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1 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 is my colleague, Matthew Cherrill. This month we 're diving into the following developments: • Regulators are grappling with the rise of artificial intelligence, • The UK is overhauling its fund management rules, • And the transition to T+1 settlement is heating up. Mandy: There's a lot to cover, and only two of us this month, so let's jump right in. The dominant theme across almost every regulator right now is Artificial Intelligence. It's seen by them as both an opportunity and a significant new threat. Matt: Absolutely. The UK's Financial Conduct Authority published the Mills review on the 6 th of July, looking at how AI could reshape retail finance by 2030. They found that 11 million UK adults are already willing to use 'agentic AI' for their personal finances, albeit with concerns about control and trust. Mandy: But with that appetite comes risk, as the FCA highlighted the potential for AI to amplify fraud, cyber security threats, and consumer harm. They've put forward seven recommendations, including scaling up their own AI Lab and building an AI- enabled supervisory model. Matt: And it's not just the UK. Singapore is also taking a proactive stance. On the 3 rd of July, the Monetary Authority of Singapore released a white paper for what they're calling "SAFR" - Safeguards for Agentic Finance at Runtime. Mandy: That's right, it's a framework for letting AI agents safely execute financial tasks. They're already looking at use cases in wealth management and agent-assisted payments. It's a clear signal that regulators see agentic AI as inevitable and are trying to build the guardrails now. Matt: European regulators are also sounding the alarm on the risks of AI. On the 7 th of July, the European Systemic Risk Board published a stark warning, upgrading systemic cyber risk from "elevated" to "severe." Mandy: What's driving that change? Is it Frontier AI models?

2 Matt: Yes, the ESRB says that, even though frontier AI could eventually strengthen cyber resilience, in the short to medium term, these powerful AI models give a distinct advantage to threat actors, allowing them to discover vulnerabilities and launch cyberattacks with unprecedented speed and scale. The CSSF in Luxembourg echoed this, noting that traditional cybersecurity measures are showing serious limitations against these new AI-augmented threats. Mandy: So, a double-edged sword. Whilst AI promises efficiency and personalization for consumers, it could also supercharge the capabilities of those with malicious intent. A space to watch very closely. Mandy: Now, let's turn our focus to the UK, where some major rule changes are on the horizon for fund managers. Matt: That's right. On the 14 th of July, the FCA and HM Treasury launched a major consultation on the UK's Alternative Investment Fund Managers regime. They're planning a big shake-up, moving most of the rules from primary legislation into the FCA Handbook, including the creation of a new AIFM sourcebook. Mandy: Sounds very relevant for our audience. What are the key proposals? Matt: The main goal seems to be simplification. They're proposing to replace the complex manager categories with a simpler, three-tiered system based on Assets Under Management. Mandy: And this is all part of the regulators wider effort to make the UK's rulebook more competitive post-Brexit? Matt: Exactly. They're also looking to clarify the definition of an 'Alternative Investment Fund' to remove what the FCA calls "grey areas" that have led to different interpretations of the current definition, removing the statutory requirement for an independent valuer, and other changes to risk management, disclosures, and closed ended investment funds. The consultation closes in two stages in September and October 2026, and the full implementation is intended for 2028. Mandy: Okay, let's finish with a quick round-up of other key developments from

around the globe. Matt, what's happening with settlement times? Matt: The transition to T+1 is on! On the 20 th of July, the European Securities and Markets Authority put out a statement urging firms to finalize their preparations. The

3 go-live date for Europe and the UK is the 11 th of October 2027, and ESMA is making it clear that 2026 is the critical year to get ready. Mandy: Moving to the US, the Securities and Exchange Commission is looking to modernize how investors receive information. On the 17 th of July, they proposed "Regulation E-Delivery." This would make electronic delivery the default for documents like prospectuses and shareholder reports. Matt: A move the SEC says is long overdue, it aims to replace the existing paper- first approach. Investors can still opt to receive paper copies, but it marks a significant shift to a digital-first mindset for regulatory disclosures. Mandy: So this month’s theme is modernization across the board, whether it's embracing digital documents in the US or simplifying fund management rules in the UK. Matt: And all of this is happening under the long shadow of AI. MANDY: 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.

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