

Regulatory Round-Up for Fund Managers

Q1 2024

T+1 Related Developments

Headline: Move to T+1 settlement.

Who is impacted? All firms.

Legislation	Details
<p>US T+1 Settlement Cycle</p> <p>VERY HIGH IMPACT</p>	<p>On 15 February 2023, the SEC adopted amendments to Rule 15c6-1 under the Securities Exchange Act of 1934 to shorten the standard settlement cycle for most broker-dealer securities transactions from two business days following the trade date (T+2) to one business day following the trade date (T+1) and adopted other related amendments affecting how broker-dealers, investment advisers and certain clearing agencies process institutional trades.</p> <p>In conjunction with shortening the settlement-cycle, the SEC adopted amendments to the recordkeeping requirements</p> <p>The compliance date for the amendments will be 28 May 2024.</p> <p>On 7 March 2024, the CFTC’s GMAC advanced three new recommendations to promote U.S. Treasury markets resiliency and efficiency, provide resources on the upcoming transition to T+1 securities settlement, and publish a first-ever digital asset taxonomy to support U.S. regulatory clarity and international alignment. Of most importance, the Committee recommended that U.S. Treasury ETFs be added as eligible IM collateral under the CFTC swap margin rules. See here.</p>
<p>EU T+1</p> <p>MEDIUM IMPACT</p>	<p>As market participants in Canada and the US are gearing up for their ‘big bang’ migration to a T+1 settlement cycle in May 2024, the discussions in Europe on this topic continue.</p> <p>In a speech delivered on 21 June 2023, ESMA announced its intention to publish a report in 2024 on settlement efficiency in the EU. The speech also included references to the link between settlement efficiency and reduced settlement cycles and discussions around the potential of a move to T+1 in the EU, given the planned move in the U.S. on 28 May 2024.</p> <p>On 23 March 2024, ESMA published a feedback statement on its 5 October 2023 Call for Evidence and shared a related press release available here.</p>

Legislation

Details

EU T+1

MEDIUM IMPACT

In the report ESMA summarises the feedback from market participants during the consultation, focused on four areas:

- Many operational impacts beyond adaptations of post-trade processes are identified as **resulting from a reduction of the securities settlement cycle in the EU**.
- Respondents identified a wide range of both potential **costs and benefits** of a shortened cycle, with some responses supporting a thorough impact assessment before deciding.
- Respondents provided suggestions around **how and when a shorter settlement cycle could be achieved**, with a strong demand for a clear signal from the regulatory front at the start of the work and clear coordination between regulators and the industry.
- Stakeholders made clear the need for a proactive approach to adapt their own processes to the **transition to T+1 in other jurisdictions**. Some responses warned about potential infringements due to the misalignment of the EU and North America settlement cycles, that ESMA is currently assessing.

ESMA will continue assessing the responses received, including the demands for regulatory/supervisory guidance. ESMA aims at including lessons learnt from the North American move to T+1 as well as any further feedback received from stakeholders in the APAC region, from small and medium market participants and retail investors and their representatives.

ESMA intends to deliver its final assessment to the European Parliament and to the Council before **17 January 2025**.

UK T+1

MEDIUM IMPACT

HM Treasury established the Accelerated Settlement Taskforce (**AST**) in December 2022 to explore the case for T+1 in the UK. On 28 March 2024, HM Treasury published the AST's [report](#). The AST's key recommendations are that:

- The UK should commit to moving to a T+1 settlement cycle **no later than 31 December 2027**. The AST noted that the principal reasons for this are harmonisation with international markets, improving market resilience, a reduction in risk and cost savings. The US has committed to move to T+1 in May 2024 and the EU is consulting on a move to T+1 with ESMA's report expected in the third quarter of 2024.
- The UK and other European jurisdictions should collaborate closely to establish whether a coordinated move to T+1 is possible. The UK should consider whether it wishes to align with any timeline for a transition date committed to by other European jurisdictions.
- A technical group of industry experts should be set up to determine the technical and operational changes necessary for the transition to T+1 to happen and how these should be implemented. This group should select a date in 2025 for these changes to be mandated, and a date before the end of 2027 for the UK transition to T+1.

The government published its own [response](#) and has accepted all AST's recommendations.

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

Legislation

Details

SEC Finalises Substantial Changes to Private Fund Regulatory Regime

HIGH IMPACT

On 23 August 2023, the U.S. Securities and Exchange Commission (**SEC**) adopted a set of new rules and rule amendments under the U.S. Investment Advisers Act of 1940 (**Final Rules**) that will significantly reform the scope of reporting, disclosure and other obligations imposed on investment advisers to private funds (**Private Fund Advisers**).

The Final Rules apply to “private funds”, which is any fund that would be required to register under the U.S. Investment Company Act of 1940 (**1940 Act**) but for the exceptions under Section 3(c)(1) or 3(c)(7) of the 1940 Act. Most investment funds that are privately placed in the U.S. rely on one of these exceptions.

The rules significantly reform the scope of reporting, disclosure and other obligations imposed on investment advisers to private funds. While the SEC did not adopt some of the most contentious provisions in the proposed rules, this is still a major development for the private funds industry.

The Final Rules became effective on 13 November 2023. The compliance date for the Quarterly Statement Rule and Audit Rule will be 14 March 2025. The compliance date for the Secondaries Rule, Preferential Treatment Rule and Restricted Activities Rule will be 14 September 2024 for Private Fund Advisers with US\$1.5 billion or more in private fund assets and 14 March 2025 for Private Fund Advisers with less than US\$1.5 billion in private fund assets. The compliance date for the amended Compliance Rule was 13 November 2023 for all RIAs.

There is, however, potential uncertainty regarding the implementation of the Final Rules. Shortly following publication of the Final Rules, six industry participants and trade associations filed a Petition for Review against the SEC in the Fifth U.S. Circuit Court of Appeals, challenging the validity and enforceability of the Final Rules.

SEC Adopts Amendments to Enhance Private Fund Reporting

MEDIUM IMPACT

On 7 February 2024, the SEC announced that it had adopted amendments to Form PF, the form for certain SEC-registered investment advisers to private funds, including those that also are registered with the CFTC as commodity pool operators or commodity trading advisers. The amendments, which the CFTC concurrently adopted, are designed to enhance the ability of the Financial Stability Oversight Council (**FSOC**) to monitor and assess systemic risk and to bolster the SEC’s oversight of private fund advisers and the agency’s investor protection efforts. The SEC and CFTC also agreed to a memorandum of understanding related to the sharing of Form PF data. See [here](#).

Legislation	Details
<p>SEC Adopts Climate Disclosure Rules</p> <p>MEDIUM IMPACT</p>	<p>On 7 March 2024, SEC adopted rules for enhancing and standardising climate-related disclosures by public companies in periodic disclosure reports and registration statements (the Final Rules). The Final Rules are intended to regulate the disclosure around registrants’ exposure to and management of climate-related risks. To achieve this purpose, the Final Rules created new provisions of Regulation S-K and S-X that require the disclosure of the certain items.</p> <p>The Final Rules will become effective 60 days following publication of the adopting release in the Federal Register, though compliance will be phased in for all registrants based on filer status.</p>
<p>SEC Adopts Final Rules to Require the Reporting of Executive Compensation Votes by Institutional Investment Managers</p> <p>MEDIUM/HIGH IMPACT</p>	<p>On 2 November 2022, the SEC adopted a new rule and form amendments (Final Rules) under the Securities Exchange Act of 1934, as amended (Exchange Act) that require institutional investment managers subject to reporting requirements under Section 13(f) of the Exchange Act annually to report their proxy voting on Form N-PX with respect to certain shareholder advisory votes on executive compensation matters.</p> <p>The Final Rules will be effective on 1 July 2024, with managers being required to file their first reports covering the period from 1 July 2023 to 30 June 2024 on amended Form N-PX by 31 August 2024, meaning that managers needed to begin maintaining the necessary records relating to their proxy votes on 1 July 2023.</p>
<p>SEC Staff Issues New Marketing Rule FAQ on Private Fund Performance</p> <p>MEDIUM IMPACT</p>	<p>On 6 February 2024, the SEC staff posted a new Marketing Rule FAQ that addresses the presentation of net and gross internal rate of return (IRR) by managers of private funds that use subscription credit facilities. The staff’s position is inconsistent with prevailing market practice and will have a significant impact on the marketing practices of many private fund managers.</p> <p>For more information, see the Marketing Rule FAQ.</p>

Sustainable Finance

Legislation	Details
<p>Revisions to SFDR RTS</p> <p>MEDIUM IMPACT</p>	<p>Headline: Updates to SFDR RTS. Who is impacted? Financial Market Participants and entities in scope of SFDR.</p> <p>On 4 December 2023, the ESAs published a final report on the draft RTS on the review of principal adverse impacts (PAI) and financial product disclosures in Commission Delegated Regulation (EU) 2022/1288, which supplements the Sustainable Finance Disclosure Regulation ((EU) 2019/2088) (SFDR). 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 draft RTS cover the following topics as requested in the EU Commission’s mandate:</p> <ul style="list-style-type: none"> ○ An extension of the social PAI indicators; ○ Other changes to the PAI disclosure framework; ○ A new financial product disclosure of greenhouse gas (GHG) emission reduction targets. <p>Furthermore, the ESAs are proposing some improvements and simplifications to the financial product templates, contained in Annexes II-V of the SFDR Delegated Regulation, including a new “dashboard” with a simple summary of key information. Finally, the ESAs are also proposing additional minor technical amendments to the SFDR Delegated Regulation relating to:</p> <ul style="list-style-type: none"> ○ Enhanced disclosure of how sustainable investments comply with the “do not significantly harm” (“DNSH”) principle; ○ Revision of the provisions for products with investment options such as multi-option products; and ○ Other technical changes including harmonised calculation of sustainable investments and a requirement to produce the disclosures in machine-readable format. <p>The related press release shared on 4 December 2023 explains the EU Commission will scrutinise the draft RTS and <u>endorse them within three months</u> of their publication. However, the EU Commission has since clarified that adoption of the RTS would be unlikely before mid-March 2024 due to translation backlogs and the work with the legal department. At the time of writing the RTS have not been endorsed.</p>

Legislation	Details
<p>ESMA public statement providing update on “Guidelines on funds’ names using ESG or sustainability-related terms</p> <p>HIGH IMPACT</p>	<p>Headline: Guidelines on funds’ names with ESG or sustainability-related terms. Who is impacted? Entities in scope of UCITS Directive and AIFMD or market funds in the EU.</p> <p>On 14 December ESMA issued a Public Statement providing an update on “Guidelines on funds’ names using ESG or sustainability-related terms”, including details on the timing of their publication. See here.</p> <p>The Guidelines are expected to be approved and published in Q2 2024. The Guidelines will most likely apply three months after the date of their publication on the website in all EU official languages.</p> <p>Managers of new funds would be expected to comply with the Guidelines in respect of those funds from the date of application of the Guidelines.</p> <p>Managers of funds existing before the date of application of the Guidelines should comply with the Guidelines in respect of those funds six months from the application date.</p>
<p>EU Commission’s targeted consultation on the implementation of SFDR</p> <p>LOW IMPACT</p>	<p>Headline: Proposals to amend SFDR. Who is impacted? Asset managers and other financial market participants in scope of SFDR</p> <p>The targeted consultation takes the form of a questionnaire and the main topics covered are:</p> <ol style="list-style-type: none"> 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>Parts 3 and 4 are of particular interest as they look to the future, assessing possible options to address any potential shortcomings.</p> <p>The EU Commission also launched a public consultation (18 pages in length) that only seeks to look at the current requirements of the SFDR and interaction with other sustainable finance legislation.</p> <p>Both consultations are available here. The consultations closed on 15 December 2023.</p> <p>Any proposals will be taken forward under the next EU Commission.</p>

Legislation

Details

Political agreement reached on proposed Regulation on ESG rating activities

MEDIUM/LOW
IMPACT

Headline: Regulation of ESG rating activities.
Who is impacted? ESG rating providers in the EU and outside the EU, and entities using ESG Ratings.

On 5 February 2024, the Council published a [press release](#) 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 [press release](#) on the agreement.

On 25 April 2024, the European Parliament published a [press release](#) announcing it had voted to adopt the proposed ESG Ratings Regulation and also published the [legislative resolution](#) adopted.

The Council highlights the agreement that was reached on issues including:

- Ratings. ESG rating providers may provide separate E, S and G ratings.
- Third-country providers. Non-EU ESG rating providers that wish to operate in the EU will need to obtain an endorsement of their ratings by an EU ESG rating provider, a recognition based on a quantitative criterion or be registered in the EU on the basis of an equivalence decision concerning their home state and following a dialogue between ESMA and the relevant third-country competent authority.
- Small ESG rating providers. Small ESG rating providers may choose to opt into a lighter regulatory and supervisory regime for three years, under which they will be exempt from paying ESMA supervisory fees.
- Conflicts of interest. ESG rating providers cannot carry out consulting activities, audit activities or credit rating activities. They may be able to carry out other activities, provided they put in place measures to avoid potential conflicts of interests.

The legislative process is not yet complete. The current expectation is that the ESG Rating Regulation will be published the official journal of the EU (**OJ**) in Q4 2024, and will enter into force 20 days later. The provisions of the Regulation will start applying 18 months after its entry into force.

CSDDD

MEDIUM
IMPACT
(AIFs and UCITS
out of scope)

Headline: 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.

Who is impacted? Companies operating in the EU which meet certain prescribed thresholds or carrying out a certain amount of business in the EU.

On 28 February 2024, the [Proposed Corporate Sustainability Due Diligence Directive](#) was approved by EU Member States – although it is a much a lighter was originally proposed. In terms of scope, this has been greatly reduced - CSDDD only targets companies having 1,000 employee or more or having a turnover threshold of €450 million. In addition, the majority of the due diligence rules should also not apply to the financial sector.

Legislation

Details

CSDDD

MEDIUM
IMPACT
(AIFs and UCITS
out of scope)

At the trilogue meeting held on 15 March 2024, the Council endorsed the final compromise text. On 24 April 2024, the European Parliament formally adopted at the final text of the CSDDD ([see here](#)). When the Council proposed the final compromise text in March 2024, it confirmed that if the European Parliament adopted it, the Council would do the same, allowing the CSDDD to become law.

The CSDDD will apply to Companies that fall within the scope criteria set out above, but there are exemptions for AIFs and UCITS. In addition, the EU Commission is to review and report within two years on whether additional rules are needed for regulated financial undertakings with respect to financial services and investment activities.

The current expectation is that CSDDD will enter into force in Q3 of 2024. Once it is in force, there is a two-year timeframe for member states to transpose the CSDDD into national law. Application will then take effect on a staggered basis, with the earliest effective date for large companies being three years after entry into force (i.e., 2027).

**FCA's SDR
and investment
labelling regime**

HIGH
IMPACT

Headline: New UK sustainability disclosure requirements, investment labelling regime and anti-greenwashing rule.

Who is impacted? All FCA-authorized 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).

On 28 November 2023 the FCA published its policy statement (PS) setting out its sustainability disclosure requirements (SDR) and investment labelling regime. The PS is available [here](#) and the associated press release is available [here](#).

On 2 February 2024, the FCA published a new [webpage](#) on its SDR and investment labelling regime. The webpage includes guidance on how firms should consider the regime and, where relevant, take steps before the requirements come into effect. It also sets out an implementation timeline, responses to some common questions the FCA has received on the investment labels it is introducing for products with sustainability objective, the naming and marketing rules and exceptions to the application of the requirements.

The rules come into force on a staggered basis – see 2.18 of the PS - but key dates are:

- anti-greenwashing rule to apply from **31 May 2024;**
- naming and marketing rules for asset managers come into effect from **2 December 2024;**
- ongoing product-level and entity-level disclosures for firms with AUM greater than £50bn come into effect from **2 December 2025;** and
- entity-level disclosure rules extended to firms with AUM greater than £5bn come into effect from **2 December 2026.**

Legislation

Details

FCA's SDR and investment labelling regime

HIGH
IMPACT

In addition, on 23 April 2024 the [FCA](#) published [finalised guidance](#) on the anti-greenwashing rule. The aim of the guidance is to help firms better understand the FCA's expectations under the anti-greenwashing rule (once it comes into force), and other existing, associated requirements, when making claims about the sustainability of a product or service.

The guidance comes into force on 31 May 2024 (i.e., the same date at the anti-greenwashing rule comes into force).

On 23 April 2024, the FCA published a [consultation paper](#) (CP24/8) on extending the SDR and labelling regime to portfolio managers. The consultation closes on 14 June 2024 and the FCA intends to publish its final rules in the second half of 2024.

EMIR

EU EMIR reporting – ITS and RTS now published together with Guidelines for reporting under EMIR

HIGH
IMPACT

Headline: Significant changes to the EU EMIR derivatives reporting regime went live on 29 April 2024.
Who is impacted? All firms within scope of EU EMIR.

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 7 October 2022 are available [here](#).

Reports will need to be made in accordance with the new standards from **29 April 2024**.

ESMA has published its Final Report on Guidelines for reporting under EMIR (available [here](#)) and the [validation rules](#) and the reporting instructions ([here](#) and [here](#)).

The [EMIR REFIT Guidelines](#) were published on 23 October 2023.

To help in-scope entities transition to the new regime, an additional transition period of 180 calendar days (i.e., until **26 October 2024**) has been granted to upgrade outstanding reports for derivatives contracts that have been submitted to TRs before 29 April 2024. Derivative contracts that mature before 26 October 2024 do not need to be updated. Any modification or termination of a pre-29 April 2024 derivative will prompt an earlier upgrade to the new standard.

EU EMIR 3.0

MEDIUM
IMPACT

Headline: Further significant changes to the current EU EMIR are coming.
Who is impacted? All firms within scope of EU EMIR.

On 7 February 2024, the Council published a [press release](#) 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 (CCPs) and improve the efficiency of EU clearing markets (EMIR 3).

Legislation	Details
<p>EU EMIR 3.0</p> <p>MEDIUM IMPACT</p>	<p>The press release highlights a number of key elements of the provisional agreement, including:</p> <ul style="list-style-type: none"> Streamlining supervisory processes, such as authorisation and validation procedures. Strengthening co-operation, co-ordination and information sharing among supervisors and ESMA. Strengthening ESMA's co-ordination powers in emergency situations and clarifying that ultimate decision-making powers fall to the National Competent Authorities. Providing for an active account requirement (AAR), which requires certain financial and non-financial counterparties to have an account at an EU CCP. This includes operational elements such as the ability to handle the counterparty's transactions at short notice if necessary and activity elements to ensure the account is used effectively. <p>On 25 April 2024, the European Parliament published a press release announcing that it had voted to adopt the proposed EMIR 3.0. The European Parliament has published the following legislative resolutions containing the adopted texts for the legislation:</p> <ul style="list-style-type: none"> Legislative resolution on EMIR 3 Regulation; and Legislative resolution on the Amending Directive. <p>Exact timing of when EMIR 3.0 will enter into force remains unknown. The most high profile change from EMIR 3.0, the AAR requirements, come into force 6 months after the entry into force of the EMIR 3.0 regulation. In scope counterparties have 6 months from entry into force to open active accounts. ESMA is also required to draft RTS relating to the AAR and also to the new clearing thresholds.</p>

<p>(UK EMIR) Changes to the framework for derivatives reporting under UK EMIR and FCA REFIT Q&A</p> <p>HIGH IMPACT</p>

<p>Headline: There will be changes to the UK EMIR derivatives reporting regime similar to those being implemented in the EU. Who is impacted? All firms within scope of UK EMIR.</p> <p>On 24 February 2023, the FCA published a policy statement it made jointly with the Bank of England on changes to reporting requirements, procedures for data quality and registration of trade repositories (TRs) under UK EMIR PS23/2. 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 include:</p> <ul style="list-style-type: none"> Amendments to the table of reportable fields in RTS under UK EMIR, primarily to align them with international guidance issued by CPMI-IOSCO. Amendments to the registration process for TRs.
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Legislation

Details

**(UK EMIR)
Changes to
the framework
for derivatives
reporting under
UK EMIR and FCA
REFIT Q&A**

HIGH
IMPACT

- Requirements for TRs to establish procedures and policies to ensure the effective reconciliation of data between TRs, to verify the completeness and correctness of the data reported and the orderly transfer of data between TRs and to regulatory authorities. The FCA is implementing this by introducing a new sourcebook in the FCA Handbook: the European Market Infrastructure Regulation Rules (EMIRR).

The requirements set out in PS23/2 will come into effect on **30 September 2024**, except for certain amendments to the UK versions of Commission Delegated Regulation (EU) No 150/2013 and Commission Implementing Regulation (EU) No 1248/2012 which relate to the format and details of applications for registration of TRs, and which come into force immediately. There will be a 6-month period for counterparties to update their outstanding derivative reports in line with the new requirements, which will end **31 March 2025**.

On 26 April 2023, the FCA announced it had published final versions of the UK EMIR Validation Rules and XML schemas on its [UK EMIR reporting webpage](#). The rules are applicable from **30 Sept 2024**.

The FCA noted that it has received requests for further guidance on how to implement the new requirements.

In response, on 1 March 2024 the FCA published a set of questions and answers (Q&As) to support implementation. The draft Q&As also require a corresponding change to the [UK EMIR Validation Rules](#) to address industry feedback and correct identified errors.

The FCA published the final version of the [first set of Q&As](#) for UK-EMIR Refit on 2 May 2024. Further information is available on the FCA's [UK EMIR news webpage](#). The Q&A apply from 30 September 2024.

The FCA published a consultation on a second set of [draft Q&As for UK-EMIR Refit reporting](#) on 2 May 2024. As was the case with the first set of draft Q&As, some of these Q&A require a change to the Validation Rules. Updated Validation Rules are also available with the changes highlighted in red text. The consultation closes on 12 June 2024 and the FCA intends to publish finalised Q&As on its UK EMIR reporting Q&As web page shortly afterwards.

CSDR

**CSDR Refit
Regulation
published in OJ
and related ESMA
consultation
on potential
changes to the
CSDR penalty
mechanism**

HIGH
IMPACT

Headline: Changes to the EU CSDR regime.
Who is impacted? All firms within scope of EU CSDR.

On 27 December 2023, the CSDR Refit regulation was published in the Official Journal of the EU, available [here](#). The regulation entered into force on 16 January 2024. Depending on the Articles, it will apply from either **1 May 2024 or two years after entering into force**.

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”.

Related to the CSDR Refit Regulation, on 15 December 2023, ESMA published a [Consultation Paper](#) on Technical Advice to the EU Commission on the CSDR penalty mechanism.

Legislation

Details

CSDR Refit Regulation published in OJ and related ESMA consultation on potential changes to the CSDR penalty mechanism

HIGH
IMPACT

The aim of the consultation is to collect evidence and data from stakeholders on the effectiveness of the current penalty mechanism in discouraging settlement fails and incentivising their rapid resolution. In addition, it seeks feedback on ESMA's preliminary proposals regarding:

- alternative parameters, when the official interest rate for overnight credit charged by the central bank issuing the settlement currency, is not available;
- the treatment of historical reference data for the calculation of late matching fail penalties; and
- alternative methods for calculating cash penalties, including progressive penalty rates.

The public consultation closed on 29 February 2024.

SFTR

Review of EU SFTR in 2024

MEDIUM
IMPACT

Headline: Comprehensive review of the EU SFTR regime.
Who is impacted? All firms within scope of EU SFTR.

On 24 January, the EU Commission published its [review report](#) 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 (SFTR).

UK SFTR - Updated Validation Rules and XML Schemas

MEDIUM
IMPACT

Headline: Updates to reporting under UK SFTR.
Who is impacted? All firms within scope of UK SFTR.

On 23 October 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:

- [UK SFTR Validation rules](#) (applicable from **25 November 2024**).
- XML Schemas under UK SFTR (applicable from **25 November 2024**).
 - [Incoming messages](#)
 - [Outgoing messages](#)

These documents will go-live on **25 November 2024** and not 4 November 2024 as originally proposed.

Other

Legislation	Details
<p>AIFMD 2.0</p> <p>HIGH IMPACT</p>	<p>Headline: Changes to AIFMD and to some extent UCITS Directive. Who is impacted? 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 15 April 2024. Member States have 24 months to transpose the provisions into national law with AIFMD 2.0 taking effect from 16 April 2026.</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"> ○ Delegation, Authorisation, Disclosure to investors and Reporting. ○ A new Loan Origination regime. ○ Liquidity Management Tools. ○ Depositaries. ○ Non-EU AIFM Marketing under a national private placement regime (NPPR). ○ Miscellaneous Amendments. <p>There are certain transitional provisions for existing funds that originate loans.</p>
<p>Overseas Fund Regime (OFR)</p> <p>MEDIUM IMPACT</p>	<p>Headline: UK Overseas Fund Regime to enable UCITS to be marketed in the UK. Who is impacted? 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.</p> <p>On 30 January 2024, the House of Commons published a written statement by HM Treasury, on the OFR and the UK’s equivalence assessment of EEA states. The statement confirms that, following a detailed assessment, the government has found the EEA states (including EU member states) equivalent under the OFR. The equivalence decision will apply to EEA UCITS, except those that are also money market funds. The UK government has confirmed it does not intend to require the funds assessed (i.e. EEA UCITS) to comply with additional UK requirements as part of the equivalence assessment.</p> <p>On 4 December 2023, the FCA published its consultation CP23/26: Implementing the Overseas Funds Regime. The consultation sets out the information that the FCA proposes to request from scheme operators to inform the FCA’s recognition of the particular scheme.</p> <p>The consultation closed on 12 February 2024.</p>

Other

Legislation	Details
<p>Overseas Fund Regime (OFR)</p> <p>MEDIUM IMPACT</p>	<p>On 1 May 2024, the FCA published a Roadmap to implementing the OFR. The Roadmap gives the key stages of the process, so that operators of EEA UCITS that wish to use the OFR as a gateway to the UK market can prepare.</p> <p>Per the Roadmap, the FCA will open the OFR Gateway (i) for non-TMPR* funds in September 2024, (ii) for TMPR stand-alone schemes in October 2024 and (iii) umbrella funds currently under the TMPR in November 2024 for a 23-month period.</p> <p>Application for recognition under the OFR will be 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 will provide guidance before the OFR Gateway opens on the information and fees needed for the application, as well as UK disclosure obligations. *As part of the UK’s preparations for Brexit, the UK Government established the temporary marketing permissions regime (TMPR) 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 announced it intends to extend the TMPR until the end of 2026 (subject to the passing of the necessary legislation).</p>

<p>Directive and Regulation to improve MiFID II market data access and transparency published in OJ</p> <p>MEDIUM IMPACT</p>	<p>Headline: Changes to MiFID and MiFIR.</p> <p>Who is impacted? Entities in scope of MiFID and MiFIR.</p> <p>On 8 March 2024, the following legislation was published in the OJ:</p> <ul style="list-style-type: none"> ◦ Directive (EU) 2024/790 amending the MiFID II Directive (2014/65/EU). ◦ Regulation (EU) 2024/791 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. <p>Updated EU MiFIR requirements entered into force on 28 March 2024 whereas Member States have until 29 September 2025 to transpose the Updated EU MiFID II into national law. Note that several aspects of the new rules must be supplemented by EU delegated acts before becoming operational.</p> <p>On 27 March 2024, the EU Commission issued a communication on the transitional provisions of the Updated EU MiFIR confirming that “the existing Commission delegated regulations, as applicable before 28 March 2024, continue to apply, together with the provisions that they supplement, in all cases where the MiFIR provisions are to be supplemented by new or amended Commission delegated regulations to become fully operational and cannot be supplemented adequately by the existing Commission delegated regulations only.”</p> <p>ESMA also issued a public statement providing further guidance on the new rules that need to be supplemented by delegated regulations and those rules that do not need to be supplemented by delegated regulations to be effective.</p> <p>On 2 May 2024, a Commission Notice on the interpretation and implementation of the transitional provisions included in the MiFIR Amending Regulation was published in the OJ.</p>
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Legislation

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UK Post Brexit Regulatory Developments

Headline: UK Post Brexit Regulatory developments.

Who is impacted? Firms doing business in the UK.

HM Treasury Paper on the Next Phase of Smarter Regulatory Framework

HM Treasury has published a paper on the next phase of the Smarter Financial Services Regulatory Framework for the UK on 21 March 2024. The paper can be accessed [here](#).

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).

The SRF is HM Treasury’s project to replace assimilated law (formerly retained EU law) relating to financial services. HM Treasury has allocated this law to over 40 policy files and prioritised its work by allocating the files to a number of tranches

UK Wholesale Markets Review

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. In July 2022 the FCA published the consultation paper CP22/12 ‘Improving Equity Secondary Markets’. The FCA published its related Policy Statement (PS23/4) in May 2023 – see [here](#). The new post-trade transparency requirements (changes to inter fund transfers; give-ups and give-ins; inter-affiliate trades; central counterparties; deferrals; trade reports; and reporting fields) will entered into force on **29 April 2024**, as will a new Designated Reporter Regime.

FCA review of Consumer Duty Implementation

On 20 February 2024, the FCA published its findings, on a [webpage](#), following a review of firms’ implementation of the consumer duty. It has also published the [results](#) of the second survey of firms carried out in November 2023, together with a [summary](#) of the key information it found.

Also on 20 February 2024, the FCA published a [speech](#) by Sheldon Mills, FCA Executive Director, Consumers and Competition, on the consumer duty.

In the speech, Mr Mills summarises the FCA’s view of the progress firms have made so far with regard to implementing the duty and refers to its latest report on firms’ good and bad practices.

FCA Business Plan 2024/25

On 19 March 2024, the FCA published its 2024/25 Business Plan that sets out its business priorities for the year ahead. See [here](#). To highlight a few items, the FCA will:

- Start to encourage innovation and evolving markets by supporting industry work on T+1 settlement, which will increase efficiency.

Legislation**Details****FCA Business Plan 2024/25**

- Issue a discussion paper on transferring the MiFID data reporting regimes for transactions (RTS 22), and reference data (RTS 23).
- Consult on regulatory changes to introduce more options on how to pay for investment research. This workstream addresses a recommendation made in the UK Investment Research Review (IRR) report, which was published in July 2023.
- Extend data reporting supervision approach to EMIR, SFTR and Orderbook regimes.
- Ensure derivative markets are ready to implement the new derivative reporting rules UK EMIR in September 2024.
- Ensure the orderly transition away from LIBOR.
- Confirm its final rules for the UK's OFR applications gateway following its December 2023 consultation paper (CP23/26).

FCA Consultation on Paying for Investment Research.

On 10 April 2024, the FCA announced that it 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), that the FCA proposes would exist alongside those already available, such as payment from an asset manager's own resources or from a dedicated account. The FCA also launched a [consultation](#) putting forward plans for a new way to pay for investment research. The consultation closes on **5 June 2024**.

The FCA aims to produce final rules in the first half of 2024, after carefully considering the feedback it receives, but the timetable will be determined by the amount, strength and breadth of the information gathered in the consultation.

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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