Newsletter – Financial services

Summer 2026

Late April 2026, the French legal prosecutor decided to go after at least two banking institutions governed by French law (historically liability was limited to certain individuals), which these institutions are considered European subsidiaries of Lebanese banking groups involved in disputed fund transfers. This legal development is once again based on the offense of money laundering...

In early June 2026, the so-called "dirty payments" case mentioned earlier took a new turn in Belgium with the revelation of a judicial investigation targeting Wise Europe (formerly TransferWise), the European subsidiary of the British international payments provider. The investigation appears to stem once again from suspicions of failures in control mechanisms that allow the repeated use of payment services in fraudulent or criminal schemes.

As the possibility of an agreement on the creation of the digital euro becomes more likely, the crypto market is rallying around a European consortium (called Qivalis) that is expected to launch a euro-backed stablecoin by the end of 2026. The initiative aims not only to counter US-dollar-backed stablecoins but could also foreshadow a future system in which assets such as bonds or real estate would be traded as blockchain-based cryptocurrency tokens.

1. Financial Sanctions against Russia

Although it extended sanctions against Russia through 31 July 2027[1], the European Union was unable to reach an agreement on its 21st sanctions package after Bulgaria vetoed it—even though the package had been scaled back from its initial proposal of early June 2026. The restrictions on Russian military tourist travel that were initially proposed were not the only factors that prompted Bulgaria's veto.

The issue of penalties associated with EU financial sanctions is becoming increasingly pressing as criminal proceedings[2] bring to light cases of circumvention and naive practices by economic actors based on Incoterms. It should therefore be noted that an "EXW" clause does not serve as a shield against the application of EU sanctions: the exporter remains obligated to exercise due diligence and is subject to criminal prosecution in the event of a violation of EU sanctions.

The crypto-asset sector appears to be increasingly used to circumvent these sanctions[3]; it is hoped that European regulations (MiCA) will significantly reduce the possibility of converting illicit crypto-assets into assets usable in the legal economy within Europe without being identified[4]; however, it is doubtful that these regulations will be able to eliminate global sanctions-evasion networks.

A position statement issued early July 2026 by the European Commission announced a new horizontal regime allowing for the global targeting of perpetrators of migrant smuggling, human trafficking, and other forms of organized crime, independent of any preexisting geographic sanctions regime.

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[1] In June 2026, with regard to the restrictive measures concerning Russia's actions to destabilize the situation in Ukraine, it should be noted that the sanctions related to human rights violations in Russia had been extended at the end of May 2026.

[2] Sometimes triggered by Ukraine, which is increasingly sharing the serial numbers of European electronic components that are sometimes found on downed Russian drones.

[3] See the "Browder" Report of March 2026, which came to light in June 2026 following sanctions imposed by Russia.

[4] For the record, the MiCA Regulation prohibits the trading of crypto-assets with a built-in anonymization feature, and French law has recently established a presumption of money laundering for transactions conducted using a crypto-asset with a built-in anonymization feature, such as a mixer.

In France, a bill was introduced in March 2026 to prevent France from being sanctioned for failing to transpose a 2024 Directive on the definition of criminal offenses and penalties for violations of the Union's restrictive measures. While the well-known Article 459 of the Customs Code already provides for a customs offense penalizing violations of EU restrictive measures, France must also incorporate into that code a definition of conduct that violates EU restrictive measures. It must also include in the Code on the Entry and Residence of Foreigners and the Right of Asylum provisions regarding violations of ad hominem EU sanctions.

2. Fight against money laundering (AML/CFT)

2.1 European developments

In early June 2026, the European Anti-Money Laundering Authority (AMLA) continued its consultations on the establishment of a uniform European regime by proposing two draft guidelines on (i) measures for the ongoing monitoring of a business relationship and (ii) the monitoring of transactions carried out within the framework of such a relationship. The AMLA appears to be moving away from a primarily transactional and periodic approach to ongoing monitoring toward a dynamic, event-driven, and proportionate monitoring of the entire business relationship, focused on changes in the customer's profile and behavior.

In early July 2026, the AMLA published the final version of the Regulatory Technical Standards (RTS), which establish a structured and harmonized methodology based on four categories of violations classified by severity, upon which the level of sanctions depends.

Finally, a review of the materials from the very first AMLA conference (held in June 2026) reveals that this Authority intends to shift the AML/CFT framework from a focus on formal obligations toward a focus on useful financial intelligence, the quality of reports, and the practical convergence of supervisory expectations across the entire EU.

It is worth noting the adoption and publication in May 2026 of a Directive on the fight against corruption[5].

2.2 National developments

As part of a simplification law[6], the legislature has changed the nature of the criminal penalty for failing to update information on beneficial owners[7].

In the insurance sector, the very recent law to combat social security and tax fraud[8] will enable the implementation of a system for sharing information on fraud between the mandatory health insurance program and supplemental mutual insurance companies[9]. It is intended to contribute to a more efficient fight against social security fraud (particularly the billing of fictitious services) and the associated money laundering.

Incidentally, this mechanism should help prevent the erosion of the equity capital of mutual insurance companies that are victims of fraud. The legislature has also decided (i) to make the recently established registry of accounts deemed fraudulent (FNC-RF) available to public agencies responsible for combating

[5] Currently without any real impact on current French regulations.
[6] Law 2026-403 of 26 May 2026 on the simplification of economic life.
[7] By removing the prison sentence applicable to the director but drastically increasing the fine associated with such a breach (from €7,500 to €200,000). Similarly, it has abolished the two-year prison sentence applicable to a company director who fails to include in the accounts documents relating to management reports on subsidiaries and shareholdings.
[8] Law No. 2026-534 of 25 June 2026.
[9] The scheme has been approved by the Constitutional Council. Third-party payment providers should, in principle, not be excluded from this sharing arrangement, even though the Council struck down the legislative provision allowing a share to be paid to 'intermediaries'.

fraud and to financing companies, but (ii) to remove URSSAF as a contributor to this registry[10]. Finally, in the name of combating tax fraud, the professional secrecy of the French Financial Markets Authority (AMF) has been lifted with respect to the tax authorities, regarding securities accounts opened with asset management companies.

In mid-June 2026, the ACPR's highlighting of a scientific study led to the conclusion that the financial sector can no longer ignore AI as a means of improving the effectiveness of its AML/CFT systems, even though the performance of algorithms does not eliminate the need for appropriate governance or for consideration of their unintended consequences.

Since 1 July 2026, Tracfin has been able to receive and process reports submitted by whistleblowers. Until then, this agency could only act on information provided by professionals subject to the obligation to report potential suspicions, government agencies, or foreign financial intelligence units. This is a significant development to consider when determining whether entities subject to AML/CFT regulations should file suspicious activity reports.

3. <u>Payment services</u>

3.1 European developments

On 9 July 2026, the European Parliament opened Trilogue (EP+ EC + EU Council) negotiations for the adoption of the Regulation establishing the digital euro, which is set to become a new form of electronic money issued by the European Central Bank (ECB) and operating both online and offline[11].

While the European Commission launched its consultation on a potential amendment to the European Regulation on Markets in Crypto-Assets (MiCA) in late May 2026, the European Authority responsible for crypto-asset operators reiterated in late June that 2 July 2026, marked the end of the transition period provided for by MiCA. As such, crypto-asset service providers (CASPs) that had not received authorization were required to (i) immediately cease marketing and solicitation activities and stop accepting new EU clients, and (ii) limit their operations to the sale or transfer of crypto-assets, the reallocation of assets, or the closing of positions[12].

In a ruling handed down in mid-April 2026[13], the Court of Justice of the EU confirmed that card schemes cannot circumvent European caps on interchange fees—which compensate payment service providers for their involvement in card payments—by paying co-branding partners. Ultimately, this ruling aims to limit the costs borne by merchants and, ultimately, consumers.

Published in early July 2026, an ECB guideline on the Trans-European Automated Real-time Gross Settlement Express Transfer system (TARGET) transforms it into a vehicle for instant cross-border payments in euros, rather than merely a European interbank settlement system.

In his opinion presented on March 5, 2026, the Advocate General of the Court of Justice of the European Union held that a bank cannot refuse to immediately reimburse a customer who is a victim of fraud for the amount of an unauthorized payment transaction on the grounds that the loss was due to the customer's gross negligence.

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[10] One would hope that a forthcoming Decree will reinstate this organisation as a contributor.
[11] Online payments would be processed via an account-based system, whilst offline payments would operate directly via local storage devices. The offline functionality would be equivalent to using physical cash; losing the device would result in the loss of the offline funds.
[12] As such, the holding of crypto-assets may only continue for as long as is strictly necessary to ensure the orderly winding-down of operations. Finally, the service providers concerned must have communicated their plans for the orderly winding-down of operations to their clients, specifying the deadline by which any remaining positions will be automatically closed out and, where applicable, referring clients to PSCA authorised to operate in the EU.
[13] A ruling handed down as part of a tripartite arrangement, spearheaded in particular by American Express.

3.2 National developments

In France, beyond the end of the MiCA transition period, a Decree dated 29 May 2026, was issued with the aim of making crypto-assets legally usable as traditional securities or financial instruments by securing their transfer of ownership and their use as collateral for creditors. Through this Decree, France seeks to promote the acceptance of crypto-assets as assets that can be used as collateral in commercial financing. It also facilitates the transition to MiCA terminology by referring to “crypto-assets,” whereas French law previously referred to “digital assets.”

4. Investment services and asset management

On 7 July 2026, ESMA published an important document on the “triangular passport” for cross-border activities. The said paper aims to address the challenges and risks for supervisory authorities, investor protection, and companies’ compliance with applicable requirements when an investment services provider (ISP) from one EU Member State uses a branch or agent (as defined by MiFID II) in a second EU Member State to provide its services in a third country.

5. Sustainable finance

The market for environmental, social, and governance (ESG) rating providers is being impacted by the entry into force on 2 July 2026, of the Regulation on the Transparency and Integrity of these activities, which, among other things, requires designated providers to obtain (in principle) authorization.

In early July, the European Commission adopted two Delegated Regulations implementing the Corporate Sustainability Reporting Directive (CSRD) to significantly ease sustainability reporting obligations—by reducing the required data by more than 60%—while establishing a harmonized voluntary framework for companies not subject to the CSRD.

In a decision handed down on 24 June 2026, the General Court of the EU annulled a provision of a Delegated Regulation on taxonomy that had excluded aircraft intended for private or commercial business aviation from the scope of activities contributing to climate change mitigation. The annulment may seem counterintuitive, but it demonstrates that the Commission’s black-and-white reasoning is contradicted by scientific evidence provided by a French aircraft manufacturer.

6. Other European or national developments impacting financial services

In a letter dated 13 April 2026, to the European Commission, the European Insurance and Occupational Pensions Authority (EIOPA) seeks a slight adjustment to the Artificial Intelligence (AI) Regulation so that traditional actuarial models widely used by insurers are excluded from the stringent regime for “high-risk” AI systems under the AI Regulation. EIOPA seeks this to avoid overlapping between this Regulation and the requirements already imposed by other legislation.

In France, the same simplification law mentioned in our section on AML/CFT also affects the banking and insurance sectors with regard to (i) aligning the rights of very small businesses with those of individuals and (ii) simplifying procedures for policyholders, rather than for insurers[14].

[14]The legislator intends to restore balance to the relationship between insurers and business policyholders; for example, the legislation extends to all property and personal insurance policies the obligation for the insurer to give reasons for its decision to unilaterally terminate the policy. Furthermore, it gives all parties the option to terminate the policy at any time (termination during the policy year). Finally, it reduces the time limit for the insurer to pay compensation under property damage insurance policies to six months from the date of the claim, subject to a Decree which may limit the scope of this new requirement. Among other changes that are more onerous for insurers, the Act finally requires an insurer who refuses to underwrite a compulsory insurance policy to inform the policyholder that the latter may refer the matter to the competent administrative authority (BCT) to compel an insurer to enter

As noted in a previous newsletter, financial institutions marketing their services remotely were required to adapt their practices—for the most part by 19 June 2026—to incorporate the new requirements resulting from the French transposition of the revised Directive on distance marketing of financial services[15].

An executive order dated 2 June 2026 institutionalizes the centralized pre-verification system under which a bank must verify whether a customer applying to open a regulated savings account already holds an identical account. It also provides for the gradual "cleanup" of historical cases of irregular multiple holdings, with most of the operational provisions taking effect on 1 July 2027.

The issue of the application of the regulation on cyber resilience in the financial sector (DORA) recently reached a legal conclusion before the Paris Economic Activities Court in an interim relief proceeding pitting a bank against a software provider that develops software enabling prudential reporting. The parties had disagreed on whether the software was "critical" to the bank…

Recent disciplinary developments in the financial sector have highlighted not only a sanction imposed on 13 May 2026, against a French bank but also a position taken by the ACPR regarding another bank. Both cases involve the marketing of bundled banking service packages that include insurance products whose actual benefit to the customer has not been sufficiently demonstrated, with particular attention paid to the low claims rate for these policies (referred to as the S/P ratio). The disciplinary sanction appears to reflect the guidance the ACPR has been providing over the past three years during its morning sessions on customer protection, the most recent of which took place in the spring of 2026.

into a contract with any policyholder who has been refused a compulsory insurance policy; the BCT to which the matter is referred is required to rule on the applications submitted to it within one month.

[15] For the record, these changes will prohibit all unsolicited telephone marketing from 11 August 2026. They also postpone until 1 January 2027 the entry into force of the new provisions concerning the methods of providing pre-contractual information to consumers by remote means.