EVIA European Venues & Intermediaries Association

EVIA Compliance Advisory

Regulatory Activities & Initiatives Grid; May; 2021

Full Grid and Outlook Below

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3. Highlights from the Regulatory Environment

The UK government confirmed that it had concluded technical negotiations with the EU on the UK–EU Memorandum of Understanding (MoU) for financial services regulatory cooperation. *Formal steps need to be undertaken on both sides before the MoU can be signed, but the UK expects this can be done quickly. The MoU will establish the UK-EU Financial Regulatory Forum, a platform to facilitate dialogue on financial services issues.*

The UK also published the recommendations from Lord Hill's UK Listings Review which examined how the UK can enhance its position as an international destination for IPOs and improve the capital-raising process for companies seeking to list in London. The UK Listing Review examined how companies raise equity capital on UK public markets and makes recommendations on improving the process, while aiming to maintain the high standards of corporate governance, shareholder rights and transparency. The Review's key recommendations include:

- i allowing companies to adopt "dual-class" shares in the premium listing segment of the LSE. This will allow company founders to list their companies while keeping control of them. Modernising listing rules to allow dual class share structures in the London Stock Exchange's (LSE) premium listing segment, giving directors (in particular, founders) enhanced voting rights on certain decisions, with safeguards to maintain high corporate governance standards.
- ii reducing the proportion of a company's shares that must be publicly traded from 25% to 15%, to encourage more listings; and
- iii allowing special purpose acquisition companies (SPACs) to list on the LSE. Liberalising the rules regarding special purpose acquisition companies (SPACs), with appropriate safeguards for investors.
- iv An annual report on the state of the City, and its competitive position, delivered to Parliament by the Chancellor.
- v Rebranding and repositioning the LSE's standard listing segment to increase its appeal to companies of all sizes and types.
- vi A fundamental review of the prospectus regime, so that in future, admission to a regulated market and offers to the public are treated separately – this will ensure it

reflects the breadth and maturity of UK capital markets and the evolution in the types of business coming to market.

- *The FCA has welcomed the review and intends to publish a consultation paper by summer 2021 on certain aspects of the recommendations.*
    - The FCA will review these recommendations and will consult in summer 2021, with a view to reaching final rules by late 2021.
    - The FCA also supports proposal for a fundamental review of the legislative framework for the prospectus regime, with a view to better aligning documentation requirements with the type of transaction being undertaken.

The BoE, PRA and FCA released a series of Policy and Supervisory Statements outlining their final supervisory approach to operational resilience. *The final operational resilience policy maintains the approach that was consulted on in 2019.*

- It focuses on firms improving their operational resilience through the identification of important business services, setting impact tolerances for their disruption in a severe but plausible event, and developing a scenario testing capability to measure the resilience of those services.
- The Supervisory Statements maintain the implementation timeline originally proposed: a one-year implementation period ending 31 March 2022, and a three-year transition period ending 31 March 2025.

The ESAs issued a consultation on draft regulatory technical standards for sustainable finance related product disclosures. The proposed draft RTS seek to:

i facilitate disclosures of investment in environmentally sustainable activities to end investors; and

ii create a single rulebook for sustainability disclosures under the Sustainable Finance Disclosures Regulation (SFDR) and the Taxonomy Regulation. This will be done by amending the draft RTS under the SFDR, to minimise overlapping or duplicative requirements between the two regulations.

The Kalifa Review's objectives were to recommend measures to support the growth and widespread adoption of UK fintech, and to maintain the UK's global fintech reputation. *The review recommends several measures across skills enhancement, investment, international collaboration and national connectivity. On policy and regulation, the review calls for "dynamic leadership that protects consumers yet nurtures FinTech activity and encourages competition". Recommendations include:*

- Deliver a digital finance package that creates a new regulatory framework for emerging technology.
- Implement a "Scalebox" that supports firms focusing on scaling innovative technology.
- Establish a Digital Economy Taskforce (DET) to ensure alignment across government.
- Ensure that FinTech forms an integral part of trade policy.

Equivalence and divergence in capital markets regulation; *The FCA has started to set out its plans for wholesale markets regulation both in a speech by Edwin Schooling Latter and one on UK-US deferential agreements by Nausicaa Delfas.*

- The FCA gave its first indications that it will match MiFID II changes made by the EU as part of the Capital Markets Recovery Package, with an FCA consultation shortly to be released proposing "*a similar set of changes – not absolutely identical*" to the EU changes. These include removal of the requirement to provide prescribed costs and charges information to professional clients and eligible counterparties, and a two-year suspension on the need to provide eligible counterparties with best execution reports (RTS 27 reports), with professional clients being able to opt out. The FCA has announced that it will not act against firms that do not produce RTS 27 reports for the rest of 2021. The FCA expects that by end-2021, it will have concluded its policy consideration of the future of these reports.
- The EU will allow the "re-bundling" of equity research on firms with a market capitalisation below EUR 1 billion or and for that research to be offered free of charge to a firm's trading clients. It will be interesting to see whether the FCA adopts these changes, given they were key proponents of MiFID II's original unbundling measures.
- On the MiFID II transparency regime, the FCA has already made it clear that it will not apply the double volume cap to dark trading of all equities traded in the UK, expanding from its originally scope of just UK equities, unless it sees harms to price formation or execution outcomes for investors. The European Commission is expected to present its proposals to amend the MiFID II transparency regime in the summer and it is clear from the speech that the FCA will also be presenting proposals to refine the framework.
- On the Securities Financing Transaction Regulation (SFTR), the FCA will allow the regime to mature before it proposes any further divergence from the regime (non-financial companies are not in scope of UK SFTR unlike the EU SFTR). But the FCA recognises that "*divergence between two regimes could add additional complication of cost to groups who would then have to adhere to two different set of reporting requirements*".
- However, the proposed expanded Central Counterparties (CCPs) resolution regime, being consulted upon by HM Treasury, is similar to the EU regime apart from in a few technical areas. The proposal is also in line with Financial Stability Board guidance. The new proposals would give the Bank of England addition powers to mitigate the risk and impact of CCP failure, and the proposals are designed to balance the incentives of clearing members and CCP shareholders to encourage appropriate risk management and behaviour ahead of, and during, a resolution.
- The joint PRA/FCA consultation on margin requirements for non-centrally cleared derivatives aims to bring the on-shored UK rules in line with pending EU amendments and BSB and IOSCO standards. Specifically, the regulators are consulting on amending UK bilateral margining requirements by:
    - Changing the implementation dates and thresholds for the phase-in of IM requirements.
    - Requiring the exchange of variation margin for physically-settled foreign exchange forwards and swaps, to specified counterparties only.
    - Extending the temporary exemption for single-stock equity options and index options until 4 January 2024.

- The UK is not currently implementing regulation equivalent to the EU's suite of sustainable finance regulation. However, the FCA published a Primary Market Technical Note that helps listed issuers consider what they should be disclosing on ESG matters given existing requirements under the UK Listing Rules, Prospectus Regulation, Disclosure Guidance and Transparency Rules (DTR), and the Market Abuse Regulation (MAR).
- The UK Government is creating a UK emissions trading scheme (UK ETS) to replace the UK's participation in the EU scheme. The FCA is consulting on the UK ETS Instrument 2021, which contains amendments to a number of Handbook modules to reinstate provisions and definitions previously deleted as a consequence of the UK's departure from the EU ETS at the end of the transition period. The consultation is open only for a short period as the government would like auctions for the UK ETS to commence as soon as possible and no later than Q2 2021.

FCA's final operational resilience policy; *The Bank of England and FCA have published a joint paper on their final policy approach to operational resilience, together with a supporting package of Policy and Supervisory Statements.*

- The combined requirements and expectations embed the approach set out in the December 2019 consultations.

- Final policy is not overly prescriptive, and the regulators have said they expect best practice to emerge over time. However, they encourage firms and FMIs to view the policy as a minimum standard and look to implement it in a manner that is proportionate to their size, scale, and complexity. The package includes policy relating to Impact Tolerances for Important Business Services, Outsourcing and Third-Party Risk Management and Operational Resilience of FMIs.
- Policy will take effect from 31 March 2022, with the expectation that all important business services will have been identified and impact tolerances defined by that date and that firms will have set out how they will comply with supervisory requirements and expectations. By 31 March 2025, firms and FMIs must show that they are able to remain within the impact tolerances they have set.

Product governance review findings; *The FCA published findings of its multi-firm review into product governance arrangements. Although the focus of the review was on eight asset managers, the nature of the findings makes them relevant for all sectors.*

In short, the FCA believes there is significant scope for asset managers to improve their product governance arrangements to align them to its requirements. There is a palpable sense of frustration from the FCA. More than three years after the PROD rules came into force and despite previous issues being identified, there continues to be "*significant scope for asset managers to improve their product governance arrangements*".

The findings were grouped into the following key failings:

1. Product design – Firms were not appropriately considering the product's negative target market and are not assessing conflicts of interest at a sufficiently granular level of detail.

2. Product testing – Stress and scenario testing was either too backward-looking or too generic by not addressing product specific characteristics.
3. Distribution – Some firms were conducting insufficient due diligence on distributors at outset and procedures for monitoring MI were insufficient. (The FCA had previously highlighted the challenges relating to MI).
4. Governance and Oversight – Ineffective oversight by second line, poor record keeping and inadequate training.

The FCA expects firms to ensure they prioritise good customer outcomes and that they comply with the relevant regulatory rules and requirements. ***Firms should assess whether their product governance arrangements are fit for purpose and operating effectively****.*

Diversity continues to be a regulatory focus. The fourth Annual Review of HM Treasury Women in Finance Charter showed that the most common reasons given by the 30% of 209 Charter signatories that have missed deadlines for female representation in senior management were due to COVID-19 freezes on recruitment or promotion. *FCA CEO, Nikhil Rathi emphasised that improving diversity and inclusion is both a matter of fairness and a crucial way to strengthen consumer outcomes.*

- The FCA is considering whether diversity of management teams should be reviewed in senior manager applications and whether diversity requirements should be included in premium listing rules.

- The FCA also announced the appointment of four women to its executive committee including the appointment of it first Chief Data, Information and Intelligence Officer (CDIIO) to help transform the FCA into a "data-led regulator". Discussions continue in the Artificial Intelligence Private-Public Forum, with the latest minutes including reference to the Bank of England making the PRA Rulebook machine readable and using machine learning tools to enhance supervisory capabilities.
- FCA makes senior appointments to drive its transformation to a data-led regulator; *On 25 February, the FCA announced four further appointments to its executive team as part of its transformation programme to build a data-led regulator, which brought together 2 supervision divisions with the FCA's policy and competition functions:*

(i) Stephanie Cohen will be the FCA's COO;
(ii) Jessica Rusu will join the FCA's as its first Chief Data, Information and Intelligence Officer;
(iii) Sarah Pritchard will become Executive Director, Markets; and
(iv) Emily Shepperd will take up the newly created role of Executive Director, Authorisations.

Continued focus on COVID-19 impacts on consumers; *The FCA has published a further raft of measures in response to COVID-19. This includes:*

1. Guidance on its expectation that firms should not enforce mortgage repossessions, except in exceptional circumstances, before 1 April 2021.

2. The limit of single and cumulative limits on contactless payments raised to £100 and £300, respectively.
3. Extended suspension of the requirement for firms to issue 10% depreciation notifications to investors and plans to consult later in the Spring on more permanent changes.
4. New rules, which come into effect on 4 May 2021, to provide "breathing space" to people in problem debt the right to legal protections from creditor action for a defined period.
5. The FCA will gather information on all non-damage business interruption policies that are, in principle, capable of responding to pandemic impacts, following the Court judgments.

- The FCA is still considering it policy response to its recent consultation on **GI pricing practices**, but it has published an announcement relating to the implementation period for any rules arising from the paper. Following feedback, the FCA will split the implementation dates for the remedies. Systems and controls rules and the product governance changes will come in at end-September 2021. However, changes to pricing, auto-renewal and reporting requirements will not come into until end-2021 to give firms sufficient time to implement.
- The FCA has also published a consultation detailing how it intends to regulate pre-paid funeral plans, which will come into effect from July 2022.
- The Pensions Regulator (TPR) is consulting on streamlining its **codes of practice**. TPR's 15 existing codes of practice are set to be transformed into a new online code, providing one up-to-date and consistent source of information on scheme governance and management. TPR also confirmed that it plans to consult on a draft defined benefit (DB) funding code in the second half of 2021. And on the topic of DB pensions, the FCA has published an update to its Finalised Guidance for firms on how to calculate redress for unsuitable DB transfers, to reflect Government changes to the way that the Retail Prices Index (RPI) inflation measure is calculated from 2030.

Regulatory Outlook and Diary

Q2 2021	Singapore	Expected MAS consultation on implementing the UTI, UPI and CDE for reporting
Partially Done	EU	By January 1, 2021, the European Commission is empowered to adopt a delegated act, identifying sectors to be excluded from the methodology of Paris-aligned benchmarks under the European Benchmarks Regulation (BMR).
Q2 2021	EU	In the context of EMIR 2.2, ESMA shall submit a draft RTS develop draft regulatory technical standards specifying the conditions under which changes to a CCP's models and parameters are significant (EMIR article 49 (5)). ESMA has consulted

		on this topic on October 23, 2020. RTS to be published on the official journal in 1H 2021.
Q2 2021	EU	In the context of EMIR 2.2, ESMA has to provide a draft RTS on conditions under which additional services of a CCP require a new authorization and also specifying the procedure for consulting the college established in accordance with Article 18 on whether or not those conditions are met (EMIR 2.2 article 1 (2)). ESMA has consulted on this topic on October 23, 2020. RTS to be published on the official journal in 1H 2021.
Q2 2021	EU	Expected final adoption of the EU regulatory technical standards on the contractual recognition of stays under the 2nd Bank Recovery and Resolution Directive (BRRD 2) by the European Commission.
Q3/Q4 2021 (expected)	EU	As a result of the COVID-19 crisis, the European Commission will is now planning to publish its next banking legislative proposal (CRR III) in Q3/Q4 2021. The CRR III will transpose the market risk standards (FRTB) as a binding capital constraint, the output floor, the revised credit valuation adjustment framework, alongside operational and credit risk framework, amongst others. The proposal will also take into consideration the impact of the COVID-19 crisis on the EU banking sector.
1H 2021	Korea	Expected designation of critical benchmarks and administrators under the Financial Benchmarks Act.
May 2021	Australia	Expected 2nd ASIC consultation on updating the Australian reporting regime.
May 1, 2021	Japan	Revised trade reporting rules to require mandatory derivatives reporting to the designated trade depository only (eliminating the direct reporting to JFSA) to be implemented.
May 10, 2021	UK	FCA set out their approach to transparency calculations for derivatives
May 12th 2021	US	Effective: CFTC final rule addressing operational issues for SEFs' audit trail data, financial resources and chief compliance officer (See 86 Fed. Reg. 9224-9252 (February 11, 2021)).
May 13th 2021	US	Effective date: CFTC Bankruptcy Regulations (See 86 Fed. Reg. 19324-19477 (April 13, 2021)
June 01 2021	US	Three-month calculation period begins under US prudential regulations to determine whether the material swaps exposure, or daily average aggregate notional amount, of swaps, security-based swaps, FX swaps and FX forwards for an entity and its affiliates that trade with a US swap dealer exceeds $8 billion for the application of initial margin requirements as of September 1, 2022.
June 1, 2021	EU	The European Supervisory Authorities (ESMA, EBA, EIOPA) shall submit the draft Regulatory Technical Standard (RTS) specifying the details of the content and presentation of information in relation to the principle of 'do no significantly harm' under the EU Taxonomy Regulation (Article 8).
June 01 2021	EU	The European Supervisory Authorities (ESMA, EBA, EIOPA) shall submit draft RTS on the presentation and content of 'climate change mitigation' and 'climate change adaptation' disclosures under the EU Taxonomy Regulation.

June 01 2021	EU	The European Commission shall adopt a Delegated Act (DA) to specify the presentation and content of the information to be disclosed under the EU Taxonomy Regulation, including methodology by entities under scope of the Non-Financial Reporting Directive (NFRD) in accordance with the EU Taxonomy Regulation Article 8.
By June 12, 2021	Japan	Revised trade reporting rules to require mandatory derivatives reporting to the designated trade depository only (eliminating the direct reporting to JFSA) to be implemented. JFSA shall draft the cabinet office ordinances that specifies the details of the revised rules with implementation date in coming months.
June 18, 2021	EU	Changes to the clearing obligation under EMIR Article 4 enter into force. Clearing members and clients which provide clearing services shall provide those services under fair, reasonable, non-discriminatory and transparent commercial terms (FRANDT). The European Commission shall specify these conditions via a delegated act. In addition, trade repositories have to, in accordance with EMIR Article 78, establish procedures and policies regarding the transfers, reconciliations, completeness and correctness of data.
June 26, 2021	EU	Full application of the investment firms review (published in the official journal of the EU on December 5, 2019), including changes to MiFID 2/ MiFIR third country regime
June 28, 2021	EU	Implementation date for the leverage ratio, the net stable funding ratio and the standardized approach for counterparty credit risk under the CRR II capital requirements text.
June 30, 2021	EU	Requirements under EU Regulation 2019/2088 on sustainability-related disclosures in the financial sector (SFDR) with respect to entity-level requirements on website disclosure in relation to adverse sustainability impacts shall apply.
June 30, 2021	Hong Kong	Basel III: Effective date of BCAR 2020 and SA-CCR implementation.
June 30, 2021	Hong Kong	Date by which AIs planning to adopt SA-CVA for reporting purposes should discuss implementation plans with HKMA.
2H 2021	India	Basel III: Expected SA-CCR implementation.
2H 2021	India	Basel III: Expected implementation of standards for the capitalization of banks' exposures to CCPs.
Q3 2021	Australia	Expected publication of the updated ASIC reporting regime, with a 1-year implementation period.
July 1, 2021	Singapore	Implementation date for revised reporting standards for banks to reduce duplicate data submissions under MAS Notices 610 and 1003.
July 5, 2021	US	Compliance date for Post-Trade Name Give-Up on Swap Execution Facilities for swaps not subject to the trade execution requirement.

July 12, 2021	US	Compliance date for CFTC Electronic Risk Principles (See 86 Fed. Reg. 2048-2077 (January 11, 2021))
July 21, 2021	US	Effective: Federal Reserve, OCC and FDIC final rules for net stable funding ratio (available at: www.federalreserve.gov/newsevents/pressreleases/files/bcreg20201020b1.pdf Awaiting publication in Federal Register).
August 6, 2021	US	Counting date for thresholds in SBS entity definitions per SEC Security Based Swap final rules (See 84 Fed. Reg. 6270-6354 (February 4, 2020) and 84 Fed. Reg. 6359-6417 (February 4, 2020)).
August 31, 2021	Korea	Expiry of exemption from margin requirements for single stock equity options.
September 2021	EU	As a result of COVID-19, both the European Banking Authority (EBA) and the European Commission (EC) have now acknowledged there will be operational challenges to maintain the original Q1 2021 start date for the Standardised Approach (SA) reporting requirements under the CRR II market risk standard. They have both indicated in official statements that September 2021 would be the new start date for the SA reporting obligations.
September 1, 2021	Australia Singapore Hong Kong Korea Japan Canada Switzerland US EU	Initial margin requirements apply to Phase 5 APRA covered entities with an aggregate notional amount exceeding AUD 75 billion. Singapore Initial margin requirements apply to Phase 5 MAS covered entities with an aggregate notional amount exceeding SGD 80 billion. Initial margin and risk mitigation requirements apply to Phase 5 HKMA AIs and SFC LCs with an aggregate notional amount exceeding HKD 375 billion. Initial margin requirements apply to financial institutions with derivatives exceeding more than KRW 70 trillion. Initial margin requirements apply to Phase 5 JFSA covered entities with an aggregated notional amount exceeding JPY 7 trillion. Initial margin requirements apply to Phase 5 OSFI covered entities with aggregate month-end average notional amount exceeding CAD 75 billion. Initial margin requirements apply to counterparties whose aggregate month-end average position exceeds CHF 50 billion. Initial margin requirements apply to counterparties with an aggregate average aggregate notional amount exceeding EUR 50 billion (per draft EMIR RTS). Initial margin requirements apply to covered swap entities with average aggregate daily notional amount exceeding USD 50 billion.

	South Africa	South Africa Initial margin requirements apply to a provider with aggregate month-end average notional amount exceeding ZAR 23 trillion.
September 14, 2021	US	Compliance date for CFTC Rules for Cross-Border Application of the Registration Thresholds and Certain Requirements Applicable to Swap Dealers and Major Swap Participants
September 30, 2021	EU	As a result of COVID-19, both the European Banking Authority and the European Commission have now acknowledged there will be operational challenges to maintain the original Q1 2021 start date for the Standardised Approach (SA) reporting requirements under the CRR II market risk standard. The delegated act operationalizing theses reporting standards for SA have a start date from September 30, 2021 onwards. The reporting templates should be applicable from October 5.
September 30, 2021	Malaysia	Basel III: Phase 2 of NSFR implementation commences (100% minimum).
September 30, 2021	India	Basel III: Exemption of non-centrally cleared derivatives from large exposures calculation framework expires.
September 30, 2021	Korea	Basel III: Expiration of revised foreign currency LCR of 70% and total LCR of 85% requirements.
September 30, 2021	Japan	The net stable funding ratio (NSFR) will be implemented.
September 30, 2021	Singapore	Deadline to cease issuance of SOR derivatives and SIBOR-linked financial products.
Q4 2021	EU	The European Commission shall adopt an Implementing Act (IA) to designate replacements rates for critical benchmark rates.
By Oct 01 2021	EU	The European Commission (EC) shall adopt delegated acts, in accordance with BMR Article 49, to specify the rules of procedure for the exercise of the power to impose fines or periodic penalty payments, including provisions on rights of defence, temporal provisions and the collection of fines or periodic penalty payments, and the limitation periods for the imposition and enforcement of fines and periodic penalty payments. In addition, the EC shall adopt delegated acts in accordance with Article 49 in order to supplement this Regulation by specifying the type of fees, the matters for which fees are due, the amount of the fees and the manner in which they are to be paid.
Oct 01 2021	Singapore	Commencement of reporting of equity, commodity and FX derivative contracts booked or traded in Singapore by finance companies, subsidiaries of banks incorporated in Singapore, insurers and holders of CMS licenses with annual aggregate gross notional amount of specified derivatives contracts of more than S$5 billion, and all significant derivatives holders.
Oct 01 2021	India	Basel III: NSFR implementation.

Oct 01 2021	India	Basel III: Capital Conservation Buffer (2.5%) phased in from March 2016.
October 6, 2021	US	Registration compliance date: This the earliest compliance date for several rules applicable to SBS entities per SEC Security Based Swap final rules (See 84 Fed. Reg. 6270-6354 (February 4, 2020) and 84 Fed. Reg. 6359-6417 (February 4, 2020)).
October 6, 2021	US	Compliance date: CFTC Capital Requirements for Swap Dealers and Major Swap Participants
October 8, 2021	Singapore	Commencement of risk mitigation requirements for non-centrally derivative contracts under Regulation 54B of the Securities and Futures (Licensing and Conduct of Business) Regulations
November 01 2021	US	Registration applications due from SBS dealers that incur a registration obligation on the counting date per SEC Security Based Swap final rules (See 84 Fed. Reg. 6270-6354 (February 4, 2020) and 84 Fed. Reg. 6359-6417 (February 4, 2020)).
November 01 2021	US	Projected Compliance Date 1 for SEC Security-Based Swap Reporting (SBSR): With respect to newly executed SBS in a particular asset class, SBSR Compliance Date 1 for an asset class is the first Monday that is the later of: (1) six months after the date on which the first SDR that can accept transaction reports in that asset class registers with the Commission; or (2) one month after the SBS entities registration compliance date.
December 01 2021	US	Registration applications due from major-SBS participants that incur a registration obligation as a result of SBS activities in their quarter ending September 30, 2021 per SEC Security Based Swap final rules (See 84 Fed. Reg. 6270-6354 (February 4, 2020) and 84 Fed. Reg. 6359-6417 (February 4, 2020)).
December 01 2021	Malaysia	Expected deadline for banks to elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions.
December 30 2021	EU	The European Supervisory Authorities (ESMA, EBA, EIOPA) shall submit a RTS to specify website disclosures of adverse social sustainability impacts at entity level (Article 4) under the sustainability-related disclosures in financial sector regulation (SFDR).
December 30 2021	UK	LIBOR phase out deadline.
December 31 2021	EU	All benchmark administrators in scope of the European Benchmarks Regulation (BMR), with the exception of currency and interest rate benchmarks, have to explain in their benchmark statement how their methodology aligns with the Paris agreement.
December 31 2021	EU	The European Commission shall adopt Delegated Acts (DAs) to specify the technical screening criteria with respect to 'the sustainable use and protection of water and marine resources', 'the transition to a circular economy', 'pollution prevention and control' and 'the protection and restoration of biodiversity and ecosystem' (Article 9 (c) -(f)), with a view to ensuring its application from January 1, 2023.
December 31 2021	EU	The European Commission shall publish a report describing the provisions that would be required to extend the scope of the EU Taxonomy regulation beyond environmentally sustainable economic activities and describing the provisions that would be required to cover economic activities that do not have a significant

		impact on environmental sustainability and economic activities that significantly harm environmental sustainability ('Brown Taxonomy') and whether other sustainability objectives such as social objectives should be added to the framework.
December 31 2021	EU	CCP R&R (Article 96): The European Commission (EC) shall review the application of Article 27(7) (Requirement to for the resolution authority to write down and convert any instruments of ownership and debt instruments or other unsecured liabilities immediately before or together the use of a government stabilization tool). The EC shall submit a report thereon to the European Parliament and to the Council accompanied where appropriate by proposals for revision of this Regulation.
December 31 2021	EU	The transitional provisions for 'critical benchmarks' (EURIBOR, EONIA, STIBOR AND WIBOR) under the EU BMR expires.
December 31 2021	HK	Date by which AIs should cease to issue new LIBOR-linked products that will mature after 2021.
January 1, 2022	EU	Administrators of significant benchmarks, as defined under the European Benchmarks Regulation (BMR), have to endeavour to market at least one EU climate-transition benchmark.
January 1, 2022	EU	From 2022, the disclosure requirement under Regulation EU 2020/852 on the establishment of a framework to facilitate sustainable investment ('EU Taxonomy') with respect to the environmental objectives 'climate change mitigation' and 'climate change adaptation' (Article 9 (a) and (b)) have to be applied.
January 1, 2022	EU	Article 11 requirements with respect to periodic reports under the sustainability-related disclosures in financial sector regulation (SFDR) shall apply.
January 1, 2022	EU	ESAs Review: Start date of the application of the provisions relating to the BMR. ESMA will become the competent authority for administrators of critical benchmarks, as defined in Article 20(1)(a) and (c), i.e. large interest rate benchmarks such as Euribor, EONIA, WIBOR and STIBOR. ESMA will also become the competent authority under the recognition process (BMR Article 32) for administrators located in third country jurisdictions. This notably removes the requirement for third country benchmark administrators to identify the 'member state of reference'.
January 1, 2022	UK	Date by which outstanding elements on the UK-onshored version of the 2nd Capital Requirements Regulation (CRR 2) will apply including the net stable funding ratio, leverage ratio and the standardized approach for counterparty credit risk and the FRTB SA reporting requirements
January 1, 2022	US	Compliance date for advanced approaches banking organizations of standardized approach for counterparty credit risk (SA-CCR) for calculating the exposure amount of derivative contracts under US prudential regulators' regulatory capital rule (See 85 Fed. Reg. 4362-4444 (January 24, 2020))
January 1, 2022	Thailand	Date after which the fallback THBFIX is permitted to be referenced only in new derivative contracts.

January 2, 2022	EU	CCP R&R (Article 9 (5)): ESMA in cooperation with ESRB shall specify the minimum list of qualitative and quantitative indicators triggering recovery actions.
February 12, 2022	EU	CCP R&R (Article 9 (12)): ESMA in cooperation with ESRB shall issue guidelines on scenarios for recovery plans, taking account of supervisory stress tests where appropriate.
February 12, 2022	EU	CCP R&R (Article 9 (15)): ESMA in cooperation with EBA and after consulting the ESCB shall develop draft regulatory technical standards specifying the methodology for calculation and maintenance of the additional amount of pre-funded dedicated own resources (SSITG)
February 12, 2022	EU	CCP R&R (Article 10 (12)): ESMA, in cooperation with the ESCB and the ESRB shall develop criteria to assess CCP's recovery plan
February 12, 2022	EU	CCP R&R (Article 12 (9)): ESMA, after consulting with the ESRB shall develop draft regulatory technical standards further specifying the contents of the Resolution Plan in accordance with paragraph 7.
February 12, 2022	EU	CCP R&R (Article 15 (5)): ESMA, in close cooperation with the ESRB shall issue guidelines to promote the convergence of resolution practices regarding the application of section C of the Annex
February 12, 2022	EU	CCP R&R (Article 18 (8)): ESMA shall issue guidelines in accordance with Article 16 of Regulation (EU) No. 1095/2010 to promote the consistent application of the triggers for the use of the early intervention measures.
February 12, 2022	EU	CCP R&R (Article 20 (2)): ESMA shall develop draft regulatory technical standards to specify the order in which recompense must be paid, the appropriate maximum number of years and the appropriate maximum share of the CCP's annual profits.
February 12, 2022	EU	CCP R&R (Article 22 (6)): ESMA shall adopt guidelines to promote the convergence of supervisory and resolution practices regarding the application of the circumstances under which a CCP is deemed to be failing or likely to fail
February 12, 2022	EU	CCP R&R (Article 25 (6)): ESMA shall develop draft regulatory technical standards to specify: • Independence of validator • Methodology for assessing the value of assets and liabilities of the CCP • Separation of valuations under art 24 and art 61.
February 12, 2022	EU	CCP R&R (Article 26 (4)): ESMA shall develop draft regulatory technical standards to specify the methodology for calculating the buffer for additional losses to be included in provisional valuations.
February 12, 2022	EU	CCP R&R (Article 29 (7)): ESMA shall issue guidelines further specifying the methodology to be used by the resolution authority for determining the valuation of contracts to be torn up.
February 12, 2022	EU	CCP R&R (Article 61 (5)): ESMA shall develop draft regulatory technical standards specifying the methodology for carrying out the NCWO valuation including the calculation of the losses following liquidation if the CCP had been wound up under normal insolvency proceedings, following the full application of the applicable contractual obligations and other arrangements in its operating rules.
February 12, 2022	EU	CCP R&R (Article 63 (2)): ESMA shall develop draft regulatory technical standards in order to specify, in a transparent manner, to the extent allowed by confidentiality of contractual arrangements, the conditions under which the passing on of compensation, cash equivalent of such compensation or any proceeds that the clearing member receives from the CCP, and the conditions under which it is to be considered proportionate.

February 12, 2022	EU	CCP R&R (Article 83 (4)): ESMA shall ubmit a report to the Commission on the publication of administrative penalties and other administrative measures by Member States on an anonymous basis and in particular whether there have been significant divergences between Member States in that respect. That report shall also address any significant divergences in the duration of publication of administrative penalties or other administrative measures under national law for Member States for publication of administrative penalties and other administrative measures.
February 12, 2022	EU	CCP R&R (Article 87 - EMIR art 45a (3)): ESMA shall draft guidelines further specifying the circumstances in which the competent authority may request the CCP to refrain from undertaking dividends, bonuses and buy-backs.
March 1, 2022	EU Switzerland Japan Canada Singapore Hong Kong Australia South Africa US	Three-month calculation period begins to determine whether the average aggregate notional amount of derivatives for an entity and its affiliates exceeds relevant threshold for initial margin requirements as of September 1, 2022. In the US, this calculation period only applies under CFTC regulations.
March 3, 2022	Singapore	MAS Notice SFA 04-N16 on Execution of Customers' Orders and the related Guidelines to the Notice take effect.
April 2, 2022	Australia	Expiry of ASIC Corporations (Amendment) Instrument 2020/149, providing relief from mandatory clearing requirements for AUD-denominated FRAs.
April 13, 2022	US	Compliance date: CFTC Bankruptcy Regulations (See 86 Fed. Reg.19324-19477 (April 13, 2021)).
May 25, 2022	US	Swap data repositories (SDRs), swap execution facilities (SEFs), designated contract markets (DCMs), and reporting counterparties must comply with the amendments to the CFTC swap data reporting regulations found in Part 43, Part 45 and Part 49 by the compliance date of May 25, 2022; provided, however that SDRs, SEFs, DCMs, and reporting counterparties must comply with the amendments to §§43.4(h) and 43.6 by May 25, 2023
June 1, 2022	US	Three-month calculation period begins under US prudential regulations to determine whether the material swaps exposure, or daily average aggregate notional amount, of swaps, security-based swaps, FX swaps and FX forwards for an entity and its affiliates that trade with a prudentiallyregulated swap dealer exceeds $8 billion for the application of initial margin requirements as of January 1, 2023.

June 1, 2022	EU	The European Supervisory Authorities (ESMA, EBA, EIOPA) shall submit draft Regulatory Technical Standard (RTS) on the presentation and content for the environmental objectives 'the sustainable use and protection of water and marine resources', 'the transition to a circular economy', 'pollution prevention and control' and 'the protection and restoration of biodiversity and ecosystem' under the EU Taxonomy Regulation.
June 30, 2022	EU	The temporary recognition of UK CCPs (LME, ICE and LCH) under the EMIR 2.2. framework expires. Unless further addressed, following this date, EU firms could not have access to the UK CCPs and would need to relocate their clearing activities to EU CCPs. Please note that under EMIR 2.2, ESMA has also performed its tiering assessment, with LME becoming a Tier 1 CCP whereas ICE and LCH are considered Tier 2 CCPs.
June 30, 2022	EU	On November 23, 2020, the three ESAs (EBA, ESMA, EIOPA) published a revision of the EMIR Margin RTS that would extend the period of availability of the intragroup derogation to June 30, 2022 (date of expiry of UK CCP equivalence). On December 21, 2020, the European Commission(EC) published these RTS. The EC hopes for early non-objection from the European Parliament and Council, The ESAs have indicated support for forbearance by National Competent Authorities pending entry into force of the RTS (the intragroup derogation expired on December 20, 2019 and NCAs are already applying forbearance; forbearance is already in effect regarding FX forwards, and is now also in effect regarding FX swaps (which the draft RTS also provide an exemption from for some counterparty pairs); forbearance will apply from January 4, 2021 for equity options if the RTS re not in effect by then; forbearance from IM requirements is in effect since September 1, 2020 for firms with AANA of €8 billion or over).
June 30, 2022	EU	On April 29, 2019, Commission Delegated Regulation 2019/667, amending Delegated Regulation 2015/2205 was published in the Official Journal of the European Union, extending the derogation from the clearing obligation for intragroup transactions concerning third country affiliates until December 21, 2020. Following December 21, 2020, in the absence of another extension, intragroup transactions in G4 currency interest rate swaps or credit derivatives (where relevant) subject to the clearing obligation, between EU entities and entities located in non-equivalent third-countries, would need to be cleared through a CCP, in compliance with the relevant Clearing RTS. On November 23, 2020, the three ESAs (EBA, ESMA, EIOPA) published a revision of the EMIR Clearing Obligation RTS that would extend period of availability of the intragroup derogation to June 30, 2022 (date of expiry of UK CCP equivalence). On December 21, 2020, the European Commission (EC) published these RTS. The EC hopes for an early non-objection from the European Parliament and the Council. The ESAs have indicated support for forbearance by National Competent Authorities pending entry into force of the RTS.
June 30, 2022	Korea	Basel III: Expiry of FSS no-action relief for NSFR for special banks.
Q3 2022	Global	The Financial Stability Board (FSB) recommends that regulators implement the CPMI-IOSCO Unique Product Identifier (UPI) Technical Guidance to take effect no later than in the third quarter of 2022

Q3 2022	Australia	Expected coming into force of the updated ASIC reporting regime.
Q3 2022	US	Expiration of an extension of relief to Shanghai Clearing House permitting it to clear swaps subject to mandatory clearing in the People's Republic of China for the proprietary trades of clearing members that are US persons or affiliates of US persons (CFTC Letter No. 20-46).
July 31, 2022	US	Expiration of an extension of relief to Shanghai Clearing House permitting it to clear swaps subject to mandatory clearing in the People's Republic of China for the proprietary trades of clearing members that are US persons or affiliates of US persons (CFTC Letter No. 20-46).
September 1, 2022	US	Initial margin requirements apply to covered swap entities with material swaps exposure (average aggregate daily notional amount exceeding USD 8 billion).
	EU	Initial margin requirements apply to counterparties with an aggregate average notional amount exceeding EUR 8 billion.
	Australia	Initial margin requirements apply to Phase 6 APRA covered entities with an aggregate notional amount exceeding AUD 12 billion.
	Canada	Initial margin requirements apply to Phase 6 covered entities with aggregate month-end average notional amount exceeding CAD 12 billion.
	Hong Kong	Initial margin and risk mitigation requirements apply to Phase 6 HKMA AIs and SFC LCs with an aggregate notional amount exceeding HKD 60 billion.
	Korea	Initial margin requirements apply to financial institutions with derivatives exceeding more than KRW 10 trillion.
	Switzerland	Initial margin requirements apply to counterparties whose aggregate month-end average position exceeds CHF 8 billion.
	Singapore	Initial margin requirements apply to Phase 6 MAS covered entities with an aggregate notional amount exceeding SGD 13 billion.
	Japan	Initial margin requirements apply to Phase 6 JFSA covered entities with an aggregate notional amount exceeding JPY 1.1 billion.
	South Africa	Initial margin requirements apply to a provider with aggregate month-end average notional amount exceeding ZAR 15 trillion
September 30, 2022	Australia	Expiry of ASIC Corporations (Amendment) Instrument 2020/242, providing relief from reporting certain unique transaction identifiers (UTIs) and from NZ banks reporting entity information. Expiry of ASIC Corporations (Amendment) Instrument 2020/827, providing relief from reporting exchange-traded derivatives, name information and FX securities conversion transactions.

October 9, 2022	Global	The Financial Stability Board (FSB) recommends that jurisdiction-level regulators implement the CPMI-IOSCO Unique Product Identifier (UPI) Technical Guidance to take effect no later than third quarter 2022.
October 9, 2022	Global	Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) recommend that jurisdiction-level regulators implement the CPMI-IOSCO Critical Data Elements (CDE) Technical Guidance to take effect no later than October 9, 2022.
December 30, 2022	EU	Requirements under EU Regulation 2019/2088 on sustainability-related disclosures in the financial sector (SFDR) with respect to the comply or explain product-level adverse impacts (Article 7) shall apply
December 31, 2022	EU	The European Commission shall review the minimum standards of carbon benchmarks (climatetransition and Paris-aligned benchmarks) in order to ensure that the selection of the underlying assets is coherent with environmentally sustainable investment as defined by the EU taxonomy.
December 31, 2022	EU	Before December 31, 2022, the European Commission shall present a report to the co-legislators on the impact of an 'ESG benchmark', taking into account the evolving nature of sustainability indicators and the methods used to measure them. The report shall be accompanied, where appropriate by a legislative proposal

2. Regulatory Activities and Initiatives Inventory

COVID-19		
UK	BoE & PRA	• Speech by Christina Segal-Knowles, Executive Director for Financial Markets Infrastructure, on how the post-2008 financial reforms held up during the pandemic, and next steps for policy makers. • Speech by Andrew Bailey, Governor of the Bank of England, on the future for business investment in the age of COVID-19 and the role of financial services • November 2020 Monetary Policy Report • Report on how COVID-19 has affected household savings • Statement by the PRA on COVID-19 guidance for firms
	FCA	• Final Guidance on the business interruption insurance test case and proving the presence of COVID-19. • Key findings from review on COVID-19 linked forbearance. • Further updated tailored support guidance for firms with regards to mortgages in light of COVID-19.

		• Feedback Statement on the Bounce Back Loan Scheme and guidance for firms on use of Pay as You Grow options. • Updated guidance on mortgages and consumer credit repossessions • Banks asked to reconsider branch closures during COVID-19 lockdown • Updated expectations on Approved Persons Regime (APR) and coronavirus. • Updated expectations on SM&CR and coronavirus for solo-regulated firms. • Updated joint FCA and PRA statement on the SM&CR and COVID-19: expectations of dual-regulated firms. • Final guidance for firms on mortgages and COVID-19 • Final guidance for firms in relation to consumer credit and COVID-19 • Written cases for the Supreme Court appeal of business interruption insurance
	HMT	• COVID-19 business loan scheme statistics.
EU	EBA	• Second annual report monitoring the implementation of the Liquidity Coverage Ratio (LCR) during the COVID-19 period, in the EU. • Additional clarifications on the application of the prudential framework in response to issues raised as a consequence of the COVID-19 pandemic. • Additional clarity on the implementation of select COVID-19 policies, including on moratoria, COVID-19 reporting, operational risk, downturn LGD, and credit risk mitigation. • Report on the use of COVID-19 moratoria and public guarantee schemes by EU banks
	ECB Central Bank	• Speech by Christine Lagarde, President of the ECB on the COVID-19 crisis and SMEs. • Speech by Luis de Guindos, Vice-President of the ECB, on macroprudential policy through COVID-19 and beyond. • Interview with Luis de Guindos, Vice-President of the ECB, on Euro area economic recovery from COVID-19. • Interview with Isabel Schnabel, Member of the Executive Board of the ECB, on the effect of delayed vaccines on the EU's recovery. • Article on Euro area capital stock since the beginning of the pandemic. • Interview with Philip R. Lane, Member of the Executive Board of the ECB, on COVID-19 and monetary policy.

		• Announcement on extension of pandemic emergency longer-term refinancing operations. • Speech by Philip Lane, Member of the Executive Board of the ECB, on the role of monetary policy in the pandemic, focussing on the ECB and the Euro area. • Report on consumption patterns and inflation measurement issues during COVID-19 • Speech Luis de Guindos, Vice-President of the ECB, on the Banking Union and Capital Markets Union after COVID-19 • Speech by Isabel Schnabel, Member of the Executive Board of the ECB, on lessons learned from COVID-19 and the non-bank liquidity crisis • November 2020 Financial Stability Review • Speech by Isabel Schnabel, Member of the Executive Board of the ECB, on the monetary policy challenges facing central banks
	ECB - SSM	• Speech by Andrea Enria, Chair of the ECB, on European banks in the post-COVID-19 world. • Recommendation on dividend distributions during the COVID-19. • Dear CEO letter on remuneration policies in the context of the COVID-19. • Dear CEO letter on identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic. • Speech by Kerstin af Jochnick, Member of the Supervisory Board of the ECB, on the recovery from COVID-19 and the regulatory response
	SRB	• Speech by Elke Konig, Chair of SRB on post pandemic recovery and new growth models. • Speech by Elke König, Chair, on the next steps for banks in coping with COVID-19. • Speech by Sebastiano Laviola, Member of the Board at the SRB, on bank resolution in times of uncertainty • Speech by Elke König, Chair of the SRB, on bank resolvability and COVID-19
	ECOFIN	• Technical note on the sectoral impact of COVID-19.
	EIOPA	• Consultation on ORSA in the context of COVID-19.
International	BIS	• Speech by Andrew Bailey, Governor of the Bank of England, on the impact of (and recovery from) COVID-19.

		• Working paper on macroeconomic consequences of "pandexit" (exit from the pandemic). • Pablo Hernández de Cos, Governor of the Bank of Spain and Chairman of the BCBS, on the challenges to the banking sector a year after the outbreak of the COVID-19 pandemic. • Speech by Isabel Schnabel, Member of the Executive Board of the ECB, on the importance of favourable financing conditions to the COVID-19 recovery. • Working paper for a global database on central banks' monetary policy responses to COVID-19. • Opening remarks by Sharon Donnery, Deputy Governor of the Central Bank of Ireland on macroprudential policy and lessons in the pandemic era. • Opening remarks by Gabriel Makhlouf, Governor of the Central Bank of Ireland on lessons from COVID-19 and a macroprudential framework for the market-based finance sector. • Bulletin on recovery from an "uneven recession" following COVID-19. • Speech by Agustin Carstens, General Manager of the BIS, on how the challenges and priorities in a global pandemic represent a delicate moment for supervisors. • Speech by Benoit Coeure, Head of the BIS Innovation Hub, on the financial system after COVID-19. • Speech by Jens Weidmann, President of Deutsche Bundesbank, on the potential long-term effects of the COVID-19 crisis on the economy and on monetary policy. • Speech by Ed Sibley, Deputy Governor of Prudential Regulation at the Central Bank of Ireland, on the unprecedented challenges facing SMEs • Speech by Mr Luis de Guindos, Vice-President of the ECB, on the Euro area financial sector during COVID-19 • Speech by Margarita Delgado, Deputy Governor of the Bank of Spain, on consumers and the post-COVID-19 mortgage market • Speech by Pablo Hernández de Cos, Chair of the BCBS, on the European response to COVID-19
	FSB	• Letter from Randal Quarles, Chair of the FSB, on the vulnerabilities in the financial system exposed by COVID-19 and new and emerging risks. • Report on the financial stability impact of COVID-19 and policy responses

		• Discussion on responses to COVID-19 and non-bank financial intermediation
	IOSCO	• Report on the impact of COIVD-19 on retail market conduct.
	IMF	• Speech by Gita Gopinath, Chief Economist, on Women's Economic Empowerment and Inclusive Global Economic Growth, during COVID-19 and Beyond. • Remarks by Kristalina Georgieva, IMF Managing Director on financing for development in the era of COVID-19 and beyond initiative. • Report on corporate liquidity and solvency in Europe during COVID-19, and the potential impact on the banking system. • Blog on how digitisation can help support the global recovery from COVID-19 • Blog on addressing urgent financing needs arising fromCOVID-19 • Speech by Kristalina Georgieva, Managing Director of the IMF, on lessons from the Global Financial Crisis in the age of COVID-19
	Brexit	
UK	HMT	• Conclusion of technical negotiations on the UK–EU Memorandum of Understanding on Financial Services Regulatory Cooperation • Consolidated guidance for financial services providers in light of the end of the transition period. • UK-EU Trade and Cooperation Agreement published, including a joint declaration to establish a framework for regulatory cooperation for FS o Annex • The Securities Financing Transactions, Securitisation and Miscellaneous Amendments (EU Exit) Regulations 2020 have been made, including an explanatory memorandum. o Annex • The Financial Holding Companies (Approval etc.) and Capital Requirements (Capital Buffers and Macroprudential Measures) (Amendment) (EU Exit) Regulations 2020 have been made, including an explanatory memorandum. o Annex • Call for evidence on the overseas framework for cross border FS.

		• Guidance on the open access regime for exchange traded derivatives.
	Parliament	• UK and Switzerland plan to deepen financial services cooperation, moving ahead with negotiations to deliver a comprehensive mutual recognition agreement. • House of Lords EU Services Sub-Committee invites written contributions to its inquiry into the future of UK-EU relations on trade in services, including financial services. • Treasury Committee launches inquiry into the future of financial services after the end of the transition period • House of Lords EU Services Sub-Committee invites contributions to its ongoing enquiry into financial services after the end of the transition period
	BOE	• Amendments under the European Union (Withdrawal) Act 2018, including the final PRA Rulebook (EU Exit) Instrument, PRA transitional direction, and related guidance documents. • Joint BoE/PRA statement of policy detailing their approach to interpreting EU guidelines and recommendations following the UK's withdrawal from the EU and the end of the transition period. • Bank of England statement acknowledging HMT equivalence decisions
	FCA	• Confirmation that the FCA will continue to use the Temporary Transitional Power to modify the application of the derivatives trading obligation. • Pre-agreed Memoranda of Understanding with EU authorities in the areas of securities, insurance and pensions, and banking came into force at the end of the transition period. • Statement and explanatory note on use of the Temporary Transitional Power (TTP) to modify the UK's derivatives trading obligation. o Annex • Draft transitional direction for the share trading obligation. • Supervisory statement on the MiFID Markets Regime after the end of the transition period. • Final Brexit onshoring instruments and TTP directions. • Approach to interpreting reporting and disclosure requirements under Capital Requirements Directive and Capital Requirements Regulation after the end of the transition period.

		• Instructions on the Financial Instruments Transparency System.
	PRA	• Final policies on the Capital Requirements Directive (CRD) V and Bank Recovery and Resolution Directive (BRRD) II. o Annex • Supervisory statement on how firms should interpret existing non-binding PRA regulatory and supervisory materials in light of the UK's exit from the EU. • Supervisory statement on the approach it expects firms to take when interpreting EU-based references found in reporting and disclosure requirements and regulatory transactions forms following the UK's exit from the EU. • Supervisory statement on setting out its expectations on deposit-takers in regard to depositor protection rules following the end of the transition period.
EU	EU	• Communication on the EU's economic and financial system, proposing a list of actions to reinforce its "open strategic autonomy". • UK-EU Trade and Cooperation Agreement published, including a joint declaration to establish a framework for regulatory cooperation. o Annex • Time-limited equivalence decision for UK Central Securities Depositories adopted and published in the Official Journal. It will enter into force on 1 January and lapse on 30 June 2021
	ECB	• Occasional paper on economic analyses on the potential impact of Brexit.
	ESMA	• Updated statement on the impact of Brexit on the Benchmark Regulation. • Registration of six UK-based credit rating agencies and four trade repositories withdrawn at the end of the transition period. • ESMA-BoE Memorandum of Understanding on ESMA's monitoring of ongoing compliance with recognition conditions by UK central securities depositories. • Reminder to firms on MiFID II rules on reverse solicitation in light of practices observed since the end of the transition period.

		• Euroclear UK & Ireland Limited recognised as third-country central securities depositories after the end of the transition period.

	EBA	• Change in the status of Simple, Transparent and Standardised securitisation transactions at the end of the transition period.
		  ○ Annex
		  ○ Annex
		• Proposal to amend EMIR implementation timelines for intragroup transactions, equity options and novations to EU counterparties
		  ○ Annex 1
		  ○ Annex 2
		• Endorsement of credit ratings elaborated in the United Kingdom after end of transition period.

Banking		
Prudential		

UK	BOE	• MPC Remit statement and letter and FPC Remit letter.
		• Statement on maintaining the Bank Rate at 0.1%.
		• Consultation paper and draft supervisory statement on the PRA's approach to supervision of branch and subsidiaries, and speech by David Bailey, Executive Director Financial Markets Infrastructure.
		  ○ Annex I
		  ○ Annex II
		• Speech by Silvana Tenreyro, External Member of the Monetary Policy Committee, on negative interest rates.
		• Key elements of the 2021 solvency stress test for major UK banks and building societies.
		• Update on the Bank's approach to the Climate Biennial Exploratory Scenario in selected areas.
		• Statistical release of the external business of Monetary Financial Institutions operating in the UK in 2020 Q3.
		• Mortgage lenders and administrators' statistics - Q3 2020.
		• December 2020 Financial Stability Report and Financial Policy Summary.
		• Treasury Select Committee hearing on Financial Stability Report.
		• Statement on MREL and resolvability deadlines, and Discussion paper on the approach to setting MREL.
		• Paper on capital flows during COVID-19, and lessons for a more resilient international financial architecture.

		• Speech by Sam Woods, Chief Executive Officer of the PRA, on a more proportionate prudential regime for small banks and building societies
	PRA	• Policy statement on PRA fees and levies (holding company regulatory transaction fees). • Policy statement CP3/21 on Depositor Protection: Identity verification. • Consultation on supervising branches and subsidiaries of international banks. • Consultation paper on the 2021/22 Management Expenses Levy Limit for the Financial Services Compensation Scheme. • Consultation paper on holding company regulatory transaction fees. • Policy statement on simplified obligations for recovery planning. • Decision regarding Systemic Risk Buffer Rates. • Statement on capital distributions by large UK banks. • Letter from Sarah Breeden, Executive Director of the PRA and Melanie Beaman, Director, on 2021 supervisory priorities for UK Deposit Takers. • Letter from David Bailey, Executive Director and Rebecca Jackson, Director, on 2021 priorities for International Banks Supervision. • Final policy on the Bank Recovery and Resolution Directive II. • Updated supervisory statement on buffers and thresholds in relation to minimum requirements for own funds and eligible liabilities (MREL). • Updated supervisory statement on implementing capital buffers. • Updated supervisory statement on Groups and methods of consolidation. • Updated supervisory statement on the ICAAP and the SREP. • Updated policy statement on methodologies for setting Pillar 2 capital. • Supervisory statement on remuneration. • Guidelines for completing regulatory reports. • Updated supervisory statement on the PRA's approach to branch supervision for liquidity reporting. • Updated supervisory statement on internal governance of third country branches.
	HMT	• Paper announcing and outlining the mortgage guarantee scheme. • Revised special resolution regime code of practice.

		• Joint statement on the planned timings for CRR2 and IFPR implementation ○ Annex 1
	EU	• Interim study on the development of tools and mechanisms for the integration of ESG factors into the EU banking prudential framework and into banks' business strategies and investment policies. • Q&A on tackling non-performing loans.
	EBA	• Consultation paper on Guidelines on a common assessment methodology for granting authorisation as a credit institution. • Revised list of ITS validation rules included in its Implementing Technical Standards (ITS) on supervisory reporting. • Consultation on draft revised Guidelines on stress tests of Deposit Guarantee Schemes (DGSs). • Report on the consistency of internal model outcomes for 2020. ○ Annex • Statement on making the Basel III monitoring exercise mandatory for EU banks. • Consultation paper on Guidelines for institutions and resolution authorities on improving resolvability. • Consultation paper on revised Guidelines on recovery plan indicators. • Speech by Isabelle Vaillant, Director of the Prudential Regulation and Supervisory Policy Department at the EBA, on a regulatory perspective on reforms to complete the banking union. • Launch of 2021 EU-wide stress test exercise. • Q3 2020 risk dashboard. • Consultation paper on revised guidelines on monitoring the threshold for establishing an intermediate EU parent undertaking. • Guidelines on legislative and non-legislative moratoria. • Final draft RTS on the treatment of non-trading book positions subject to foreign-exchange risk or commodity risk under the FRTB framework. • Basel III monitoring report. • Opinion to the European Commission on proposed amendments to the EBA final draft RTS on IRB assessment methodology. • Updated Basel III impact assessment. • Final technical standards on the contractual recognition of stay powers under BRRD2.

		• Consultation paper on RTS to calculate risk weights of collective investment undertakings. • Consultation paper on amending standards on benchmarking of internal models. • Final draft technical standards on capital requirements of non-modellable risks under the FRTB. • Report on the application of simplified obligations and waivers under BRRD2. • Proposal on appropriate methodology to calibrate O-SII buffer rates.
	ESMA	• ESAs first joint Risk Assessment Report, warning of an expected deterioration in asset quality. • Published its annual Public European Common Enforcement Priorities for 2020.
	ECB - SSM	• Interview with Andrea Enria, Chair of the Supervisory Board of the ECB, regarding the health of European banks in light of COVID-19. • Guide on the supervisory approach to consolidation in the banking sector. • Supervisory Banking Statistics for Q3 2020 • Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on a consistent European crisis management framework for medium-sized banks. • Results of the ECB's annual SREP exercise, including disclosure of bank-by-bank Pillar 2 Requirements. • Report on key risks and vulnerabilities expected to affect supervised firms in 2021. • Blog post by Elizabeth McCaul, Member of the Supervisory Board of the ECB, on the need for, and benefit of, strong credit risk management. • 2020 significance assessment review, stating the ECB will directly supervise 115 banks from 1 January 2021. • Interview with Andrea Enria, Chair of the Supervisory Board of the ECB, on dividend payments. • Speech by Elizabeth McCaul, Member of the Supervisory Board of the ECB, on bank boards and supervisory expectations. • Speech by Elizabeth McCaul, member of the Supervisory Board of the ECB, on transatlantic views on the next stage for European banking supervision
	ECB Central Bank	• Christine Lagarde, President of the ECB, and Luis de Guindos, Vice-President of the ECB, on the ECB's monetary policy decisions. • Occasional paper on liquidity in resolution, comparing frameworks for liquidity provision across jurisdictions.

		• Statement that Denmark will join Eurosystem's TARGET services. • Frank Elderson nominated as Vice-Chair of the Supervisory Board. • Report giving an overview of the Eurosystem Integrated Reporting Framework • Cost-benefit assessment questionnaire on the Integrated Reporting Framework for the banking industry • September 2020 euro area bank interest rate statistics
	ECOFIN	• Statement of the Eurogroup on the ESM reform and the early introduction of the backstop to the Single Resolution Fund
	ESRB	• Working paper on the importance of technology in banking during a crisis. • Working paper on the retrenchment of euro area banks and international banking models
	SRB	• Publication of an overview of Banking Union resolution and access to FMIs. • Consultation on 2021 Single Resolution Fund contributions. • Checklist for banks under the SRB's remit to use when preparing the Additional Liability Report to provide additional assurance on liabilities reported as eligible for MREL. • Article by Elke Konig, Chair of the SRB, on the SRB's priorities to promote financial stability in 2021. • Expectations for ensuring the resolvability of banks engaging in mergers, acquisitions and other corporate transactions. • Publication of MREL dashboard, setting out an overview of MREL requirements for banks under the SRB's remit. • Article by Jan Reinder De Carpentier, Vice-Chair of the SRB, on the common backstop to the Single Resolution Fund. • Final SRB valuation data set and explanatory note. ○ Annex
International	BIS	• Speech by Sir David Ramsden, Deputy Governor for Markets and Banking of the Bank of England, on the UK's progress on resolvability. • Announcement of Governors and Heads of Supervision meeting to endorse strategic priorities and work

		programme of Basel Committee and discuss global initiatives on non-bank financial intermediation. • Guidelines on supplemental note to external audits of banks - audit of expected credit loss. • Basel III monitoring results based on end-December 2019 data. • Report to G20 Leaders on Basel III implementation • Working paper on the macro-financial effects of international bank lending on emerging markets • Working paper on whether commercial property markets affect bank equity prices
	FSB	• Work Programme for 2021. • 2020 list of global systemically important banks (G-SIBs) • 2020 Annual report on the implementation and effects of the G20's financial regulatory reforms
Conduct		
UK	HMT	• Letter from the Chancellor of the Exchequer to the Chief Executive of the FCA providing recommendations for the FCA. • Second annual financial inclusion report • Guidance on disguised remuneration following the outcome of the independent loan charge review
	FCA	• Speech by Georgina Philippou, Senior Adviser to the FCA on the Public Sector Equality Duty, on why diversity and inclusion are key issues for the FCA. • Letter to the Boards of Directors of Debt Purchasers, Debt Collectors and Debt Administrators. • Portfolio letter to Mainstream Consumer Credit Lenders (MCCLs). • Mortgage lending statistics - December 2020.
	BOE	• Updated roadmap of priorities for ending the new use of GBP LIBOR-linked derivatives.
	PRA	• Consultation paper on the identification verification requirements for depositor protection. • Policy statement on strengthening Accountability and SM&CR forms update. • Consultation paper on joint PRA and FCA Chapter clarifying expectations for temporary, long-term absences of Senior Managers. • Report on the evaluation of the SM&CR.

	CMA	• Consultation paper on future oversight of the CMA's open banking remedies.
EU	EBA	• Opinion document highlighting key money laundering and terrorist financing risks across the EU. • Discussion paper on a new integrated reporting system across supervisory, resolution and central banks statistical data. • Consultation on changes to Guidelines on Risk-based AML/CFT supervision. • Regulatory instruments to address 'de-risking' practices. • Opinion on strengthening the connection between the EU legal frameworks on anti-money laundering, terrorist financing, and deposit protection.
	ESMA	• Statement promoting transparency for Targeted Longer-Term Refinancing Operations (TLTRO III) transactions.
	ECB as a Central Bank	• Blog post by Isabel Schnabel, Member of the Executive Board of the ECB, titled "Don't take it for granted: the value of high-quality data and statistics for the ECB's policymaking".
	ECB - SSM	• Guide on method of determining penalties for regulatory breaches. • Opinion piece by Yves Mersch,, regarding the ECB "raising the bar on bank governance".
	SRB	• Speech by Elke Konig, Chair of the Single Resolution Board, to the European Parliament at the ECON Committee on 27 October 2020.
International	FSB	• Statement on reprioritisation of the FSB work programme
	BIS	• Announcement regarding Jens Weidmann being re-elected as Chair of the BIS Board of Directors. • Proposed technical amendments to rules on haircut floors for securities financing transactions. • Speech by Isabel Schnabel, Member of the Executive Board of the EBC, on the importance of trust for the ECB's monetary policy.
Capital Markets		
Prudential		

UK	PRA	• Speech by Anil Kashyap, External member of the Financial Policy Committee, on the "dash for cash" and the liquidity multiplier
	BOE	• Annual report on the supervision of financial market infrastructures in 2020.
	FCA	• Consultation paper on bilateral margin requirements for uncleared derivatives.
EU	ECOFIN	• Conclusions on the European Commission's action plan for the CMU.
	ECB Central Bank	• Report on the interconnectedness of derivatives markets and money market funds through insurance corporations and pension funds
	EU	• Consultation paper on establishing a European Single Access Point (ESAP) for financial and non-financial information publicly disclosed by companies.
	EBA	• Report on significant risk transfer (SRT) in securitisation transactions, and detailed recommendations to the European Commission on the harmonisation of practices and processes applicable to the SRT assessment
	ESMA	• Results of the annual transparency calculations for equity and equity-like instruments. • Latest double volume cap data under MiFID II. • Final guidelines on stress test scenarios under the MMF regulation. • Final guidance to address leverage risks in the Alternative Investment Fund sector. • Updated Q&A on OTC requirements and reporting issues under EMIR. • Updated Q&A on the implementation of investor protection topics under MiFID II / MiFIR, including information on costs and charges. • Updated guidance on waivers from pre-trade transparency for equity and non-equity instruments.
International	FSB	• Announcement regarding FSB continuity of access to FMIs for firms in resolution, including an informal summary of outreach and Q&As.

	BIS	• Statistical release on OTC derivatives at end-June 2020
	IOSCO	• Review of Money Market Funds recommendations and events arising from the March 2020 market turmoil
Conduct		
UK	BOE	• Announcements on the end of LIBOR. o Annex • Statement on the need for firms to secure a smooth completion of the sterling LIBOR transition by end-2021. • Speech by Andrew Hauser, Executive Director for Markets at the Bank of England, on why central banks need new tools for dealing with market dysfunction. • Speech by Andrew Hauser, Executive Director for Markets at the Bank of England, on the retirement of LIBOR • Announcement regarding BoE signing up to ISDA's IBOR Fallbacks Protocol.
	FCA	• Speech by Edwin Schooling Latte, Director of Markets and Wholesale Policy, on a forward-look at regulation of the UK's wholesale financial markets. • The FCA and the Bank of England encourage market participants to switch to SONIA in the sterling non-linear derivatives market from 11 May. • Statement on MiFID trade reporting and position limit obligations. • Speech by Julia Hoggett, Director of Market Oversight at the FCA, on market abuse during COVID-19. • Requirements and directions under the FSMA 2000 (Over the Counter Derivatives etc.) Regulations 2013 regarding the information to be contained in an application for, or a notification of, an exemption under paragraph 8 or 9 of EMIR.
	HMT	• Policy statement paper on amendments to the Benchmarks Regulation to support LIBOR transition.
	PRA	• Consultation paper on the approach to recognition of overseas Internal Ratings Based (IRB) credit risk models.
EU	EC	• Targeted consultation on the designation of a statutory replacement rate for CHF LIBOR. • Adoption of an equivalence decision for US central counterparties.

		• Consultation on the review of CSDR. • Adoption of CSDR RTS, further postponing settlement discipline measures until 1 February 2022.
	ECOFIN	• Proposed amendments to the benchmark's regulation on exemptions of certain third country foreign exchange benchmarks and the designation of replacement benchmarks for certain benchmarks in cessation • Capital Markets Recovery Package: Council endorsement of targeted amendments to EU capital market rules. • Announcement on Council agreeing its position on the Capital Markets Recovery Package.
	EBA & ESMA	• Table setting out a list of competent authorities that comply or intend on complying with ESMA's CPP guidelines on conflicts of interest management. • ESMA updates EMIR validation rules. • Technical advice sent to the Commission on the application of sanctions under MiFID II/MiFIR. • Call for experts on commodity derivatives to join a consultative industry group. • Draft technical standards under EMIR REFIT. • Consultation paper on MIFID II/MIFIR review report on algorithmic trading. • Response to IASB's discussion paper 'Business combinations - disclosures, goodwill and impairment'. • Annual report on the application of accepted market practices under MAR. • Consultation report on procedural rules for penalties imposed on Benchmark Administrators. • Report on CSDR implementation covering central securities depositories' (CSDs) cross border services and handling of applications as well as internalised settlement • Results of ESMA's fast track peer review identifying the deficiencies in supervision of Wirecard's financial reporting • Updated list of Competent Authorities responsible for the authorisation and supervision of Central Securities Depositories (CSDs)
International	BIS	• Speech by Klaas Knot, President of De Nederlandsche Bank (DNB) on the importance of the Capital Markets Union

		• Report submitted by a study group chaired by Andréa M Maechler on FX execution algorithms and market functioning.
	FSB	• Announcement regarding FSB publishing a global transition roadmap for LIBOR.
	IOSCO	• Report on suitability requirements with regards to the distribution of complex financial products.
Investment Management		
Prudential		
UK	HMT	• Statutory instrument to ensure that the Capital Requirements Regulation (CRR) continues to operate for investment firms until the implementation of the Investment Firms Prudential Regime. • Consultation on updating the UK's Prudential Regime before the end of the Transition Period.
	FCA	• Consultation paper on the new prudential regime for UK investment firms.
EU	EBA	• Final draft RTS on the criteria to identify categories of staff whose professional activities have a material impact on an investment firms' risk profile or assets it manages under the Investment Firm Directive. • Consultation on EBA's new guidelines on internal governance for investment firms under the IFD/IFR
	ESMA	• Updated list of administrative measures and sanctions applicable in Member States for infringements of regulations on short selling and credit default swaps. • Launch of a common supervisory action with NCAs on the supervision of the costs and fees of UCITS. • Opinions on position limits regarding commodity derivatives under MiFID II/MIFIR. • Consultation on the application of certain aspects of appropriateness and execution-only requirements under MiFID II.
International	IOSCO	• Industry survey on exchange-traded funds.
	BIS	• Working paper on the constraining role of banking regulation on asset managers' market making activities.
Conduct		

UK	FCA	• FCA published equity transparency calculations. • Research findings on understanding the behaviour of investors who engage in high-risk investments like cryptocurrencies and foreign exchange. ○ Annex • Findings from survey undertaken as part of joint BoE-FCA review of liquidity in open ended funds. • Future consultation on strengthening investor protections in Special Purpose Acquisition Companies (SPACs). • Speech by Mark Steward, Executive Director of Enforcement and Oversight, on preventing market abuse. • Portfolio Letter for SIPP operators. • Treasury, Bank of England and FCA convene working group to facilitate investment in productive finance. • Report on the evaluation of the Retail Distribution Review (RDR) and the Financial Advice Market Review (FAMR). • Update of position limits for certain commodity derivative contracts. • Confirmation that the temporary ban on speculative mini-bond mass-marketing is to be made permanent. • Announcement regarding the commencement of High Court proceedings over unauthorised collective investment schemes
EU	ESMA	• Guidelines on disclosure requirements under the Prospectus Regulation. • ESMA budget 2021. • Announcement confirming that the amendment to the short selling reporting threshold will expire on 19 March 2021. • Statement providing clarification on position limits pending MiFID II change. • Results of CSA on compliance with UCITS liquidity rules. • ESMA appoints new chair of Market Integrity Standing Committee. • Consultation on the framework for EU Money Market Funds (MMFs). • ESMA proposes amendments to MiFIR transactions and reference data reporting regimes. • ESMA promotes coordinated action on the suspension of best execution reports. • ESMA clarifies corporate disclosures obligations for UK issuers after Brexit.

		• ESMA updates its Q&As relating to the Prospectus Regulation. • ESMA updates Q&As on the BMR Transitional Provision. • Public consultation on simplified supervisory fees for Trade Repositories. • Final guidance to address leverage risk in the AIF sector. • Translations for Guidelines on performance fees in UCITS and certain types of AIFs • Consultation on the Guidelines on the MiFID II/ MiFIR obligations on market data • Consultation on Guidelines on marketing communications under the Regulation on cross-border distribution of funds
	EBA	• EBA launched public consultation on regulatory technical standards on disclosure of investment policy by investment firms. • Final revised Guidelines on money laundering and terrorist financing (ML/TF) risk factors
	ESRB	• Working paper on procyclical asset management and bond risk premia.
	ECON	• Consultation on a review of the ELTIF to evaluate the effectiveness of the ELTIF framework and to determine why the ELTIF market has not developed as expected. • Consultation on the review of AIFMD seeking views on how the AIFMD can be amended to ensure a more efficient EU AIF market.
International	IOSCO	• Consultation on issues and concerns regarding market data in secondary equity markets.
	BIS	• A BIS bulletin on liquidity management and asset sales by bond funds in the face of investor redemptions in March 2020.
Fintech & Cyber		
UK	BOE	• Speech by Andy Haldane, Chief Economist of the Bank of England and Member of the Monetary Policy Committee, on seizing the opportunities from digital finance • Minutes from the first meeting of the joint BoE/FCA Artificial Intelligence Public-Private Forum.

	FCA	• Feedback statement on Open Finance call for input. • Annual financial crime reporting requirements for cryptoasset businesses registered under the Money Laundering Regulations. • Statement on the benefits of the FCA's new data collection platform, RegData • Application windows for two regulatory sandboxes opened. o Annex • Statement on the FCA participating in GFIN cross-border testing of financial products and services.
	PRA	• Speech by Victoria Cleland, Executive Director for Banking, Payments and Innovation at BoE, on cross-border payments and innovating in a changing world
	TPR	• Statement urging the industry to make a pledge to combat pension scams
	CMA	• First annual work plan of the Digital Regulation Cooperation Forum published, aimed at ensuring regulatory coordination across digital and online services.
EU	EC	• Targeted consultation on instant payments.
	ECB Central Bank	• Article by Christine Lagarde, President of the ECB, on the future of money • Speech by Fabio Panetta, Member of the Executive Board of the ECB, on stablecoins and their implications for the payments market, financial sector and overall economy • Working paper on the open-economy implications of introducing a central bank digital currency • Speech by Fabio Panetta, Member of the Executive Board of the ECB, on delivering efficient, inclusive and secure payments in the digital age
	ECB - SSM	• Speech by Pentti Hakkarainen, Member of the Supervisory Board of the ECB, on digitalising banking supervision • Speech by Pentti Hakkarainen, Member of the Supervisory Board of the ECB, on banks' cyber resilience in the digital world.
	EIOPA	• Reminders to consumers about crypto-assets risks.

		• Guidelines on information and communication technology security and governance, including cyber security capabilities.
	ECOFIN	• Retail payments: Council supports action to promote instant payments and EU-wide payment solutions.
International	BIS	• Working paper on big data and machine learning in central banking. • Working paper on the gender gap in relation to the use of FinTech products and services. • Speech by Margarita Delgado, Deputy Governor of the Bank of Spain, on the proliferation of digital technologies used by banks. • FSI Brief on regulatory approaches and policy options in relation to BigTechs in financial services. • Report on the interoperability of central bank digital currency arrangements and the future of cross-border payments. • Article on the digitisation of the payments landscape • Working paper on how entering the UK's regulatory sandbox affects Fintechs' ability to raise funding • Working paper on the risks and potential of stablecoins and what this implies for their regulation • Speech by Frank Elderson, Executive Director of Supervision at the Dutch Central Bank, on a digitalisation boost due to COVID-19 and the supervisory response.
	FSB	• Discussion paper on regulatory and supervisory issues relating to outsourcing and third-party relationships • Virtual workshop on assessing the financial stability implications for BigTech firms in finance in emerging market and developing economies • Note on responses to the public consultation on effective practices for cyber incident response and recovery. • Publication of the toolkit of effective practices for financial institutions' cyber incident response and recovery. • Report on the use of supervisory and regulatory technology by authorities and regulated firms. • Final report and recommendations on the regulation, supervision and oversight of global stablecoin (GSC) arrangements.

	IMF	• Policy paper on potential macro-financial effects of the use of central bank digital currencies and global stablecoins across borders.
Sustainable Finance		
UK	HMT	• UK Government and UK regulators' TCFD Taskforce interim report and roadmap • UK Government and UK regulators' joint statement of support for IFRS Foundation consultation on sustainability reporting • Speech by Andrew Bailey, Governor of the Bank of England, on pushing ahead on tackling climate change • Statement on the resumption of the Climate Biennial Exploratory Scenario (CBES)
	TPR	• Blog on a changing climate for pension trustees.
	PRA / BOE	• Seminar with Professor Sir Partha Dasgupta to discuss the UK government's global independent review on the economics of biodiversity. • Speech by Andrew Hauser, Executive Director for Markets at the BoE, on "how financial markets are finally getting a grip on how to price climate risk and return".
	FCA	• Consultation on regulating bidding for emissions allowances under the UK Emissions Trading Scheme. • Reminder for firms to review regularly their regulatory permissions. • Policy statement on proposals to enhance climate related disclosures by listed issuers and clarification of existing disclosure obligations. • Speech by Nikhil Rathi, Chief Executive Officer of the FCA, on rising to the climate challenge • Speech by Richard Monks, Director of Strategy at the FCA, on building trust in sustainable investments
EU	EBA	• EBA launches call for papers for its 2021 Policy Research Workshop, covering the transition of the economy to netzero. • Consultation paper on draft implementing technical standards (ITS) on Pillar 3 disclosures of ESG risks. • Response to the European Commission's call for advice on KPIs related to institutions' environmentally sustainable activities, including a Green Asset Ratio. • Final draft Implementing Technical Standards on reporting templates under the Financial Conglomerates Directive.

		• Consultation on incorporating ESG risks into the governance, risk management and supervision of credit institutions and investment firms
	ECB as a Central Bank	• Speech by Isabel Schnabel, Member of the Executive Board of the ECB, on the need for central bank action on climate change. • Letter from Christine Lagarde, ECB President, to several MEPs, on the ECB's approach to managing risks associated with climate change. • Decision to set up a climate change centre to bring together the work on climate issues in different parts of the ECB. • Keynote speech by Christine Lagarde, President of the ECB, on climate change and central banking. • Working paper on green asset pricing.
	ECB – SSM	• Final guide on climate-related and environmental risks • Report on institutions' climate-related and environmental risk disclosures
	ESMA	• Letter to EU Commission on priority issues relating to SFDR application. • Call for legislative action on ESG ratings and assessment tools. • Speech by Steven Maijoor, Chair, on the paradoxes of sustainability reporting • Consultation on its draft advice to the EC under Article 8 of the Taxonomy Regulation

	EIOPA	• Consultation on Taxonomy-related product disclosures
		  o Annex 1
		  o Annex 2
		• Technical advice on key performance indicators under Article 8 of the Taxonomy, to assist insurance and re-insurance firms with complying with the Non-Financial Reporting Directive (NFRD).
		  o Annex
		• Announcement of a Sustainable Finance Roundtable on the 16th of December.

International	BIS	• Speech by Ravi Menon, Managing Director of the Monetary Authority of Singapore on the future of capital being green. • Speech by Lael Brainard, Member of the Board of Governors of the Federal Reserve System, on the financial stability implications of climate change.

European Venues & Intermediaries Association

		• Speech by Pablo Hernández de Cos, Governor of the Bank of Spain and Chair of the BCBS, on the role of central banks and banking supervisors in climate action. • Haruhiko Kuroda, Governor of the Bank of Japan, on addressing climate-related financial risks. • Launch of a second green bond fund for central banks • Speech by Denis Beau, First Deputy Governor of the Bank of France, on how controlling the risks posed by climate change to financial stability implies developing and standardising non-financial information. • Speech by Lael Brainard, Member of the Board of Governors on strengthening the financial system to meet the challenge of climate change.
	FSB	• FSB encourages use of TCFD's recommendations as the basis for climate-related financial risk disclosures. • Annual status report on TCFD-aligned disclosures by firms
	IOSCO	• New Technical Expert Group established, which has been given the task of assessing the technical recommendations to be developed as part of the IFRS Foundation's sustainability project.
	IMF	• Speech by Tao Zhang, Deputy Managing Director of the IMF, on green finance and a sustainable recovery
Other / Resilience		
UK	FCA	• Policy statement on building operational resilience: feedback to CP19/32 and final rules. • Consultation on plans to regulate the pre-paid funeral plans sector. • FCA confirms the increase in thresholds for contactless payments. • Speech by Nikhil Rathi, FCA CEO, on why diversity and inclusion are regulatory issues. • Speech by Georgina Philippou, Senior Advisor to the FCA, on Public Sector Equality Duty. From regulator to firm to consumer: a virtuous chain of events. • Campaign launched to encourage individuals working in financial services to report wrong-doing. • Warning to consumers about the risks of investments advertising high returns based on crypto-assets. • Consultation paper on changes to the technical standards on strong customer authentication and common and secure methods of communication, and

		guidance on prudential risk management and safeguarding, for payment and e-money firms. • Report of the Independent Investigation into the FCA's Regulation of London Capital & Finance plc. • Andrew Bailey's (former CEO of the FCA) statement on the FCA's supervision of London Capital and Finance. • Quarterly consultation paper on miscellaneous amendments to the Handbook.
	PRA	• Statement regarding supervisory cooperation on operational resilience • Working Paper on whether regulatory and supervisory independence affect financial stability • Speech by Nick Strange, Director of the Supervisory Risk Specialists directorate at BoE, on resilience in a time of uncertainty.
	HMT	• Recommendations from Lord Hill's UK Listings Review. ○ Annex • HMT monetary policy remit - letter from Chancellor to BoE on how price stability should be defined and what the government's economic policy consists of. • Consultation and call for evidence on the UK regulatory approach to cryptoassets and stablecoins. • Consultation on insolvency changes for payment and electronic money institutions. • Guidance on notifications threshold under the Short Selling Regulation. • Publication of the Green Book containing international guidance on how to appraise and evaluate policies, projects and programmes • Consultation on the Reform to Retail Prices Index (RPI) Methodology
	CMA	• Call for input on competition and consumer harm arising from the use of algorithms. • Research paper on loyalty price discrimination.
EU	ECB as a Central Bank	• Interview on Twitter with Frank Elderson, Member of the Executive Board of the ECB, on several topics including climate risk and the economy. • Occasional paper on fiscal transfers and economic convergence.

		• Study on the payment attitudes of consumers in the euro area.
	EC	• Joint Statement on the 2nd Meeting of the EU-Japan Joint Financial Regulatory Forum • Statement on the agreement reached between the European Parliament and the European Council on financial benchmarks
	ECOFIN	• Leaders' Declaration at the G20 Riyadh Summit

	ESMA	• ESMA supports increasing corporate transparency through the creation of a European Single Access Point (ESAP) for financial and non-financial information publicly disclosed by companies.
		  o Annex
		• The European Supervisory Authorities issue a report on the application of their Guidelines on complaints-handling.
		  o Annex 1
		  o Annex 2
		• Appointment of Vojtech Belling (Czech National Bank) and Vasiliki Lazarakou (Hellenic Capital Markets Commission) to the Management Board.
		• Guidelines on cloud outsourcing
		• SMSG advice on 2021 Annual Work Programme.

	EIOPA	• Discussion paper on open insurance: accessing and sharing insurance-related data.
		• Decision on legal case against EIOPA on alleged non-application of Union law
		  o Annex 1
		  o Annex 2

International	BIS	• Speech by Christine Lagarde, President of the ECB on investing in our climate, social and economic resilience and the main policy priorities. • Speech by François Villeroy de Galhau, Governor of the Bank of France, on the "tale of the three stabilities" - price stability, financial stability and economic stability. • Speech by Michelle W Bowman, Member of the Board of Governors of the Federal Reserve System, on the economic outlook and prospects for small business. • Address by Mr. Shaktikanta Das, Governor of the Reserve Bank of India, on the financial sector in the new decade. • Principles for operational resilience and operational risk.

		• Innovation Hub annual work programme. • Results of third BIS survey on central bank digital currency. • Speech by Jens Weidmann, President of the Deutsche Bundesbank and Chair of the Board of Directors of the BIS, on challenges in the European payments market. • Speech by Fabio Panetta, Member of the Executive Board of the European Central Bank, on keeping cyber risk at bay. • Report on enabling open finance through APIs. • Speech by Pablo Hernández de Cos, Chair of the BCBS, on statistical production and economic policymaking
	G7	• Guide on Fundamental Elements of Cyber Exercise Programmes.
	FSB	• FSB Chair's letter to G20 Finance Ministers and Central Bank Governors in October 2020.
	IMF	• Webinar on negative interest rates - taking stock of the experience so far. • IMF Blog: "The Evidence is in on Negative Interest Rate Policies". • Article on the threat posed by cyber risk to financial stability. • Speech by Kristalina Georgieva, IMF Managing Director, on financial inclusion and cybersecurity in the digital age.
	IOSCO	• Report on the education of retail investors regarding risks posed by crypto-assets.

Diversity: a social and regulatory concern

Social considerations fall within the broad panoply of sustainable finance and one aspect - diversity - is attracting increasing regulatory attention.

Regulators are increasingly recognising that good diversity and inclusion (D&I) practices help to reduce risk for regulated firms by ameliorating "groupthink" and are calling out pay gaps.

Official statistics are telling. Financial services were among Europe's worst industries on gender pay gaps in 2018, according to Eurostat. The February 2020 benchmarking report by the European Banking Authority (EBA) found that, based on September 2018 data, over 40 percent of institutions had still not adopted a diversity policy and two-thirds of boards were composed only of men. In July 2020, the Central Bank of Ireland's (CBI's) thematic assessment (PDF 1 MB) in the insurance sector noted slow progress in insurers recognising the importance of D&I and, even among firms with a D&I strategy, a "striking" disconnect between firms' policies and senior level decisions.

Such figures are no longer acceptable. Regulators expect firms to act now and deliver improvements and greater transparency. Disclosure of D&I policies or reporting of pay information is mainly voluntary, but regulation has been introduced in a small and growing number of jurisdictions. And the recovery phase of the pandemic is likely to raise additional equality and potential discrimination issues. As firms re-introduce office working, they need to consider the individual needs of their workforce and accommodate gender and ethnic specificities.

There has been some progress within the industry on D&I policies. For example, a poll conducted by the UK Investment Association among 24 firms found that 87 percent had established dedicated diversity networks to support employees and drive change, and 96 percent ran training programmes to educate their workforce on D&I-related issues, such as understanding racial bias, micro-aggressions in the workplace and everyday racism. The association noted, however, that collecting data on the protected characteristics of a firm's workforce, including employees' ethnicity, has been one of the most common and difficult challenges faced by firms. Legal, data protection and issues of trust are obstacles to full disclosure.

Regulatory pressures increase

Back in 2018, the Central Bank of Ireland (CBI) warned that it would impose gender diversity requirements if improvements were not made. Sharon Donnery, Deputy Governor said gender balance can help ameliorate issues such as "*groupthink, insufficient challenge, poorly assessed risk and problems with culture*", which, she said, contributed to the 2008 financial crisis. Senior CBI officials continue to highlight the importance of D&I to the culture and resilience of financial services firms.

In June 2019, the UK Financial Conduct Authority (FCA) indicated that it expected to see sufficient diversity in a regulated firm's leadership team. D&I is a central consideration of the FCA in all aspects of conduct, including towards different types of customers. In March 2021, FCA CEO, Nikhil Rathi said that diversity will be crucial in the FCA's consideration of vulnerability, particularly as we recover from a pandemic that has disproportionately affected women and people of colour. The FCA, which is working with the Prudential Regulation Authority on a joint approach to D&I for all financial services firms, will increasingly ask "tough" questions of firms about representation across grades, and whether their culture is open and inclusive and provides a safe space for colleagues at all levels.

The European Central bank (ECB) is expected soon to publish a revised Handbook, enabling banks to gain a better understanding of what is expected, before they make senior appointments. The ECB will also seek to harmonise national approaches to "fit and proper" assessments.

The Commission's five-year Gender Equality Strategy also includes the introduction of binding measures on improving the gender balance on corporate boards, including of financial services firms. Such measures already exist in a few member states. In France, for example, the obligation for boards to have at least 40 percent female members was extended in January 2020 from listed companies to companies with at least 250 employees and sanctions were strengthened.

To tackle gender and ethnic pay gaps, the Commission has issued a draft directive (PDF 560 KB) on equal pay for equal work, with transparency and enforcement provisions. The EBA is also on the case. In December 2020, it consulted on new remuneration guidelines for certain firms subject to the new Investment Firms Directive, which requires firms to apply a gender-neutral remuneration policy to all staff. The European Banking Authority (EBA) stated that "*Any form of discrimination, based on gender or otherwise cannot be tolerated*". It defines gender-neutral remuneration policies as being "*consistent with the principle of equal pay for male, female and diverse workers for equal work or work of equal value*". The final guidelines will not be legally binding, but supervisors will have to apply them or explain why not.

Issues of pay inequality, the diversity and wellbeing of staff, career development and training, and links between remuneration and sustainability risks may be challenging for traditional remuneration committees. Firms will need to undertake a fundamental review of the terms of reference, skill sets and composition of their remuneration committees.

Initial work has begun on extending the Taxonomy Regulation to define socially-sustainable activities. Existing EU regulation already includes pointers to what that definition might include regarding D&I. The Sustainable Finance Disclosures Regulation refers to investments that contribute to tackling inequality, and the Social Entrepreneurship Funds Regulation refers to the re-integration of marginalised groups into the labour market by providing employment, training or other support.

Regulators seek to set the right example

Like the industry, some progress has been made by regulatory bodies, but there is still a long way to go. There have been high-profile female appointments at the ECB, the Basel Committee on Banking Supervision, the US Federal Reserve Bank and others, and there are drives to improve the overall percentage of women and BAME staff of regulators. For example, the European Insurance and Occupational Pensions Authority now has almost an equal split between staff identifying as female or male. In May 2020, the ECB announced an aim of filling "*at least half of new and open positions with women on all levels*" and its March 2021 D&I policy says, "*There is no place for racism at the ECB, in the EU or anywhere else*". The FCA has published an ethnicity action plan and gender and ethnicity pay gaps.

The growing pursuit of sustainability

Policymakers are pursuing common global standards for reporting by companies on sustainability matters in their annual reports and related documents, including financial firms.

Banking supervisors around the globe are underlining their expectations regarding firms' consideration of climate-related risks, but the EU continues to lead on introducing financial services regulation.

Search for common reporting standards

The trustees of the International Financial Reporting Standards (IFRS) Foundation have announced plans to establish a new board for setting sustainability reporting standards. It will focus on information that is material to the decisions of investors and other creditors, initially on climate-related matters, and will build on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The International Organisation of Securities Commissions (IOSCO) will collaborate (PDF 97 KB) in the work.

The announcement was widely welcomed, including in Europe. ESMA has suggested that the IFRS standards should be based on the EU's concept of "double materiality", where companies disclose the impact of environment, social and governance (ESG) factors on performance, alongside their impact on the environment and society, with some leeway offered in jurisdictions where ESG investing is less developed.

Meanwhile, the European Commission has issued proposed changes to the Non-Financial Reporting Directive. The recast Corporate Sustainability Reporting Directive (CSRD) will cover around 49,000 entities (a more than four-fold increase), extend the scope of non-financial information to be reported and introduce a limited assurance requirement. A new EU sustainability reporting standard setter will produce standards covering all reporting specified in CSRD, by end-October 2022.

The European Supervisory Authorities (ESAs) have issued their individual opinions to the Commission on how financial firms should meet their obligations under Article 8 of the Taxonomy Regulation, which amends NFRD by requiring large public interest entities (PIEs) to include in their annual reports the proportions of revenue and capital and operating expenses related to environmentally sustainable activities. The three opinions set out proposed KPIs and methodologies for the different financial sectors.

The UK government is considering requiring PIEs to publish annual "resilience" statements. It is consulting on whether these could provide a means for companies to provide disclosures consistent with the TCFD's recommendations.

The US joins the debate

US Treasury Secretary, Janet Yellen presided over her first meeting as head of the Financial Stability Oversight Council on 31 March 2021. The public portion of the agenda included climate change and its potential impacts on financial stability. Special Presidential Envoy for Climate, John Kerry is holding discussions with US financial sector leaders about how to mobilise capital for green technology and clean energy. And the SEC has created an enforcement task force on climate and ESG issues, which will develop initiatives to identify ESG-related misconduct. It will look for material gaps or mis-statements in issuers' disclosure of climate risks and will analyse disclosure and compliance issues related to ESG strategies used by investment managers and funds.

Central banks and banking supervisors

On 31 March 2021, the Network for Greening the Financial System (NGFS), which comprises central banks and banking supervisors, released an overview (PDF 293 KB) of sustainable finance market dynamics. It identifies disclosure, risk management and mobilisation of capital as the three main channels through which financial markets can help steer the transformation of the real economy towards higher levels of sustainability. The report provides examples of policies, regulations and guidance to market participants on these three topics, and a set of key takeaways for further consideration by policymakers and market participants:

- Financial authorities to support global disclosure frameworks, efforts to establish a comprehensive corporate disclosure standard aligned with the TCFD recommendations and development of a global set of sustainability reporting standards
- Multinational financial institutions to adopt and promote global voluntary sustainability standards and disclosure frameworks in the different jurisdictions in which they operate
- Credit and ESG rating providers to enhance transparency surrounding their methodologies — the criteria used to assess the materiality of climate and sustainability factors, the manner in which these are measured and incorporated into ratings, and the weights assigned to them
- Regulators to require financial institutions to consider material climate and sustainability factors as financial factors, and financially material climate and sustainability factors to be part of the fiduciary duty of asset managers
- National and multilateral development banks to strengthen their support to mobilise capital towards green investment projects, particularly in developing and emerging markets

The Basel Committee on Banking Supervision (BCBS) will (PDF 163 KB) conduct a gap analysis to identify areas in the current Basel Framework where climate-related financial risks may not be adequately addressed or are not captured. The analysis will be comprehensive and cover regulatory, supervisory and disclosure elements. The BCBS will explore practical solutions to address any identified gaps. In addition to a set of principles or guidelines on effective supervisory practices for assessing climate-related financial risks, the Committee will explore whether any policy measures under the regulatory framework should be taken, and how the Committee could support international efforts related to the development of globally consistently sustainability reporting requirements.

The EBA is consulting on technical standards for Pillar 3 ESG disclosures under the Capital Requirements Regulation, to ensure stakeholders are informed about ESG exposures and strategies and can make informed decisions and exercise market discipline. The proposals are consistent with the EBA's recommendations to the Commission on Article 8 of the Taxonomy Regulation (see above), including a green asset ratio.

Preliminary findings from the ECB's first economy-wide, desktop climate stress test, which encompasses around four million companies worldwide and 2,000 banks and looks, 30 years ahead, show that in the absence of further climate policies, the costs to companies arising from extreme weather events would rise substantially and greatly increase their probability of default. The final results — expected in the summer — will inform the separate supervisory climate stress-test of individual banks that the ECB will carry out in 2022. Meanwhile, preparation for the Bank of England's 2021 Climate Biennial Exploratory Scenario for the largest UK banks and insurers is underway, with the full exercise to launch in June 2021.

More EU FS regulation expected:

Asset owners (insurers, pension funds and investment funds), asset managers and financial advisers now have the final changes to various existing EU regulations to include references to sustainability risks. They cover investment risk, product governance, suitability and conflicts of interest – see KPMG's Delivering sustainable finance. Insurers await the outcome of EIOPA's consultation on capturing climate-related risks in solvency requirements, and banks and investment firms await the EBA's decision on incorporating ESG risks into firms' governance, risk frameworks and supervision.

Asset owners and managers also await the final Level 2 rules under the Sustainable Finance Disclosure Regime (SFDR). The ESAs sent recommended (PDF 2.6 MB) text to the Commission in February 2021, just one month ahead of the first SFDR implementation deadline of 10 March. The ESAs have recommended that the deadline for complying with certain of the Level 2 rules should be delayed but that, in the meantime, firms should refer to the recommended text for guidance. The Commission has yet to adopt the rules. Meanwhile, the ESAs are now consulting on Level 2 rules to underpin the additional requirements for "light green" and "dark green" products under the SFDR, which were introduced via Articles 5 and 6 of the Taxonomy Regulation. The ESAs recommend that the main SFDR Level 2 rules should be amended to incorporate these additional requirements.

As reported in the February edition, progress in finalising the detailed Level 2 rules under the Taxonomy Regulation for the climate change mitigation and adaptation objectives has been difficult. In addition to industry concerns, member states have differing views on how nuclear power and gas should be classified. The final texts have just been published and are significantly reduced in scope, but with more to come. Also, Commission proposals on an EU green bond standard and an EU ecolabel for investment products have yet to emerge, and there are calls for ESG data and rating providers to be regulated and for stress tests of central counterparties to consider sustainability risks.

The UK is not directly implementing new EU ESG-related regulation, but given global and market pressures, new UK rules and further supervisory statements in all the above areas may be expected. The UK Chancellor has written to the FCA and the Prudential Regulation Committee (PRC), requiring them to take into account the government's economic policy when undertaking their regulatory activities. The letter to the FCA simply includes the phrase *"to transition to an environmentally sustainable and resilient net zero economy, including* *through regulation*", whereas the letter to the PRC includes relevant text under sections on growth and competitiveness.

The EU-UK relationship evolves:

The EU and the UK have agreed the text of the Memorandum of Understanding (MoU) that creates a framework for voluntary regulatory co-operation on financial services.

However, regulatory developments since the UK left the EU underline that firms working in both the EU and the UK will need to monitor closely regulatory change in both jurisdictions, to pre-empt disruption to their business and remain compliant.

The MoU will establish the Joint UK-EU Financial Regulatory Forum, which will facilitate dialogue on financial services issues. Like the EU-US Forum, it will meet twice a year and on other occasions when deemed necessary.

As reported in recent Bank of England, Financial Policy Committee (FPC) minutes (PDF 1.37 MB), UK authorities remained committed to mutual regulatory and supervisory co-operation with the EU authorities. They conclude that, alongside co-operation with other regulatory authorities globally, this will continue to promote an open and resilient financial system to the benefit of all participants. The FPC also judges that such mutual co-operation is necessary to manage financial stability risks.

The European Commission's strategy is to promote openness in the EU's economy and financial system, but to be open to the world, it perceives it needs to be "strong and resilient at home", including improving the resilience of EU financial market infrastructure.

State-of-play on equivalence

Related to this, and one of the most sensitive areas in the EU-UK financial services relationship, is the EU's temporary equivalence and recognition decisions for UK Central Counterparties (CCPs), which expire on 30 June 2022. Before then, European Securities and Markets Authority's (ESMA's) CCP Supervisory Committee will undertake a technical assessment of whether the services provided by the two UK CCPs are of a systemic nature that is too substantial to be safely provided from outside the EU. ESMA is currently defining a framework for the assessment of the relevant systemic risks and supervisory implications, taking into account the costs and benefits that may result from a potential relocation of clearing services.

The UK has on-shored the European Markets Infrastructure Regulation (EMIR), which governs CCPs. The proposed expanded CCP resolution regime, currently being consulted upon by HM Treasury, is similar to the EU regime apart from a few technical areas. It will be for the Commission to decide whether these technical differences will impact their decision to grant further equivalence from July 2022.

More widely, indications from the European Commission are that there will not be any immediate granting of further equivalence decisions beyond the two existing time-limited decisions on derivatives clearing and securities settlement. Some national regulators issued temporary equivalence decisions on the UK to bridge the gap and it is not known if these will be continued or fall away. For example, the Luxembourg's CSSF's announcement in relation to Markets in Financial Instruments Regulation (MiFIR) for services provided to Luxembourg eligible counterparties and per se professional clients, without opening a branch, will fall away if the EU issues an equivalence decision. The Italian securities regulator CONSOB's decree (PDF 278 KB) allowing UK banks and investment firms to continue to operate in Italy while they seek authorisation expires on 30 June 2021.

Impacts on firms and markets

In the meantime, firms and markets have begun to adapt. The application of the EU MiFID II share trading obligation resulted in around EUR 6 billion in daily average share volumes leaving London in January, mainly moving to Amsterdam. Similar movements have also happened in derivatives trading; for example, the UK's trading share of euro rates swaps has fallen from 40 percent to 10 percent since January.

The position for UK asset managers remains uncertain. Without an equivalence decision under MiFID II by the Commission on the UK, firms have to consider the evolving position in each member state. And while provision of portfolio management services by third-country firms to EU funds currently requires only co-operation agreements, the reviews of the Alternative Investment Fund Managers Directive (AIFMD) and the Undertakings for the Collective Investment in Transferable Securities Directive (UCITS) could herald changes, in rules or supervisory expectations. MiFID firms also need to review the position of sales or marketing personnel based in the UK but operating in the EU.

Continuing alignment or divergence?

The regulatory frameworks in both jurisdictions are under review. John Berrigan, Deputy Director General of Financial Stability, Financial Services and Capital Markets Union recently outlined the Commission's 2021 priorities, which include reviews of five major pieces of the EU regulatory framework: MiFID II/MiFIR, Capital Requirements Directive and Regulation (CRD/CRR), Bank Recovery and Resolution Directive (BRRD) Solvency II and AIFMD.

The UK is beginning to outline its future review plans, indicating both continuing alignment and divergence from EU regulation. The UK FPC has stated that it remains committed to the implementation of robust prudential standards, maintaining a level of resilience that is at least as great as that currently planned, which would exceed that required by international standards. However, the UK will work to its own timeline, as shown by the recent decision to extend the implementation date for Fundamental Review of the Trading Book (FRTB) Standardised Approach reporting by UK banks to January 2022, rather than imposing the EU deadline of September 2021.

The Financial Conduct Authority (FCA) has indicated that it will match MiFID II changes made by the EU as part of the Capital Markets Recovery Package. An FCA consultation shortly to be released will propose *"a similar set of changes - not absolutely identical"* to the EU changes.

On the MiFID II transparency regime, the FCA has already made it clear that it will not apply the double volume cap to dark trading of all equities traded in the UK, expanding from its original scope of only UK-listed equities, unless it sees harm to price formation or execution outcomes for investors. The FCA will allow the **Securities Financing Transaction Regulation (SFTR)** regime to mature before it proposes any further divergence from the EU regime (non-financial companies are not in scope of UK SFTR, unlike the EU SFTR). However, the FCA recognises that *"divergence between two regimes could add additional complication of cost to groups who would then have to adhere to two different set of reporting requirements"*. In the insurance sector, the European Insurance and Occupational Pensions Authority (EIOPA) submitted its final advice to the Commission on the **Solvency II review** in December and the Commission is expected to publish a proposal in Q3 2021. The Prudential Regulation Authority (PRA) has announced that its review will stay true to the basic principles of Solvency II. Broadly, the regime has served the UK well, as demonstrated through the pandemic, but the PRA believes the regime is over-specified and needs tailoring in places, particularly on the life side. The UK **Investment Firms Prudential Regime** closely mirrors the new EU Investment Firms Directive and Regulation (IFD/IFR). On the other hand, the UK has no plans, in the short term, to introduce **sustainable finance** rules mirroring the EU Sustainable Finance Disclosures Regulation, Taxonomy Regulation or amendments to other existing regulations impacting asset owners and asset managers. And looking further forward, firms may need to navigate differences in new areas of regulation, such digital operational resilience, crypto-assets and an EU Green Bond Standard.

Global regulatory themes

There are common regulatory and supervisory themes emerging from the 2021 work plans of three of the main global regulatory bodies.

These themes will inform the work of EU and national regulators and therefore indicate areas that firms should consider in their regulatory change management programmes.

The work plans of the Financial Stability Board (FSB), the International Organisation of Securities Commissions (IOSCO) (PDF 234 KB) and the International Association of Insurance Supervisors (IAIS) cover systemic risk, recovery, digital finance and sustainable finance. Meanwhile, the European Commission is undertaking reviews of five major pieces of EU legislation (see EU-UK relationship evolves) and is consulting on supervisory convergence and the effectiveness of the European Supervisory Authorities (ESAs).

Systemic risk

As expected, the global bodies continue to focus on systemic risk. Building on its Holistic Review of Market Turmoil in March 2020, the FSB will continue to work on enhancing the understanding of systemic risks in non-bank financial intermediation (NBFI), including analysis of structural and interconnectedness issues and pro-cyclicality, and policies to address these risks. The FSB plans to consult on policy proposals to enhance the resilience of money market funds in July. In tandem, IOSCO's work programme contains a new priority of financial stability and the systemic risks of NBFI, and IOSCO will contribute to the work on the FSB on MMFs.

The resilience of central clearing counterparties (CCPs) is key in ensuring financial stability. The FSB, the Committee on Payments and Market Infrastructures (CPMI) and IOSCO will continue to collaborate on work on central counterparties' financial resources. And the IAIS will continue its Global Monitoring Exercise (GME), which aims to detect the possible build-up of systemic risk in the global insurance sector, and will finalise liquidity metrics.

The FSB's roadmap includes a smooth transition away from LIBOR to more robust benchmarks by the end of 2021. The pressure is now on firms to implement transition plans, with a key milestone reached when the Financial Conduct Authority (FCA) confirmed that LIBOR will end in its present form for all currencies apart from the US dollar at the end of 2021 - see this update for more information.

BCBS has flagged three key risks and trends in its workplan (PDF 4 MB) for 2021/22: the impact of digitalisation and disintermediation of finance on banks' business models and the banking system more generally; the assessment, measurement and mitigation of climate-related financial risks; and the impact of a "lower for longer" interest rates environment on bank business models. The workplan focuses on three key areas alongside the ongoing implementation of the Basel reforms.

- COVID-19 resilience and recovery: monitoring and assessing risks and vulnerabilities to the global banking system; mitigating those risks by developing and deploying additional regulatory and supervisory responses that support the banking system's resilience and a sustainable economic recovery; monitoring the implementation and unwinding of domestic pandemic-related measures to ensure a consistent implementation of the Basel 3 framework and; evaluating initial lessons learned from the COVID-19 crisis.
- Horizon scanning and mitigation of risks: a forward-looking approach together with analysis of the implications of medium-term structural trends and disruptions and completion of outstanding initiatives related to mitigating risks and structural trends.
- Strengthening supervisory coordination and working practices: focus on the use of artificial intelligence and machine learning and broader issues related to the use of technology, data and technology governance, operational resilience especially cyber security, and leveraged lending and collateralised loan obligations.

The Committee will monitor the full, timely and consistent implementation of the Basel 3 framework by all members and complete an evidence-based evaluation of the effectiveness of the standards. It will also continue to cooperate with other global standard setting bodies and international fora on cross-sectoral supervisory issues, pursue further initiatives to promote the role of proportionality in bank regulation and supervision, and develop practical guidance on the use and design of a proportionate regulatory and supervisory framework, for use by jurisdictions on a voluntary basis.

Recovery

European Venues & Intermediaries Association

The FSB has reported on factors that should be considered for an orderly unwinding of COVID-19 policy support measures, finding that, on balance, most authorities believe that premature withdrawal of support could inflict more damage to the economy than maintaining support for too long. IAIS will analyse and assess COVID-19 related policy measures as well as initiatives taken to address pandemic risk protection gaps.

IOSCO is taking a slightly different approach, recognising the challenges posed to regulators and industry by lockdown measures and the expected continuation of large-scale remote working. It is also focused on investor protection issues. By 2022, IOSCO will issue three reports covering: misconduct risks; operational, cyber-security and business contingency planning risks; and fraud and scams.

Digital finance

With increased remote working, potential for cyber-attacks has increased. The FSB is exploring further harmonisation of reporting by financial institutions, including financial market infrastructures, to their financial regulators or supervisors.

IAIS will undertake a survey of regulatory and supervisory responses to FinTech developments, including the implications for future development of global insurance markets. The FSB will continue its work to address the regulatory, supervisory and oversight challenges raised by global 'stablecoins', as part of its implementation of the FSB roadmap to enhance cross-border payments. And IOSCO will continue to explore how artificial intelligence and machine learning are being used in capital markets, including by market intermediaries and asset managers, and emerging risks. It is expected to report in Q2 2021.

The rapid growth in digitalisation, especially via social media, has changed the way financial products are marketed and distributed, providing new opportunities for domestic and cross-border offerings. IOSCO is developing a set of policy measures to address and mitigate the risks posed by online cross-border marketing and distribution. The measures will also contain guidance on effective enforcement approaches. The final report will be published by end-Q3 2021.

Sustainable Finance

The FSB will assess the availability of data through which climate-related risks to financial stability could be monitored. It will also explore ways to promote globally comparable, high-quality, auditable standards of disclosure, based on the recommendations of the Task Force on Climate-related Financial Disclosures.

IAIS will finalise an application paper on the supervision of climate-related risks in the insurance sector, including practical examples and case studies on how to apply insurance core principles in this area, and IOSCO's three focus areas are:

- Disclosures by issuers (report by end-June 2021)
- Disclosures by asset managers (report by end-2021, with particular attention to green washing)
- ESG ratings and data providers (report by end-2021)

See Sustainable finance for the latest developments in global standard setting and EU regulation.

Focus on conduct and culture remains

By end-2021, IOSCO will report on the findings of its thematic review of conduct-related issues in relation to index providers. The review will explore issues related to the role of asset managers in relation to indices and index providers, and the role and processes of index providers in the provision of indices (including the potential impact of administrative errors on funds and identifying potential conflicts of interest that may exist at index providers in relation to funds).

IAIS is reviewing the way that supervisors can assess conduct-related outcomes and is also exploring the importance of insurer culture as a key intersection point for the supervision of prudential and conduct issues.

Supervisory convergence in the EU

Meanwhile, the European Commission is consulting on supervisory convergence and the effectiveness of the ESAs, as part of the Capital Markets Union action plan. The consultation outcomes could change the way EU regulation is implemented and supervised. On supervisory convergence, the Commission is seeking feedback on areas such as the ESAs' performance in peer reviews, no action letters, providing opinions and Q&A.

The section on the single rulebook covers topics such as whether member states' 'gold plating' of directives is detrimental to the single market and what level of regulation should be enhanced/tightened in order ensure uniform application of the single rulebook.

The consultation also serves as a stocktake of the 2019 review of the ESAs and their performance since then. The Commission requests feedback on the ESA's responses to the COVID-19 crisis, their main achievements in the consumer and investor protection areas, their roles in enforcement and in monitoring and assessing supervisory development in third countries, their governance and ESMA's direct supervisory powers.

In the context of the COVID-19 crisis and the prolonged low-yield environment, EIOPA has identified its two strategic supervisory priorities as business model sustainability and adequate produce design. National regulators are expected to take these priorities into account when drawing up their work programmes and EIOPA will coordinate supervisory actions.

UK regulators cut their own cloth

COVID-19 and post-Brexit impacts continue to feature in regulatory announcements. The UK regulators are increasingly moving to a UK-specific and more technology-based focus, such as the Bank of England (BoE) plan to transform data collection from regulated firms.

The FCA continues its focus on good customer outcomes, with new guidance on vulnerable customers, which firms are expected to apply through the customer journey. It has also issued its supervisory strategy for retail banking, a report outlining practices firms can consider to reduce consumer harm caused by failed technology changes and a review into the unsecured credit market. HM Treasury (HMT) has announced that buy-now-pay-later products will be regulated by the FCA and the latest report from The Pensions Regulator indicate a 50% increase in enforcement activity.

Banks must put in place tactical solutions for negative interest rates and UK implementation of the remaining Basel 3 standards is under consideration. A reminder of responsibilities under the first cycle of the Resolvability Assessment Framework has been issued. The BoE has decided not to restart the 2019 liquidity Biennial Exploratory Scenario, which it paused in March 2020. Insights from the liquidity BES have already helped to shape aspects of the BoE's response to the impact of COVID-19 and will continue to inform future work. The PRA has clarified its expectations for supervisory benchmarking of internal models and firms have been asked to provide an update on their progress in adopting the recommendations of the Taskforce on Disclosures about Expected Credit Losses within six weeks of finalising their 2020 or 2020/21 annual report. Also, the independent reviews of ring-fencing and proprietary trading are gearing up, with publication of the Terms of Reference and announcement of review panel members.

Insurance firms will wish to monitor closely the PRA's review of Solvency II. The PRA has said it will consider the three pillars of capital, risk management and risk disclosures, and that its objectives are an innovative and internationally competitive sector, policyholder protection and safety and soundness of firms, and enabling insurers to support growth by providing long-term investment. Meanwhile, the PRA has written to Chief Actuaries on the effective value test, used to assess the appropriateness of the matching adjustment benefit that life insurers derive from restructured equity release mortgages. The letter sets out detailed points on economic value, appropriate assumptions, and presentation and submission of results.

Finally, climate change risks remain front of stage. The UK has joined the International Platform on Sustainable Finance, having previously been a member under the EU banner. The BoE led two virtual events in late January designed to increase understanding and engagement with external stakeholders on how the financial sector can help tackle climate change. It is now asking members of the public and businesses to join the debate.

Highlights:

Review of the UK funds regime

HMT has called for input to its review of the UK funds regime. The overarching objective of the review is to identify options that will make the UK a more attractive location to set up, manage and administer funds, and that will support a wider range of more efficient investments better suited to investors' needs. The review is wide-ranging, covering regulatory, tax and other considerations, and is supplemented by other consultations, such as on the tax treatment of asset holding companies and the ability of pension funds to invest in illiquid long-term assets.

Key principles and objectives are that:

- Any changes to regulation will need to support the UK's commitment to upholding the highest standards of regulation and appropriate supervisory oversight and investor protection.
- Any tax reforms should be compatible with the UK's robust approach on avoidance and evasion, and with the UK's international commitments, and ensure the UK can effectively exercise taxing rights over UK source income.
- Enhancing the attractiveness of the UK funds regime will help to open opportunities for asset managers to sell UK funds around the world and offer the potential to further grow assets under management in the UK.
- The government remains committed to supporting portfolio delegation from and to the UK as a means to promote market efficiency, investor choice and to reflect the international nature of financial markets.
- The UK funds regime can play a key role in ensuring the asset management sector can fulfil its economic purpose by enabling investors to meet their goals and by allocating capital to the economy.
- Fund administration jobs do not need to be located in existing UK financial services hubs and are already distributed across the country.

Transforming data collection

The BoE has published its plan for 'Transforming Data Collection from the UK Financial Sector' announced in a joint letter to firms from the PRA and FCA and aimed at ensuring that 'the Bank gets the data it needs to fulfil its mission, at the lowest possible cost to industry'.

Key challenges are: ensuring that data collections are worthwhile and valuable exercises for regulators to invest in; enabling industry to better understand and interpret reporting instructions so that high quality data are provided and; removing legacy data, process and technology silos to streamline the reporting process.

The plan seeks to deliver reform in three critical areas: integrating reporting, modernising reporting instructions and defining and adopting common data standards. The BoE is aware of the difficulties in moving away from legacy solutions and recognises that many of the changes required will be cultural as well as technical, with sustained investment required to make the improvements identified.

The BoE and the FCA will set up a multi-year, multi-phased transformation programme. Each phase will aim to deliver a series of 'use cases' focusing on particular collections or types of collections and adding value in their own right, as well as delivering improvements that can then be applied to other collections over time.

Phase 1 will run over the next 24 months with a small number of selected use cases. Phase 2, over roughly the subsequent three years, will focus on expanding the transformation into new areas with an increased focus on integration. Additional phases will scale the transformation to maximise value.

Governance structures are expected to be in place for the programme by end-2021. The core team will comprise staff from the BoE, the FCA and firms from whom data is collected, as well as solution providers. Interested parties are encouraged to contact the BoE.

FCA supervisory strategy letter concludes by reiterating the FCA's focus on firms establishing healthy and purposeful cultures, with leaders clearly articulating values supported by role modelling of appropriate behaviours

1. Ensuring operational resilience – the FCA will focus on controls around material outsourcing of functions, data migrations, risk management and governance of the use of cloud-based technology.
2. Minimising fraud and other financial crime – the FCA expects retail banks to build greater resilience to fraud and other financial crime through sustained improvement in their systems and controls.
3. EU Withdrawal – firms should have considered how the end of transition period affects their customers and be ensuring fair treatment of those customers.
4. LIBOR – the FCA particularly wants firms to manage the conduct risks associated with transitioning loan or mortgage contracts with retail consumers or relevant SMEs. *Read the latest regulatory round-up from the LIBOR Transition Series.*

Tactical solutions for negative interest rates

The PRA has written to firms with the outcomes of its October 2020 request for information on their operational readiness for a zero, near-zero or negative Bank Rate, or a tiered system of remuneration. The PRA concluded that:

- Firms are already able to deal with near-zero rates (to at least two decimal places).
- A zero bank rate would pose less of a challenge than a negative rate and would be quicker to implement.
- A small number of firms do not need to do any further development work, but most firms would need to make changes to systems and processes to implement either a tactical or strategic solution.
- The majority of firms would be able to implement tactical solutions to accommodate a negative Bank Rate within six months, without material risk to safety and soundness.

Firms must now ensure that they begin preparations to develop the necessary tactical solutions and are expected to work towards a position where they are able to implement a negative Bank Rate at any point after six months. However, the PRA stressed that this letter (and the earlier information request) should not be taken as an indication that the setting of a negative Bank Rate is 'imminent or indeed a prospect at any time'. It also noted that, at this stage, to avoid the need for reprioritisation, firms are not expected to start work to implement strategic solutions unless this is already in their plans.

Implementing remaining Basel 3 standards

Following the November 2020 joint statement from HMT, the PRA and the FCA, the PRA is consulting until 3 May on proposed rules to implement remaining Basel 3 standards in the UK through a new PRA Capital Requirements Regulation (CRR) rule instrument. This includes both Basel 3 requirements and Basel 3 final reform elements (commonly referred to as Basel 4) that were due to be implemented under EU CRR2 but had not been implemented by the end of the transition period.

The proposed new rules broadly correspond with the set of issues covered by CRR2. Where replication of the standards set out in CRR2 would not be fully consistent with the PRA's objectives, a different approach has been taken. This aims to achieve closer alignment with Basel 3 standards, enhance proportionality and enable the new PRA rules to interact clearly and effectively with the requirements that remain in the CRR, and to be supported by a consistent suite of the UK version of revised supervisory Common Reporting (COREP).

The PRA intends its approach to enable the relevant Basel 3 standards to be implemented from 1 January 2022, providing sufficient time for firms to embed the related supervisory reporting, and building on the progress they have already made.

The consultation covers revisions to capital definitions, revised standards for market risk, Collective Investment Undertakings, counterparty credit risk, operational risk, large exposures, the liquidity coverage ratio, net stable funding ratio (NSFR) and supervisory reporting and disclosures.

It also proposes enhanced proportionality for smaller firms, including:

- A simpler, more conservative SA-CCR approach (sSA-CCR) for certain smaller firms and amendments to the original exposures method (OEM)
- A simpler, more conservative NSFR (the simplified NSFR, or sNSFR) that certain smaller firms could choose to use
- Updates to the simplified capital requirements calculation for credit valuation adjustment risk
- Increasing the scope of more proportionate market risk capital requirements and exemptions from new market risk reporting requirements; and
- Tailored disclosure requirements

No new rules on leverage are introduced to replace proposed HMT deletions from the CRR. The Financial Policy Committee and Prudential Regulation Committee have already announced that they will review the UK leverage ratio framework with this work due to complete in summer 2021.

Resolvability Assessment Framework

Ahead of first submissions due in October 2021, the BoE wrote to banks reminding them of their responsibilities under the Resolvability Assessment Framework (RAF). The first submission was delayed by one year due to COVID-19. The annexe to the letter sets out examples of good practice to assist firms in meeting the three resolvability outcomes of:

- Having adequate financial resources in the context of resolution.
- Being able to continue to do business through resolution and restructuring.
- Being able to coordinate and communicate effectively within the firm and with the authorities and markets so that resolution and subsequent restructuring are orderly.

In the first RAF cycle, the Bank will place particular emphasis on how Boards and senior management have approached the responsibilities set out in the RAF and may engage with independent members of firms' Boards in advance to understand these approaches. The Bank will engage with firms later in 2021 on further operational arrangements.

Payments update

The New Payments Architecture (NPA) is the payment industry's proposed way of organising the clearing and settlement of most interbank payments in the future, including those that currently use BACS and Faster Payments. Pay.UK (a not-for-profit company) is responsible for delivering the NPA and procuring a provider of the NPA's central infrastructure services (CIS), which will handle clearing and settlement. The Payments Systems Regulatory (PSR) is consulting on approaches to manage the risk that the current programme and intended programme scope, including the CIS procurement, will not deliver value for money and could stifle competition and innovation. It is proposing a phased approach where Pay.UK only buys the services needed to migrate Faster Payments for now and tackles the more complex BACS issues separately. The consultation also addresses the risk that the CIS provider could take advantage of its potentially dominant position within the NPA ecosystem by proposing governance principles for the ecosystem.

The PSR is considering shorter-term changes to the existing systems, with two consultations looking to increase protections in payments. £208 million was lost to authorised push payment (APP) scams in the first half of 2020, the PSR is proposing to reduce this by:

- Requiring Payment Service Providers (PSPs) to publish their APP scam, reimbursement and repatriation levels.
- Encouraging greater collaboration to share information about suspect transactions, by requiring PSPs to adopt a standardised approach to risk-rating transactions and to share the risk scores with other PSPs involved in the transaction.

- Introducing mandatory protection of customers, by changing industry rules so that all payment firms are required to reimburse victims of APP scams who have acted appropriately.

The PSR is also consulting on how customer protections can be improved in interbank payments, particularly the Faster Payments Service, where use by consumers continues to grow and the PSR thinks that existing protections and liabilities may not be sufficient.

The FCA is proposing changes to various parts of its guidance and requirements for payment services and electronic money providers. In particular:

- Amendments to the technical standards on strong customer authentication (SCA) and common and secure methods of communication (the SCA-RTS) to encourage the adoption of open banking.
- Issuing temporary guidance in response to the pandemic on prudential risk management and safeguarding requirements for payments and electronic money institutions permanent and consolidated.
- Updating guidance to reflect changes to guidance on SCA made by the EBA and European Commission prior to the end of the transition period and to address changes required in the guidance now the UK has left the EU.

Tables turned as FCA receives public censure.

UK regulators continue to focus on the impacts of the pandemic, but 2021 will also see regulatory change in the UK, not only in the substance of the rules, but in the way they are formed and supervised.

At the end of 2020, the FCA found itself having to react to the long-awaited independent reviews of its action in relation to the failure of the Connaught Income Fund and London Capital & Finance. Its responses are likely to change some of the ways that the FCA interacts with firms.

The outcomes of two independent reviews on the FCA were published in December and the FCA came in for some heavy criticism. The independent reviews investigated whether the FCA reacted, and then responded, appropriately in relation to the failure of the Connaught Income Fund and London Capital & Finance.

The two reports make a total of 14 recommendations, most of which are unlikely to be viewed by readers as unique to the specific subject matter of these reviews, innovative or developmental. Many of the recommendations simply articulate the basic and presumed elements of an effective regulator and thereby indicate the size of the challenge for the FCA.

In response, the FCA has accepted all recommendations and has outlined the key actions it will undertake in the next six months, including:

- Restructuring the FCA to join up its policy, supervision and competition functions under two new Executive Directors, so it can better translate insights into risks and warnings, and act upon them.
- Becoming a more data-enabled regulator to transform the way it handles and prioritises information and intelligence.
- Enhancing training for all frontline Supervisory, Authorisation and Enforcement staff to give them greater confidence in knowing when and how to intervene using relevant intelligence held across the FCA.
- Taking forward a range of new measures and initiatives to tackle scams.
- Recruiting additional prudential specialists to act as quality assurance and assess firms with complex business models, including where they combine regulated and unregulated activity.
- Managing down firms' unused regulatory permissions by conducting a "use it or lose it" exercise, to reduce the risk of firms having a permission to carry out regulated activity purely to add credibility to their unregulated activities.

The FCA Board and its Audit and Risk Committees will oversee implementation of the recommendations and will provide an update in the FCA's next annual report.

Post-Transition: ongoing uncertainty

The Transition Period for the UK's withdrawal from the EU has ended, with the future EU-UK Trade and Co-operation Agreement (TCA) agreed at the eleventh hour. Financial services are covered only in a limited manner in the main body of the agreement. The likelihood of their broader inclusion (especially for retail markets) was always very low, and most firms had planned on this basis. However, critical issues remain unresolved or uncertain, including:

- EU decisions on the equivalence of the UK's current financial services regulation and supervision. Non-binding political declarations released alongside the trade agreement commit the EU and the UK to agree a way forward by end-March 2021.
- The availability of run-off regimes for contracts entered into prior to the end of 2020.
- The transfer of personal data, which is covered by temporary arrangements for up to six months.
- The need (or not) for work permits.

UK firms and funds can no longer use the EU passports. The critical questions, therefore, are if and how quickly any equivalence decisions will be confirmed (both by the EU and by the UK) and what national arrangements are or might be put in place to smooth the impact of the end of the Transition Period. The UK has already issued several equivalence judgements on the EU, but the EU has issued only two, time-limited equivalence decisions on the UK.

Just before the end of the Transition Period, the FCA and PRA published final onshoring instruments, related guidance and Temporary Transitional Power (TTP) directions to ensure a functioning regulatory and legal framework for financial services continues to be in place.

Specifically, the FCA announced it would use its TTP to allow firms subject to the UK Derivatives Trading Obligation (DTO) to trade with, or on behalf of, EU clients subject to the EU DTO and to transact or execute those trades on an EU venue, if the venue is a UK-Recognised Overseas Investment Exchange, has applied under the Temporary Permissions Regime or its activities meet all the conditions required to benefit from the Overseas Person Exclusion.

The FCA also published a useful supervisory statement that brings together in one document how it will operate the pre-and post-trade transparency regime under UK MiFID II/MiFIR.

The end of the Brexit Transition period passed relatively quietly in financial services, with the FCA introducing some changes to smooth the transition. Discussions on equivalence continue, but the UK is already showing signs of divergence from certain EU rules. The PRA plans to consult on moving away from the latest EU capital treatment of software assets. The MiFIR open access regime is intended to stop the practice of trading venues requiring exchange-traded derivatives to be cleared at a CCP under common ownership. The application of the regime continues to be delayed in the EU, but HM Treasury confirmed at end-2020 that the regime would continue to apply in the UK from 1 January 2021, but it will be reviewed this year.

The way in which the future process and responsibilities for forming UK regulation will work in practice has been indicated by the structure of HM Treasury's consultation on crypto-assets. The Government has set policy objectives and principles and a regulatory perimeter, but it proposes that rules and requirements should be designed and implemented by the relevant regulators.

As expected, December saw a concerted focus by UK and EU regulators on Brexit and the end of the transition period. The UK and EU agreed a Trade and Cooperation Agreement. Key provisions in the agreement include access to payment and clearing systems operated by public entities and a prudential carve-out (which enables the UK and EU to adopt measures for prudential reasons).

- Both parties also agreed a joint declaration to establish a framework for regulatory cooperation, allowing for transparency and dialogue in the process of adopting, suspending, or withdrawing equivalence decisions.

- Amongst the volumes of Brexit-related regulation and guidance published in December, the BoE and PRA published a statement of policy detailing their approach to interpreting EU guidelines and recommendations following the UK's withdrawal from the EU and the end of the transition period.

The BoE also published amendments under the European Union (Withdrawal) Act 2018, including the final PRA Rulebook (EU Exit) Instrument, PRA transitional direction, and related guidance documents.

- The FCA published final on-shoring instruments, related guidance and Temporary Transitional Power (TTP) directions that became applicable at the end of the transition period. It also published a statement on the use of the TTP to modify the UK's derivatives trading obligation (DTO) and a Supervisory Statement on the Operation of the MiFID Markets Regime.
- Elsewhere, EIOPA released its Opinion on the 2020 Solvency II review. The Opinion is one of the key inputs that the European Commission will consider as it develops the package of changes that it will present for adoption over the course of 2021. The Opinion covers, inter alia, the risk margin, the long-term guarantees package, the solvency capital requirement standard formula, proportionality, reporting, group supervision, macroprudential policy and insurance guarantee schemes.
- The EBA published its revised assessment of the industry-wide impact of implementing Basel 3.1 in the EU, setting out the EBA's expectation of a reduced impact on Minimum Required Capital (MRC) compared to its estimations in its previous reports, owing to reduced impact from the Output Floor and revisions to the proposed CVA framework.

Competition Law; In Jan 2021 FCA recently uncovered evidence that suggested a potential competition law infringement by two trading venues. This related to a suggested/potential joint approach to commercialise market data. We issued formal 'on notice' letters to these firms.

- Firms need to make sure they comply with competition law. We remind regulated firms of their duty to notify us if they have or believe they may have committed a significant infringement of competition law (under Sup 15.3.32 and following). The FCA does also encourage firms and individuals to use our whistleblowing regime.
- For more information about our competition activities, please refer to the FCA's Approach to Competition.

BoE and the FCA decided to defer implementation of CRR2 and IFPR to 1 January 2022.

- Their statement noted that HMT and the PRA's April statement on Basel 3.1 implementation, setting out their intention to implement Basel 3.1 in line with the BCBS' revised deadline of 1 January 2023, still applies.
- Rishi Sunak, Chancellor of the Exchequer, gave a statement to the House of Commons on the future of financial services and the post-Brexit regulatory environment. HMT published a guidance document setting out its detailed approach to the equivalence procedures, highlighting that the UK has decided to incorporate almost all EU equivalence determinations into UK law. However, the UK Government has not on-shored decisions regarding Central Counterparties (CCPs).

COVID-19: regulatory implementation

The UK government is looking at ways in which financial services can help support recovery, including plugging the large hole in the Exchequer's finances. On 9 January, it announced that the **dormant assets regime** will be widened to cover the insurance, pensions, investment and wealth management, and securities sectors. This is the result of a four-year review that started before the pandemic, so is not a surprise and has broad industry support, but it will require participating firms to amend documentation and develop specific processes.

The priority will continue to be locating and reuniting people with their financial assets. Where that is not possible, firms may voluntarily transfer dormant assets into the scheme. People are able to reclaim their assets in full at any time. Since 2011, 30 banks and building societies have enabled the release of over £745 million from dormant accounts that have been inactive for at least 15 years, £150 million of which was unlocked in May 2020 to support the charity and voluntary sectors.

The ongoing issue relating to whether policyholders have valid claims under their **Business Interruption insurance** has now reached a conclusion. The Supreme Court has substantially allowed the FCA's appeal on behalf of policyholders. This completes the legal process for impacted policies and means that many thousands of policyholders will now have their claims for coronavirus-related business interruption losses paid.

During the initial onset of the pandemic, the FCA and the PRA allowed some flexibility in the **application of the SMCR rules**. On 18 December 2020, they published statements for dual-regulated and solo-regulated firms outlining their expectations that firms' application of the rules should return to normal. The FCA published a similar statement on the Approved Persons Regime.

The FCA's Market Watch 66 emphasises its expectation that firms should have adapted policies, controls and oversight around **telephone recording and electronic**

communication to take account of risks arising from alternative working arrangements, including increased homeworking.

Finally, the FCA has been consulting on new guidance for consumer credit firms and mortgage lenders in relation to **repossessions**. They are now possible for consumer credit contracts from 31 January, but the ban on repossessions relating to mortgages is to be extended until 1 April 2021.

Accountability and remuneration

The PRA's first evaluation of the **Senior Managers and Certification Regime (SMCR)** confirms that the introduction of the SMCR has helped ensure that senior individuals in PRA-regulated firms take greater responsibility for their actions, with a large majority (around 95%) of the firms surveyed saying the SMCR was having a positive effect on individual behaviour. The report's nine proposed follow-up actions and recommendations do not propose any radical changes but clarifications around items such misconduct reporting in regulatory references, further articulation of the link between SMCR and remuneration adjustments, and whether board responsibilities and individual accountability are mutually reinforcing.

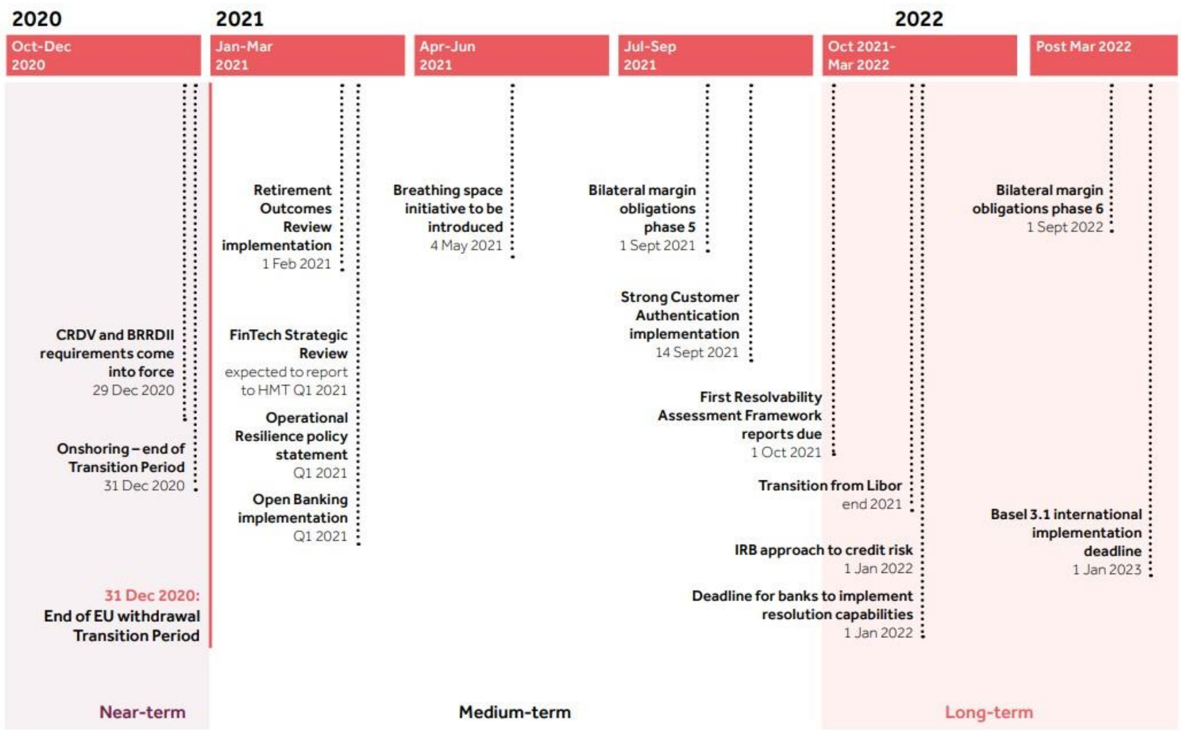
The EU's fifth Capital Requirements Directive (CRD V) amends certain **remuneration provisions**, which the UK was required to transpose into UK law by 28 December 2020. The PRA amended Supervisory Statement 2/17, and the FCA published Policy Statement 20/16 and updated guidance via FAQs for dual-regulated and IFPRU investment firms' remuneration codes. The amendments aim to ensure there is greater proportionality in the application of the codes. Other items include adding categories of staff who must be included as material risk takers, amending the minimum deferral and clawback periods, and introducing a new requirement for firms to have gender neutral remuneration policies and practices.

Managing the risks of crypto-assets

HM Treasury perceives that the small but rapidly growing **crypto-asset and stablecoins market** is now at a stage of development where it is necessary to consult on the regulatory framework. The government wishes to support innovation but to ensure that the technology is reliable and safe for consumers and markets. The consultation sets policy objectives and principles and a regulatory perimeter but proposes that requirements for firms are designed and implemented by the relevant regulators – the BoE, the FCA and the Payment Systems Regulator. It proposes an approach in which the use of currently unregulated tokens and associated activities primarily used for speculative investment purposes, such as Bitcoin, would initially remain outside the perimeter for conduct and prudential purposes but would be subject to the financial promotions regime (if proposals are adopted) and AML/CTF regulation.

The use of stablecoins is rising, which could play an important role in retail and cross-border payments but also pose risks to financial stability, market integrity and consumers. The government proposes to introduce a regulatory regime for stable tokens used as a means of payments. Stable tokens are tokens that stabilise their value by referencing one or more assets, such as fiat currency or a commodity (i.e. those commonly known as stablecoins). The category could include tokenised forms of central bank money. This classification is agnostic on the technology underpinning the tokens, i.e. it is not necessarily distributed ledger technology (DLT).

The consultation also includes a call for evidence on the use of crypto-assets in investment and wholesale markets; specifically, if any areas of existing regulation require amendment to support the use of security tokens, and how DLT could be used to support financial market infrastructure.



At the EU-level, the EBA issued a significant discussion paper on incorporating ESG risks into the governance, risk management and supervision of credit institutions and investment firms.

- The paper focused on four main areas:
  - firstly, creating common definitions of ESG risks and factors;
  - secondly, the quantitative and qualitative indicators, metrics and methods for assessing ESG risks;
  - thirdly, current practices of integrating ESG risks into firms' business strategies and governance;

  - and finally, the integration of ESG risks into the Supervisory Review and Evaluation Process (SREP).
- The discussion paper precedes a final report due in mid-2021, which will then be followed by updates to the EBA's Guidelines and potential recommendations to make changes to level 1 legislation, bringing ESG risks into the remit of prudential supervisors. On the international front, the FSB released a review of the market turmoil in March 2020.
- The review found that the breadth and dynamics of the economic shock and related liquidity stress in March were unprecedented, and underscored the need to strengthen the resilience of non-bank financial intermediation (NBFI).
- The review sets out an NBFI work programme, which focuses on three main areas: examining and addressing specific risk factors and markets that contributed to amplification of the shock; enhancing understanding of systemic risks in NBFI and the financial system as a whole, including interactions between banks and non-banks and cross-border spillovers; and assessing policies to address systemic risks in NBFI.

Benchmark Reform

Foreign exchange benchmarks						
Subject	AM	Voting	+	-	o	Result
Provisional agreement	**AM 2**	693	592	3	98	ADOPTED

Insurers switch to SONIA

The PRA is consulting until end-March 2021 on the transition away from LIBOR as regards the rates and spreads used by insurers in calculating the matching adjustment and volatility adjustment. Since end-2020 (post-Transition), the PRA has been required to publish technical information (TI) that includes the risk-free rates for each currency. Those rates must be based on financial instruments that are traded on a deep, liquid and transparent market.

The PRA proposes to transition to SONIA swap rates for the GBP TI references, from end-July 2021, and to transition the JPY and USD TI references to an Overnight Indexed Swap rate (OIS), on dates yet to be determined. Given that GBP LIBORs are currently higher than the equivalent SONIA rates, the transition could lead to increased technical provisions for insurers. The PRA therefore proposes some mitigating measures, including in relation to transitional relief and the calculation of long-term average spread.

EP adopts BMR amending Regulation to address benchmark cessation risks and exempt certain third-country FX benchmarks; *On 19 January, the EP announced that it has adopted its position at first reading on the proposed Regulation amending the BMR as regards the exemption of certain third-country FX benchmarks and the designation of replacement benchmarks for certain benchmarks in cessation.*

- The EC will be granted the power to replace when necessary: (i) "critical" benchmarks, which influence financial instruments and contracts with an average value of at least €500 billion and could thus affect the stability of financial markets across Europe; (ii) benchmarks with no, or very few, appropriate substitutes whose cessation would have a significant and adverse impact on market stability; and (iii) third country benchmarks whose cessation would significantly disrupt the functioning of financial markets or pose a systemic risk for the financial system in the Union. EU market participants will be able to use benchmarks administered in a country outside the EU until the end of 2023.
- The EC will be empowered to adopt a delegated act by 15 June 2023 to prolong this extension by a maximum two years until, but such an extension will have to be duly motivated.
- Press release
- Adopted text

BoE and FCA issue statement on completing sterling LIBOR transition by end-2021; *The Bank of England (BoE) and Financial Conduct Authority (FCA) have jointly published a statement on completing sterling LIBOR transition by end-2021.*

- The statement highlights that ICE Benchmark Administration has launched a consultation on ceasing publication of all sterling LIBOR settings at the end of 2021, and that the Working Group on Sterling Risk-Free Reference Rates has updated its priorities and roadmap to help businesses finish planning the steps they may need to take to transition away from LIBOR.
- In particular, the Working Group has recommended that, from the end of March 2021, sterling LIBOR is no longer used in any new lending or other cash products that mature after the end of 2021. Additionally, the Working Group has recommended that firms no longer initiate new linear derivatives linked to sterling LIBOR after the end of March 2021, other than for risk management of existing positions or where they mature before the end of 2021.
- The BoE and the FCA intend to continue working closely with firms to secure a smooth transition. Supervisors of regulated firms will continue to expect transition plans to be executed in line with industry-recommended timelines. Senior managers should expect close supervisory engagement on how they are ensuring their firm's progress relative to industry milestones.

FMLC response to FCA consultation on the proposed policy with respect to the exercise of its powers in relation to LIBOR transition; *On 18 January, the FMLC published its* *response to the FCA's consultation on its approach to new powers under the Financial Services Bill relating to LIBOR transition.*

- The FMLC highlights two broad areas of uncertainty, firstly, on the practicalities of intervention and the scale of the 'tough legacy' contracts. The FCA's new powers would permit the publication of a "Transition LIBOR" in respect of the wind-down of legacy contracts. While this may create a welcome safety net, there is also an evident risk that it may give rise to mixed messages in regard to successor rates, setting Transition LIBOR up against other successor rates being used by market participants. In a world of multiple alternatives to LIBOR, disagreement may arise between the parties in situations in which the existing contract refers generally to a "successor rate" or where a term as to the interest payable should necessarily be implied as a matter of business efficacy.
- The FMLC highlights that there are likely to be differing views around the delimitation of the phrase "tough legacy" but, in light of the FCA's apparent policy preference to transition the market away from LIBOR and towards the adoption of an RFR, reliance on a Transition LIBOR with a methodology which does not reflect this preference should be discouraged and the definition of "Tough Legacy" circumscribed tightly accordingly.
- The FMLC notes that it is not clear how the IBA's proposals to continue the production of the USD LIBOR panel past 2021 will interact with transitional arrangements. Stakeholders have suggested to the FMLC that some market participants are transitioning existing contracts and relationships to USD LIBOR away from other currencies. It is to be doubted this was the intended effect of preserving the USD LIBOR panel. Secondly, the FMLC discusses issues concerning the use of LIBOR in foreign jurisdictions and the problem of potential conflict and overlap between the varying approaches.
- The FMLC urges the FCA to centre careful coordination with authorities around the world in exercising its power. Read more

The ISDA Fallbacks Protocol is now open for adherence, and has got off to a promising start, with 271 adherents as of December.

- While the Protocol and Supplement are efficient mechanisms to amend derivative contract fallbacks, reversion to fallback is not the "officially" approved method of amendment. Applying to a wide range of Master and Credit Support Agreements, the Protocol's coverage is extensive, if not universally supported by accompanying legal opinion.
- Though it seems likely that this somewhat convoluted method will suffice for adherents' vanilla legacy derivative portfolios, the Protocol will be of no assistance for a range of more "complex" product types such as swaptions, or packages where the hedge must entirely accord with the underlying.
- Equally, there is no Protocol for loans or bonds; amendment for each broad product class will require careful bilateral handling, being fraught with the

potential for litigation. While some vague hope of respite, in the form of a continued publication of a "synthetic" LIBOR, has been offered by the FCA in respect "difficult" legacy transactions,

- Regulators have been univocal in their insistence that end' 2021 will mark the end of the IBORs. The publication of the Protocol and Supplement mark the beginning of the largest repapering exercise yet undertaken by the market.

Continued focus on COVID-19 impacts into 2021

Regulators continue to finesse and refine their focus to ensure that firms respond appropriately and reduce the risk of customer harm, while the impact of the pandemic continues to be felt. In a noteworthy speech on market abuse, Julia Hoggett, FCA Director of Market Oversight commented that the regulator's "*expectation is that going forward, office and working-fromhome arrangements should be equivalent*." A report on remote governance and controls looks at how firms can best continue to encourage this outcome during this period of sustained hybrid working.

- In terms of starting to remove concessions, the TPR has updated its guidance so that, from 1 January 2021, Defined Contribution pension schemes and providers will be asked to resume reporting late contribution payments.
- To ensure that firms are continuing to focus on key customer harms, the FCA has issued a steady stream of publications articulating its evolving regulatory expectations. There has been new confirmed guidance for dealing with consumer credit (including overdrafts) customers and additional expectations for helping consumers with cancellations and refunds with credit and debit card providers as well as insurance providers. The FCA is also consulting on new proposed guidance to further prompt insurers and premium finance firms to help customers reduce the impact of financial distress and ensure that customers continue to have insurance that meets their needs.
- Finally, the FCA has issued three Dear CEO letters to remind firms of their regulatory obligations in the light of COVID-19, two of them in relation to ensuring that firms maintain adequate client money arrangements (one generally and another just for insurance intermediaries). The third letter relates to Business Interruption Insurance and ensuring that insurers are keeping policyholders suitability updated following the outcome of the High Court judgement.

IM Phases 5 and 6

The veterans of Phases 1-4 need no reminding of the challenges represented by IM compliance and, with the exception of the Phase 1 custodian-onboarding bottleneck, the introductory phases of IM compliance have been relatively smooth going.

- Despite Regulatory acknowledgement and assistance via bifurcation and delay, the remaining two phases constitute a hugely significant, if not historic challenge. IM 5 and 6 differ from their antecedents primarily by the vast volume increase- 314 in-scope entities for Phase 5 and a further 775 for Phase 6.

- This amounts respectively to 3,616 and 5,443 counterparty relationships that require de novo documentation. The volume of Phase 5 alone represents a multiple of all other phases to date- combined. ISDA Create and online portals into the major custodians will introduce some marginal efficiencies, but compliance remains a complex task of negotiating and harmonising multiple documents.
- The typical new entrant IM "start to finish" time is 18 months, volume multiplication will not compress this timeline. Given the lack of experienced IM resource- 2021 should be the year of IM, regardless of what phase you expect to be.
- Cancellation of Phase 6, or further delay of either phase, is overwhelmingly unlikely.

CSDR

Delayed first by a lack of regulatory coordination, then by a one-year Coronavirus delay, market participants now have at least a chance to comply.

- The likely 1 February 2022 deadline is outside this note's 2021 documentation doom remit, but will impact resources earlier. Although largely operational, requiring systems upgrade and testing to avoid settlement failure and subsequent penalties and buy-ins; the settlement discipline regime of the CSDR ("SDR") is also a significant documentation challenge.
- This is particularly the case for custodians- the regulation requiring bilateral amendment across the board of their clients. While a typical financial firm will only face a limited number of custodians, the SDR imposes an operational burden and another amendment straw on the 2021 camel's back.
- While the latest delay has enabled the UK to kick compulsory compliance into the post-Brexit wilderness, the regulation's extensive extra-territorial effect will compel compliance, largely regardless of location.

Future regulatory framework takes shape

HM Treasury has issued the second phase of the review of the UK's post-Brexit regulatory framework. This consultation focuses on the split of responsibilities between Parliament, the government and the regulators. The government and Parliament will set the policy framework for financial services, the strategic direction of financial services policy and, if they so decide, activity-specific policy. Working within this framework, the regulators will design and implement the regulatory requirements that apply to firms. Enhanced scrutiny and public engagement arrangements will help to ensure that the regulators are accountable for their actions and that stakeholders are fully engaged in the policy-making process. A fuller package of proposals will be issued next year.

Essentially, the regulators will be the rule-setters, but there will be more systematic consultation with HMT at an early stage in the policy-making process. EU legislation and regulations that have been "on-shored" to smooth the impact of the end of the transition period will, largely, be transferred to the PRA and FCA rulebooks. In the foreword, the Economic Secretary re-iterates that the UK remains committed to the highest standards of regulation and that it will continue to take its international responsibilities seriously. The government will continue to drive forward its policy agenda on innovation, stability, market integrity and customer protection, sound capital markets and openness.

Meanwhile, the FCA has been embedding the Data Strategy it released last year, by establishing a new, more empowered function to manage intelligence coming into the FCA.

Operational resilience – early responses

In a speech in October, Nick Strange, Senior Technical Advisor on Operational Risk and Resilience, noted that industry engagement with the PRA's December 2019 consultation paper on operational resilience had been "impressive" and set out some early high-level feedback. Firms:

- Remain supportive of the proposed supervisory approach to operational resilience, particularly the focus on important business services
- Support the shift to assuming that disruption will occur, as this encourages development of response and recovery capabilities, but note that this should not divert attention from improving preventative and detective measures
- Welcome the proportionate approach set out in the CP
- Would like regulators to share good practice, encourage consistency of application of rules and guidance, and be consistent in both the principles and practical implementation of the new policy
- Are calling for international and domestic consistency, i.e. between different regulatory jurisdictions and global standard setters and with other policies such as recovery and resolution
- Are unsure how to assess the impact of disruption to their important business services on financial stability

The financial sector's response to the pandemic has been effective, according to Mr Strange, but the job is far from done. Future threats to resilience may not be "*slow, prolonged and symmetric*" as COVID-19 was. Much has changed, from the thinking around business continuity to adjustment of risk appetites, to increased cyber risk. Understanding the operational resilience of third parties has become more important than ever.

On harmonisation of international regulation, despite differences in terminology, the UK and BCBS are aligned on core principles. However, "*different jurisdictions will probably* *have different views on what they consider critical or important. This is not fragmentation; this is just accepting reality."*

On harmonisation of domestic policy, there is differing terminology for OCIR and operational resilience, but firms will be expected to have a coherent narrative for what is critical under the former and important under the latter. Work done to understand the interconnectivity of functions, business lines and services should be leveraged for both.

There are early indications that firms who had made the most progress implementing the operational resilience policy proposals were best able to respond to the pandemic – the PRA will be looking at this in more detail.

Highlights from the Regulatory calendar –

Back in January the ECB published the results of its annual SREP exercise. The results show that in 2020 credit, business model sustainability and internal governance risks all increased significantly. Credit risk remains the ECB's most acute concern and this, together with banks' ability to produce reliable projections of asset quality and capital, will be key areas of supervisory focus.

Against this background, the EBA launched its 2021 EU-wide stress test exercise, following the postponement of the 2020 exercise due to the COVID-19 pandemic. The EBA's adverse scenario will be based on a narrative of a prolonged COVID-19 pandemic in a "low for longer" interest rate environment. In the UK, the BoE also announced the key elements of its 2021 solvency stress test. The BoE's adverse scenario incorporates a negative path for market-implied interest rates.

Following the end of the Brexit transition period, the PRA issued a consultation on its proposed approach to the supervision of branch and subsidiaries of international banks. The consultation sets out how the PRA would assess such firms against its threshold conditions, particularly the condition relating to the effective supervision of firms.

Digital innovation remained high on the agenda of regulators and policy makers. EIOPA launched a consultation on Open Finance, exploring whether and how far insurance value chains should be opened up through sharing insurance and policyholder data amongst insurance and non-insurance firms. In the UK, the CMA launched a call for input to inform its new programme of work on analysing the potential harms to competition and consumers associated with the use of data and algorithmic systems, and made the case for strengthened regulatory, supervisory and enforcement tools.

Finally, the FCA warned consumers of the risks of investing in crypto-assets or crypto-linked investments and lending, and HMT set out a proposed policy approach to bring 'stable tokens' into the UK regulatory perimeter.