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

Joining me to provide an update on the latest regulatory highlights are my colleagues,

Andrew Newson and Matthew Cherrill.

So, what do firms need to be aware of this month?

MATT: Starting globally, the FSB published a letter from its Chair to the G20 ahead of its meeting held at the end of February.

Noting that shifting financial conditions and geopolitical uncertainty call for continued vigilance on financial stability, the FSB has developed extensive reforms in recent years to enhance resilience by addressing key financial system vulnerabilities.

As well as targeting safety and soundness, they also support innovation by providing clarity on policy approaches for emerging topics like crypto-assets.

MANDY: And what else does the FSB discuss in its letter?

MATT: The letter notes that with key reforms developed or nearing completion, the FSB is shifting toward a greater focus on the promotion and monitoring of implementation.

This year the FSB will undertake a strategic review of 15 years of monitoring reform implementation. The review will provide insights into the effectiveness of the monitoring of post-global financial crisis regulatory reforms and identify areas where the FSB can make improvements in the tools it uses to ensure the consistent, global implementation of agreed reforms.

The FSB is expected to deliver an interim report this October.

MANDY: We've seen further developments in the UK and EU on T+1. What's the latest?

ANDY: In the UK, on 19 February, HM Treasury published its response to the Accelerated Settlement Taskforce report on its UK Implementation Plan, with the first day of trading for T+1 to be 11 October 2027.

HMT states that the UK government accepts the recommendations and that it will bring forward legislation to amend UK CSDR to:

- Change the current T+2 requirement to T+1; and

- Make T+1 mandatory from 11 October 2027.

HMT also states that the UK government is engaging with European partners to support the aligned transition to T+1 across Europe.

MANDY: So, what are they proposing in the EU – are there similarities to the UK proposals?

ANDY: The European Commission has now proposed to shorten the settlement period from T+2 to T+1.

The proposal also sets 11 October 2027 as the appropriate date for the transition to T+1 and has been submitted to the European Parliament and the Council for their consideration and adoption.

The changes will enter into force once the co-legislators have reached an agreement on the proposal and after publication in the EU Official Journal.

Also, the day after the Commission's announcement, ESMA launched a consultation on CSDR, which it says takes account of the transition to T+1 and the Commission's legislative proposals. The consultation closes on 14 April.

MATT: Mandy, as expected, on 26 February we saw the European Commission announce a new package of proposals to simplify EU rules on sustainability and EU investments. What's the purpose of the proposals?

MANDY: The Commission says that by bringing its competitiveness and climate goals together, it is creating the conditions for EU businesses to thrive, attract investment, achieve its shared goals and unlock the EU's full economic potential.

The Commission says it has a clear target to deliver an unprecedented simplification effort, by achieving at least 25% reduction in administrative burdens, and at least 35% for SMEs.

If adopted and implemented as set out, the Commission says that the proposals are conservatively estimated to bring total savings in annual administrative costs of around 6.3 billion euros.

MATT: And what are the main changes that are proposed for sustainability reporting?

MANDY: There are quite a lot. The Commission says that they will:

- Remove around 80% of companies from the scope of CSRD, focusing the sustainability reporting obligations on the largest companies which are more likely to have the biggest impacts on people and the environment;
- Ensure that sustainability reporting requirements on large companies do not burden smaller companies in their value chains;
- Postpone by two years (until 2028) the reporting requirements for companies currently in the scope of CSRD and which are required to report as of 2026 or 2027;
- Reduce the burden of the EU Taxonomy reporting obligations and limit it to the largest companies (corresponding to the scope of the CSDDD);
- Introduce the option of reporting on activities that are partially aligned with the EU Taxonomy;
- Introduce a financial materiality threshold for the Taxonomy reporting and reduce the reporting templates by around 70%; and finally

- Introduce simplifications to the most complex “Do no Significant harm” criteria for pollution prevention and control related to the use and presence of chemicals that apply horizontally to all economic sectors under the EU Taxonomy.

ANDY: And in terms of next steps, and to give Mandy a breather, the legislative proposals will now be submitted to the European Parliament and the Council for their consideration and adoption and the Commission has asked the co-legislators to treat these proposals with priority.

MANDY: Thanks Andy. Matt, what is the latest in Hong Kong?

MATT: The SFC has published a circular clarifying its regulatory requirements to facilitate the listing of closed-ended alternative funds on the Stock Exchange of Hong Kong Limited.

The SFC says that the new regulatory guidance aligns with the Government’s plan to broaden private equity fund distribution as set out in the 2024 Policy Address.

MANDY: What else is in the circular?

MATT: The SFC clarifies its requirements for authorising closed-ended funds that mainly invest in private and less liquid assets. A key criterion is that an alternative fund seeking authorisation should be sizeable with an expected market capitalisation of 780 million Hong Kong Dollars.

Also, in the circular, the SFC says that the fund should be able to generate regular income streams, depending on its investment strategy.

Finally, to balance the potential benefits and risks associated with closed-ended alternative funds, the SFC requires intermediaries to assess clients’ knowledge of these complex products before carrying out a transaction on their behalf.

MANDY: And Andy, what’s the latest in the UK?

ANDY: Couple of updates. Firstly, the FCA has published its latest ‘Dear CEO Letter’ for the asset management and alternatives sector, where it states that it intends to focus its supervision on the following priorities:

- Supporting confident investing in private markets;
- Building firm and financial system resilience against market disruption; and
- Securing positive outcomes for consumers.

The FCA acknowledges that it is writing to a large and diverse group of firms and that not all the issues raised in the letter will be relevant to all firms., however CEO’s are urged by the FCA to discuss the letter with their firm’s Board, Executive Committee, and accountable Senior Managers.

MANDY: You mentioned two updates, what's the second one?

ANDY: The FCA updated its Consumer Duty webpage for firms on 27 February.

As the Consumer Duty came into force for open products and services in July 2023, and for closed products and services a year later, the FCA says it should therefore be well-embedded in firms' management discussions, processes, and policies.

On that basis, the FCA says it wants to provide firms with greater flexibility on their ongoing governance arrangements and so, effective immediately, it will no longer expect firms to have a Consumer Duty champion, although they can retain the role should they wish to do so.

MANDY: 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.