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:

- Artificial Intelligence - with a trio of updates from the Financial Stability Board, Singapore and the UK, looking at the responsible adoption of AI and good practices and areas for improvement.
- Then from Europe and Hong Kong, we have the latest developments on the journey to T+1.
- And finally, we look at Guidance that has been issued to support enhancements to Hong Kong's Retail Fund Regime.

Andy, can you start with the topic of AI?

Andrew: Certainly. From a global perspective, last month we saw the Financial Stability Board publish its final report on '*Sound Practices for Responsible Adoption of Artificial Intelligence'*.

The FSB identifies 12 sound practices to help financial institutions harness the benefits of AI while managing its risks responsibly, in ways that support the resilience of the financial system.

Mandy: I understand that the FSB has looked at these sound practices from two angles?

Andrew: They have. The first emphasises the importance of organisation-wide AI governance as financial institutions adopt AI, and the second sets out a comprehensive framework for managing risks throughout the AI lifecycle from AI development to deployment.

Mandy: Does the FSB say anything else about the sound practices?

Andrew: The FSB adds that they serve as a practical toolkit that financial institutions can tailor to their specific context and risk profile and integrate into existing frameworks, including those for cyber, and third-party risk.

Mandy: Matt, switching to Singapore, what's the latest on AI there?

Matt: The Monetary Authority of Singapore has issued a set of Guidelines on AI Risk Management to support responsible AI adoption in Singapore's financial sector. The MAS says that the Guidelines set out clear supervisory expectations for financial institutions to manage risks arising from AI use, while allowing them to tailor their approaches according to their risk profiles, including the scale and nature of their AI use.

Mandy: Does the MAS have any other expectations of financial institutions?

Matt: It does. Financial institutions are expected to manage AI risks at both the enterprise and individual use case levels, and build the capabilities needed for responsible AI use as adoption grows.

The MAS says that the guidelines apply to all financial institutions and all forms of AI technologies and allows each financial institution to assess how best to meet its supervisory expectations based on the nature and scale of its AI use, and the associated risk materiality.

Mandy: So, when do the Guidelines take effect?

Matt: They come into effect on 7 October 2027, but the MAS has said that financial institutions may implement them in phases, by meeting the expectations set out in Sections 3 to 4 from 7 October 2027, and Sections 5 and 6 by 7 October 2028.

Andy: And then turning to the UK, Mandy, what can you tell us about the FCA's latest publication on AI in financial services?

Mandy: The FCA explains that to support the safe and responsible adoption of AI in financial services, it is sharing examples, both good practice and areas for improvement, from its industry engagement, supervisory work and its AI Lab initiatives.

The FCA says that the examples it uses in its publication identify common themes and developing practices which are relevant to a variety of AI use cases, such as those using machine learning, generative AI or agentic AI.

Andy: With publications like these, they are usually seen as illustrative, non-exhaustive and will evolve as practice develops. Is that the case here?

Mandy: It is. The FCA also adds that they do not create new requirements, prescribe a single model or replace firms' responsibility for considering what is appropriate and proportionate for their own AI use cases, risks and potential impact.

Matt: Andy, as the clock ticks down to the switch to T+1 settlement are regulators asking more of market participants?

Andy: We're seeing that in Europe. Ahead of the transition on 11 October 2027, ESMA is calling on them to finalise technical preparations, assess readiness across their entire ecosystems and begin testing as soon as possible throughout the trading and settlement chain.

And ESMA adds, that with the publication of the Regulatory Technical Standards and its Guidelines on standardised procedures and messaging protocols, the regulatory framework is now ready.

Matt: So, are we seeing milestone deadlines ahead of October next year?

Andy: ESMA has stated that the first deadline for investment firms and their clients to comply with the new requirements on allocations and confirmations is 7 December 2026.

ESMA goes on to say that its revised guidelines on standardised procedures and messaging protocols clarify how market participants should meet the new

requirements on allocations and confirmations introduced by the amended RTS on Settlement Discipline and in particular, as of 7 December 2026, the mandatory use of:

- Electronic, standardised communication channels and international messaging standards; and
- Machine-readable communication methods, except in cases of temporary technical disruptions.

Mandy: Matt, heading over to Hong Kong, we've seen that the proposed Q4 2027 implementation deadline isn't right for everybody. What can you tell us about that?

Matt: Last month, the Securities and Futures Commission welcomed the Consultation Conclusions Paper issued by Hong Kong Exchanges and Clearing Limited, concerning the proposed transition of Hong Kong's stock market to a T+1 settlement cycle.

The SFC says that the consultation conclusions recognise that the successful implementation of T+1 will require coordinated and comprehensive preparations across the market ecosystem.

As such, the SFC has decided to revise the implementation timeline to the second half of 2028, with a date sometime in September 2028 identified as the target.

Mandy: Has HKEX set out a plan to facilitate the transition, as other countries have?

Matt: Yes. It says that it will adopt a three-layer implementation framework that covers:

- **Layer 1:** Enhancements to its own post trade infrastructure and operating model;
- **Layer 2:** Development of targeted workflow tools and services; and
- **Layer 3:** Industry-wide coordination on market practices and ecosystem readiness for topics outside of its own infrastructure and operating model.

In addition, the SFC has stated that the transition to T+1 will necessitate amendments to the relevant rules and procedures and that it will continue to work closely with HKEX on the amendments and implementation arrangements to facilitate an orderly transition.

Andrew: Mandy, in Hong Kong, the SFC published a set of guidance on 28 October to help the fund industry prepare for the revised Code on Unit Trusts and Mutual Funds (UT Code). What can you tell us?

Mandy: The guidance took effect on 1 November, and the SFC has explained that the revised UT Code aligns with international standards and strengthens investor protection to ensure that Hong Kong's retail fund regime remains robust and up-to-date.

Andrew: And what does the Guidance consist of?

Mandy: Multiple documents, as the guidance comprises circulars, FAQs and updated guides on the applications for authorisation of new funds, the use of derivatives and the application of the UT Code to UCITS funds.

The SFC says that these documents cover a broad range of topics, highlighting key changes under the revised UT Code, including the adoption of a Value-at-Risk (VaR) approach to managing funds' derivatives exposure, liquidity risk management, and enhanced investment and disclosure requirements for money market funds.

The SFC has also issued specific guidance on implementation and transitional arrangements for existing and new funds.

Then finally, the SFC has also published revised key facts statement templates for different types of funds, all with enhanced disclosure requirements on product classification and liquidity risk management tools.

Matt: Thanks Mandy. So in our latest episode, we have explored regulatory guidance on responsible AI adoption, tracked key T+1 settlement readiness milestones, and wrapped up with essential investor protection and risk management enhancements under Hong Kong's newly revised Unit Trust Code.

Andy: 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.