



Addressing top of mind issues for capital markets and wealth management



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The Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act



Update

The US has established a comprehensive regulatory framework for payment stablecoins through the Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act), signed into law on July 18, 2025.¹ This bipartisan legislation aims to mitigate financial risks and protect consumers in the rapidly evolving digital asset landscape. Key provisions include the following:

- The GENIUS Act requires stablecoins to be fully backed by liquid assets such as US currency or short-term Treasuries.
- It mandates audits, transparency, and government approval for issuers, creating a dual federal and state supervisory system.
- Only permitted issuers, including insured depository institutions and approved nonbank entities, may issue stablecoins in the US.
- Issuers must register and obtain approval from either federal or state regulators based on their structure and size.

The Act is set to take effect 18 months after enactment or 120 days after final regulations are issued, whichever is earlier. This timeline underscores the need for issuers to prepare promptly for compliance.

The GENIUS Act represents a significant step towards legitimizing stablecoins within the US financial system while addressing potential risks. By establishing clear guidelines for backing, issuance, and supervision, the Act creates a more stable environment for both consumers and issuers. As the regulatory landscape evolves, financial institutions must adapt their strategies to comply with these new requirements and capitalize on the opportunities presented by a more structured market.

Insight

1

Seek regulatory guidance: Track rulemakings from the Secretary of the Treasury and Stablecoin Certification Review Committee.

2

Seek regulatory guidance: Prepare documentation for federal or state-level registration.

3

Evaluate reserve backing models: Ensure 1:1 backing with approved liquid assets.

4

Audit and reporting preparedness: Implement monthly reserve disclosures, and third-party audits.

Resources

- [Crypto and Digital Assets: Final GENIUS Act and Other Actions](#)
- [Stablecoins: The Bridge Between Traditional Finance and Digital Assets](#)

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Update

The SEC's recent no-action letter² on July 22, 2025, provides relief to broker-dealers acting as Authorized Participants for Exchange-Traded Funds (ETFs) holding foreign securities. This decision addresses the capital charges faced by broker-dealers due to timing differences in settling foreign securities. Key highlights of the letter include the following:

- The SEC's no-action relief allows broker-dealers to classify certain unsecured receivables as allowable assets under Rule 15c3-1(c)(2)(iv)(E) if the following conditions are met:
 - Unsecured receivables must be resolved within four business days.
 - Unsecured collateral and portfolio securities must be held by the Bank Custodian until settlement completion.
 - The value of unsecured receivables is capped at 10 percent of the broker-dealer's tentative net capital for a single ETF transaction and 25 percent overall.

The SEC's decision is expected to ease the capital burden on broker-dealers participating in ETF transactions involving foreign securities. By allowing more flexibility in managing settlement timing, broker-dealers can optimize their capital usage while maintaining compliance with regulatory requirements. As the ETF market continues to evolve with increasing foreign security holdings, this relief is likely to have a positive impact on market liquidity and efficiency.

Insight

1

Establish enhanced policies to monitor foreign security transactions and ensure compliance with SEA Rule 15c3-1.

2

Integrate monitoring systems and real-time market analysis to manage risks associated with foreign securities in ETFs.

3

Educate personnel on the requirements and timelines outlined in the no-action letter and maintain strict tracking of settlement and collateral processes.

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²SEC, "Broker-Dealer Capital Charges in Connection with the Creation and Redemption of SEC-Registered Exchange-Traded Funds" (July 22, 2025)

Update

The White House recently unveiled a policy initiative aimed at increasing access to alternative assets in American retirement plans, such as 401(k)s. This move is expected to enhance diversification and potential returns for millions of Americans preparing for retirement, as follows:

- The policy initiative reduces regulatory and litigation obstacles, enabling fiduciaries to offer alternative investment opportunities in defined-contribution plans.
- Wealth and asset managers must respond strategically to bring alternative funds to retail customers.
- The changes are likely to increase the volume of communications associated with retail customers and require more efficient operating models.

To capitalize on these changes, firms will need to adapt their service models, operating capabilities, and distribution strategies. This includes enhancing service models with specialized product support teams, scaling operating models through intelligent automation, expanding distribution through wholesaling strategies and adviser training, and building credibility with transparent fee structures and strategic partnerships. As the retirement landscape evolves, firms that proactively adapt to these changes are likely to gain a competitive edge.

Insight

1

Enhance service models with specialized product support teams.

2

Scale operating models through intelligent automation.

3

Expand distribution through wholesaling strategies and advisor training.

4

Build credibility with transparent fee structures and strategic partnerships.

Resources

- [The Rapid Rise of Retail Alternative Funds](#)

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Update

The European Securities and Markets Authority (ESMA) has proposed a significant change to the settlement cycle in European financial markets, aiming to move to a T+1 settlement cycle by October 11, 2027. This change is expected to have far-reaching implications for various stakeholders in the financial sector. Highlights include the following:

- The proposed T+1 settlement cycle will primarily affect equities, ETFs, securities lending and borrowing activities, repurchase agreements (repos), and sovereign debt.
- Nearly all publicly traded securities will be in scope, while traditional investment funds are currently exempt due to not being traded on public markets.
- Europe's diverse financial landscape, with multiple currencies, regulatory environments, and infrastructural differences, poses significant challenges to the transition.
- Achieving the T+1 settlement cycle will require substantial changes to the financial sector's infrastructure and processes, with a focus on automation.

The transition to a T+1 settlement cycle presents both opportunities and challenges for the European financial sector. While the benefits of reduced settlement risk and increased efficiency are clear, the complexity of Europe's financial landscape demands careful planning and coordination. A successful transition will require significant investments in automation and infrastructure upgrades. As the industry navigates this change, it is likely that we will see a shift toward greater standardization and harmonization across different markets and jurisdictions.

Insight

1

Monitor ESMA guidance and industry best practices for rule clarifications and implementation challenges.

2

Identify and address technical challenges through process assessments and IT system upgrades.

3

Develop system enhancements to streamline settlement processing and agree on operational process roles and timelines.

4

Perform end-to-end testing with stakeholders to resolve potential cross-border settlement issues.

Resources

- [T+1 settlement in Europe: Hidden challenges for investment funds](#)

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Update

The SEC recently issued³ answers to Frequently Asked Questions (FAQs) related to amendments⁴ to SEA Rule 15c3-3, the customer protection rule, on August 6, 2025. These answers to the FAQs provide clarity on specific aspects of the rule amendments associated with US Treasury Clearing. Key clarifications include:

- The location of debits and credits in the customer reserve formula when cash is delivered to a broker-dealer and posted to a qualified clearing agency
- Inclusion of various debits and credits in the customer reserve formula, including prefunding margin requirements, utilizing customer securities for margin, and treatment of excess margin collateral and margin payments
- Applicability of the FAQs to broker-dealers' proprietary account of brokers reserve formula

The recent guidance aims to provide clarity on the customer reserve formula and its implications for broker-dealers. As regulatory landscapes evolve, understanding these changes is crucial for compliance and operational adjustments.

From a regulatory compliance standpoint, it's essential to recognize that the answers to the FAQs represent a continued effort to refine and clarify existing rules. The focus on customer protection and clearing processes underscores the importance of evaluating compliance with SEC requirements and maintaining a robust risk management frameworks.

Insight

1

Monitor regulatory guidance for new or changing rules

2

Review FAQs to assess impact on customer and PAB reserve formula requirements

3

Assess necessary changes to regulatory reporting processes and controls

4

Update regulatory reporting policies and procedures accordingly

Resources

- [US Treasury central clearing and settlement transformation](#)

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³ SEC, "Staff Issues FAQs to Help Broker-Dealers Implement Financial Responsibility Requirements Related to U.S. Treasury Clearing" (August 6, 2025) [Press Release]
⁴ SEC, "SEC Adopts Rules to Improve Risk Management in Clearance and Settlement and Facilitate Additional Central Clearing for the U.S. Treasury Market" (December 13, 2023) [Press Release]

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