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 Europe, on 21 October ESMA published draft Regulatory Technical Standards on open-ended loan-originating Alternative Investment Funds.

These implementing RTS determine the requirements for AIFs to maintain an open-ended structure, covering aspects such as sound liquidity management, the availability of liquid assets, stress testing, and an appropriate redemption policy.

MANDY: And what's the timing for the RTS to be effective?

ANDY: They were mandated under the AIFMD and have now been submitted to the European Commission for adoption.

However, following an announcement by the Commission on 6 October, where it stated that a number of non-essential Level 2 acts will be de-prioritised, ESMA highlights that the Commission will not adopt these RTS before 1 October 2027.

MANDY: Matt, moving on to crypto-assets, the Financial Stability Board and IOSCO have both released significant reports. Could you walk us through the highlights from those?

MATT: Firstly, on 16 October, the FSB published its 'Thematic Peer Review' on the implementation of its 2023 global framework for crypto-asset activities. The review noted progress in regulating general crypto-asset activities, but highlighted significant gaps and inconsistencies, particularly concerning global stablecoin arrangements. The FSB stressed that these gaps could pose risks to financial stability and called for accelerated, consistent implementation and improved cross-border cooperation.

MANDY: And what about IOSCO?

MATT: On the same day, IOSCO released its Final Report on the implementation of its Crypto and Digital Asset Markets recommendations. IOSCO's review assessed how 20 jurisdictions are implementing the 2023 Policy Recommendations, focusing on investor protection and market integrity.

While acknowledging progress, IOSCO identified areas needing continued improvement, such as governance, conflicts of interest, market abuse, and retail client protections.

IOSCO emphasized the need to monitor evolving risks, implement recommendations, and enhance capacity building and information sharing among jurisdictions, especially given the global nature of crypto-asset service providers.

MANDY: So, both reports point to ongoing challenges and the need for more consistent implementation, particularly around stablecoins and cross-border cooperation.

Shifting gears to market settlement, Andy, we've seen developments around the transition to T+1. What's the latest from the FCA and ESMA?

ANDY: On 23 October, the FCA issued a letter to asset managers and alternative firms outlining its expectations ahead of the T+2 to T+1 settlement cycle transition, which is set for 11 October 2027.

Key expectations set out by the FCA include firms familiarising themselves with the Accelerated Settlement Task Force's recommendations and to conduct end-to-end reviews of their processes by the end of 2025.

The FCA also expects firms to conduct reviews of their trading and settlement arrangements, contact settlement agents, and ensure outsourced providers are prepared.

By the end of 2026, implementation of identified changes, such as standardising SSIs and trade date timing, should be complete, with testing of amended processes required early in 2027.

MANDY: And what is in the ESMA update?

ANDY: Prior to the FCA's letter, on 13 October, ESMA published its final report recommending amendments to the RTS on Settlement Discipline.

These changes aim to enhance settlement efficiency across the EU, facilitate the T+1 transition and reduce administrative burdens.

The proposed changes include same-day timing for allocations, machine-readable formats, and mandatory implementation of key functionalities like hold and release. Also, a phased implementation is planned from December 2026 to October 2027, with market participants strongly encouraged by ESMA to treat these as central to their T+1 strategy.

MANDY: So some clear timelines for firms to take note of from both the FCA and ESMA. Matt, moving from settlement to innovation, the FCA has also been actively discussing tokenisation. What's it's stance on that?

MATT: The FCA aims to support innovation in asset management. On 14 October, it published Consultation Paper CP25/28, 'Progressing Fund Tokenisation,' which outlines proposed new rules for fund tokenisation and direct-to-fund dealing.

The consultation paper includes guidance for operating tokenised funds, a new model for direct dealing, and a roadmap to advance tokenisation while addressing key barriers.

The FCA aims to provide clarity and boost operational efficiency within UK asset management, and its consultation explores potential regulatory changes for digital cash settlement, stablecoins, and the use of Distributed Ledger Technology for portfolio management.

MANDY: Andy, moving to Asia, could you give us an update on what's happening with Hong Kong's retail fund code?

ANDY: The SFC launched a consultation on 22 October regarding proposed amendments to its Code on Unit Trusts and Mutual Funds. The SFC says that its goal is to align Hong Kong's regulatory regime with international standards and broaden product offerings for investors.

Key revisions include an alternative approach for managing derivatives, updated liquidity risk management requirements, and enhanced requirements for money market funds.

The SFC plans a step-by-step approach to facilitate retail access to private markets, starting with listed closed-ended alternative asset funds. Comments on these proposals are due by 21 January 2026.

MANDY: That's interesting on the movement in Hong Kong regarding allowing retail access to private markets, as its similar to what we have seen in the US and the UK. Matt let's turn back to Europe. What's on ESMA's agenda for 2026, particularly regarding cyber risk, and what about the Commission's de-prioritisation of Level 2 Acts which Andy briefly touched on?

MATT: On 24 October, ESMA welcomed the strong initial engagement by National Competent Authorities on cyber risk and digital resilience. Cyber and digital resilience has been a strategic supervisory priority for the EU since January 2025, aligned with the Digital Operational Resilience Act, or DORA.

ESMA aims for enhanced coordination and improved digital resilience across the EU securities market, with NCAs actively monitoring DORA adherence. They also noted that ESG disclosures, a USSP since 2022, will continue to be a focus in 2026, targeting high-risk areas.

In other European developments, on 6 October, the Commission announced the de-prioritisation of certain Level 2 Acts in financial services legislation. The Commission acknowledged that a high volume of Level 2 acts has led to compliance costs and regulatory complexity.

As a pragmatic approach to simplification and aligning with savings and investments union objectives, the Commission has informed the European Supervisory Authorities and the Anti-Money Laundering Authority that it will not adopt non-essential Level 2 acts before 1 October 2027. They will also propose amendments or repeals for empowerments with legal deadlines.

MANDY: Finally, Andy, what's the latest from the UK regarding HM Treasury's planned updates to financial regulation?

ANDY: HMT published its 'Regulation Action Plan – Progress Update and Next Steps' on 21 October. This update outlines progress and future plans across three themes: tackling regulatory complexity and burden, reducing uncertainty, and challenging risk aversion.

HMT aims to align key regulators' activities more closely with the Government's Growth Mission and will reform the Growth Duty for a clearer legal framework.

They are also launching a Regulator Dashboard to display performance against Key Performance Indicators and track authorisation processing times, which will be expanded over time to improve user experience and accountability.

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.