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?

MATT: Beginning with operational resilience, IOSCO published its final report on Market Outages, saying it addresses the need for improved preparedness and management of outages to ensure market resilience and investor confidence.

It identifies key findings from recent outages and sets forth five good practices to market participants, trading venues and regulators in preparing for, and managing, future outages and thereby helping improve market-wide resilience.

MANDY: What are the five good practice areas?

MATT: They are:

- outage plans.
- communication plans.
- reopening of trading.
- closing auctions and prices.
- and post-outage plans.

IOSCO says these good practices are designed to offer flexibility for adoption across various trading venues, asset classes, and market structures, and they are generally applicable to market outages caused by different types of root causes.

MANDY: Andy has anything been published which is directly relevant to fund managers?

ANDY: The Swiss Financial Market Supervisory Authority (FINMA) has also published guidance on the management of operational risks by fund management companies and managers of collective assets.

Via its supervision, FINMA has determined that operational risks at supervised institutions are increasing due to digitalisation.

FINMA have also increasingly noticed weaknesses in operational risk management.

MANDY: What is the guidance looking to achieve?

ANDY: FINMA's guidance aims to make fund management companies and managers of collective assets aware of the importance of appropriate operational risk management and lists the general principles of appropriate risk management, which also apply to the management of operational risks.

Finally, FINMA describes measures to ensure appropriate management of risks in the areas of ICT, data, cyber, business continuity, legal and compliance, and outsourcing.

MANDY: Matt in the EU you have been following Digital Operational Resilience Act. Any developments there?

MATT: The EU saw publication of three regulatory technical standards underpinning DORA.

In force from 15 July this year, these RTS cover:

the criteria for the classification of ICT-related incidents and cyber threats and specifying the details of reports of major incidents;

contractual arrangements on the use of third-party ICT services supporting critical or important functions;

and ICT risk management and the simplified ICT risk management framework.

ANDY: Mandy, turning to ESG developments in Australia, can you tell us about the Government's Roadmap that has been recently issued?

MANDY: Yes, it was published on 19 June.

In the foreword to the Roadmap, the Government explains that, so far, its primary focus has been on the introduction of mandatory disclosure of climate -related financial risks and opportunities, with legislation now before the Parliament.

ANDY: And how has the Government structured its Roadmap?

MANDY: The Government's Roadmap introduces three pillars, each supported by its own priority actions:

Pillar 1: Improve transparency on climate and sustainability.

Pillar 2: Financial system capabilities.

Pillar 3: And Australian Government leadership and engagement.

With the publication of the Roadmap, the Government states it is now moving to delivering the next set of sustainable finance reforms, which includes funding the completion of Australia's preliminary sustainable finance taxonomy, developing a labelling regime for investment products marketed as sustainable and supporting credible business transition planning through best practice guidance.

ANDY: So, a lot going on. Is there anything else in the Roadmap?

MANDY: The Government also explains that it has decided to take a 'climate first, not only' approach to sustainable finance, whilst also responding to nature-related financial risks and opportunities and integrating these considerations into its Roadmap.

MATT: In Europe, we've seen the European Supervisory Authorities, ESMA, EBA and EIOPA, publish a joint opinion on the assessment of the Sustainable Finance Disclosure Regulation. What does it say?

ANDY: The ESAs are calling for a coherent sustainable finance framework that caters for both the green transition and enhanced consumer protection, taking account of the lessons learned from the functioning of the SFDR.

The ESAs say its focus is on ways to introduce simple and clear categories for financial products. The simplifications consist of two voluntary product categories, “sustainable” and “transition”, which financial market participants should use to ensure consumers understand the purpose of the products.

The ESAs also say that the rules for the categories should have a clear objective and criteria to reduce greenwashing risks.

MATT: And do the ESAs make any other recommendations?

ANDY: The joint opinion makes recommendations in respect of:

- Appropriate disclosures for products outside the two categories to reduce greenwashing.
- Improvements to the definition of sustainable investments.
- Simplification to the way in which disclosures are presented to investors.
- Other technical suggestions regarding scope and disclosures.
- And consumer testing before putting forward any policy proposals to review the SFDR.

MANDY: Approaching the full implementation of the UK consumer duty on 31 July, the FCA has announced it will hold a livestreaming event on that day.

MATT: The livestreaming event will focus on the impact the Consumer Duty has had in its first year, examples of good practice and areas for improvement, and the FCA’s priorities for the year ahead.

As well as the livestreaming event, the FCA has updated its consumer duty webpage with information on what should be included in a firm’s annual board report on the outcomes received by retail customers.

The first such assessment, covering firms with new and existing products and services, needs to be completed by the end of July this year.

MANDY: What does the FCA say the assessment should include?

ANDY:

- The results of the monitoring a firm has undertaken to assess whether products and services are delivering expected outcomes in line with the Consumer Duty
- Any evidence of poor outcomes, including whether any group of customers is receiving worse outcomes compared to another group, and an evaluation of the impact and the root cause
- An overview of the actions taken to address any risks or issues; and
- How the firm’s future business strategy is consistent with acting to deliver good outcomes under the Consumer Duty

Before signing off the assessment, the FCA says the board or equivalent governing body should agree:

- The action required to address any identified risks

- Any action required to address poor outcomes experienced by customers; and
- Whether any changes to the firm’s future business strategy are required

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.