

# New in RegTech:

From settlement speeds to strategic supervision:  
Regulation in transition

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## Introduction

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November's regulatory developments reflect a continued recalibration of global supervision—faster markets, evolving consumer protections, and continuing regulatory attention on operational resilience. Europe is preparing for a move to **T+1 settlement**, expected to enhance efficiency but likely to test readiness across post-trade processes. In the UK, the **FCA is refining both its MiFID organizational rules and the Consumer Duty framework**, while across the Atlantic, the **SEC and CFTC have once again delayed Form PF implementation** to allow firms more time for adaptation.

Meanwhile, across compliance and operations, the conversation continues about how to balance automation, governance, and regulatory clarity.

### In this edition, we cover:

- ▶ **T+1 settlement in Europe:** Roadmap, challenges, and what firms can do now
- ▶ **ESMA sets liquidity and redemption standards for Loan-Originating AIFs:** New draft RTS outline governance, liquidity, and stress-testing requirements for open-ended LO AIFs, reinforcing transparency and supervisory consistency across the EU
- ▶ **FCA policy statement on MiFID organizational regulation:** Key rule changes and operational impact
- ▶ **FCA's review of consumer duty:** Adjusting the balance between protection and proportionality
- ▶ **Form PF deadline extended to 2026:** What the delay means and how to stay ready

## T+1 settlement in Europe: Preparing for a shorter cycle

### The background: Momentum toward efficiency

Following the successful transition of U.S. markets to T+1 in May 2024, European regulators have intensified their own planning. In June 2025, the **European Securities and Markets Authority (ESMA)** and the **European Commission** jointly endorsed a **high-level roadmap** targeting **October 2027** for a full transition to T+1 settlement across the EU.

This change aims to align global trading calendars, reduce counterparty and systemic risk, and improve liquidity management across borders.

### Operational implications

For firms used to the two-day (T+2) cycle, T+1 compresses nearly every operational step. Trade confirmation, affirmation, allocation, and matching will all need to occur within hours of execution, often overnight.

The biggest challenges include:

- ▶ **Data readiness and automation:** Legacy systems may require enhancement to support intraday matching.
- ▶ **Funding and liquidity:** Settlement compression can strain treasury functions, especially for cross-currency transactions.
- ▶ **Coordination complexity:** Custodians, CSDs, and asset managers will all have to synchronize global workflows.
- ▶ **Corporate action alignment:** Dividend and ex-date processes will require recalibration to prevent mismatches.

### Market-wide considerations

While T+1 offers reduced risk, it introduces new dependencies, particularly across time zones. Asia-based firms trading in Europe could find themselves reconciling and confirming trades in the middle of their local night. Regulators are encouraging early testing and bilateral coordination between trading parties and post-trade infrastructure providers.

### Practical steps for readiness

- ▶ Conduct full trade lifecycle mapping to identify bottlenecks.
- ▶ Begin simulation testing and mock settlements on a T+1 clock.
- ▶ Engage vendors and custodians on automation timelines.
- ▶ Review collateral management and funding procedures under tighter cycles.

### How Confluence can help

Confluence supports firms in adapting to post-trade changes with **Signal Investment Monitoring**, our end-to-end solution for shareholder disclosure reporting and position limits. Signal enables automated tracking and reporting of positions, providing daily visibility into regulatory obligations and thresholds. Our teams work closely with clients to improve reporting workflows, implement scalable governance processes, and identify automation opportunities that help mitigate operational risk. By combining deep regulatory expertise with powerful monitoring capabilities, Confluence supports firms in managing shareholder disclosures efficiently, supporting timely responses to market events and greater confidence in compliance processes.

▶ **Aspasia Latsi, International Regulatory Analyst**

## ESMA publishes draft implementing rules for Loan-Originating AIFs

### Strengthening liquidity and governance standards

On 21 October 2025, the European Securities and Markets Authority (ESMA) published draft Regulatory Technical Standards (RTS) for **Loan-Originating Alternative Investment Funds (LO AIFs)** under the AIFMD II framework. The draft rules clarify the requirements that LO AIFs must meet to maintain an open-ended structure, a notable development for fund managers active in private credit and direct lending.

These draft RTS are part of ESMA's broader work to promote consistent supervision across EU member states while supporting the continued growth of the private credit market. The proposed rules focus on risk management discipline, transparency, and liquidity safeguards.

### Key requirements outlined

The RTS specify that LO AIFs wishing to remain open-ended must implement and maintain:

- ▶ **A robust liquidity management system** – ensuring the fund's structure and operations are consistent with its redemption terms.
- ▶ **Adequate availability of liquid assets** – to meet redemption requests without compromising portfolio integrity.
- ▶ **Regular stress testing** – to assess liquidity under varying market scenarios and ensure readiness for potential strain.
- ▶ **Appropriate redemption policies** – designed in line with the fund's underlying asset liquidity, portfolio concentration, and investor profile.

ESMA also proposes a list of **factors that AIFMs should consider** when determining redemption frequency and evaluating asset liquidity, including credit quality, borrower diversification, maturity structure, and the secondary market depth for loans.

### Implications for fund managers

The publication of these RTS provides greater clarity but also highlights potential operational and data challenges facing loan-originating AIFs. Managers will need to review their liquidity management frameworks, update risk assessment procedures, and confirm that governance processes are clearly documented and defensible.

For firms with global operations, the draft RTS also underscore the increasing alignment between European and international regulatory approaches to liquidity risk management – echoing principles seen in the SEC's liquidity risk programs and IOSCO's liquidity guidance.

The consultation phase offers an opportunity for market participants to provide feedback on how the RTS may affect loan origination activity, investor access, and fund structuring choices.

### Implementation timeline and potential delay

While the RTS currently indicate an application date of 16 April 2026, these standards are listed among the 115 "non-essential" Level 2 acts that the European Commission has confirmed will not be adopted before 1 October 2027 at the earliest. This suggests that firms may face an extended timeline before the requirements formally take effect.

Nonetheless, the regulatory trend indicates an increased focus on liquidity governance and transparency for open-ended loan-originating funds, so early review of internal frameworks may still be prudent.

### Strategic considerations

For alternative credit managers, the direction of travel is clear: liquidity governance is moving closer to the front line of regulatory scrutiny.

Firms should consider:

- ▶ Conducting **gap analyses** of existing liquidity and redemption processes.
- ▶ Reviewing **valuation and loan monitoring systems** to ensure they support stress testing and liquidity assessments.
- ▶ Documenting **governance oversight** and escalation procedures tied to redemption management.
- ▶ Engaging with depositaries and administrators early to coordinate compliance frameworks.

As the RTS evolve, operational readiness and documentation discipline will be critical to supporting investor confidence and regulatory engagement.

### How Confluence can help

Confluence supports alternative fund managers through a combination of regulatory expertise, operational insight, and technology solutions that enhance transparency and operational oversight. Our teams work with clients to strengthen governance frameworks, review liquidity and stress-testing documentation, and enhance oversight workflows through integrated data and reporting processes.

Through collaboration and deep regulatory understanding, we support firms in anticipating regulatory change and aligning processes with supervisory expectations.

▶ *Lewis Davison, VP of Product, Documents & Templates Production*

## FCA policy statement on MiFID organizational regulation: Strengthening governance and clarity

### Background

On **October 24, 2025**, the **UK Financial Conduct Authority (FCA)** published its [Policy Statement and final rules](#) following consultation on the [MiFID Organisational Regulation](#). The update aims to simplify governance expectations and improve proportionality across firm types while maintaining robust investor safeguards.

### Key rule updates

The policy statement finalizes several areas of focus:

- ▶ **Governance clarity:** Strengthened senior management accountability for oversight of third-party providers and outsourcing arrangements.
- ▶ **Operational resilience:** Enhanced requirements for risk identification, incident reporting, and escalation processes.
- ▶ **Record-keeping and conflicts of interest:** Updated guidance on managing internal data silos, mitigating conflicts, and maintaining accurate audit trails.
- ▶ **Proportionality principle:** Smaller firms gain greater flexibility in implementing oversight frameworks without compromising standards.

### What firms should be doing

Firms may wish to review and, where necessary, revise governance documentation to reflect these final rules. This includes:

- ▶ Updating organizational charts and SMCR responsibilities.
- ▶ Revising outsourcing due diligence and vendor monitoring policies.
- ▶ Performing internal audits of data governance and record-keeping systems.
- ▶ Reassessing conflict management frameworks to support alignment with the new expectations.

### Strategic context

This MiFID update also forms part of the UK's broader **post-Brexit regulatory divergence**, where the FCA seeks to simplify legacy EU rules while retaining market integrity. The policy statement complements other FCA initiatives, such as the **Operational Resilience Regime** and **Consumer Duty**, both aimed at building firm accountability and improving regulatory efficiency.

▶ *Lewis Davison, VP of Product, Documents & Templates Production*

## FCA's review of consumer duty: Easing the burden without diluting protection

### Background

The **FCA's Consumer Duty**, introduced in July 2023, continues to be a defining feature of the UK regulatory landscape. However, two years on, the regulator has acknowledged that the regime's scope and complexity may be creating operational challenges, particularly on wholesale and professional market participants.

In an **FT report (October 2025)**, the FCA signalled plans to **review and potentially recalibrate the Duty**, focusing on proportionality and duplication concerns. The move reflects growing industry feedback that the Duty's language and requirements may not always fit the business models of firms dealing primarily with institutional clients.

### Areas under consideration

- ▶ **Client categorization:** Clarifying how obligations apply across retail, elective professional, and institutional clients.
- ▶ **Disclosure simplification:** Reducing overlaps between Consumer Duty, MiFID, and SMCR obligations.
- ▶ **Data and monitoring expectations:** Reassessing requirements for outcome testing and MI collection.

### Industry impact

While the FCA remains committed to its "higher standard of consumer protection," this review suggests the FCA acknowledges the importance of proportionality. For many firms, a more balanced framework may result in a reduced administrative burden and clearer implementation pathways.

However, any amendments will still require firms to demonstrate that clients receive fair outcomes—so governance, documentation, and product oversight processes remain vital.

### Next steps for firms

- ▶ Stay alert to FCA consultation papers outlining proposed amendments.
- ▶ Maintain up-to-date client categorization mapping and documentation.
- ▶ Review MI dashboards and evidence of client fairness metrics.
- ▶ Continue training staff to apply Consumer Duty principles proportionately.

▶ *Lewis Davison, VP of Product, Documents & Templates Production*

## Form PF deadline extended to 2026: time to reassess and refine

### Background

On **September 18, 2025**, the **SEC and CFTC** announced a further extension of the **Form PF** compliance deadline to **October 1, 2026**—the second such delay in a year. The postponement reflects the regulators' recognition of industry concerns regarding data aggregation, system complexity, and compliance resource constraints.

While the extension offers additional time for preparation, regulators have emphasized that **firms should continue to progress readiness efforts**, using this period to strengthen internal data quality and governance structures rather than pausing implementation.

### Operational considerations

Form PF remains one of the most data-intensive filings for private fund advisers. With expanded reporting items on fund exposures, borrowings, and counterparty risk, firms must establish a sustainable architecture for:

- ▶ Data integration across front, middle, and back offices.
- ▶ Automation of fund-level calculations.
- ▶ Validation and sign-off procedures.
- ▶ Governance documentation and audit traceability.

### Why the delay matters

The extension extends the preparation window but also lengthens the period before final implementation clarity. Many firms now face strategic choices about sequencing—whether to proceed with partial system rollouts or wait for final clarification on filing formats. This is an opportunity to conduct “health checks” on internal workflows, standardize data sources, and run mock submissions before the clock starts ticking.

### Suggested next steps

- ▶ Map data sources and verify completeness across entities.
- ▶ Conduct pilot exercises to test filing readiness.
- ▶ Review internal governance frameworks and escalation paths.
- ▶ Engage with industry peers and service providers to benchmark approaches.

### How Confluence can help

Confluence's **Omnia platform** and **Compliance Services** offerings help clients map their Form PF processes, identify gaps, and improve reporting efficiency. Through readiness workshops, data governance reviews, and mock submissions, our teams work alongside firms to strengthen oversight and documentation— helping them prepare for a smooth transition.

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

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