

Hello. I'm Amanda Hale from Citi's Global Trustee and Fiduciary Services Regulatory team.

And joining me to discuss the latest regulatory highlights is my colleague, Matthew Cherrill.

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

MANDY: Let's start in Europe – it's been a busy month for digital operational resilience, with the European Supervisory Authorities issuing various standards and guidelines.

MATT: yes, on 17 July, the ESA's announced that, as regards DORA, they will establish the EU systemic cyber incident coordination framework, facilitating an effective financial sector response to a cyber incident posing a risk to financial stability.

MANDY: then on the same day they also published draft technical standards including:

- RTS and ITS on the content, format, templates, and timelines for reporting major ICT-related incidents and significant cyber threats; and
- RTS on threat-led penetration testing
 - Alongside guidelines on the estimation of aggregated costs or losses caused by major ICT-related incidents, and on oversight cooperation.

MATT: that wasn't all, on 26 July, they published draft RTS which specify the elements which a financial entity must determine and assess when sub-contracting ICT services supporting critical or important functions throughout the lifecycle of contractual arrangements between financial entities and ICT third-party providers.

In particular the RTS require financial entities to assess the risks associated with subcontracting during the precontractual phase, including the due diligence process.

MANDY: Staying with Europe, ESMA is seeking input on draft guidelines and technical standards under the revised AIFMD and UCITS Directive, stating that both Directives aim to mitigate potential financial stability risks, and promote harmonisation of liquidity risk management in the investment funds sector.

MATT: In the draft RTS on the characteristics of Liquidity Management Tools, ESMA defines the constituting elements of each tool, such as calculation methodologies and activation mechanisms.

MANDY: ESMA also published draft Guidelines on Liquidity Management Tools for UCITS and open-ended AIFs, providing guidance on how managers should select and calibrate the tools, in light of their investment strategy, their liquidity profile, and the redemption policy of the fund.

ESMA welcomes responses to the consultations by 8 October and says it will deliver the final RTS and guidelines by 16 April 2025.

MATT: Of interest to operators of EEA UCITS schemes wishing to market in the UK, the FCA published Policy Statement 24/7, setting out final rules and guidance, necessary to implement its Overseas Funds Regime.

MANDY: yes the gateway for eligible funds to apply for recognition under the regime is scheduled to open later this year:

in September for new schemes not currently in the Temporary Marketing Permissions Regime and

starting from October for stand-alone funds currently in the TMPR,

followed by operators with umbrella schemes in alphabetical order from November through to September 2026.

MATT: the new rules and guidance, supporting the implementation of the regime came into force on 31 July.

The FCA also updated its website with further information for firms on the implementation of the regime.

MANDY: moving to Asia, the Hong Kong Securities and Futures Commission released consultation conclusions on its proposed subsidiary legislation, code, and **guidelines for implementing an uncertificated securities market locally.**

MATT, yes in response to market feedback, the SFC has proposed a 5-year timeline.

- The USM regime will be implemented towards the end of 2025, subject to completing the legislative process,.
- Companies whose laws are compatible with the new regime will have to transition to it in batches by the end of 2030.
- A more detailed timeline will be set to ensure an orderly transition.

The SFC states that the USM initiative will remove the need for manual and paper-based processes.

It also says it will conduct a separate consultation on the maximum levels of certain USM-related fees.

MANDY: following the introduction of the Consumer Duty in the UK, on 29 July, the FCA announced a Call for Input.

The FCA asks for views on whether, where, and how it can refine its retail conduct rules, while ensuring it continues to support and protect consumers.

However, it states that as it is committed to a post-implementation review of the Consumer Duty, at this time it is not seeking responses to this Call for Input with suggestions for changes to the Duty.

Comments close by 31 October.

MATT: Finally, for the ever present ESG element this month, ESMA has published an Opinion which acknowledged the well- developed Sustainable Finance Framework - described as having safeguards against greenwashing - and also sets out its long-term vision on the functioning of the Framework, by providing possible long-term improvements to facilitate investors' access to sustainable investments and support the effective functioning of the sustainable investment value chain.

MANDY: yes, the opinion importantly builds on ESMA's work on greenwashing, as well as building on the joint ESA opinion on the review of the SFDR.

Amongst its recommendations to the European Commission, the ESMA opinion suggested:

- That in relation to the EU Taxonomy that:
 - It should become the sole, common reference point for the assessment of sustainability and should be embedded in all Sustainable Finance legislation.
 - And that it should be completed for all activities that can substantially contribute to environmental sustainability, and a social taxonomy developed.

MATT: Then more broadly at a high level:

- To provide legal clarity and support the creation of transition-related products, a definition of 'transition investments' should be incorporated into the Framework.
- That all financial products should disclose some minimum basic sustainability information, covering environmental and social characteristics.
- A product categorisation system should be introduced.
- That ESG data products should be brought into the regulatory perimeter.
- And finally, that consumer and industry testing should be carried out, before implementing policy solutions to ensure their feasibility and appropriateness for retail investors.

MATT: Separately, the ESAs also updated the consolidated Q&A's on SFDR and its delegated regulation. The updates mainly comprise questions on product and firm disclosures, approach to 'sustainable investments' under SFDR and the calculation of specific PAI indicators.

MANDY: If you would like to learn some more about the topics that we have discussed today, as well as other regulatory developments, you can follow the relevant links in our Bite-Sized publication.