

**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?**

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**MATT:** In her Mansion House speech on 15 July, the UK Chancellor discussed the Leeds Reforms to financial services and the publication of the Government's Financial Services Growth and Competitiveness Strategy.

Over the 10-year timeframe of the Strategy, the UK Government says its vision is for the financial services regulatory environment to be proportionate, predictable and internationally competitive.

The Government explains that it will anchor its approach to financial services policy over the next decade, beginning with the proposals set out in the Strategy, across five areas of focus.

**MANDY:** Matt, the Government recognises that asset management and wholesale services are a core part of the UK's global appeal, so how does it plan to develop these further?

**MATT:** It aims to build on these strengths by pursuing three core objectives, which are:

- Placing portfolio management at the heart of policymaking.
- Making the UK a world leader for managing private markets assets.
- And delivering a future-proofed regulatory regime for asset management and championing innovation.

**MANDY:** Andy, as part of the announcement, we also saw three consultations published by HMT, the FCA and PRA on changes to the Senior Managers and Certification Regime. What are the takeaways?

**ANDY:** In terms of the headline items under Phase II, these are the repeal of the Certification Regime; the reduction of the number of Senior Manager Functions; as well as reducing the number of roles that require regulatory pre-approval.

However, as these proposals will require changes to legislation, they are subject to when parliamentary time allows, and no set date has currently been announced.

**MANDY:** So, you mention Phase II, what's included in Phase I?

**ANDY:** These can best be described as an attempt to fine tune the SM&CR, given that it's been in operation for a reasonable amount of time now.

One change to call out is the proposal for the 12-week rule, where instead of 12-weeks for firms to obtain approval for a Senior Manager Function application, they will have 12-weeks to submit the application.

**MANDY:** And what's the timeline?

**ANDY:** All three consultations close on 7 October, and both the FCA and PRA have stated that, after reviewing feedback, they intend to publish Policy Statements by mid-2026.

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**MATT:** Mandy, the European Commission has adopted a set of measures to simplify the application of the EU Taxonomy. What's the latest?

**MANDY:** Published on 4 July, the adopted measures form part of the Commission's Omnibus 1 package and the Commission expects that the EU Taxonomy measures will reduce the administrative burden on EU companies. The Commission has also stated that this will enhance EU competitiveness while preserving core climate and environmental goals.

**MATT:** So, what are the main simplification measures that have been adopted?

**MANDY:** These include that:

- Financial and non-financial companies are exempt from assessing Taxonomy-eligibility and alignment for economic activities that are not financially material for their business.
- For non-financial companies, activities are considered non-material if they account for less than 10% of a company's total revenue, capital expenditure or operational expenditure.
- In addition, non-financial companies are exempt from assessing Taxonomy alignment for their entire operational expenditure when it is considered non-material for their business model.
- For financial companies, key performance indicators like the green asset ratio for banks are simplified, and they are granted an option not to report detailed Taxonomy KPIs for two years.

- Taxonomy reporting templates are streamlined by cutting the number of reported data points by 64% for non-financial companies and by 89% for financial companies.

And lastly, the criteria for 'do no significant harm' to pollution prevention and control related to the use and presence of chemicals are simplified.

**MATT:** What's the timing on these measures?

**MANDY:** They need to go through the European Parliament and Council, but the measures laid out in the Delegated Act will apply as of 1 January 2026 and will cover the 2025 financial year.

However, undertakings are given the option to apply the measures starting with the 2026 financial year if they find this more convenient.

**MATT:** And staying with Taxonomy developments, what's the latest in the UK?

**MANDY:** Announced as part of the Chancellor's Mansion House proposals on 15 July (which we have already touched on), the UK Government has stated that following feedback, a UK Taxonomy would not be the most effective tool to deliver the green transition and that other policies were of higher priority to accelerate investment into the transition to net zero.

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**ANDY:** Matt, in Europe, ESMA recently published guidelines on the knowledge and competence of staff providing information on crypto assets under the MiCA Regulation. What can you tell us?

**MATT:** The Guidelines specify the criteria for assessing the knowledge and competence of staff at crypto-asset service providers who provide information or advice on crypto-assets and services under MiCA, providing guidance on the minimum level of knowledge and competence of staff through examples (including on professional qualification and appropriate experience for the provision of information or advice).

The guidelines also address specific features and risks of crypto-assets markets and services (for example the high volatility of crypto-assets and cyber security risks) through the criteria for the assessment of the relevant staff's knowledge and competence.

ESMA says that the guidelines will help CASPs to meet their obligations and act in the best interest of their clients. They will also support competent authorities in adequately assessing how CASPs meet these obligations.

**ANDY:** And what's the timing on the Guidelines?

**MATT:** They will start applying six months after the translation into EU languages and subsequent publication on ESMA's website.

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**MANDY:** Andy, the ESAs published a Guide on oversight activities under DORA. What are the details?

**ANDY:** The ESAs' Guide relates to the oversight of critical third-party providers as, under DORA, they are responsible for overseeing them to help to address potential systemic and concentration risks arising from the financial sector's reliance on a limited number of ICT providers.

This oversight complements, rather than replaces, financial entities' own responsibilities for managing ICT-related risks and the supervision already exercised over them by competent authorities.

**MANDY:** And what areas are covered in the Guide?

**ANDY:** In explaining the critical third-party provider oversight framework, it covers its objectives, underlying principles, structure, activities, implementing processes, and expected outcomes, also providing an overview of: (i) the governance structure, (ii) the oversight processes, (iii) the founding principles, (iv) the tools available to the overseers; (v) and the adoption process.

The ESAs state that the Guide is intentionally written to facilitate understanding of the regulatory framework and its practical application. However, is not a legally binding document and does not replace the legal requirements laid down in the relevant applicable EU law.

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**MATT:** Mandy, to finish off, what's the latest developments on stablecoins in Hong Kong?

**MANDY:** At the end of July, HKMA published two sets of guidelines and two explanatory notes covering the implementation of its regulatory regime for stablecoin issuers, that came into effect on 1 August.

**MATT:** And what does HKMA say about the publications?

**MANDY:** Regarding the two sets of guidelines, HKMA states that market participants are advised to observe the Stablecoins Ordinance and the relevant guidelines.

HKMA further says that parties interested in applying for a licence are encouraged to contact it by 31 August, so that it may communicate regulatory expectations and provide feedback as appropriate.

Finally, it says that while licensing will be an ongoing process, interested parties that consider themselves sufficiently ready and wish to be considered early should submit the application to it by 30 September.

**MATT:** And is there anything else for market participants to consider?

**MANDY:** HKMA says that it would like to remind market participants to exercise due caution in their public communications,

as well as refrain from making statements that could be misinterpreted or create unrealistic expectations.

Among other things, it is an offence under the Stablecoins Ordinance to falsely claim oneself as a licensee or an applicant.

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**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.