

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?

ANDY: Starting in the U.S., and on the topic of dual share class ETFs, on the 29 September the SEC issued a notice indicating its intent to grant an asset manager, exemptive relief to permit registered open-ended funds to offer an ETF share class alongside mutual fund share classes as a result of its proposal to include a specific methodology for allocating income and expenses among classes that declare dividends more frequently for mutual fund classes than for the ETF class.

MANDY: Will shareholders in a mutual fund class be able to exchange their mutual fund shares for ETF shares? And will this relief be available to other asset managers?

ANDY: Yes, funds will be able to permit shareholders in a mutual fund class to exchange their mutual fund shares for ETF shares of the same fund, typically at their relative Net Asset Value.

The SEC says that more than 80 other asset managers and fund complexes have filed applications for similar relief, many of whom have been encouraged by SEC staff to file amended applications substantially identical to the current application, potentially leading to a significant shift in the fund landscape, allowing investors to access ETF versions of mutual fund strategies.

The relief is expected to be available for both actively managed and index-tracking funds. The earliest date on which the SEC may grant the order is 16 October, provided no hearing is ordered.

MANDY: Thanks Andy. It should also be noted that fund boards will have heightened oversight responsibilities in deciding whether to add ETF or mutual fund share classes to products, and more disclosure for fund investors will be required, along with other considerations.

MATT: Mandy, on 25 September we saw the Taskforce on Nature-related Financial Disclosures publish its 2025 Status Report. What are the highlights?

MANDY: This first status report marks two years since the publication of the TNFD recommendations and indicates a significant initial market uptake of the recommendations and associated guidance following their release.

MATT: So, what does the TNFD say about the status report?

MANDY: It says that the report shows a shift in mindset among companies and capital providers who increasingly appreciate that the resilience of the planet's ecosystems and biodiversity underpins the resilience of their business.

Also, that while recognising that the assessment of nature-related issues remains new and is perceived to be complicated, this report highlights what's possible with the use of existing metrics and by building on existing internal capabilities.

Finally, the report highlights the challenges remaining to mainstream an integrated approach to nature into corporate decision making and disclosure practice.

MATT: Staying with ESG, in September we also saw the Joint Committee of the three European Supervisory Authorities publish their fourth annual Report on the extent of voluntary disclosure of principal adverse impacts under the Sustainable Finance Disclosure Regulation. What are the talking points?

MANDY: In their report the ESAs state that they have observed a steady improvement in the quality of the PAI voluntary disclosures at both entity and product level.

The ESAs also say that the 2025 Report notes an effort from financial market participants to publish more complete information in compliance with SFDR disclosure requirements, with a general improvement in the quality of information provided.

MATT: And is there anything else of note in the report by the ESAs?

MANDY: Yes, there is. In line with previous years, the ESAs state that the findings also confirm that financial market participants (or FMPs) within larger multinational groups tend to provide more detailed disclosure, while smaller entities often combine general ESG or marketing information with their SFDR disclosures.

Also, surveyed National Competent Authorities affirmed that some FMPs have taken onboard the good practices included in the previous reports and have improved their disclosures.

ANDY: Matt, moving on to AI, the Financial Stability Institute published an Occasional Paper entitled ‘Managing explanations: how regulators can address AI explainability.’ What’s in the paper?

MATT: The FSI’s Occasional Paper aims to describe current regulatory guidance on AI model risk management, discuss existing challenges in applying it to AI models, especially in the context of limited explainability; and put forward considerations for addressing some of these challenges.

For that purpose, the Occasional Paper reviews existing guidance on model risk management, identifies elements related to model explainability, analyses the extent to which that guidance could be met by AI models and discusses possible elements of improvement in the current policy setup.

MANDY: Andy, the Australian Securities and Investments Commission (or ASIC) published REP 814, its latest update on Australia’s public and private markets. What’s in the report?

ANDY: In REP 814, ASIC calls on industry bodies to lift their standards across Australia’s private credit sector, following expert observations on better and poorer practices.

The update follows ASIC’s discussion paper, published in February, on evolving capital markets that highlighted the growing availability of private capital had met demand from investors and borrowers.

In response to the rapid growth of private credit, ASIC commissioned a review of Australia’s private credit funds sector. REP 814 provides foundational insights on the size and nature of the sector in Australia right now and includes examples of better and poorer practices and areas for industry and regulator attention.

MANDY: What else does ASIC say in REP 814, including associated industry feedback?

ANDY: It underscores that if ‘done well’, private credit complements the banking system and provides further opportunities for innovation, employment and growth.

ASIC goes on to say it has identified positive private credit practices and called out concerning ones that require address. Issues including opaque remuneration and fee structures, related party transactions and

governance arrangements, valuation practices and inconsistent use of terms for effective disclosure.

MANDY: So, what does ASIC have planned next in this area?

ANDY: It says that in November, it is aiming to release its response to the discussion paper on Australia's evolving capital markets, alongside its retail and wholesale surveillance findings.

The response will include clear guidance on key principles, along with additional research and expert insights to guide ASIC's future priorities, work program, and regulatory roadmap.

MANDY: Matt, turning to Europe, on 3 October ESMA published its 2026 Annual Work Programme, which is guided by its multi-annual strategy for 2023–2028. What's in store for next year?

MATT: ESMA is looking to continue to build on existing priorities, supporting the forthcoming strategic developments set out by the European Commission's Saving and Investments Union Strategy. This includes aligning supervisory practices across Member States, enhancing market data capabilities, and actively contributing to upcoming reforms designed to create a more integrated and globally competitive EU financial system.

ESMA also aims to seize opportunities arising from digitalisation, for example by facilitating the simplification and use of clear language in disclosures.

MANDY: What does ESMA say about its priorities beyond those coming from the SIU strategy?

MATT: It says it will continue supporting the implementation of key work agreed under the previous legislature, notably EMIR 3 and the European Single Access Point.

ESMA also notes other ongoing work which, depending on progress, may require its attention in 2026 including the Retail Investment Strategy, as well as the review of PRIIPS, SFDR and the Securitisation Regulation.

ESMA wants to ensure that it integrates the principles of Simplification and Burden Reduction across all its activities and will follow up on the 2025 'flagship' projects seeking simplification and efficiencies in disclosure and reporting frameworks.

MANDY: And what about data innovation and market integration?

MATT: On these, ESMA wants to focus on enhancing data capabilities and promoting innovation. Key projects for 2026 look to include the rollout of the ESMA Data Platform, centralisation studies, and the development of AI-powered supervisory tools.

Whilst in the digital finance sector ESMA will continue to focus on the effective implementation of MiCA, with ESMA's supervisory convergence efforts remaining focused on the authorisation and supervision of CASPs.

Finally, in line with the EU's ambition to accelerate the settlement cycle to T+1 by 11 October 2027, ESMA will coordinate closely with market participants to ensure a smooth transition and the preparedness of the financial sector.

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.