

New in RegTech:

Global compliance moves in focus: From FCA signals to AI and beyond

Authors:

Lewis Davison, VP of Product, Documents & Templates

Laurent Louvrier, SVP of AI

Mike Marmo, VP of Product, Regulatory Reporting

Kyrstin Ritsema, Executive Director, Compliance Services

Edition 24: September 2025

Expect It.
confluence.com



Introduction

Regulatory bodies worldwide are signaling new priorities that will shape compliance, operational processes, and technology investment in the months ahead. From the FCA's closer scrutiny of short selling and position reporting, to emerging global standards on AI governance, and renewed focus on leverage in hedge funds, regulators are refining the tools they use to oversee increasingly complex markets. In Asia-Pacific, the Monetary Authority of Singapore is reinforcing disclosure standards in ways that could influence cross-border distribution strategies.

In this month's edition, we explore these developments, their potential impact, and how firms can respond proactively.

In this edition, we cover:

- ▶ **FCA short selling & position reporting:** Potential changes to timelines, thresholds, and validation requirements.
- ▶ **Global AI governance alignment:** IOSCO and OECD progress towards shared principles for explainability, accountability, and risk management.
- ▶ **ESMA's leverage risk review:** How data on hedge fund leverage could inform future supervisory action.
- ▶ **Closed-end funds and private investments:** The SEC's latest guidance highlights valuation, liquidity, and conflict management challenges that compliance teams must address at scale.
- ▶ **MAS disclosure updates:** Strengthening transparency for retail investors in Singapore and beyond.

FCA's push on short selling & position reporting

Background: Strengthening market oversight

In a recent [Primary Market Bulletin](#), the UK Financial Conduct Authority (FCA) outlined steps to strengthen its detection capabilities in position reporting and directors' dealing cases. The move includes the formation of a new Market Oversight Data & Intelligence department to optimize how the FCA uses position and transaction reports.

While the FCA has not yet proposed specific rule changes, its emphasis on timely and accurate reporting mirrors broader reforms in the EU post-Short Selling Regulation review.

Why this matters

Major shareholding disclosures and net short position reports underpin market transparency and investor confidence. Late submissions or missing reports can undermine the regulator's ability to detect abuse or manage systemic risk.

Potential implications for firms

Firms may see:

- ▶ Tighter submission deadlines for reporting positions.
- ▶ Enhanced data validation protocols before submissions.
- ▶ Increased supervisory follow-up where anomalies or gaps are detected.

Preparing for a possible shift

Compliance teams should consider:

- ▶ Reviewing aggregation processes for positions across desks and entities.
- ▶ Testing data quality checks to avoid rejections or late filings.
- ▶ Training staff on current FCA expectations and monitoring for consultation announcements.

How Confluence can help

Confluence's expertise in short selling and position disclosure reporting supports firms in consolidating data, applying the correct thresholds, and maintaining robust audit trails. Our solutions help compliance teams reduce operational risk while meeting evolving UK and EU requirements with precision and efficiency.

Learn more about [Confluence Signal Investment Monitoring here](#).

| **Mike Marmo, VP of Product, Regulatory Reporting**

Global momentum: AI governance takes shape

Background: From guidance to global principles

Artificial intelligence is becoming a core driver of operational efficiency in financial services – from portfolio optimization to regulatory reporting. But as adoption grows, so does the regulatory focus on governance. In September, IOSCO and the OECD advanced discussions on harmonizing AI governance principles for financial markets, signaling that common standards may be on the horizon.

Key themes emerging from global dialogue

- ▶ Transparency and explainability: Firms should be able to articulate AI-driven outcomes in non-technical terms.
- ▶ Accountability: Clear allocation of responsibility for AI outputs and ongoing oversight.
- ▶ Risk Controls: Continuous monitoring for model drift, bias, and unintended outcomes.
- ▶ Data Integrity: Use of accurate, representative, and secure training datasets.

The industry response

Firms leveraging AI in trading, client engagement, or risk assessment may soon need to:

- ▶ Maintain formal AI model inventories.
- ▶ Implement regular model validation and performance reviews.
- ▶ Provide governance committees with meaningful oversight data.

AI governance is not just a compliance requirement – it's a foundation for trust in a technology that's shaping the future of financial services. The institutions that master transparency and accountability will be best positioned to harness AI's benefits without amplifying its risks.

Laurent Louvrier, Confluence's expert in AI-driven compliance innovation

How Confluence can help

With deep expertise in AI-enabled compliance, Confluence works with clients to help them meet emerging governance expectations while maintaining operational efficiency. Our teams support the design of AI processes that are transparent, auditable, and aligned with evolving regulatory principles.

Laurent Louvrier, SVP of AI

ESMA eyes leverage risk in hedge funds

Why leverage is back in focus

ESMA's recent supervisory work has revisited the role of leverage in hedge funds, particularly where it intersects with liquidity risk. Leveraged strategies can magnify returns, but also systemic vulnerabilities — especially in stressed market conditions.

Areas of concern

- ▶ Liquidity pressure: Highly leveraged portfolios may need to unwind rapidly during volatility, impacting market stability.
- ▶ Interconnectedness: Counterparty exposure can transmit shocks across the financial system.
- ▶ Transparency: Complex instruments may obscure the true level of embedded leverage.

Possible supervisory actions

While ESMA's work is exploratory, potential outcomes could include:

- ▶ Enhanced leverage and liquidity reporting requirements.
- ▶ More frequent supervisory stress testing.
- ▶ Limits on certain forms of synthetic leverage.

How firms can prepare

- ▶ Review internal leverage definitions to align with ESMA's metrics.
- ▶ Stress test portfolios for combined leverage and liquidity shocks.
- ▶ Ensure counterparty risk monitoring is current and comprehensive.

How Confluence can help

Confluence's Omnia platform enables firms to centralize portfolio data, apply leverage and liquidity metrics consistently, and enhance reporting accuracy for regulators. Omnia's data governance features also support the integration of stress testing outputs and counterparty exposure monitoring.

Watch our Confluence Omnia explainer video [here](#).

| **Mike Marmo, VP of Product, Regulatory Reporting**

Private investments in closed-end funds: Compliance complexities at scale

Confluence compliance services insight

The SEC's Accounting and Disclosure Information 2025-16 (ADI 2025-16) signals heightened expectations for closed-end funds with material private fund allocations. By removing rigid thresholds, the Commission has broadened flexibility while raising the bar on governance and disclosure.

Key compliance challenges

- 1. Valuation oversight:** Private holdings heighten regulatory sensitivity. The SEC expects boards and managers not only to have valuation policies but to demonstrate their robustness in practice, with defensible outcomes that withstand challenge.
- 2. Liquidity governance:** Despite non-redeemable structures, leverage, distribution commitments, and market stress scenarios mean liquidity remains a live issue. Disclosures must go beyond mechanics to acknowledge illiquidity risk clearly and plainly.
- 3. Conflicts of interest:** Layered fees, affiliated allocations, and performance asymmetries intensify reputational risk. ADI 2025-16 underscores that conflicts must be addressed transparently, not simply disclosed as a formality.

Regulatory posture

The SEC's message is clear: with greater flexibility comes greater responsibility. Compliance functions are expected to embed transparency, rigor, and accountability into governance across valuation, liquidity, and conflicts. For boards and CCOs, this is less about box-ticking and more about narrative integrity – ensuring disclosures reflect risks as they are, not as they are hoped to be.

How Confluence can help

Confluence's Compliance Services team partners with firms to address the scale and complexity of evolving governance demands. From reviewing valuation practices and liquidity frameworks to strengthening conflict disclosures and board reporting, our experts bring hands-on regulatory insight and operational experience. We help firms translate regulatory expectations into defensible, transparent practices that build trust with both regulators and investors.

| **Kyrstin Ritsema, Executive Director, Compliance Services**

MAS disclosure updates in Singapore

Background: Reinforcing investor protection

The Monetary Authority of Singapore (MAS) has issued updated guidance to strengthen retail investor disclosures. While focused on Singapore, the changes are relevant to any firm distributing funds cross-border into the market.

Key changes

- ▶ Fee breakdown: More granular disclosure of both direct and indirect costs.
- ▶ Liquidity transparency: Clearer statements on redemption timelines and gating provisions.
- ▶ Risk presentation: Use of plain language tailored for retail comprehension.

Strategic considerations

Firms marketing into Singapore should:

- ▶ Review Key Facts Statements (KFS) and prospectuses for compliance with new expectations.
- ▶ Align marketing content with formal disclosures to avoid inconsistencies.
- ▶ Monitor MAS communications for further guidance or consultation follow-ups.

How Confluence can help

At Confluence, we understand that evolving regulatory expectations, such as MAS's proposals on product disclosures, require flexible and future-ready solutions. Our Document & Template Production solution is designed to adapt to evolving regulatory requirements, and we are prepared to work with clients and prospects who may need support in this area.

For firms evaluating how best to respond to MAS's consultation and potential disclosure requirements, Confluence offers both the technology and the expertise to align documentation with regulatory and investor needs. If this is an area of interest for your organization, we encourage you to connect with us.

| **Lewis Davison, VP of Product, Documents & Templates**

Subscribe for future editions

Stay informed with the latest regulatory updates, insights, and practical guidance. Subscribe to the Confluence newsletter to receive the RegTech Report straight to your inbox each month.

Make Our Experts Your Experts

Our team of regulatory experts, including former chief compliance officers and regulators, leverage their experience along with our compliance management and regulatory reporting tools to help your compliance team build, optimize, test and manage compliance programs tailored to your unique needs. Our broad industry expertise is your competitive advantage for greater efficiency and scalability.

[Learn more about how Confluence can help.](#)

Disclaimer

The content provided by Confluence Technologies, Inc. is for general informational purposes only and does not constitute legal, regulatory, financial, investment, or other professional advice. It should not be relied upon as a substitute for specific advice tailored to particular circumstances. Recipients should seek guidance from appropriately qualified professionals before making any decisions based on this content.

Unless otherwise stated, Confluence Technologies, Inc. (or the relevant group entity) owns the copyright and all related intellectual property rights in this material, including but not limited to database rights, trademarks, registered trademarks, service marks, and logos.

No part of this content may be adapted, modified, reproduced, republished, uploaded, posted, broadcast, or transmitted to third parties for commercial purposes without prior written consent.

About Confluence

Confluence is a leading global technology solutions provider committed to helping the investment management industry solve complex data challenges across the front, middle, and back offices. From data-driven portfolio analytics to compliance and regulatory solutions, including investment insights and research, Confluence invests in the latest technology to meet the evolving needs of asset managers, asset owners, asset servicers, and asset allocators to provide best-of-breed solutions that deliver maximum scalability, speed, and flexibility, while reducing risk and increasing efficiency. Headquartered in Pittsburgh, PA, with ~700 employees in 15 offices across the United Kingdom, Europe, North America, South Africa, and Australia, Confluence services over 1000 clients in more than 40 countries. For more information, visit confluence.com



Confluence is proud to be recognized as an industry leader.

Contact us to find out more.

confluence.com/contact

