

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?

Starting off in Hong Kong, the Securities and Futures Commission published its Strategic Priorities for 2024-26, which sets out its approach to developing the region's securities markets, addressing risks, and protecting investors.

Setting out four strategic priorities, in the coming three years, the SFC says it will strive to:

- Maintain market resilience and mitigate serious harm to its markets;
- Enhance the global competitiveness and appeal of Hong Kong's capital markets;
- Lead financial market transformation through technology and ESG; and
- Enhance institutional resilience and operational efficiency.

The SFC states that it is confident that these four priorities will fortify the core strengths of its capital markets, drive their sustainable development, and enhance their competitiveness.

Matt, turning to the EU, with less than 12 months until DORA, the Digital Operational Resilience Act, comes into force, what's the latest?

The three European Supervisory Authorities have submitted the first set of joint draft technical standards, which are aimed at enhancing the digital operational resilience of the EU financial sector by strengthening firm's ICT and third-party risk management, and incident reporting frameworks, to the European Commission.

These draft technical standards include:

- Regulatory Technical Standards on ICT risk management frameworks;
- The criteria for the classification of ICT-related incidents; and
- Specification of the policy on ICT services supporting critical or important functions provided by ICT third-party service providers;
-
- Finally, there's Implementing Technical Standards to establish the templates for the register of information.

In particular, the draft standards on ICT risk management framework identify further elements aimed at harmonising tools, methods, processes and policies and are complementary to those identified in DORA.

The standards identify the key elements that financial entities subject to the simplified regime and of lower scale, risk, size and complexity would need to have in place, setting out a simplified ICT risk management framework. The standards ensure the ICT risk management requirements are harmonised among the different financial sectors.

The European Commission will now start working on its review, with the objective to adopt these first standards in the coming months.

And Andy, what's ESMA doing in relation to crypto-assets?

ESMA has issued a consultation paper, where it is seeking input on establishing clear conditions and criteria for the qualification of crypto-assets as financial instruments.

This initiative, which follows on from previous work by ESMA, is aimed at bridging the MiCA regulation and MiFID II and ensuring consistency across the EU.

ESMA's proposed guidelines aim at providing national competent authorities and market participants with structured, but flexible, conditions and criteria to determine whether a crypto-asset can be classified as a financial instrument.

ESMA says its draft strikes a balance between providing guidance and avoiding establishing a one-size-fits-all approach. ESMA adds that once finalised, these guidelines will provide much-needed clarity and contribute to the global standards in crypto-asset regulation.

The consultation closes on 29 of April and ESMA says it will consider the feedback it receives to the consultation in Q2 this year and expects to publish a final report in Q4.

Mandy, what's the latest from the Netherlands?

The Dutch Authority for Financial Markets published a complete overview of its priorities and other supervisory activities for the coming year in its 2024 AFM Agenda.

Amongst its priorities, the AFM will look to:

- Develop an integrated strategy for the supervision of sustainability;
- Manage the effects of digitalisation in financial markets;
- Prepare itself for the supervision of crypto and generate support in an EU context to effectively counter illegal practices, as well as solving cross-border issues; and
- Turn to supervision of the pensions transition.

The Future of Pensions Act came into force on 1 July 2023, so the AFM's focus has therefore shifted from policy to supervision.

The AFM will focus on whether information disclosure from pension providers to members is clear, correct, timely and balanced.

Under AFM's supervision, communication plans will be reviewed as part of the implementation plan. The AFM expect to assess a total of about 200 communication plans until mid-2025.

The AFM has been preparing itself for some time, together with the pension sector and Dutch Central Bank, to be able to carry out adequate supervision on what it sees as a crucial transitional phase in pension provision.

Matt, we've got an equivalence decision update from the UK, can you share the latest?

At the end of January, the UK Government announced that it has found, following a detailed assessment, that the EEA states, including the EU member states, are equivalent under the UK's Overseas Funds Regime.

This decision will apply to EEA UCITS except those which are also Money Market Funds, as there is ongoing regulatory development in this area.

To enact this decision, secondary legislation will be required, when parliamentary time allows.

The UK Government does not intend to require the funds assessed to comply with any additional UK requirements as part of this equivalence determination at this time.

Separate to the assessment of the EEA, the Government recognises that there are ongoing regulatory developments in relation to sustainable disclosure requirements. The Government intends to consult on whether to broaden the scope of the SDR to include funds recognised under the OFR.

Additionally, the UK Government announced its intention to extend the temporary permissions regime for funds until the end of 2026, to ensure funds can smoothly transition to the OFR.

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.