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?

Matt: Beginning in the UK, the Financial Conduct Authority has implemented amendments to its UK UCITS concentration rules.

The amended rules are aimed at clarifying to what extent a UK UCITS can invest in other collective investment schemes.

Under the clarified rules a UK UCITS, either a stand-alone scheme or the sub-fund of an umbrella, can hold up to 25 per cent (by value) of units issued by a second scheme.

Mandy: That request for clarification has been out there a while. Are there any other changes?

Matt: Yes, the term second scheme is also clarified to be either a stand-alone scheme or the sub-fund of an umbrella scheme.

And to ensure structures like in-house fund of funds are not unduly impacted, the amendments also disapply the concentration rule in certain situations where the investing UK UCITS and the second scheme are managed by the same firm.

The updated rules came into force at the end of January and firms have until 30 January 2026 to ensure they comply with the clarifications.

Andy: On the ESG front, the Financial Stability Board published a report on the assessment of climate-related vulnerabilities. What are the details?

Mandy: The assessment report builds on the Financial Stability Surveillance Framework, and work carried out by its members.

The FSB says that the report provides an analytical framework and toolkit to assess climate-related vulnerabilities,

particularly from a cross-border and cross-sectoral perspective.

The FSB explains that the analytical framework traces how physical and transition climate risks can be transmitted and amplified within the global financial system.

Andy: And what's in the toolkit?

Mandy: The FSB says that the toolkit comprises three categories of metrics

to monitor climate-related vulnerabilities from a forward-looking perspective.

These are:

Proxies to provide early signals on potential drivers of transition and physical risks;

Exposure metrics to gauge the extent of direct and indirect exposures in the real economy and the financial system; and

Risk metrics to quantify the impacts for financial institutions and the system as a whole.

Finally, the FSB says that the framework and toolkit are live documents, subject to refinement as understanding evolves on how climate-related vulnerabilities could affect financial stability.

Matt: Turning to T+1, has there been any progress on the transition to a shorter settlement cycle in the EU?

Andy: On 22 January, the European Securities and Markets Authority, the European Commission and the European Central Bank - launched a new governance structure to support the transition to T+1 in the EU by October 2027.

ESMA says that the new governance structure has been designed to oversee and manage the operational, regulatory and technological aspects of the transition.

ESMA adds that, given the high level of interconnectedness within EU capital markets, a coordinated approach across the EU, involving authorities, market participants, financial market infrastructures, and investors is desirable.

Mandy: What are the key elements of the new governance model?

Andy: They are:

An Industry Committee, composed of senior leaders and representatives from market players.

Several technical workstreams, operating under the Industry Committee, focusing on the technological operational adaptations needed in the areas concerned by the transition to T+1. In addition, two more general workstreams will review the scope and the legal and regulatory aspects of these adaptations.

And a Coordination Committee, chaired by ESMA, which will ensure coordination between the authorities and the industry, advising on challenges that may arise during the transition.

Mandy: In Hong Kong, the Securities and Futures Commission published a circular setting out new regulatory requirements for product issuers.

This was with a view to broadening the range of listed structured funds that may be offered to the public, notably adding to their product mix Single Stock Leveraged and Inverse Products and Defined Outcome Listed Structured Funds.

The SFC says that these types of products have become increasingly popular in overseas markets,

resulting in growing interest among product issuers in launching them in Hong Kong.

Matt: And what else does the SFC say about the new requirements?

MANDY: The SFC states that these products would come in handy for investors looking for trading or hedging tools for popular individual stocks listed overseas,

as well as for those seeking price discovery tools for overseas exposure during Asian trading hours.

Saying that they can also provide investors with more customised investment exposures.

Also, in balancing the potential benefits and risks associated with Hong Kong investors' exposure to these complex and novel products,

the SFC says it has built into its enhanced regulatory framework additional safeguards and measures.

Andy: The Financial Stability Board has published its work programme for 2025. What can we expect to see?

Matt: In line with its mission to promote international financial stability, the FSB says that its priorities for 2025 reflect challenges that are global in nature and affect the financial system as a whole, such as digitalisation and climate change.

The FSB says it will keep monitoring emerging financial vulnerabilities and continue its work to implement agreed reforms and evaluate their effects with a view to maintain the resilience of the global financial system.

Andy: So, what are the FSB’s priorities for 2025?

Matt: The priority areas of work include:

- Supporting global cooperation on financial stability;
- Enhancing the resilience of non-bank financial intermediation, while preserving its benefits;
- Harnessing the benefits of digital innovation while containing its risks;
- Implementing the systemically important financial institution framework;
- Addressing financial risks from climate change;
- Enhancing cross-border payments;
- Completing resolution reforms; and

- Monitoring and evaluating implementation of agreed reforms.

Mandy: And finally, what have we noted from the US this month?

Andy: The Securities and Exchange Commission, together with the Commodity Futures Trading Commission, have extended the compliance date for the amendments to Form PF, the confidential reporting form for certain SEC-registered investment advisers to private funds, including those that are also registered with the CFTC as commodity pool operators or commodity trading advisers.

The compliance date for these amendments, which was originally 12 March 2025, has been extended to 12 June 2025.

This extension will mitigate certain administrative and technological burdens and costs associated with the prior compliance date. This extension will also provide more time for filers to program and test for compliance with these amendments.

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.