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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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Foreword

Welcome to the 15th edition of KPMG's annual flagship *Evolving asset management regulation report*, bringing you analysis of more than 200 regulatory developments from nearly 30 jurisdictions and global regulatory standard setters.

Amid a challenging geopolitical environment, sluggish economic growth and industry demands for simplification, there is a new focus in many jurisdictions on facilitating growth and risk-taking — not just introducing ever-more requirements.

In practice, this means greater regulatory support for new and innovative products, better facilitation of technological developments in a regulated environment, reinvigorating public markets and delivering simplified, more targeted policymaking alongside more proportionate supervision.

Despite this new dynamic, staying on top of the evolving asset management regulatory environment remains critical to maintaining clients' trust and meeting regulators' expectations. So once more, we have gathered specialists from KPMG firms around the world to identify some of the most impactful themes and developments that should serve as inputs into your strategic thinking while influencing your regulatory agendas and change programs.

This report is intended to help asset management C-suite executives and first-line-of-defense staff to

understand the regulatory direction of travel and associated risks and opportunities. For regulatory change teams as well as compliance, risk and internal audit staff it should serve as a useful cross-check of incoming initiatives to inform implementation and monitoring activities by providing a broader, global perspective on key developments.

Compared with last year's [report](#), we have observed a dramatic shift in many regulators' priorities. If I were to use one word to describe the implications, it would be "opportunity". Asset managers should be prepared to make the most of it while it lasts.

That said, regulators remain mindful of maintaining sufficient focus on their core objectives, particularly the protection of retail investors, and the orderly and clean functioning of markets. The latter has manifested itself, in particular, with increased scrutiny on the growing private assets industry.

You can read more on these topics throughout this year's report. Or contact your local KPMG member firm to talk about your organization's regulatory position.



Jim Suglia
Global Head of Asset
Management
KPMG International



About the authors

Please refer to the Acknowledgments section for details of the many KPMG teams and professionals that have contributed to this year's report.



Jim Suglia

Global Head Asset Management
KPMG International

Jim is the Global Sector Head of Asset Management and also serves as the Leader of the Alternative Investments practice in the US. He joined the US firm in 2000 and became a partner in 2004. Throughout this time, Jim has held various leadership positions in the asset management practice, including serving as the Global Advisory industry leader and the US National Sector Leader. Prior to joining KPMG, Jim held the position of CFO at a boutique private credit firm.

Throughout his career, Jim has proactively guided clients through complex risk management and regulatory matters, business combinations, and transformation initiatives. As a trusted advisor to management and boards, Jim has established strong relationships through collaboration and transparent communication.

With over 35 years of industry experience Jim leverages his knowledge to collaboratively manage cross-functional teams that deliver business results and meet client needs. As the Leader of the Alternative Investments practice in the US, Jim works closely with functional industry leaders to develop and execute national growth strategies that are adaptable and actionable at the local level.



David Collington

Asset Management Lead
EMA Regulatory Insight Centre
Senior Manager, KPMG in the UK

David scans the horizon and analyzes incoming regulatory developments that could impact on the asset management sector. He also works on a variety of advisory projects where he helps asset managers implement regulations and improve their practices to meet regulators' expectations.

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.

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



Executive summary

Amid a challenging geopolitical environment, sluggish economic growth and industry demands for simplification, this year's edition of KPMG's Evolving asset management regulation report explores a renewed focus on facilitating growth.

Significant opportunities should be created through greater regulatory support for new and innovative products, better facilitation of technological developments in a regulated environment, reinvigorated public markets and more simplified, targeted policymaking. Yet the focus on investor protection and the orderly function of markets remains strong.

Based on our analysis of more than 200 recent and upcoming regulatory developments from nearly 30 jurisdictions and global regulatory standard setters, here are six key areas where asset management executives and firms should be focusing on.



With **growth and competitiveness** rocketing up the regulatory agenda, many jurisdictions are now seeking to better support asset managers and bolster private investment. Requirements are being streamlined and new opportunities to boost retail investment are being considered. And many asset managers are revisiting their offerings with the aim of ensuring they are keeping pace with changing client demand.



The growth of **private markets** has propelled them up the supervisory agenda with several authorities now working on new rules and guidance to increase transparency, improve conduct and better manage loan-originating products. At the same time, some regulators and firms are considering how to best provide retail investors with exposure to private assets for the first time.



Digital innovation and artificial intelligence are also a priority with authorities seeking to find the right balance between managing risk and encouraging innovation. Regulatory approaches to tokenization are being refined and the regulation of digital assets is evolving rapidly.



Perhaps not surprisingly, regulators continue to sharpen their focus on **investor protection** with new conduct frameworks alongside updated accountability-related requirements and disclosure rules. While some regulators are exploring changes to how customers may receive advice, protecting vulnerable customers remains a key priority.



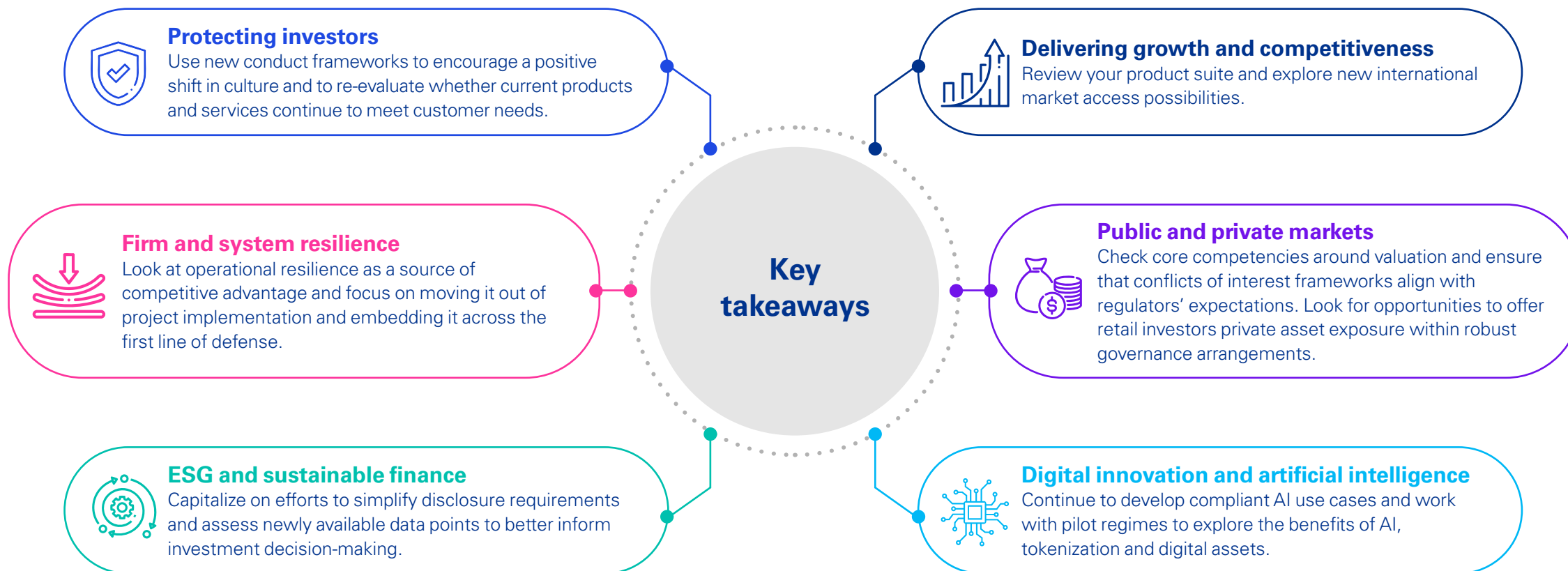
Against a backdrop of unprecedented financial and geopolitical uncertainty, **firm and system resilience** has remained at the top of the regulatory agenda. And while prudential frameworks remained largely stable, several new operational resilience requirements have been introduced while others have been embedded.



Meanwhile, the focus on **ESG and sustainable finance** is shifting. Few new frameworks or regulations have been introduced recently. Much of the action here has been around clarifying regulatory expectations on fund names, and preparations for new economy-wide corporate reporting requirements.

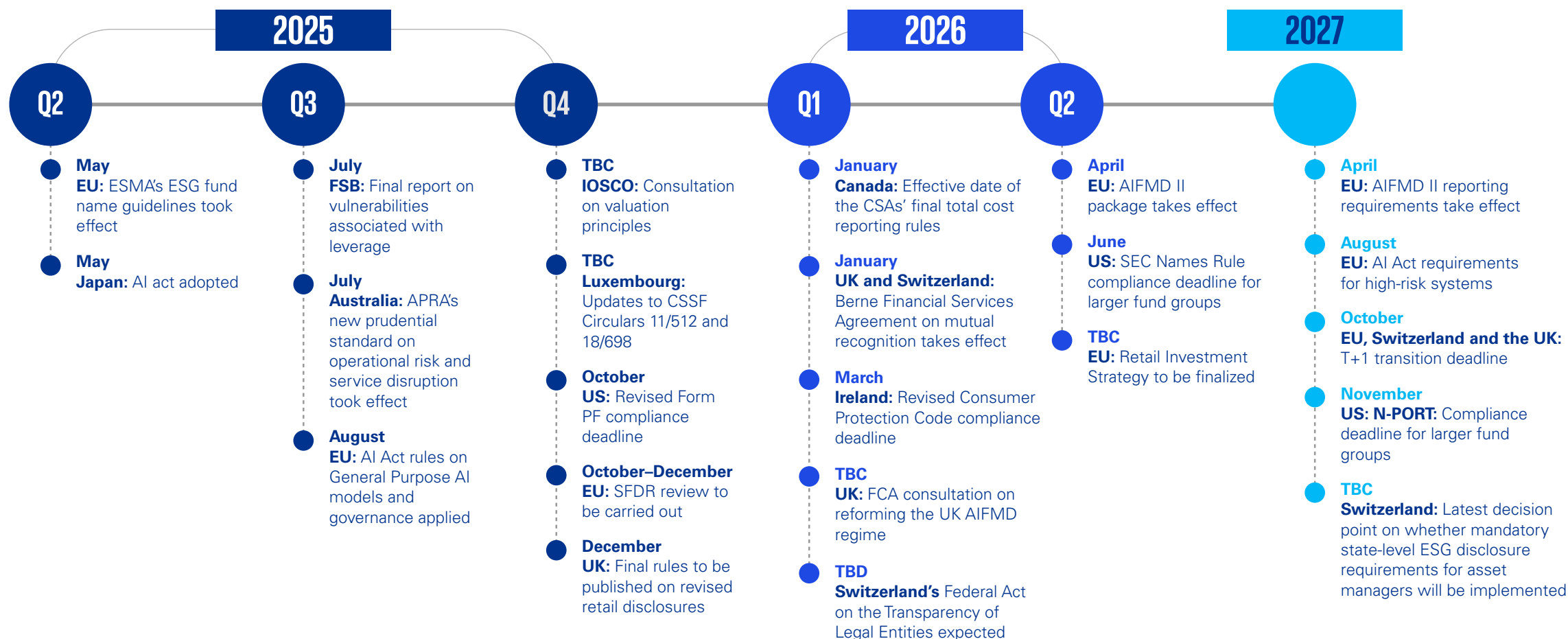


Key takeaways for asset management executives





Key regulatory milestones around the world





Chapters at a glance

01



Delivering growth and competitiveness

- Fostering a competitive environment
- Updating asset management regulatory frameworks
- Boosting retail investment
- Encouraging product innovation
- Enhancing cross-border access

02



Public and private markets

- Revising regulations for private markets
- Updated private markets supervisory priorities
- The retailization of private assets
- Focusing on fund risk management
- Transitioning to T+1 settlement

03



Digital innovation and artificial intelligence

- Diverging approaches to AI regulation
- Facilitating fund tokenization
- Regulating digital assets

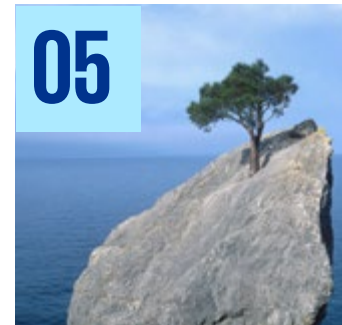
04



Protecting investors

- Expanding conduct frameworks
- Clarifying accountability
- Strengthening governance, culture and controls
- Modernizing disclosures
- Making advice accessible
- Supporting vulnerable customers
- Promoting financial literacy

05



Firm and system resilience

- Maintaining financial resilience
- Strengthening operational resilience
- Combatting financial crime

06



ESG and sustainable finance

- Rethinking strategic sustainability frameworks
- Improving disclosure regimes
- Tightening fund naming requirements
- Defining defense-related investments
- Evolving corporate reporting requirements
- Sustainability in the capital markets



01

Delivering growth and competitiveness

Summary

In the face of sluggish economic activity, fiscal constraints and industry demands for greater competitiveness, growth has rocketed up the regulatory agenda. Many policymakers around the world have shifted their stance to better support asset managers and refocus their activities on the growth agenda. This includes a range of initiatives attempting to revitalize public markets, attract overseas managers, and bolster private investment.

With the overall regulatory framework for asset managers again under review in some jurisdictions, we expect to see an increased focus on streamlining requirements. However, in other cases, this reassessment may lead to existing frameworks being expanded. Either way, asset managers face the challenge of taking advantage of the overall deregulatory shift without creating undue risk.

One theme many regulators and asset managers can agree on is the need to boost retail investment. We are seeing several authorities seriously considering the role that tax incentives can play in the development of product wrappers and the digitalization of retail-facing interfaces (including those related to pensions).

At the same time, many asset management firms are revisiting their product ranges with the aim of ensuring that they keep pace with their clients' changing demands and needs — facilitated by technology wherever possible.

Other activities aimed at driving growth, such as potential adjustments to cross-border access arrangements for products and services, are also being explored.





Fostering a competitive environment

As policymakers and regulators refocus their agenda towards driving growth, we are seeing many jurisdictions move to scrap proposed new rules, simplify existing requirements and adopt a more proportionate approach to supervision. In other cases, new requirements continue to be introduced.

However, firms want regulatory predictability, not just for portfolio managers reacting to fast-moving external events, but also for regulatory change teams as they strive to keep pace with authorities' and regulators' shifting agendas.

Perhaps the biggest shift in this regard has been in **US** trade policy and financial services regulation, which has had a ripple effect on other policymakers' agendas and approaches around the world. Having dropped proposals for several rules that had been put forward under the previous administration, the Securities and Exchange Commission (SEC) is expected to reprioritize its agenda to reflect the reality of tighter budget constraints.

This pivot is expected to result in the reallocation of the SEC's resources to focus more on protecting retail investors and the security and resilience of US capital markets. We also anticipate any residual efforts applied to ESG to be towards preventing greenwashing. There is also likely to be a notable new emphasis on promoting innovation and meeting investors' demands for new products (such as crypto-related products and exposure to private assets).¹ Yet, despite the drive for efficiency and reduced headcount, all signs suggest that the SEC does not plan to scale back its enforcement program.

In the **EU**, the European Commission published a 'competitiveness compass'² that aims to boost economic growth, followed by a consultation on breaking down barriers in the single market, including those impacting asset managers.³ One of the more controversial proposals in the package was a call for more centralized EU-level supervision of asset managers, which received a mixed reception from the industry.

This year has also continued the overall trend of member states moving away from gold-plating initiatives to instead focus on implementing EU-level directives and regulations, which continue to be rolled out at pace (in the short-term at least). The volume of work for the European Securities and Markets Authority (ESMA) was one factor that led to the reprioritization of its deliverables.⁴

Meanwhile in the **UK**, there is significant pressure on the Financial Conduct Authority (FCA) to continue to operationalize its secondary growth and competitiveness objective that was assigned by the government in 2023.⁵ The government published a policy paper with actions it will take to ensure that UK regulators and regulation support growth.⁶ And it launched a growth and competitiveness strategy for financial services, which included asset management as a priority focus area.⁷ A drive to streamline requirements is also underway, for example across retail conduct rules⁸ as well as stewardship disclosures, which were revised to reduce unnecessary reporting and increase engagement.⁹

Asset managers face the challenge
of taking advantage of the overall
deregulatory shift
without creating
undue risk.

¹ *Prepared Remarks Before SEC Speaks*, SEC, 19 May 2025

² *Competitiveness compass*, European Commission, 29 January 2025

³ *Targeted consultation on integration of EU capital markets*, European Commission, 15 April 2025

⁴ *Prioritisation of 2025 ESMA deliverables*, ESMA, 3 March 2025

⁵ *Our secondary objective*, FCA, 25 March 2025

⁶ *Radical action plan to cut red tape and kickstart growth*, HMT, 17 March 2025

⁷ *Financial services growth and competitiveness strategy*, UK government, 15 July 2025

⁸ *Feedback Statement FS 25/2*, FCA, 25 March 2025

⁹ *FRC overhauls the Investor Stewardship Code to focus on value creation, reducing burdens and enhanced engagement between market participants*, Financial Reporting Council, 3 June 2025



In Europe, there have also been efforts to bolster investment research. Both the **EU**¹⁰ and the **UK**¹¹ have repealed previous rules under the Markets in Financial Instruments Directive (MiFID II) that required research and execution payments to be ‘unbundled’, bringing them into line with other jurisdictions around the world. Also in **Switzerland**, the Bankers Association is currently revising its directives on the independence of financial research.

Indeed, we are seeing many jurisdictions progress similar efforts to facilitate growth. For example:

- The **Australian** Securities and Investments Commission (ASIC) released a discussion paper to explore the dynamics between public and private markets and potential adjustments that could increase the attractiveness of public markets.¹²
- **Canada’s** Securities Administrators (CSA) announced plans to support the competitiveness of Canadian markets, focusing on listed companies.¹³

- **Japan** continues to make progress with its plan to reform the asset management sector.¹⁴ As of May 2025, certain restrictions for asset managers on outsourcing middle- and back-office operations have been relaxed.¹⁵ And recommendations have been published to encourage the development of the venture capital sector, which managers are expected to use in their fundraising and management practices.¹⁶
- **Jersey** launched a new financial services competitiveness program that aims to strengthen its position as a leading international financial center.¹⁷ **Guernsey** updated its rules on prospectuses with certain exemptions to make it easier to raise capital in the Bailiwick.¹⁸
- The **Malta** Financial Services Authority (MFSA) finalized two new non-retail fund vehicles to foster innovation and support the needs of the local industry.¹⁹



¹⁰ Technical Advice to the European Commission on the amendments to the research provisions in the MiFID II Delegated Directive in the context of the Listing Act, ESMA, 8 April 2025

¹¹ Investment research payment optionality for fund managers, FCA, 9 May 2025

¹² Australia’s evolving capital markets: A discussion paper on the dynamics between public and private markets, ASIC, 26 February 2025

¹³ Canadian securities regulators announce actions to support competitiveness of Canadian markets, CSA, 17 April 2025

¹⁴ Policy Plan for Promoting Japan as a Leading Asset Management Center, 8 November 2024

¹⁵ Promoting Japan as a Leading Asset Management Center, JFSA, 3 March 2025

¹⁶ Publication of the finalized “Venture Capitals: Recommendations and Hopes” (VCRHs), JFSA, 8 November 2024

¹⁷ Financial services competitiveness programme, States of Jersey, 22 April 2025

¹⁸ The Commission announces updated Prospectus Rules, GFSC, 10 June 2025

¹⁹ MFSA Launches New Regulatory Initiatives in the Area of Asset Management, MFSA, 13 February 2025



- Goals for financial services policymakers in **Saudi Arabia** include increasing inbound capital flows, but supervisors are alert to potential risks — for example relating to AML, client money, and data protection. In a noteworthy development, the Capital Markets Authority (CMA) approved the largest set of regulatory enhancements ever made in the Sukuk and debt instruments market since its launch.²⁰ These changes allow the Kingdom's development funds, development banks, and sovereign funds to issue debt instruments under an exempt offering, reducing the contents of the prospectus for public offering by half, and also make private offerings more efficient.
- **Singapore** is hoping to strengthen its equities market. One particularly interesting initiative is the launch of a new Equity Market Development Program, whereby the Monetary Authority of Singapore (MAS) will invest with those fund managers that have the capability to implement investment mandates with a strong focus on Singapore stocks, alongside initiatives to make local IPOs more attractive.²¹ MAS is also aiming to encourage private equity managers to promote

Singapore as a springboard into the region for their portfolio companies.²²

- **Spain's** Comisión Nacional del Mercado de Valores (CNMV) has published a six-year roadmap with nine strategic priorities, which include improving competitiveness with supply- and demand-related measures. One of the specific actions will establish a working group to follow up on the OECD's recommendations for revitalizing the Spanish securities market.²³ These developments sit in the context of wider discussions on simplifying and streamlining the Spanish regulatory and supervisory framework.
- In **Switzerland**, the revision of the Financial Market Supervision Act (FINMASA) seeks to align the Swiss legal framework with international standards for cooperation in the financial market sector, with the goal of reinforcing the global integration of the Swiss financial system and enhancing market integrity, transparency, and stability.²⁴

With listings on public markets declining and private asset allocations booming, we are seeing many markets move to revitalize their public markets which, in turn, is driving new policy and supervisory initiatives for the sector (read more in **chapter 2**).

Firms want regulatory predictability,
not just for portfolio managers reacting to fast-moving external events, but also for regulatory change teams as they strive to keep pace with authorities' and regulators' shifting agendas.

²⁰ *The Capital Market Authority Approves the Largest Set of Regulatory Enhancements Since the Launch of the Sukuk and Debt Instruments Market in Saudi Arabia*, CMA, 13 November 2024

²¹ *A comprehensive set of measures to strengthen Singapore's equities market*, MAS, 21 February 2025, Reproduced with the permission of the Monetary Authority of Singapore ©2025 The Monetary Authority of Singapore.

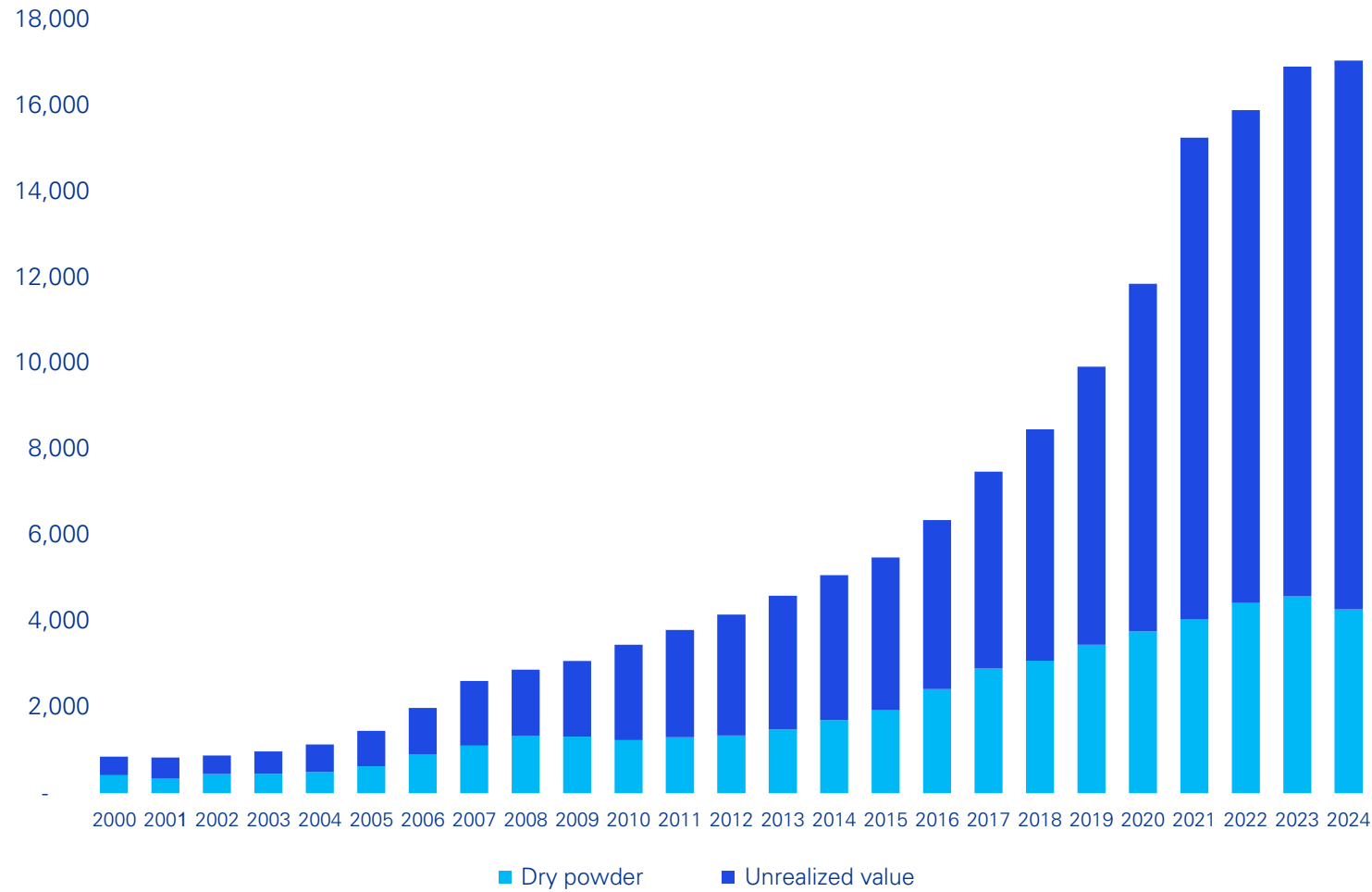
²² *"How Private Markets Can Underwrite Asia's Growth Story" — Keynote Speech*, MAS, 25 September 2024

²³ *2030 — A supervisor for a new era*, CNMV, 11 June 2025

²⁴ *Federal Council initiates consultation on amending Financial Market Supervision Act and other legislation concerning international cooperation*, Federal Council of Switzerland, 20 September 2024



Global private asset AUM (US \$bn)



Source: Preqin, a part of BlackRock

Updating asset management regulatory frameworks

In addition to the specific developments discussed throughout this report, regulators in some jurisdictions are revisiting the overall framework that applies to asset managers and related firms and their funds.

For example, the **Singapore** MAS provided an update on its proposals to harmonize the regulatory criteria and streamline the regulatory regime for certain family offices, making it simpler and faster to do business and to focus only on key risks, such as money laundering.²⁵

Similarly, the **UK** authorities consulted on streamlining regulatory requirements for alternative managers to reduce regulatory burdens while maintaining core protections for consumers and markets.²⁶

However, in some cases, jurisdictions are introducing new or additional requirements. The **EU**, for example, will introduce broad-ranging new requirements for mainstream and alternative managers from April 2026, covering areas such as loan-origination funds and fund liquidity management²⁷ (see **chapter 2**).

²⁵ Consultation Paper on Proposed Framework for Single Family Offices, MAS, 6 November 2024, Reproduced with the permission of the Monetary Authority of Singapore ©2025 The Monetary Authority of Singapore.

²⁶ Rules for investment managers to be reformed to support growth, FCA, 7 April 2025

²⁷ Directive (EU) 2024/927 of the European Parliament and of the Council, EUR-Lex, 26 March 2024



Overview of the EU AIFMD II package

Amendments will be made to the EU's UCITS and AIFMD frameworks from 16 April 2026, with some changes phased in thereafter. Client feedback suggests that the most challenging updates to implement relate to the new regime for loan-origination funds, and liquidity management tools.



Loan-originating AIFs

Requirements for newly defined "loan-originating AIFs" as well as AIFs that originate loans but do not fall into that definition.



Liquidity management tools

Standardizing the definition of LMTs and introducing new obligations that will formalize some practice already prevalent in the industry.



Delegation of AIFM functions

Small changes, including extending the scope of delegation conditions to also cover top-up services.



Regulatory reporting

Expanded scope of reporting requirements for regulations and new information to be provided on delegation arrangements.



Disclosures

Additional information to be provided on costs, liquidity management tools and loan-origination activities.



Wider changes

Such as new requirements for 'host' fund managers, adjustments to the rules for depositaries, and an expansion of services that can be provided by fund managers.

Other countries continue to modernize and tighten up the regulatory framework for investment funds. **China's** Securities Regulatory Commission (CSRC) has introduced an action plan for the promotion of high-quality public funds.²⁸ And, according to a recent report by the Financial Stability Board (FSB), **Brazil** has also made significant progress, with the Comissão de Valores Mobiliários (CVM) having now addressed many of the recommendations made by the FSB in 2017.

Saudi Arabia continues to push ahead with its ambition to strengthen its asset management sector, growing from five licensed managers in 2019 to 36 in 2024, including overseas managers.²⁹ Most recently, the CMA approved regulatory enhancements for investment funds in the Kingdom to increase competitiveness, enhance transparency and provide greater protection for investors.³⁰ Specific examples of changes include permitting electronic money institutions to distribute fund units, expanded investment opportunities for REITs, and enhanced disclosures regarding the credit profile of funds' debt holdings.

²⁸ 关于印发《推动公募基金高质量发展行动方案》的通知, CSRC, 7 May 2025

²⁹ Vision 2030, 2024 annual report, Kingdom of Saudi Arabia, 25 April 2025

³⁰ The Capital Market Authority Approves a Set of Regulatory Enhancements for Investment Funds in the Kingdom, CMA, 9 July 2025



Boosting retail investment

Another way regulators are hoping to use the financial system to drive economic growth is by encouraging their citizens to shift excess cash savings to investments in funds and securities, in part through better access to investments and advice. While potentially improving outcomes for individuals (see **chapter 4**), there is also a clear benefit for authorities who are keen to revitalize flagging public markets (see above) and bolster funding for defense initiatives (see **chapter 6**).

It's fair to say that jurisdictions around the world are at different stages of this journey. While retail investment is common in the **US**, and the value of superannuation schemes in **Australia** have reached AUD 3.9 trillion,³¹ others are racing to catch up.

The most notable example of this is the **EU's** proposed 'Savings and Investments Union' (SIU) which aims to improve the way savings are channeled to productive investments through the EU financial system.³²

Specific follow-up consultations in the EU have focused on breaking down barriers within the single market (see above) and developing a 'blueprint' for savings and investment accounts with potentially simplified tax procedures alongside tax incentives.³³ The Commission is seeking to learn lessons

from popular initiatives at the member state level, such as **Sweden's** tax wrapper, the 'Investeringssparkonto'. While an EU-wide solution is being developed, some member states have proposed their own solutions, including the 'Finance Europe' label that aims to promote retail investment in the EU economy.³⁴

EU supervisors also have their own plans; for example, in **Spain** one of the CNMV's new strategic priorities is to develop measures that promote retail investors' participation in securities markets by shifting their perception of risk and promoting a culture of risk awareness.³⁵ It also plans to encourage firms to explore digital solutions that can improve the investor experience.³⁶

Indeed, several jurisdictions are revisiting the overall investor experience. The new digitalized Mandatory Provident Fund (MPF) platform in **Hong Kong (SAR), China** for example, aims to make it easier for pension investors to manage their plans and investments in one place.³⁷

Even with Australia's successful superannuation system, there is a drive for continued improvement on the retirement phase, with funds being required to define their retirement income strategies. That has led to increased focus on retirement products and services and notably a member's customer journey through the varying retirement phases.³⁸



³¹ *Australian superannuation industry insights and analysis 2025*, KPMG Australia, 20 May 2025

³² *Commission unveils savings and investments union strategy to enhance financial opportunities for EU citizens and businesses*, European Commission, 19 March 2025

³³ *Call for evidence: Recommendation on Savings and Investment accounts*, European Commission, 10 June 2025

³⁴ *Speech by Commissioner Albuquerque at the launch event of the European Long-Term Savings Label*, European Commission, 5 June 2025

³⁵ *2030 — A supervisor for a new era*, CNMV, 11 June 2025

³⁶ *2025 Activity Plan*, CNMV, 26 February 2025

³⁷ *About eMPF*, EMPF, 2025

³⁸ *APRA Deputy Chair Margaret Cole — Remarks to the Conexis Retirement Conference*, 13 August 2025



KPMG client story

Insights on delivering growth

How can governments better support growth in the sector?

KPMG in the UK recently worked with two trade bodies — UK Finance and PIMFA — to publish a joint **report** that explored how the UK government can further enable the wealth management and private banking sector to support national growth and drive better financial outcomes for consumers.

Based on discussions with CEOs and senior leaders, the key themes centered around:

- Policy and regulatory environment
- Taxation and incentivization
- Business and client outcomes
- Financial literacy

Published ahead of the UK Government's growth and competitiveness strategy for financial services, the report played a role in driving debate across the industry.

Encouraging product innovation

Across the globe, firms are revisiting their entire fund and product offering with the aim of ensuring that it remains relevant and valuable to investors and distributors.

Consider, for example, the increasing popularity of active ETFs in the **EU** and the **US**, demand for Real Estate Investment Trusts (REITs) in **Saudi Arabia**, the growth of robo-advice platforms in **Canada**, and the roll out of model portfolio solutions in the **UK**.

At the same time, regulatory developments have created new opportunities for firms and product managers around the world. Some examples include:

- Efforts to facilitate the democratization of private assets and allow retail customers exposure for the first time (see **chapter 2**).
- Facilitation of new technology-enabled approaches via regulatory 'sandboxes' and the introduction of new policy frameworks and guidance for the regulation of digital assets and fund tokenization (see **chapter 3**).

- Introducing new forms of regulated advice to reach a wider audience in the UK (see **chapter 4**).
- Permitting the introduction of semi-transparent ETFs in **Luxembourg**³⁹ and **Ireland**.⁴⁰
- **Switzerland** introduced the Swiss Limited Qualified Investor Fund (L-QIF) in March 2024. Since the introduction, more than 20 L-QIFs have been launched. Their investment strategies range from private markets and real estate to niche equity sectors.⁴¹
- Clarifying the status of defense investments in the context of ESG, potentially facilitating the launch of new products (see **chapter 6**).

While the trend towards product innovation is commercially attractive for firms, it will likely keep compliance teams busy as product and strategy teams seek to make the most of new opportunities.

The need to continuously protect investors will be front of mind — especially as new conduct and governance frameworks are introduced (see **chapter 4**).

³⁹ Update of the CSSF FAQ concerning the Luxembourg Law of 17 December 2010 to provide clarifications regarding portfolio transparency for actively managed ETFs, CSSF, 19 December 2024

⁴⁰ UCITS Questions and Answers 42nd Edition, Central Bank of Ireland, 17 April 2025

⁴¹ Verzeichnis gemeldeter L-QIF, Federal Council of Switzerland, 6 May 2025



“With regulatory positions rapidly shifting towards a growth agenda, the leading asset managers will be those poised to take advantage of new opportunities as they emerge. Indeed, I believe that regulatory agility, combined with a strategic review of products offered, will be key to attracting inflows, generating alpha and retaining clients in the future.”

Jim Suglia

Global Sector Head, Asset Management

Enhancing cross-border access

Another way that financial regulators can help contribute to the growth agenda is by allowing firms to sell their products and services on a cross-boundary basis. Some jurisdictions are making notable progress in this regard.

Mainland **China** and **Hong Kong (SAR), China** have taken steps to enhance the existing Mutual Recognition of Funds (MRF) scheme, effective 1 January 2025.⁴² The new measures relax the sales limit imposed on Hong Kong funds being sold on the mainland and lessen China’s overseas delegation restrictions, thereby providing new opportunities for international asset managers.

In Europe, the **UK** and **Switzerland** are progressing full implementation of the Berne Financial Services Agreement, signed in 2023.^{43, 44} Once relevant legislation is passed and guidance published, from January 2026, UK and Swiss firms will be able to provide cross-border investment services to high net worth (HNW) clients without needing to comply with the host state’s regulatory requirements.

This will unlock significant new opportunities and markets for wealth managers and private banks in both countries. The FCA has invited Swiss firms to express their interest in providing cross-border services under the agreement.⁴⁵



⁴² Mainland-Hong Kong Mutual Recognition of Funds enhancements to take effect on 1 January 2025, SFC, 20 December 2024

⁴³ The Berne Financial Services Agreement, UK government, 21 December 2023

⁴⁴ Federal Council adopts dispatch on agreement with the United Kingdom on mutual recognition in financial services, Federal Council of Switzerland, 4 September 2024

⁴⁵ FCA helps unlock market access for UK and Swiss firms, FCA, 23 July 2025



Opportunities for asset managers



Product and service review: Strategically review your firm's product suite and risk appetite in the context of the growth and competitiveness agenda to check whether any growth opportunities are being ignored, or excessive costs incurred.



Markets: Explore new international market access possibilities, with the potential to reach a wider target market or to rationalize operations in one or more jurisdictions.



Efficiency: As regulation is simplified or made more proportionate, look for opportunities to devote more time and resources to product teams and the first line of defense.

Risks for asset managers



Capabilities: As new or innovative products and services are brought to market, ensure that the second and third lines of defense keep pace with the business.



Competition: Monitor the entrance of peers and competitors and assess if they are better placed to take advantage of growth opportunities.



Divergence: Prepare for increased regulatory divergence and fragmentation as the growth agenda creates differing regulatory stances across jurisdictions.



Investors: Understand how regulatory and tax policymaking is influencing investor decisions, particularly within the high-net-worth end of the spectrum.



Experts' corner



Daniel Barry

Partner
KPMG in the UK

Daniel and Volker were asked about how UK and Swiss asset managers are making the most of opportunities associated with the growth agenda.



UK and Swiss asset managers are fundamentally revisiting their product ranges in the context of efforts to boost growth.

For firms, this includes assessing how they may be able to provide streamlined advice under the UK's new 'targeted support' regime to reach a broader audience. Meanwhile, UK fund and wealth managers are considering whether and how it would be appropriate to provide retail investors with private asset exposure for the first time — potentially via NURS or LTAF funds.

In Switzerland, fund managers are particularly interested in launching L-QIF vehicles.

In both countries, firms are preparing for the implementation of the Berne Financial Services Agreement, which will facilitate greater cross-border access between the UK and Switzerland for high-net-worth clients from January 2026."



Volker Kang

Director
KPMG in Switzerland



Marcus Threadgold

Partner
KPMG in the UAE

Marcus was asked to expand on how the UAE and Saudi Arabia are seeking to attract capital and asset managers to the region.



The Gulf Cooperation Council (GCC) region is experiencing remarkable growth in AUM with global asset managers identifying the region as a key growth territory.

In the UAE, the international financial centers in Dubai (DIFC) and Abu Dhabi (ADGM) continue to attract leading asset managers and service providers drawn by large asset pools, ease of registration, an attractive tax regime with certain exemptions under the Qualifying Investment Fund (QIF) framework, and robust legal and regulatory frameworks. With a clear vision to lead in digital finance the UAE has refined its Virtual Asset Regulatory Framework to encourage participation in digital assets while ensuring investor protection.

In the Kingdom of Saudi Arabia (KSA), the Financial Service Development Plan is drawing in global investment with 20 percent year-over-year-growth in AUM and broader investor participation. The development of a broader set of investable products, including ETFs and real estate assets, is supporting the development of KSA as a fund domicile. The region is also seeing strong demand for Islamic and ESG-related investments."



02

Public and private markets

Summary

As jurisdictions take action to boost growth and competitiveness, the growth of private assets has moved up the regulatory agenda.

Around the world, we are seeing regulatory frameworks for private asset managers being enhanced with new rules and guidance to increase transparency, improve conduct and introduce standards for loan-originating products.

Private markets also dominate supervisors' latest priorities with a particular focus on valuation governance, identifying and mitigating conflicts of interest and producing accurate and complete client-facing disclosures. But there are opportunities too, if good consumer outcomes can be delivered. Several jurisdictions around the world are considering how retail investors can be provided with exposure to private assets for the first time, with a range of new vehicles now established or under consideration.

At the same time, fund risk management continues to be a high priority for regulators, particularly in the context of liquidity risk management tools. Asset managers investing in public markets will also want to start preparing for the impending European transition to T+1 settlement, scheduled for 2027.



Revising regulations for private markets

As investors shift greater allocations towards private market assets, policymakers continue to consider whether existing requirements and guidance remain appropriate for the growing and innovating industry. At the global level, **IOSCO** is concluding its review of its 2013 Principles for the Valuation of Collective Investment Schemes, which could result in updated guidance to promote more consistent valuation practices.⁴⁶

Individual jurisdictions are also refining their approach, in some cases resulting in the introduction of new rules:

- As part of the **EU's** AIFMD II package (see **chapter 1**), ESMA has consulted on detailed rules that would apply to loan origination funds that have been specifically defined for the first time.⁴⁷ The latest draft rules set out the characteristics needed to permit loan-originating funds with open-ended structures. Private managers will also be subject to enhanced reporting requirements, expected to take effect in 2027.
- In **China**, regulators are revising the requirements for custodians of private funds, including suggestions for strengthened compliance and risk control

capabilities and requiring custodians to take measures to verify the information provided to them by fund managers.⁴⁸ Separately, the National Financial Regulatory Administration (NFRA) revisited and tightened the rules that apply to Chinese banks that distribute private funds, with enhanced requirements applying from 1 October 2025.⁴⁹

- In **Singapore**, the MAS updated its guidelines on internal controls by adding an additional section on securitization.⁵⁰ The new guidelines require financial institutions to have appropriate systems, policies and procedures in place to address risks arising from their involvement in securitizations and to conduct necessary due diligence when acting as an investor in a securitization.

However, there are also examples of potentially increased flexibility around the regulation of private assets:

- The **US** SEC has twice delayed the introduction of new reporting requirements aimed at increasing the transparency of private funds via amendments to 'Form PF'. The delays reflect the associated technology requirements, costs and time needed for testing. The revised deadline is 1 October 2025.⁵¹

Separately, the SEC appears to be permitting more flexibility relating to the co-investing arrangements of US funds. An order granted in April 2025 allowed registered closed-end investment companies and business development companies to co-invest in portfolio companies with each other and with certain affiliated investment entities.⁵²

- Guernsey** streamlined its Private Investment Fund (PIF) framework, resulting in a simpler, more flexible fund structure for private markets strategies.⁵³ Examples of the changes include removing the compulsory audit requirement and removing the upper limit on the number of qualifying investors.

At the global level, **IOSCO** is concluding its review of its 2013 Principles for the Valuation of Collective Investment Schemes, which could result in updated **guidance to promote more consistent valuation practices.**

⁴⁶ 2025 Work Program, IOSCO, 12 March 2025

⁴⁷ ESMA consults on open-ended loan originating alternative investment funds, ESMA, 12 December 2024

⁴⁸ 证监会就《证券投资基金托管业务管理办法（修订草案征求意见稿）》公开征求意见, Asset Management Association of China, 3 April 2025

⁴⁹ 国家金融监督管理总局关于印发《商业银行代理销售业务管理办法》的通知, National Financial Regulatory Administration, 21 March 2025

⁵⁰ Internal controls guidelines, MAS, 23 June 2025, Reproduced with the permission of the Monetary Authority of Singapore ©2025 The Monetary Authority of Singapore.

⁵¹ Further Extension of Form PF Amendments Compliance Date, SEC, 11 June 2025

⁵² Release No. 35561, SEC, 29 April 2025

⁵³ The Commission announces streamlined private fund regime, GFSC, 19 May 2025



- In **Jersey**, the JFSC published enhancements to the Jersey Private Fund Guide, aimed at strengthening the framework and aligning it with the needs of international investors. This includes changes such as the introduction of a 24-hour authorization process for applicants and lifting the 50-offer/investor cap.⁵⁴
- In **Australia**, industry feedback to ASIC's discussion paper suggested that any regulatory guidance on private markets should be measured, developed with industry and aligned to international standards.⁵⁵
- And in the **UK**, new opportunities for investors are being created via the FCA's Private Intermittent Securities and Capital Exchange System (PISCES) Sandbox, which will allow the intermittent trading of private company shares for the first time.⁵⁶

Updated private markets supervisory priorities

The rapid growth of the private markets industry has led to international supervisory focus on several potential risk areas. Clear lines can be drawn from **IOSCO's** 2023 report on emerging risks,⁵⁷ its ongoing review of its valuation

principles, and the FSB's recommendations on leverage to national supervisors' priorities. We are seeing a consistent supervisory focus on valuation and conflicts of interest across all asset classes under the private markets banner.

The **UK** FCA's valuation review identified some good practices within the industry but noted that improvements are needed in several areas.⁵⁸ It has now launched a follow-up review on potential conflicts of interest, focusing on the oversight of the conflicts framework, the role of governance bodies and reviews undertaken by all three lines of defense.⁵⁹

Following ESMA's common supervisory action (CSA) on asset valuation,⁶⁰ the CSSF undertook follow-up inspections of asset management companies in **Luxembourg** to ensure they were compliant with ESMA's expectations. It reviewed the independence of the valuation function, challenged the skills and credentials of valuation teams based in Luxembourg, and checked the robustness of overall valuation governance arrangements. The CSSF is expected to formalize ESMA's expectations on valuation in its upcoming overhaul of Circular 18/698.⁶¹

⁵⁴ *Enhancements to the Jersey Private Fund regime*, JFSC, 23 July 2025

⁵⁵ *Australia's evolving capital markets: A discussion paper on the dynamics between public and private markets*, ASIC, 26 February 2025

⁵⁶ *PS25/6: Private Intermittent Securities and Capital Exchange System: sandbox arrangements*, FCA, 10 June 2026

⁵⁷ *Thematic Analysis: Emerging Risks in Private Finance*, IOSCO, September 2023

⁵⁸ *Private market valuation practices*, FCA, 5 March 2025

⁵⁹ *Asset Management & Alternatives — Supervisory Strategy*, FCA, 26 February 2025

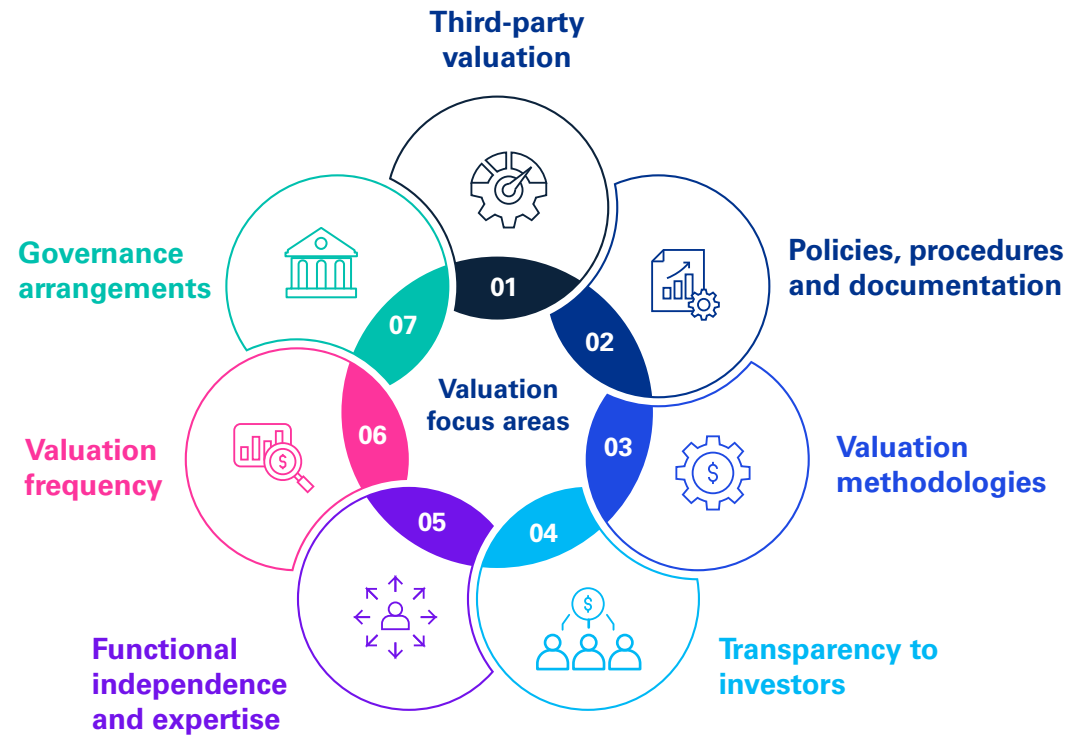
⁶⁰ *Final report on the 2022 CSA on valuation*, ESMA, 24 May 2023

⁶¹ *Circular CSSF 18/698*, CSSF, 23 August 2023





Valuation governance — supervisory focus areas



Next steps for firms

- Review valuation policies and procedures
- Review valuation-related conflicts of interest
- Test the effectiveness of governance arrangements
- Assess independence of the process
- Formalize ad hoc valuations processes

In **Australia**, ASIC plans to increase its surveillance of private market funds' valuation practices, conflicts of interest management, and the fair treatment of investors.⁶² And the Australian Prudential Regulation Authority (APRA) completed a review that identified 'concerning' areas where improvements are needed by superannuation trustees.⁶³ Specifically in relation to unlisted asset valuation, it found weaknesses relating to valuation governance, board oversight, conflicts of interest management and revaluation frequency, as well as triggers, valuation control and fair value reporting.

Meanwhile in the **US**, the SEC's latest examination priorities include reviewing the accuracy of disclosures, fee calculations and expense allocations, conflicts of interest and compliance with new rules — such as amendments to Form PF (see above).⁶⁴

⁶² *Australia's evolving capital markets: A discussion paper on the dynamics between public and private markets*, ASIC, 26 February 2025

⁶³ *APRA review highlights the need for improved valuation and liquidity risk governance in superannuation*, APRA, 17 December 2024

⁶⁴ *Fiscal Year 2025, Examination Priorities*, Division of Examinations, SEC, 21 October 2024



The retailization of private assets

Asset and wealth managers are moving quickly to assess how they can provide retail and high-net-worth clients with private assets exposure for the first time, with a strong emphasis on finding practical solutions that deliver good client outcomes.

The **EU's** European Long-Term Investment Fund (ELTIF) vehicle continues to grow in popularity following the Level 2 delegated regulation taking effect in October 2024, providing much needed clarity for firms.⁶⁵ **Luxembourg** remains the clear domicile of choice, with 63 percent of the ELTIF population, followed by **France** with 20 percent.⁶⁶ Some national fund vehicles (such as the **Luxembourg** UCI Part II vehicle) also remain popular — offering more flexible investment criteria than the ELTIF, but with more restricted distribution possibilities.

There have also been further developments in relation to the **UK's** Long-Term Asset Fund (LTAF) regime, first introduced in 2021, with distribution possibilities expanded in 2023. Most recently, the FCA made updates

to the Non-UCITS Retail Scheme (NURS) framework in relation to LTAFs.⁶⁷ These changes permit NURS to invest in LTAFs that hold more than 15 percent of their assets in underlying funds, making LTAFs more attractive for mainstream UK retail funds. Wider changes will permit LTAFs to be held in a more mainstream tax wrapper, potentially increasing their uptake.⁶⁸

Other jurisdictions are considering introducing retail private asset vehicles. In **Singapore**, the MAS has proposed a new framework: the Long-Term Investment Fund (LIF).⁶⁹ It consulted on the creation of two vehicles, a 'direct fund' that invests directly in private assets, and a

Long-Term Fund of Funds (LIFF) vehicle that would invest primarily in other private asset funds. The MAS is currently reviewing responses to the consultation before deciding on its next steps.

Canada's Ontario Securities Commission (OSC) is considering introducing the Ontario Long-Term Fund (OLTF).⁷⁰ The feedback to the Commission's consultation was mixed, so while the OSC continues to consider rulemaking to operationalize a new fund vehicle, its next focus will be on providing exemptive relief within existing frameworks to facilitate fund launches under its Long-Term Asset Fund Project.

Some national fund vehicles (such as the Luxembourg UCI Part II vehicle) also remain popular — **offering more flexible investment criteria than the ELTIF, but with more restricted distribution possibilities.**

⁶⁵ Commission Delegated Regulation (EU) 2024/2759 of 19 July 2024, EU, 25 October 2024

⁶⁶ ELTIF Register, ESMA, 20 June 2025

⁶⁷ Handbook Notice 125, FCA, 9 December 2024

⁶⁸ Financial services growth and competitiveness strategy, UK government, 15 July 2025

⁶⁹ Consultation Paper on Providing Retail Access to Private Market Investment Funds, MAS, 27 March 2025, Reproduced with the permission of the Monetary Authority of Singapore ©2025 The Monetary Authority of Singapore.

⁷⁰ OSC Staff Notice 81-738 — Next Steps Following OSC Consultation Paper 81-737, Ontario Securities Commission, 29 May 2025



In the **US**, the SEC has signaled plans to revisit existing restrictions on closed-ended funds investing in private assets.⁷¹ Potential changes would increase diversification opportunities for retail investors while addressing disclosure-related issues identified for registered closed-ended funds. However, some in the SEC have questioned whether these changes would be in retail investors' best interests.⁷²

More recently, an Executive Order⁷³ was issued that aims to enable retirement plans to better access alternative assets. The order directed the SEC to consider how it could facilitate access to these assets for DC retirement savings plans, and required the Department of Labor to review current guidance on a fiduciary's duties. It also clarified what would be captured within the scope of alternative assets – which includes private market investments.

In **Hong Kong (SAR), China**, the Securities and Futures Commission (SFC) released clarifying guidance on listing closed-ended alternative funds for the private equity industry.⁷⁴ It recapped distribution requirements, such as ensuring that intermediaries assess whether clients have knowledge of investing in alternative funds or assets before executing transactions for them.

Meanwhile in **France**, the Autorité des Marchés Financiers (AMF) updated its guidelines to help private equity funds improve their compliance with end-of-life liquidation deadlines and to provide better information to unitholders.⁷⁵ For example, private equity fund managers must now send the AMF half-yearly reports on the liquidation of these funds from the moment they begin winding up.



⁷¹ *Prepared Remarks Before SEC Speaks*, SEC, 19 May 2025

⁷² *A Reckless Game of Regulatory Jenga — Remarks at "SEC Speaks"*, SEC, 19 May 2025

⁷³ *Democratizing access to alternative assets for 401(k) investors*, The White House, 7 August 2025

⁷⁴ *SFC supports listing of alternative funds to broaden investor choice and bolster market development*, SFC, 17 February 2025

⁷⁵ *End of life of private equity funds: the AMF amends its General Regulation and policy*, AMF, 31 January 2025



Retail-focused private asset initiatives in selected jurisdictions

This table summarizes some of the ways that jurisdictions around the world are seeking to provide retail investors with exposure to private assets:

Jurisdiction	Vehicle	Status	Key characteristics or rules	Funds launched to date	Distribution possibilities
Canada (Province of Ontario)	Ontario Long-Term Fund (OLTIF)	Consultation	<ul style="list-style-type: none"> Fixed term or evergreen structure Required to hold between a minimum and maximum level of long-term assets 	N/A	If progressed, would only be available to Ontario investors
European Union	European Long-Term Investment Fund (ELTIF)	In force (2015), revised (2024)	<ul style="list-style-type: none"> Closed-ended, unless certain criteria are met Restrictions on eligible assets 	159*	Passport to retail investors across the EU
Luxembourg	UCI Part II	In force (2010)	<ul style="list-style-type: none"> No specific restrictions on eligible assets Must be authorized by the Commission de Surveillance du Secteur Financier (CSSF) May qualify to use the ELTIF label if criteria are met 	256**	Without the ELTIF label, may be marketed to professional investors, as well as retail or sophisticated investors, subject to individual countries' requirements
Singapore	Long-Term Investment Fund (LIF)	Consultation	<ul style="list-style-type: none"> Proposals for direct and fund of fund vehicles Feedback sought on a range of topics and considerations 	N/A	Retail investors; precise possibilities to be confirmed (depending on whether the product is complex or non-complex)
United States	Closed-ended registered funds	Existing restrictions may be relaxed for closed-ended funds that invest more than 15 percent of their assets in private funds	<ul style="list-style-type: none"> Currently, such funds must impose a minimum initial investment requirement (USD 25k). May only be sold to investors that satisfy the accredited investor standard. 	382***	May be distributed to accredited investors if the fund complies with the relevant restrictions
United Kingdom	Long-Term Asset Fund (LTAF)	In force (2021), distribution possibilities expanded (2023)	<ul style="list-style-type: none"> Open-ended Monthly valuation Minimum 90-day notice period 	31****	UK defined contribution pension schemes, SIPPs, and retail investors

* ELTIF Register, ESMA, June 2025

** Global situation of undertakings for collective investment at the end of September 2024, CSSF, 6 November 2024

*** ICI Research Perspective, Investment Company Institute, April 2025

**** LTAF Register, FCA, June 2025



Challenges associated with the retailization of private assets

As the policy landscape becomes more accommodating, fund managers will need to focus on strategic product structuring while addressing key challenges including:



Liquidity management: Being able to meet redemption requests without compromising the stability of the fund or harming investors.



Valuation: Requires robust policies, procedures, methodologies and overarching governance, challenge and scrutiny. It is also essential to develop workable solutions to address mismatches in valuation frequencies (e.g. monthly vs quarterly).



Distribution: Appropriately identifying the target market and controls to ensure there is no distribution outside of the target market. And identifying distribution partners in the wider ecosystem that have the capability to bring the product to retail investors.



Conduct risk: Addressing any potential conflicts of interest and ensuring that good customer outcomes are identified and monitored.



Tax: Assessing the impact of tax regulations associated with investors, the fund and the underlying investments.

Focusing on fund risk management

Following consultation, **IOSCO** published revised recommendations and implementation guidance on fund liquidity management and the use of liquidity management tools (LMTs),⁷⁶ concluding several years of work in collaboration with the Financial Stability Board (FSB). Despite industry pushback, IOSCO proceeded with its proposals for funds to be categorized as liquid, less liquid, or illiquid based on the liquidity of their underlying assets, resulting in a relatively prescriptive approach. IOSCO's members will now consider how they will adjust their regulatory frameworks to reflect these updates.

Ahead of IOSCO releasing its recommendations, ESMA published draft Regulatory Technical Standards (RTS) and final guidelines for **EU** asset managers on the use of LMTs, complementing the revised rules under the AIFMD II package that take effect from 16 April 2026.⁷⁷ The RTS and guidelines set out additional detail on the definition, activation and calibration of LMTs. Although broadly aligned with existing industry practice, many fund

managers' LMT frameworks will require uplifts and enhancements.

ESMA also issued advice to the Commission on the scope of assets that should be eligible for a UCITS fund.⁷⁸ It could ultimately result in changes that would require EU managers to do more analysis on listed securities before investing, and to 'look-through' certain assets to underlying assets that their performance relates to.

In the **US**, the SEC finalized new guidance on open-end fund liquidity management.⁷⁹ This covered the frequency of classifying the liquidity of fund investments, the meaning of 'cash' in the SEC's liquidity rule and actions for determining and reviewing highly liquid investment minimums. In the same package, the SEC also introduced amendments to portfolio-related reporting requirements under Form N-PORT. However, subsequently the SEC announced that these enhanced reporting requirements would be delayed by two years.⁸⁰ It is possible that amendments will be proposed during the extension period.

⁷⁶ *Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes*, IOSCO, 26 May 2025

⁷⁷ *ESMA publishes implementing rules on Liquidity Management Tools for funds*, ESMA, 15 April 2025

⁷⁸ *ESMA provides advice on eligible assets for UCITS*, ESMA, 26 June 2025

⁷⁹ *SEC Adopts Reporting Enhancements for Registered Investment Companies and Provides Guidance on Open-End Fund Liquidity Risk Management Programs*, SEC, 28 August 2024

⁸⁰ *SEC Extends Effective and Compliance Dates for Amendments to Investment Company Reporting Requirements*, SEC, 16 April 2025



The **Canadian** Securities Administrators completed a review of fund liquidity risk management arrangements over the course of 2024. Their findings are likely to influence their future policymaking on this topic.

In **Singapore**, the MAS has started work to improve the frequency and granularity of its data collection to better analyze potential liquidity and leverage risks in funds.⁸¹ Similarly, ESMA has launched a discussion

paper regarding the data to be collected from **EU** funds.⁸²

Beyond these topics, the **FSB** explored firms' preparedness to respond to margin calls⁸³ and also published policy recommendations to address risks associated with leverage in non-banks, including asset managers and their funds.⁸⁴ You can read more about wider efforts to enhance system-wide resilience in **chapter 5**.

IOSCO's recommended buckets for categorizing open-ended funds (OEFs)



OEFs that invest mainly in 'liquid' assets

- Daily dealing is appropriate
- Enhance liquidity management practices where needed
- Dilution expected to be too small to be material



OEFs that invest mainly in 'less liquid' assets

- Daily dealing may remain appropriate but anti-dilution LMTs needed
- Reduced redemption frequency or notice periods potentially needed



OEFs that allocate a significant portion to 'illiquid' assets

- Dealing frequency to be lower than daily or implement long notice periods
- Potentially structure as closed-ended

⁸¹ "Capital Markets Priorities in a Dynamic Landscape", MAS, 4 December 2024, Reproduced with the permission of the Monetary Authority of Singapore ©2025 The Monetary Authority of Singapore.

⁸² Discussion Paper on the integrated collection of funds' data, ESMA, 23 June 2025

⁸³ Liquidity Preparedness for Margin and Collateral Calls: Final report, FSB, 10 December 2024

⁸⁴ Leverage in Non-Bank Financial Intermediation: Final report, FSB, 9 July 2024





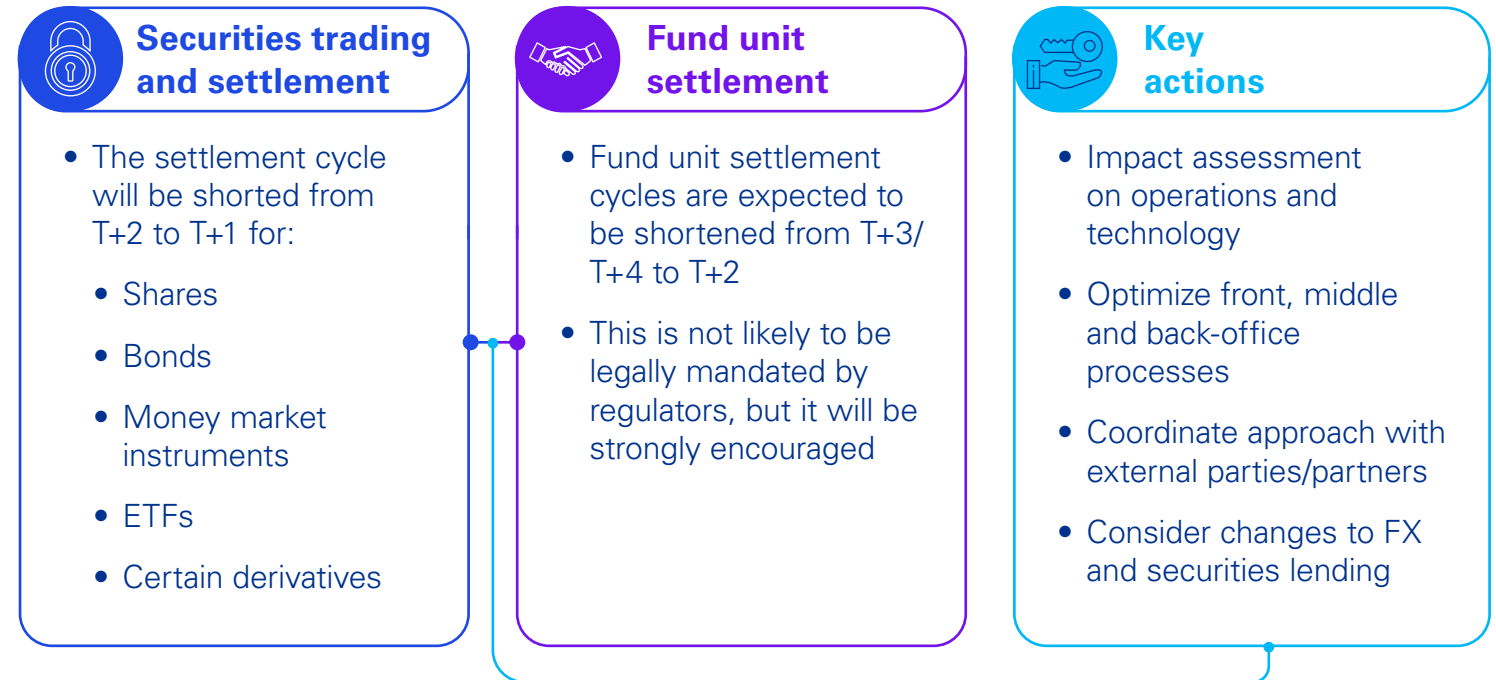
Transitioning to T+1 settlement

A successful transition to T+1 securities settlement took place in the **US** and **Canada** in May 2024. Some follow-up supervisory work is now expected, including plans by the SEC to evaluate broker-dealers' compliance with the revised rules, including across the allocation, confirmation and affirmation process.⁸⁵

Regulators across the **EU**, **Switzerland** and the **UK** are now preparing for the T+1 transition ahead of the European deadline of 11 October 2027.^{86, 87} These regulators are urging asset managers to begin putting the necessary arrangements in place, following a slow start by the industry. Political agreement on the required legislative changes has been reached in the EU,⁸⁸ while final industry recommendations are now being implemented in the UK.⁸⁹ The European transition has the potential to be more complex than the 2024 North American transition due to the greater number of regulators, currencies and securities depositories involved.

With many European funds currently settling on a T+3 basis, some fund managers will also need to consider the impact of the shortened securities settlement cycle on their fund unit settlement lifecycle. Regulators such as the UK's FCA have already welcomed industry proposals to move to T+2 fund settlement and stated that a 'strong justification' would be needed for exceptional cases where UK funds continue to settle T+3 after the 2027 deadline.⁹⁰

Work needs to start now on the European T+1 transition



⁸⁵ Fiscal Year 2025, Examination Priorities, Division of Examinations, SEC, 21 October 2024

⁸⁶ About T+1 settlement, FCA, 6 June 2025

⁸⁷ Commission proposes to shorten settlement cycle for EU securities from two days to one, European Commission, 12 February 2025

⁸⁸ Commission welcomes political agreement increasing efficiency of EU capital markets thanks to shorter settlement cycle for EU securities, European Commission, 19 June 2025

⁸⁹ UK Implementation Plan for first day of trading for T+1 settlement, The Accelerated Settlement Taskforce Technical Group, 6 February 2025

⁹⁰ FCA welcomes statement supporting faster settlement of trades in funds, FCA, 30 May 2025



Opportunities for asset managers



Product innovation: Consider how growing your private markets capability can support product diversification (including higher margin products), offsetting fee pressure in public market products and taking advantage of growing private market allocations by asset owners.



Enhanced liquidity risk management: With the final wave of international fund liquidity-related recommendations announced, consider how you might put in place a future-proof operating model and governance arrangements.



Efficient operating models: Revise your operating model to efficiently bring together your firm's public and private markets activities, with a focus on enabling functions such as risk and compliance to have coverage over all relevant risks.

Risks for asset managers



Insufficient capabilities: Assess what new skills and experience could be required in complex areas of private markets (such as valuation and liquidity management).



Poor outcomes: Identify and mitigate key risks for retail products, particularly in the context of defining the appropriate target market, the transparency of client disclosures and the robustness of liquidity management arrangements.



Risk and compliance maturity: Ensure that the risk and compliance function keeps pace with evolving regulatory expectations (for example, around private asset valuation), significant policy developments (such as the transition to T + 1) and product evolution (e.g. retail private asset exposure).



Expert's corner



Zeynep Meric-Smith

Partner

KPMG in the UK

Zeynep was asked to share insights on key considerations and leading practice for fund managers when assessing service providers to support their private asset 'democratization' ambitions.



When selecting service providers to support the launch and ongoing delivery of semi-liquid funds, fund managers can consider the following three key points:

1. Capabilities in supporting large volumes of investors and meeting their needs — including activities such as mass notice production and reporting services,
2. Ability to onboard new investor types at pace — e.g., digitized AML/KYC processes, and
3. Ability to support liquidity requirements — such as the ability to handle monthly redemptions.

Leading service providers are supporting managers through their ability to include distributors as a specific type/category of investor (as part of distributor oversight) in order to provide greater transparency over the full value-chain. Other leading providers can provide API connectivity with third parties such as the transfer agent or distributors seamlessly.

Many service providers are upgrading their technology and data architecture to support hybrid fund vehicles, often running parallel operating models. As the industry matures, we expect to see further development in dedicated platforms that minimize the dependency on manual intervention and increase scalability and efficiency in servicing these fund types."



03

Digital innovation and artificial intelligence

Summary

Regulatory approaches to AI are in flux, as authorities seek to find a balance between promoting innovation and ensuring that the potential risks of AI adoption are controlled — both in the asset management sector and beyond.

At the same time, the regulatory landscape for fund tokenization is being refined. Supervisors have continued to publish guidance aiming to provide sufficient clarity for tokenization to move from small pilots to mainstream adoption. This would unlock cost savings and reduce complexity for fund managers and their investors.

Digital assets are also experiencing something of a regulatory overhaul. Significant new policies have been rolled out globally and adjustments to frameworks or proposed approaches have been made, increasingly with one eye on growth and competitiveness.

Across these topics, the one commonality is regulatory divergence, which is likely to be particularly challenging for global asset managers, where AI tools and technology can be developed and deployed centrally at enterprise level. As such, it will be important to ensure that effective compliance frameworks are developed as AI and technology use cases are scaled up in the business, from portfolio management and advice, all the way through to customer experience and support.





Diverging approaches to AI regulation

Approaches to the regulation of AI continue to evolve around the world, with differing views and increasingly stark policy divergence emerging across jurisdictions. A joint report by KPMG International and the University of Melbourne found that 70 percent of surveyed individuals believed that AI regulation is necessary and only 43 percent believe that current laws are adequate.⁹¹

While regulators acknowledge the potential benefits associated with AI, there is tension in approaches between those seeking to set a gold standard with specific requirements around the use of AI, versus a reliance on the existing, technology-agnostic regulatory framework. It is worth noting that, where introduced to date, AI requirements have generally not been specific to financial services and do not override existing financial services rules and guidance.

Transformational AI use cases have yet to become mainstream in asset management. However, global financial services regulators continue to investigate potential financial stability impacts.

The **FSB** published its latest stock-take, finding that AI has the potential to amplify certain financial sector vulnerabilities.⁹² And the International Monetary Fund (**IMF**) noted that policy responses may be needed to address potential risks, for example, through enhanced data collection from firms such as hedge funds.⁹³ Individual central banks have flagged their own concerns, such as the potential for asset managers to take increasingly correlated positions, thereby amplifying shocks during times of stress.⁹⁴

IOSCO is leading securities regulators' efforts to identify potential issues, risks and challenges associated with AI use cases. Its latest report found that the most common asset management-related use cases are automated

advice, portfolio management and investment research.⁹⁵ In addition to IOSCO's consultation report, various regulators are launching surveys to gather information on the level of adoption of AI use cases in the financial services sector; ESMA and **EU** regulators' latest survey, for example, launched in June 2025.⁹⁶

Some jurisdictions are focusing on promoting AI innovation. Following an Executive Order in the **US** to remove barriers to the development of AI systems,⁹⁷ an AI action plan was launched with three pillars: innovation, infrastructure and international diplomacy and security.⁹⁸ Ahead of this, the SEC had already dropped plans to introduce a proposed rule on conflicts of interest associated with AI and predictive data analytics.⁹⁹

Approaches to the regulation of AI continue to evolve around the world, with differing views and increasingly stark policy divergence emerging across jurisdictions.

⁹¹ Gillespie, N., Lockey, S., Ward, T., Macdade, A., & Hased, G. (2025). *Trust, Attitudes and Use of Artificial Intelligence: A Global Study 2025*. The University of Melbourne and KPMG. DOI 10.26188/28822919

⁹² *The Financial Stability Implications of Artificial Intelligence*, FSB, 14 November 2024

⁹³ *Global Financial Stability Report*, IMF, 22 October 2024

⁹⁴ *Financial Stability in Focus: Artificial intelligence in the financial system*, Bank of England, 9 April 2025

⁹⁵ *Artificial Intelligence in Capital Markets: Use Cases, Risks, and Challenges*, IOSCO, 12 March 2025

⁹⁶ *AI Survey 2025*, EU Survey (on behalf of ESMA), 2 June 2025

⁹⁷ *Removing barriers to American leadership in artificial intelligence*, The White House, 23 January 2025

⁹⁸ *America's AI Action Plan*, The White House, 23 July 2025

⁹⁹ *SEC Proposes New Requirements to Address Risks to Investors From Conflicts of Interest Associated With the Use of Predictive Data Analytics by Broker-Dealers and Investment Advisers*, SEC, 26 July 2025



Conversely, in other cases the national and regional rollout of new policy has continued. Examples of new rules include:

- Some of the latest requirements within the **EU's** AI Act, which include certain prohibitions and AI literacy obligations, took effect on 2 February 2025. These were followed by the governance rules and obligations for the deployment of general-purpose AI (Gen AI) models on 2 August 2025. In addition, in July 2025, the Commission released a voluntary AI Code of Practice to help industry comply with the Gen AI rules.¹⁰⁰ The rules for high-risk AI systems (which are less likely to be relevant to asset managers) have an extended transition period until August 2027.¹⁰¹ However, the shape of the Act is likely to evolve in the face of significant industry resistance and the competitiveness agenda.
- EU member states are considering their own proposals too. **Sweden's** AI Commission, for example, presented proposals to the Swedish government on strengthening the development and use of AI.¹⁰²
- **Japan's** parliament has passed a bill on promoting the research, development and utilization of AI-related technologies.¹⁰³ Aspects of the bill focus on ethical considerations and ensuring necessary

protection for citizens. In addition, Japan's Financial Services Agency (FSA) published a discussion paper on promoting the utilization of AI in the financial services sector.¹⁰⁴ It provided an overview of current FS use cases and intends to use feedback gathered to refine its future policymaking.

- Meanwhile, **South Africa's** government has published a national policy framework on AI, setting out an approach to tap into AI's potential while mitigating risks, and facilitating the development of sector-specific strategies.¹⁰⁵ The framework could serve as the basis for creating an 'AI Act' in South Africa.

Financial services regulators are also providing more guidance to firms, including asset managers:

- In **Switzerland**, the Financial Market Supervisory Authority (FINMA) found that most firms are still in the early stages of AI development and that appropriate governance and risk management structures are still being established. It noted that its existing technology-neutral requirements apply in the context of AI. It expects firms to actively consider how the use of AI could impact their risk profile and then to align their governance, risk and control capabilities. Accordingly, new guidance on governance and risk management when using AI was issued.¹⁰⁶

Four key considerations can help accelerate asset managers' AI adoption:



¹⁰⁰ *General-Purpose AI Code of Practice now available*, European Commission, 10 July 2025

¹⁰¹ *AI Act*, European Commission, June 2025

¹⁰² *AI commission has presented proposals to the Government*, Government Offices of Sweden, 5 December 2024

¹⁰³ 議案審議経過情報 — 人工知能関連技術の研究開発及び活用の推進に関する法律案, House of Representatives of Japan, May 2025

¹⁰⁴ *Publication of AI Discussion Paper*, JFSA, 4 March 2025

¹⁰⁵ *South Africa National Artificial Intelligence Policy Framework*, Department of Communications and Digital Technologies

¹⁰⁶ *FINMA Guidance 08/2024*, FINMA, 18 December 2024



- In **Singapore**, the MAS published its observations from a thematic review on AI model risk management.¹⁰⁷ The paper focused on AI governance and oversight, AI identification, inventory management and risk materiality assessment, and AI development and deployment.
- In **Canada**, the CSA issued guidance and consulted on the use of AI in capital markets, aiming to balance innovation while addressing risks.¹⁰⁸ Notably, the CSA clarified that the guidance is based on existing securities laws and does not create new legal requirements for firms. Some regulators, such as the Ontario Securities Commission, plan to examine firms' compliance.¹⁰⁹ Some firms have sought to launch products where all investment decisions are made by an AI model. However, the CSA ultimately requires human portfolio managers to make final investment decisions.
- Similarly in **Australia**, the Chair of ASIC recently commented that firms should harness technological advances and use them for customers' and communities' benefit. However, customer trust is critical. According to the speech, regulators should for now rely on existing regulations because they are technology neutral and regulators will enforce them. However, it acknowledged there may be a need for more regulation in future.¹¹⁰

¹⁰⁷ *Artificial intelligence model risk management*, MAS, December 2024

¹⁰⁸ *Canadian Securities Administrators issue guidance and consult on use of AI systems in capital markets*, CSA, 5 December 2024

¹⁰⁹ *OSC Staff Notice 33-758 — Examination Priorities for the Registration, Inspections and Examinations Division*, OSC, 10 June 2025

¹¹⁰ "AI: A blueprint for better banking?", Keynote address by Joe Longo at the ABA Banking Conference in Sydney, ASIC, 23 July 2025

KPMG client stories

AI strategy and governance

KPMG firms have supported wealth and asset management clients in defining their AI strategy and developing their AI governance framework. Here are two recent examples:

AI strategy and roadmap

A KPMG member firm helped a wealth manager define its AI strategy and roadmap for the next two years.

Leveraging KPMG's 'Trusted AI' **framework**, the member firm also supported the client with the definition and prioritization of high-value use cases across its front, middle and back-office functions. This included the formation of potential approaches, comparison with peer activities, and coordination across business, data, operations and technology teams, as well as their strategic vendors.

This AI strategy will be the first step towards articulating how AI can support the business in attaining its corporate goals, primarily around creating competitive advantage through bespoke client service, increased productivity and cost optimization.

AI governance

A KPMG member firm worked closely with a global asset manager to design a governance model around how it deploys and uses AI in practice.

The goal was to build a model that aligns with leading market practice, the client's enterprise-level approach and local regulators' rules and expectations.

The project outputs included designing an AI governance operating model, defining roles and process steps, and modeling resource requirements, including the identification of resource and skills gaps.

The proposed model was socialized with wider stakeholders in the business, and an AI governance implementation roadmap was developed that included key milestones and dependencies. The outcome for the organization was that this approach enabled it to effectively and efficiently assess the risks of AI to enable rapid adoption and value realization as it digitizes the business.



Where jurisdictions have not yet rolled out new legislation or guidance, authorities continue to monitor developments and potential risks.

For example, a **UK** parliamentary committee launched a call for evidence on the impact of the increased use of AI, particularly to understand whether there are adequate safeguards in place to protect customers.¹¹¹ The UK's regulatory approach relies on existing regulatory frameworks such as the Senior Managers Regime and the Consumer Duty. A report by the Technology Working Group explored use cases for AI within the UK's asset management sector, as well as the barriers firms have or are anticipated to encounter in adopting AI.¹¹²

Regulators also continued to provide an environment for firms to experiment with AI use cases. In the **UK** for example, the FCA launched a 'Supercharged Sandbox' with NVIDIA to provide firms with more advanced computing power, tools and enhanced datasets.¹¹³ This was the latest addition to the FCA's AI Lab that aims to support the development of new AI models and solutions.¹¹⁴

The AI space is evolving rapidly, and individuals are continuously finding new ways to use AI to attract the attention of retail investors or even to defraud them. Read more on regulators' concerns in this context in **chapter 4**.

Some of the most exciting AI use cases for wealth and asset managers in the market include:



Portfolio optimization

Use of algorithms to analyze market data and trends to support risk analysis and create optimal investment portfolios.



Client onboarding

Support with analyzing large data sets from diverse sources to help analyze and evaluate potential AML and wider onboarding risks.



Disclosure production

AI can be used to consistently identify and extract essential information needed to produce client-facing material and disclosures.



Fraud detection

AI-supported client transaction monitoring and analysis can help reveal anomalies, triggering alerts and preventing harm.



Investment advice

Support suitability assessments, including the development of recommendations based on analysis of the client's goals and risk tolerance.



Market analysis

Analysis of news stories, social media posts and wider sources to gauge market sentiment and identify investment opportunities and risks.



Operational efficiency

Automation opportunities across all three lines of defense (e.g. support for back-office trade processing).



Client insights and support

Virtual assistants can enable the delivery of round-the-clock support, while AI tools can be used to personalize client interactions.

¹¹¹ *Use of AI in banking, pensions and other financial services to be subject of new inquiry by MPs*, UK Parliament, 3 February 2025

¹¹² *Technology Working Group publishes report on artificial intelligence*, HMT, 10 October 2024

¹¹³ *FCA allows firms to experiment with AI alongside NVIDIA*, FCA, 9 June 2025

¹¹⁴ *AI Lab*, FCA, 9 June 2025



Facilitating fund tokenization

As we noted in last year's *Evolving asset management regulation report*, the past few years have seen a raft of new guidance and initiatives focused on fund tokenization. Over the last year, regulators have continued their progress, exploring how tokenization can be facilitated in a manner that delivers good outcomes for investors.

IOSCO is coordinating efforts at an international level. It plans to continue to closely monitor developments in asset tokenization, recognizing its potential for growth and its implications on investor protection and market integrity.¹¹⁵

In a significant collaboration between industry and regulators, Project Guardian, led by the **Singapore MAS**, published a new report with a vision of how distributed ledger technology (DLT) can be used in asset management for fund tokenization.¹¹⁶ The paper discussed the standards needed to scale use cases, which should help align regulatory standards and act as a useful guide for fund managers when bringing tokenized funds to market. The report was welcomed by the **UK's FCA**, which contributed to the work.¹¹⁷

With **Singapore** having established itself as a leading jurisdiction for tokenization, the MAS announced plans to further support the commercialization of asset

tokenization to build on Project Guardian's work.¹¹⁸ This included forming commercial networks to deepen the liquidity of tokenized assets, developing an ecosystem of market infrastructures, fostering industry frameworks for implementation and enabling access to a common tokenized asset settlement facility.

The MAS also highlighted examples of industry solutions to automate fund subscription and redemption processes

and real-time digital currency hedging facilitated by tokenized money market fund (MMF) units, thereby reducing operational risks and costs.¹¹⁹

Elsewhere in the region, there is renewed focus in **Hong Kong (SAR), China** on facilitating fund tokenization in order to further develop the jurisdiction as a full-service asset and wealth management hub.



¹¹⁵ 2025 Work Program, IOSCO, March 2025

¹¹⁶ *Guardian Funds Framework*, MAS, 4 November 2024, Reproduced with the permission of the Monetary Authority of Singapore ©2025 The Monetary Authority of Singapore.

¹¹⁷ *FCA welcomes Project Guardian's first industry report on tokenisation*, FCA, 4 November 2024

¹¹⁸ *MAS Announces Plans to Support Commercialisation of Asset Tokenisation*, MAS, 4 November 2024

¹¹⁹ *Tokenisation in Financial Services: Pathways to Scale*, MAS, 4 November 2024, Reproduced with the permission of the Monetary Authority of Singapore ©2025 The Monetary Authority of Singapore.



European regulators are also clarifying their position:

- **Luxembourg** introduced the latest in a series of laws that aim to better integrate distributed ledger technology (DLT) into the financial legal framework.¹²⁰ Known as ‘Blockchain Law IV’, it permits the digital issuance of securities (including funds) using DLT, introduces a new role for a ‘control agent’ that is responsible for record keeping and secure information sharing, and the role of a ‘central account keeper’ who will safeguard units on behalf of investors. It is expected to facilitate the modernization of the transfer agency function and legacy infrastructure related to funds.

- In the **UK**, the FCA is planning to consult on guidance to further support fund tokenization initiatives in September 2025.¹²¹
- In **Malta**, the MFSA published a position paper on the tokenization of fund units, setting out the regulator’s position on fund tokenization and providing useful clarification statements for funds and their transfer agents.¹²²
- Similarly, the **Jersey Financial Services Commission** (JFSC) published a paper with new guidance on the tokenization of real-world assets, including funds.¹²³

Regulators in the Asia Pacific region are at the forefront of shaping the fund tokenization agenda globally. Initiatives like Singapore’s Project Guardian have been instrumental in setting the vision and articulating standards. Asset managers globally will want to watch Asia Pacific’s direction in this space carefully.”

Andrew Thompson

Asia Pacific Head of Asset Management

Regulating digital assets

The regulation of digital assets (cryptoassets) is largely beyond the scope of this report. However, it is worth noting that there has been a further flurry of regulatory activity this year with implications for asset managers as investors. There has also been an observable pivot in the stance of some regulators to acknowledge the growth and competitiveness agenda and to facilitate greater access to innovative products.

Some examples of new policy-related developments around digital assets include:

- The **EU** completed the rollout of its Markets in Crypto-Assets Regulation (MiCAR), which fully took effect on 30 December 2024, accompanied by several packages of additional standards and guidelines.¹²⁴ However, with the regime only just finalized, there are already discussions underway on ensuring that the regulation keeps pace with the rate of industry change and aligns with the competitiveness agenda.
- **Switzerland** as of January 2026 expects an extension of the international automatic exchange of information in tax matters (AEOI) to crypto assets. This aims to strengthen the tax transparency system by closing existing gaps and ensuring consistent treatment with traditional financial institutions and assets.¹²⁵

¹²⁰ Law of 20 December 2024 amending the law of 6 April 2013 on dematerialised securities and the law of 5 April 1993, Luxembourg parliament, 19 December 2024

¹²¹ Regulatory Initiatives Grid, FCA and other UK authorities, April 2025

¹²² Tokenisation of Fund Units — MFSA Position Paper, MFSA, 12 June 2025

¹²³ Tokenisation of real world assets (RWAs), JFSC, 28 August 2024

¹²⁴ Markets in Crypto-Assets Regulation (MiCA), ESMA, 2025

¹²⁵ Federal Council adopts dispatch on extending international automatic exchange of information in tax matters, Federal Council of Switzerland, 19 February 2025



- The **UK** is progressing its regulatory regime for digital assets with a raft of publications — starting with a draft legislative statutory instrument¹²⁶ and an FCA discussion paper on the shape of the regime.¹²⁷ The finalized regime is expected to be implemented by mid-2026 at the earliest. Separately, the FCA decided to permit the sale of Exchange-Traded Notes (ETNs) that reference digital assets to retail investors for the first time, aligning with practices already in place in other jurisdictions.¹²⁸ However, its ban on retail access to derivatives that reference digital assets will remain in place.
- In the **US**, the SEC formally withdrew proposed rules to expand the scope of its custody rule to cover any assets, beyond client funds and traditional securities.¹²⁹ In a change of tack, the SEC is considering an ‘innovation exemption’ that would allow firms to more easily bring on-chain products and services to market.¹³⁰ And several pieces of legislation have been progressed, for example, the GENIUS Act that will create a regulatory framework for stablecoins.¹³¹
- In the **UAE**, the Abu Dhabi Global Market Financial Services Regulatory Authority (FSRA) amended its rulebook, including the introduction of a product

intervention power for the regulator, and changes to expand the scope of investments in which venture capital funds may invest to include digital asset-related companies.¹³²

- In **Hong Kong (SAR), China**, the government introduced a new Stablecoins Bill to establish a licensing regime with new requirements for fiat-referenced stablecoin issuers.¹³³
- In the **Cayman Islands**, the act that governs digital assets was amended so that tokenized securities, including tokenized mutual and private funds, are excluded from it.¹³⁴ This had the effect of ensuring that these products were exclusively governed by existing regulatory requirements, such as the Mutual Funds Act. This development was welcomed by the industry, as it aligns with other jurisdictions’ approaches and provided legal certainty and investor clarity, particularly as it applied retrospectively to tokenized issuances prior to the updates taking effect.
- **Guernsey’s** regulator announced that managers may provide vehicles that offer investors the ability to invest indirectly in digital assets, if investors are well informed of the risks and are able to bear losses.¹³⁵ It provided further guidance on its expectations.



¹²⁶ *The Financial Services and Markets Act 2000 (Regulated Activities and Miscellaneous Provisions) (Cryptoassets) Order 2025*, HMT, April 2025

¹²⁷ *DP25/1: Regulating cryptoasset activities*, FCA, 2 May 2025

¹²⁸ *FCA to lift ban on crypto ETNs to support UK growth and competitiveness*, FCA, 6 June 2025

¹²⁹ *SEC Proposes Enhanced Safeguarding Rule for Registered Investment Advisers*, SEC, 15 February 2023

¹³⁰ *Remarks at the Crypto Task Force Roundtable on Decentralized Finance*, SEC, 9 June 2025

¹³¹ *S.1582 — GENIUS Act*, US Congress, 2025

¹³² *ADGM FSRA implements amendments to its Digital Asset Regulatory Framework*, ADGM, 10 June 2025

¹³³ *Government welcomes passage of the Stablecoins Bill*, copyright Hong Kong Monetary Authority, 21 May 2025

¹³⁴ *Amendments to the Virtual Asset (Service Providers) Act in Effect 1 April 2025*, Cayman Islands Monetary Authority, 1 April 2025

¹³⁵ *The Commission’s approach to crypto currency funds*, GFSC, 9 June 2025



Opportunities for asset managers



Efficiency: Continue to develop AI use cases across all three lines of defense. These could focus on cost efficiencies, reducing operational complexity, potentially freeing up time and resources to focus on value-adding activities, and growing AUM without expanding the existing headcount.



Pilots: Identify pilot regimes that can be trialed to explore the benefits of tokenization before rolling these out at scale, if successful.



Portfolio diversification: Explore the potential to add digital assets to portfolios alongside traditional instruments where it is in clients' best interests to do so, to increase portfolio diversification while appropriately managing risks.

Risks for asset managers



AI governance: Review your governance frameworks to ensure that AI use cases are developed appropriately within adequate safeguards.



AI disclosure: "AI washing" (overstating AI capabilities and integration in marketing materials) and "AI hushing" (understating the use of AI tools in a way that is misleading).



Tokenization ecosystems: Build successful partnerships across the service provider and distribution ecosystem to effectively deploy tokenization use cases.



Regulatory divergence: Leverage local experts that are deep in the detail, combined with a coherent global or regional approach to regulatory change management.



Experts' corner



Christian Guertler

Partner
KPMG in Luxembourg



Jean Christophe Cabilin

Partner
KPMG in Luxembourg

Christian and Jean Christophe were asked about the key regulatory considerations for managers in Luxembourg when it comes to tokenizing their funds.



Luxembourg very early on has been embracing Distributed Ledger Technology (DLT) as a key innovation to foster efficiency and resilience in financial markets.

Consequently, we have already observed managers tokenizing fund units using DLT in the context of traditional transfer agency (TA) arrangements.

The recently introduced Blockchain Law IV is now transforming the entire operating model via the following changes:

- The introduction of new regulatory roles:
 - 'Control Agents' managing issuance accounts (instead of TAs and the maintenance of fund registers)
 - 'Central Account Keepers' for the safe custody of fund tokens on clients' behalf
- Permission for EU MiFID firms to perform one or both roles
- DLT infrastructure connecting all stakeholders (via nodes)
- Instantaneously updated single source of truth
- Smart contracts to automatically execute cash settlements or fund events

This regulatory set-up helps to create a solid foundation for the fund industry in Luxembourg to successfully address upcoming challenges such as the transition to the T+1 settlement regime."



04 Protecting investors

Summary

Investor protection remains high on the regulatory agenda, with some regulators reprioritizing their resources to double down on this important topic.

Alongside the push for growth (discussed in **chapter 1**), many regulators globally have introduced or refined new conduct frameworks focused on delivering better outcomes for consumers. Where significant updates have already been introduced, the emphasis is now on supervision and embedding.

At the same time, regulators are also pulling other levers to enhance investor protection. These include accountability-related requirements as well as rules to promote robust governance and operational controls, leading to reduced conflicts of interest and improved oversight.

Efforts to reform disclosure requirements continue, with a focus on simplifying and modernizing the information provided to investors while reducing the regulatory burden on firms. In parallel, some regulators are exploring changes to how customers may receive advice, potentially enabling firms to reach a broader customer base more easily and efficiently.

Protecting vulnerable customers remains a key priority, while improving financial literacy and preventing scams is becoming increasingly important with multiple Initiatives underway focused on raising investor awareness and promoting financial education.





Expanding conduct frameworks

Around the world, the development, implementation and embedding of conduct frameworks continues, albeit tempered by the need to find the right balance with the new competitiveness agenda. While some new investor protection frameworks are being introduced, much of the emphasis is on refining or embedding existing measures. For asset managers, this presents challenges around where guardrails should be drawn in terms of potentially loosening their internal risk appetite and controls.

The development of the **EU's** Retail Investment Strategy (RIS) has been further delayed and the outcome of negotiations between the EU authorities remains uncertain.¹³⁶ Discussions have now shifted to focus on simplifying the original proposals, particularly in the context of related initiatives such as the EU's Savings and Investments Union which aims to boost retail investment (see **chapter 1**). Further negotiations over the remainder of 2025 will determine which, if any, new requirements will be introduced.

New requirements have been introduced in **Ireland** via updates to the Consumer Protection Code (CPC),¹³⁷ comprised of new standards and consumer protection regulations. There is a significant new emphasis on securing

customers' interests and the outcomes that firms deliver, with the updates resulting in additions to the CPC in several areas. With a compliance deadline of 24 March 2026, impacted firms should already have begun working on the required changes.

Aspects of Ireland's CPC resemble the **UK's** Consumer Duty, introduced in July 2023.¹³⁸ While firms continue to embed the framework, the FCA's ongoing supervisory activities (touching on fair value, board reporting, treatment of vulnerable customers and outcomes testing) illustrate there is room for improvement. However, more recent supervisory communications indicate a more proportionate supervisory stance, focused on highlighting good practice and areas for improvement. And the FCA has moved to streamline retail rules outside of the Duty that may have led to duplication or unnecessary burdens for firms.¹³⁹

In **South Africa** work continues to prepare for the implementation of the Conduct of Financial Institutions (COFI) Bill, which will introduce an outcomes-based approach across all financial institutions. The Financial Sector Conduct Authority's (FSCA) preparations involve further developing the regulatory framework, and updating licensing and supervisory approaches to align them with the Bill's principles and the extension of the regulatory perimeter.¹⁴⁰

¹³⁶ *Retail Investment Strategy*, European Commission, 24 May 2023

¹³⁷ *Consumer Protection Code*, CBI, 24 Mar 2025

¹³⁸ *PS 22/9: A new Consumer Duty*, FCA, 31 July 2023

¹³⁹ *Feedback Statement FS 25/2*, FCA, 25 March 2025

¹⁴⁰ *Regulatory Strategy for 2025 — 2028*, FSCA, 6 May 2025



New measures are also targeting improvements in specific areas. For example:

- In **Singapore**, the MAS's guidelines on fund managers' conduct have been amended to include a new annex with examples on mitigating conflicts, of interest.¹⁴¹ The good practice examples do not set new expectations but their inclusion in the guidance highlights the MAS's focus on investor protection.
- Conflicts of interest management and customer disclosures form part of a recent FINMA circular which clarifies the intention of the rules of conduct, introduced under the Financial Services Act (FinSA) in **Switzerland**.¹⁴²
- In **Japan**, proposals for asset management product governance rules for the asset management sector are still under consideration. As part of the government's work to promote Japan as a leading asset management center,¹⁴³ the rules will be designed to ensure products meet the needs of investors.
- The CSRC has issued an action plan to drive reforms in **China's** retail fund framework.¹⁴⁴ The plan includes elements to strengthen the alignment of interests

between fund managers and investors, reduce costs for investors, revamp performance measures, and improve remuneration structures.

- In **Australia**, APRA issued a publication on superannuation fund expenditure, focused on increasing transparency.¹⁴⁵ Concerns about superannuation fund expenditure have resulted in intensified supervisory attention, with APRA observing a number of deficient practices.¹⁴⁶ It will use the transparency data to inform further supervisory activity.

Clarifying accountability

Alongside conduct, several jurisdictions continue to consider the appropriate calibration of accountability requirements and wider rules to ensure robust governance and controls.

In **Switzerland**, the Federal Council has proposed establishing a new accountability regime.¹⁴⁷ As part of the package, banks' senior management responsibilities would need to be more clearly allocated, and FINMA would be granted new intervention powers. Although the focus is currently on systemically important banks, FINMA has stated that other regulated firms should potentially be included in the regime.¹⁴⁸

Around the world, the development, implementation and embedding of conduct frameworks continues, albeit tempered by the need to find the **right balance with the new competitiveness agenda.**

¹⁴¹ *Licensing and Conduct of Business for Fund Management Companies [SFA 04-G05]*, MAS, 13 Jan 2025, Reproduced with the permission of the Monetary Authority of Singapore ©2025 The Monetary Authority of Singapore.

¹⁴² *Rules of conduct under the FinSA*, FINMA, 22 Nov 2024

¹⁴³ *Policy Plan for Promoting Japan as a Leading Asset Management Center*, FSA, 27 Jun 2025

¹⁴⁴ 关于印发《推动公募基金高质量发展行动方案》的通知, CSRC, 7 May 2025

¹⁴⁵ *Transparency of super fund expenses*, APRA, 22 Oct 2024

¹⁴⁶ *APRA intensifying supervision of fund level expenditure*, APRA, 22 October 2024

¹⁴⁷ *FINMA welcomes the Federal Council's proposed measures on banking stability*, FINMA, 6 June 2025

¹⁴⁸ *Strengthening individual responsibility: the Swiss accountability regime*, FINMA, June 2025



Having already introduced a Senior Managers and Certification Regime (SM&CR) for asset managers in 2019, the **UK** authorities are consulting on improving and streamlining the regime's requirements in two phases, aiming to enhance its effectiveness while improving its international competitiveness. While the FCA's consultation aims to reduce burdens and provide more clarity in the short term,¹⁴⁹ the government is consulting on medium-term changes, which would include removing

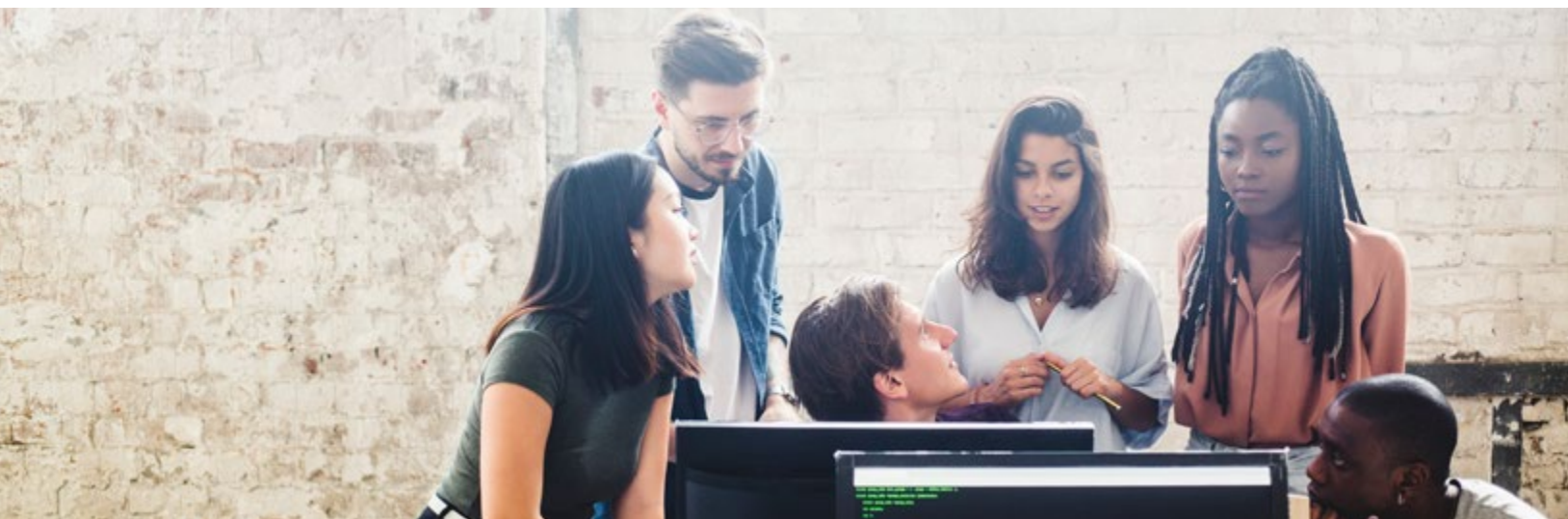
the certification regime so that it can be replaced with a more proportionate approach.¹⁵⁰

In **Australia**, the Financial Accountability Regime was extended from banking to superannuation trustees (and insurers) in March 2025.¹⁵¹ With initial implementation complete, these firms are refining their 'reasonable steps' frameworks to ensure senior management receives the appropriate information to discharge their duties.

Strengthening governance, culture and controls

Beyond accountability, there are broader initiatives to strengthen governance and controls:

- International standard setters are consulting on changes to auditor independence requirements for collective investment vehicles and pension funds, with the aim of ensuring they remain robust and maintain confidence in financial reporting.¹⁵²
- A new licensing and supervisory framework for fund administration companies has been introduced in **Cyprus**, enhancing investor protection and aligning Cyprus with international best practice.¹⁵³ For the first time, fund administrators will be required to obtain a license from the regulator and comply with governance, capital adequacy, professional indemnity insurance, and anti-money laundering (AML) standards. Once the new law enters into force, administration providers will have a two-year transitional period to comply.
- In **France**, the AMF reviewed UCITS managers' investment-related controls.¹⁵⁴ It found anomalies in ratio and breach monitoring, and called for greater oversight of regulatory reporting, including on data quality.



¹⁴⁹ CP25/21: *Senior Managers and Certification Regime review*, FCA, 15 July 2025

¹⁵⁰ *Reforming the Senior Managers & Certification Regime*, HMT, 15 July 2025

¹⁵¹ *Financial Accountability Regime*, APRA, March 2025

¹⁵² *Collective Investment Vehicles and Pension Funds — Auditor Independence*, The International Ethics Standards Board for Accountants (IESBA), March 2025

¹⁵³ *Investment Funds Administrators Law, L.101(I)/2025*, Cyprus

¹⁵⁴ *Summary of SPOT inspections on the monitoring of funds (UCITS, AIF) investment ratios, and of related compensation and claims*, AMF, 19 February 2025



- The **UK** Financial Reporting Council's (FRC) revised Corporate Code has taken effect for public companies, increasing transparency and accountability, and enhancing internal control frameworks, specifically around the definition of 'material' controls.¹⁵⁵ Some private companies, including asset managers, are considering implementing aspects of the changes as best practice.
- Another new **UK** initiative aims to improve firms' culture. The FCA aligned the rules for asset managers on non-financial misconduct with existing rules for banks. This should help increase consistency and make it clearer when non-financial misconduct breaches the FCA's rules.¹⁵⁶
- Later this year in **Luxembourg** the CSSF is expected to propose updates to guidance on the regulatory framework for investment fund managers.¹⁵⁷ These will ensure the framework remains responsive to evolving industry practices and technological developments while enhancing investor protection. Expected updates include increasing the minimum conducting officers required, adjusting incompatibility rules (to ensure appropriate segregation of duties), clarifying the delegated oversight framework and introducing new sections on emerging topics such as AI.

More broadly, ESMA has launched a review alongside EU regulators on the adequacy of fund managers' compliance and internal audit functions.¹⁵⁸ The findings are expected in 2026.

Modernizing disclosures

Regulators continue to consider how to achieve the optimal level of disclosure for investors without adding excessive new compliance burdens on firms.

In the **UK**, the regulator is revamping retail investment disclosures as part of efforts to modernize and improve the framework that was inherited from the EU. The FCA is proposing a new 'Consumer Composite Investment' framework with what it hopes are simpler and more flexible requirements better suited to the digital age.^{159,160} Final rules are expected by the end of 2025.

Separately, the FCA is streamlining the information fund managers need to publish in relation to their annual assessment of value process. Rather than producing a detailed report with reference to specific criteria (as currently required), fund managers will be able to disclose a higher-level summary of their findings alongside any remedial action required.¹⁶¹

Regulators want to encourage growth in the industry, but not by adding undue risk to investors. While a lot of the action in relation to new rules and guidance is taking place in Europe, authorities in North America continue to focus on investor protection, and in some cases are reprioritizing their resource to ensure it receives sufficient attention. Overall, asset managers can therefore expect to see an uptick in regulatory expectations around this important topic."

Greg Williams

Americas Region Asset Management Lead

¹⁵⁵ *UK Corporate Governance Code 2024*, FRC, 22 January 2024

¹⁵⁶ *CP25/18: Tackling non-financial misconduct in financial services*, FCA, 2 July 2025

¹⁵⁷ *Circular CSSF 18/698*, CSSF, 23 August 2023

¹⁵⁸ *ESMA launches a Common Supervisory Action with NCAs on Compliance and Internal Audit Functions*, ESMA, 14 February 2025

¹⁵⁹ *CP24/30: A new product information framework for Consumer Composite Investments*, FCA, 19 December 2024

¹⁶⁰ *CP25/9: Further proposals on product information for Consumer Composite Investments*, FCA, 16 April 2025

¹⁶¹ *CP25/16: Quarterly Consultation Paper*, FCA, 6 June 2025



Similar efforts to streamline and modernize disclosures are at various stages in **Canada**. The CSA have simplified their prospectus filing model for investment funds, reducing the administrative burden. Prospectuses now only need to be filed once every two years rather than annually.¹⁶²

In addition, the CSA have put forward amendments to modernize the ongoing disclosure regime for investment funds, aiming to provide investors with more focused and valuable information while reducing the regulatory burden.¹⁶³ Additional proposals would provide exemptions from certain conflict of interest reporting requirements and eliminate unnecessary disclosures from funds' financial statements. And some final rules are taking effect. The CSAs' rules on total cost reporting are expected to take effect from January 2026, requiring funds and mandates to prepare enhanced annual reports for clients to show overall costs incurred in percentage and dollar terms.¹⁶⁴

Measures to simplify and modernize retail disclosures are also a key element of the **EU's** RIS. As noted above, ongoing negotiations are considering whether the current format can be simplified and made more decision-useful.

In **Switzerland**, the amendment of the collective investment schemes ordinance (CISO) introduced new disclosure provisions for Exchange Traded Funds (ETF). Special provisions have been created for foreign ETFs, according to which the assessment of whether a fund classifies as an ETF may be performed on a share class level. The provisions introduced are widely aligned with MiFID II and the ESMA guidelines.¹⁶⁵

In **Brazil**, the CVM has taken significant steps to strengthen the regulation and supervision of investment funds to align its market with international practices, introducing a new regulatory framework for investment funds, which includes measures on fee transparency (Resolution 175¹⁶⁶). These transparency requirements are now in effect and require separate disclosure of administration, management and distribution fees in fund documents.

Making advice accessible

In one of the most significant changes for the provision of advice in the **UK**, the FCA consulted on the introduction of a new regime — 'targeted support' — in relation to retail investments and pensions.¹⁶⁷

The new regime would provide individuals with a middle ground between taking regulated advice or simply relying on information and generic guidance. It will also allow UK firms to better indicate suggested actions for their clients to consider. These changes have the potential to be transformational for the industry and for consumers who may not be able to access or afford advice today. Looking ahead, the FCA will consult on changes to client categorization later this year, and simplifying and consolidating its wider rules on advice in 2026.

In another welcome development for the UK advice industry, the FCA concluded its supervisory review into charges associated with ongoing advice services, with the findings less worrying than many had feared.¹⁶⁸ It found that financial advisers were delivering suitability reviews in the vast majority of cases. However, advisers are still expected to review the FCA's findings and act where needed.

¹⁶² *Canadian securities regulators reduce regulatory burden for investment funds in continuous distribution* — Canadian Securities Administrators, CSA, 28 November 2024, Reproduced with the permission of Autorités canadiennes en valeurs mobilières/Canadian Securities Administrators, 2025

¹⁶³ *Canadian Securities Administrators Propose Amendments to Modernize Continuous Disclosure Regime for Investment Funds* — Canadian Securities Administrators, CSA, 19 September 2024

¹⁶⁴ *Canadian financial regulators enhance cost reporting requirements for investment funds and individual segregated fund contracts*, CSA, 20 April 2023

¹⁶⁵ *Änderung der Kollektivanlagenverordnung (Limited Qualified Investor Fund, L-QIF)*, Federal Council of Switzerland, 31 January 2024

¹⁶⁶ *Resolução CVM 175*, CVM, 23 December 2022

¹⁶⁷ *CP25/17: Supporting consumers' pensions and investment decisions: proposals for targeted support*, FCA, 30 June 2025

¹⁶⁸ *Ongoing financial advice services*, FCA, 24 February 2025



Retail conduct risks and considerations

Conduct risks are not linear and discrete. They are inherently interconnected but are driven by firms' underlying culture and are mitigated by robust oversight, controls and governance.



Supporting vulnerable customers

Vulnerable customers remain high on the regulatory agenda in several jurisdictions. In the **UK**, a recent FCA review highlighted deficiencies in outcomes monitoring and the consideration of vulnerable customers' needs during the product and service design phase.¹⁶⁹

In **Australia**, ASIC made 34 recommendations to superannuation trustees following its report into death benefit claims.¹⁷⁰ The review identified several issues, including excessive delays, poor customer service and ineffective claims handling procedures. Areas for firms to act on include vulnerable customer policies and procedures, the clarity of customer communication, the effective oversight of service providers and claims and complaints handling.

The **Cayman Islands** Monetary Authority (CIMA) also provided further guidance on complaints handling.¹⁷¹ In its latest circular, it set out how effective complaints handling should be embedded in firms' procedures.

Promoting financial literacy

The vulnerability of retail investors to increasingly sophisticated fraud and scams and the rising influence of social media has leapt up the regulatory agenda, triggering regulatory action to raise investor awareness and promote financial literacy initiatives.

IOSCO published a roadmap for online retail investor safety, aiming to safeguard retail investors worldwide from fraud, excessive risk and misconduct.¹⁷² Five phases of targeted actions are planned over the next 12 months, with initial work focusing on potential risks associated with 'finfluencers'. In addition, IOSCO launched a new warning system to provide alerts about unauthorized firms.¹⁷³

¹⁶⁹ *Firms' treatment of customers in vulnerable circumstances — review*, FCA, 7 March 2025

¹⁷⁰ *Taking ownership of death benefits: How trustees can deliver outcomes Australians deserve*, ASIC, 31 March 2025

¹⁷¹ *Complaints-handling and Regulatory Expectations*, CIMA, 23 October 2024

¹⁷² *IOSCO Roadmap to Retail Investor Online Safety*, IOSCO, November 2024

¹⁷³ *International Securities & Commodities Alerts Network (I-SCAN)*, IOSCO, 20 March 2025



There has also been noteworthy international cooperation to address illegal financial promotions by finfluencers. Nine regulators from **Australia, Canada, Hong Kong (SAR), China, Italy**, and the **UAE**, led by the **UK's FCA**, took part in a week of action against unlawful finfluencers, using a combination of tools and interventions to protect investors from misleading content. In Australia, ASIC's action resulted in 18 warning notices issued to finfluencers,¹⁷⁴ while the FCA's action included criminal proceedings against three individuals and 50 warning alerts.¹⁷⁵

The promotion of financial literacy and the prevention of harm are key priorities around the world:

- In **South Africa**, the FSCA has put the promotion of financial literacy and the capability of customers at the core of its mandate. It has used various channels to engage retail investors and is investing in school-based financial education initiatives.¹⁷⁶
- Several **EU** initiatives are underway. ESMA recently sought input on how retail investors experience key aspects of the investment process and whether

regulatory requirements support or hinder their engagement with capital markets, especially in a digitalized investment environment.¹⁷⁷ In addition, ESMA wrote to social media platforms to encourage them to take proactive steps to prevent scams targeting retail investors¹⁷⁸ and published key considerations for investors when using AI.¹⁷⁹

- At EU member state level, **Sweden's** Finansinspektionen (FI) issued a warning about the use of AI for investment advice after an FI survey found that one in three people in their 20s would ask AI for advice on how to invest their money.¹⁸⁰
- A lack of financial literacy in the **UK** is seen as a barrier to consumers making informed decisions and building long-term wealth. A joint PIMFA, UK Finance and KPMG in the UK report called on the government to embed financial education into the school curriculum and develop financial literacy initiatives for adults.¹⁸¹ An industry-led campaign is now being launched to help explain the benefits of investing to retail investors.¹⁸²

- In **Australia**, superannuation funds are being encouraged to better engage millennial members with their pension.¹⁸³ This need has been identified after research from ASIC's Moneysmart program revealed that millennials are less engaged with their pension compared to previous generations.

In some cases, specific departments are being set up to better protect retail investors in a digital world. In the **US**, the SEC founded a new Cyber and Emerging Technologies Unit (CETU) to combat cyber-related misconduct and to protect retail investors from bad actors in the emerging technologies space.¹⁸⁴ And **Spain's** CNMV plans to establish a department for Retail Investor Protection and Financial Education.¹⁸⁵

Several EU initiatives are underway. ESMA recently sought input on how retail investors experience key aspects of the investment process and whether regulatory requirements support or hinder their engagement with capital markets, especially in a digitalized investment environment.

¹⁷⁴ ASIC cracks down on unlawful finfluencers in global push against misconduct, ASIC, 12 June 2025

¹⁷⁵ FCA leads international crackdown on illegal finfluencers, FCA, 6 June 2025

¹⁷⁶ FSCA regulatory strategy 2025-2028, FSCA, 6 May 2025

¹⁷⁷ Call for evidence on the retail investor journey: understanding retail participation in capital markets, ESMA, 21 May 2025

¹⁷⁸ ESMA urges social media companies to tackle unauthorised financial ads, ESMA, 28 May 2025

¹⁷⁹ Using Artificial Intelligence for Investing: What you should consider, ESMA, 2025

¹⁸⁰ Lita inte blint på AI-råd när du investerar, FI, 25 March 2025

¹⁸¹ UK Private Banking and Wealth Management: Harnessing the Sector to Deliver Economic Growth, KPMG in the UK, PIMFA, UK Finance, May 2025

¹⁸² Leeds Reforms to rewire financial system, boost investment and create skilled jobs across UK, HMT, 15 July 2025

¹⁸³ ASIC's Moneysmart calls on super funds to better engage millennials following findings from industry roundtable, ASIC, 2 September 2024

¹⁸⁴ SEC Announces Cyber and Emerging Technologies Unit to Protect Retail Investors, SEC, 20 February 2025

¹⁸⁵ 2025 Activity Plan, CNMV, 26 February 2025



Opportunities for asset managers



Commercial upsides: The full implementation of conduct frameworks can encourage a more customer-centric culture, which can bolster a firm's reputation and help better attract and retain clients.



Proposition review: Firms can fundamentally revisit the products and services they provide to re-evaluate whether they continue to meet customers' needs and demands.



Good governance: Properly assigning accountability and governance responsibilities can improve firms' culture and control environment, thereby reducing the potential for conduct-related issues and regulatory sanction.

Risks for asset managers



Beyond compliance: Taking a 'tick-box' approach to implementation, rather than more holistically monitoring the outcomes delivered to clients, will likely create new risks for firms.



Vulnerable customers: With regulatory scrutiny firmly focused on the treatment of vulnerable customers and complaint handling, firms may require additional training for staff.



Value for money: Ensure relevant reviews fully assess the benefits and costs of products before distribution to customers so as to form a confident view on whether they provide fair value.



Expert's corner



Yvonne Kelleher

Managing Director,
Risk Consulting
KPMG in Ireland

Yvonne was asked to share insights on how asset managers in Ireland are preparing for updates made to the Consumer Protection Code.



Ahead of the new Consumer Protection Code (CPC) coming into force in Ireland in March 2026, asset managers here are proactively transforming their business models to align with heightened regulatory expectations and evolving client needs.

Three key focus areas are shaping the industry's response and preparations:

- 1. Client understanding and suitability:** Asset managers are enhancing data collection and suitability assessments, further embedding ESG and sustainability preferences, and ensuring processes support robust record-keeping. A client-centric approach, coupled with transparency are key to building trust and long-term value.
- 2. Vulnerable consumer support:** The CPC's focus on vulnerable consumers is driving firms to formalize policies, deliver targeted staff training, and improve communication. This aligns with a broader industry emphasis on inclusive service and responsible growth.
- 3. Digital enablement and communication:** Firms are investing in user-friendly digital platforms and clear, accessible communications, helping ensure that clients are empowered and informed at every touchpoint.

By embracing these changes, asset managers can not only achieve regulatory compliance but also differentiate their offerings through operational excellence, digital innovation, and a culture of consumer protection, building resilience and trust in a rapidly changing market."



05

Firm and system resilience

Summary

Resilience is an increasingly multi-faceted topic that captures a variety of vulnerabilities that could impact on asset managers, their clients and the wider financial system. In response, and recognizing that the threat landscape is becoming more complex, regulators continue to raise the bar in some areas.

While financial resilience continues to be a hot topic, prudential frameworks for asset managers are entering a period of stability around the world. Changes introduced have tended to be minor and aimed at simplifying existing rules without diluting their effect. Regulators are also increasingly looking to system-wide stress testing to identify potential new vulnerabilities.

Since last year's report, significant new operational resilience requirements have been introduced. Embedding and operationalizing new frameworks, including ensuring that resilience is prioritized in firms' business strategies and outsourcing arrangements, is now the top area of focus.

Combating financial crime remains essential for maintaining regulators' trust and market integrity. As some regulators reorganize their approach to supervision, enforcement action underlines the importance of getting compliance in this area right.





Maintaining financial resilience

Prudential frameworks for wealth and asset managers have largely remained stable around the world over the past year.

Where there have been changes, most have been relatively minor proposals for simplification and consolidation of the rules, such as the **UK** FCA's proposals on the definition of capital.¹⁸⁶ However, there have also been some more substantial changes in jurisdictions including **Australia**, where APRA has updated its prudential requirements for superannuation trustees to make it easier for them to access financial resources held as part of their operational resilience requirements.¹⁸⁷

Alongside efforts to enhance fund managers' liquidity management arrangements and private asset valuation practices (see **chapter 2**), authorities continue to consider how the overall ecosystem could be stress tested from a macroprudential perspective. Potential interconnections and interdependencies in the system are of increasing interest to authorities, particularly in the context of geopolitical tensions, economic pressures and rapid digitalization.

IOSCO plans to initiate discussions among international securities supervisors to share insights on system-wide stress testing methodologies and exercises with a view towards enhancing collective expertise.¹⁸⁸

Some jurisdictions (such as the **UK**) have already evaluated how the wider financial services industry would respond to a hypothetical market shock.¹⁸⁹ The **EU** has consulted on the adequacy of macroprudential tools for non-banks, with ESMA noting its support for the development of a system-wide stress testing framework.¹⁹⁰ While both initiatives aim

to help with the identification of potential risks, their findings are likely to influence future policymaking.

Regulators are also monitoring certain specific vulnerabilities closely. For example, the **FSB** has been paying particular attention to liquidity mismatch, leverage and valuation opacity in REITs and property funds.¹⁹¹ The FSB's latest analysis flagged the potential for shocks in the real estate investment sector to spill over into other sectors, such as banking.



¹⁸⁶ CP25/10: Definition of capital for FCA investment firms, FCA, 24 April 2025

¹⁸⁷ APRA amends operational risk financial requirements for superannuation trustees, APRA, 24 October 2024

¹⁸⁸ 2025 Work Program, IOSCO, 12 March 2025

¹⁸⁹ The Bank of England's system-wide exploratory scenario exercise final report, Bank of England, 29 November 2024

¹⁹⁰ ESMA responds to the European Commission consultation on Non-Bank Financial Intermediation (NBFII), ESMA, 22 November 2024

¹⁹¹ FSB examines vulnerabilities in non-bank commercial real estate (CRE) investors, FSB, 19 June 2025



Strengthening operational resilience

Around the world, significant new packages of operational resilience-related requirements have been finalized and taken effect. Yet while regulators' objectives' may be converging, the variety of new requirements has increased divergence around the world in terms of the detail.

For asset managers, focus is now firmly on embedding the new rules and completing the process of fully transitioning project implementation teams into the business. Firms are also prioritizing efforts to ensure that resilience is a fundamental design component when it comes to business strategy, transformation or change activities, and end-to-end supply chain considerations.

The **EU's** Digital Operational Resilience Act (DORA) took effect on 17 January 2025.¹⁹² A December 2024 statement by the European Supervisory Authorities (ESAs) called on firms to step up their preparations. It highlighted that there was no transition period for DORA implementation and demanded that firms address gaps between their approach and the DORA requirements in a timely manner.¹⁹³

Regulators in member states took the opportunity to remind firms about their expectations. For example, in **Poland**, the Komisja Nadzoru Finansowego (KNF) released guidance, emphasizing that fund management companies and transfer agents need to have appropriate risk management in place to comply with the regulation.¹⁹⁴

In **Australia**, APRA's new prudential standard (effective from July 2025) aims to ensure that superannuation trustees (as well as banks and insurers) are resilient to operational risk and service disruption.¹⁹⁵ Similarly, the **UK** FCA's requirements (fully effective 31 March 2025) require in-scope asset managers to define their most important business services, set impact tolerances and carry out corresponding mapping and testing to demonstrate that they can remain within them.¹⁹⁶ And in **Switzerland**, FINMA released new guidance on operational risk management.¹⁹⁷

In **Singapore**, the MAS plans to update its technology risk management requirements to incorporate insights from recent major IT incidents. It will look to enhance standards across the financial sector, starting with a consultation later this year.¹⁹⁸

For asset managers, focus is now firmly on embedding the new rules and completing the process of fully transitioning
project implementation teams into the business.

¹⁹² Regulation (EU) 2022/2554 of the European Parliament and of the Council, EU-Lex, 27 December 2022

¹⁹³ DORA application, ESMA, 4 December 2024

¹⁹⁴ The position of the Polish Financial Supervision Authority regarding the application of the DORA Regulation by investment fund managers and ASI managers, KNF, 7 February 2025

¹⁹⁵ APRA's new prudential standard on operational risk management comes into force, APRA, 1 July 2025

¹⁹⁶ PS21/3: Building operational resilience, FCA, 31 March 2022

¹⁹⁷ FINMA Guidance 04/2024, FINMA, 12 June 2024

¹⁹⁸ Capital Markets Priorities in a Dynamic Landscape, MAS, 4 December 2024, Reproduced with the permission of the Monetary Authority of Singapore ©2025 The Monetary Authority of Singapore.



Luxembourg's CSSF is also considering amending its existing risk management requirements.¹⁹⁹ Potential updates could broaden the remit of the risk management function to focus more on non-financial risks. More explicit guidelines are expected to touch on a variety of topics, including ICT risks.

However, other regulators have stepped back from introducing new resilience-related requirements for asset managers and advisers. In the **US**, for example, the SEC has withdrawn proposals for new rules on cybersecurity risk management²⁰⁰ and outsourcing.²⁰¹

Outsourcing and third-party oversight is becoming a more important priority in some jurisdictions. To complement DORA and promote supervisory convergence in the EU, ESMA published principles on third-party supervision, with a focus on the outsourcing of critical activities.²⁰² And in the **Netherlands**, the Authority for the Financial Markets (AFM) completed a review of asset managers' outsourcing arrangements.²⁰³ It found that firms' assumptions have resulted in insufficient control of

outsourcing risks and issued 20 recommendations that asset managers should act on.

Interestingly, the **UK**²⁰⁴ and the **EU**²⁰⁵ have introduced frameworks that would permit them to look beyond financial services providers to identify critical providers to be regulated and supervised in their own right. However, none have yet been designated, and these changes would not remove existing requirements for asset managers to perform their own due diligence and oversight over providers.

In this context, regulators are mindful of the dominant position of technology companies and the increasing digitization of the financial sector. In the **Netherlands**, the AFM highlighted the risks associated with the failure of a crucial party in the supply chain and the need for regulators to keep pace.²⁰⁶

Data privacy also remains near the top of the agenda. **South Africa**, for example, has published a new law that revises existing requirements, which will impact asset managers.²⁰⁷

Operational resilience — Regulatory goals

Although there are significant differences in the detail, regulators' overall goals on resilience are converging:

Core regulatory objectives

End-to-end view of service delivery value chain through comprehensive mapping.



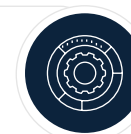
A continuous approach to vulnerability identification and proactive remediation.



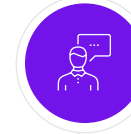
Rigorous testing of service recovery and response plans.



Mitigating customer harm, risks to financial stability and market integrity.



Senior management accountability and investment governance.



¹⁹⁹ CSSF Circular 11/512, CSSF, 23 August 2018

²⁰⁰ Cybersecurity Risk Management for Investment Advisers, Registered Investment Companies, and Business Development Companies, SEC, 12 June 2025

²⁰¹ Outsourcing by Investment Advisers, SEC, 12 June 2025

²⁰² Principles on third-party risks supervision, ESMA, 12 June 2025

²⁰³ AFM makes recommendations for monitoring outsourcing in the asset management sector, AFM, 23 September 2024

²⁰⁴ PS24/16: Operational resilience: Critical third parties to the UK financial sector, FCA, 12 November 2024

²⁰⁵ The ESAs provide a roadmap towards the designation of CTPPs under DORA, ESMA, 18 February 2025

²⁰⁶ Reliance on big tech has major impact on financial sector, AFM, 16 January 2025

²⁰⁷ Amendment of the regulations relating to the protection of personal information, Information Regulator (South Africa), 17 April 2025



Combatting financial crime

Wealth and asset managers play a critical role in protecting the integrity and resilience of financial markets. Robust financial crime controls and compliance with relevant requirements are a core component of this. However, firms also want to ensure that the onboarding process is smooth and simple so that the customer experience is not unduly impacted.

The Financial Action Task Force's (FATF) categorization has a significant impact on how asset managers assess the riskiness of jurisdictions. In an important development for **South Africa**, FATF has determined that it has substantially completed its action plan and an on-site visit will now take place to verify completion of the country's substantial AML and CFT reforms.²⁰⁸

The Channel Islands have also recently undergone AML and CFT-related evaluations by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). **Guernsey** received a positive report²⁰⁹ and **Jersey's** effectiveness was found to be among the highest of the jurisdictions evaluated under the program.²¹⁰

Meanwhile, changes are progressing to the way in which the **EU** supervises financial crime. The new Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) is gearing up to begin direct supervisory responsibilities from 2028.²¹¹ The European Commission has also reviewed its list of high-risk countries, notably removing the **UAE** from the list in the latest update.²¹²

At the EU member state level, regulators in jurisdictions like **Sweden** continue to reinforce the importance of AML and preventing financial crime.²¹³ And in **Poland**, the KNF has commenced AML inspections on asset managers, taking into account lessons from previous interactions with banks and brokers.

Enforcement action has underlined the importance of robust controls and compliance with local requirements. In the wider financial sector, the **Singapore** MAS took enforcement action against nine financial institutions for failures due to shortcomings in the customer risk assessment, source of wealth assessment for higher risk clients, transaction monitoring, and follow-ups on suspicious transaction reports.²¹⁴

²⁰⁸ *Jurisdictions under Increased Monitoring*, FATF, 13 June 2025

²⁰⁹ *Commission welcomes Guernsey's positive MONEYVAL report*, Guernsey Financial Services Commission, 10 February 2025

²¹⁰ *2024 MONEYVAL evaluation*, JFSC, 24 July 2024

²¹¹ *About AMLA*, AMLA, 24 April 2024

²¹² *Commission updates list of high-risk countries to strengthen international fight against financial crime*, European Commission, 10 June 2025

²¹³ *Prioritised risks related to money laundering and terrorist financing*, Finansinspektionen, 10 March 2025

²¹⁴ *MAS Takes Regulatory Actions against 9 Financial Institutions for Anti-Money Laundering Related Breaches*, MAS, 4 July 2025, Reproduced with the permission of the Monetary Authority of Singapore ©2025 The Monetary Authority of Singapore.



Opportunities for asset managers



Strategic approach: View operational resilience as a source of competitive advantage and embed it within the firm's strategy, particularly when making outsourcing decisions.



Embedding resilience: Take the opportunity to move resilience out of project implementation to more deeply embed it with clear owners across the first line of defense.



Customer journey: When reviewing compliance with AML requirements, consider the effectiveness of the customer journey and where it could be improved.

Risks for asset managers



Loss of trust: Asset managers simply can't afford to get this topic wrong. Robust governance can help improve regulatory compliance and ensure that key risks are addressed.



A lack of realism: Regulators often identify room for improvement in firms' resilience planning. A topical issue is firms' wind-down planning, where firms' plans can be built on unrealistic assumptions or are simply not operational.



Non-compliance: Firms need to keep pace with evolving AML requirements. A failure to comply could result in supervisory action, or even enforcement.



Expert's corner



Lisa Butler Beatty

Partner
KPMG Australia

Lisa was asked to share insights on the practical impact of recent resilience-related policy developments on superannuation schemes in Australia.



With AUD 3.9 trillion under management, Australia's superannuation system supports the financial services system and the economy more broadly. It is intended to be a key plank of security for retirement. Operational financial resilience is critical for the stability and protection of members and customers.

Against this background, and the experience of recent and material operational risk events, APRA has reinforced operational risk management in Australia through the introduction of a new prudential standard CPS 230 Operational Risk Management (effective 1 July 2025 for banks, insurers and superannuation funds). This has required extensive implementation, with funds needing to plan, test and monitor for how to maintain critical operations for members during severe business disruption, and to manage the risks arising from the use of service providers for critical functions.

Added to this, regulated entities must also have developed recovery and exit plans in order to monitor, respond to, and manage periods of financial stress, or otherwise have plans for how to exit the market in an appropriate and planned way (see APRA Prudential Standard CPS 190 Recovery and Exit).

Together these standards create heightened expectations, with the focus firmly on stability and protecting the end customer."



06

ESG and sustainable finance

Summary

In recent years, some of the most significant and impactful developments covered in this report have related to sustainable finance regulation. However, the rapid pace at which sustainability-linked rules were developed and implemented has now slowed and focus has switched to review, refinement and, in some cases, simplification. This change has been driven in no small part by political considerations and the escalating growth and competitiveness agenda around the globe.

Regulators in many jurisdictions continue to champion sustainability initiatives but in a somewhat more muted fashion, with a corresponding reduction in the introduction of new sustainability frameworks.

However, new requirements relating to fund names and their marketing material have entered into force. And there is a clear new emphasis on the refinement and simplification of the various disclosures that asset managers need to make to their investors.

While some common themes exist, regulatory divergence continues to challenge global asset managers who seek to replicate their strategies across jurisdictions.

Shifting geopolitical dynamics have encouraged some regulators to clarify that defense-related investments can align with ESG criteria, particularly in Europe — notwithstanding the fact that the topic remains difficult for both regulators and firms to navigate.

Finally, the rollout of corporate reporting requirements across the economy will help asset managers in their role as investors but may also create new reporting requirements for them. Progress to roll out new international standards on corporate reporting remains uneven around the world.





Rethinking strategic sustainability frameworks

The absence of substantial new financial services sustainability frameworks, including those that cover areas such as governance or risk management, is notable in this year's report. However, some jurisdictions are taking action, partly to catch up to those with more established rules and guidance in this area.

In **Jersey**, a sustainable finance action plan has been launched²¹⁵ and a follow-up consultation has already been published.²¹⁶ The proposals which relate to the management of material sustainability risks and ESG integrity risks, go beyond existing anti-greenwashing requirements.

In other markets, proposals for additional requirements have been reconsidered.

In the **UK**, the FCA had proposed introducing new rules on embedding sustainability in regulated firms (across governance, incentives and competence), but it has confirmed that it no longer plans to introduce new rules while recently introduced requirements are embedded.²¹⁷ This decision reflected the FCA's new growth agenda and changing attitudes to ESG since its discussion paper was published.

Meanwhile the UK government has, after consultation, concluded that a UK Green Taxonomy 'would not be the most effective tool to deliver the green transition'.²¹⁸ Instead, it will focus on other higher-priority policies to accelerate investment into the transition to net zero and limit greenwashing.

The FCA also shelved plans to introduce new diversity and inclusion metrics and targets for regulated firms.²¹⁹ However, this was in part due to overlapping requirements with wider incoming rules that will impact many UK companies, including financial services firms and asset managers.²²⁰

Improving disclosure regimes

Asset managers' disclosure requirements are now reasonably embedded in many jurisdictions. However, the regimes were often developed at pace and the implementation process was not always smooth. And in some cases, published disclosures have only been accessed by a small number of clients. Regulators are now turning their attention towards making improvements. Moving into this new phase, we do not expect a wholesale rollback of existing requirements, but there is widespread support to make requirements more targeted and proportionate.

ESG regulatory trends

The direction of travel for asset management ESG regulation can be summarized broadly as follows:

Sustainability frameworks

Largely on hold



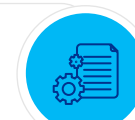
Naming and marketing rules

Impactful new requirements entered into force



Corporate reporting

Significant new requirements incoming



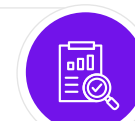
Defense investment

Clarification statements from regulators and new laws



Disclosure regimes

Refinement and improvements, along with delays and withdrawal of policy proposals



²¹⁵ Government of Jersey publishes sustainable finance action plan, JFSC, 21 November 2024

²¹⁶ Sustainable finance consultation launched, JFSC, 27 May 2025

²¹⁷ DP23/1: Finance for positive sustainable change, FCA, 2 April 2025

²¹⁸ Consultation outcome — UK Green Taxonomy, HMT, 15 July 2025

²¹⁹ Letter: FCA enforcement work and diversity & inclusion, FCA, 11 March 2025

²²⁰ See for example: Consultation document: Equality (Race and Disability) Bill, UK government, 18 March 2025



Most notably, the European Commission will review the **EU** Sustainable Finance Disclosure Regulation (SFDR) in Q4 2025, following a call for evidence.²²¹ It hopes to improve the SFDR by clarifying the framework for firms and end-investors by simplifying and streamlining the requirements. This will be welcomed by the industry, which has struggled with implementing the theoretical rules within practical constraints and a lack of available data. In the meantime, proposed revisions to the more detailed SFDR level two requirements have still not been adopted, despite being proposed back in December 2023.²²²

ESMA found that there is room for improvement, for example, around the use of vague language and inconsistencies in disclosures.

ESMA and EU regulators continue to review asset managers' compliance with the SFDR and rules on integrating sustainability considerations.²²³ ESMA found that there is room for improvement, for example, around the use of vague language and inconsistencies in disclosures. It also published good and poor practice regarding sustainability-related claims, specifically noting that firms should not use the SFDR disclosure categories as sustainability labels.²²⁴

New financial services-related disclosure requirements are still in the works in some jurisdictions. For example, in **Singapore** the MAS is expected to provide final guidance on transition planning for fund managers and real estate investment trust managers, following a consultation in 2023.²²⁵ It would require these firms to have sound transition planning processes that recognize the expected physical effects of climate change. This will complement broader related actions taken by the MAS — such as the establishment of a new transition planning initiative that will work closely with asset managers to promote solutions for sustainable infrastructure in the region.²²⁶

However, several new disclosure requirements for asset managers have been delayed or canceled:

- In the **UK**, the FCA delayed the extension of the **UK's** Sustainability Disclosure Requirements (SDR) to wealth managers and portfolio managers indefinitely, saying that now is “not the right time.”²²⁷ It is not clear if or when any new rules will enter into force. Separately, the FCA is considering how to streamline and enhance its sustainability reporting framework, following a review of asset managers' compliance with its TCFD requirements.²²⁸
- In the **US**, the SEC formally withdrew proposals for funds and advisers that market themselves as having an ESG focus to produce disclosures.²²⁹
- **Switzerland** has decided to hold off on introducing mandatory state-level disclosure requirements for asset managers until 2027 after the conclusion of the EU's SFDR review.²³⁰ Instead, the Federal Council will monitor the effectiveness of the rollout of the industry's revised self-regulatory standards, which took effect in September 2024. Corresponding amendments to funds' regulations, company agreements or prospectuses must be submitted to FINMA by March 2026.²³¹

Beyond financial services, in the wider world of corporate reporting, some requirements are already being simplified (see more below).

²²¹ *Revision of EU rules on sustainable finance disclosure*, European Commission, 2 May 2025

²²² *Final Report on draft Regulatory Technical Standards on the review of PAI and financial product disclosures in the SFDR Delegated Regulation*, ESMA, 4 December 2023

²²³ *ESMA finds improvements needed in supervision of sustainability risks and disclosures*, ESMA, 30 June 2025

²²⁴ *Thematic notes on clear, fair & not misleading sustainability-related claims*, ESMA, 1 July 2025

²²⁵ *Consultation Paper on Proposed Guidelines on Transition Planning for Asset Managers*, MAS, 18 October 2023

²²⁶ *Staying the Course for Asia's Transition to a Climate-Resilient Future*, MAS, 7 May 2025, Reproduced with the permission of the Monetary Authority of Singapore ©2025 The Monetary Authority of Singapore.

²²⁷ *CP24/8: Extending the SDR regime to Portfolio Management*, FCA, 29 April 2025

²²⁸ *Climate reporting by asset managers, life insurers and FCA-regulated pension providers*, FCA, 6 August 2025

²²⁹ *SEC Proposes to Enhance Disclosures by Certain Investment Advisers and Investment Companies About ESG Investment Practices*, SEC, 25 May 2022

²³⁰ *Federal Council notes financial sector's progress in preventing greenwashing*, Federal Council of Switzerland, 19 June 2024

²³¹ *Self-regulation on transparency and disclosure for sustainability-related collective assets from 29 April 2024*, Asset Management Association of Switzerland, 29 April 2024



Beyond policymaking, supervisors have been active. Their interventions suggest that preventing greenwashing remains an important priority, even if some disclosure rules are being revisited. Indeed, several successful and high-profile enforcement actions related to disclosures and greenwashing have been concluded for example, in **Germany** and **Australia**.

Tightening fund naming requirements

As predicted in last year's EAMR report, new restrictions have now entered into force around the ESG- and sustainability-related terms that funds may use in their names and marketing materials.

In the **EU**, ESMA's guidelines took effect on 21 May 2025, requiring many fund managers to revisit their products' names in light of the new requirements. ESMA published a notable Q&A on the guidelines, suggesting that funds may not be 'meaningfully' investing in sustainable investments (as defined by the SFDR) where they make up less than half of the fund's assets.²³² That represented a tougher stance than some in the industry had expected.

Due to the scale of the challenge in meeting new requirements in the **UK**, the FCA allowed more time for fund managers to meet its deadline for naming and marketing restrictions under the SDR. In certain narrowly

defined circumstances, it extended the deadline from 2 December 2024 until 2 April 2025 but noted that firms should comply as soon as they were able to.²³³

In the **US**, the SEC also extended its deadlines for complying with new requirements under its 'Names Rule', which was adopted in 2023.²³⁴ The deadlines were extended by six months for both larger and smaller fund groups to better align with related disclosure obligations. The new compliance deadlines take effect in June 2026 and December 2026 respectively.

Defining defense-related investments

Geopolitical dynamics have changed. Governments are setting ambitious new targets for defense-related spending and encouraging the use of private capital to support their ambition. That has raised the question of whether such investments can be considered to be sustainable.

We have seen some regulators issue clarification statements or revisit their processes for approving defense-related funds. For example:

- The **UK** FCA issued a statement to clarify that its sustainability rules do not prevent investment in or financing of defense companies.²³⁵ It noted that its rules are designed to increase the transparency and quality of sustainability information, thereby allowing consumers to make informed decisions.

As authorities around the world tweak their sustainability requirements to reflect the new growth and competitiveness agenda, regulatory divergence will become a growing problem for many asset managers.

However, some of the upcoming changes will be particularly welcome for the industry — especially the upcoming EU review of the SFDR. Staying on top of the changing sustainability landscape will be critical to meeting regulators' expectations and catering to shifting client demands."

Chrystelle Veeckmans

EMA Asset Management Region Lead

²³² ESMA puts forward Q&As on the application of the Guidelines on funds' names, ESMA, 13 December 2024

²³³ FCA sets out temporary measures for firms on 'naming and marketing' sustainability rules, FCA, 9 September 2024

²³⁴ SEC Extends Compliance Dates for Amendments to Investment Company Names Rule, SEC, 14 March 2025

²³⁵ Our position on sustainability regulations and UK defence, FCA, 11 March 2025



- Similarly, the European Commission provided new **EU** guidance on the application of its sustainable finance framework to the defense industry. It clarified that the EU framework is compatible with investing in the defense sector and that defense-sector investments, like others, need to be assessed on a case-by-case basis.²³⁶ In addition, ESMA's Q&A on its fund name guidelines clarified the reference point for exclusions related to controversial weapons (i.e. the same reference point set out in the SFDR level two requirements).²³⁷
- In **France**, the AMF introduced a fast-track approval procedure for funds that aim to make significant investments in defense-related companies.²³⁸ The AMF also stated that it would actively seek to ensure that EU sustainable finance regulation does not unduly block defense-related funding.

However, asset managers need to navigate new requirements too. A new law came into force in **Italy** in February 2025 that completely prohibits investments in companies that produce anti-personnel mines, ammunition and cluster munitions.²³⁹ Asset managers have raised several issues regarding the new requirements, both in terms of a level playing field with foreign competitors (the wider EU and US) and in terms of its applicability or

implementation in the case of indirect investments (i.e. funds of funds, particularly in the case of US asset managers' funds).

Evolving corporate reporting requirements

The changing shape of sustainability-related corporate reporting requirements will impact many businesses, including asset managers and their portfolio companies. While some new requirements are coming, others are being diluted or delayed. In some cases, the rollout of new rules will provide significant new data to help inform asset managers' investment decision-making.

As jurisdictions decide how and whether to implement the global IFRS Sustainability Disclosure Standards, the IFRS foundation has begun tracking and monitoring implementation to report on progress made.²⁴⁰

Some noteworthy examples of progress include in **Japan**, where three inaugural sustainability disclosure standards were issued in March 2025.²⁴¹ In other countries, like **Australia**, guides have been prepared to support reporting under the new standards.²⁴²



²³⁶ Commission notice on the applicability of the sustainable finance framework and the Corporate Sustainability Due Diligence Directive to the defence sector, European Commission, 17 June 2025

²³⁷ ESMA puts forward Q&As on the application of the Guidelines on funds' names, ESMA, 13 December 2024

²³⁸ The AMF introduces a fast-track approval procedure for "defence" investment funds, AMF, 21 March 2025

²³⁹ Law No. 220 of 9 December 2021, Measures to ban the funding of manufacturers of anti-personnel mines, cluster munitions and submunitions, Italian government, 9 December 2021

²⁴⁰ IFRS Foundation publishes jurisdictional profiles providing transparency and evidencing progress towards adoption of ISSB Standards, IFRS, 12 June 2025

²⁴¹ SSBJ issues Inaugural Sustainability Disclosure Standards to be applied in Japan, SSBJ, 5 March 2025

²⁴² ASIC issues sustainability reporting regulatory guide, ASIC, 31 March 2025



Some jurisdictions are now in the consultation phase, for example, the **UK** government is consulting on exposure drafts for Sustainability Reporting Standards (SRS) based on IFRS S1 and S2.²⁴³ In parallel, it has consulted on proposals to mandate certain UK companies, including some asset managers, to develop and implement credible transition plans that align with the goals of the Paris Agreement.²⁴⁴ A separate FCA consultation will follow on strengthening its transition plan expectations for listed companies.

Interestingly, we are already seeing some of the earlier regimes being revisited amid questions regarding the proportionality, necessity and value of the information it produced, alongside pressure to deliver on the growth agenda. This is especially relevant for smaller companies with fewer resources, where the effort required to produce the disclosures may not be consistent with their effectiveness in terms of encouraging capital towards sustainable activities.

For example, in the **EU**, the so-called ‘stop the clock’ Directive — part of the Omnibus simplification initiative —

has postponed the second and third waves of companies being subject to new reporting requirements under the Corporate Sustainability Reporting Directive (CSRD).²⁴⁵ This was welcomed by the industry as it has delayed a potentially expensive and painful exercise for some asset managers in the immediate future.

In parallel, the introduction of the Corporate Sustainability Due Diligence Directive (CSDDD), which will impact the financial services industry to a lesser extent than others, was also delayed for larger and some smaller firms by one and two years respectively.²⁴⁶ Follow-up measures from the European Commission included simplifying the application of the EU Taxonomy as of January 2026, including new exemptions for financial companies.²⁴⁷

In other jurisdictions, the status of proposed reporting requirements is uncertain. In the **US** for example, the SEC voted to end the defense of its proposed rules requiring the disclosure of climate-related risks and greenhouse gas emissions.²⁴⁸

Interestingly, we are already seeing some of the earlier regimes being revisited
amid questions regarding the proportionality, necessity and value of the information it produced, alongside pressure to deliver on the growth agenda.

²⁴³ Exposure drafts: UK Sustainability Reporting Standards, HMT, 25 June 2025

²⁴⁴ Transition plan requirements: implementation routes, UK government, 25 June 2025

²⁴⁵ Simplification: Council gives final green light on the ‘Stop-the-clock’ mechanism to boost EU competitiveness and provide legal certainty to businesses, Council of the EU, 14 April 2025

²⁴⁶ Sustainability and due diligence: MEPs agree to delay application of new rules, European Parliament, 3 April 2025

²⁴⁷ Commission to cut EU Taxonomy red tape for companies, European Commission, 4 July 2025

²⁴⁸ SEC Votes to End Defense of Climate Disclosure Rules, SEC, 27 March 2025



Sustainability in the capital markets

Some regulators have taken steps to address potential risks associated with the transparency of ESG ratings, with outputs ranging from formalized frameworks in Europe that capture ratings providers to industry-led codes of conduct in the Asia-Pacific region.

The European Commission's final requirements will capture **EU** ratings providers, with the rules applying from July 2026.²⁴⁹ Meanwhile, the **UK** has published legislation²⁵⁰ and the FCA has gathered views from the industry to inform an upcoming consultation on its own rule.²⁵¹

Regulators are also taking a specific interest in how asset managers use third-party ESG data. For example, in the **Netherlands**, the AFM explored how asset managers deal with challenges associated with data accuracy and completeness.²⁵² It shared its observations to help support asset managers in establishing robust processes, systems and internal controls for ESG data risk management.

Following the introduction of the **EU's** Green Bond Standard,²⁵³ other jurisdictions are progressing similar initiatives. In **Saudi Arabia**, for example, the CMA published new guidelines for issuing green, social, sustainability and sustainability-linked debt instruments denominated in the local currency.²⁵⁴ These included enhanced disclosures, as well as a requirement to disclose any instances of non-compliance with the guidelines.



²⁴⁹ Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024, EUR-lex, 12 December 2024

²⁵⁰ Consultation outcome: Future regulatory regime for Environmental, Social, and Governance (ESG) ratings providers, HMT, 14 November 2024

²⁵¹ FCA invites ESG ratings providers to complete a voluntary survey, FCA, 24 March 2025

²⁵² ESG data risk management, AFM, 28 October 2024

²⁵³ The European green bond standard — Supporting the transition, European Commission, 2025

²⁵⁴ The Guidelines for Issuing Green, Social, Sustainability, and Sustainability-Linked Debt Instruments, CMA, 17 March 2025



Opportunities for asset managers



Efficiency: Asset managers can capitalize on the ongoing simplification of disclosure requirements to improve the quality of their disclosures and free up reporting resources to support other activities, such as investee engagement.



Insights: The rollout of new corporate reporting requirements across the economy will provide asset managers with significant new information and data points to better inform their investment decision-making.



Diversification: Clarifications about the alignment of defense-related investments with ESG criteria can offer new avenues for asset managers to diversify their portfolios while adhering to sustainability principles and meeting new investor demand.

Risks for asset managers



Complexity: Regulatory divergence continues to make it difficult for global asset managers to replicate their strategies consistently, thereby increasing compliance costs and operational complexity. This is likely to increase as politics and growth and competitiveness agendas impact differently around the world.



Greenwashing: The potential for enforcement actions related to greenwashing remains a significant risk, as evidenced by recent high-profile cases. Anti-greenwashing frameworks need to be complete and robust.



Uncertainty: Delays, cancellations or simplification of disclosure requirements in certain jurisdictions have the potential to create uncertainty, impacting global asset managers' approaches to disclosure. It is possible that streamlined disclosures may not meet some clients' expectations.



Expert's corner



Shunji Kato

Technical Director
KPMG in Japan

Shunji was asked to explain how the SSBJ's new sustainability standards are likely to affect companies and asset managers in Japan.



The launch of the Sustainability Standards Board of Japan's (SSBJ) first three sustainability standards — a General Standard, a Climate Standard and an Application Standard — in March 2025 was a significant moment for the Japanese market.

Prior to the introduction of the standards, asset managers struggled to analyze investee companies' sustainability credentials. The new disclosures should enable better comparisons of companies' sustainability-related information, particularly within the same industry, and support improved investment decision making.

The SSBJ Standards incorporate key elements of the ISSB's standards (IFRS S1 and IFRS S2) to ensure that sustainability disclosures in Japan will be internationally comparable. The JFSA has set out an implementation timeline. Listed companies with more than three trillion-yen market cap will be in the first wave of companies to be captured by mandatory requirements.

The new standards should result in Japanese companies disclosing sustainability-related information in a more uniform manner — making it easier for stakeholders and investors to hold companies to account, potentially increasing revenue and the reliability of the supply chain."



How KPMG can help

KPMG's global network of asset management practices offers a wide range of services to clients at national, regional and global levels. KPMG professionals in Audit, Tax and Advisory are specialists in their fields and have deep experience in the issues and needs of investment management businesses.

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 and use it to accelerate business transformation.

Examples of our services include:



Strategy: What does the change in the regulatory mood mean for your firm's strategy? KPMG professionals can help you identify missed growth opportunities or areas where your risk posture can be adapted.



Conduct risk and remediation: KPMG professionals can support you with building the right frameworks to deliver good outcomes to customers, restoring trust and confidence from regulators and consumers.



Risk transformation: KPMG professionals can help risk and compliance capabilities revisit their operating models and become more efficient as a result of the additional proportionality being introduced across various regimes.



Product and proposition: We can help with product strategy, design and implementation, including peer benchmarking.



Technology deployment: KPMG professionals can support you with the development of your AI strategy and associated risk governance, as well as bringing tokenized funds to market.



Risk assurance and internal audit: KPMG specialists can provide the assurance your organization needs to proactively manage risk across the three lines of defense, helping you identify new opportunities.



Controls transformation: KPMG specialists can help you deliver a robust and sustainable control environment, blending governance, controls, automation and culture to help establish a sustainable foundation for success.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



Report scope and methodology

The 15th 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 considered regulators' publications from global and regional standard setters and almost 30 countries and territories around the world, capturing and prioritizing over 200 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 that asset managers can consider to respond to the identified regulatory developments, based on KPMG specialists' insights and preferred practice.



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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 (see next page), working together to curate this global regulatory outlook for the wealth and asset management industry. This collaborative approach is replicated daily as KPMG firms support local and global asset managers across borders. Over 60 KPMG professionals around the world have contributed to this year's report.

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Global Communications: Marie Helen De-messou

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Global Digital: Brittany Symns

Global Marketing: Leah Fegan, Patrick Flanagan

Global Marketing Asset Management Lead: Marsha Toomey

EMA FS Regulatory Insight Centre: Charlotte Davis, Laura Nabi

Asset Management Sector Support: Kim Kan

We welcome your feedback on this publication and any questions you may have.





Acknowledgments — report contributors

Lisa Butler Beatty

KPMG Australia
lisabbeatty@kpmg.com.au

Linda Elkins

KPMG Australia
lindaelkins@kpmg.com.au

Lino Martins da Silva Junior

KPMG in Brazil
lmjunior@kpmg.com.br

James Loewen

KPMG in Canada
jloewen@kpmg.ca

Peter Hayes

KPMG in Canada
phayes@kpmg.ca

Tony De Quintal

KPMG in the Cayman Islands
tdequintal@kpmg.ky

Niko Whittaker

KPMG in the Cayman Islands
nwhittaker@kpmg.ky

Justin Thomas

KPMG in the Cayman Islands
justinthomas@kpmg.ky

Abby Wang

KPMG China
abby.wang@kpmg.com

Don Wang

KPMG China
don.wang@kpmg.com

Howard Ching

KPMG China
howard.ching@kpmg.com

Arion Yiu

KPMG China
arion.yiu@kpmg.com

Nelson Lee

KPMG China
nelson.lee@kpmg.com

Marie-Hélène Angelides

KPMG in Cyprus
marie-helene.angelides@kpmg.com.cy

Petros Mavrommatis

KPMG in Cyprus
petros.mavrommatis@kpmg.com.cy

Katia Sotin

KPMG in France
ksotin@kpmg.fr

Nicolas Clot

KPMG in France
nclot@kpmg.fr

Cillian Casey

KPMG in Guernsey
cilliancasey@kpmg.com

Claire Pheko

KPMG in Ireland
claire.pheko@kpmg.ie

Matthew Green

KPMG in Ireland
matthew.green@kpmg.ie

Mirko Ottonello

KPMG in Italy
mirkoottonello@kpmg.it

Guiseppe D'Antona

KPMG in Italy
gdantona@kpmg.it

Nicola Rinaldi

KPMG in Italy
nrinaldi@kpmg.it

Shunji Kato

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

Alexandra Reip

KPMG in Jersey
alexandrareip@kpmg.com

David Postlewaite

KPMG in Jersey
dpostlewaite@kpmg.com

Tarun Sapahia

KPMG in Jersey
tsapahia@kpmg.com

Jean Christophe Cabilin

KPMG in Luxembourg
jeanchristophe.cabilin@kpmg.lu

Christian Guertler

KPMG in Luxembourg
christian.guertler@kpmg.lu

Sophie Charles

KPMG in Luxembourg
sophie.charles@kpmg.lu

Alex Azzopardi

KPMG in Malta
alexazzopardi@kpmg.com.mt

Sarab Zainel

KPMG in the Netherlands
zainel.sarab@kpmg.nl

Willemijn van Meer

KPMG in the Netherlands
vanmeer.willemijn@kpmg.nl

Paweł Wolczkiewicz

KPMG in Poland
pwolczkiewicz@kpmg.pl

Zuzanna Bartczak

KPMG in Poland
zbartczak@kpmg.pl

Phil Knowles

KPMG in Saudi Arabia
philknowles@kpmg.com

Sherozw Ghani

KPMG in Saudi Arabia
sherozwghani@kpmg.com

Grace Tan

KPMG in Singapore
grace_tan@kpmg.com.sg

Jeffrey Leong

KPMG in Singapore
jeffreyleong@kpmg.com.sg

Michelle Dubois

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

Ropfiwa Sithubi

KPMG in South Africa
ropfiwa.sithubi@kpmg.co.za

Ben April

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

Alfonso Figal Morante

KPMG in Spain
afigal@kpmg.es

Borja Rodriguez Macarro

KPMG in Spain
borjarodriguez@kpmg.es

Sven Hoglund

KPMG in Sweden
sven.hoglund@kpmg.se

Felix Metzler

KPMG in Switzerland
fmetzler@kpmg.com

Volker Georg Kang

KPMG in Switzerland
volkerkang@kpmg.com

Pascal Sprenger

KPMG in Switzerland
psprenger@kpmg.com

Marcus Threadgold

KPMG in the United Arab Emirates
mthreadgold1@kpmg.com

Abbas Basrai

KPMG in the United Arab Emirates
abasrai1@kpmg.com

Rakesh Raja

KPMG in the United Arab Emirates
rraja1@kpmg.com

Daniel Barry

KPMG in the UK
daniel.barry@kpmg.co.uk

Michael Johnson

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

Sean McKee

KPMG in the US
smckee@kpmg.com



EAMR abbreviations

AEIO	Automatic Exchange of Information in Tax Matters (Switzerland)
AFM	Autoriteit Financiële Markten (Netherlands)
AI	Artificial intelligence
AIF	Alternative Investment Fund (EU & UK)
AIFMD	Alternative Investment Fund Managers Directive (EU & UK)
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
AUM	Assets under management
CBI	Central Bank of Ireland
CETU	Cyber and Emerging Technologies Unit
CIMA	Cayman Islands Monetary Authority
CMA	Capital Market Authority (Saudi Arabia)
CNMV	Comisión Nacional del Mercado de Valores (Spain)
COFI	Conduct of Financial Institutions (South Africa)
CPC	Consumer Protection Code (Ireland)
CSA	Common supervisory action (ESMA)
CSA	Canadian Securities Administrators
CSRC	China Securities Regulatory Commission
CSRD	Corporate Sustainability Reporting Directive (EU)
CSSF	Commission de Surveillance du Secteur Financier (Luxembourg)
CTP	Critical third party (EU/UK)
CVM	Comissão de Valores Mobiliários (Brazil)

CySEC	Cyprus Securities and Exchange Commission
DORA	Digital Operational Resilience Act (EU)
DLT	Distributed ledger technology
DORA	Digital Operational Resilience Act (EU)
EAMR	Evolving Asset Management Regulation (KPMG)
ELTIF	European Long-Term Investment Fund (EU)
ESAs	European Supervisory Authorities
ESG	Environmental, Social, Governance
ESMA	European Securities and Markets Authority
ETF	Exchange-traded fund
ETN	Exchange-traded note
FAR	Financial Accountability Regime (Australia)
FATF	Financial Action Task Force
FCA	Financial Conduct Authority (UK)
FI	Finansinspektionen (Sweden)
FINMA	Financial Markets Supervisory Authority
FINMASA	Financial Market Supervision Act
FINSA	Financial Services Act (Switzerland)
FRC	Financial Reporting Council (UK)
FSB	Financial Stability Board
FSC	Financial Services Commission (Guernsey and Jersey)
FSCA	Financial Sector Conduct Authority (South Africa)
FSRA	Financial Services Regulatory Authority (UAE)
HNW	High Net Worth
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
JFSA	Japanese Financial Services Agency
KNF	Komisja Nadzoru Finansowego (Poland)

LIFF	Long-Term Fund of Funds (Singapore)
L-QIF	Limited Qualified Investment Fund (Switzerland)
LMT	Liquidity management tool
LTAF	Long-term asset fund (UK)
MAS	Monetary Authority of Singapore
MFSA	Malta Financial Services Authority
MiCAR	Markets in Crypto-Assets Regulation
MiFID II	Markets in Financial Instruments Directive (EU)
MPF	Mandatory Provident Fund
NFRA	National Financial Regulatory Administration (China)
NURS	Non UCITS Retail Scheme (UK)
OEF	Open-ended fund
OLTIF	Ontario Long-Term Fund (Canada)
NPIF	Notified Professional Investor Fund (Malta)
PIF	Private Investment Fund (Guernsey)
PISCES	Private Intermittent Securities and Capital Exchange System
REIT	Real Estate Investment Trust
RIS	Retail Investment Strategy (EU)
SEC	Securities and Exchange Commission (US)
SFC	Securities and Futures Commission (Hong Kong, (SAR), China)
SIU	Savings and Investments Union (EU)
SDR	Sustainability Disclosure Requirements (UK)
SFDR	Sustainable Finance Disclosure Regulation (EU)
SMCR	Senior Managers and Certification Regime (UK)
SWES	System-Wide Exploratory Scenario (Bank of England)
UCITS	Undertaking for collective investment in transferable securities (EU & UK)



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kpmg.com



James Suglia

Global Head of Asset Management
KPMG International
jsuglia@kpmg.com

Chrystelle Veeckmans

EMA Region Lead of Asset Management and Partner
KPMG in Luxembourg
chrystelle.veeckmans@kpmg.lu

David Collington

Asset Management Lead
EMA Regulatory Insight Centre
Senior Manager, KPMG in the UK
david.collington@kpmg.co.uk

Greg Williams

Americas Region Lead of Asset Management and Partner
KPMG in the US
gregorylwilliams@kpmg.com

Andrew Thompson

Asia Pacific Region Lead of Asset Management
KPMG in Singapore
andrewthompson8@kpmg.com.sg

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