Hello. I'm Amanda Hale from Citi's Global Trustee and Fiduciary Services Regulatory team.

Today I'm joined by my colleague Matthew Cherrill, to discuss the latest regulatory highlights.

What do firms need to be aware of this month?

Matt: Following on from last month's Consumer Duty discussion, the FCA has published findings from its latest review into the assessments of value that AFMs are required to carry out for the funds they manage.

The FCA found that while many firms have good practices in place, such as moving investors to clean share classes with no trail commission or cutting funds' fees, some still require improvement.

The FCA's review also found that:

Some firms' INEDs did not provide sufficient challenge.

That there were significant differences between good and poor practice in how AFMs assess their funds' performance.

Some firms are not conducting fee assessments without using the full range of value assessment considerations, and

Some firms are reaching conclusions on AFM costs and economies of scale that don't consider all the information available to them.

The FCA states that it expects AFMs to consider its findings and assess the quality of analysis, decision-making, and governance of their AoV processes to assure compliance with the rules.

The FCA is also clear that where it sees outliers, it will follow-up and take necessary action.

Mandy: In early August we saw the Luxembourg regulator, the CSSF, publish the findings of its thematic review on the implementation of certain sustainability-related provisions under EU legislation, such as SFDR and its RTS, the EU Taxonomy Regulation and the UCITS and AIFMD frameworks.

The thematic report covers a number of areas including:

The organisational arrangements of IFM's including, for example, the integration of their sustainability risks, delegation to third parties, and risk management frameworks.

IFM's compliance with the SFDR's sustainability-related disclosure obligations when providing portfolio management and investment advisory services.

And the statement that IFM's publish on their websites where they consider the principle adverse impacts of their investment decisions on sustainability factors.

As regards next steps, the CSSF states the objective of its report is to inform the industry about the main observations that it made during its thematic review.

And goes on to state that IFM's should assess their own compliance with sustainability-related requirements – by taking account of the CSSF's observations in this report.

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Matt: On the technology front, in Hong Kong the HKMA published a new Fintech Promotion Roadmap, outlining the key initiatives that it will undertake over the next 12 months to give further impetus to Fintech adoption in its financial services industry.

The Roadmap focuses on the Fintech business areas of Wealthtech (including asset management), Insurtech and Greentech as well as AI and DLT.

To implement the Roadmap, the HKMA will launch a series of activities, including:

Establishing a Fintech Knowledge Hub to enhance the accessibility to resources for Fintech stakeholders;

Hosting regular Fintech showcase events and roundtables to encourage the exchange of practical knowledge;

Organising interactive seminars and training sessions on the specific Fintech;

And publishing insights into a wider range of practical considerations across the entire Fintech adoption lifecycle.

Mandy: Finally, in the US, the SEC adopted new rules and rule amendments to enhance the regulation of private fund advisers and update the existing compliance rule that applies to all investment advisers.

The new rules and amendments are designed to protect private fund investors.

In addition, the final rules will restrict certain other private fund adviser activity that is contrary to the public interest and the protection of investors.

The SEC also reopened the comment period on its proposed rule that would redesignate and amend the current custody rule under the Investment Advisers Act of 1940.

The initial comment period ended on 8 May, but firms will now have until 30 October to analyse the issues and provide feedback.

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Matt: So, if you would like to learn some more about the topics we discussed today, as well as other regulatory developments, you can follow the relevant links in our Bite-Sized publication.