

**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.**

**This month we're focusing on the following developments:**

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- **The SEC Clarifying the Application of Federal Securities Laws to Crypto Assets.**
  - **The MAS in Singapore Issuing New Guidelines on 'Environmental Risk Management – Transition Planning'**
  - **In Europe, ESMA setting out actions to simplify the retail investor journey and the European Council Agreeing its Position to Streamline Rules on AI**
  - **And in the UK, the FCA Annual Work Programme for 2026/27**
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**ANDY:** Starting in the U.S., March saw the SEC issue an interpretation clarifying how the federal securities laws apply to certain crypto assets and transactions involving crypto assets.

The SEC explains that this is a major step in its efforts to provide greater clarity regarding the SEC's treatment of crypto assets and complements Congressional endeavours to codify a comprehensive market structure framework into statute.

The Commodity Futures Trading Commission also joined the interpretation to provide guidance that the CFTC and its staff will administer the Commodity Exchange Act consistent with the SEC's interpretation.

**MANDY:** Andy, can you elaborate on what this SEC interpretation covers for our listeners?

**ANDY:** Certainly. It provides a coherent token taxonomy for digital commodities, digital collectibles, digital tools, stablecoins, and digital securities.

It also addresses how a "non-security crypto asset"—which is a crypto asset that itself is not a security—may become subject to, and how it may cease to be subject to, an investment contract.

And the interpretation clarifies the application of federal securities laws to airdrops, protocol mining, protocol staking, and the wrapping of a non-security crypto asset.

Finally, the SEC says that market participants—from innovators and issuers to individual investors—should review its interpretation to better understand the regulatory jurisdiction between the SEC and CFTC.

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**MANDY:** Matt, pivoting to Artificial Intelligence, what's the latest from Europe regarding AI developments?

**MATT:** In March the European Council agreed its position on the proposal to streamline certain rules regarding AI.

The proposal forms part of the “Omnibus VII” package in the EU’s simplification agenda, and includes proposals for two regulations aiming to simplify the EU’s digital framework and the implementation of harmonised rules on AI.

**MANDY:** And prior to the Council’s agreement, what were the European Commission’s related proposals?

**MATT:** The Commission proposed to adjust the timeline for applying rules on high-risk AI systems by up to 16 months, so that the rules start to apply once the Commission confirms the needed standards and tools are available.

The Commission also proposed further targeted amendments to the AI Act that would extend certain regulatory exemptions granted to SMEs and also to small mid-caps, reduce requirements in a very limited number of cases, extend the possibility to process sensitive personal data for bias detection and mitigation, reinforce the AI Office’s powers, and reduce governance fragmentation.

**MANDY:** And what were the main amendments introduced by the Council?

**MATT:** The Council mandate adds a new provision in the AI act and the text also introduces a fixed timeline for the delayed application of high-risk rules: the new application dates would be 2 December 2027 for stand-alone high-risk AI systems, and 2 August 2028 for high-risk AI systems embedded in products.

Furthermore, the Council mandate reinstates the obligation for providers to register AI systems in the EU database for high-risk systems, where

they consider their systems to be exempted from classification as high-risk. It also reinstates the standard of strict necessity for the processing of special categories of personal data for the purpose of ensuring bias detection and correction.

In addition to these, the text postpones the deadline for the establishment of AI regulatory sandboxes by competent authorities, at national level, until 2 December 2027.

**MANDY:** And is there anything new for the Commission to consider?

**MATT:** There is. The Council mandate adds a new obligation for the Commission to provide guidance to assist economic operators of high-risk AI systems, covered by sectoral harmonisation legislation' in complying with the high-risk requirements of the AI act in a manner that minimises compliance burden.

In terms of next steps, the presidency will now start negotiations with the European Parliament.

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**ANDY:** Mandy, in early March we saw the Monetary Authority of Singapore publish three Guidelines on 'Environmental Risk Management - Transition Planning'. Who is this aimed at?

**MANDY:** MAS has published separate Guidelines for banks, insurers and asset managers.

Saying that the Guidelines set out its supervisory expectations for these financial institutions (or FIs) to manage the transition and physical risks they and their portfolios face from climate change.

It should also be noted that the Guidelines are an addendum to the 'Guidelines on Environmental Risk Management' that MAS issued in 2020.

**ANDY:** And what does MAS say about the new Guidelines?

**MANDY:** MAS says that they support FIs in building effective risk assessment and risk management capabilities for better resilience against climate-related risks.

MAS adds that FIs should establish a transition planning process in a risk proportionate manner, taking into consideration various factors, such as the risk profile of their business models and the local circumstances of their business operations.

**ANDY:** And does MAS set out any particular expectations?

**MANDY:** It expects FIs to:

- Assess and manage the risks associated with both physical and transition risks arising from climate change by adapting their business models, governance and risk management practices in a forward-looking manner;
- Engage their customers and investee companies to better understand the climate-related risks they face and their management of such risks; and
- Keep pace with the development of knowledge and capabilities relating to the measurement and management of climate-related risks, as data and methodologies around the understanding of such risks continue to improve.

**ANDY:** And when do FIs need to implement the Guidelines?

**MANDY:** The Guidelines will take effect from September 2027, after an 18-month transition period.

MAS also reminds firms that, as with its Guidelines on Environmental Risk Management, specific Guidelines have been developed for banks, insurers and asset managers that factor in FIs' differing business models, as well as feedback from an earlier public consultation and engagement with industry.

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**MATT:** Andy, turning back to Europe, ESMA has set out actions to simplify the retail investor journey, and make investing more accessible. What are the key details here?

**ANDY:** ESMA has published its takeaways from its 2025 Call for Evidence on the retail investor journey. Taking account of the input from stakeholders, ESMA outlines a number of actions and operational improvements it will take forward to make it easier for retail investors to access suitable investment opportunities.

ESMA says that it will focus on three areas:

1. Streamlining disclosure requirements and tackling information overload for investors;

2. Reducing complexity in suitability and appropriateness assessments; and
3. Simplifying MiFID II requirements on sustainability preferences.

As part of this follow up work, consumer testing will be used to inform and validate improvements to disclosures and digital investor journeys, including for mobile-first users.

**MATT:** And what does ESMA say about the responses it received for its Call for Evidence?

**ANDY:** ESMA observed that retail investors encounter multiple regulatory and non-regulatory barriers when starting to invest and that there is therefore not one magic solution to make the EU's capital markets more accessible.

Broadly, ESMA says that stakeholders highlighted the following aspects to be addressed:

- Disclosures: Which were too long, too complex, not digital-first.
- Suitability and appropriateness assessments: Seen as valuable but heavy.
- And beyond regulation: trust, costs, and taxes matter.

ESMA says that the report will guide its future technical advice on MiFID II delegated acts and potential updates to its guidelines, ensuring alignment with the final outcome of the Retail Investment Strategy.

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**MANDY:** And Matt, rounding off in the UK, what's in the FCA's annual work programme for 2026/27?

**MATT:** The latest edition provides a roadmap of the action the FCA will take over the next 12 months to deliver on its strategy and ensure the UK remains a leading, competitive and well-regulated financial centre.

The FCA sets out how it aims to become a smarter, more efficient and effective regulator and how it intends to support growth, help consumers, and fight financial crime.

**MANDY:** Can you explain how it intends to achieve these aims?

**MATT:** In terms of initiatives to simplify processes, remove friction where appropriate, and help firms operate more efficiently, while ensuring high

standards are maintained across the financial sector, the FCA outlines in its work programme:

- Integrating AI into regulatory workflows.
- Using generative AI to review documents received from firms.
- Using a new sandbox environment to test automated data feeds between the FCA and firms.
- Investing in smarter case handling.
- Expanding the Supercharged Sandbox.
- Reducing burdens on firms by removing three more regular data returns
- And improving firms' experience of regulation.

**MANDY:** And what about its work on supporting growth, helping consumers and fighting financial crime?

**MATT:** Here the FCA outlines its work on:

- Unlocking capital investment and liquidity across UK markets – including consulting on the pension charge cap with the aim of facilitating access to a broader range of asset classes while maintaining an appropriate degree of consumer protection.
- Further speeding up initial public offering applications – by proposing removing the 7-day research waiting period.
- Expanding the FCA's overseas presence – to the United Arab Emirates, China and India.
- And creating a single, end-to-end, intelligence-led service – to spot and stop the highest harm financial promotions faster, at lower cost, and in a more consistent way.

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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.