Hello. I'm Amanda Hale from Citi's Global Trustee and Fiduciary Services Regulatory team.

Joining me today 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: IOSCO has published a consultation on valuing collective investment schemes (or CIS).

Noteworthy is that IOSCO is recommending combining its CIS valuation principles from 2013 with its principles for the valuation of hedge fund portfolios that was last updated in 2007.

MANDY: And why is IOSCO recommending combining the two sets of valuation principles? What's the underlying rationale?

ANDY: That's a good question**.** IOSCO found from its preparatory review of the Principles that, whilst they have been broadly implemented and remain effective, there was a strong case for updating them.

IOSCO state that since their respective publications, the market has evolved, with an increase in CIS holding less liquid and illiquid assets including private assets, as well as increased retail investment in such schemes.

MANDY: So, what are the specific components or revisions outlined in the consultation?

ANDY: IOSCO's proposals consist of 13 updated recommendations, with key revisions covering: oversight arrangements, governance under stressed market conditions, management of conflicts of interest, fair value, back-testing, use of third-party valuation service providers, stale valuations and record keeping.

The consultation period closes on 2 February and IOSCO is aiming to publish its final report around Q2-Q3 next year.

MATT: Mandy, last month we saw the European Commission propose improvements to the Sustainable Finance Disclosure Regulation. Can you tell us what's behind the proposals and what they are meant to achieve?

MANDY: The Commission has stated that its proposed set of amendments are designed to address current shortcomings in the

SFDR, by making the rules simpler, more efficient and better aligned with market realities.

The Commission says that it recognises that in recent years it's become clear that the SFDR framework was not fully achieving its purpose, and that disclosures were often too long and complex, making them difficult for retail investors to understand and compare, while financial market participants experienced unnecessary burdens and costs.

The Commission adds that the SFDR has effectively been used as a de facto labelling system, causing confusion among investors and increasing the risk of greenwashing and mis-selling.

MATT: So, to try and address these issues and improve SFDR, what is the Commission proposing?

MANDY: Firstly, to simplify disclosures, the Commission explains that financial market participants will no longer be required to disclose how at company level they consider principal adverse impacts of investment decisions on sustainability factors.

Secondly, the introduction of a categorisation system with three categories, which the Commission says will simplify the investment journey of retail investors and help them to better match their sustainability preferences with the products on offer.

MATT: The three proposed categories are Sustainable, Transition and ESG Basics. Mandy, can you tell us a bit more about them?

MANDY: Certainly. The Sustainable category will cover products contributing to sustainability goals such as investments in companies or projects that are already meeting high sustainability standards.

The Transition category will cover products channelling investments towards companies and/or projects that are not yet sustainable, but that are on a credible transition path, or investments that contribute toward improvements.

And finally, the ESG Basics category will cover other products that integrate a variety of ESG investment approaches but do not meet the criteria of the Sustainable or Transition investment categories.

The Commission notes that categorised products would need to ensure that a high portion of investments (70% of the portfolio) supports the chosen sustainability strategy and that they exclude investments in harmful industries and activities. Also, ESG claims in names and in marketing documentation will be reserved for categorised products.

MATT: And what are the next steps and timing on the proposals?

MANDY: As the proposals have now been submitted to the European Parliament and Council for consideration we don't have a precise idea of timing currently. But once the proposals have been finalised, the Commission proposes an 18 months' transitional period for the revised Regulation to apply after entry into force, following publication in the Official Journal of the EU. So, we are probably looking at 2028, at the earliest.

ANDY: Matt, moving to Hong Kong, on 28 November the Securities and Futures Commission issued a Circular to management companies of SFC-authorised unit trusts and mutual funds. What were the key elements covered by this Circular?

MATT: The SFC's Circular introduced a series of streamlined post-authorisation measures for UCITS funds, to facilitate their implementation of changes that are compliant with their home jurisdiction regulation.

ANDY: And what are the practical implications of these changes?

MATT: Under the streamlined measures, the SFC says that it no longer requires UCITS funds to seek its prior approval for changes to depositaries and investment delegates supervised by the fund's home regulator.

Nor will the SFC's approval be needed for material changes in investment objectives, policies and restrictions which comply with its home jurisdiction requirements.

Additionally, the SFC says that it has aligned its notification requirements with those of the fund's home jurisdiction.

ANDY: And what's the timing on these changes?

MATT: In the associated FAQs on its website, the SFC explains that the streamlined measures took effect from the 28 November.

MANDY: Andy, shifting our focus to the EU, the European Commission has published a new digital package, which aims for European businesses to spend less time on administrative work and compliance and more time innovating and scaling-up. What does it cover?

ANDY: At its core, the package includes a digital omnibus that streamlines rules on artificial intelligence, cybersecurity and data. This is complemented by a Data Union Strategy which the Commission says aims to unlock high-quality data for AI and European Business Wallets that will offer companies a single digital identity to simplify paperwork and make it much easier to do business across EU Member States.

MANDY: What do the proposals cover as regards simplifying cybersecurity reporting?

ANDY: The omnibus introduces a single-entry point where companies can meet all incident-reporting obligations. Currently, companies must report cybersecurity incidents under several laws, including the NIS2 Directive, GDPR, and DORA.

The Commission says that a robust interface will be developed which will undergo comprehensive testing to ensure its reliability and effectiveness.

The omnibus also includes targeted amendments to the GDPR.

MANDY: And what are the next steps?

ANDY: The digital omnibus legislative proposals will now be submitted to the European Parliament and the Council for adoption.

On the same day, the Commission also launched the second step of the simplification agenda, with a wide consultation on the Digital Fitness Check. This remains open until 11 March 2026 and will ‘stress test' how the rulebook delivers on its competitiveness objective and examine the coherence and cumulative impact of the EU's digital rules.

MANDY: Matt, staying on the theme of simplification, the UK’s Financial Conduct Authority has also launched a consultation, CP25/32, on improving the UK transaction reporting regime. What’s behind the proposals?

MATT: The UK’s Markets in Financial Instruments Regulation (MiFIR) transaction reporting rules were onshored from the EU on 31 December 2020. The FCA explains in the CP that HM Treasury will repeal these rules, which will then enable the FCA to deliver a streamlined framework which it says will cut costs for businesses while ensuring effective regulatory oversight.

CP25/32 outlines the FCA's proposed amendments to transaction reporting requirements. The FCA's objectives include reducing the regulatory burden on firms, supporting UK economic growth, increasing the FCA's ability to fight financial crime and protect market integrity.

MANDY: What are the main points covered in this CP?

MATT: The FCA's proposals include:

- Reducing the number of transaction reporting fields from 65 to 52.
- Removing reporting obligations for 6 million financial instruments which are only tradeable on EU trading venues.
- Removing foreign exchange (FX) derivatives from the scope of reporting requirements.
- Reducing the default back-reporting period from 5 to 3 years.
- And reducing the number of instrument reference data fields.

MANDY: Matt, what's the timing regarding the transaction reporting proposals and is there anything else of note?

MATT: Comments are due by 20 February 2026. And yes, the FCA also outlines a long-term approach to streamlining transaction reporting requirements across different regimes including requirements in UK EMIR and the UK SFTR. So, we can expect to see future consultations.

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.