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: Further to the update we covered on ESMA's work on Liquidity Management Tools in our previous podcast, last month we saw IOSCO issue its Final Report on Updated Liquidity Risk Management Recommendations for Collective Investment Schemes, alongside its Implementation Guidance.

MANDY: And what's in the Final Report?

MATT: The report includes 17 updated recommendations across six sections, covering: CIS Design Process, Liquidity Management Tools and Measures, Day-to-Day Liquidity Management Practices, Stress Testing, Governance, and Disclosures to Investors and Authorities.

The most significant update is to Recommendation 3, which now includes requirements to bucket funds – based on their underlying investments – to predetermine their redemption frequency.

IOSCO advises that the Implementation Guidance should be read alongside the Revised Recommendations as it supplements them with more detailed guidance and good practices to support effective implementation.

MANDY: Andy, turning to the UK, the FCA has further enhanced access to investment research. What's the latest?

ANDY: In July 2024, the FCA finalised rules allowing institutional investors more flexibility in paying for investment research. Then by way of update, on the 9 May, the FCA published its finalised rules allowing pooled investment funds to also have greater freedom in paying for investment research.

MANDY: So, which firms do the new rules cover?

ANDY: The finalised rules affect UK UCITS managers, as well as full-scope UK AIFMS and small authorised UK AIFMs and residual collective investment scheme operators.

The FCA have said the new rules aim to help UK markets to be more efficient to support growth.

And that high-quality, easily accessible investment research is crucial for fund managers to make informed investment decisions for the benefit of investors.

MANDY: Andy, you spoke about growth. As it now has a secondary growth objective, is anything mentioned about that?

ANDY: Yes, as a pro-growth regulator, the FCA says that it aims to improve competition in the market, especially for smaller fund managers, and make it easier for firms to buy research across borders where bundled payments are standard practice.

MANDY: So, when are the new rules effective from?

ANDY: They come into effect the same day that the Policy Statement was published on 9 May, but as the adoption of the joint payment option will be treated as a significant change, fund managers will need to notify unitholders before the changes take effect as well as notifying the FCA through the usual process for approving changes.

MATT: Mandy, what’s the latest on the use of Artificial Intelligence?

MANDY: On 14 May, ECON - the European Parliament’s Committee on Economic and Monetary Affairs - issued a draft report on the impact of AI on the financial services sector.

MATT: And what’s in the report?

MANDY: ECON makes recommendations suggesting that:

- The European Commission ensures clarity and guidance on how existing financial services regulations apply to the use of AI in financial services;
- Considers that such guidance should aim to enable the use of AI in the financial services sector;
- And also calls for consistent definitions and the simplification of the regulatory framework to avoid duplicated requirements, including risk assessment reporting requirements.

MATT: What else does ECON say?

MANDY: It goes on to warn against the adoption of new sectoral legislation to regulate AI in financial services, as there are already established sectoral rules that cover AI deployment.

It advises the European Commission and Member States to coordinate to avoid gold-plating relevant legislation and to prevent the creation of new barriers in cross-border markets.

ECON also calls on European and national supervisory authorities to support the uptake of AI by promoting consistent interpretations and avoiding overly strict application of existing regulations, emphasising that the attitude and approach of supervisors are as important as the rules themselves.

ANDY: Matt, turning from technology to market specific updates, what's the latest in Australia?

MATT: On 4 June, the ASIC - Australian Securities and Investments Commission - shared industry feedback and next steps on the future of Australia's public and private markets.

ANDY: And what's in the paper?

MATT: ASIC says that the paper examined the health and future of Australia's markets, including the growth in private markets, the decline in public listings, and the growing significance of superannuation funds.

ANDY: And what was the specific feedback?

MATT: ASIC has distilled the feedback into themes, which it says are shaping further work and thinking, including learning from international experience.

These include that:

Structural and cyclical factors are shaping both public and private markets.

Public market adjustments would improve and enhance their attractiveness.

Private markets are here to stay and grow, with an acknowledgement of the need for any regulatory guidance to be measured, working closely with industry and aligning to international standards.

Private credit is good for the economy and investors, if done well. There may be work to do to ensure it is sustainably done well.

Superannuation is a mature investment force in Australia and a significant and structural influence in markets and investment.

Finally, there is more to do on data collection and transparency of private markets including in dimensioning the market itself and learning from international practices.

MANDY: Andy, back to the UK, what’s the latest on stablecoins and crypto?

ANDY: On 28 May, the FCA published two consultations papers, one on stablecoin issuance and cryptoasset custody and a second on a prudential regime for cryptoasset firms.

MANDY: And what do the consultation papers cover?

ANDY: In the first, the FCA is seeking views on its proposed rules and guidance for the activities of issuing a qualifying stablecoin and safeguarding qualifying cryptoassets, including qualifying stablecoins.

The FCA says that its proposed rules aim to ensure regulated stablecoins maintain their value and that customers should be provided with clear information on how the backing assets are being managed.

And in support of the opportunities stablecoins present to financial services and the broader economy, the FCA says that it will explore adding a specific focus on stablecoins to its innovation services in the coming months.

The FCA also says it will work closely with the Bank of England on the upcoming regime to ensure a clear pathway in regulation for stablecoins.

The FCA's proposals would also require firms providing crypto custody services to ensure they are effectively secured and can be easily accessed at any time.

The proposals also seek to reduce the likelihood and impact of firm failures across regulated firms undertaking the activities of stablecoin issuance and cryptoasset custody.

MANDY: And what about the consultation on a prudential regime for cryptoasset firms?

ANDY: Here, the FCA sets out proposed prudential rules and guidance for issuing qualifying stablecoins and the safeguarding of qualifying cryptoassets.

In the consultation, the FCA sets out the risks it wants to prevent, the outcomes it wants for consumers and markets and the proposals it seeks to implement.

The deadline for both consultations is 31 July 2025 and the FCA says it will publish final rules in 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.