

2026

Global policy outlook

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Global Overview



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President Trump, in the first year of his second term, has pushed forward the most aggressive and maximalist executive agenda in recent history. Working alongside a majority Republican Congress, he has been relentless in advancing Republican objectives. The volume of executive orders, 212 to date, has allowed Trump to quickly implement his agenda across the government, challenge institutional norms, and ensure his long-held belief that trade deficits are evidence of countries “ripping off” the US as the foundation to his global bilateral trade deal pursuits.

President Trump’s trade policies over the past year have had a significant impact on nations worldwide, affecting economic growth, disrupting supply chains, and creating market uncertainty. While many bilateral agreements have been constructed, White House officials acknowledge that the long-term structural economic shifts (like the reshoring of critical sectors and the revitalization of US manufacturing, will take time to unfold, and yet it’s not clear they have the political capital for such a timeline.

The American reaction has been mixed and mostly split along partisan lines, with broader concerns continuing to be rooted in high prices and economic uncertainty. The most concrete confirmation of this was illustrated in the recent November election results. While 2025 is an off year for federal elections, several important state-wide executive and legislative races (as well as a few key mayoral races) demonstrated the current electoral weaknesses of the Republican party and the ability of Democrats to show their strength after a crushing defeat in the 2024 general elections.

Elections are gut checks, and America rivals the world in election frequency. This particular gut check came in the middle of the longest federal government shutdown in US history and a subsequent drop in the President’s approval rating, making it clear that until Americans feel economic relief in their everyday lives, the incumbency in Washington will suffer at the ballot box. As soon as the government reopened, key cabinet members and top White House officials made a notable messaging pivot to issues related to affordability.

An aggressive trade policy coupled with a significant amount of international presidential travel consumed much of the year, but it also gave rise to more traditional Republican policies, like deregulation and extending and expanding tax cuts. We move into 2026 anticipating Washington’s agenda being much more focused on tariff adjustments and policies targeting affordability and home ownership. Alleviating price pressure and increasing wage growth will be the aim of the next reconciliation package that is already being bandied about amongst Congressional Republican leadership and key players in the administration.

Time is short, as January will bring the start of the Congressional primary season and the President’s State of the Union address. With mid-term elections on the horizon, Congress will need to act quickly on a reconciliation package, and the Trump administration will need to push forward on their affordability agenda should Republicans have any chance of influencing the economic issues most pressing to voters prior to November.

Global view

United Kingdom: One of the UK government’s key objectives in the second half will be successfully concluding ‘reset’ negotiations with the European Union to reduce frictions in goods trade and build linkages between UK and EU energy policies.

European Union: The European Commission faces a crowded political and policy agenda that will converge around negotiations on the EU budget for 2028-2034. Strengthening the EU’s competitiveness will remain a top priority. One year after the publication of the Draghi Report, progress has been slow, and member states are urging the Commission to accelerate efforts on simplification and growth-oriented measures. At the same time, EU unity will continue to be tested across a range of other issues, including security and defence, sanctions on Russia, trade tensions with the US and China, climate policy, enlargement, and migration.

China: Beijing used its 20-23 October plenum to set its priorities for the 15th Five-Year Plan: upgrading “new-quality productive forces,” accelerating self-reliance in strategic technology, and modernizing its industrial base to buffer against external shocks. Boosting domestic consumption is a priority although details remain unclear, with potential “consumption targets” being introduced in the next Plan. These may be useful for trade partners looking at overall capacity in the economy but potentially less effective than more direct measures to lift household confidence. The plenum also highlighted China’s commitment to the green transition remaining a priority, along with military modernization. The 15th Five-Year Plan will be adopted and finalized in March 2026.





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Political outlook

- In 2025, the second Trump administration hit the ground running with over 200 executive orders signed during his first year back in office (compared to a total of 220 executive orders during his entire first term), a unified Republican Congress passing the One Big Beautiful Bill (OBBB) Act extending Trump's first-term tax cuts, and remaking the global trading system through a combination of tariffs and deals for foreign market access and investment. The President has worked aggressively and expeditiously to restructure many government institutions and exercise his executive power to achieve his policy priorities.
- President Trump prioritized downsizing and remaking the federal government during his first year back in office. Within the first half of 2025, more than 150,000 federal workers accepted buyouts from the Trump administration, representing the largest single-year exit of federal employees in nearly 80 years.
- In July, President Trump signed a \$9 billion rescission package into law, targeting appropriated federal funding for foreign aid and public broadcasting. This marked the first time in decades Congress approved a president's request to claw back previously approved funds and aligned the Republican majority in Congress with President Trump's larger initiative to rein in government spending and eliminate waste and inefficiency.
- Standing in stark opposition, the Democratic minority in Congress viewed the mass firings of the federal workforce and deep cuts to foreign aid as less about improving efficiency or eliminating waste and more about undermining the merit-based system of federal employment and the US's role in global humanitarian aid.
- In October, the beginning of the 2026 fiscal year, Congress failed to pass a stop gap funding bill throwing the country into a full federal government shutdown, the longest in US history (43 days). Senate Democrats refused to vote for a stop gap funding bill, also known as a Continuing Resolution, without including an extension of the enhanced Covid-era tax credits for Affordable Care Act (ACA) plans (also known as Obamacare), which are set to expire at the end of 2025. Although Republicans hold a 53-47 majority in the Senate, 60 votes are needed to pass any government funding bill.
- Ultimately, a group of bipartisan Senators struck a short-term deal to reopen the government until a longer-term agreement could be negotiated. The agreement fully funded three of the 12 appropriations bills. Nine appropriations bills were funded through a short-term continuing resolution, with a deadline of January 30, 2026. Therefore, Democrats and Republicans will need to come to an agreement to fund the rest of the federal government through 2026, along with a significant healthcare policy agreement, prior to the January 30 deadline.

- The beginning of the new year will also be the beginning of the primary election season. In November 2026, the mid-term general elections will be held, in which all 435 members of the House and one-third of the Senate will be up for election. Amidst a nationwide redistricting race, with both Republican- and Democrat-dominated states working to redraw maps ahead of 2026 midterm elections, Republicans will be fighting historical convention to hold onto their majority, as the President's party almost always loses ground in midterm House elections. With less than a year to go, it remains to be seen whether the longest running government shutdown, the fight over Obamacare subsidies, and the race to redistrict certain states will affect the outcome.
- What is clear is that the state of the economy (specifically, how Americans feel about their purchasing power and wage growth) will not only be the prime driver of voter behavior by the middle of 2026, but also the key indicator of the majority party's strength or weakness going into November.

Geopolitical outlook

- In October 2025, President Donald Trump announced Israel and Hamas "signed off on the first phase" of a 20-point Gaza peace plan, a major step towards a permanent end to two years of conflict.
- The next phase of the peace agreement is set to be more complicated, including the introduction of an international stabilization force, a vital part of the ceasefire plan.
- Over the past couple months, the Trump administration has attempted to ramp up the pressure on both Russia and Ukraine to end the war. In October, the US Treasury sanctioned two of Russia's largest oil companies and their subsidiaries. Most recently, US Army Secretary Driscoll reportedly informed his Ukraine counterparts that the US defense industry cannot keep supplying weapons and air defenses into Ukraine at the pace needed to defend against the Russian ramp up of attacks. In recent weeks, the US diplomatic team - led by Secretary of State Rubio, Special Envoy Witkoff and President Trump's son-in-law, Jared Kushner - have stepped up intensive negotiations built around a 28-point peace plan. Whether a pathway to peace is possible, President Trump is taking aggressive action to build momentum around these negotiations to end a nearly four-year war.
- On October 30, President Trump and Xi Jinping met on the sidelines of the Asia-Pacific Economic Cooperation (APEC) Summit in South Korea. It was their first in-person meeting since Trump's return to office in January, following worsening bilateral tensions this year. The meeting spanned a range of issues resulting in a short-term agreement aimed at stabilizing trade tensions.
- President Trump described the meeting positively while Chinese state media reported that Xi was "ready to continue working with Trump to build a solid foundation." President Trump announced plans to build on the discussions with a state visit to China in April, and that Xi is expected to travel to the US next year, thus signaling further negotiations ahead of possible future deal(s) in 2026.

Fiscal outlook

- President Trump's OBBB Act was signed into law on July 4, 2025. The legislation permanently extended many of the temporary provisions of the 2017 Tax Cuts and Jobs Act (TCJA) that were set to expire at the end of the year, restored business tax incentives, and introduced new tax provisions designed to stimulate the economy.
- The Congressional Budget Office projects the law will increase federal government deficits by \$3.4 trillion over 10 years. That estimate is mostly due to the extension of the TCJA policies, as well as new tax cuts included in the legislation.
- Several new tax cuts introduced in the OBBB are designed to provide relief to the working class and older Americans, while stimulating overall economic activity and growth and creating stability for several major elements of individual tax policy. This includes "no tax on tips" and "no tax on social security benefits."
- As part of a pilot program, "Trump Accounts" were included as a new type of investment account for newborns and children under the age of 18. Beginning in 2026, the US government will provide "seed money" for children who are US citizens and born between 2025 and 2028. This program aims to help families build long-term savings that grow over time through investments and additional contributions, starting with a \$1,000 investment in these accounts at birth.
- While the comprehensive legislation is designed to revive economic activity, Treasury Secretary Bessent consistently points to a number of key business tax relief and investment incentives included in the bill as the drivers of future GDP growth, most notably the 100% bonus deduction on new facilities, equipment and research and development (R&D), and the extension and expansion of tax credits for domestic production activities.
- This year, the Trump administration acquired direct ownership stakes in five major publicly traded companies. These investments (framed as vital to US national security and reducing reliance on China) mark a new era of government involvement in key industries to secure domestic supply chains for semiconductors, critical minerals, pharmaceuticals, steel, and national defense.
- The government's acquisitions include a 10% stake in US chipmaker Intel Corp, a 10% stake in Lithium Americas Corp, a 15% stake in rare earth producer MP Materials, a 10% stake in Trilogy Metals Inc., and a "golden share" in US Steel Corporation. These holdings provide the US government veto power over key corporate decisions.
- While it's not unusual for the US government to provide financial support to businesses and industries, historically those investments come about during major economic crises to prevent a systemic collapse.
- The Trump administration has signaled they plan to actively continue the push for government equity stakes in US companies, particularly in sectors deemed critical to national security and securing domestic supply chains.

Policy and regulatory outlook

Tariffs and trade

- In late October, on the sidelines of the Asia-Pacific Economic Cooperation (APEC) meetings, the US and China announced a truce in which China committed to purchase US soybeans and energy and agreed to delay the implementation of export controls on rare earth elements for one year. In return, the US would suspend an expansion of export controls (announced one month prior) that would restrict exports from entities at least 50% owned by organizations on its Entity List that targeted Chinese companies for one year.
- Under the deal, the existing 20% fentanyl-related tariff will be cut to 10% in exchange for China making "progress" on combatting the fentanyl trade. The US also committed to refrain from imposing the 100% tariff previously threatened by Trump in response to Chinese export controls.
- The US agreed on a one-year delay for new port fees that targeted Chinese-owned, operated, or built ships in US ports that took effect on October 14, with China also agreeing to suspend the countermeasures it imposed in retaliation.
- The US also agreed to permit American chipmaker Nvidia to reassess which chips it may sell to China, following Trump's earlier ban on exports of less advanced chips. However, the export of the "most advanced" chips will still be prohibited.
- One of the cornerstones of President Trump's economic and America First agenda is the use of trade policy to onshore manufacturing and key US supply chains to bring investment and jobs back to the US. The president has claimed his authority under the International Emergency Economic Powers Act (IEEPA) to levy blanket country-by-country tariffs.
- Currently being argued before the Supreme Court, *Learning Resources v. Trump* will decide the fate of these tariffs, and, in an ironic twist, the major questions doctrine could be a decisive factor. The major questions doctrine (the idea that presidents cannot use ambiguous statutory language to make "decisions of vast economic or political significance") is a key conservative pillar and has been utilized in recent SCOTUS decisions to undo perceived liberal executive and agency actions. The President has claimed his authority to tariff based on the ability to regulate imports if there is "any unusual and extraordinary threat" that poses a national emergency due to the nation's trade deficit.
- How the Supreme Court views "emergency" will be center stage of the decision-making process as IEEPA has no mention of the word "tariff" or similar terms in the underlying legislation. No case before the Supreme Court will likely have a bigger impact on President Trump's final term. Their decision on this case is expected in the first half of next year.
- In the meantime, the administration has shown a willingness to make a limited pivot on trade policy, announcing the elimination of tariffs on over 200 imported food items. This move comes after the results of the off-year elections which brought big wins for Democrats illustrating that affordability continues to play a major role in the minds of voters.

United States

Banks

- Earlier this year, US Secretary of Treasury Scott Bessent called for a fundamental reset of financial regulation, specifically noting the role restrictive regulation has played in gradually constraining US banks, especially community banks. The Secretary called for an era of Parallel Prosperity, “where Main Street and Wall Street grow together by steering reforms to improve regulatory tailoring and ensuring that modernization of our capital framework ends the capital arbitrage that drives bank lending to nonbanks.”
- Secretary Bessent has endorsed congressional efforts to reform the federal deposit insurance system to support smaller US and community banks, an issue which has divided the banking sector.
- Over the summer, the Federal Reserve (the Fed) began developing a new risk-based capital rule, aka “Basel III Endgame,” that would ease the capital requirements on the largest US banks from the Biden administration’s version of the rule.
- Vice Chair for Supervision at the Fed, Michelle Bowman, is leading efforts to develop the new rule that would aim to simplify how banks calculate their capital requirements. Financial regulators are expected to remove the original proposal and unveil a new one in the first quarter of 2026.

Digital assets

- In July 2025, President Trump signed the first piece of national crypto legislation into law: the Guiding and Establishing National Innovation for US Stablecoins Act, or the GENIUS Act. This legislation provides a regulatory framework for USD-backed payment stablecoins and serves as a vital first step towards broader digital asset regulatory clarity. That same month, the Digital Asset Market Clarity Act, also known as the CLARITY Act, passed the House of Representatives. The bill would establish a regulatory framework for digital assets, particularly focusing on digital commodities and their oversight.
- While passage of digital asset market structure legislation in the Senate remains uncertain due to political disagreements between Democrats and Republicans, which were further complicated during the prolonged government shutdown, the White House has encouraged the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) to use their “existing authorities to immediately enable the trading of digital assets at the federal level.”
- In August, SEC Chair Paul Atkins announced “Project Crypto,” a comprehensive initiative aimed at modernizing the US regulatory framework to establish capital formation in the digital asset markets and “positioning the US as the global leader in crypto markets.”
- That same month, CFTC Acting Chair Caroline Pham announced that the Commission would not only work closely with the SEC to achieve Project Crypto, but that they would be launching a “crypto sprint” and solicit feedback on a plan to allow “for trading spot crypto asset contracts that are listed on a CFTC-registered futures exchange.”
- Whether or not Congress is able to deliver a broader crypto market structure bill this year or next, the expectation is that the SEC and CFTC will work under their current authority to provide greater regulatory relief and clarity for the crypto industry over the next three years in an attempt to deliver on this administration’s promise to ensure the US is the global leader in digital finance.

Energy and sustainability

- President Trump issued an executive order announcing October as “National Energy Dominance Month” and represented a continuation of the administration’s focus on supporting oil, coal, minerals, and natural gas as economic engines to prosperity, global leadership, and national security. The executive order stated the President’s energy policy “is defined by maximum production, maximum prosperity, and maximum power.” The Trump administration has and will continue to utilize trade deals to secure access and partnerships for critical minerals and rare earth mining and processing to complement the United States’ economic needs of the future.
- In addition, the Department of Energy, the Department of Interior, and the Environmental Protection Agency continue to work in concert to unleash energy by accelerating permits, reducing government roadblocks, and focusing on energy supply to support AI demands, lowering energy prices, and manufacturing supply chains. Interest in supporting nuclear energy, including Small Modular Reactors (SMRs), and liquified natural gas (LNG) exports, and coal remain core priorities for the administration and the Republican-controlled Congress. The administration announced 13.1 million acres of federal land would be available for coal leasing, with faster permitting and royalty reductions. Simultaneously, the administration has canceled over \$7.5 billion in clean energy grants across the country that were previously awarded under the Biden administration. The Trump administration’s interest in eliminating federal grants for wind, solar, and other forms of renewable energy production does not appear to be dissipating anytime soon, despite some Congressional opposition and concerns over canceled projects and job losses.
- Despite growing bipartisan interest and support for robust permitting reform, efforts have been overcome by other Washington, D.C. priorities and politics. Industry support and demand for durable permitting reforms spanning beyond this administration will likely continue to keep the topic on the legislative menu. In the meantime, the Trump administration will likely continue to address permitting reforms through agency coordination, reducing timelines through both the Energy Dominance Council and the Federal Permitting Improvement Steering Council.
- Under President Trump, the SEC is expected to make a complete reversal in ESG rulemaking previously established by Chairman Gensler.
- SEC Chairman Atkins said one of his top priorities is to “make being a public company an attractive proposition for more firms.” Atkins stated, “Nothing has epitomized the politicization of shareholder meetings more than shareholder proposals focused on environmental and social issues.” Chairman Atkins is expected to consider significant changes to the shareholder proposal process, including re-evaluating rules requiring companies to bring ESG-related proposals to a vote at annual meetings.

United States

Private markets

- With fewer companies filing for IPOs, and more public companies being taken private, Chairman Atkins launched a plan aimed at reversing the decline in initial public offerings by addressing regulatory burdens, litigation risks, and corporate governance complexity.
- On August 7, 2025, President Trump signed an executive order directing his administration to re-examine and clarify existing regulations to open the \$9 trillion US retirement market to private assets.
- The order encourages the Department of Labor and other federal agencies to create a pathway for more defined contribution retirement plans. This would offer participants exposure to alternative asset investments, including private equity, real estate, and cryptocurrencies.
- This marks the first official action from the Trump administration in what is expected to be an extensive effort to unlock the private markets and new investment opportunities for main street investors.
- Chairman Atkins said his top priority is “restoring clarity and balance to financial regulation—protecting investors while ensuring markets stay globally competitive.” However, the more than 40-day government shutdown as well as staff reductions at the SEC could slow down Atkins’s more immediate plans surrounding some of his top priorities, including crypto asset markets, stock-trading rules, and flexibility on corporate reporting requirements in the US.



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Political outlook

- One of the central political stories of 2025 was the continued decline in the Labour Government's popularity and Reform UK's rise to take a clear and sustained lead in the opinion polls. In 2026, we expect continued political volatility, fragmentation, and voter realignment in a new era of five-party politics (Conservatives, Labour, Lib Dems, Greens, and Reform).
- The political centrepiece of 2026 will be the May elections. More than 4,000 local council seats in England, 10 mayoralities plus all the seats in both the Welsh Senedd and the Scottish Parliament are up for grabs. In Wales, a close contest between Welsh nationalists Plaid Cymru and Reform – the first under a new electoral regime – could see a Welsh Government administration led by a party other than Labour for the first time since devolution (1999). In Scotland, and at local council level in England, Reform is expected to make gains at the expense of the Labour and Conservative parties. As such, both Sir Keir Starmer and Kemi Badenoch's positions as Prime Minister and Leader of the Opposition will come under significant pressure if, as expected, their parties sustain meaningful losses and their opinion poll ratings are reflected at the ballot box.
- Beyond the elections, we expect fissures in the governing Labour Party to widen between the soft left and the right of the party, forced by the Government's continued low poll ratings, fallout from the chaotic handling of the November Budget, and policy disagreements on the economy, immigration and welfare and public spending. The relative weakness of the Prime Minister and Chancellor's positions will likely continue to see them forced to tack to the political left for the remainder of their time in office.

Geopolitical outlook

- The Government will look to build on the "reset" of the EU-UK relationship, following the EU-UK summit in May this year, as a means to strengthen political ties, reduce trading frictions and boost the economy. However, the recent failure to agree terms for enhanced access by UK companies to the EU's SAFE (Security Action for Europe) funding mechanism makes clear the political challenges of delivering a wider reset. Nonetheless, the Government will seek to complete negotiations on a common agri-food safety area (Sanitary and Phytosanitary rules), linkage of the UK and EU's Emissions Trading Schemes and a youth mobility scheme. Potential points of friction will likely centre on EU demands for the UK to contribute to the EU's budget. In addition, implementation of the 2019 UK-EU Trade and Cooperation Agreement will be reviewed by both sides. No major changes to the agreement are expected, outside the areas noted above.

- For the US relationship, the UK will seek to build on the momentum achieved in 2025 – securing the first (high level) trade deal in May, a successful presidential state visit in September, and the announcement of a new tech partnership. The UK Government will continue to negotiate exemptions and carve-outs from US tariffs in key sectors (including pharmaceuticals and spirits) in the coming months and seek to ensure the US administration remains committed to both the AUKUS submarine agreement and continued military support for Ukraine. However, pressure from the US Government will likely continue on adoption of US tech, UK online safety rules, and the UK digital services tax.
- The UK's relationship with China will likely become increasingly difficult to navigate following recent espionage allegations. The government will seek to continue its current balancing act to protect UK interests and access to commercial opportunities in China while managing external pressures, notably from the US, to adopt a tougher stance on security issues. The UK is unlikely to replicate the US approach on Chinese tariffs. However, sectoral tariffs in sensitive sectors, including automotive and steel, remain possibilities and Chinese inward investment will continue to be closely scrutinised. An imminent government decision on whether to approve construction of a new Chinese embassy in London will set the tenor of relations for 2026.

Fiscal outlook

- The Chancellor's second big tax-raising Budget in November prioritized tax rises to pay for an increase in fiscal headroom against her primary fiscal rule and an increase in welfare spending. Given that the timing of Budget measures to cut public spending and increase taxes coincides with the year in which the next general election is expected to be held (2029), questions about the credibility of the government's fiscal plans are likely to persist.
- In addition, spending pressures – such as from public sector pay deals, the rising welfare bill, education spending and the NHS budget, combined with the impact of rising unemployment and policy headwinds from measures such as the Employment Rights Bill – will likely continue to weigh on the public finances and investor confidence.
- However, following changes announced at the Budget, the Office for Budget Responsibility will only conduct a single assessment of the Government's compliance with its fiscal framework in 2026, to coincide with the Autumn Budget. Consequently, and also as a result of the increased headroom, we expect speculation about possible changes to government fiscal policy to be more muted in 2026 relative to this year.
- In the run-up to the next 2026 Budget, the recommendations flowing from the report (expected in the Autumn) of the Timms Review of Personal Independence Payments (paid to people with disabilities, in and out of work) will be an important moment in signaling the Government's commitment to rein in the growth of the welfare budget, in spite of widespread opposition from many backbench Labour MPs.

Policy and regulatory outlook:

Financial services

- 2026 is set to be an important year for pension reform. The Pension Schemes Bill is set to receive Royal Assent in the Spring, bringing in major changes for occupational DC pensions. The reforms will include a £25 billion minimum threshold for auto-enrolment default schemes, a reserve power to mandate allocations to alternative assets, finalization of a value-for-money framework, and a new duty on master trusts to provide default retirement income solutions for scheme members.
- Alongside changes to pensions, the government is looking to deliver a major boost to retail investing. A new FCA regime for cohort-based financial advice – targeted support – will come into force in the Spring, designed to enable firms to help encourage savers with large cash holdings to consider switching to investment products. Industry-led work on investment product risk warnings and a retail investing advertising campaign (to be launched in the Spring) are also designed to strengthen the UK retail investment environment.
- In the drive for growth-focused measures, we expect the Government to continue pressuring financial services regulators to review the proportionality of the existing regulatory regime, identifying measures for reform as part of the Government's wider ambition to reduce the administrative costs of regulation for businesses by 25%. Measures already announced include reform of the Financial Ombudsman Service and a reduction in scope of the Senior Managers and Certification Regime. However, the most significant reforms will require legislation, and it is not yet clear whether a government bill on financial services will be brought forward in 2026.

Energy and sustainability

- In July, the government completed the Review of Electricity Market Arrangements (REMA), confirming it will retain a single national electricity wholesale market across Great Britain, rather than split the market into geographic zones. This will be supported by a package of reforms (including the spatial plan on the location of future energy infrastructure) to be set out in the Reformed National Pricing Delivery Plan, expected by the end of the year. This takes place alongside a re-ordering of the grid connections queue to ensure projects are connected in priority order.
- The short-term energy policy outlook is challenging due to continuing political concerns about the cost of energy for energy intensive industries, more generally businesses and consumer households. The Contracts for Difference Auction Round 7 (CfD AR7) is unlikely to be able to deliver sufficient offshore wind capacity to meet the government's Clean Power 2030 objective (based on the recently published auction budget). Forecast increases to the energy price cap will likely show the government is off-track to meet its pre-election commitment to reduce energy bills by £300.
- An important indicator of the Government's approach to balancing business costs against decarbonization objectives will come in its response to a recent consultation on whether and how it should implement the Labour Party's pre-election commitment to require FTSE 100 companies and financial institutions to publish and implement net zero-aligned transition plans. The Government is also reviewing the wider framework for corporate sustainability reporting, with final recommendations expected next year, ahead of moves to implement international standards on corporate sustainability reporting.

Digital assets

- The Treasury has committed to lay secondary legislation to bring cryptoassets into the regulatory perimeter by year-end. Following the Bank of England's (BoE) publication of its consultation on systemically important stablecoins, the FCA is planning to publish key consultation papers in the coming months, covering admissions and disclosures, market abuse, and regulating cryptoasset activities. The FCA is aiming to publish final policy statements in 2026 ahead of opening the gateway for firms to apply for authorisation under the new regime.
- The UK government has also committed to making the UK a global hub for digital assets and tokenisation. The BoE and FCA are exploring how best to incorporate stablecoins into the Digital Securities Sandbox, and the FCA published a consultation paper in October on its work to support fund tokenisation. The Treasury is in the final stages of its procurement process for the digital gilt pilot and aims to have decided on partners by the end of the year.



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Political outlook

- The European Commission faces a crowded political and policy agenda that will likely be centered around three priorities: maintaining financial and military support for Ukraine, advancing negotiations on the next EU budget (2028-2034), and developing further measures to enhance the EU's competitiveness.
- More than a year after the publication of the Draghi Report on the future of European competitiveness, progress on implementing his recommendations has been limited and Member States are urging the Commission to accelerate efforts on simplification and growth-oriented measures. At the same time, EU unity will continue to be tested across a range of other issues, including security and defense, sanctions on Russia, trade tensions with the US and China, climate policy, enlargement, and migration.
- Political fragmentation will remain a feature of the European landscape in 2026. Populist parties continue to gain ground in key member states (notably in France, Germany, and Spain), while in a number of other member states (Czech Republic, Hungary, Italy and Slovakia), populist leaders have already come to power. Pressure from national populist parties is increasingly shaping policy debates at the European level, particularly on issues such as sustainability, competitiveness, and migration, threatening the operation of the traditional centrist coalition in the European Parliament.
- The traditional Franco-German motor of the European Union looks set to continue misfiring as both countries pursue separate economic and political domestic agendas, despite a joint declaration of unity in August. In France, President Macron's political authority is increasingly weakening, having lost control of the legislative assembly and seen one of his totemic reforms (an increase in the retirement age) suspended. Having appointed his fourth Prime Minister in 12 months, the political outlook looks increasingly challenging as the government's capacity to make difficult decisions to reduce the deficit or introduce bold reforms diminishes and Macron limps towards the end of his second term.
- By contrast, in Germany, Chancellor Merz's government remains relatively stable after six months in office, having recently agreed on a package of reforms to tighten the conditions for social security payments, liberalize certain pension rules, and make savings in public administration. In addition, the government is overseeing a significant fiscal expansion centered on defense spending. However, difficult questions are already arising about how to address a budget shortfall caused by the rising costs of healthcare and pensions, which the coalition will continue to negotiate in 2026. Important regional elections in March and September may mean an agreement will only be reached at the end of the year.

Geopolitical outlook

- Ukraine and the security of Europe's eastern flank remains at the top of the EU's agenda. The EU's primary objective is to sustain financial and military support for Kyiv while seeking to influence the US administration - which appears to give little weight to European voices in its efforts to end the conflict.
- US-EU trade relations will also continue to pose challenges. The deal reached in July 2025 brought a degree of stability but fell short of meeting the EU's broader objectives. Persistent tensions are expected around EU regulatory initiatives that affect US companies, particularly in the digital and sustainability sectors.
- Relations with China are also becoming increasingly complex. The EU and its Member States have adopted a more assertive stance towards Beijing this year, with general support for reducing dependencies on China and enhancing resilience in key areas such as critical raw materials, strategic infrastructure, and high-tech sectors, including clean tech and defence. The EU currently has more than 40 ongoing trade defence investigations into Chinese products and sectors, more than two-thirds of which were initiated in 2020. However, the bloc still lacks a shared strategic vision of how it should balance perceived security risks with economic opportunities.

Fiscal outlook

- The EU economy faces headwinds as a result of tariff uncertainty, sluggish competitiveness, and key member states such as Italy and Germany showing signs of stagnation, according to recent data from the European Commission. The European Central Bank (ECB) is therefore likely to maintain an accommodative monetary policy stance.
- Negotiations on the Multiannual Financial Framework (MFF), the EU's next seven-year budget (2028-2034), will intensify in the next two years among the Commission, the Member States and the Parliament. The Commission's proposal amounts to a €2 trillion package at current prices (1.26% of EU GNI), though a significant portion (8%) will be allocated to repaying the Covid-era Recovery and Resilience Facility (RRF) debt. The new structure of the MFF proposed by the Commission will also likely change significantly to win the support of the Parliament and Member States.
- The Commission will continue to put pressure on Member States to cut current spending in line with the revised Stability and Growth Pact (SGP) rules. The new MFF proposal, particularly the envisaged framework for agricultural and regional funds, aims to follow the Recovery Bonds model of linking disbursements to structural reforms agreed with national authorities. Furthermore, SGP rules provide some additional flexibility in the required debt-reduction path in exchange for reforms aimed at fiscal consolidation.
- Meanwhile, despite limited fiscal space, 16 Member States have applied to deviate temporarily from the fiscal rules in the SGP to increase defence spending. Amongst Member States, Germany stands out for the scale of its investments in defence and infrastructure, which the ECB forecasts will drive an overall looser fiscal stance in the euro area in 2026 relative to 2025.

Policy and regulatory outlook

Sustainable finance

- The EU's competitiveness agenda is showing some momentum on sustainability reporting, with negotiations on the first highly political sustainability reporting omnibus at an advanced stage. However, the European Parliament continues to remain divided on the scale of the roll-back on corporate reporting with the centre-right seeking to exempt more companies and the centre-left resisting such efforts.
- Co-legislators will also be busy working on the review of the Sustainable Financial Disclosure Regulation (SFDR) throughout 2026. The review introduces a deliberate categorisation framework for sustainable investment products, replacing the existing regime with slimmed down disclosure obligations and three product categories: products with transition-related objectives, sustainability-related objectives and products integrating sustainability factors.

Digital finance

- In 2026, the Commission is expected to present a major overhaul of the Distributed Ledger Technology (DLT) Pilot Regime and/or a new regulatory framework to ensure that tokenization of financial instruments and assets can scale across EU markets. This will also entail significant adjustments to the Markets in Crypto-Assets Regulation (MiCAR) framework next year in response to fast-moving market and global regulatory developments. Next to this, the focus will be on fostering tokenization, open finance, and the ECB's continued work on both the Wholesale Central Bank Digital Currency (wCBDC) and the digital retail Euro.

Financial services regulation

- Positioned within the broader competitiveness agenda, the Savings and Investments Union (SIU) continues to represent a renewed effort to deepen capital markets integration, enhance access to finance for businesses, and channel household savings toward more productive investments. To deliver on this, in September the Commission published its blueprint for European Savings and Investments Accounts (SIA). The success of the blueprint will depend upon take-up by member states. As such, the Commission will be monitoring member state progress during 2026, ahead of a midterm review of the SIU Strategy scheduled for 2027.

- The Commission has continued to work on the wider SIU agenda, most notably on market integration and supervision, publishing a wide-ranging package of reforms at the start of December. The package amends a broad set of core legislative acts, including:
 - Markets in Financial Instruments Directive/Regulation (MiFID/R)
 - European Market Infrastructure Regulation (EMIR)
 - Central Securities Depository Regulation (CSDR)
 - Settlement Finality Directive (SFD)
 - Undertakings for Collective Investment in Transferable Securities (UCITS)
 - Alternative Investment Fund Managers Directive (AIFMD)
 - Cross-Border Distribution of Funds framework
 - Distributed Ledger Technologies (DLT) Pilot
 - Markets in Crypto-Assets Regulation (MiCAR)
 - European Securities and Markets Authority (ESMA) regulation

By moving several provisions from Directives to Regulations, the Commission is signaling a clear push towards greater supervisory convergence across the EU's financial framework. The Commission also intends to increase ESMA's supervisory powers, giving it direct supervision over significant trading venues, Central Securities Depositories (CSDs), central clearing counterparties (CCPs), and Crypto-Asset Service Providers (CASPs).

Energy policy

- The recent EU debate regarding the EU's 2040 climate target (cutting GHG emissions by 90%, relative to 1990 levels) has arguably weakened the EU's position as a global leader on climate policy, given that a small proportion of the emissions reduction can be outsourced via international carbon offsets. While economic competitiveness dominates the policy agenda, political ambitions on environmental and sustainability policy are no longer as high.
- EU energy policy will continue to focus on deepening Single Market integration, accelerating electrification (including grids, heating, and cooling), advancing decarbonization and ensuring energy security (decoupling from Russian fossil fuels), affordability, and competitiveness. On the latter, we expect efforts towards regulatory simplification through an "energy omnibus" legislative reform package to be published in Q2 2026. Energy security will also be a key concern, with an Energy Security Package slated for publication in the first quarter of 2026.



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Political outlook

China

Beijing used its 20-23 October plenum to set its priorities for the 15th Five-Year Plan: upgrading “new-quality productive forces,” accelerating self-reliance in strategic technology, and modernizing its industrial base to buffer against external shocks. Boosting domestic consumption is a priority although details remain unclear, with potential “consumption targets” being introduced in the next Plan. These may be useful for trade partners looking at overall capacity in the economy but may be less effective than more direct measures to lift household confidence. The plenum also highlighted that China’s commitment to the green transition will remain a priority, as will military modernization. The 15th Five-Year Plan will be adopted and finalized in March 2026.

Hong Kong

The Chief Executive’s 2025 Policy Address on September 17 doubled down on “developing the economy” and “improving livelihoods,” introducing three pivots. First, Hong Kong will align more tightly with the mainland’s going-global strategy through deeper Guangdong-Hong Kong-Macau Greater Bay Area (GBA) integration, expanded RMB usage, and new treasury-centered tax measures to support outbound corporates. Second, the government reaffirmed Hong Kong’s role as a financial center, announcing listing reforms, a T+1 settlement study, deeper bond-market infrastructure, and expansion of RMB trading via Southbound Stock Connect. Lastly, the government elevated artificial intelligence (AI) to a “core industry” with sizeable R&D funding, a new AI institute, and initiatives on secure cross-border data flows. Beyond these economic priorities, national security and critical infrastructure policies have transitioned from framework development to active implementation, while green finance initiatives are accelerating through carbon market integration, spanning HKEX’s (Hong Kong Stock Exchange) Core Climate platform domestically, GBA emissions trading connectivity regionally, and multi-currency settlement capabilities internationally.

Japan

Sanae Takaichi became Japan’s first female prime minister on October 21, after securing parliamentary support via a coalition arrangement with Nippon Ishin (a center-right political party), following the exit of Komeito, the ruling LDP’s long-term ally. The cabinet mix prioritizes party unity and pragmatic economic diplomacy, with portfolios (economy, foreign affairs, defense) calibrated to manage trade/security pressures and sustain US ties, all while containing tariff fallout. Takaishi accelerated Japan’s target of 2% of GDP on defense spending, with Nippon Ishin’s harder line on security balancing the LDP’s fiscal conservatism. The near-term macro focus is on cost-of-living relief and a supplementary budget.

Australia

Since Anthony Albanese’s May 2025 election victory, his government has focused on cost-of-living relief and delivering on priorities held over from his first term. The 2025-26 budget delivers targeted fiscal support while maintaining anti-inflationary discipline. However, Q3 inflation surged to 3.2% annually (above the RBA’s 2-3% target), driven by a 1.3% quarterly jump. This has dampened prospects for near-term rate cuts, with the RBA holding firm at 3.6% despite household pressures. However, the latest CPI numbers show price pressures picking up into Q3, limiting room for rate cuts and keeping the Reserve Bank of Australia cautious.

Singapore

In response to escalating global trade barriers, Singapore established the Economic Resilience Taskforce in April 2025 under Deputy Prime Minister Gan Kim Yong’s leadership. The taskforce pursues three strategic priorities: securing sector-specific exemptions from US tariffs (particularly for pharmaceuticals and semiconductors), accelerating regional economic integration through the ASEAN Digital Economy Framework Agreement, and strengthening workforce resilience through targeted reskilling and business adaptation programs. Prime Minister Lawrence Wong’s August National Day message underscored a medium-term shift to resilience and diversification while safeguarding Singapore’s hub status. Targeted support for sectors such as working-capital assistance and market access facilitation is likely, alongside continued progress on listings and market-structure reforms started earlier in 2025. Selective alignment with US export-control objectives is expected so long as it remains consistent and compatible with Singapore’s neutrality and open-economy positioning.

Korea

President Lee Jae-Myung’s June 3, 2025, presidential election victory unified the executive and legislature for the first time since the impeachment crisis, ending a period of gridlock. However, the government’s level of ambition remains constrained by economic headwinds, including US tariffs, demographics, and fiscal limits. The government has signaled a sequenced “deliverables-first” program focused on consumer protection in finance (Financial Supervisory Service dispute-resolution powers), governance reforms to chip away at the “Korea discount,” and an AI/advanced industry push, the scale of which will depend on revenue performance.

Geopolitical outlook

US-China: The Trump-Xi meeting in Korea on October 30, 2025, stabilized the relationship, with both leaders portraying the meeting as a breakthrough in an otherwise challenging year. The headline announcements included an agreement by Washington to reduce the overall tariff rate on Chinese goods from 57% to 47% and halve fentanyl-related duties to 10%. The US also paused its Section 301 probe into China's shipbuilding sector and its "50% penetration rule" export controls. China meanwhile agreed to restart soybean and farm-product imports and delay its export controls on critical minerals. The focus is now on implementation, including working through the details of the deal and confirming mutual understanding of commitments. Both leaders signaled the possibility of reciprocal state visits in 2026, which will provide a strong incentive to avoid renewed escalation.

China's relations with other APAC countries: On China-India relations, both militaries reaffirmed "active" communication and existing mechanisms to manage the border on October 29, an incremental but market-salient signal after the spring escalation. For Korea, Xi's June call to President Lee Jae-Myung set a tone of "mutual respect" and supply-chain cooperation. Seoul has since calibrated domestic politics (including curbing anti-Chinese protests) to stabilize ties ahead of the Asia-Pacific Economic Cooperation (APEC) summit in Seoul. For Japan, the March resume of high-level economic dialogue (after six years) created channels to ring-fence economic cooperation from strategic contention. While China's November suspension of its most restrictive rare earth controls eased immediate tensions, the underlying export licensing framework remains intact, keeping supply chain vulnerabilities as a live negotiating lever despite the pause. For Australia, the trajectory remains defensive-plus-engagement. Commercial ties in areas like wine have normalized post-tariffs, but Canberra will continue to balance this against security and other normative concerns.

US-Japan: Takaichi signed the US-Japan Critical Minerals Framework on October 27, committing \$400 billion in Japanese investments for joint mining, recycling, and stockpiling of rare earths, targeting US energy, autos, and tech to de-risk China-dependent chains and bolster Indo-Pacific security. Building on this, Japan is fulfilling its fixed \$550 billion investment pledge under the July 2025 trade deal and is now negotiating sector-specific exemptions to eliminate or lower duties further on pharmaceuticals and autos.

US-India: The US and India have resumed formal trade talks, signaling tariff cuts on US imports to shield Indian exporters, and pitching "zero-for-zero" constructs in steel/auto parts while leveraging supply-chain diversification (notably iPhone assembly) for US exports. The US and India also signed a 10-year defense pact on October 31 to deepen military interoperability. The medium-term aim, which is to lock in a calibrated deal that narrows the tariff wedge while preserving domestic industry priorities, remains live into Q4. It is likely that a larger framework may be pushed to 2026.

Australia: On trade, the Australian government responded pragmatically to US tariffs, including promoting export market diversification, stronger anti-dumping, and zero-interest retooling loans via the National Reconstruction Fund. In the background, discussions between the US and Australia on a critical minerals deal were underway for some months prior the first leader-level meeting in October. The announcement involved government support, including financing, to help unlock some of the key barriers to private sector investment in the sector.

Korea: Korea maintains a pragmatic, non-retaliatory trade strategy, securing tariff relief through strategic concessions and \$350 billion in US investment while pursuing market diversification and emergency support. The October 2025 US-Korea deal reduced automotive tariffs from 25% to 15% and expanded agricultural access, with investment structured as \$200 billion in annual cash payments (capped at \$20 billion to prevent forex disruption) plus \$150 billion for shipbuilding partnerships. However, steel still faces 50% duties, and semiconductors remain disadvantaged in relation to competitors. On security issues, Korea has continued to seek support from both the US and China on North Korean deterrence.

Fiscal outlook

China: Following a front-loading of fiscal stimulus earlier in the year, broad budget spending growth slowed by Q3. Relatively-slow domestic demand and lower income from property-related taxes likely held authorities back from increasing fiscal spending. In October, the full proposals of China's 15th Five-Year Plan (2026-2030), published after the fourth plenum of China's 20th Central Committee, underscored how fiscal reform may be in prospect to lift the consumption-to-GDP ratio. However, it remains to be seen if these pledges can effectively rebalance the economy towards the consumer. The currently high share of fiscal spending devoted to investment – a key lever by the government to stimulate growth – could begin to abate over the coming years.

Japan: Takaichi has pledged to pursue proactive fiscal expansion focused on strategic priorities, including the increase in defense spending. Her administration plans to partly finance the increase through a supplementary budget linked to an economic stimulus package expected to exceed JPY 13.9 trillion. Takaichi is seen as a proponent of "Abenomics" and has previously criticized premature rate hikes. While she has softened her stance, her emphasis on fiscal expansion and accommodative monetary policy remains. Notably, she also vowed to maintain market confidence and achieve sustainable public finances by reducing government debt as a share of GDP, a stance that may slow fiscal consolidation efforts.

India: India's fiscal outlook remains supported by ongoing structural reforms and resilient domestic demand. The fiscal deficit for April-August 2025 reached INR 5.98 trillion, or 38.1% of the full-year estimate. This is broadly aligned with trends and suggests fiscal consolidation remains achievable if revenue momentum holds. The Ministry of Finance's September 2025 Monthly Economic Review highlighted strong demand across rural and urban India, aided by the rollout of GST2.0. This initiative was launched in September 2025 to simplify indirect taxes and boost consumption while improving compliance and broadening the tax base.

Financial service regulations

Private markets

Across APAC, the private markets agenda is gathering pace, with some regional regulators expected to issue more guidance to support the development and oversight of private markets and steps to increase retail access.

Australia: Regulators continue to closely monitor private credit markets. The Australian Securities and Investment Commission (ASIC) released a report on November 5 covering transparency and reporting in private markets, providing greater clarity on ASIC's regulatory priorities in this area.

Hong Kong: The government has strengthened its commitment to developing the venture capital ecosystem. In June, the monetary authority partnered with the Asian Infrastructure Investment Bank to invest in venture capital funds targeting emerging Asian markets. This initiative supports Hong Kong's broader ambition to strengthen its role as an international financial center. In addition, the SFC published a three-month public consultation on October 22, 2025, proposing amendments to the Code on Unit Trusts and Mutual Funds to enhance retail access to private markets, including private credit and illiquid assets.

Singapore: The Monetary Authority of Singapore (MAS) issued new supervisory guidance in June to enhance the governance and management of Variable Capital Companies (VCCs). The guidance outlines good practices and reinforces core regulatory expectations following a thematic review that identified compliance gaps in custody arrangements, appointment of key personnel, substantive fund management, and AML compliance.

Market structure regulatory reforms and market integrity

India: The Securities and Exchange Board of India recalibrated its approach towards large-volume trades in October by updating its Block Deal Framework. Key changes include raising the minimum order size (to INR 250 million), widening the price band (to 3% of the reference price), and revising the trading windows. These reforms seek to enhance transparency, efficiency, and operational flexibility for large trades while ensuring robust risk management.

Australia: ASIC proposed a major overhaul of its market integrity rules in August. Notable proposals include introducing a technology-neutral definition of trading systems and algorithms, and new rules governing the use of trading algorithms. Final rules are expected by Q1 2026, with a 12-month transition period for implementation.

Korea: The Financial Supervisory Service, Financial Services Commission, and Korea Exchange jointly launched a multi-agency taskforce to tackle stock manipulation in July. The taskforce aims to streamline investigations and enforcement on market abuse cases. It reflects the administration's zero-tolerance policy on stock price manipulation, illegal short selling practices, false disclosures, and other financial misconduct.

T+1 developments

Not many APAC markets have moved to T+1. The exceptions are mainland China, which already operates at T+1 settlement for equities and T+0 for cash, and India, which fully transitioned to T+1 in 2023 followed by an optional T+0 cycle. Jurisdictions like Taiwan and Korea operate on hybrid models, where certain products operate at T+2 and others operate at T+0. While moving to T+1 would align APAC markets with jurisdictions like the US, Canada, and the EU (target date of October 2027), it is likely to pose operational challenges for global asset managers due to time zone differences and compressed post-trade windows.

Hong Kong is the most advanced among markets still on T+2 in making the move to T+1, with an HKEX consultation paper published on July 16. The consultation covers secondary market trades for listed products but excludes the primary market and Northbound Stock Connect trades. The HKEX plans to take on a phased approach for the transition, incorporating consultation, industry-wide testing, and ensuring alignment with global peers to ensure limited disruptions. In August, the monetary authority issued a policy note to encourage authorized institutions to make early preparations for an accelerated settlement cycle.

Digital finance

Japan: The Japan Finance Service Authority's (JFSA) April discussion paper on crypto regulation has progressed to concrete policy proposals. In September, the agency announced plans to shift cryptocurrency oversight from the Payment Services Act to securities law, introducing stricter disclosure requirements and insider trading prohibitions. Concurrently, the JFSA began reviewing rules that would permit banks to hold Bitcoin and operate licensed crypto exchanges, a significant reversal reflecting Japan's push for greater institutional participation.

Hong Kong: Hong Kong has sought to consolidate its position as a digital asset hub through multiple initiatives. The Stablecoins Ordinance took effect on August 1, establishing comprehensive licensing requirements for fiat-referenced stablecoin issuers under regulatory supervision. In June, the government unveiled consultations on regulatory regimes for virtual asset dealing and custodian services, completing the territory's regulatory architecture.

Singapore: The MAS launched the BLOOM initiative in mid-October, a digital settlement network enabling financial institutions to use tokenized bank liabilities and regulated stablecoins for wholesale payments and cross-border transactions.

Australia: Australia advanced draft legislation in September 2025 requiring crypto platforms to obtain licenses, bringing exchanges under comprehensive regulatory oversight. The framework simultaneously recognizes payment stablecoins as a regulatory category, classifying them as stored value facilities to enable their use as legitimate payment instruments. Platforms face strict compliance standards and multi-million-dollar penalties for violations, though exchanges under AU\$6.5 million annual volume are exempt.

Artificial intelligence (AI)

Korea: The Korean government has continued its push for sovereign AI, including appointing two industry veterans as Korea's new Minister of Science and ICT and senior secretary for AI and future planning. It is set to become the first major economy to enforce AI-specific regulation with punitive provisions when its AI Basic Act enters into force in January 2026, ahead of the EU AI Act. The government released a draft Enforcement Decree in September outlining obligations such as advance notice, watermarking, and definitions for high-impact AI systems. While implementation will proceed as planned, the Ministry of Science and ICT has announced a grace period on fines for non-compliance. Although the decree was delayed beyond its original June deadline, the Lee Jae-myung administration has since accelerated AI initiatives, tripling the national AI budget, introducing a supplementary budget for AI enterprises, and expanding the role of the National AI Committee.

China: The National People's Congress (NPC) considered formulating a comprehensive AI law. However, the NPC Standing Committee has since confirmed it is reviewing draft amendments to its Cybersecurity Law to strengthen AI safety, ethics, and personal data protection. The proposed framework is meant to align with the existing data security legislation to streamline the previously fragmented AI-related regulations.

India: The RBI published a comprehensive report (FREE-AI) in August outlining a framework for responsible and ethical AI for the financial sector, built around six strategic pillars and recommendations on governance, shared infrastructure, and capacity building. In October, the Ministry of Electronics and Information Technology announced plans to introduce an AI governance framework to establish safeguards against deepfakes, promote accountability for harmful content, and align global standards for managing high-risk AI systems. Looking forward, the government will host the 2026 India AI Summit in February, following the series of annual global AI summits held since 2023. The India edition will be organized around seven pillars: human capital, inclusion, safe and trusted AI, resilience, science, democratizing AI resources, and social good.

Singapore: MAS unveiled a four-pronged responsible AI strategy in July to promote AI in financial institutions. The strategy focuses on strengthening governance and risk management, supporting early adopters, building AI capabilities, and preparing the workforce for AI-driven changes. Singapore also continues to use sandboxes to promote AI applications. In July 2025, the Infocomm Media Development Agency (IMDA) launched the Expanded Global AI Assurance Sandbox. Building on insights from its pilot launched at the Paris AI Action Summit, it features new archetypes (e.g. agentic AI) and risks (e.g. data leakage, prompt injections).

Hong Kong: The monetary authority in Hong Kong launched its second cohort of its Gen AI Sandbox in October, with trials beginning in early 2026. These trials are planned to focus on risk management, emerging threats such as deepfake fraud, and customer experience.

Vietnam: In October, the Ministry of Science and Technology released a draft AI law. It sets out basic AI principles that generally align with usual AI principles and proposes four risk levels similar to the EU, where high-risk AI systems will face substantial obligations including mandatory pre-inspection prior to deployment. The government also aims to renew the 2021 AI Strategy and develop an AI Ethics Code by year-end.

Other jurisdictions in APAC have made progress in developing general guidance for AI. Australia recently released guidance for businesses to adopt AI responsibly and safely, with a focus on transparency and explainability, implementing AI-specific risk management, and maintaining human oversight. Similarly, Japan's AI Strategy Headquarters held its first meeting to discuss drafting a basic AI plan to promote AI adoption, strengthen R&D, advance governance, and drive Japan's transition to an AI-enabled society.

Energy and sustainability

China: The Ministry of Finance issued application guidance to operationalize corporate sustainability disclosure standards introduced in 2024. The guidance embeds double materiality, value-chain reporting, and financial linkage. In parallel, in August, the State Council and Central Committee of the Chinese Communist Party (CCCCP) released a new national carbon-market roadmap, signaling plans to expand sectoral coverage, strengthen supervision, and enhance legal infrastructure.

Japan: The JFSA launched a consultation on its 2027 Electronic Disclosure for Investors' Network taxonomy, aiming to embed mandatory sustainability disclosures aligned with ISSB's IFRS S1 and S2 standards, while incorporating Japan-specific elements.

Australia: Sustainable finance policy has progressed through initiatives under the government's Sustainable Finance Roadmap. In June, the Australian Sustainable Finance Institute released the country's first national sustainable finance taxonomy, a voluntary classification system designed to guide capital toward activities aligned with Australia's net-zero transition. Building on this, in July, the Treasury launched a consultation on a sustainable investment product labelling framework, seeking feedback on the disclosure requirements.

Taiwan: The Taiwanese Financial Supervisory Commission proposed mandatory IFRS-aligned sustainability disclosure rules for securities and futures firms in July. Starting in 2026, firms will be required to integrate sustainability information into annual financial reports.

India: The International Financial Services Centres Authority released a comprehensive framework in July for issuing ESG-labelled transition bonds to support industries shifting to low-carbon operations, with requirements for the funds raised to be utilized for financing or refinancing projects aligned with internationally recognized transition taxonomies and roadmaps.

Korea: In November, the government launched a voluntary carbon market exchange alongside updated guidelines. The initiative aims to enhance transparency and prevent greenwashing, strengthening the domestic carbon credit ecosystem, and expanding demand.

Investment risks

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