

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

And 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?

ANDY: In April, the UK's Financial Conduct Authority published its finalised non-handbook guidance on its Anti-Greenwashing Rule (AGR).

Both come into effect on the 31st of May, and the FCA says that the new AGR is designed to clarify to firms that sustainability related claims about their products and services must be fair, clear, and not misleading.

MANDY: And what is the purpose of the Guidance?

ANDY: The FCA says that it is designed to help firms understand its expectations under the AGR and that it gives the FCA *"an explicit rule on which to challenge firms if it considers they are making misleading sustainability-related claims about their products or services and, if appropriate, take further action."*

MATT: The FCA published another paper on the same day, what does that cover?

ANDY: Yes, the FCA also opened a consultation on extending the Sustainability Disclosure Requirements to portfolio management services.

The FCA states that the proposed labelling and SDR regime for portfolio managers largely mirrors that introduced for asset managers in November last year.

MATT: Can you remind us what the FCA is proposing?

ANDY: The FCA's proposals include:

- Product labels to help consumers understand what their money is being used for; and
- Naming and marketing requirements so products can only be described as having positive outcomes on the environment and/or society when those claims can be backed up.

The FCA has asked for comments on the consultation to be submitted by 14th June and plans to publish the final rules in the second half of this year, with the rules coming into effect from December 2024.

MANDY: Also in April, the Transition Plan Taskforce (TPT) launched its final set of transition plan resources to help businesses unlock finance for net-zero.

Called "Build Your Transition Plan" the resources include a best practice disclosure framework for transition plans, accompanied by a suite of resources to support companies and financial institutions globally to mobilise transition finance.

MATT: And what else do the resources include?

MANDY: The TPT resources cover:

- Transition plan guidance for eight specific sectors including Asset Managers and Asset Owners.
- Sector summary guidance, with high level guidance for 30 sectors of the global economy.
- Guidance on how to undertake a transition planning cycle.
- A paper on the opportunities and challenges of transition plans in emerging markets and developing economies. And also
- Independent advisory pieces from various TPT Working Groups exploring how transition planning can extend beyond realising net zero.

The materials can be found on the TPT website. You can also look out for our forthcoming article covering the AM Sector Guidance paper.

ANDY: Matt, what's the latest from the Securities and Exchange Commission in the US?

MATT: The SEC published a new report of Registered Fund Statistics, which is based on aggregated data reported by SEC-registered funds on Form N-PORT.

The new, quarterly, report aims to provide the public with a regular and detailed picture of the registered funds industry.

The SEC says that the "report provides key industry statistics and shows trends over time, including information and trends related to portfolio holdings, flows, and returns, interest rate risk, and other exposures across U.S. mutual funds, exchange-traded funds, closed-end funds, and other registered funds.

The SEC also states that the "Registered Fund Statistics contains the first aggregated report that reflects both the public and non-public information filed on Form N-PORT, and most of the aggregated data in the more than 70 separate tables of the report is being made public for the first time.

MANDY: Was there anything of note in Asia this month?

ANDY: In Hong Kong the Securities and Futures Commission announced details of the three-year extension of the Government's grant scheme to subsidise the setting up of open-ended fund companies and real estate investment trusts in Hong Kong.

The SFC says that for OFCs incorporated in or re-domiciled to Hong Kong and SFC-authorized REITs listed on the Stock Exchange of Hong Kong Limited, the extended scheme covers 70% of eligible expenses paid to Hong Kong-based service providers, subject to a cap of 1 million Hong Kong Dollars per publicly offered OFC, 500,000 Dollars per privately offered OFC and 8 million Dollars per REIT.

MANDY: When did the extended scheme open?

ANDY: It opened on 10 May, on a first-come-first-served basis, and will run till the 9th of May 2027.

The SFC will update the frequently asked questions and the grant application form given the extension.

The SFC says that market participants can consult it about the extended scheme before making an application.

MANDY: And what about the UK, anything interesting happening there?

MATT: On the 1st of May, the FCA and HM Treasury published a roadmap to implementing the overseas funds regime, in which they detail the actions the UK government and the FCA plan to take to implement the regime for EEA UCITS schemes (excluding money market funds) and the UK government's future consultation on extending the SDR and labelling regime to OFR funds.

The roadmap begins with the enactment of legislation recognising EEA UCITS as equivalent, planned for Quarter 2 2024, and highlights 11 further steps through to the extended end date of the Temporary Marketing Permissions Regime in December 2026.

MANDY: Are there any key dates that firms should be aware of?

MATT: Yes, there are:

- The opening of the online recognition process to new schemes (i.e., those not currently marketing under the TMPR) is planned for September this year.
- The opening of the recognition process to TMPR standalone schemes is planned for October.
- And the opening of the recognition process to TMPR umbrella schemes is planned for November.

The FCA estimates that if the SDR and labelling regime is extended to OFR schemes, this will come into force in the second half of 2025.

For schemes in the TMPR, the FCA plans to assign scheme operators landing slots during which they will be invited to apply for OFR recognition.

MANDY: You have mentioned that EEA MMFs are not in scope, what does the FCA and HMT say about them?

MATT: The FCA notes that the UK government is still in the process of assessing the equivalence of overseas MMFs. As a result, there are no plans to recognise EEA UCITS operating as MMFs under the roadmap. This may mean umbrella schemes that contain MMF sub-funds will not have those sub-funds recognised.

MANDY: Given its interest to non-UK funds, have any EEA jurisdictions commented on the roadmap?

MATT: The day after the roadmap's publication, the CSSF issued a Communiqué reminding Luxembourg domiciled UCITS and management companies to closely monitor any implications deriving from the OFR, with a view to ensuring the smooth continuity of their marketing activities towards UK investors.

MANDY: So, moving away from fund equivalence to considering what UCITS funds might be able to invest in over the longer term. An EAD CfE was issued recently.

ANDY: Yes, the ESMA's Call for Evidence is looking to review the UCITS Eligible Assets Directive, following a request from the European Commission in June last year.

ESMA says that the number and variety of financial instruments traded on financial markets has increased considerably since the adoption of the EAD almost two decades ago, leading to uncertainty in determining whether some categories of assets are eligible for investment, in turn giving rise to divergent interpretations and market practices in terms of the application of the UCITS Directive.

MANDY: Who will the C4E be of interest to?

ANDY: Investors and consumer groups interested in retail investment products, management companies of UCITS, self-managed UCITS investment companies, depositaries of UCITS and trade associations are invited to provide feedback on market practices and interpretation or practical application issues with respect to the eligibility criteria and other provisions set out in the EAD.

ESMA is additionally interested in gathering insights on some key notions and definitions used in the UCITS EAD and their consistency with other pieces of legislation in the EU Single Rulebook.

The period for responses closes on the 7th of August and ESMA has until the 31st of October to develop its technical advice and submit it to the European Commission.

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.