

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: Mandy, I think I will throw that back to you. We had an early Christmas present from the FCA at the end of November. Would you like to unwrap?

MANDY: Yes, the headline item this month, is the FCA's Policy Statement 23/16 – Sustainability Disclosure Requirements and investment labels which the FCA says introduces a new package of measures to help consumers navigate the market for sustainable investment products.

In the Policy Statement the FCA are introducing:

- An anti-greenwashing rule for all FCA-authorized firms to reinforce that sustainability-related claims must be fair, clear and not misleading;
- Naming and marketing rules for in-scope investment products, to ensure the use of sustainability-related terms is accurate;
- Four labels to help consumers navigate the investment product landscape and enhance consumer trust;
- Consumer-facing information to provide consumers with better, more accessible information to help them understand the key sustainability features of a product;
- Detailed information targeted at institutional investors and consumers seeking more information in pre-contractual, ongoing product-level, and entity-level disclosures; and
- Requirements for distributors to ensure that product-level information (including the labels) is made available to consumers.

In terms of implementation, the FCA's rules are staggered between 31 July next year and 2 December 2026.

And published at the same time, as requested by industry feedback, the FCA is also consulting on new guidance on its expectations for FCA-authorized firms making claims about the sustainability of a product or service.

The deadline for responses is 26 January and the FCA says it intends to publish the finalised guidance in early 2024, with the guidance on the anti-greenwashing rule coming into force on 31 May 2024.

MATT: Also on the ESG front, on 13 November the Transition Plan Taskforce launched a consultation on its sector-specific guidance for preparers and users of climate transition plans, which included seven sector deep dives, one of which was for asset managers.

The Taskforce's work takes place within the broader landscape of UK regulation and legislation around sustainability disclosures, and follows its final Disclosure Framework, which contains the foundational disclosure recommendations which apply to all sectors, published in October.

The Asset Management Guidance is split into two parts:

Part One introduces the sector context and how the Guidance is to be used alongside the Disclosure Framework and wider Taskforce Guidance.

And Part Two provides suggestions of disclosures and further guidance and resources for entities to consider.

The consultation on the guidance is open until 29 December 2023.

ANDY: Mandy, any further ESG developments to add?

MANDY: Also in the UK, as a precursor to the FCA SDR PS, the FCA published a multi-firm review looking at how Authorised Fund Managers comply with existing regulatory requirements and expectations on the design, delivery and disclosure of ESG and sustainable investment funds.

The FCA found that while most Fund Managers have made efforts to comply with its expectations, further improvement is needed to fully embed its 'Guiding Principles' for ESG and sustainable investment funds.

In the review the FCA found evidence of both good and poor practices, and it now expects firms to address those to meet the requirements of the forthcoming Sustainability Disclosure Requirements and its newly introduced Consumer Duty.

The FCA expect boards to take the lead in monitoring and ensuring firms make any changes required to further enhance sustainability disclosures and practices, whilst it will continue to monitor the market to make sure firms and the investment products they provide to the market meet its expectations.

MATT: And what are we seeing outside of ESG this month?

ANDY: In the UK, on the innovation front, the Technology Working Group to the Asset Management Taskforce published its interim report on UK Fund Tokenisation.

Titled "A Blueprint for Implementation" the report provides nine recommendations to the UK investment management industry to enable the transition of legacy processes to new technologies such as distributed ledgers, blockchain and tokenisation.

The first three recommendations cover:

- Regulatory certainty for UK fund tokenisation;
- Fostering DLT innovation across the UK investment management industry; and finally
- Money laundering regulations registration process.

The remaining six recommendations detail actions the industry should follow to identify the prioritisation and characteristics of future stages, and work with the UK authorities to implement them.

In response to the Blueprint, the FCA published a letter to the Technical Working Group detailing the work it has undertaken as part of the development of the baseline approach set out in the Blueprint, and confirming that UK funds may transition some functions to DLT under the current rules laid out in the FCA Handbook.

MANDY: And Matt, can you provide an update on ESMA's Strategic Plan?

MATT: In November we saw ESMA make a change to its Union Strategic Supervisory Priorities to focus on cyber risk and digital resilience alongside ESG disclosures.

ESMA says that with this new supervisory priority, EU supervisors will put greater emphasis on reinforcing firms' ICT risk management through close monitoring and supervisory actions, building new supervisory capacity and expertise. The aim is to keep pace with market and technological developments, and closely monitor potential contagion effects of attacks and disruptions across markets and firms.

The new priority will come into force in 2025, at the same time as DORA. ESMA explains that the timeline is intended to provide supervisors and firms in Member States with sufficient time to prepare for compliance with the new regulatory requirements.

MANDY: And Andy, what is the latest on Ireland's new Individual Accountability Framework (the IAF)?

ANDY: Last month, the Irish Central Bank published a Feedback Statement and issued Regulations and Guidance to firms on the IAF.

The Central Bank's Guidance provides clarity regarding its expectations for the implementation of three aspects of the framework:

- The Senior Executive Accountability Framework (SEAR);
- The Conduct Standards; and
- Certain aspects of the enhancements to the Fitness & Probity regime.

The Central Bank has said this piece of regulation is first and foremost about enhancing governance, performance and accountability in financial services, and that the publications provide clarity to firms and individuals by setting out clearly the good practices of firms and role-holders and their accountabilities.

In terms of timing, the Conduct Standards and enhancements to the Fitness and Probity Regime will become applicable on 29 December this year.

Also, the Central Bank consultation has confirmed that the SEAR Regulations that describe responsibilities of specific roles and requirements of firms will apply to in-scope firm's from 1 July 2024, and to Independent Non-Executive Directors at in-scope firms from 1 July 2025.

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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.