

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.

In this month's edition we will focus on:

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- **ESMA's review of artificial intelligence,**
 - **The SEC's proposed amendments on how registered investment companies need to report portfolio-related information,**
 - **The publication of several regulatory work programmes, and**
 - **The latest news from the UK's FCA on its Sustainable Disclosure Requirements regime.**
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ANDY: Beginning with ESMA, who recently published an article on AI adoption and trends in EU securities markets.

Based on a survey conducted last summer across the EU, ESMA's article examines financial market participants' self-reported use of AI and yields insights on the benefits and the challenges associated with AI's growing relevance for firms' competitiveness.

MATT: What were ESMA's findings?

ANDY: ESMA states in the article that it found:

First, AI adoption in the EU financial sector remains partial and uneven, with smaller firms lagging larger ones in terms of investment, deployment, expected efficiency gains, as well as the ability to develop

models and leverage internal data. However, all firms anticipate an increase in AI-related investment between 2025 and 2027.

Second, current use cases focus on low-autonomy, general-purpose back-office tools expected to enhance operational efficiency, although firms are experimenting with a variety of more customised, sector-specific applications. Data- and model-related vulnerabilities introduced or amplified by AI systems are among firms' top concerns, with cybersecurity and third-party dependencies also frequently highlighted.

And third, firms deploy models from a variety of sources, from off-the-shelf tools to those developed in-house. However, firms' reliance on a small number of AI infrastructure providers may be shaping third-party dependencies that warrant monitoring due to the potential operational risk they pose.

MANDY: Turning to the US, the SEC proposed amendments to Form N-PORT, used by most registered investment companies to report portfolio-related information. Matt, what can you tell us about that?

MATT: The SEC says the changes are designed to reduce reporting burdens without significantly affecting the SEC's use of the data or the public's ability to assess relevant information about a fund.

MANDY: So, how would the proposed amendments look to achieve that?

MATT: The SEC said they would:

- Provide reporting funds with an additional 15 days to file monthly reports of portfolio-related information, which is designed to reduce the potential for errors and resubmissions.

- Reduce the publication of reports from monthly to quarterly, a change the SEC says is designed to protect a fund's shareholders by reducing the risks of more frequent public disclosure, such as external parties using information about a fund's portfolio holdings in ways that increase costs for the fund and its shareholders; and
- Modify the reports to streamline or remove certain information, including removing "Names Rule" reporting, and add information about funds with share classes that operate as ETFs.

MATT: In a separate action, the SEC is extending the compliance dates for those Form N-PORT reporting requirements related to the "Names Rule" under the Investment Company Act of 1940, which addresses certain investment company names. This extension will provide additional time for funds, and the SEC, to consider the proposed amendments to Form N-PORT and avoid certain costs associated with regulatory requirements that the SEC is proposing to eliminate.

MANDY: When will these changes come into effect?

MATT: The new compliance dates are 17 November 2027, for fund groups with net assets of 10 billion US Dollars or more' and 18 May 2028, for fund groups with less than 10 billion US Dollars in net assets as of the end of their most recent fiscal year.

MANDY: February was a busy month for regulators publishing their work programmes. Let's start with the FSB, which said its 2026 work programme will continue its mission to promote global financial stability by addressing systemic financial risks and fostering international cooperation. What does the work programme outline?

ANDY: It outlines key priorities, including, amongst others:

- Nonbank financial intermediation (NBFI);
- Digital innovation and AI;
- Operational resilience through public-private-sector collaboration;
and
- Modernisation of financial regulation and supervision.

MANDY: Continuing with global regulation, IOSCO published its 2026 Work Program, building on its 2025 Work Program. Matt, what can you tell us about IOSCO's key strategic priorities:

MATT: These are:

- Strengthening Financial Resilience and Market Effectiveness;
- Protecting Investors;
- The Evolution of Public and Private Markets;
- Technological Transformation; and
- Promoting Regulatory Cooperation and Effectiveness.

IOSCO states that regulatory cooperation remains central to the effective delivery of these priorities and that it will continue its regular reviews, promoting the consistent application of securities regulation worldwide.

MANDY: Finally, ESMA Published its 2027-2029 Programming Document. Andy can you tell us what it proposes?

ANDY: Looking ahead, ESMA says that its priorities for the years to come include:

- Supporting the implementation of the EU political priorities in relation to the Simplification and Burden Reduction agenda and preparation for the Savings and Investment Union;
- Deepening supervisory convergence and effective supervision;
- Enhancing market data and digital capabilities; and
- Contributing to reforms that make EU capital markets more integrated, accessible, and efficient.

ESMA said it will also advance supervisory reporting reforms to reduce compliance costs while improving data quality, including through the new UCITS reporting regime and the rollout of integrated reporting frameworks.

ESMA will also continue the phased implementation of the European Single Access Point, the EU-wide digital platform for public financial and sustainability information, with the first phase scheduled to launch in second half of 2027.

MATT: And finally, the FCA published a new webpage on how to use its sustainability labels as part of the SDR regime.

Is there anything in particular that the FCA wants to remind firms of?

MANDY: Yes. FCA want firms to consider, amongst other things, that:

- Where all products using labels must meet the general criteria, as well as criteria specific to each label;
- Where firms must notify the FCA of plans to use a label by completing a notification form; and
- Where firms and distributors in scope of the SDR regime intending to use labels should download the relevant label from the form (distributors can also download from the FCA's online page – "How to use sustainability labels | FCA") when notifying the FCA of their intention to use a label.

On the same day, the FCA also published a new webpage, outlining its findings in relation to good and poor practice for using labels under its SDR regime.

The FCA stated that the examples it set out are intended to help firms prepare pre-contractual disclosures for use of labels, following the pre-contractual disclosure examples it published previously.

ANDY: 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.