

# Regulatory Round-Up for Fund Managers

**Q3 2024**

## T+1 Related Developments

**Headline:** Move to T+1 settlement.

**Who is impacted?** All firms.

Legislation	Details
<p><b>US T+1 Settlement Cycle</b></p> <p>Completed</p>	<p><b>The US migrated to a T+1 settlement cycle on May 28, 2024.</b></p> <p>See Q2 update for information.</p>
<p><b>EU T+1</b></p> <p>MEDIUM IMPACT</p>	<p>As market participants in Canada and the US actioned the ‘big bang’ migration to a T+1 settlement cycle on May 28, 2024, the discussions in Europe on this topic continue.</p> <p>On March 23, 2024, ESMA published a <a href="#">feedback statement</a> on its October 5, 2023 Call for Evidence.</p> <p>ESMA continues to assess the responses received, including the demands for regulatory/supervisory guidance. ESMA intends to deliver its final assessment to the European Parliament and to the Council before <b>January 17, 2025</b>.</p> <p>On July 10, 2024, ESMA organised a hearing on the potential switch to T+1 in the EU. ESMA's Chair, Verena Ross, delivered some <a href="#">introductory remarks</a>, including highlighting, amongst other things, that shortening the settlement cycle represents a significant change to the way in which markets operate today and this applies at all levels of the value chain; and that the process to get to T+1 in the EU will be complex and will likely require changes in Central Securities Depositories Regulation (<b>CSDR</b>), in existing Level 2 regulations and potentially further regulatory guidance.</p> <p>ESMA also noted that North America completed what seems to be a rather smooth transition to faster and more efficient settlement cycles.</p>
<p><b>UK T+1</b></p> <p>MEDIUM IMPACT</p>	<p>HM Treasury established the Accelerated Settlement Taskforce (<b>AST</b>) in December 2022 to explore the case for T+1 in the UK. On March 28, 2024, HM Treasury published the AST's <a href="#">report</a> that recommended the UK should commit to moving to a T+1 standard settlement cycle at the latest by the end of 2027. The government published its own <a href="#">response</a> and accepted all AST's recommendations.</p> <p>In July 2024, the AST's technical group published a second update, noting that it would prepare a report for publication in September that would contain a draft of the</p>

Legislation	Details
<b>UK T+1</b>  MEDIUM IMPACT	<p>industry action plan for 2025 (i.e., what the market will need to do in 2025 to prepare for the implementation of T+1) together with a short consultation on the content of the action plan.</p> <p>On October 4, 2024, the AST Technical Group published a report that contains a series of recommendations setting out actions to achieve a smooth and timely transition to T+1 in the UK's securities market, which is targeted to occur by no later than December 31, 2027. The report is available <a href="#">here</a>. Along with this "recommendation zero, the report set out 43 principal and 15 environmental recommendations stemming from the work of the AST Technical Group's sub-groups."</p>

## US Related Developments

**Headline:** Various US Developments of note.

**Who is impacted?** All firms doing business in the US, particularly in relation to private funds.

<b>SEC's Private Fund Adviser Rule Vacated by the Fifth Circuit</b>	<p>On August 23, 2023, the U.S. Securities and Exchange Commission (<b>SEC</b>) adopted a set of new rules and rule amendments under the U.S. Investment Advisers Act of 1940 (<b>Private Fund Adviser Rule</b>) that was to significantly reform the scope of reporting, disclosure and other obligations imposed on investment advisers to private funds.</p> <p>On June 5, 2024, the United States Court of Appeals for the Fifth Circuit <a href="#">vacated</a> the Private Fund Adviser Rule in its entirety.</p>
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<b>SEC Division of Examinations publishes 2025 Examination Priorities</b>  MEDIUM/HIGH IMPACT	<p>On October 21, 2024, the SEC's Division of Examinations published its examination priorities report for the upcoming year, see the <a href="#">SEC 2025 Examination Priorities Report</a>. The report indicates that SEC staff will continue to cover a wide variety of issues impacting investment advisers, with a particular focus on the following areas:</p> <ul style="list-style-type: none"> <li>Adherence to fiduciary standards of conduct, including amongst others, investment advice provided to clients regarding products, investment strategies, and account types, and whether that advice satisfies the fiduciary obligations owed to their clients and in particular recommendations related to: (i) high-cost products; (ii) unconventional instruments; (iii) illiquid and difficult-to-value assets; and (iv) assets sensitive to higher interest rates or changing market conditions, including commercial real estate.</li> <li>Effectiveness of Advisers' Compliance Programs under Rule 206(4)-7 under the Investment Advisers Act of 1940. The areas on which examinations may focus to include: (i) fiduciary obligations of advisers that outsource investment selection and management; (ii) alternative sources of revenue or benefits advisers receive, such as selling non-securities-based products to clients; and (iii) appropriateness and accuracy of fee calculations and the disclosure of fee-related conflicts, such as those associated with select clients negotiating lower fees when similar services are provided to other clients at a higher fee rate.</li> <li>Examinations of Advisers to Private Funds with the focus being on reviewing matters including: (i) whether disclosures are consistent with actual practices and if an</li> </ul>
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Legislation	Details
<p><b>SEC Division of Examinations publishes 2025 Examination Priorities</b></p> <p>MEDIUM/HIGH IMPACT</p>	<p>adviser met its fiduciary obligations in times of market volatility and whether a private fund is exposed to interest rate fluctuation; (ii) the accuracy of calculations and allocations of private fund fees and expenses (both fund-level and investment-level); and (iii) disclosure of conflicts of interests and risks, and adequacy of policies and procedures.</p> <p>Other areas of focus include information security and operational resilience, cryptoassets, and artificial intelligence.</p>
<p><b>SEC Adopts Rules on Short Sale Reporting Scheme</b></p> <p>MEDIUM IMPACT</p>	<p>On October 13, 2023, the SEC adopted new Exchange Act Rule 13f-2 and related Form SHO as well as an amendment to the national market system plan (<b>NMS Plan</b>) governing the consolidated audit trail (<b>CAT</b>) under the Exchange Act, see <a href="#">here</a>.</p> <p>Rule 13f-2 will require all “institutional investment managers” exceeding certain thresholds in any given month to file Form SHO within 14 calendar days after the end of each calendar month for equity securities registered pursuant to Section 12 of the Exchange Act or for which the issuer is required to file reports pursuant to Section 15(d) of the Exchange Act.</p> <p>The compliance date for Rule 13f-2 and Form SHO will be January 2, 2025 and the compliance date for the amendment to the CAT NMS Plan will be July 1, 2025.</p> <p>Several industry groups filed a brief in the U.S. Court of Appeals for the Fifth Circuit earlier in 2024, challenging the validity of Rule 13f-2. Although the ongoing litigation creates uncertainty for the implementation of Rule 13f-2, no ruling is anticipated prior to the January 2, 2025 compliance date.</p>

## Sustainable Finance

<p><b>Revisions to Sustainable Finance Disclosure Regulation (SFDR) RTS</b></p> <p>MEDIUM IMPACT</p>	<p><b>Headline:</b> Updates to SFDR RTS.</p> <p><b>Who is impacted?</b> Financial Market Participants and entities in scope of SFDR.</p> <p>On December 4, 2023, the ESAs published a <a href="#">final report</a> on the draft regulatory technical standards (<b>RTS</b>) on the review of principal adverse impacts (<b>PAI</b>) and financial product disclosures in Commission Delegated Regulation (EU) 2022/1288, which supplements the Sustainable Finance Disclosure Regulation ((EU) 2019/2088) (<b>SFDR</b>). The ESAs consulted on the draft RTS between April and July 2023.</p> <p>The report contains feedback to the April 2023 consultation on the draft RTS, with the ESAs commenting that adjustments have been made in some areas.</p> <p>The related <a href="#">press release</a> shared on December 4, 2023 explains the EU Commission will scrutinise the draft RTS and endorse them within three months of their publication. At the time of writing the RTS have not been endorsed, nor is there any indication when they will be.</p>
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Legislation	Details
<p><b>ESMA</b>  <b>“Guidelines on funds’ names using ESG or sustainability-related terms”</b></p> <p>HIGH IMPACT</p>	<p><b>Headline:</b> Guidelines on funds’ names with ESG or sustainability-related terms.  <b>Who is impacted?</b> Entities in scope of UCITS Directive and AIFMD or market funds in the EU.</p> <p>On May 14, 2024, ESMA published its <a href="#">Final Report on Guidelines on funds names</a> (the <b>Guidelines</b>) - that apply to UCITS management companies, alternative investment fund managers (<b>AIFMs</b>) and competent authorities.</p> <p>The Guidelines provide recommendations to fund managers on the use of terms in funds’ names – including for funds (a) using transition-, social- and governance-related terms; and (b) using (i) environmental- or impact-related terms or (ii) sustainability-related terms. The Guidelines provide further recommendations for specific type of funds as well as also providing explanations of the key terms mentioned above.</p> <p>On August 21, 2024, ESMA published the <a href="#">translations</a> in all official EU languages of its <a href="#">Guidelines on funds’ names using ESG or sustainability-related terms</a>.</p> <p>The Guidelines start applying on <b>November 21, 2024</b>.</p> <p>Any new funds created <b>on or after November 21, 2024</b> are expected to apply the Guidelines from launch. For funds <b>existing before November 21, 2024</b>, there is an additional six-month transition period, ending on <b>May 21, 2025</b>.</p>
<p><b>EU Commission’s targeted consultation on the implementation of SFDR</b></p> <p>LOW IMPACT</p>	<p><b>Headline:</b> Proposals to amend SFDR.  <b>Who is impacted?</b> Asset managers and other financial market participants in scope of SFDR.</p> <p>The targeted consultation took the form of a questionnaire, and the main topics covered were (1) current requirements of the SFDR; (2) interaction with other sustainable finance legislation; (3) potential changes to the disclosure requirements for financial market participants; and (4) potential establishment of a categorisation system for financial products.</p> <p>The targeted consultation and general consultation are available <a href="#">here</a>. The consultations closed on December 15, 2023.</p> <p>On May 3, 2024, the EU Commission published a <a href="#">summary</a> of the responses it received to the SFDR review - specifically stating that it should be “<i>regarded solely as a summary of the contributions made by stakeholders to the open and targeted consultations...[and] cannot in any circumstances be regarded as the official position of the Commission or its services.</i>”</p> <p>The <a href="#">summary</a> stated, among other things that: (1) there is widespread support for the broad objectives of the SFDR but that opinion is divided on whether the SFDR has actually achieved those objectives; and (2) there is strong support for product</p>

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<p><b>EU Commission's targeted consultation on the implementation of SFDR</b></p> <p>LOW IMPACT</p>	<p>categories but there is no preference on whether to base product categories on new criteria or the existing Article 8 and Article 9 criteria.</p> <p>ESMA's most recent publication of its <a href="#">sustainable finance - implementation timeline</a> – dated October 30, 2024 – indicates that the review of SFDR may take place in mid-2025, stating “mid-2025 SFDR L1 Review (?)”.</p>
<p><b>Political agreement reached on proposed Regulation on ESG rating activities</b></p> <p>MEDIUM/LOW IMPACT</p>	<p><b>Headline:</b> Regulation of ESG rating activities.  <b>Who is impacted?</b> ESG rating providers in the EU and outside the EU, and entities using ESG Ratings.</p> <p>On February 5, 2024, the Council published a <a href="#">press release</a> announcing that it has reached provisional political agreement with the European Parliament on the proposed Regulation on the transparency and integrity of environmental, social and governance (ESG) rating activities. The European Parliament has also published a <a href="#">press release</a> on the agreement.</p> <p>On April 25, 2024, the European Parliament published a <a href="#">press release</a> announcing it had voted to adopt the proposed ESG Ratings Regulation and also published the <a href="#">legislative resolution</a> adopted.</p> <p>On November 8, 2024, the Council published the <a href="#">text</a> of the ESG Ratings Regulation. The legislative process is not yet complete. The next step is for the Council to formally adopt the Regulation. The current expectation is that the ESG Rating Regulation will be published in the official journal of the EU (OJ) before the end of 2024 and will enter into force 20 days later. The provisions of the Regulation will start applying 18 months after its entry into force.</p>
<p><b>Corporate Sustainability Due Diligence Directive (CSDDD)</b></p> <p>MEDIUM IMPACT</p>	<p><b>Headline:</b> Directive setting out a legal framework which will require in-scope companies to incorporate mandatory human rights and environmental due diligence into their core business activities.  <b>Who is impacted?</b> Companies operating in the EU which meet certain prescribed thresholds or carrying out a certain amount of business in the EU. There are exemptions for AIFs and UCITS (but not for AIFMs and UCITS ManCos).</p> <p>On July 5, 2024, the Corporate Sustainability Due Diligence Directive ((EU) 2024/2859) (CSDDD) was published in the OJ and entered into force on July 25, 2024. The text of the CSDD is available <a href="#">here</a>.</p> <p>Member States have until July 26, 2026 to transpose it into national law. Application will then be on a staggered basis, starting from July 26, 2027 for the largest companies.</p>

Legislation	Details
<p><b>FCA's sustainability disclosure requirements (SDR) and investment labelling regime:</b></p> <p>HIGH IMPACT</p>	<p><b>Headline:</b> New UK sustainability disclosure requirements, investment labelling regime and anti-greenwashing rule.</p> <p><b>Who is impacted?</b> All FCA-authorised firms who make sustainability-related claims about their products and services (anti-greenwashing rule only), UK asset (SDR and labelling regime), and firms offering portfolio management services (new consultation paper).</p> <p>On November 28, 2023, the FCA published its policy statement (<b>PS</b>) setting out its sustainability disclosure requirements (<b>SDR</b>) and investment labelling regime. The PS is available <a href="#">here</a> and the associated press release is available <a href="#">here</a>.</p> <p>The rules come into force on a staggered basis – see 2.18 of the PS - but key dates are:</p> <ul style="list-style-type: none"> <li>○ Anti-greenwashing rule, together with the FCA's <a href="#">finalised guidance</a>, has applied since <b>May 31, 2024</b>;</li> <li>○ Naming and marketing rules – with accompanying disclosures - for asset managers apply from <b>December 2, 2024</b>. Note that on September 9, 2024, the FCA issued a <a href="#">statement</a> providing temporary flexibility until 5pm on April 2, 2025 to firms on complying with the SDR naming and marketing rules in specific exceptional circumstances;</li> <li>○ Ongoing product-level and entity-level disclosures for firms with <i>AUM greater than £50bn</i> come into effect from <b>December 2, 2025</b>; and</li> <li>○ Entity-level disclosure rules extended to firms with <i>AUM greater than £5bn</i> come into effect from <b>December 2, 2026</b>.</li> </ul> <p>The FCA has a dedicated <a href="#">webpage</a> on its SDR and investment labelling regime that is regularly updates. On November 1, 2024, the FCA published a <a href="#">document</a> providing pre-contractual disclosure examples relating to the SDR and investment labelling regime. The document provides examples and approaches across a selection of labels to illustrate how applicants can meet these disclosure requirements.</p> <p>On April 23, 2024, the FCA published a <a href="#">consultation paper</a> on extending the SDR and labelling regime to portfolio managers. The consultation closed on June 14, 2024. Initially the FCA had intended to publish its final rules in the second half of 2024, but it updated this timeline in September 2024 and now intends to publish a Policy Statement and further information about implementation in Q2 2025.</p>

Legislation	Details
<b>EMIR</b>	
<p><b>EU EMIR reporting – ITS and RTS now published together with Guidelines for reporting under EMIR</b></p> <p>HIGH IMPACT</p>	<p><b>Headline:</b> Significant changes to the EU EMIR derivatives reporting regime went live on April 29, 2024.  <b>Who is impacted?</b> All firms within scope of EU EMIR.</p> <p>The six Delegated and Implementing Regulations containing RTS and ITS amending the reporting requirements and procedures for data quality under EMIR published in the OJ on October 7, 2022 are available <a href="#">here</a>.</p> <p>Since April 29, 2024, reports need to be made in accordance with the new standards.</p> <p>ESMA published its Final Report on Guidelines for reporting under EMIR (available <a href="#">here</a>) and the <a href="#">validation rules</a> and the reporting instructions (<a href="#">here</a> and <a href="#">here</a>). The <a href="#">EMIR REFIT Guidelines</a> were published on October 23, 2023.</p> <p>The additional transition period of 180 calendar days granted to upgrade outstanding reports for derivatives contracts submitted to trade repositories (<b>TRs</b>) before April 29, 2024 ended on October 26, 2024.</p> <p>All reports should now be in accordance with the new standard.</p>
<p><b>EU EMIR 3.0</b></p> <p>MEDIUM IMPACT</p>	<p><b>Headline:</b> Further significant changes to the current EU EMIR are coming.  <b>Who is impacted?</b> All firms within scope of EU EMIR.</p> <p>On February 7, 2024, the Council published a <a href="#">press release</a> announcing that it has reached provisional political agreement with the European Parliament on the legislative proposals amending EMIR intended to mitigate excessive exposures to third-country central counterparties (<b>CCPs</b>) and improve the efficiency of EU clearing markets (<b>EMIR 3.0</b>). EMIR 3.0 proposes introducing an active account requirement (<b>AAR</b>), making changes to clearing threshold changes, and making changes to certain of the risk mitigation techniques, reporting of clearing activity in recognised non-EU CCPs.</p> <p>On April 25, 2024, the European Parliament published a <a href="#">press release</a> announcing that it had voted to adopt EMIR 3.0. On October 8, 2024, the European Parliament published <a href="#">Corrigendum</a> to the proposed Regulation and <a href="#">Corrigendum</a> to the proposed Directive (both dated October 4, 2024). The European Parliament approved the text on October 22, 2024 and the Council is expected to approve Parliament's position.</p> <p>Exact timing of when EMIR 3.0 will enter into force remains unknown, but the expectation is that it will be in force before the end of 2024. The most high-profile</p>

Legislation	Details
<b>EU EMIR 3.0</b>  MEDIUM IMPACT	<p>change from EMIR 3.0, the AAR, comes into force six months after the entry into force of the EMIR 3.0. In scope counterparties have six months from entry into force to open active accounts.</p> <p>ESMA is also required to draft RTS relating to the AAR and also to the new clearing thresholds. ESMA has published a table of planned consultation papers – available <a href="#">here</a> - indicating that five EMIR related consultations will be published by the end of Q2 2025.</p>
<b>(UK EMIR) Changes to the framework for derivatives reporting under UK EMIR and FCA REFIT Q&amp;A</b>  HIGH IMPACT	<p><b>Headline:</b> There will be changes to the UK EMIR derivatives reporting regime similar to those being implemented in the EU.</p> <p><b>Who is impacted?</b> All firms within scope of UK EMIR.</p> <p>On February 24, 2023, the FCA published a policy statement - <a href="#">PS23/2</a> - it made jointly with the Bank of England on changes to reporting requirements, procedures for data quality and registration of trade repositories under UK EMIR. It includes the FCA's final policy and rules that are designed to clarify trade reporting requirements under UK EMIR.</p> <p>The new rules set out in PS23/2 – which are similar but different from the EU rules -came into effect on <b>September 30, 2024</b>. There is a 6-month period for counterparties to update their outstanding derivative reports in line with the new requirements, which will end <b>March 31, 2025</b>.</p> <p>The final versions of the UK EMIR Validation Rules and XML schemas have been published and are available in the FCA's <a href="#">UK EMIR reporting webpage</a>. The rules have applied since <b>September 30, 2024</b>.</p> <p>The FCA published a number of Q&amp;As on UK EMIR Refit reporting, which are available <a href="#">here</a>.</p>

## Central Securities Depositories Regulation (CSDR)

<b>CSDR Refit Regulation published in OJ and related ESMA consultation on potential changes to the CSDR penalty mechanism</b>  HIGH IMPACT	<p><b>Headline:</b> Changes to the EU CSDR regime.</p> <p><b>Who is impacted?</b> All firms within scope of EU CSDR.</p> <p>On December 27, 2023, the CSDR Refit regulation was published in the Official Journal of the EU, available <a href="#">here</a>. The regulation entered into force on January 16, 2024. Depending on the Articles, it applies from either <b>May 1, 2024 or two years after entering into force</b>.</p> <p>The new regulation “contains measures to improve ‘settlement efficiency’ (the rate at which securities transactions settle on the intended date) by amending certain elements of the settlement discipline regime, including the preconditions for applying so-called mandatory buy-ins.”</p> <p>Related to the CSDR Refit Regulation, on December 15, 2023, ESMA published a <a href="#">Consultation Paper</a> on Technical Advice to the EU Commission on the CSDR penalty</p>
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Legislation	Details
<p><b>CSDR Refit Regulation published in OJ and related ESMA consultation on potential changes to the CSDR penalty mechanism</b></p> <p>HIGH IMPACT</p>	<p>mechanism. The aim of the consultation was to collect evidence and data from stakeholders on the effectiveness of the current penalty mechanism in discouraging settlement fails and incentivising their rapid resolution. The public consultation closed on February 29, 2024.</p>
<p><b>ESMA Consultations on CSDR Refit</b></p> <p>MEDIUM IMPACT</p>	<p>On July 9, 2024, ESMA published three <a href="#">Consultation Papers</a> on aspects of the CSDR Refit. The proposed rules relate to the information to be provided by EU CSDs to their NCAs for the review and evaluation, the information to be notified to ESMA by third-country CSDs, and the scope of settlement discipline. Responses were sought by <b>September 9, 2024</b>, with the finalised proposals expected to be submitted to the European Commission in Q1 2025. Other consultations about other aspects of the CSDR will follow in the coming months.</p> <p>On September 17, 2024, ESMA's Securities and Markets Stakeholder Group (the <b>SMSG</b>) published advice to ESMA on the CSDR consultation papers and the draft RTS, see <a href="#">here</a>. SMSG's advice – which is non-binding - invites ESMA to adopt a carefully defined approach to exemptions from the buy-in process in order to cover all types of transactions for which buy-ins would not be helpful.</p>
<p><b>SFTR (Securities Financing Transaction Regulation)</b></p>	
<p><b>Review of EU SFTR in 2024</b></p> <p>LOW IMPACT</p>	<p><b>Headline:</b> Comprehensive review of the EU SFTR regime.  <b>Who is impacted?</b> All firms within scope of EU SFTR.</p> <p>On January 24, 2024, the EU Commission published its <a href="#">review report</a> on the macroprudential framework of the EU. The report looks at macroprudential framework for NBFIs, noting NBFIs have grown significantly in recent years. The report notes that in 2024, the EU Commission will consult on the review of the Securities Financing Transaction Regulation (<b>SFTR</b>).</p> <p>However, on May 30, 2024, ESMA published a <a href="#">letter</a> on de-prioritisation of certain 2024 deliverables. The de-prioritised deliverables include certain items relating to SFTR as well as EMIR and the CSDR Review.</p>

Legislation	Details
<b>UK SFTR - Updated Validation Rules and XML Schemas</b>  MEDIUM IMPACT	<p><b>Headline:</b> Updates to reporting under UK SFTR.  <b>Who is impacted?</b> All firms within scope of UK SFTR.</p> <p>On October 23, 2023, the FCA announced amendments to the Validation Rules and XML schemas to support the ongoing reporting of securities financing transactions under the UK SFTR. A description of the amendments made can be found in the 'changes' tab of the final UK SFTR Validation Rules. The FCA has now published final versions of the UK SFTR Validation Rules and XML schemas on its UK SFTR reporting webpage and are set out below:</p> <ul style="list-style-type: none"> <li>◦ <a href="#">UK SFTR Validation rules</a> (applicable from <b>November 25, 2024</b>)</li> <li>◦ XML Schemas under UK SFTR (applicable from <b>November 25, 2024</b>) <ul style="list-style-type: none"> <li>• <a href="#">Incoming messages</a></li> <li>• <a href="#">Outgoing messages</a></li> </ul> </li> </ul> <p>These documents will go-live on <b>November 25, 2024</b> and not November 4, 2024 as originally proposed.</p>

## Other

<b>AIFMD 2.0 and ESMA Consultation on AIFMD 2.0 LMTs</b>  MEDIUM/HIGH IMPACT	<p><b>Headline:</b> Changes to AIFMD and to some extent UCITS Directive.  <b>Who is impacted?</b> Entities in scope of AIFMD and UCITS Directive, and asset managers outside the EU who wish to market in the EU.</p> <p>AIFMD 2.0 entered into force on April 15, 2024. Member States have 24 months to transpose the provisions into national law with AIFMD 2.0 taking effect from <b>April 16, 2026</b>.</p> <p>AIFMD 2.0 makes targeted changes to certain provisions of AIFMD, which can be broadly broken down into the following:</p> <ul style="list-style-type: none"> <li>◦ Delegation, Authorisation, Disclosure to investors and Reporting</li> <li>◦ A new Loan Origination regime</li> <li>◦ Liquidity Management Tools (<b>LMTs</b>)</li> <li>◦ Depositaries</li> <li>◦ Non-EU AIFM Marketing under a national private placement regime (<b>NPPR</b>)</li> <li>◦ Miscellaneous Amendments</li> </ul> <p>There are certain transitional provisions for existing funds that originate loans.</p> <p>Under AIFMD 2.0, ESMA is mandated to develop a number of RTS and guidelines to provide additional detail on certain aspects of AIFMD 2.0.</p>
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Legislation	Details
<b>AIFMD 2.0 and ESMA Consultation on AIFMD 2.0 LMTs</b>  MEDIUM/HIGH IMPACT	<p>On July 8, 2024, ESMA published (i) a <a href="#">consultation paper</a> on draft RTS on LMTs applicable to AIFMs managing open-ended AIFs and UCITS; and (ii) a <a href="#">consultation paper</a> on guidelines on LMTs of UCITS and open-ended AIFs. These provide guidance on how managers should select and calibrate LMTs in the light of their investment strategy, their liquidity profile, and the redemption policy of the fund.</p> <p>The consultations closed to comments on <b>October 8, 2024</b>. ESMA will deliver the final RTS and guidelines by April 16, 2025.</p> <p>Further draft RTS will be published over the coming months.</p>
<b>EU Digital Operational Resilience Regulation (DORA)</b>  MEDIUM/ HIGH IMPACT	<p><b>Headline:</b> New rules relating to financial entities' information and communication technology (<b>ICT</b>) risk.  <b>Who is impacted?</b> Nearly all firms in the financial sector are in scope.</p> <p>The EU's Digital Operational Resilience Regulation (<b>DORA</b>) (Regulation (EU) 2022/2554) imposes new rules relating to financial entities' information and communication technology (<b>ICT</b>) risk. DORA is accompanied by a Directive that amends certain EU financial services legislation to ensure consistency with DORA (the <b>DORA Directive</b>).</p> <p>DORA became law in December 2022 but provides for a grace period until January 17, 2025 for organisations to put in place the necessary measures to comply.</p> <p>DORA applies to a wide range of financial entities – nearly all firms in the financial sector are in scope. Of particular relevance to asset managers is the fact that MiFID investment firms, AIFMs and UCITS management companies are in scope.</p> <p>Further information is available <a href="#">here</a>.</p> <p>The ESAs are in the process of developing and finalising technical standards to provide greater clarity on key requirements under DORA. Over recent months, the majority of the RTS and ITS have been adopted by the Commission and have been or are in the process of being published in the official journal of the EU. Some of the RTS and ITS remain to be finalised, in particular the draft ITS on contractual arrangements with ICT third-party service providers, with the EU Commission rejecting the ESAs initial proposals.</p> <p>In October 2024, the ESAs appointed Marc Andries to lead its new joint Directorate in charge of oversight activities for critical ICT third party providers, established by DORA.</p>

Legislation	Details
<p><b>Overseas Fund Regime (OFR)</b></p> <p>MEDIUM IMPACT</p>	<p><b>Headline:</b> UK Overseas Fund Regime to enable UCITS to be marketed in the UK.  <b>Who is impacted?</b> EEA funds that wish to market in the UK.</p> <p>The OFR is a simplified process for allowing investment funds set up overseas to be marketed in the UK. The OFR has two limbs.</p> <p>First is that the UK government, having undertaken a detailed assessment, deems a third country jurisdiction ‘equivalent’. On January 30, 2024, the House of Commons published a <a href="#">written statement</a> by HM Treasury, confirming that, the government had found the EEA states (including EU member states) equivalent under the OFR. The equivalence decision applies to EEA UCITS, except those that are also money market funds.</p> <p>The second limb is application to the FCA for recognition. Once a jurisdiction is deemed ‘equivalent’, fund operators in that jurisdiction can apply to the FCA for recognition as an overseas fund. On May 1, 2024, the FCA published a <a href="#">Roadmap to implementing the OFR</a>, setting out the key stages of the process, so that operators of EEA UCITS (i.e., UCITS ManCos) that wish to use the OFR as a gateway to the UK market can prepare.</p> <p>The FCA opened the OFR Gateway (i) for non-TMPR* funds on September 30, 2024, (ii) for TMPR stand-alone schemes on October 1, 2024, and (iii) umbrella funds currently under the TMPR from November 1, 2024 for a 23-month period. Fund operators of TMPR umbrella funds will be allocated three-month landing slots in alphabetic order and must submit their OFR applications in that period of time.</p> <p>Application for recognition under the OFR is made via FCA’s on-line system ‘Connect.’ The FCA will review the application and decide within two months whether to recognise the fund.</p> <p>The FCA has a <a href="#">webpage</a> on the OFR with information, providing details on landing slots for fund operators in the TMPR, amongst other things. The webpage also includes a series of “how to Guides” to assist with completion on the OFR application and an <a href="#">Approach to Recognition</a> document, which sets out FCA expectations of OFR applicants, including useful information on the application process and the FCA’s decision-making process. The FCA’s <a href="#">policy statement</a> on implementing and operationalising the OFR, following a consultation in December 2023 includes the amendments that are being made to the FCA Handbook as an appendix to the policy statement. The amendments came into force on <b>July 31, 2024</b>.</p> <p>*As part of the UK’s preparations for Brexit, the UK Government established the temporary marketing permissions regime (<b>TMPR</b>) allowing certain EEA-based investment funds that were being marketed in the UK via a passport to continue to be marketed in the UK pending recognition under the OFR. The TMPR is scheduled to end at the end of 2025, but the Government has prepared legislation that will extend the TMPR until the end of 2026 (subject to the passing of the necessary legislation).</p>

Legislation	Details
<p><b>Directive and Regulation to improve MiFID II market data access and transparency published in OJ</b></p> <p>MEDIUM IMPACT</p>	<p><b>Headline:</b> Changes to MiFID and MiFIR.  <b>Who is impacted?</b> Entities in scope of MiFID and MiFIR.</p> <p>On March 8, 2024, the following legislation was published in the OJ:</p> <ul style="list-style-type: none"> <li>◦ <a href="#">Directive (EU) 2024/790</a> amending the MiFID II Directive (2014/65/EU) (<b>MiFID III</b>).</li> <li>◦ <a href="#">Regulation (EU) 2024/791</a> amending MiFIR as regards enhancing data transparency, removing obstacles to the emergence of consolidated tapes, optimising the trading obligations, and prohibiting receiving payment for order flow (<b>MiFIR II</b>).</li> </ul> <p>MiFIR II requirements entered into force on March 28, 2024 whereas Member States have until September 29, 2025 to transpose MiFID III into national law. Note that several aspects of the new rules must be supplemented by EU delegated acts before becoming operational.</p> <p>On May 2, 2024, a <a href="#">Commission Notice</a> on the interpretation and implementation of the transitional provisions included in the MiFIR Amending Regulation was published in the OJ. On July 22, 2024, ESMA published a <a href="#">statement</a> on the transition to the new regime for post-trade transparency of OTC-transactions in the light of MiFIR II.</p> <p>On July 10, 2024, ESMA published a new <a href="#">package</a> of public consultations with the objective of increasing transparency and system resilience in financial markets, reducing reporting burden and promoting convergence in the supervisory approach. The consultations have closed, and ESMA is considering the feedback received with a view to publishing a final report on certain of the proposals in December 2024 and the remaining proposals in March 2025.</p> <p>On July 16, 2024, ESMA published a <a href="#">consultation paper</a> on order execution policies, in line with its mandate under MiFID III. The measures proposed by ESMA will result in amendments needing to be made to sections of existing policies. The consultation closed on October 16, 2024 and ESMA expects to publish a final report and submit the draft technical standards to the EU Commission for endorsement by December 29, 2024.</p> <p>On October 3, 2024, ESMA announced the launch of <a href="#">two consultations</a> on transaction reporting and order book data under MiFIR II. The consultations close on January 3, 2025 and ESMA aims to submit their final draft RTS by the end of Q1 2025.</p> <p>On October 16, 2024, ESMA updated its <a href="#">guidance</a> on post-trade transparency.</p>
<p><b>EU MiFID – Investment research</b></p>	<p>On October 8, 2024, the Council formally adopted a legislative package (the <b>Listing Act Package</b>), initially adopted by the EU Commission on December 7, 2022, to make public capital markets more attractive to EU companies and to facilitate access to capital for small and medium sized enterprises.</p> <p>The Listing Act Package proposes, amongst other things, a directive to amend MiFID II, available <a href="#">here</a>. The amending directive amends the provision in MiFID II relating to research. The amending directive recognises that the research unbundling rules need to be further adjusted to offer investment firms more flexibility in the way that they choose to organise payments for execution services and research. The proposal is that the new</p>

Legislation	Details
<b>EU MiFID – Investment research</b>	<p>payment optionality will sit alongside the existing ways that EU firms pay for research (i.e., from a research payment account for specific clients or paying for research from a firm's own resources).</p> <p>The Listing Act Package is expected to be published in the OJ in Q4 2024. Following publication, the amendments to MiFID II will enter into force 20 days later and Member States will have a further 18 months to implement the changes.</p>

## UK Post Brexit Regulatory Developments

**Headline:** UK Post Brexit Regulatory developments.

**Who is impacted?** Firms doing business in the UK.

<b>HM Treasury Paper on the Next Phase of Smarter Regulatory Framework</b>	<p>HM Treasury has published a paper on the next phase of the Smarter Financial Services Regulatory Framework for the UK on March 21, 2024. The paper can be accessed <a href="#">here</a>.</p> <p>The paper provides a summary of the progress of the Smarter Regulatory Framework (SRF) programme as of February 2024 and sets out the approach and future plans for the next phase (Tranche 3).</p>
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## UK Wholesale Markets Review

MEDIUM  
IMPACT

HM Treasury launched the UK's [Wholesale Markets Review \(WMR\)](#) in 2021 to determine how the UK should adapt its approach to regulating secondary markets post-Brexit and improve certain rules under the on-shored EU MiFID II and MiFIR that have not delivered their intended benefits.

**Improvements to equity secondary markets:** The FCA has previously consulted on rule changes for secondary markets, including on the transparency regime for equity markets. Final rules were published in [PS 23/4](#). As part of the changes, the FCA introduced a new Designated Reporter (DR) regime, clarifying who holds the obligation of making sure that a trade is made public. It aims to establish a simpler and clearer regime for the reporting of OTC transactions. The amended post-trade transparency requirements, including the DR regime, came into force in April 2024.

**Improving Transparency For Bond And Derivatives Markets:** On November 5, 2024, the FCA published its policy statement ([PS24/14](#)) on improving transparency for bond and derivatives markets. Amongst other things, PS24/14 includes changes to (a) the scope of the instruments for which orders and transactions are subject to transparency; (b) the types of transactions that are exempted from post-trade transparency; and (c) the content of post-trade reports. Changes to the transparency regime are set out in the Markets in Financial Instruments (Non-Equity Transparency Rules) Instrument 2024, which comes into force on December 1, 2025.

Legislation	Details
<p><b>UK Wholesale Markets Review</b></p> <p>MEDIUM IMPACT</p>	<p>To recap other developments:</p> <ul style="list-style-type: none"> <li>On May 30, 2024, the FCA updated its <a href="#">webpage</a> on reforming the commodity derivatives regulatory framework announcing that it will delay revoking the UK version of Delegated Regulation (EU) 2017/592 (RTS 20) and will not be taking forward its proposals relating to the ancillary activity exemption set out in its December 2023 consultation paper on reform of the regulatory framework for commodity derivatives.</li> <li>On July 26, 2024, the FCA published a <a href="#">consultation paper</a> on the derivatives trading obligation (<b>DTO</b>) and post-trade risk reduction services. The FCA's proposals aim to improve the UK's regulation of secondary markets, reduce systemic risk in derivatives markets and avoid fragmentation and disruption for firms trading over-the-counter (<b>OTC</b>) derivatives subject to the DTO. The FCA plans to publish the direction modifying the DTO in Q4 2024.</li> </ul>
<p><b>UK Short Selling Regulations</b></p>	<p>On November 11, 2024, the UK government laid the <a href="#">Short Selling Regulations 2024</a> in Parliament and also published an <a href="#">Explanatory Memorandum</a>. The legislation reflects the conclusions reached by the <a href="#">2022 Review of the Short Selling Regulation</a> and <a href="#">2023 Consultation on sovereign debt and credit default swaps</a>. The statutory instrument establishes a new legislative framework for the regulation of short selling, creating designated activities for short selling, giving the FCA rulemaking powers related to these activities and powers to intervene in exceptional circumstances.</p> <p>The Statutory Instrument will be debated in Parliament and the FCA is expected to consult on its new short selling rules in due course.</p>
<p><b>FCA update on Consumer Duty</b></p>	<p>The Consumer Duty came into force in respect of new products and services on July 31, 2023 and for closed products and services July 31, 2024. The FCA has a dedicated Consumer Duty <a href="#">webpage</a>.</p> <p>On September 18, 2024, the FCA published a 'Price and Value Outcome: Good and Poor Practice' update, see <a href="#">here</a>. The update collates insights from the first year of the implementation of the price and value outcome and is intended to help firms improve the way they think about fair value assessments.</p>

Legislation	Details
<p><b>FCA rules on Paying for Investment Research</b></p> <p>LOW/MEDIUM IMPACT</p>	<p>On April 10, 2024, the FCA announced plans to overhaul the UK’s research payment rules to allow the ‘bundling’ of payments for third-party research and trade execution (subject to the FCA’s proposed guardrails), which the FCA proposes would exist alongside those already available, such as payment from an asset manager’s own resources or from a dedicated account.</p> <p>On July 26, 2024, the FCA published its <a href="#">policy statement</a> that summarises the feedback received on its consultation and outlines their final policy position and Handbook rules. The final rules are largely in line with what was originally proposed. Provided that firms meet the requirements in relation to the operation of the new rules, they have been able to use them since August 1, 2024.</p> <p>On November 5, 2024, the FCA published a consultation paper (<a href="#">CP24/21</a>) to put in place similar rules in substance for firms managing pooled funds. The FCA’s intention is to make it operationally more efficient for asset managers of different business models and sizes to take up the new payment option to pay for investment research. The consultation closes on December 16, 2024.</p>

This Regulatory Round up is intended to be a general guide and does not constitute legal advice. You should seek independent legal, tax and/or accounting advice with respect to the impact these developments may have on your business operations.

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