

MANDY: 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.

This month we're covering:

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- The SEC's twin proposals to widen retail access to private markets — including new performance-fee flexibility for fund advisers.
 - Guidance from Hong Kong on retail exposure to private markets and Singapore's stablecoin licensing framework,
 - The FCA's review of the UK's alternative investment fund market, its new rules on crypto ETN investment, and cryptoasset perimeter guidance,
 - The CSSF's redemption-only suspension circular,
 - An IT recovery strategy review by the Netherlands AFM, and
 - ESMA's 2027 work programme.
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Mandy: Let's start in the US, where the SEC issued two proposing releases aimed at expanding responsible retailization of private markets. What are the key takeaways?

Andy: The SEC is modernizing fund structures. First, they're proposing to allow investment advisers to regulated funds to receive performance-based compensation—up to 20% of net gains over a specified period—subject to board approval and governance safeguards under the Investment Company Act.

Mandy: And they're also looking at interval funds and accredited investor definitions, right?

Andy: That's correct. The SEC plans to amend Rule 23c-3 in order to provide greater flexibility to interval funds. This includes amending the requirements of the rule that specify that an interval fund must hold a certain amount of liquidity and replace it with a principles-based liquidity approach. They also propose allowing multiple share classes for closed-end funds.

The SEC is also seeking comments on non-financial pathways to qualify as an accredited investor—including a FINRA exam or holding certifications like certified financial analyst, US certified public accountant, certified financial planner, or specified FINRA licenses.

Mandy: That's a shift toward evaluating investor sophistication based on ability rather than primarily through wealth. Meanwhile in Asia, Hong Kong regulators are taking a more cautious approach to retail exposure in private credit and private equity.

Matt: That's right. The SFC and HKMA have issued guidance reminding Registered Institutions about product due diligence, complex product designations, and strict suitability assessments given the valuation uncertainty and illiquidity of private market assets.

Mandy: And finally, the UK FCA has published findings from its AIFMD reporting research, confirming that while professional investors remain at the center of the UK AIF market, leverage and liquidity risks are heavily concentrated in specific fund types.

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Mandy: Moving to digital assets now. Matt, there has been regulatory clarity provided in the UK and Singapore.

Matt: The FCA has published Handbook Notice 144, detailing new rules allowing UCITS, non-UCITS retail schemes, and Funds of Alternative Investment Funds to invest up to 10% of their scheme property in cryptoasset exchange traded notes, or cETNs.

Mandy: And what about the broader UK crypto perimeter?

Matt: On 16th September, the FCA released final perimeter guidance on when cryptoasset activities need authorisation. Starting in October 2027, new legislation will bring new regulated activities—like safeguarding, operating trading platforms, and staking—directly under FCA authorization.

Mandy: Meanwhile in Singapore, the MAS is formalizing its stablecoin regime.

Matt: Yes. The MAS has published proposed amendments to the Payment Services Act for its Single-Currency Stablecoin framework. Only licensed issuers will be able use the label "MAS-regulated stablecoin." The MAS is also addressing multi-jurisdictional issuance, stress testing, orderly wind-down plans, and prohibiting interest payments on regulated stablecoins.

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Mandy: Moving to Europe, operational resilience and liquidity management tools remain top priorities.

Andy: In Luxembourg, the CSSF issued a communiqué on extending its eDesk "LMT activation" module to include notifications for redemption-only suspensions across 2010 Law UCIs, SIFs, and SICARs.

Mandy: And in the Netherlands, the Authority for the Financial Markets released an IT recovery study. While asset managers have baseline recovery plans, the AFM outlined four improvement areas: consistent classification of critical functions, setting clear recovery objectives, embedding recovery clauses into third-party IT vendor contracts, and testing extreme scenarios like cyberattacks.

Matt: And this fits in with ESMA's 2027 Annual Work Programme published on 28th September, which emphasizes DORA compliance for Critical ICT Third-Party Service Providers, MiCA convergence, and harnessing AI and data platforms for market supervision.

Mandy: It's clear that whether it's alternative funds, digital assets, or operational resilience, global regulators are balancing market access with heightened safeguards.

Matt: So, 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.