

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.

So, what do firms need to be aware of this month?

ANDY: Starting in the US, on 13 January, SEC Chairman Atkins issued a Statement on Reforming Regulation S-K.

In his Statement, Chairman Atkins said the current regulation disclosures provided by companies do not always reflect information that a reasonable investor would consider important in making an investment or voting decision.

He goes on to say that, currently, Regulation S-K elicits both material and undisputably immaterial information.

MANDY: So, what are the SEC's plans for reform?

ANDY: Chairman Atkins says that the SEC's disclosure regime should enable a reasonable investor to separate the wheat from the chaff when reviewing periodic reports and proxy statements.

And with this goal in mind, he has instructed the Division of Corporation Finance to engage in a comprehensive review of Regulation S-K.

MANDY: The first step in this process actually took place in May last year. What did it involve?

ANDY: That's correct. Last May the SEC solicited public comments and held a roundtable on the executive compensation disclosure requirements contained in Item 402 of Regulation S-K.

And as a next step, Chairman Atkins states that the staff will focus on the other requirements of this regulation and welcomes and encourages members of the public to provide their views on how the SEC can amend it.

The deadline for comments is 13 April.

MATT: Mandy, we've now seen ESMA publish a second thematic note on sustainability-related claims, focusing on ESG strategies. What's in the note?

MANDY: ESMA says that its second thematic note concentrates on ESG integration and ESG exclusions, as references to these strategies are often made by market participants and widely referenced in marketing communications directed to retail investors.

ESMA goes on to say that ESG integration and ESG exclusions can mean different things to different market participants.

MATT: And how does ESMA explain its thinking here?

MANDY: Well, it states that a lack of transparency when using these terms can pose a notable greenwashing risk to investors.

ESMA explains that the aim of the note is not to define these strategies, but to call on market participants to be clear about what they mean when referencing them.

MATT: What else does ESMA say?

MANDY: Referencing back to its first thematic note on ESG credentials from July last year, and in a similar vein, ESMA provides some practical do's and don'ts for making sustainability claims, illustrated through concrete examples of good and poor practices that are based on observed market practices.

Finally, for those who continue to follow this subject matter, ESMA says that other thematic notes will follow, as judged necessary, and then when combined, the notes should be read as a thematic study.

ANDY: And staying on the same topic Matt, at the end of January, in Hong Kong, we saw the Cross Agency Steering Group announce its Strategic Priorities for 2026-2028. What's the purpose of the Steering Group and can you tell us about their latest priorities?

MATT: Certainly. The aims of the Steering Group include coordinating the management of climate and environmental risks to the financial sector, accelerating the growth of green and sustainable finance in Hong Kong, and supporting the Government's climate strategies.

The Steering Group states that its strategic priorities for the next three years are anchored around two key pillars.

Firstly, to consolidate and strengthen efforts to solidify Hong Kong as a sustainable finance centre and secondly, to develop Hong Kong's strengths in emerging areas.

ANDY: What else came out of the Steering Group's latest announcement?

MATT: During its latest meeting, the Steering Group explained that its members also reviewed the progress made on the implementation of the Roadmap on Sustainability Disclosure in Hong Kong.

They also acknowledged the significant strides in establishing Hong Kong as a leading hub for sustainable and transition finance, including enhancing the Hong Kong Taxonomy for Sustainable Finance.

MANDY: Andy, turning back to ESMA, what's the latest on its Digital and Data strategies?

ANDY: In January ESMA adopted a new Digital Strategy and also updated its Data Strategy. Together, they reflect ESMA's commitment to smarter regulatory reporting and technology-driven supervision, promote synergies and innovation while reducing unnecessary complexity.

Taken separately, the digital strategy aims to continue ESMA's digital transformation, while the Data Strategy aims to capitalise on opportunities to simplify, better integrate and streamline data management and technology.

MANDY: So, what's in the new Digital Strategy?

ANDY: ESMA sets out, for 2026-2028, a roadmap for innovation, efficiency, and resilience. The key objectives include:

- Building EU digital synergies;
- Enhancing digital capabilities of ESMA and the European System of Financial Supervision;
- Bolstering operational efficiency; and
- Establishing a secure and future-ready ecosystem.

MANDY: And what about the updated Data Strategy for 2023-2028?

ANDY: Here, ESMA has made changes to reflect the focus on burden reduction, the evolving technological landscape, and its desire for unlocking efficiency opportunities.

While its key objectives remain the same, ESMA highlights that its key new actions include:

- Streamlining supervisory reporting, relating to transaction data - in the funds' domain;
- Expanding the capacity of the ESMA Data Platform to benefit national and European authorities;
- Implementing next phases of the MiCA joint supervisory tool for crypto-market monitoring; and
- Finalising the development of the European Single Access Point.

These goals are in line with ESMA's wider simplification and burden reduction initiative that was launched last year.

By 2029, ESMA expects to converge the two into one unified strategy.

MANDY: Matt, Turning to AI and the FCA's launch of the Mills Review. What will it be looking at?

MATT: The FCA says that the purpose of the Mills Review is to consider how AI will reshape retail financial services by looking into the implications of advanced AI on consumers, retail financial markets and regulators.

MANDY: We know that the FCA have been busy in this space. This includes its AI Discussion Paper, AI Sprint and its AI Lab, including AI Live Testing and its Supercharged Sandbox.

What are the areas that the FCA is seeking feedback on?

MATT: As the FCA states, AI is already embedded across financial services, so it is seeking views on 4 interrelated themes:

1. **How AI could evolve in the future**, including the development of more autonomous and agentic systems.
2. **How these developments could affect markets and firms**, including changes to competition and market structure and UK competitiveness.
3. **The impact on consumers**, including how consumers will be influenced by AI, but also influence financial markets through new expectations. And
4. **How financial regulators may need to evolve** to continue ensuring that retail financial markets work well.

MANDY: Are there any areas that are out of scope of the review?

MATT: Yes, and no. The FCA explains that while wholesale markets and broader societal impacts are out of scope, the Review recognises that developments in these areas may indirectly influence retail financial services and will be considered where relevant.

It should be noted that the FCA is also separately doing extensive work on the impact of AI in wholesale markets, in particular through its live testing partnership.

MANDY: And what's the timing on responding to the Review?

MATT: Not very long. The deadline for comments is 24 February.

The FCA explains that the feedback it receives will shape a series of recommendations to be reported to the FCA Board this summer.

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.