EVIA European Venues & Intermediaries Association

EVIA Compliance Advisory
Regulatory Activities & Initiatives Grid; April; 2021

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UK regulatory framework takes shape - Proposals for future frameworks start to land; *Over the past month there have been various announcements that start to set out the future UK regulatory framework. Two important government reviews have published their findings on the UK Fintech environment and the UK Listing Regime.*

- HM Treasury and the FCA have started to give indications of the direction of wholesale markets regulation, where there could be some continuing equivalence with EU regulation but also some divergence. And Sam Woods, CEO of the PRA, in a speech focused on plans for the review of UK Solvency II, put forward the case for rules being in regulatory rulebooks rather than on the statute book.
- 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.
- 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. Key recommendations include:
    - 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.
    - Reducing free float requirements – the amount of a company's shares that are in public hands – from 25% to 15% and allowing companies to use other measures to demonstrate liquidity.

- An annual report on the state of the City, and its competitive position, delivered to Parliament by the Chancellor.
- Rebranding and repositioning the LSE's standard listing segment to increase its appeal to companies of all sizes and types.
- 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.
- Liberalising the rules regarding special purpose acquisition companies (SPACs), with appropriate safeguards for investors.

- 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.

Equivalence and divergence in capital markets regulation; *The FCA has started to set out its plans for wholesale markets regulation in a speech by Edwin Schooling Later.*

- 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

Q1 2021	US	Expected effective date for the FDIC, Federal Reserve, FCA, OCC and FHFA swap margin rules exempting interaffiliate swaps from initial margin requirements and allowing swaps to maintain legacy status when amended to replace an IBOR.
Done	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).
Q1 2021	EU	The European Supervisory Authorities (ESMA, EBA, EIOPA) shall submit five Regulatory Technical Standard (RTS) to specify requirements under the sustainability-related disclosures in the financial sector (SFDR), in particular: - • RTS on website disclosure of adverse environmental sustainability impacts at entity level (Article 4); - • RTS on pre-contractual disclosure for products promoting environmental and social characteristics (Article 8); - • RTS on pre-contractual disclosure for products with sustainable investment objectives (Article 9); - • RTS on promotion of environmental or social characteristics and sustainable investment on websites (Article 10); and – • RTS on disclosure in periodic reports (Article 11).
Q1 2021	EU	The European Commission shall adopt delegated acts to specify the technical screening criteria with respect to 'climate change mitigation' and 'climate change adaptation', with a view to ensuring its application from January 1, 2022.
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).
Done	EU	Application of the MIFID II 'Quick-fix' with review of investor protection, investment research and commodity derivatives position limits regime. Publication in the official journal of the EU is expected in late Q1 2021. Entry in to force happens 21 days after publication and full application occurs 12 months after entry into force.
Q1 & Q2 2021	EU	The European Commission is expected to adopt delegated acts, specifying requirements under the sustainability-related disclosures in the financial sector (SFDR) regulation.
Q1 & 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
Q1 & Q2 2021	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 Q1 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
Q1 & 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.
Q1 & 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.
1H 2021	India	Basel III: Expected SA-CCR implementation.
1H 2021	India	Basel III: Expected implementation of standards for the capitalization of banks' exposures to CCPs.
1H 2021	Korea	Expected designation of critical benchmarks and administrators under the Financial Benchmarks Act.
March 1, 2021	US; EU; Switzerland; Japan; Canada; Singapore; HK; Australia; Korea; Brazil; RSA	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, 2021.
March 10, 2021	EU	Requirements under EU Regulation 2019/2088 on sustainability-related disclosures in the financial sector (SFDR), in addition to those applicable from December 29, 2019, shall apply from March 10, 2021.
March 15, 2021	US	Effective: CFTC Final Rule establishing two trade execution requirement exemptions (See 86 Fed. Reg 8993-9003 (February 11, 2021)).
March 31, 2021	US	Expiry of relief provided in CFTC NAL 20-03, 20-04, and 20-09 from oral recordkeeping provisions due to COVID-19 (See extension in CFTC NAL 21-04).
March 31, 2021	India	Basel III: Expiration of revised LCR requirement of 90%.

March 31, 2021	Indonesia	Basel III: Expiration of revised LCR & NSFR requirement of 85%.
March 31, 2021	Indonesia	Basel III: Expiration of 2.5% CCB exemption.
March 31, 2021	Korea	Basel III: Expiration of revised foreign currency LCR of 70% and total LCR of 85% requirements.
Late Q1/Early Q2 2021	Singapore	Expected MAS consultation on implementing the UTI, UPI and CDE for reporting
April 2021	Korea	Expected implementation of trade reporting regime under the FSC Regulations on Financial Investment Business.
April 01 2021	Australia	Earliest date for revised APS 220 Credit Risk Management to come into effect.
April 01 2021	India	Basel III: Exemption of non-centrally cleared derivatives from large exposures calculation framework expires.
April 01 2021	India	Basel III: NSFR implementation.
April 01 2021	India	Basel III: Capital Conservation Buffer (2.5%) phased in from March 2016.
April 01 2021	Japan	Earliest date that the net stable funding ratio will be implemented.
April 05 2021	Indonesia	Effective date for amended timings for JISDOR.
April 15 2021	US	Expiry of timestamping relief provided in CFTC NAL 20-03, 20-04, and 20-09 due to COVID-19 (See extension in CFTC NAL 21-05).
May 2021	Australia	Expected 2nd ASIC consultation on updating the Australian reporting regime.
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)).
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 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 should cease to issue new LIBOR-linked products that will mature after 2021.
June 30, 2021	Hong Kong	Date by which AIs should cease to issue new LIBOR-linked products that will mature after 2021.
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 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	Malaysia	Basel III: Phase 2 of NSFR implementation commences (100% minimum).
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)).
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.
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.

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	• 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	• 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	• 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	• 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 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
	EIOPA	• Consultation on ORSA in the context of COVID-19.
International	BIS	• 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	• 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	• 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	• 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. ○ 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. ○ 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	• 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.
		  o Annex
		  o Annex
		• Proposal to amend EMIR implementation timelines for intragroup transactions, equity options and novations to EU counterparties
		  o Annex 1
		  o Annex 2
		• Endorsement of credit ratings elaborated in the United Kingdom after end of transition period.

Banking		
Prudential		

UK	BOE	• 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.
		  o Annex I
		  o 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	• 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	• 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	• 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	• Published its annual Public European Common Enforcement Priorities for 2020.
	ECB - SSM	• 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 retrenchment of euro area banks and international banking models
	SRB	• 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. o Annex
International	BIS	• 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	• 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.

	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.
EU	EBA	• 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	• 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	• 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.**
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	• 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	• 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	• 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	• 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	• 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

EVIA European Venues & Intermediaries Association

		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	• 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.
	Conduct	
UK	FCA	• 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	• 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
	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.**
	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	• Statement on the benefits of the FCA's new data collection platform, RegData

		• Application windows for two regulatory sandboxes opened. ○ 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
EU	EC	•
	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	• Guidelines on information and communication technology security and governance, including cyber security capabilities.
International	BIS	• 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	• 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	• 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	• 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	• 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	• Announcement of a Sustainable Finance Roundtable on the 16th of December.
International	BIS	• 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
	IMF	• Speech by Tao Zhang, Deputy Managing Director of the IMF, on green finance and a sustainable recovery

Other		
UK	FCA	• 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	• 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	• 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	• 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	• 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	• 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.

Wholesale financial markets

This section now includes four initiatives, including newly added initiatives to complete the EMIR REFIT and to amend the Market Abuse Regulation.

Lead	Initiative	Key milestones	Indicative impact
FCA	**Accessing and using wholesale data** Assessment of the use and value of data in wholesale financial markets, focusing on changes to business models, competitive dynamics, and how financial markets function.	7 January 2021: Call for Input closes	L
FCA	**Open-ended Investment Companies** Rule changes for Exchange Traded Funds (ETF) Listing Premium to Standard Listing for Open-Ended Investment Companies (OEIC).	1 October 2020: Consultation closes 2021: Implementation	L
HMT	**MAR Amendments** Amendments to the Market Abuse Regulation to confirm and clarify that both issuers and those acting on their behalf must maintain their own insider lists and to change the timeline issuers have to comply with when disclosing certain transactions undertaken by their senior managers.	To be announced	L
FCA/ HMT	**EMIR REFIT** Complete the implementation of the European Market Infrastructure Regulation (REFIT) to improve trade repository data and ensure that smaller firms are able to access clearing on fair and reasonable terms.	To be announced	L

multiple sectors, such as LIBOR transition or reforms of the anti-money laundering (AML) regime, and initiatives which affect firms that currently sit outside the regulatory perimeter.

Lead	Initiative	Key milestones	Indicative impact
FCA	**Climate-related disclosure** Proposals to enhance climate-related disclosures by listed issuers and clarification of existing disclosure obligations.	1 October 2020: consultation closes. Finalisation of policy approach in Q1 2021. Implementation date to be determined subject to consultation responses.	H
FCA	**Corporate reporting in structured data formats** Consultation to delay by 1 year implementation of European Single Electronic Format (ESEF) mandatory requirements. Issuers will be able to file in ESEF format voluntarily from beginning of 2021.	Consultation closed 28 August 2020. Policy Statement due October 2020	L
FCA	**Consultation Paper following Duty of Care Feedback Statement** Publish options to change our regulatory framework following our Duty of Care Feedback Statement.	H2 2020: publish options to change our regulatory framework following our Duty of Care Feedback Statement	H
FCA	**Extension of the SM&CR implementation period** Consultation on extending the deadline for solo-regulated firms to have undertaken the first assessment of the fitness and propriety of their Certified Persons from 9 December 2020 until 31 March 2021.	Consultation closed on 14 August 2020. Policy Statement due October 2020	H
FCA	**FCA joint project with the Alan Turing Institute** Research project to explore AI transparency in financial services.	Publication expected in Q4 2020	L
FCA	**Open finance** An assessment of the opportunities and risks arising from open finance and the FCA's role in ensuring that it develops in the best interests of consumers.	1 October 2020: Call for Input closes. Feedback Statement in Jan-March 2021 (tentative)	L

Key: Indicative impact: H – high L – low. Timing: Timing confirmed; Timing tentative; E Formal engagement

Multi-sector

Lead	Initiative	Key milestones	Indicative impact
FCA	**Our approach to international firms** Consultation to provide guidance on FCA's approach to authorising and supervising international firms.	September 2020: consultation opens (2 months) Q1 2021: Implementation	L
FCA	**Vulnerability Guidance** Consultation on guidance for firms on recognising and responding to consumers in vulnerable circumstances.	29 July 2020: second consultation opened 30 September 2020: consultation closes Guidance expected to be published December 2020–January 2021	H
HMT	**Changes to the FCA's cancellation of authorisation process** Policy proposals to streamline the process for cancelling the authorisation of inactive firms.	Policy statement published July 2020	L
HMT	**Cryptoassets – extension of financial promotions regulations** Consulting on a measure to bring certain cryptoassets into the scope of financial promotions regulation.	Consultation closes 25 October 2020	L
HMT	**FinTech Strategic review** A review of the UK fintech sector to identify measures to maintain growth and competitiveness.	Review launched 20 July 2020. Expected to report to HMT Q1 2021	L
HMT	**Future Regulatory Framework Review (FRF)** A long term review into how the UK regulatory framework needs to adapt for the future.	Autumn 2020: First stage of consultation on Phase II of FRF	L
HMT	**Introducing a new Gibraltar Market Access Regime** Following UK and Gibraltar leaving the EU, the UK is introducing a new Gibraltar Authorisation Regime (GAR) for Gibraltarian firms.	To be included in upcoming Financial Services Bill – timing of introduction TBC	L

Multi-sector

Lead	Initiative	Key milestones	Indicative impact
HMT	**Regulatory framework for approval of financial promotions** Policy proposals to establish a regulatory 'gateway' which an authorised firm must pass through before it is able to approve the financial promotions of unauthorised firms.	26 October 2020: consultation closes	L
ICO	**Data sharing code** A practical guide for organisations about how to share personal data in compliance with data protection legislation.	Autumn 2020 publication, subject to HMG consultation and then Parliamentary approval	L
ICO	**Data sharing toolkits and resources** Resources to support responsible data sharing under the revised Data Sharing Code.	Autumn 2020	L
ICO	**SAR guidance** New guidance on subject access requests (SARs) to replace the old SAR code of practice. Providing guidance and support to data controllers on handling SARs.	Publication anticipated by end October 2020	L
PRA	**Evaluation of the Senior Managers and Certification Regime** The PRA will publish the findings of its evaluation of the effectiveness of this post-crisis reform. This could lead to consequential policy proposals that would be subject to further consultation.	Q4 2020: planned publication of findings	L
PRA	**Operational Resilience Incident Reporting** Policy proposals to set out what information should be submitted by banking and insurance firms when operational incidents occur.		L
PRA	**Outsourcing and third party risk management** Updates the regulatory framework for the supervision of outsourcing taking into account increased adoption of cloud and other technologies.	1 October 2020: Consultation period closes Q1 2021: publication of PRA Policy Statement followed by phased implementation based on consultation feedback	L

Multi-sector

Lead	Initiative	Key milestones	Indicative impact
BoE/ PRA	**2021 Biennial Exploratory Scenario** A stress test of the resilience of the largest banks, insurers and the financial system to different possible climate pathways.	The PRA and the Financial Policy Committee (FPC) have agreed to postpone the launch until at least mid-2021	L
BoE/ FCA	**AI public/private forum with industry** The BoE and FCA are establishing a forum to look at the impact of AI on financial services.	Q4 2020: Launch event planned	L
FCA/ PRA	**Bilateral margin obligations phases 5 and 6** New requirements for non-cleared over the counter derivative contracts.	1 September 2021: Implementation of phase 5 1 September 2022: implementation of phase 6	H
FCA/ PRA	**Climate Financial Risk Forum** The Forum is looking to build on the CFRF Guide published in June 2020, undertaking further work to develop recommendations and highlight examples of good practice in relation to firms' use of climate-related data, methodologies and metrics.	Forum meeting in November to discuss timelines for publication	L
BoE/ FCA/ HMT	**Cryptoassets Task Force – response to stablecoins** HMT consultation on the broader regulatory approach to cryptoassets, including new challenges from so-called stablecoins.	To be announced	L
BoE/ FCA	**Digital Regulatory Reporting and future of data collections** Digital Regulatory Reporting (DRR) is a long-term initiative to make regulatory reporting more efficient and effective. The BoE launched a large scale consultation exercise on data collection in January 2020. The FCA has undertaken further work internally and commissioned an independent review of DRR to identify how best to deliver improvements.	There will continue to be engagement with industry in future phases	L

Multi-sector

Lead	Initiative	Key milestones	Indicative impact
BoE/ FCA/ HMT/ PRA	**EU Exit financial services legislation to prepare for the end of the Transition Period (Onshoring) and the Temporary Transitional Power (TTP)** Statutory instruments and regulator rules to ensure that the UK continues to have an independent and fully functioning financial services regulatory regime at the end of the Transition Period, plus the TTP allowing firms time to transition to the new UK regulatory regime.	September 2020: FCA Quarterly Consultation Paper consulting on BTS and Handbook changes September/October 2020: FCA publish draft TTP Directions October 2020: BoE and PRA consultation on BTS and Rule changes, including an update on use of the TTP and draft directions December 2020: BoE and PRA publish final EU Exit Instruments (for BTS and Rules) and TTP Directions 31 December 2020: End of Transition Period	H
FCA/ HMT	**Extending the transitional period for third country benchmarks under the UK Benchmarks Regulation** Extends the transitional period for the use of third country benchmarks by UK supervised entities to 31 December 2025.	Policy statement published July 2020	L
BoE/ FCA/ PRA	**Gabriel replacement** New data collection platform, replacing Gabriel, enabling data centre exit.	2 April 2020: registration commenced TBC: users start moving to new data collection platform	H
FCA/ HMT	**Investment Consultants – Extension of the FCA's regulatory perimeter** Consulting on CMA recommendation to bring the activities of investment consultants within the FCA's remit.	To be announced	L
BoE/ FCA/ HMT/ PRA	**LIBOR Transition** Secure a fair, clear and orderly transition from LIBOR to robust, reliable and clean alternative risk-free rates.	Ongoing firm engagement End of 2021: LIBOR phase out deadline To be included in upcoming FS Bill – timing of introduction TBC	H

Multi-sector

Lead	Initiative	Key milestones	Indicative impact
BoE/ FCA/ PRA	**Operational Resilience** Policy statements to follow up coordinated CPs on new requirements to strengthen operational resilience in the financial services sector.	1 October 2020: Consultation closes Q1 2021: publication of Bank, PRA and FCA Policy Statements followed by at least a 12-month implementation period	H
FCA/ HMT	**Regulation of Pre-Paid Funeral Plans** Bringing pre-paid funeral plans within the FCA's remit.	Q4 2020 – secondary legislation laid FCA Consultation Paper also planned for Q4 2020	L
HMRC/ HMT	**Transposition of Fifth Anti Money Laundering Directive (MLD5)** Expansion of the scope of HMRC's Trust Registration Service (TRS) under MLD5.	10 March 2022: proposed deadline to register (as set out in technical consultation)	L

Timeline columns in each grid: Oct-Dec 2020 | Jan-Mar 2021 | Apr-Jun 2021 | Jul-Sep 2021 | Oct 2021-Mar 2022 | Post Mar 2022; Timing changed since May Grid; New initiative added to the Grid.

UK regulators cut their own cloth

European Venues & Intermediaries Association

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 featured in this update:

- Continued focus on COVID-19 impacts
- After Brexit…
- Review of the UK funds regime
- Transforming data collection
- Focus on vulnerable customers

- FCA supervisory strategy for retail banking
- Tactical solutions for negative interest rates
- Implementing remaining Basel 3 standards
- Resolvability Assessment Framework
- Payments update

Highlights:

Continued focus on COVID-19 impacts

Regulators continue to ensure that firms remain focused on the key impacts of COVID-19, with a series of announcements extending or developing existing provisions to minimise the burden on firms, while ensuring that firms continue to treat customers appropriately. There is new tailored support for consumer credit firms and mortgage lenders, as well as supporting customers in obtaining cancellations or refunds. The FCA has also published guidance for firms using Pay as You Grow options within the Bounce Back Loan scheme.

In line with a joint statement by the FRC and the FCA, the PRA has recognised that COVID-19 may affect the time required by firms and their auditors to finalise firms' annual report and accounts. It will therefore accept a delay of up to two calendar months, where the remittance deadlines set out in the PRA Rulebook fall on or before 31 July 2021. Firms should still submit before the end of the delayed window if they are able to do so and should keep their supervisory contacts fully informed.

Where firms are likely to find it challenging to meet other regulatory reporting deadlines, the PRA is willing to consider flexibility where the remittance deadlines fall on or before 31 March 2021 and where the reporting time is not critical for supervisors. Again, supervisors should be kept informed.

The FCA has asked banks to reconsider branch closures during lockdown. Following on from guidance issued in September 2020, the FCA has reiterated that banks should consider pausing or delaying new branch closures where possible, particularly where this could have significant impact on vulnerable customers.

After Brexit…

A speech by Andrew Bailey, BoE Governor on the need for open markets touched on equivalence, global standards, the need for rules to evolve and adapt, and supervisory cooperation. In particular, in relation to the ongoing EU-UK equivalence debate, he said 'The EU has argued it must better understand how the UK intends to amend or alter the rules going forwards. This is a standard that the EU holds no other country to and would, I suspect, not agree to be held to itself. It is hard to see beyond one of two ways of interpreting this statement, neither of which stands up to much scrutiny.' He called out three areas of possible rule changes: the Basel regime for smaller banks, treatment of software assets for banks and Solvency II.

It is still not clear whether there will be any further granting of equivalence decisions between the EU and UK. However, the BoE and FCA have signed a memorandum of understanding with each EEA authority and HMT has granted equivalence to Swiss stock exchanges under the Share Trading obligation in UK MiFIR. The UK is also negotiating a mutual recognition agreement with Switzerland that is expected to reduce costs and barriers for UK firms accessing the Swiss market and vice versa, across financial services.

The FCA has outlined its approach to the authorisation and supervision of international firms. The document presents the minimum standards for authorisation, why the FCA may require a firm to operate through a subsidiary rather than a branch, and the FCA's general expectations for international firms. It also outlines how the FCA will assess the risks of harm and expects firms to mitigate these risks to retail customers, client assets and wholesale market integrity.

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.

Focus on vulnerable customers

Whilst COVID-19 has heightened the incidences and awareness of vulnerable customers, the FCA has been championing their fair treatment for over five years. The FCA's latest published guidance is to drive improvements so that vulnerable customers are consistently able to achieve outcomes that are as good as for everyone else. This applies through the whole customer journey from product design through to customer engagement and communications. Firms can expect to be asked to demonstrate how their business model, the actions they have taken and their culture ensure the fair treatment of all their customers.

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The FCA's recent Financial Lives research shows that 27.7 million adults in the UK now have characteristics of vulnerability such as poor health, experiencing negative life events, low financial resilience or low capability. Not all people with these characteristics will suffer harm, but they may limit people's ability to make reasonable decisions or put them at greater risk of mis-selling.

The FCA has also published a Memorandum of Understanding (MoU) with the Equality and Human Rights Commission (EHRC). This MoU sets out how the FCA will co-operate and work with the EHRC on equalities issues, to help protect people in financial services markets.

FCA supervisory strategy for retail banking

The FCA issued its Supervisory Strategy for Retail Banking for the next two years, which includes four priority areas:

1. **Ensuring fair treatment of borrowers, including those in financial difficulties** – the FCA's focus will be on assessing banks' lending activities and delivery of forbearance and other protections.
2. **Ensuring good governance and oversight of customer treatment and outcomes during business change** – the FCA will want to be sighted on strategic change and business transformation programmes and whether these are appropriately governed.
3. **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.
4. **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.

Other important areas of work are:

- **EU Withdrawal** – firms should have considered how the end of transition period affects their customers and be ensuring fair treatment of those customers.
- **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.*

The 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.

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.

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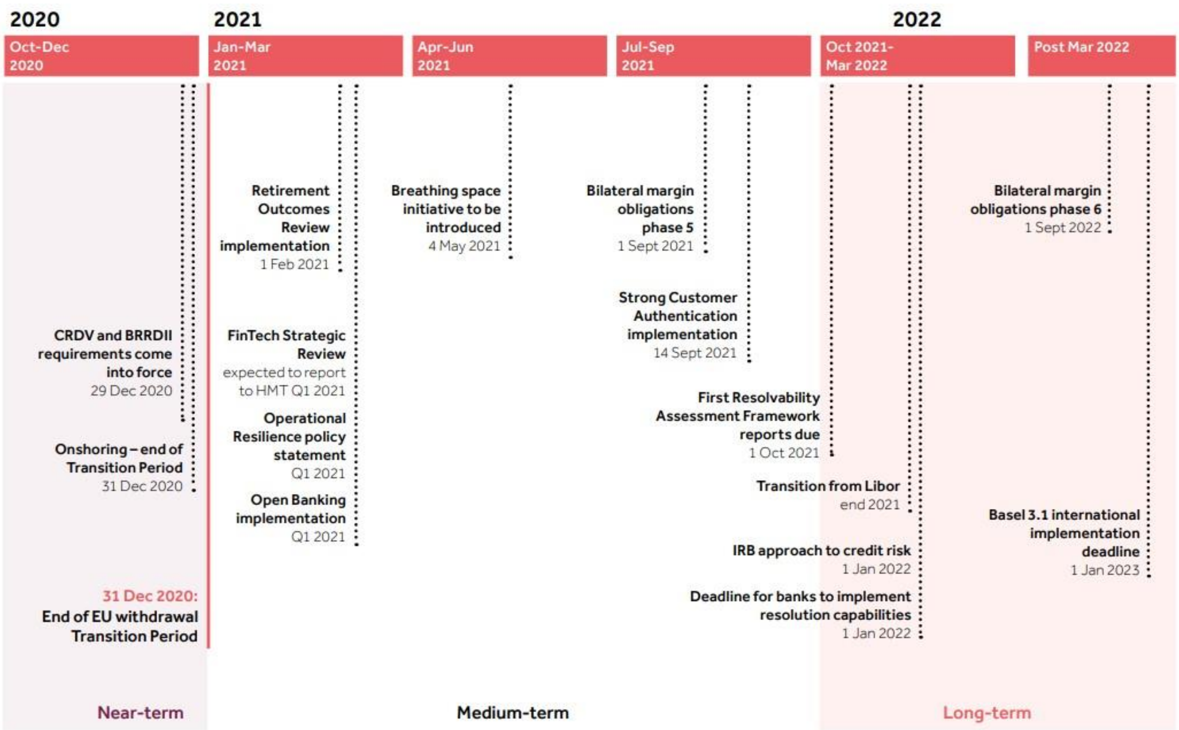

At the EU-level, the EBA issued a significant discussion paper on incorporating ESG risks into the governance, risk management and supervision of credit institutions and investment firms.

- 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

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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.

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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.