

# GROWTH WITHIN CONTROLLED RISKS: A NEW ERA OF STRATEGIC REALIGNMENT

Foreword by Natalie Berkecz, Head of Custody, Tax & Regulatory Product at Northern Trust, exploring the regulatory themes set to reshape the landscape for asset servicers and their clients in 2026 and beyond.

Global regulation continues to shift from the post financial crisis era of broad, multilateral vulnerability reduction toward a world defined **by regional competitiveness, selective simplification, digital transformation and heightened operational expectations**. Policymakers in the United States (US), the European Union (EU) and the United Kingdom (UK) are simultaneously aiming to **promote growth, support innovation, and strengthen resilience**, creating a regulatory landscape that is more fragmented yet more dynamic.

Regulation is entering a new phase. Policymakers are seeking to balance rapid innovation - spanning AI, tokenisation, and new payment infrastructures - with competitiveness and an increasingly complex risk environment that cuts across operational, cyber, and geopolitical domains. The result is a regulatory landscape in flux: streamlined in some areas, reinforced in others, and progressing at different speeds across regions.

For global custodians, this shift is operational, not academic. It compresses post trade timetables, raises the bar on **operational resilience** and **data governance**, and accelerates the need for **digital assets** and **payment solutions** to be serviced and secured by institutional grade frameworks and entities, as part of a broader modernisation of market infrastructure rather than as a discrete asset class. The centre of gravity is shifting from **global**



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## **PART 1: SIMPLIFICATION AND TARGETED RECALIBRATION**

## **PART 2: TECHNOLOGY AS A CATALYST FOR REGULATORY CHANGE**

## **PART 3: MODERNISING CAPITAL MARKETS FOR THE DIGITAL AGE**

## **PART 4: INCREASING RETAIL INVESTOR PARTICIPATION**

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**vulnerability remediation to national and regional competitiveness**, with clear implications **for legal entity strategy, client documentation and front to back service models**.

Shifting geopolitics and the post Covid operating environment are reshaping policy priorities: **growth, security and risk mitigation** now sit at the centre of political agendas. In practice, this means **less multilateral coordination and greater regional fragmentation**, alongside the **fast tracked development of strategic technologies** and the **restructuring of supply chains** to harden resilience and unlock competitive advantage.

The drive for growth has renewed the focus on unlocking the capital held by retail consumers, particularly in Europe where most retail savings remain in cash deposits or other low risk investments. In an effort to reduce barriers to retail investment, longstanding regulatory approaches directed at protecting investors are being revisited in favour of encouraging more risk taking, and asset classes and markets that were hitherto the preserve of professional investors are increasingly being opened to more categories of retail investors.

This **regulatory outlook** examines how that agenda is likely to **reshape the financial industry over the next several years**, with a focus on the **themes and trends that will influence asset servicing products and services** - from market structure change and accelerated settlement, to data driven compliance, operational resilience, and the institutionalisation of digital assets.

**Part 1** considers the global shift towards simplification of regulation tracking initiatives such as the Omnibus package revising corporate sustainability disclosures and the FASTER tax initiative in the EU, the Regulatory Action Plan in the UK and the 10 for 1 rule in the US.

**Part 2** considers regulatory changes being driven by technology, focusing on digital assets, tokenization, AI integration and automation. For institutions, this phase of change is increasingly focused on controlled participation, operating-model readiness and regulatory alignment, rather than experimental deployment.

**Part 3** considers the move to modernize capital markets, from shortening settlement cycles, intermittent private securities trading in the UK and near 24-hour trading days for US equities, alongside initiatives intended to ensure resilience, from mandatory clearing to enhanced regulatory reporting.

**Part 4** considers the renewed focus on increasing retail investments, including the rebranded Savings and Investments Union in the EU, the move towards principles-based investor disclosure in the form of the Consumer Composite Investment (CCI) framework and Targeted Support in the UK, and the democratization of Private Markets.

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## WHAT DOES THIS MEAN FOR OUR CLIENTS?

The fast pace of technological change, ongoing complexity of the regulatory landscape and enhanced oversight requirements means the selection of trusted outsourcers and asset servicing providers is increasingly critical.

Northern Trust is investing with intent - pairing regulatory strength with innovation - to deliver what you need: digital asset custody, enhanced faster data, digital payment solutions, tax solutions for a faster more complex world and regulatory reporting that changes at pace.

Our founding principle of putting our clients' needs first remains a core commitment in a continuously evolving and often turbulent regulatory environment.

## Executive Summary

Our paper groups the regulatory outlook into four key trends:

### Part 1: Simplification and Targeted Recalibration

Jurisdictions are recalibrating regulatory frameworks to reduce friction and support growth while maintaining supervisory standards.

- **EU:** The Simplification and Omnibus Package targets a **25% reduction in compliance burdens**, defers 100+ measures, and reforms ESG disclosures; the **FASTER Directive** harmonises withholding tax relief and introduces digital residency certificates and Certified Financial Intermediaries.
- **UK:** The Regulatory Action Plan cuts reporting requirements, accelerates authorisations and expands innovation sandboxes, including an **AI Growth Lab**.
- **US:** Executive Order 14192's **10-for-1 rule** and the US Securities and Exchange Commission's (SEC's) withdrawal of multiple proposed rules reflect a push for regulatory cost control and efficiency.
- **Overall**, firms may benefit from reduced administrative burden but must manage political scrutiny, evolving expectations and complex cross-border divergences.

### Part 2: Technology as a Catalyst for Regulatory Change

Technological change is now central to regulatory reform, especially around **digital assets, AI and automation**.

#### Digital assets:

- **US:** Genius Act (stablecoins) and Clarity Act establish new federal frameworks.
- **UK:** Expanding regulated activities (custody, trading, stablecoins) with staged implementation to 2027.
- **EU:** MiCA to be fully operational as a regulatory lever that will drive the harmonisation and increased institutional adoption of digital assets.

#### AI regulation:

- **EU:** High-risk obligations delayed up to 16 months to align with harmonised standards.
- **UK:** Maintains a principles-based, regulator led approach.
- **US:** Removes barriers to AI development and pursues unified federal standards.

#### Automation & resilience:

- T+1 settlement, real-time reporting and resilience mandates require cloud native architectures, integrated automation, and upgraded monitoring systems. **EU's DORA** enforces real-time ICT risk management and automated incident reporting.

### Part 3: Modernising Capital Markets for the Digital Age

Market infrastructures globally are being redesigned for **speed, transparency** and **continuous operation**.

- **Settlement reform:** The European Economic Area (EEA including the EU, Norway, Iceland and Liechtenstein), the UK and Switzerland will shift to **T+1 on 11 October 2027**, requiring real-time processes and significant system overhauls.
- **US modernisation:** The US Depository Trust & Clearing Corporation's (DTCC) cloud based clearing and ISO 20022 integration underpin broader automation; US markets are progressing toward **24/5 trading**, demanding continuous liquidity and risk management.
- **UK Private Intermittent Securities and Capital Exchange System (PISCES):** Establishes institutional grade private market trading infrastructure.
- **EU & UK Consolidated Tape:** Provides unified real-time market data to improve transparency and execution.
- **Resilience:** Mandatory US Treasury clearing, UK gilt repo reforms, and MiFID/EMIR Active Account requirements strengthen systemic stability.

### Part 4: Increasing Retail Investor Participation

Governments view retail investment as key to economic growth, shifting toward **informed risk-taking** and broader market access.

- **US:** Rollback of Gensler era proposals, reduced enforcement intensity, and expansion of 401(k) access to private markets.
- **UK: The Consumer Composite Investment (CCI)** framework modernises investor disclosures; **Targeted Support** aims to fill the advice gap; and risk warning reforms aims to enable more balanced investor messaging.
- **EU: The Savings and Investment Union (SIU)** seeks to boost retail participation and competitiveness, alongside pension reforms and cross border simplification.
- Across regions, democratisation of private markets continues via vehicles such as **Long-Term Asset Funds (LTAFs)**, **European Long-Term Investment Funds (ELTIFs 2.0)**, and **interval funds**.

It is easy to mistake a regulatory agenda that is moving towards simplification and removing barriers to growth, innovation, market efficiency and retail participation as a relaxation of the pace of regulatory change. This could not be further from the truth – if anything, the rapid pace of regulatory initiatives creates its own complexities and need for adaptation on the part of participants. An era of shorter settlement times, expanded trading hours, increased scope for digitalisation and greater retail engagement require significant investment in technology platforms, automation, data integration, new infrastructure needs, along with ensuring operations, product development, risk and compliance functions have the necessary skillsets and capacity.

## PART 1: SIMPLIFICATION AND TARGETED RECALIBRATION

As we look ahead to 2026 and beyond, a clear theme emerges across major jurisdictions: Reducing regulatory barriers as a lever to drive competitiveness and growth. Policymakers in the US, EU, and UK are actively seeking to delay, simplify, or even reverse complex regulatory frameworks that are increasingly being perceived as burdensome and anti-competitive. This trend signals a recalibration of priorities - moving from stringent regulatory compliance towards enabling innovation, increasing market access, and strengthening economic resilience.

### Growth regulation in the EU

In January 2025, the European Commission announced a series of measures under a flagship reform agenda: **The EU Simplification and Omnibus Package**.<sup>1</sup> This package reflects the EU's changing priorities seeking to pivot regulation towards unlocking growth whilst strengthening competitiveness and defence. The goal is to reduce red tape and administrative costs thus reducing the compliance burden on firms by ~25% to achieve approximately €37.5 billion of annual savings. For instance, revisions to the **Sustainable Finance Disclosure Regulation (SFDR)** aim to create a more proportionate and cohesive framework, that strikes a better balance between sustainability and economic growth.<sup>2</sup> As such over 100 non-critical Level 2 measures have been deferred until at least 2027. This package signals a change of pace in the EU's regulatory agenda, as Europe contends with a lack of growth and competitiveness pressures, highlighted in the **2024 Draghi report**, titled '*The Future of European Competitiveness*'.<sup>3</sup>

After many years of industry debate, the European withholding tax landscape is now entering a period of substantive, transformative change. Back in 2015, the EU's **Capital Markets Union (CMU)** identified fragmented and inefficient withholding tax relief procedures as a material barrier to cross border investment and capital market integration. These processes were recognized as dilutive to investor returns and a deterrent to efficient capital allocation across EU markets.

In January 2025, **Council Directive (EU) 2025/50 on Faster and Safer Relief of Excess Withholding Taxes ('FASTER')** was published in the Official Journal of the European Union, following political agreement by ECOFIN in May 2024. This set the framework for EU wide implementation by 2030.<sup>4</sup>

The inefficiency of withholding tax relief processes has been well documented for over two decades. As early as 2001, the European Commission highlighted their fragmented, administratively burdensome nature - at one point involving an estimated 450 different tax forms across EU markets. More critically, these shortcomings have contributed to an estimated €8–9 billion per annum of unclaimed or lost taxes.

While industry advocated for harmonization, European tax authorities were simultaneously confronted with large scale fraud linked to complex trading structures, most notably the Cum/Cum and Cum/Ex scandals, which gained prominence between 2001 and 2016. Fragmented relief processes, uncertainty over beneficial ownership, and rapid trading around dividend record dates were seen as enabling factors, shifting regulatory focus firmly towards control, transparency, and abuse prevention.

Against this backdrop, FASTER seeks to balance efficiency with integrity. It introduces digital tax residence certificates, fast track relief mechanisms, and a new regime of Certified Financial Intermediaries (CFIs) responsible for enhanced due diligence and reporting.

While full FASTER implementation is targeted for 2030, **Germany's MiKaDiv reform** - phased from 2025 with enhanced reporting standards from 2027 - will set new benchmarks for withholding tax transparency and operational discipline. Together, MiKaDiv and FASTER are expected to drive a fundamental redesign of withholding tax relief processes across the EU.

### Growth regulation in the UK

In March 2025, the UK's HM Treasury (HMT) published its **Regulatory Action Plan**, containing key policy initiatives, to be rolled out over the next years, where the UK is looking to enhance its regulatory framework by removing obstacles to growth and innovation while retaining robust market integrity and investor protection standards.<sup>5</sup> Through these targeted measures, HMT aims to cut administrative costs for businesses by 25% while fostering an environment that promotes innovation. Key initiatives include:

- Increase direct support to firms within the FCA sandbox to help innovative firms navigate the UK regulatory framework more swiftly.
- Extend pre-application support to wholesale payments and crypto-asset firms.
- Accelerate a review of capital requirements for specialized trading firms.
- Reduce regulatory reporting requirements under the FCA **'Transforming Data Collection program'**<sup>6</sup> and **'Future Banking Data review'**.<sup>7</sup>
- Create a regulatory dashboard to demonstrate clearer links between policy outcomes and Key Performance Indicators (KPIs).
- Create an **'AI Lab'** to temporarily modify or disapply specific regulations for qualifying participants.<sup>8</sup>

By removing regulatory barriers and recalibrating the UK's regulatory framework, the UK aims to continue positioning itself as a global hub for financial services and innovation.

### Growth regulation in the US

The US is spearheading a regulatory reform agenda with unprecedented speed and vigour. **Executive Order 14192** entitled *'Unleashing prosperity through Deregulation'* represents a significant shift in US regulatory policy, as it requires federal agencies to reconsider the costs and benefits of any regulation by promoting a more business-friendly environment.<sup>9</sup> The '10-for-1' rule introduced, requires that federal agencies identify at least ten existing regulations to repeal for every new regulation proposed. The rule intends to ensure that regulatory costs do not continue to increase without due consideration to the economic growth agenda. This initiative, coupled with the **SEC 12 June 2025 announcement** to withdraw 14 proposed rules and amendments issued between March 2022 and November 2023 (e.g., covering areas such as cybersecurity, environmental, social and governance disclosures, and shareholder rights) underscores significant efforts by the current US administration, to reduce regulatory complexity in the US and a view that over burdensome rules can hinder economic growth.<sup>10</sup>

For financial institutions, this wave of targeted regulatory recalibrations can unlock opportunities but can increase complexity. While reduced compliance burdens may support innovation and cost efficiencies, firms must remain vigilant to divergent and evolving supervisory expectations and the potential for reputational risk. The interplay between deregulation and political cycles also warrants close monitoring - today's simplification could be tomorrow's tightening if systemic vulnerabilities emerge. As the regulatory agenda shifts towards increased simplification and streamlining, success at the firm level will hinge on proactive governance, agile compliance, and strategic frameworks that offer flexibility when implemented in region.

## PART 2: TECHNOLOGY AS A CATALYST FOR REGULATORY CHANGE

Across jurisdictions, regulators and market participants are increasingly embracing digital innovation to drive efficiency, enhance resilience and investor experience, while grappling with new risks and governance challenges. Alongside being a business enabler and providing companies new opportunities, technology is increasingly embedded in the regulatory agenda.

### Digital assets/Tokenisation

Tokenisation of assets and funds (e.g., digital assets) is rapidly gaining momentum across global financial markets, propelled by technology and market developments, changes in customer preferences, and the potential for efficiency and competitive advantage. These developments are now also increasingly supported by emerging regulatory frameworks in the US, EU, UK and beyond, that aim to balance innovation with investor protection. In these jurisdictions, private and public sector actors, are increasingly recognising the transformative potential of Distributed Ledger Technology (DLT) and tokenisation to enhance liquidity, transparency and operational efficiency. These developments are shifting from pilots toward regulated, institutional-grade infrastructure, particularly across custody, settlement, collateral and fund servicing models.

#### Digital assets regulation in the US

2025 marked a turning point for digital asset regulation in the US. The Trump administration moved decisively away from the enforcement-heavy approach of prior years, embracing a pro-growth, innovation-led framework aimed at making the US the 'crypto capital of the planet'.<sup>11</sup> This shift has come in the form of significant legislative milestones such as the **Genius Act** (passed in July 2025)<sup>12</sup> a significant legislative milestone for regulating stablecoin activity, and **Clarity Act** (currently under review with Congress), setting a regulatory framework for digital assets activities.<sup>13</sup> Other measures also encompass targeted initiatives by federal agencies (SEC '**Project Crypto**',<sup>14</sup> Commodity Futures Trading Commission and state-level regulators who are exploring frameworks for digital assets) and increased cooperation between federal agencies (SEC - CFTC harmonization event<sup>15</sup>), signalling a shift towards regulated innovation, in the US, rather than prohibition/enforcement.

#### Digital assets regulation in the UK

The UK is in the process of launching a comprehensive regulatory regime for digital assets underpinned by the strong ambition to position itself as a global hub for digital finance. Throughout 2025 and continuing into 2026, UK regulators such as the Financial Conduct Authority (FCA), the Bank of England and His Majesty's Treasury, under the **Financial Services and Markets Act 2000 (FSMA)**<sup>16</sup>, have published a **crypto roadmap**.<sup>17</sup> This roadmap outlines the key steps and regulatory building blocks to gradually bring digital assets into the financial services regulatory framework, currently expected to start from October 2027. The new regime for digital assets, in the UK, will introduce new regulated activities, such as issuing qualifying stablecoins, operating crypto-asset trading platforms, custody and safeguarding of crypto-assets, staking, and intermediation services.

#### Digital assets regulation in the EU

In the EU, the **Markets in Crypto-Assets Regulation (MiCA)**<sup>18</sup> became fully applicable from 30 December 2024 and 2025 was marked by its operationalisation. MiCA establishes a harmonised framework for digital assets, providing legal certainty for issuers and service providers operating across the EU. In H1 2025, the European Commission (EC) and the European Supervisory and Market's Authority (ESMA) adopted several Regulatory Technical Standards underpinning how MiCA operates in practice

(e.g., setting requirements around Liquidity management, Record-keeping and conflict-of-interest, determining White paper requirements for crypto-asset offerings). Additionally, the European Commission's **DLT Pilot Regime** (implemented in March 2023), is a regulatory sandbox that works alongside MiCA, to enable traditional financial market infrastructures to operate using DLT.<sup>19</sup> The temporary exemptions applied in the sandbox, enable market players to experiment with DLT, to facilitate the trading and settlement of digital assets that qualify as financial instruments. MiCA and the DLT Pilot Regime have increased the number of crypto-asset firms seeking regulatory approval (65% of EU crypto-asset businesses are MiCA compliant) whilst increasing institutional adoption (30% of EU institutional investors expanded crypto-asset holdings post-MiCA going live).

Taken together, these regional frameworks provide a sufficiently mature regulatory environment to support institutional digital asset servicing, subject to robust governance, risk management and operational controls.

### ***Digital platforms and AI integration***

Investor behaviours are rapidly evolving, with customers increasingly gravitating towards app-based platforms that deliver real-time, seamless, mobile-first experiences. In parallel, Artificial Intelligence (AI) is increasingly being deployed and used. In financial services, AI developments are powering augmented real-time analytics, predictive risk modelling and personalised product experiences. Regulators continue to highlight the challenges around AI adoption and digital platforms which can introduce systemic challenges such as explainability, bias, data privacy, and cyber resilience, prompting regulators to develop frameworks that can balance innovation with accountability, traceability and control.

### ***Digital and AI regulation in the EU***

On 1 August 2024, the **EU Artificial Intelligence (AI) Act** entered into force.<sup>20</sup> The AI Act is the first comprehensive regulatory framework for AI, scheduled to be implemented in three distinct phases:

- Starting from February 2025, certain AI systems deemed to pose an 'unacceptable risk' will be banned. This includes systems that involve social scoring and biometric categorisation.
- The bulk of obligations for 'high-risk AI systems' will take effect on 2 August 2026. From this date, authorities will enforce compliance, and businesses must ensure their AI systems meet the required standards.
- Full compliance for high-risk AI systems is expected by 2027. This includes adherence to strict rules regarding transparency, conformity assessments, and post-market surveillance.

However, under the European Commission's **Digital Omnibus** package (published November 2025) a series of policy measures are being introduced to reduce the regulatory burden and improve EU competitiveness.<sup>21</sup> As such, requirements for 'high-risk AI obligations' have been postponed by up to 16 months, moving the August 2026 deadline to December 2027, for Annex III use cases and August 2028, for Annex I systems. In addition, compliance deadlines will be contingent upon the development of harmonised standards and guidelines by the Commission, rather than the initially anticipated prescriptive deadlines.

### ***Digital and AI regulation in the UK***

The UK continues to avoid developing prescriptive rules for AI, opting instead for a principles-based, sector-led framework rather than comprehensive requirements. The **Pro-Innovation approach to AI regulation** (issued in August 2023) lays out a principles-based approach based on five principles: Safety,

Security & Robustness, Transparency, Fairness & Accountability, Contestability & Redress.<sup>22</sup> No dedicated AI regulator has been created; instead regulators such as the Financial Conduct Authority (FCA) are expected to embed these core principles into their supervisory practices. FCA guidance on AI in consumer-facing applications (e.g., such as robo-advisors or chatbots) stress the importance of transparency and accountability. **The Bank of England's AI strategy** (published in August 2025) focuses on model resilience, operational risk, and systemic stability, particularly in algorithmic trading and credit risk management.<sup>23</sup> Further, an independent report by the Department for Science, Innovation and Technology, entitled '**AI Opportunities Action Plan**' (published in January 2025) emphasizes that AI is an important driver of economic growth and competitiveness and the UK's government stance should promote innovation over early regulation.<sup>24</sup> This reflects a deliberate choice by the UK government to maintain flexibility and avoid burdensome obligations, which contrast with the EU's approach in the AI Act. The UK's approach was also reinforced during the UK-US '**Technology Prosperity Deal**' (September 2025), which prioritized cross-border investment and collaboration with major US firms (such as Microsoft, NVIDIA, Google, OpenAI) heavily invested in AI.<sup>25</sup>

### **Digital and AI regulation in the US**

In January 2025, the US administration issued an Executive Order '**Removing Barriers to American Leadership in Artificial Intelligence**' (published in January 2025), rescinding the prior administration's restrictive policies on AI.<sup>26</sup> The order emphasized the following points:

- Removing federal rules hindering AI development and innovation.
- Reframing AI as a strategic asset for economic and military leadership.
- Pushing for a unified federal standard to override state-level restrictions.

The '**America AI Action Plan**' published later in July 2025, included over 90 individual policy actions focused on: accelerating AI innovation (e.g., removing red tape, promoting open-source AI, and incentivising private-sector research and development), infrastructure investments (e.g., building AI-ready data centres and cloud ecosystems), investments in workforce development (e.g., federal funding for AI literacy, apprenticeships, and rapid reskilling programs) and focusing on global strategy (e.g., tightening export controls while boosting collaboration with like-minded countries e.g., UK-US 'Technology Prosperity Deal' referenced above).<sup>27</sup>

## **PART 3: MODERNISING CAPITAL MARKETS FOR THE DIGITAL AGE**

Global capital markets continue to undergo profound transformations driven in part by a robust regulatory agenda. Regulatory priorities are increasingly shifting from managing financial risks to driving modernisation and efficiency. Resiliency remains central, with an increased focus on meeting the demands of a digitally enabled infrastructure, where clients expect speed, transparency, and 24/7 availability without compromising on stability or functionality. This reframed agenda, for how capital markets ought to evolve, is reshaping market infrastructures, trading practices, geographical localisation of activity and regulatory reporting frameworks - enabling a future-ready ecosystem that balances speed with innovation and stability.

### **Pushing for modernisation and efficiency**

#### **Shortening securities settlement cycles**

Following the move to T+1 securities settlement in **North America in May 2024**,<sup>28</sup> the EEA (including the **EU**<sup>29</sup>, Norway, Iceland and Liechtenstein), **UK**<sup>30</sup> and **Switzerland** are actively planning to transition their

respective securities settlement cycle from T+2 to T+1 on 11 October 2027. This change in post-trade market practices aligns with global efforts to reduce risk and improve efficiency in capital markets and marks a decisive step towards modernising the post-trade market infrastructure. By removing a full day of settlement in the marketplace this forces automation and straight through processing, thereby advancing market resilience. These requirements for real-time processing, automation and data integrity also create natural alignment with newer digital and DLT-enabled settlement models being explored by market infrastructures. Key objectives underpinning the move to T+1 include risk reduction (a shorter settlement time reduces counterparty and liquidity risk), operational efficiencies (a compressed timeline forces process enhancement and automation) and increased market integration (harmonisation of settlement cycles across jurisdictions facilitates cross-border trading). As such, to enable a shorter settlement cycle across Europe, several market players are undergoing enhancements, which span technology (automation of workflows), processes (faster trade allocations and confirmations) and risk management (mitigation of operational risks). The move to T+1 settlement will benefit capital markets by reducing risks and improving liquidity and investor confidence.

### **US DTCC Modernisation**

The DTCC is undertaking a multi-year **modernisation program** to transform its 'Clearing'<sup>31</sup> and 'Settlement'<sup>32</sup> infrastructure. These initiatives, grouped under its modernisation program, aim to deliver greater resiliency (based on robust systems able to withstand systemic shocks), operational efficiencies (increase automation of clearing and settlement processes) and prepare DTCC for the future of global capital markets, marked by automation and shorter settlement timelines. Key features of the program include moving to a cloud-based architecture (enabling scalability, flexibility and enhanced recovery capabilities), increasing automation (reducing manual interventions and operational risk) and standardisation (migration to ISO 20022 messaging for global interoperability). The program aims to reinforce DTCC's role as a central market infrastructure for the next era of global capital markets.

### **Transition to 24/5 equity markets**

US equity markets are moving towards near-continuous trading five days a week (24/5), marking a significant evolution in market structure aimed at improving accessibility, transparency, and competitiveness. By extending trading hours to near-continuous sessions five days a week, the initiative aligns with global trends and investor expectations, reducing reliance on off-exchange trading and enhancing price discovery. This change is driven by growing investor demand for flexibility, competitive pressure from markets offering 24-hour trading, and regulatory support for extended sessions. DTCC will extend the operating hours of the NSCC to 24 hours over a 5 day week, expected at the end of Q2 2026,<sup>33</sup> and the first exchanges are expected to offer trading over a 23 hour day (with a one hour pause at 8:00PM ET) from Monday to Friday by late 2026 or early 2027. Achieving this will require significant technology enhancements, real-time risk controls, and robust liquidity management. Benefits include broader investor participation and improved global competitiveness, but challenges such as operational complexity, technology risks, and staffing demands must be addressed. Firms should assess readiness, prepare for systems upgrades, real-time monitoring and engage with regulators to ensure compliance; thus positioning themselves to capture opportunities in a more dynamic and digital market environment.

### **UK PISCES Framework and Private Securities Market (PSM)**

**The UK Private Intermittent Securities and Capital Exchange System (PISCES)**<sup>34</sup> regulatory framework represents a major step in modernising capital markets by unlocking liquidity in private markets. Historically, trading unlisted securities has been fragmented and opaque, limiting access and efficiency.

PISCES introduces a regulatory framework for institutional-grade infrastructure designed to bring transparency, structure, and confidence to this market segment, signalling a new era for alternative assets. The Private Securities Market (PSM), launched by the London Stock Exchange (LSE) in November 2025 under the PISCES framework, enables intermittent auctions for private securities, with the first trades expected in early 2026.<sup>35</sup> The model combines the benefits of regulated market standards with the flexibility required for private assets, with the aim of creating a trusted environment for issuers and investors.

Platforms launched under PISCES, including the PSM, have the potential to offer investors improved access and price discovery. For private companies, it allows them to offer investors exit opportunities on an intermittent basis, with control over the terms of transactions, including when transactions are permitted, the size of share capital that can be made available and the types of investor able to buy shares. As digital technology innovations such as DLT advance, these are likely to be integrated into PISCES platforms such as PSM to enable more efficient secondary private market transactions, subject to appropriate regulatory oversight and institutional safeguards.

### ***EU & UK Consolidated Tape***

**Consolidated Tape** initiatives, across the **EU** (for bonds, equities and OTC derivatives)<sup>36</sup> and **UK** (for bonds<sup>37</sup> and equities<sup>38</sup>), are important steps towards modernising capital markets. Currently, price discovery across multiple trading venues is complex, inefficient and creates challenges for investors. A consolidated tape will provide a single, authoritative source of market data, stemming from regulators, enhancing confidence and contributing to better execution outcomes. A Consolidated Tape (CT) aggregates real-time trade and quote data from all relevant venues into a unified feed. Unlocking the benefits of CTs will require firms to upgrade their technology infrastructure (e.g., data architecture, connectivity, integrated advanced analytics) and robust governance frameworks to ensure data integrity and compliance data standards. If appropriately designed and implemented, market participants will be able to access more transparent, accurate and timely information around price discovery supporting operational efficiencies, trading decisions and stronger compliance capabilities.

### ***EU CSD Integration***

The **EU Central Securities Depositories (CSD) Integration** initiative is designed to reduce cross-border market frictions and improve efficiency without mandating full consolidation. Fragmentation among CSDs has historically created complexity and cost for settlement across jurisdictions. By introducing mandatory links between CSDs and CSD hubs, the **Market Integration and Supervision Package (MISP)** aims to enhance connectivity and streamline settlement processes at an EU level. Implementation focuses on establishing interoperable links and shared infrastructure that allows CSDs to communicate and settle transactions more seamlessly. This will require investments in technology, harmonisation of standards, and operational adjustments to increase resilience and data integrity. Firms also will need to upgrade systems to manage multi-CSD connectivity and adapt workflows for cross-border settlement. This impact of greater connectivity could be significant by improving settlement efficiency, reducing operational risk, and supporting liquidity across European markets. Firms should begin preparations due to planned integration costs, enhanced governance requirements, and potential changes in operating models and risk management frameworks.

### ***Resiliency: a non-negotiable***

### ***SEC US Treasury Mandatory Clearing***

The SEC's **US Treasury Mandatory Clearing** is a significant regulatory initiative aimed at reinforcing financial stability, interconnectedness, and role in global financial markets.<sup>39</sup> With US Treasuries being the largest bond market in the world, any counterparty risk could have systemic implications. By mandating central clearing of US Treasuries, regulators are seeking to reduce these risks and strengthen market resilience. The new rules will require all in scope cash and repo trades to be cleared through central clearing agency (CCAs), acting as intermediaries between buyers and sellers. This will mitigate bilateral credit exposure, enhance transparency, and provide robust risk management through margining and default procedures. To implement, adjustments will be required, including technology upgrades, alignment with CCA processes, introduction of new compliance obligations, and cost considerations. To prepare, firms should analyse trade and settlement workflows, collateral management, and clearing design options to meet the new clearing requirements going live in December 2026 (for cash market eligible secondary market transactions) and June 2027 (for repo eligible secondary market transactions).

### ***Bank of England's UK Gilt Repo Proposal***

The Bank of England's **UK Gilt Repo Proposal** aims to increase market resilience by improving liquidity and collateral efficiency in UK gilt markets.<sup>40</sup> Recent UK gilt market stress events (such as 2022 gilt market crisis or 'mini budget'), have highlighted vulnerabilities in liquidity provision and collateral flows, making reform essential to safeguard UK financial stability and ensure their smooth functioning under volatile market conditions.<sup>41</sup> The Bank of England proposal introduces a centralised framework for gilt repo transactions, enhancing transparency and standardisation while reducing fragmentation. By creating a more robust and accessible repo market, the initiative supports efficient collateral mobilisation and mitigates liquidity risk during periods of market stress. Implementation will require operational adjustments, technology upgrades, and alignment with regulatory standards to ensure a seamless integration. For market participants, enhanced repo infrastructure will improve liquidity management, reduce funding risk, and strengthen confidence in the UK gilt market. However, firms must prepare for new compliance obligations, adapt collateral processes, and invest in connectivity to centralised platforms. Ultimately, these reforms position the UK gilt market for greater resilience and stability, reinforcing its role for secure and efficient funding.

### ***The MiFID/EMIR Active Account Requirement***

The **MiFID/EMIR Active Account Requirement (AAR)** is designed to strengthen operational readiness and resilience in clearing and settlement processes. By mandating that firms maintain active accounts with clearing houses, regulators aim to ensure market participants can respond quickly to stress events, clearing trades via clearing houses, thus supporting trade processing efficiency. This measure is aimed at addressing systemic vulnerabilities, exposed during periods of strong market volatility, and to reinforce confidence in market infrastructure. The implementation of the AAR involves firms establishing and maintaining operationally ready accounts with clearing houses, including connectivity, collateral arrangements, and compliance with clearing protocols. This requires investments in technology, process automation, and governance to guarantee seamless access during stressed market conditions. Firms must also align internal workflows with clearing house standards to meet regulatory expectations. While the AAR aims to enhance market stability and reduce settlement risk, it introduces additional operational complexity and costs for firms. Firms that act early to integrate active account capabilities will demonstrate regulatory compliance whilst positioning themselves as more operationally ready for stressed market conditions.

### ***Enhanced regulatory reporting***

Enhanced regulatory reporting under the amended **AIFMD** and the new **UCITS** regulatory reporting framework reflects regulators' commitment to strengthen transparency and risk oversight while streamlining for efficiency. The reforms introduce more granular data requirements and harmonised templates, enabling regulators to monitor exposures and liquidity risks more effectively thus addressing the growing demand for better visibility into fund activities. The changes ensure reporting standards keep pace with market developments and investor expectations although the implementation of the new reporting standards will require firms to upgrade reporting systems, automate data collection, and ensure accuracy across multiple jurisdictions. Technology investments and operational alignment will be key to meet these enhanced obligations without increasing the administrative burden. Firms that adapt quickly will benefit from improved compliance, stronger governance, and enhanced credibility with regulators and investors. Failure to modernise reporting capabilities could lead to operational inefficiencies and regulatory penalties. Ultimately, the changes introduced position the industry for greater resilience and transparency, which contribute to reinforcing trust in an increasingly digital and interconnected financial ecosystem.

As capital markets evolve to provide increasing convenience, speed and functionality to investors and market players, it remains paramount that this evolution does not compromise the reliability of capital markets; where stability and resilience are the foundations upon which trust is built on. Firms that invest in technology, automation, and data integration will meet the demands for accelerated settlement, extended trading hours and real-time transparency. However, success will ultimately hinge upon delivering on these benefits whilst ensuring governance and risk management standards remain effective in a more continuous, interconnected, high speed, high volume environment.

## PART 4: INCREASING RETAIL INVESTOR PARTICIPATION

When it comes to retail investors, historically the policy making focus has been on protecting investors, to the point of restricting or even excluding access to certain asset classes by retail investors. Over the last couple of years, this position has shifted across the US, Europe and UK as policy makers pursue stronger growth, requiring significant increase in capital market investment. High levels of cash savings amongst retail consumers in the UK and the EU in particular have been identified as potential source of capital. This has caused policy makers and regulators to revisit the balance of risk versus protection, aiming for a balance that enables and encourages greater capital market participation by retail investors while ensuring investor protection remains appropriate.

This trend is most prevalent in the US, where nearly all 'in-flight' regulation from the Gensler-era that had been proposed, but not yet implemented, was cancelled.<sup>42</sup> The SEC has also drastically reduced enforcement cases, pivoting instead to a 'back-to-basics' enforcement approach focused on tackling those who 'lie, cheat and steal',<sup>43</sup> and establishing a new Crypto Task Force to develop a clear and comprehensive regulatory framework for crypto-assets.

Similarly, in the UK the FCA has signalled a move towards allowing 'informed risk taking' to support the UK Government's growth agenda, including streamlining regulatory requirements, easing retail access to corporate bonds, and enabling savers to invest more efficiently.<sup>44</sup> While partly a response to the UK government's desire to unlock savings to encourage more investments, this also reflects the FCA's confidence in the **Consumer Duty** as a mechanism that can continue to ensure investors are protected while reducing prescriptive rules. This trend is expected to accelerate in 2026, as the FCA implements important changes to retail investment disclosure, including the implementation of the new **Consumer**

**Composite Investment (CCI)** framework, the introduction of **Targeted Support** and supporting a review of risk warnings led by The Investment Association supported by HM Treasury.

In the EU, the new EU Commission, which began its term in December 2024, has similarly made growth and competitiveness a priority. The **Savings and Investments Union (SIU)**, launched by the Commission in 2025, represents an evolution of the **Capital Markets Union (CMU)** of the last decade. Inspired by reports by Enrico Letta<sup>45</sup> and Mario Draghi<sup>46</sup> in 2024, the **SIU** seeks to connect savings and investments, enhance EU economic competitiveness, and encourage greater retail participation in capital markets. It has launched several key initiatives in 2026, along with the continuation of initiatives launched in the previous Commission's term such as the **Retail Investment Strategy (RIS)**.

### **EU retail investment regulation**

- **Market Integration and Supervision Package (MISP):** Launched on 4 December 2025, the MISP proposes targeted amendments to a range of EU directives and regulations with the aim of enabling further market integration and scaling, integrated supervision, facilitating innovation and achieving simplification. Changes include strengthening the cross-border management and distribution of funds, which includes the introduction of a full depositary passport, increasing the interoperability of CSDs, simplifying regimes for DLT activities, and a significant expansion of ESMA's supervisory powers. This package has been prioritised by the Commission, being released within only a few months of its consultation on the SIU. We therefore expect this to progress quickly within the European Parliament and the Council of Ministers, potentially entering into trilogue in early 2027.
- **Supplementary Pension Schemes Package:** The EU Commission adopted a package of measures on 20 November 2025 intended to boost supplementary pensions in the EU. These include changes to EU legislation on **Occupational Pensions (IORP)** – including allowing pension funds to invest more widely; and the **Pan-European Personal Pension Products (PEPP)** – including the removal of the charge cap and a requirement for advice for the Basic PEP. These will be accompanied by recommendations for Member States to create dashboards and tracking systems and introduce auto-enrolment.
- **Retail Investment Strategy:** Launched in 2023, the **Retail Investment Strategy (RIS)** aims to encourage more retail participation in capital markets, through enhancing investor protection, empowering retail investors to make informed decisions, ensuring investment products offer fair value and improving financial advice. Following a lengthy trilogue process, political agreement was reached on the **RIS** in December 2025, with technical trilogues to continue into early 2026. The **RIS** is one of the existing policy files where, along with Sustainability Requirements, the change of emphasis of the new Commission has been most apparent. The initial proposals of the **RIS**, which included centralised value for money (VFM) benchmarks, a ban on inducements for execution-only business and stringent requirements on investment advice, have undergone significant revision, resulting in more proportionate measures such as peer based benchmarking for VFM.
- **Savings and Investment Accounts:** The EU Commission has created an EU blueprint for **Savings and Investment Accounts**, offering preferential tax treatment, easy accessibility through straightforward digital interfaces and low charges. The EU Commission has limited powers in this area beyond making recommendations, so it will be for individual member states to decide whether to adopt the proposals. It should be noted that several member states such as

Sweden, Italy, Hungary (and others) already offer tax-incentivised investment accounts that meet the EU savings and investment accounts blueprint.

### **UK retail investment regulation**

- **Consumer Composite Investment framework:** The FCA issued the final rules for its new **Consumer Composite Investment (CCI)** framework for product disclosure in December 2025.<sup>47</sup> The CCI replaces both the **UCITS Key Investor Information Document (KIID)**, which is still used in the UK for fund disclosure despite being retired in the EU, and the **Packaged Retail Investment and Insurance Product (PRIIPs)** regulation, which was onshored for other investment products. The **CCI** aims to transform retail disclosure, moving from strictly prescribed templates and detailed rules on disclosure items to allowing more investor-friendly content and delivery (e.g. digitally), underpinned by the **Consumer Duty**. That said, individual data points and calculation methodologies (e.g. disclosure of performance, risk indicators, charges) remain highly prescribed to allow for comparability. The **CCI** framework can be used from 6 April 2026, and firms need to complete their transition to the **CCI** no later than 8 June 2027. **CCI** implementation will not be a pure compliance exercise - the absence of a prescribed template/presentation format will present challenges for firms, forcing them to consider their engagement and dissemination strategy for fund disclosures.
- **Targeted Support:** 2026 will see the introduction of a new framework called **Targeted Support** to assist consumers in making decisions on their pensions and investments, which will sit between full financial advice and guidance.<sup>48</sup> This is intended to address the post-RDR 'advice gap', whereby the ban on commission to retail financial advisers and the higher standards for financial advice introduced by the **Retail Distribution Review (RDR)** on 1 January 2013, resulted in a significant part of the UK population no longer having access to, or choosing not to use financial advice. **Targeted Support** will allow firms to provide recommendations in the form of ready-made suggestions to groups of investors with shared characteristics or financial needs. While going further than guidance, it will not be based on a full individual assessment and therefore will not be deemed individual financial advice. **Targeted Support** will be specified as a regulatory activity in **the Regulatory Activities Order (RAO)** and require firms to apply for the applicable regulatory permissions, and firms will be subject to governance and compliance monitoring of the targeted support provided. The gateway for applying for permissions to offer targeted support will open in March 2026, and the final rules are expected to come into force on 6 April 2026.
- **Risk warnings review:** Long viewed as a critical component of investor disclosure, in 2025 these were identified as a barrier to savers choosing to invest, being too one-sided on the potential negative outcomes and not sufficiently highlighting the link to higher potential rewards. The UK Government announced in its Leeds Reforms that a review of risk warnings would take place, led by the Investment Association. The review, expected in 2026, aims to provide a more balanced disclosure of the benefits of investing as well as the risks, helping people to more accurately judge risk levels rather than dismissing investment.

### **Democratization of private markets**

The trend for democratization of private markets, which has been underway for several years, continues to enjoy political and regulatory support in the US, UK and EU. Private markets are viewed by policy makers as an important channel for capital in the real economy, necessary to fuel the economic growth objectives referred to throughout this outlook. In recent years we have seen the launch or adaptation of fund vehicles

intended to make private market investments more accessible to a wider audience, notably the UK's **LTAF**, the heavily revised **ELTIF 2.0** in the EU, and a significant increase in the update of Interval Funds in the US. In Canada, the Ontario Securities Commission (OSC) is developing a new fund structure for illiquid investments that will be accessible to retail investors under **its Long-Term Asset Fund Project**.

Overall 2026 will see an embedding and improving existing structures rather than significant new regulatory developments, consolidating the significant developments in this area in recent years. The trend towards democratization of private markets is likely to increasingly blur the boundaries of investment activities that would historically have been considered institutional/wholesale and those considered retail. This has implications for both groups - the possibility of a broader investment universe, but also broader risk exposure, for retail investors, and the increased risk that governance requirements largely intended for retail investors are imposed on institutional business.

### **Key developments in 2026:**

- EU: removal of cross-border additional **ELTIF** requirements under **the Market Integration and Supervision Package (MISP)**.
- UK: **LTAF** to become a qualifying investment in the popular Stocks & Shares ISA wrapper, making these more attractive to investment by private wealth clients and more knowledgeable and experienced retail investors.
- UK: the 2025 launch of **the PICSES** regulatory framework will enable platforms to allow secondary exchanges of shares in private companies. The London Stock Exchange Group (LSEG) has launched its **Private Securities Market** under the **PISCES** framework and the first exchanges are expected to take place in Q1 of 2026.
- US: The President of the United States issued an **Executive Order** on 'Democratizing Access to Alternative Assets for 401(k) Investors,' increasing the allocation that 401(k) plan investors can allocate to private market investments to more align with defined contribution plans diversification allowance. This is expected to increase retail investment in private market funds such as **Interval Funds** in 2026.

### **Other fund developments**

In addition to the developments listed above, some further developments are likely to affect investment funds in 2026:

- **AIFMD II (EU):** the revised **AIFMD** and **UCITS Directive** comes into effect on 16 April 2026. This introduces new requirements for loan origination funds, a standardized set of liquidity management tools (LMTs) for both AIFs and UCITS across the EU along with enhanced disclosure requirements around the use of LMTs, tighter rules on delegation and substance, a partial depositary passport and new liability requirements around investor CSDs. Changes to regulatory reporting requirements for **AIFMD** and a new regulatory reporting framework for **UCITS** will be introduced in April 2027.
- **Liquidity Management:** The FCA has consulted on revising its liquidity management framework for UK authorized funds to align with the revised IOSCO recommendations for liquidity management. In view of the already substantive liquidity management framework that applies in the UK, the changes are not overly radical. These propose making the use of anti-dilution tools mandatory (noting these are already widely adopted in the UK), changes on the eligibility of

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shares that are pending a listing and enhanced guidance. The final rules on liquidity management are expected to be finalized in 2026.

- **Money Market Funds (MMFs):** it has been two years since the FCA consulted on its proposed reforms to the **UK MMF Regulation**, which controversially included raising the liquidity thresholds of daily and weekly maturing assets to 25% and 50% respectively for all MMF types, including Variable NAV MMFs. The UK has delayed the implementation of its MMF Regulation reforms, awaiting progress by the EU Commission on a targeted amendment proposal on the **EU MMF Regulation**, which has been strongly pushed by HM Treasury in its bi-annual meetings with the EU Commission. The **EU MMF Regulation** proposal is understood to be unlikely to be published until 2027, raising the question on whether the UK will be willing to wait another year or will choose to unilaterally implement its reforms in 2026.

## Conclusion

As global regulatory priorities shift toward regional competitiveness, technological modernization, and retail empowerment, the years ahead will demand greater agility, investment and strategic foresight from financial institutions. While policymakers are pursuing simplification and pro-growth reforms, the overall regulatory environment is becoming more - not less - complex, as accelerated settlement cycles, digital-asset frameworks and associated digital asset innovation, AI oversight and enhanced resilience requirements converge.

Success in this evolving landscape will hinge on firms' ability to modernise infrastructure, strengthen data and automation capabilities, and engage proactively with regulators to shape and anticipate change. Those who adapt early will be best placed to support clients, maintain compliance and capture new opportunities in a rapidly transforming global market.

Northern Trust continues to support our clients through this fast-evolving and turbulent era of regulatory change, investing in new capabilities and technology to adapt to an increasingly fragmented environment. We will be rolling out a program of webinars and publications as we move through the year to ensure our clients remain informed of the latest developments.

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## END NOTES

### Glossary of key digital assets terms

- Digital assets is a broad industry term to represent both real world assets (bonds, debt, securities, equities, real estate, voluntary carbon credits, gold etc) which are digitally represented by tokens; or digitally native securities which are issued directly in a blockchain environment with no underlying representation of the asset in any other environment. The umbrella term of “digital assets” is used in this paper to refer to crypto-assets, tokenised financial instruments, and other digitally represented assets supported by distributed ledger or similar technologies within regulated financial markets.
- Crypto-asset (often referred to as Cryptocurrencies). A digital representation of value or rights that may be transferred and stored electronically, using distributed ledger technology or similar technology. The term “crypto-asset” is used in line with established regulatory frameworks, including the EU Markets in Crypto-Assets Regulation (MiCA).
- Stablecoins<sup>49</sup> are privately-issued, money-like, digital token that aims to maintain a stable value relative to a peg specified by a reference asset(s) and designed to minimize value fluctuations relative to these reference assets(s). They are not issued by a central bank. They must also be at least fully backed by one or more assets specified under the specific regulatory framework, including cash and securities.

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