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 diving into the following developments:

- **In the EU and the UK, regulators are refining ESG requirements by proposing streamlined rules to reduce administrative burdens**
- **In the U.S., the SEC is looking at ETFs that have novel investment strategies**
- **Back in the UK, the FCA is consulting on a targeted package of changes to its Consumer Duty**
- **And globally, the FSB is proposing sound practices for the responsible adoption of AI**

MATT: Kicking off with ESG, in Europe, the Council of the EU has announced that it has agreed its negotiating position on an updated sustainability transparency framework for financial products sold in the EU, stating that the objective is to ease administrative burdens and help investors better understand and compare sustainability-related financial products.

ANDY: What is the Councils position?

MATT: In its press release, the Council explains that the review updates the already existing Sustainable Finance Disclosure Regulation which requires market participants to disclose how they integrate social, environmental and governance sustainability risks and adverse impacts into their investment offers.

The Council goes on to say that the review will improve the current rules by introducing three new categories of financial products, as well as the criteria that should be used to define them. These are:

- Sustainable: products that contribute to sustainability goals, such as investments in companies, or projects, already meeting high standards;
- Transition: products channelling investments towards companies or projects that, while not yet sustainable, are on a credible path; and
- ESG basics: other products that may integrate ESG approaches but do not meet the criteria of sustainable or transition categories.

The Council says that these categories would replace existing concepts in the framework, which have been shown to lead to 'greenwashing'. At the same time, the Council states that the proposed disclosure structure would help financial market participants to drastically cut down on their administrative burden.

ANDY: And what about the UK?

MANDY: The FCA has stated that it is proposing to remove Taskforce on Climate-related Financial Disclosures (TCFD) product reporting requirements.

In their place, the FCA says that it is proposing to introduce fewer, more targeted, and more outcomes-based rules, while maintaining the same overall scope. This aims, the FCA explains, to ensure that retail and institutional investors get the right information based on their specific needs, while giving firms more flexibility in how they communicate with them.

ANDY: What else is in the FCA's proposals?

MANDY: In Chapter 2 of its quarterly consultation paper CP26/17, the FCA explains that its proposals form part of its wider work to streamline sustainability reporting requirements for asset managers and FCA-regulated asset owners.

Under the proposals, the FCA says that:

- Retail investors would receive relevant information on how material climate risks could affect a product's financial performance; and
- Institutional clients would be able to request key emissions data from firms, but this would no longer need to be published in full reports.

ANDY: And does the FCA flag anything else of interest for asset managers?

MANDY: Yes. The FCA also says that the proposals complement its Sustainability Disclosure Requirements for asset managers, which aim to help retail investors navigate the market for sustainable investment products and reduce greenwashing.

Areas covered by the FCA in its proposals include:

- Communicating with retail clients and with institutional clients;
- Consequential amendments to the ESG sourcebook and COLL; and
- A Rule Review Framework.

The consultation period was open until 13 July 2026 and the FCA says that it aims to finalise and implement the rule change in the autumn.

ANDY: In the US, the Securities and Exchange Commission (SEC) issued a request for public comment on exchange-traded funds (ETFs) seeking to invest in innovative asset classes or engage in novel investment strategies.

MATT: What's the SEC's rationale for the request?

ANDY: The SEC says that the request focuses on ways to facilitate innovation in the ETF space while protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

The SEC adds that it encourages feedback on the important questions raised in its release. The SEC requests comment with respect to:

- The status of certain novel ETFs as investment companies;

- The regulation of novel ETFs; and
- How the registration process for novel ETFs can continue to operate effectively.

The public comment period will remain open until 31 August 2026.

MANDY: Matt, in the UK the FCA published a consultation on the scope and proportionality of the consumer duty. What can you tell us about that?

MATT: The FCA says that the proposed changes are part of its plans to give wholesale firms the confidence to apply the Consumer Duty proportionately.

The FCA explains that it is consulting on a targeted package of changes to its rules and non-Handbook guidance to:

- Remove business with non-UK customers from the Consumer Duty's scope;
- Make it clearer where the Consumer Duty applies and where it does not;
- Clarify when and how firms can rely on each other when they work together in distribution chains, and how they can apply the Consumer Duty more proportionately; and
- Explain the interaction between the Consumer Duty and other product governance rules.

The FCA says that its changes are intended to clarify when the Consumer Duty applies – and when it does not – to give firms greater confidence in its scope. The FCA adds that they also promote a more proportionate approach based on a firm’s role, helping reduce unnecessary cost and complexity, while preserving strong protections for retail customers.

Comments are due by 18 September 2026.

MANDY: Finally, the Financial Stability Board published a consultation report on ‘Sound Practices for Responsible Adoption of Artificial Intelligence’. The FSB says that the proposed sound practices focus on AI-specific aspects and risks that are relevant to financial institutions and financial stability. What more can you tell us?

ANDY: The FSB states that it has identified 12 sound practices to help financial institutions responsibly adopt AI. These build on, and are broadly compatible with, existing and ongoing work by the FSB and other standard-setting bodies.

The FSB also says that the proposed sound practices seek to foster coordination, cooperation and information-sharing among stakeholders, including financial institutions and supervisors, within and across jurisdictions, although they are not intended to establish an international standard, to impose a prescriptive approach for responsible AI adoption by financial institutions, nor to influence business decisions in adopting a certain AI technology.

MANDY: What do the proposed sound practices cover?

ANDY: According to the FSB they cover:

- Organisation-wide AI governance;
- The management and mitigation of AI risks through the different stages of AI development and deployment; and
- The management of AI-related cyber, information and communication technology, and third-party risks.

The FSB says that it strongly encourages financial institutions to reference this toolkit as they consider business strategy, technology adoption, and risk management in an increasingly AI enabled environment.

The consultation period is open until 22 July. The FSB says the final report will be published in October 2026.

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.