EVIA European Venues & Intermediaries Association

LEBA London Energy Brokers' Association

EVIA & LEBA Compliance Advisory; Regulatory Activities & Initiatives Grid;

EVIA & LEBA Monthly Compliance Meeting; 0830 Wednesday 07th July 2021

Full Grid and Outlook Below

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A UK based trader formerly of Deutsche Bank has been sentenced to a year and a day in US prison for spoofing on the Comex exchange in precious metals futures. The announcement from the Department of Justice can be found here and an article about the topic on Reuters here and on the FT website here. The original indictment occurred in 2018 (see here) with the activity occurring between 2008 and 2013. Civil penalties were also levied in the past.

The last weeks have seen a continuation of anti abuse activity and fines from regulators, exchanges and others since our last post here. The activity includes:

A market participant in Denmark was found by the Danish Utility Regulator to have breached REMIT Articles 3 and 4 by failing to publish Urgent Market Messages relating to an outage at an asset and then carrying out trading activity relating to the asset. The activity occurred in November 2019. The notice in Danish can be found here. The market participant failed to publish the information due to process error, and also argued that nevertheless, the information is not considered "inside information" under the criteria of "precise" and "significant". The regulator disagrees with this assessment and refer to the REMIT Guidance updated by ACER last year (see here). As a result the market participant has received a reprimand.

A trader was fined £100,000 and suspended for two years for pre arranged trades on ICE Futures Europe in SOFR Index Futures here. This fine of £44,500 issued by Ice Futures Europe relates to a position limits breach. Fines issued by CME include one for $25,000 for a position limits breach on NYMEX in crude oil futures here and another for $40,000 here.

Ofgem, Great Britain's National Regulatory Authority, has opened a consultation on their Enforcement Guidelines and Sectoral Penalty Statement which can be found here. Ofgem has closed the investigation into National Grid regarding the provision of incorrect demand forecasts. The case has been settled for 1.5 million GBP and can be accessed here.

A trader has pled guilty to charges of conspiracy to manipulate a key oil benchmark, by submitting misleading bids and offers to a benchmark provider during the pricing window. The DoJ press release, which can be found here, further describes the case. ICE Futures Europe has fined a firm £75,000 after the early settlement discount for inadequate standards with with regard to record keeping, recorded media and timestamping requirements. The notice can be found here. The FCA has fined a trader £52,500 for executing wash trades. The notice can be found here. The activity occurred in equities, where the wash trades were entered into in order to meet minimum volume requirements.

This paper by Latham & Watkins titled "Insider Trading in Commodities Markets: An Evolving Enforcement Priority" looks at how the CFTC and DoJ are increasing enforcement against inside information rule breaches in the commodities markets.

This article on the S&P Global Platts web site reports that Shell has agreed with FERC to pay $1m in fines for an index manipulation in natural gas. The fine includes an "inadequate supervision" element. FERC has proposed that a trading firm be fined $240m for market manipulation in Financial Transmission Rights in the PJM market. The press release can be found here. The activity including sending misleading price signals and making false statements.

A fine of $500k levied by the CFTC on an asset manager in the US, for executing wash trades in various commodities. The press release can be found here and the order here. The company used pre arranged trades to transfer positions from one FCM to another, leading to the transfers via wash trade. The activity was approved by compliance and senior management. The offences listed include the placing of wash trades and also inadequate supervision and systems.

This story on the news.com.au site reports on intervention by Chinese regulators on Iron Ore prices. This article on the Australian Financial Review site also reports on the topic.

In the financial markets, Danske Bank has been charged with a breach of MAR in terms of monitoring. The press release from Danske Bank can be found here. Three banks were fined a total of 371 million Euros, as reported here on the Reuters site. The banks were fined for engaging in anti competitive behaviour in the bond markets, by inappropriately sharing information relating to prices and volumes in the run up to auctions. The UK's Financial Conduct Authority published the 67th edition of the MarketWatch newsletter here. While the newsletter focuses on Equity manipulation, it also covers algorithms and a case where potential spoofing was identified leading to the responsible firm introducing further training and appropriate procedures. The FCA have opened their first criminal case against a bank under the Money Laundering Regulations 2007. The press release can be found here. No individuals have been charged.

Regulators and supervisors have begun to set out their forward-looking priorities, as the emphasis on managing the immediate impact of COVID-19 starts to reduce. Key areas of focus highlighted by European regulators are the implementation of all aspects of the Basel III framework, tackling the expected rise in NPLs and action to address climate change related risk. In the UK, the FCA is looking to set "clearer and higher expectations for firms' standards of care towards consumers" through the introduction of a new Consumer Duty.

Broadly, regulatory efforts remain firmly trained on climate risk, FinTech developments, and the impacts of economic and geopolitical uncertainties. The government has announced the creation of an independent expert group to help the government monitor "greenwashing" and develop a UK taxonomy. Diversity and inclusion is also an important theme, both across the financial sector and within the regulators. A joint discussion paper is planned for summer 2021. As part of the UK economic recovery plan, and with a nod to the UK's competitiveness as a fund domicile, the FCA is consulting on changes to the Qualified Investor Scheme regime to facilitate investment in "long-term" (infrastructure) assets by a wider range of investors.

The EU-UK regulatory border continues to evolve and widen. HMT intends to extend for five years to end-2026 the current exemption for UCITS from producing the Key Investor Document (KID), while it undertakes a review of the UK retail disclosure regime. In practice, the FCA will introduce rule changes within that timeframe, but there is likely to be a disconnect with both the revised EU rules for the KID and the EU's mid-2022 deadline.

With the cessation dates for all panel bank LIBOR settings now confirmed, work on the transition from LIBOR to Risk Free Rates (RFR) also continues apace. The FCA is seeking views on how it proposes to use new powers (introduced as amendments to the BMR under the Financial Services Act 2021) to support the orderly winddown of critical benchmarks. The BoE and the FCA issued a joint statement encouraging market participants to switch to SONIA in the sterling exchange traded derivatives market from 17 June, following the recommendations of the Working Group on Sterling Risk-Free Reference Rate

There have been yet further announcements from the FCA regarding consumer protection. The most significant, given its potential breadth and depth of impact, is the FCA's consultation on a new Consumer Duty, which is designed to increase the current level of consumer protection in the retail financial services market. The FCA has used the publication to signal a "paradigm shift in its expectations" of firms.

The PRA published its 2021/22 business plan at the end of May. The eight strategic goals are unchanged and, unsurprisingly, mitigation of the impacts of the pandemic on regulated firms and the wider economy remains high on the agenda. There is continuing focus on issues such as asset and credit quality, stress testing, operational resilience, and robust recovery and resolution planning, together with major reviews or policies to deliver.

The PRA published a Discussion Paper on its future approach to the prudential regulation of non-systemic UK firms. The paper did not identify the PRA's proposed approach (which will be consulted on once the PRA has received feedback on the DP). Rather, it sets out a range of options for simplifying capital and liquidity requirements, as well as other key requirements (such as those related to governance, remuneration, risk management, resolvability, reporting and disclosure). The PRA is considering starting by developing a simplified regime for the smallest firms, as they face proportionately higher compliance costs due to the complexity of the existing regime.

The FCA released a Consultation Paper on the listing rules for Special Purpose Acquisition Companies (SPACs). Currently, a SPAC listing is typically suspended when it identifies an acquisition target. This potentially imposes a disproportionate barrier to listing for larger SPACs that build specific investor protections into their structures, while also preventing investors from selling their shares. The FCA proposed to remove the presumption of suspension for SPACs that comply with higher levels of investor protection. It also proposed a set of disclosure and investor protection features that SPACs should include to avoid suspension.

In the EU, the European Commission adopted a package of sustainable finance-related legislative measures. These included an EU climate taxonomy Delegated Act, which aims to support sustainable investment by making clear which economic activities most contribute to the EU's environmental objectives; and a Corporate Sustainability Reporting Directive, which aims to improve the flow of sustainable information in the corporate world. Six further Delegated Acts were also adopted to ensure that financial firms include sustainability in their procedures and their investment advice to clients.

The BCBS published a pair of reports on climate risk – one on climate-related risk drivers and their transmission channels, and another on measurement methodologies for climate-related financial risks. The first explores how climate-related risk drivers, including physical risks and transition risks, can arise and affect both banks and the banking system via micro- and macro-economic transmission channels. The report on methodologies provides an overview of conceptual issues relevant to climate-related financial risk measurement, as well as observations on practical implementation challenges seen from banks and banking supervisors.

Encouraging innovation and managing risks

UK regulation is being adapted to the new opportunities and challenges arising from digital innovation and the UK's position outside the EU. Regulators used UK FinTech week to make a number of important announcements to encourage innovation but also to ensure risks are well-managed. The latest edition of the Regulatory Initiatives Grid contains many new entries, although due to the delay in the grid's publication, several have already begun. The Financial Services Bill has become law, enabling progress on several regulatory initiatives including: implementation of the remaining Basel III standards; a new prudential regime for investment firms; giving the FCA the powers it needs to oversee an orderly transition away from the LIBOR benchmark; and bringing interest-free buy-now-pay-later products into regulation.

There have been various other developments on the prudential side, including a proposed new regime for smaller deposit-takers and more details released about the 2021 Climate Biennial Exploratory Scenario. For insurers, a speech by Charlotte Gerken, PRA Executive Director, focused on risks inherent in the matching adjustment (MA), especially on risks from less liquid assets stemming from uncertainty about credit ratings, valuations and the amount of MA benefit that should be taken as a credit to balance sheets. Boards and senior management need to be across these risks and understand the vulnerabilities in assumptions that have to be made. Firms should also expect to be challenged when investing in asset classes that are new to them.

The Financial Stability Board's (FSB's) review of UK financial sector remuneration reforms notes the effectiveness of the UK regulatory framework. Following the FSB's recommendations, the regulators will review the interaction of the remuneration regimes and the Senior Manager Regime and issue additional guidance for the insurance sector. Meanwhile, various regulatory initiatives seek to improve and extend appropriate protection for retail consumers.

Encouraging innovation and managing risks

HMT and the regulators used UK Fintech Week to make a number of announcements encouraging the growth of digital finance. The Chancellor announced that the FCA will launch a 'scale box' – an enhanced version of its regulatory sandbox – which will support fintech firms looking to scale up. Having reported on phase one, the FCA is launching phase two of its digital sandbox to enable firms to test concepts that tackle sustainability and climate change–related challenges. By the autumn, the FCA plans to create a 'regulatory nursery', a period of enhanced oversight for newly authorised firms to develop and become used to their regulatory status. Financial market infrastructure will also have access to a new sandbox run jointly by HMT, the Bank of England (BoE) and the FCA to allow firms to explore innovations such as distributed ledger technology (DLT).

The BoE and HMT announced the creation of a Central Bank Digital Currency (CBDC) Taskforce to explore a potential UK CBDC to exist alongside cash and bank deposits. An Engagement Forum (EF) for senior stakeholders will be created to gather strategic input on all non-technology aspects of a CBDC. The EF will have an important role in helping policymakers understand the practical challenges of designing, implementing and operating a CBDC. A Technology Forum (TF) will also be formed to gather input on all technology aspects of CBDC from a diverse cross-section of stakeholders.

The BoE is offering a new type of account as part of the Real Time Gross Settlement (RTGS) service. The omnibus accounts, in which an operator of a payment system can hold funds to fund their participants' balances with central bank money, will allow RTGS to interface with a wider range of payment systems, including those using DLT.

However, a Dear CEO letter from the PRA and FCA on the risks associated with deposits that are placed with banks and building societies via deposit aggregators, highlights that the regulators are also monitoring the risks that may arise from changing business models encouraged by fintech developments. In this case, firms should ensure consumers are aware that their protections may be different from where they have a direct-depositor relationship, and firms may need to alter their risk management and funding models when a significant proportion of their balance sheet comes from a deposit aggregator.

The FCA is increasing the number of firms that will need to submit an annual financial crime report (REP-CRIM) from approximately 2,500 to 7,000 to help manage emerging money laundering risks. The obligation will now apply to all crypto-asset exchange providers and custodian wallet providers, as well as to electronic money institutions.

The FCA published insights and good practice from its 2020 Cyber Coordination Groups (CCGs). The CCGs aim to help firms and government agencies share knowledge and discuss good practices to protect themselves from cyber threats across the financial sector. The publication highlights the additional strain remote working has put on cyber-security teams and systems, and the need to re-evaluate existing cyber risks and controls. It also identifies Zero Trust Security models and Artificial Intelligence as some of the emerging fields within cyber-security.

Many new regulatory initiatives; *Publication of the latest edition of the Regulatory Initiatives grid was delayed, so several of the entries marked as "new" have already begun and have been reported in previous months or are reported below.*	
1	Proposals to extend the scope of listed issuers covered by the Taskforce on Climate-related Financial Disclosures (TCFD) aligned disclosure rule.
2	Proposals to require climate-related disclosures by asset managers, life insurers, and FCA regulated pension providers, aligned with the TCFD recommendations.
3	Guiding principles for the design, delivery and disclosure of ESG/sustainable fund products to help ensure firms are clear about, and understand, their existing obligations, including their responsibility to provide information to consumers that is fair, clear and not misleading.
4	Technical Screening Criteria to define what economic activities are environmentally sustainable (UK Taxonomy).
5	A joint PRA/FCA Discussion Paper on Diversity and Inclusion, and a data request.
6	New rules and guidance to mitigate the risk of "phoenixing" by claims management companies (CMCs) – the practice of firms closing themselves down to avoid their redress liabilities and then re-emerging as an authorised CMC to bring claims against their own misconduct.
7	Bringing unregulated, interest-free Buy-Now-Pay-Later products into FCA regulation.
8	Detailed proposals for an online portal that all PRA-regulated firms would need to populate with certain information on their (material) outsourcing and third-party arrangements.
9	Aspects of the Bank of England's approach to executing a bail-in resolution.
10	Revisions to PRA109 templates – Operational Continuity in Resolution Reporting.
11	Proposals to amend the capital treatment applicable to securitisations of non-performing loans.
12	Review of how to provide appropriate, ongoing support to borrowers in financial difficulty.
13	Ex-post impact evaluation of the effect of the new overdraft pricing rules that came into effect in April 2020.
14	Creation of Long-Term Asset Funds to facilitate long-term productive finance investment, which will include updating permitted rules to facilitate investment via unit-linked pension funds.
15	Reforms to improve the effectiveness of UK primary markets, in response to Lord Hill's final UK Listings Review Report and recommendations published in March 2021.
16	Review of the scope of, and proposed changes to, the UK MiFIR derivatives trading obligation.

The FCA has published its second consultation on the Investment Firms Prudential Regime (IFPR), which will apply from January 2022. The FCA proposes to simplify a number of requirements in the equivalent EU regime in areas such as governance, liquidity, remuneration and reporting. The most significant change will be the transformation of the ICAAP to the ICARA (Internal Capital and Risk Assessment process). This will bring additional obligations for many firms, particularly around wind-down planning and the greater accountability of senior management for risk management.

The FCA has published its first consultation on the review of UK MiFID, proposing changes similar but not identical to some of those enacted in the EU as part of the Capital Markets Recovery Package:

- **Inducements rules relating to investment research:** broaden the list of what are considered minor non-monetary benefits to include research on SMEs with a market cap below £200 million and exempt FICC research, and changes how the rules apply to openly available research and research provided by independent research providers.
- **Best execution reports:** remove the obligations to produce RTS 27 (execution venues execution quality metrics) and RTS 28 reports (investment Firms' annual reports on top five venues used for executing client orders and a summary of the execution outcomes achieved).

These compare with the EU changes allowing re-bundling of research for firms with market cap below €1 billion and suspension of RTS 27 reports for at least two years. This consultation also gives more detail on the **capital markets review** that the FCA is conducting with HMT. Priority areas will include:

- Market structure
- Pre-and post-trade transparency for shares, bonds and derivatives
- The cost and distribution of market data
- Commodity derivatives market

The overall objective is a regime that supports high standards, economic growth and open and competitive markets, and is fair and proportionate. HMT will consult in the summer on broad themes of capital market reform, which may involve changes to both primary and secondary legislation.

Following the UK Listing Review, the FCA is consulting on changing the conditions around suspension of listing of **Special Purpose Acquisition Companies (SPACs)** to align its rules more closely with other major jurisdictions. The FCA is proposing that a SPAC that complies with a higher level of investor protection should no longer have its listing suspended at the point it identifies an acquisition target. The SPAC's features would need to include a minimum amount of £200 million to be raised when shares are initially listed (to encourage institutional investors) and ensuring funds raised from public shareholders are ring-fenced, either to fund an acquisition or be returned to shareholders.

The BoE's Money Market Committee has updated the **UK Money Markets Code**, which sets out best practice in the unsecured, repo and securities lending markets. Given the increasing electronification and use of platforms, the Code now includes more detail on best practice for trading. It highlights the importance of diverse and inclusive money markets teams and ESG, and recognises that participants may be working from outside the office.

The FCA has published a discussion paper on strengthening its financial promotion rules for high-risk investments, which focuses on three key areas:

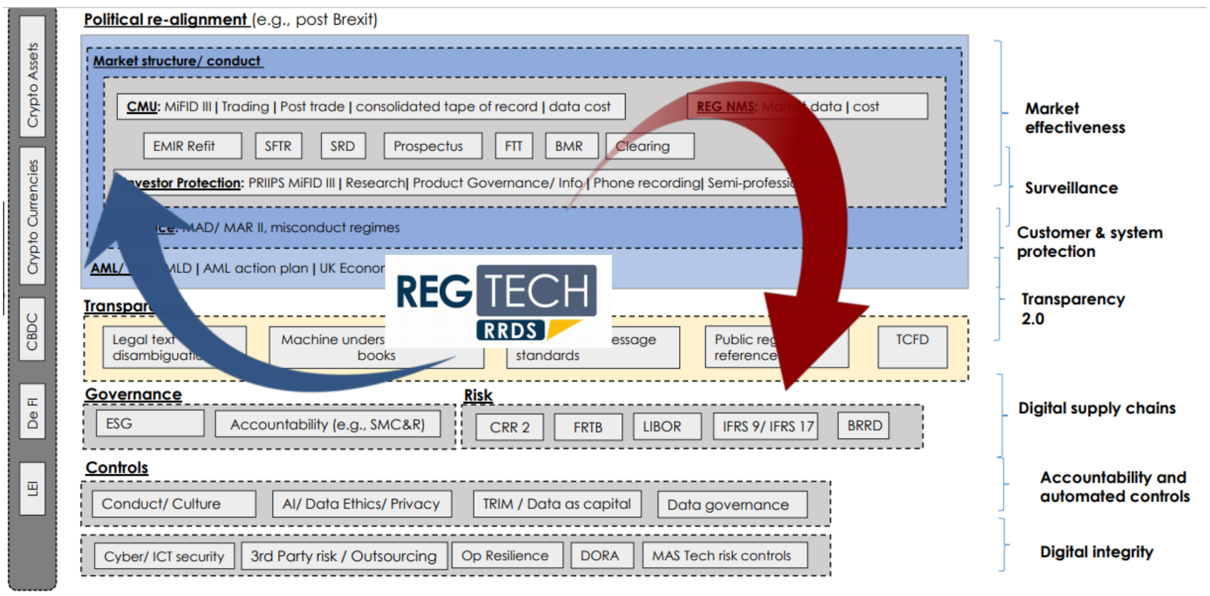
- Whether more types of investments should be subject to restriction around who they can be marketed to.
- Further differentiation of high-risk investments from other investments – for example, making risk warnings (more) effective or requiring customers to pass an online test to demonstrate knowledge.
- Whether there should be further requirements for firms approving financial promotions on behalf of an unregulated firm, to monitor promotions on an ongoing basis, after approval, to ensure they remain clear, fair and are not misleading.

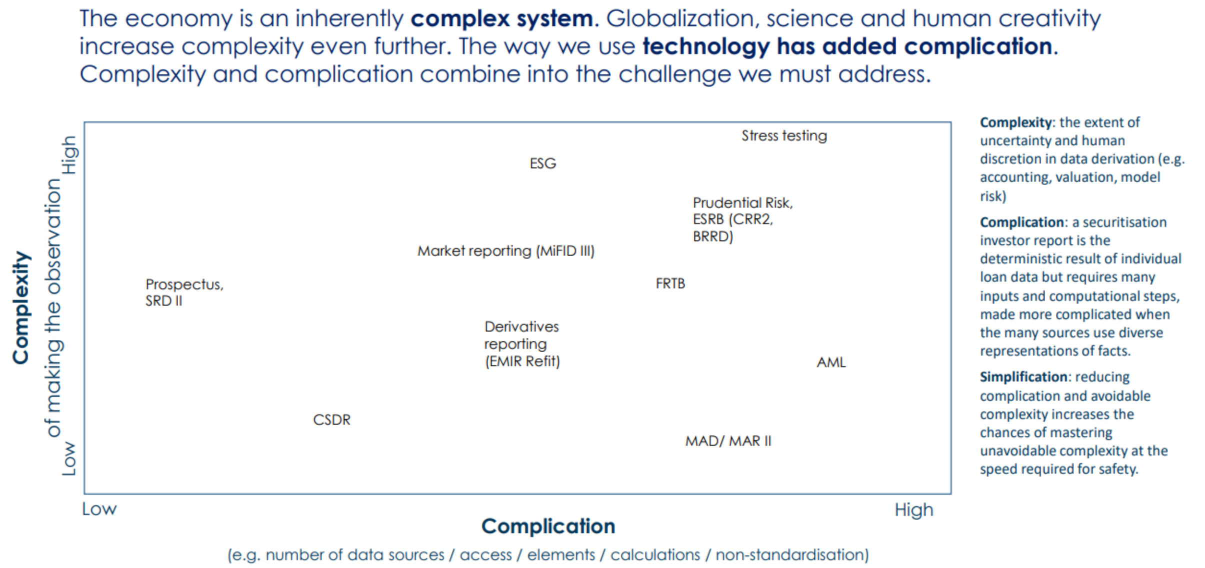
FCA MiFID II "quick fix" consultation signposts issues for further consultation as the onshored regime evolves post-Brexit. At the same time, the paper alerts industry to further consultations.
— at least two more from the FCA this year — including one contemplating the consequences of Libor transition for the Derivatives Trading Obligation (DTO). It also indicates work to be done on market data pricing. Both the DTO and market data pricing are part of the MiFID II regime.

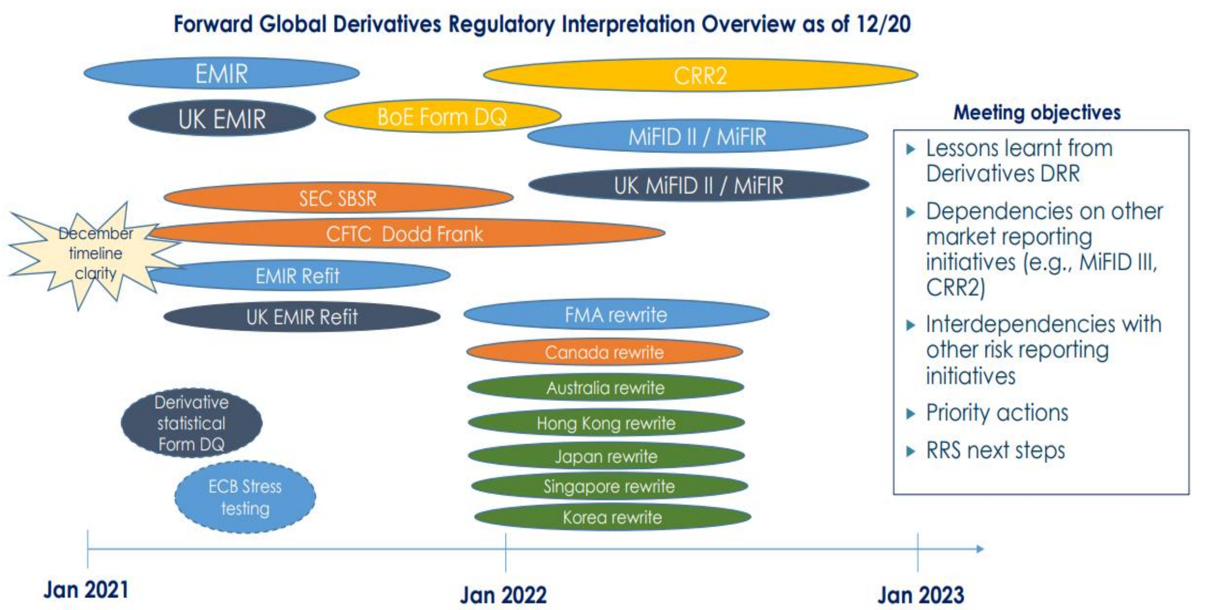
- The FCA's Changes to UK MiFID's conduct and organisational requirements (CP21/9) consultation, published Wednesday, proposes changes to research rules and eliminating best execution reporting requirements. These changes mirror some, but not all, executed by the European Parliament in its MiFID quick fix package published in the Official Journal on March 1.
- "This marks the start of wider work by HM Treasury and the FCA to reform capital markets regulation in a post-Brexit world. We expect to see changes to costs and charges disclosure for wholesale clients and the transparency regime, among other areas, shortly. But the proposals are also another example of UK and EU divergence. The FCA has gone further to address the compliance burden on best execution, while setting a lower exemption threshold for SME research. The difference in approach may create additional operational and compliance challenges for firms with a presence in both the UK and EU," said David Croker, partner at PwC.
- Libor and the DTO; In the European Union, the DTO as envisioned by MiFID II requires firms to trade certain classes of derivatives only on EU-authorised trading venues, or third-country trading venues certified by the European Commission as equivalent. The Commission has declined to deem equivalent any UK trading venues and the FCA's approach has been to use its temporary transition powers to allow firms subject to the UK DTO to trade with, or on behalf of, EU clients that are subject to the EU DTO, on EU venues provided certain criteria is met.
- Libor will cease to be published in most rates and tenors on December 31. The obligation in the DTO, which requires counterparties to trade certain derivatives on a UK trading venue, refers to legacy benchmarks such as Libor and Euribor, the relevance of that obligation will decrease as these legacy benchmarks get phased out. The upcoming consultation will therefore consider what derivative products should the DTO obligation apply to in future, for the DTO to remain relevant.
- Market data access; The FCA also announced further work forthcoming on market data access. High data costs have been a problem for firms since MiFID II was applied in January 2018. Firms have complained, for example, about post-trade transparency data not being freely available after 15 minutes as required and that pricing was not in line with MiFID's reasonable commercial basis principles.

- "We recognise that access to market data has remained a key concern among many market participants since MiFID II was introduced. Issues around it are much broader than RTS 27 and RTS 28 [best execution reporting obligations], which market participants do not find usable. We have recently consulted on market participants' access to wholesale market data and are currently considering the feedback received. The Treasury intends to propose changes to those provisions of the delegated regulation. Our proposed Handbook changes take into account possible changes to the delegated regulation. We might need to revise these depending on the exact changes the Treasury may propose in due course and whether or not those changes become legislation," the FCA said in the quick fix consultation.
- The European Securities and Markets Authority (ESMA) has investigated market data costs since 2018. MiFID II called upon the market to produce a consolidated tape, but it never materialised. Accordingly, the Commission has begun to explore options for a consolidated tape. The FCA's 2020 call for input on wholesale market data did not rule out a UK consolidated tape.
- "We continue to support the objective of MiFID II for consolidated high quality market data to be available to market participants. Our CFI will help us to assess the appropriate regulatory actions we should take. We want to understand from stakeholders if there are any features or factors that makes market dynamics or accessing or using data in the UK different to the EU," it said.
- FICC research; The EU's MiFID quick fix package set out some changes to research requirements specifically, allowing firms to bundle costs for research and execution with respect to small and mid-cap issuers, whose market capitalisation does not exceed 1 billion euros. The FCA made a narrower change for research for SMEs with market capitialisation of £200 million and below, but added exemptions for fixed income, currencies, and commodities (FICC) research and independent research firms.
- "We propose creating an exemption from the inducements rules for third party research that is received by a firm providing investment services or ancillary services to clients, where it is received in connection with an investment strategy primarily relating to FICC instruments. We propose to allow FICC research to be rebundled," it said.
- The FICC changes have been deemed to be one of the most attention-grabbing proposals in the FCA's package.
- "The ability to re-bundle certain SME and FICC research should result in enhanced buy-side access to important information on those asset classes, but is unlikely to prompt a fundamental reverse to the downsizing of sell-side research functions that followed the original MiFID II unbundling reforms," Croker said.

Month	Meeting Topic	Agenda	Leading Guests
11 March	**BoE data collection** findings and 2021 action plan	▸ UK regulatory data collection findings (Jan paper) ▸ Forward plans, priorities and interdependencies ▸ Next steps for RRDS in 2021	▸ BoE
13 May	**Do top down and bottom up meet?**	▸ CRR II CP and 430C feasibly study ▸ Interdependencies ▸ Roadmap conclusions	▸ ECB
17 June/	**Transaction and risk DRR landscape** rollout and interdependencies	▸ CPMI/IOSCO implementation plans, progress (CFTC, SEC SBSR, UK, Asia, etc.) ▸ EU MRER EMIR Refit and SFTR lessons learnt and update of SFTR ▸ Implementation synergies: MiFID III, CRR2, etc	▸ DRR ▸ EC/ ESMA ▸ EBA/ ECB
22 July	**International, UK & EU Digital Finance** reporting strategies	▸ EU Digital Finance and DLT / Blockchain reporting feasibility (BIS here) ▸ UK digital strategy (pending regulatory framework review) ▸ UK operational resilience and DORA's impact on global FS data management practices (digital integrity summary here	▸ HMT ▸ EC
Aug	**MIFID/R 22** what is likely to change for EU trade & transaction reporting and is the UK likely to follow?	▸ MiFIR CP responses consultation by 20 November 2020 ▸ Final review report to the European Commission in Q1 2021 ▸ EC report MiFID/R review by 31 July 21 ▸ Potential changes, UK/EU deltas, opportunities and implementation strategies ▸ New investment report with 109 data fields for 3rd country firms	▸ ESMA ▸ FCA ▸ FTC
Sept	**Post Brexit 'services deal'** transparency	▸ Pitfalls, shifts and implications of new reference data and reporting infrastructure in the event of a services deal	▸ FCA
Oct	**FRTB** implementation synergies	▸ Q123 implementation progress, calibration, metrics and governance	▸ TBD
Nov	**CRR II NSFR** implementation	▸ Progress, data gaps and likely challenges	▸ TBD
16 Nov	Annual **RegTech Conference**	▸ YEAR SIX	▸ ALL







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

- The FCA gave its first indications that it will match **MiFID II** changes made by the EU as part of the Capital Markets Recovery Package, with an FCA consultation shortly to be released proposing "*a similar set of changes – not absolutely identical*" to the EU changes. These include removal of the requirement to provide prescribed costs and charges information to professional clients and eligible counterparties, and a two-year suspension on the need to provide eligible counterparties with best execution reports (RTS 27 reports), with professional clients being able to opt out. The FCA has announced that it will not act against firms that do not produce RTS 27 reports for the rest of 2021. The FCA expects that by end-2021, it will have concluded its policy consideration of the future of these reports.

- The EU will allow the "re-bundling" of equity research on firms with a market capitalisation below EUR 1 billion or and for that research to be offered free of charge to a firm's trading clients. It will be interesting to see whether the FCA adopts these changes, given they were key proponents of MiFID II's original unbundling measures.
- On the MiFID II transparency regime, the FCA has already made it clear that it will not apply the double volume cap to dark trading of all equities traded in the UK, expanding from its originally scope of just UK equities, unless it sees harms to price formation or execution outcomes for investors. The European Commission is expected to present its proposals to amend the MiFID II transparency regime in the summer and it is clear from the speech that the FCA will also be presenting proposals to refine the framework.
- On the **Securities Financing Transaction Regulation (SFTR)**, the FCA will allow the regime to mature before it proposes any further divergence from the regime (non-financial companies are not in scope of UK SFTR unlike the EU SFTR). But the FCA recognises that "*divergence between two regimes could add additional complication of cost to groups who would then have to adhere to two different set of reporting requirements*".
- However, the proposed expanded **Central Counterparties (CCPs) resolution regime**, being consulted upon by HM Treasury, is similar to the EU regime apart from in a few technical areas. The proposal is also in line with Financial Stability Board guidance. The new proposals would give the Bank of England addition powers to mitigate the risk and impact of CCP failure, and the proposals are designed to balance the incentives of clearing members and CCP shareholders to encourage appropriate risk management and behaviour ahead of, and during, a resolution.
- The joint PRA/FCA consultation on **margin requirements for non-centrally cleared derivatives** aims to bring the on-shored UK rules in line with pending EU amendments and BSB and IOSCO standards. Specifically, the regulators are consulting on amending UK bilateral margining requirements by:
  - Changing the implementation dates and thresholds for the phase-in of IM requirements.
  - Requiring the exchange of variation margin for physically-settled foreign exchange forwards and swaps, to specified counterparties only.
  - Extending the temporary exemption for single-stock equity options and index options until 4 January 2024.
- The UK is not currently implementing regulation equivalent to the EU's suite of sustainable finance regulation. However, the FCA published a Primary Market Technical Note that helps listed issuers consider what they should be disclosing on **ESG matters** given existing requirements under the UK Listing Rules, Prospectus Regulation, Disclosure Guidance and Transparency Rules (DTR), and the Market Abuse Regulation (MAR).
- The UK Government is creating a **UK emissions trading scheme (UK ETS)** to replace the UK's participation in the EU scheme. The FCA is consulting on the UK ETS Instrument 2021, which contains amendments to a number of Handbook modules to reinstate provisions and definitions previously deleted as a consequence of the UK's departure from the EU ETS at the end of the transition period. The consultation is open only for a short period as the government would like auctions for the UK ETS to commence as soon as possible and no later than Q2 2021.

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

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

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

- 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.

Regulatory Outlook and Diary

Q2 2021	Singapore	Expected MAS consultation on implementing the UTI, UPI and CDE for reporting
Partially Done	EU	By January 1, 2021, the European Commission is empowered to adopt a delegated act, identifying sectors to be excluded from the methodology of Paris-aligned benchmarks under the European Benchmarks Regulation (BMR).
Q2 2021	EU	In the context of EMIR 2.2, ESMA shall submit a draft RTS develop draft regulatory technical standards specifying the conditions under which changes to a CCP's models and parameters are significant (EMIR article 49 (5)). ESMA has consulted on this topic on October 23, 2020. RTS to be published on the official journal in 1H 2021.

Q2 2021	EU	In the context of EMIR 2.2, ESMA has to provide a draft RTS on conditions under which additional services of a CCP require a new authorization and also specifying the procedure for consulting the college established in accordance with Article 18 on whether or not those conditions are met (EMIR 2.2 article 1 (2)). ESMA has consulted on this topic on October 23, 2020. RTS to be published on the official journal in 1H 2021.
Q2 2021	EU	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. ISDA expects this RTS to be published on the official journal in 1H 2021.
1H 2021	Korea	Expected designation of critical benchmarks and administrators under the Financial Benchmarks Act.
Q2/Q3 2021 (expected)	Australia	Expected 2nd ASIC consultation on updating the Australian reporting regime.
June 01 2021	US	Three-month calculation period begins under US prudential regulations to determine whether the material swaps exposure, or daily average aggregate notional amount, of swaps, security-based swaps, FX swaps and FX forwards for an entity and its affiliates that trade with a US swap dealer exceeds $8 billion for the application of initial margin requirements as of September 1, 2022.
June 1, 2021	EU	The European Supervisory Authorities (ESMA, EBA, EIOPA) shall submit the draft Regulatory Technical Standard (RTS) specifying the details of the content and presentation of information in relation to the principle of 'do no significantly harm' under the EU Taxonomy Regulation (Article 8).
June 01 2021	EU	The European Supervisory Authorities (ESMA, EBA, EIOPA) shall submit draft RTS on the presentation and content of 'climate change mitigation' and 'climate change adaptation' disclosures under the EU Taxonomy Regulation.
June 01 2021	EU	The European Commission shall adopt a Delegated Act (DA) to specify the presentation and content of the information to be disclosed under the EU Taxonomy Regulation, including methodology by entities under scope of the Non-Financial Reporting Directive (NFRD) in accordance with the EU Taxonomy Regulation Article 8.
June 18, 2021	EU	Changes to the clearing obligation under EMIR Article 4 enter into force. Clearing members and clients which provide clearing services shall provide those services under fair, reasonable, non-discriminatory and transparent commercial terms (FRANDT). The European Commission shall specify these conditions via a delegated act. In addition, trade repositories have to, in accordance with EMIR Article 78, establish procedures and policies regarding the transfers, reconciliations, completeness and correctness of data.
June 26, 2021	EU	Full application of the investment firms review (published in the official journal of the EU on December 5, 2019), including changes to MiFID 2/ MiFIR third country regime

June 28, 2021	EU	Implementation date for the leverage ratio, the net stable funding ratio and the standardized approach for counterparty credit risk under the CRR II capital requirements text.
June 30, 2021	EU	Requirements under EU Regulation 2019/2088 on sustainability-related disclosures in the financial sector (SFDR) with respect to entity-level requirements on website disclosure in relation to adverse sustainability impacts shall apply.
June 30, 2021	Hong Kong	Basel III: Effective date of BCAR 2020 and SA-CCR implementation.
June 30, 2021	Hong Kong	Date by which AIs planning to adopt SA-CVA for reporting purposes should discuss implementation plans with HKMA.
2H 2021	India	Basel III: Expected SA-CCR implementation.
2H 2021	India	Basel III: Expected implementation of standards for the capitalization of banks' exposures to CCPs.
Q3 2021	EU	The European Commission adopted the EU regulatory technical standards on the contractual recognition of stays under the 2nd Bank Recovery and Resolution Directive (BRRD 2) in April 2021. The final OJ publication following the end of the scrutiny period before EU Member States and the European Parliament is expected in Q3
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.
Q3/Q4 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 Q3/Q4 2021. The CRR III will transpose the market risk standards (FRTB) as a binding capital constraint, the output floor, the revised credit valuation adjustment framework, alongside operational and credit risk framework, amongst others. The proposal will also take into consideration the impact of the COVID-19 crisis on the EU banking sector.
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 South Africa	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	EU	As a result of COVID-19, both the European Banking Authority and the European Commission have now acknowledged there will be operational challenges to maintain the original Q1 2021 start date for the Standardised Approach (SA) reporting requirements under the CRR II market risk standard. The delegated act

		operationalizing theses reporting standards for SA have a start date from September 30, 2021 onwards. The reporting templates should be applicable from October 5.
September 30, 2021	Malaysia	Basel III: Phase 2 of NSFR implementation commences (100% minimum).
September 30, 2021	India	Basel III: Exemption of non-centrally cleared derivatives from large exposures calculation framework expires.
September 30, 2021	Korea	Basel III: Expiration of revised foreign currency LCR of 70% and total LCR of 85% requirements.
September 30, 2021	Japan	The net stable funding ratio (NSFR) will be implemented.
September 30, 2021	Singapore	Deadline to cease issuance of SOR derivatives and SIBOR-linked financial products.
Q4 2021	EU	The European Commission shall adopt an Implementing Act (IA) to designate replacements rates for critical benchmark rates.
By Oct 01 2021	EU	The European Commission (EC) shall adopt delegated acts, in accordance with BMR Article 49, to specify the rules of procedure for the exercise of the power to impose fines or periodic penalty payments, including provisions on rights of defence, temporal provisions and the collection of fines or periodic penalty payments, and the limitation periods for the imposition and enforcement of fines and periodic penalty payments. In addition, the EC shall adopt delegated acts in accordance with Article 49 in order to supplement this Regulation by specifying the type of fees, the matters for which fees are due, the amount of the fees and the manner in which they are to be paid.
Oct 01 2021	Singapore	Commencement of reporting of equity, commodity and FX derivative contracts booked or traded in Singapore by finance companies, subsidiaries of banks incorporated in Singapore, insurers and holders of CMS licenses with annual aggregate gross notional amount of specified derivatives contracts of more than S$5 billion, and all significant derivatives holders.
Oct 01 2021	India	Basel III: NSFR implementation.
Oct 01 2021	India	Basel III: Capital Conservation Buffer (2.5%) phased in from March 2016.
October 6, 2021	US	Registration compliance date: This the earliest compliance date for several rules applicable to SBS entities per SEC Security Based Swap final rules (See 84 Fed. Reg. 6270-6354 (February 4, 2020) and 84 Fed. Reg. 6359-6417 (February 4, 2020)).
October 6, 2021	US	Compliance date: CFTC Capital Requirements for Swap Dealers and Major Swap Participants

October 8, 2021	Singapore	Commencement of risk mitigation requirements for non-centrally derivative contracts under Regulation 54B of the Securities and Futures (Licensing and Conduct of Business) Regulations
November 01 2021	US	Registration applications due from SBS dealers that incur a registration obligation on the counting date per SEC Security Based Swap final rules (See 84 Fed. Reg. 6270-6354 (February 4, 2020) and 84 Fed. Reg. 6359-6417 (February 4, 2020)).
November 01 2021	US	Projected Compliance Date 1 for SEC Security-Based Swap Reporting (SBSR): With respect to newly executed SBS in a particular asset class, SBSR Compliance Date 1 for an asset class is the first Monday that is the later of: (1) six months after the date on which the first SDR that can accept transaction reports in that asset class registers with the Commission; or (2) one month after the SBS entities registration compliance date.
December 01 2021	US	Registration applications due from major-SBS participants that incur a registration obligation as a result of SBS activities in their quarter ending September 30, 2021 per SEC Security Based Swap final rules (See 84 Fed. Reg. 6270-6354 (February 4, 2020) and 84 Fed. Reg. 6359-6417 (February 4, 2020)).
December 01 2021	Malaysia	Expected deadline for banks to elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions.
December 30 2021	EU	The European Supervisory Authorities (ESMA, EBA, EIOPA) shall submit a RTS to specify website disclosures of adverse social sustainability impacts at entity level (Article 4) under the sustainability-related disclosures in financial sector regulation (SFDR).
December 30 2021	UK	LIBOR phase out deadline.
December 31 2021	EU	All benchmark administrators in scope of the European Benchmarks Regulation (BMR), with the exception of currency and interest rate benchmarks, have to explain in their benchmark statement how their methodology aligns with the Paris agreement.
December 31 2021	EU	The European Commission shall adopt Delegated Acts (DAs) to specify the technical screening criteria with respect to ‘the sustainable use and protection of water and marine resources’, ‘the transition to a circular economy’, ‘pollution prevention and control’ and ‘the protection and restoration of biodiversity and ecosystem’ (Article 9 (c) -(f)), with a view to ensuring its application from January 1, 2023.
December 31 2021	EU	The European Commission shall publish a report describing the provisions that would be required to extend the scope of the EU Taxonomy regulation beyond environmentally sustainable economic activities and describing the provisions that would be required to cover economic activities that do not have a significant impact on environmental sustainability and economic activities that significantly harm environmental sustainability (‘Brown Taxonomy’) and whether other sustainability objectives such as social objectives should be added to the framework.
December 31 2021	EU	CCP R&R (Article 96): The European Commission (EC) shall review the application of Article 27(7) (Requirement to for the resolution authority to write down and convert any instruments of ownership and debt instruments or other unsecured

		liabilities immediately before or together the use of a government stabilization tool). The EC shall submit a report thereon to the European Parliament and to the Council accompanied where appropriate by proposals for revision of this Regulation.
December 31 2021	EU	The transitional provisions for 'critical benchmarks' (EURIBOR, EONIA, STIBOR AND WIBOR) under the EU BMR expires.
December 31 2021	HK	Date by which AIs should cease to issue new LIBOR-linked products that will mature after 2021.
January 1, 2022	EU	Administrators of significant benchmarks, as defined under the European Benchmarks Regulation (BMR), have to endeavour to market at least one EU climate-transition benchmark.
January 1, 2022	EU	From 2022, the disclosure requirement under Regulation EU 2020/852 on the establishment of a framework to facilitate sustainable investment ('EU Taxonomy') with respect to the environmental objectives 'climate change mitigation' and 'climate change adaptation' (Article 9 (a) and (b)) have to be applied.
January 1, 2022	EU	Article 11 requirements with respect to periodic reports under the sustainability-related disclosures in financial sector regulation (SFDR) shall apply.
January 1, 2022	EU	ESAs Review: Start date of the application of the provisions relating to the BMR. ESMA will become the competent authority for administrators of critical benchmarks, as defined in Article 20(1)(a) and (c), i.e. large interest rate benchmarks such as Euribor, EONIA, WIBOR and STIBOR. ESMA will also become the competent authority under the recognition process (BMR Article 32) for administrators located in third country jurisdictions. This notably removes the requirement for third country benchmark administrators to identify the 'member state of reference'.
January 1, 2022	UK	Date by which outstanding elements on the UK-onshored version of the 2nd Capital Requirements Regulation (CRR 2) will apply including the net stable funding ratio, leverage ratio and the standardized approach for counterparty credit risk and the FRTB SA reporting requirements
January 1, 2022	US	Compliance date for advanced approaches banking organizations of standardized approach for counterparty credit risk (SA-CCR) for calculating the exposure amount of derivative contracts under US prudential regulators' regulatory capital rule (See 85 Fed. Reg. 4362-4444 (January 24, 2020))
January 1, 2022	Thailand	Date after which the fallback THBFIX is permitted to be referenced only in new derivative contracts.
January 2, 2022	EU	CCP R&R (Article 9 (5)): ESMA in cooperation with ESRB shall specify the minimum list of qualitative and quantitative indicators triggering recovery actions.
February 12, 2022	EU	CCP R&R (Article 9 (12)): ESMA in cooperation with ESRB shall issue guidelines on scenarios for recovery plans, taking account of supervisory stress tests where appropriate.
February 12, 2022	EU	CCP R&R (Article 9 (15)): ESMA in cooperation with EBA and after consulting the ESCB shall develop draft regulatory technical standards specifying the

		methodology for calculation and maintenance of the additional amount of pre-funded dedicated own resources (SSITG)
February 12, 2022	EU	CCP R&R (Article 10 (12)): ESMA, in cooperation with the ESCB and the ESRB shall develop criteria to assess CCP's recovery plan
February 12, 2022	EU	CCP R&R (Article 12 (9)): ESMA, after consulting with the ESRB shall develop draft regulatory technical standards further specifying the contents of the Resolution Plan in accordance with paragraph 7.
February 12, 2022	EU	CCP R&R (Article 15 (5)): ESMA, in close cooperation with the ESRB shall issue guidelines to promote the convergence of resolution practices regarding the application of section C of the Annex
February 12, 2022	EU	CCP R&R (Article 18 (8)): ESMA shall issue guidelines in accordance with Article 16 of Regulation (EU) No. 1095/2010 to promote the consistent application of the triggers for the use of the early intervention measures.
February 12, 2022	EU	CCP R&R (Article 20 (2)): ESMA shall develop draft regulatory technical standards to specify the order in which recompense must be paid, the appropriate maximum number of years and the appropriate maximum share of the CCP's annual profits.
February 12, 2022	EU	CCP R&R (Article 22 (6)): ESMA shall adopt guidelines to promote the convergence of supervisory and resolution practices regarding the application of the circumstances under which a CCP is deemed to be failing or likely to fail
February 12, 2022	EU	CCP R&R (Article 25 (6)): ESMA shall develop draft regulatory technical standards to specify: • Independence of validator • Methodology for assessing the value of assets and liabilities of the CCP • Separation of valuations under art 24 and art 61.
February 12, 2022	EU	CCP R&R (Article 26 (4)): ESMA shall develop draft regulatory technical standards to specify the methodology for calculating the buffer for additional losses to be included in provisional valuations.
February 12, 2022	EU	CCP R&R (Article 29 (7)): ESMA shall issue guidelines further specifying the methodology to be used by the resolution authority for determining the valuation of contracts to be torn up.
February 12, 2022	EU	CCP R&R (Article 61 (5)): ESMA shall develop draft regulatory technical standards specifying the methodology for carrying out the NCWO valuation including the calculation of the losses following liquidation if the CCP had been wound up under normal insolvency proceedings, following the full application of the applicable contractual obligations and other arrangements in its operating rules.
February 12, 2022	EU	CCP R&R (Article 63 (2)): ESMA shall develop draft regulatory technical standards in order to specify, in a transparent manner, to the extent allowed by confidentiality of contractual arrangements, the conditions under which the passing on of compensation, cash equivalent of such compensation or any proceeds that the clearing member receives from the CCP, and the conditions under which it is to be considered proportionate.
February 12, 2022	EU	CCP R&R (Article 83 (4)): ESMA shall ubmit a report to the Commission on the publication of administrative penalties and other administrative measures by Member States on an anonymous basis and in particular whether there have been significant divergences between Member States in that respect. That report shall also address any significant divergences in the duration of publication of administrative penalties or other administrative measures under national law for Member States for publication of administrative penalties and other administrative measures.

February 12, 2022	EU	CCP R&R (Article 87 - EMIR art 45a (3)): ESMA shall draft guidelines further specifying the circumstances in which the competent authority may request the CCP to refrain from undertaking dividends, bonuses and buy-backs.
March 1, 2022	EU Switzerland Japan Canada Singapore Hong Kong Australia South Africa US	Three-month calculation period begins to determine whether the average aggregate notional amount of derivatives for an entity and its affiliates exceeds relevant threshold for initial margin requirements as of September 1, 2022. In the US, this calculation period only applies under CFTC regulations.
March 3, 2022	Singapore	MAS Notice SFA 04-N16 on Execution of Customers' Orders and the related Guidelines to the Notice take effect.
April 2, 2022	Australia	Expiry of ASIC Corporations (Amendment) Instrument 2020/149, providing relief from mandatory clearing requirements for AUD-denominated FRAs.
April 13, 2022	US	Compliance date: CFTC Bankruptcy Regulations (See 86 Fed. Reg.19324-19477 (April 13, 2021)).
May 25, 2022	US	Swap data repositories (SDRs), swap execution facilities (SEFs), designated contract markets (DCMs), and reporting counterparties must comply with the amendments to the CFTC swap data reporting regulations found in Part 43, Part 45 and Part 49 by the compliance date of May 25, 2022; provided, however that SDRs, SEFs, DCMs, and reporting counterparties must comply with the amendments to §§43.4(h) and 43.6 by May 25, 2023
June 1, 2022	US	Three-month calculation period begins under US prudential regulations to determine whether the material swaps exposure, or daily average aggregate notional amount, of swaps, security-based swaps, FX swaps and FX forwards for an entity and its affiliates that trade with a prudentiallyregulated swap dealer exceeds $8 billion for the application of initial margin requirements as of January 1, 2023.
June 1, 2022	EU	The European Supervisory Authorities (ESMA, EBA, EIOPA) shall submit draft Regulatory Technical Standard (RTS) on the presentation and content for the environmental objectives 'the sustainable use and protection of water and marine resources', 'the transition to a circular economy', 'pollution prevention and control' and 'the protection and restoration of biodiversity and ecosystem' under the EU Taxonomy Regulation.

June 30, 2022	EU	The temporary recognition of UK CCPs (LME, ICE and LCH) under the EMIR 2.2. framework expires. Unless further addressed, following this date, EU firms could not have access to the UK CCPs and would need to relocate their clearing activities to EU CCPs. Please note that under EMIR 2.2, ESMA has also performed its tiering assessment, with LME becoming a Tier 1 CCP whereas ICE and LCH are considered Tier 2 CCPs.
June 30, 2022	EU	On November 23, 2020, the three ESAs (EBA, ESMA, EIOPA) published a revision of the EMIR Margin RTS that would extend the period of availability of the intragroup derogation to June 30, 2022 (date of expiry of UK CCP equivalence). On December 21, 2020, the European Commission(EC) published these RTS. The EC hopes for early non-objection from the European Parliament and Council, The ESAs have indicated support for forbearance by National Competent Authorities pending entry into force of the RTS (the intragroup derogation expired on December 20, 2019 and NCAs are already applying forbearance; forbearance is already in effect regarding FX forwards, and is now also in effect regarding FX swaps (which the draft RTS also provide an exemption from for some counterparty pairs); forbearance will apply from January 4, 2021 for equity options if the RTS re not in effect by then; forbearance from IM requirements is in effect since September 1, 2020 for firms with AANA of €8 billion or over).
June 30, 2022	EU	On April 29, 2019, Commission Delegated Regulation 2019/667, amending Delegated Regulation 2015/2205 was published in the Official Journal of the European Union, extending the derogation from the clearing obligation for intragroup transactions concerning third country affiliates until December 21, 2020. Following December 21, 2020, in the absence of another extension, intragroup transactions in G4 currency interest rate swaps or credit derivatives (where relevant) subject to the clearing obligation, between EU entities and entities located in non-equivalent third-countries, would need to be cleared through a CCP, in compliance with the relevant Clearing RTS. On November 23, 2020, the three ESAs (EBA, ESMA, EIOPA) published a revision of the EMIR Clearing Obligation RTS that would extend period of availability of the intragroup derogation to June 30, 2022 (date of expiry of UK CCP equivalence). On December 21, 2020, the European Commission (EC) published these RTS. The EC hopes for an early non-objection from the European Parliament and the Council. The ESAs have indicated support for forbearance by National Competent Authorities pending entry into force of the RTS.
June 30, 2022	Korea	Basel III: Expiry of FSS no-action relief for NSFR for special banks.
Q3 2022	Global	The Financial Stability Board (FSB) recommends that regulators implement the CPMI-IOSCO Unique Product Identifier (UPI) Technical Guidance to take effect no later than in the third quarter of 2022
Q4 2022	Australia	Expected coming into force of the updated ASIC reporting regime.
July 31, 2022	US	Expiration of an extension of relief to Shanghai Clearing House permitting it to clear swaps subject to mandatory clearing in the People's Republic of China for the proprietary trades of clearing members that are US persons or affiliates of US persons (CFTC Letter No. 20-46).

September 1, 2022	US EU Australia Canada Hong Kong Korea Switzerland Singapore Japan South Africa	Initial margin requirements apply to covered swap entities with material swaps exposure (average aggregate daily notional amount exceeding USD 8 billion). Initial margin requirements apply to counterparties with an aggregate average notional amount exceeding EUR 8 billion. Initial margin requirements apply to Phase 6 APRA covered entities with an aggregate notional amount exceeding AUD 12 billion. Initial margin requirements apply to Phase 6 covered entities with aggregate month-end average notional amount exceeding CAD 12 billion. Initial margin and risk mitigation requirements apply to Phase 6 HKMA AIs and SFC LCs with an aggregate notional amount exceeding HKD 60 billion. Initial margin requirements apply to financial institutions with derivatives exceeding more than KRW 10 trillion. Initial margin requirements apply to counterparties whose aggregate month-end average position exceeds CHF 8 billion. Initial margin requirements apply to Phase 6 MAS covered entities with an aggregate notional amount exceeding SGD 13 billion. Initial margin requirements apply to Phase 6 JFSA covered entities with an aggregate notional amount exceeding JPY 1.1 billion. Initial margin requirements apply to a provider with aggregate month-end average notional amount exceeding ZAR 15 trillion
September 30, 2022	Australia	Expiry of ASIC Corporations (Amendment) Instrument 2020/242, providing relief from reporting certain unique transaction identifiers (UTIs) and from NZ banks reporting entity information. Expiry of ASIC Corporations (Amendment) Instrument 2020/827, providing relief from reporting exchange-traded derivatives, name information and FX securities conversion transactions.
October 9, 2022	Global	The Financial Stability Board (FSB) recommends that jurisdiction-level regulators implement the CPMI-IOSCO Unique Product Identifier (UPI) Technical Guidance to take effect no later than third quarter 2022.
October 9, 2022	Global	Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) recommend that jurisdiction-level regulators implement the CPMI-IOSCO Critical Data Elements (CDE) Technical Guidance to take effect no later than October 9, 2022.
December 30, 2022	EU	Requirements under EU Regulation 2019/2088 on sustainability-related disclosures in the financial sector (SFDR) with respect to the comply or explain product-level adverse impacts (Article 7) shall apply

December 31, 2022	EU	The European Commission shall review the minimum standards of carbon benchmarks (climatetransition and Paris-aligned benchmarks) in order to ensure that the selection of the underlying assets is coherent with environmentally sustainable investment as defined by the EU taxonomy.
December 31, 2022	EU	Before December 31, 2022, the European Commission shall present a report to the co-legislators on the impact of an 'ESG benchmark', taking into account the evolving nature of sustainability indicators and the methods used to measure them. The report shall be accompanied, where appropriate by a legislative proposal
January 1, 2023	Global	FRTB: Banks are required to report under the new market risk standards by January 1, 2023.
January 1, 2023	Global	Leverage Ratio: Banks are required to calculate leverage using the revised exposure definitions, including the G-SIB buffer from January 2023
January 1, 2023	Global	CVA: Banks are required to implement the revised CVA framework from January 2023.
January 1, 2023	EU	New application date for the leverage ratio surcharge for G-SIIs in the EU as agreed in the CRR quick fix legislation finalised in June 2020.
January 1, 2023	EU	From 2023, 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 '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)) have to be applied
January 1, 2023	US	Initial post phase-in compliance date for US prudential initial margin requirements for an entity that trades with a prudentially-regulated swap dealer and for which the material swaps exposure of the entity and its affiliates exceeds $8 billion.
January 1, 2023	HK	Basel III: Locally incorporated AIs required to report under revised FRTB and CVA frameworks.
January 1, 2023	HK	Basel III: Expected implementation of revised credit risk, operational risk, output floor, and leverage ratio frameworks.
January 1, 2023	Australia	Expected implementation of revised capital framework for ADIs.
January 1, 2023	Australia	Basel III: Expected implementation of revised leverage ratio requirements, including revised treatment for client clearing.
January 1, 2023	Singapore	Basel III: Expected implementation of FRTB framework for supervisory reporting purposes.
January 1, 2023	Singapore	Basel III: Expected implementation of revised credit risk, operational risk, output floor and leverage ratio frameworks.
January 2, 2023	EU	In the context of EMIR 2.2, the European Commission shall produce a report assessing the effectiveness of: • ESMA's tasks, in particular the CCP Supervisory Committee's, in fostering the

		convergence and coherence of the application of EMIR2.2 among the competent authorities; • the framework for the recognition and supervision of third-country CCPs; • the framework for guaranteeing a level playing field among CCPs authorized in the EU and third-country CCPs; and • the division of responsibilities between ESMA, the competent authorities and the central banks of issue (EMIR article 85 (7)).
February 12, 2023	EU	CCP R&R (Article 37 (4)): ESMA shall develop draft regulatory technical standards to specify further the minimum elements that should be included in a business reorganisation plan. Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph.
February 12, 2023	EU	CCP R&R (Article 38 (4)): ESMA shall develop draft regulatory technical standards to specify further the minimum criteria that a business reorganisation plan is to fulfil for approval by the resolution authority.
March 31, 2023	Japan	Basel III: Expected implementation of revised credit risk, CVA, operational risk, leverage ratio and FRTB frameworks.
May 25, 2023	US	Swap data repositories (SDRs), swap execution facilities (SEFs), designated contract markets (DCMs), and reporting counterparties must comply with the amendments to the CFTC swap data reporting regulations §§43.4(h) and 43.6 by the compliance date of May 25, 2023.
June 15, 2023	EU	The European Commission shall adopt a Delegated Acts (DA) to designate exempted FX spot rates from the scope of the EU BMR.
June 15, 2023	EU	The European Commission (EC) shall submit a report to the European Parliament and to the Council on the scope of the BMR, in particular with respect to the use of third country benchmarks. If appropriate, the EC shall accompany the report with a legislative proposal.
Q3/ Q4 2023	EU	Earliest expected start date for the Internal Model Approach (IM) reporting requirements under the CRR II market risk standard.
September 1, 2023	South Africa	Initial margin requirements apply to a provider with aggregate month-end average notional amount exceeding ZAR 8 trillion.
December 31, 2023	EU	The transitional period for benchmarks designated as critical and non-EU benchmarks under the Financial Benchmarks Regulation (BMR) ends on January 1, 2022. Critical and non-EU benchmarks administrators will have to be included in the ESMA register of benchmarks (or have applied for it and not been rejected yet) by that date. Otherwise, EU supervised entities will no longer be able to refer in their transactions to benchmarks provided by these administrators (with the exception of transaction entered into before January 1, 2022 referencing non-EU benchmarks). On November 30, 2020, the European Parliament and the Council reached an interinstitutional agreement with respect to the review of the BMR, including an extension of the BMR transition period for non-EU benchmark administrators until December 31, 2023. The European Commission (EC) will be empowered to adopt a

		delegated act by June 15, 2023 to prolong this extension by maximum two years until December 31, 2025. The political agreement reached also enables the EC to adopt delegated acts by June 15, 2023 in order to create a list of spot foreign exchange benchmarks that will be excluded from the scope of Regulation (EU) 2016/1011. The final provisions are subject to a plenary vote in the European Parliament in January 2021, followed by a publication in the Official Journal of the EU in early Q1 2021.
December 31, 2023	EU	The transition period for benchmarks administered in non-EU jurisdictions ('3rd country benchmarks') expires. By June 15, 2023, the European Commission can adopt Delegated Acts to extend the transitional period for non-EU benchmarks until December 31, 2025.
January 1, 2024	Australia	Basel III: Expected implementation of FRTB framework.
January 4, 2024	EU	The three-year derogation from margin rules in respect of non-centrally cleared over-the-counter derivatives, which are single-stock equity options or index option where no EMIR Article 13(2) equivalence determination is in place, is expiring on January 4, 2021. On November 23, 2020, the three ESAs (EBA, ESMA, EIOPA) published a revision of the EMIR Margin RTS that would extend the periof of availability of the equity options derogation to January 4, 2024. On December 21, 2020, the European Commission (EC) published the RTS. The EC hopes for an early objection from the European Parliament and the Council. The ESAs have indicated support for forbearance by National Competent Authorities pending entry into force of the RTS.
January 4, 2024	HK	Expiry of the SFC exemption from margin requirements for non-centrally cleared single stock options, equity basket options and equity index options.
February 12, 2024	EU	CCP R&R (Article 96): ESMA shall assess the staffing and resources needs arising from the assumption of its powers and duties in accordance with this Regulation and submit a report to the European Parliament, the Council and the Commission.

2. Regulatory Activities and Initiatives Inventory

key regulatory milestones in June.

International regulatory bodies

- Closing date 30 June 2021: IOSCO issues industry surveys on conduct risks in leveraged loans and collateralized loan obligations

EU legislation and guidelines entering into force

- 26 June 2021: EU Investment Firm Prudential Regime comes into force. Please see our IFR/IFD transition hub on the NRF Institute.
- 26 June 2021: EBA guidelines on internal governance under IFD expected to apply

- 1 June and 28 June 2021: Commission Implementing Regulation laying down ITS for the application of the CRR with regard to the supervisory reporting and public disclosure of the minimum requirement for own funds and eligible liabilities
- 28 June 2021: EBA publishes final guidelines on the conditions for the alternative treatment of "tri-party repurchase agreements" for large exposure purposes
- 28 June 2021: Commission Implementing Regulation on ITS on public disclosures under CRR published in OJ
- 28 June 2021: Majority of the provisions of the CRR II Regulation come into force
- 30 June 2021: Expiry of ESMA's decision recognising Euroclear UK & Ireland Limited after Brexit transition period
- 30 June 2021: ESMA publishes guidelines on periodic information for trade repositories

EU consultations closing

- 1 June 2021: EBA launches public consultation on draft technical standards on Pillar 3 disclosures of ESG risks
- 1 June 2021: Commission launches call for public feedback on the environmental performance information that financial and non-financial undertakings should disclose
- 10 June 2021: EBA consults on guidance on how to grant authorisation as a credit institution
- 11 June 2021: EBA launches discussion paper on integrated reporting
- 11 June 2021: EBA launches public consultation on draft revised Guidelines on stress tests of DGSs
- 12 June 2021: EBA consults on technical elements for the implementation of the alternative standardised approach for market risk as part of its FRTB roadmap
- 17 June 2021: EBA consults on its draft guidelines for institutions and resolution authorities on improving resolvability
- 17 June 2021: EBA consults on changes to its guidelines on risk-based AML/CFT supervision
- 17 June 2021: EBA consults on its proposals for a central AML/CFT database
- 18 June 2021: EBA consults on its revised guidelines on recovery plan indicators
- 23 June 2021: Commission public consultation on instant payments
- 24 June 2021: MiFID Quick Fix: draft delegated act on ancillary activity exemption published for consultation
- 30 June 2021: ESMA consults on the framework for EU MMFs

UK legislation and regulatory rules coming into force

- 1 June 2021: Post-Brexit changes for some consumer credit firms from 1 June 2021
- 17 June 2021: UK EMIR first clearing threshold notification must be completed

UK consultations closing

- 13 June 2021: The Ring-fencing and Proprietary Trading Independent Review call for evidence for review into ring-fencing and proprietary trading
- 17 June 2021: FCA CP21/15: Benchmarks Regulation: how we propose to use our powers over use of critical benchmarks
- 18 June 2021: JMLSG publishes provisional updates to Part II Guidance Trade Finance chapter
- 21 June 2021: FCA CP21/14: Preventing claims management phoenixing
- 23 June 2021: FCA CP21/9: Changes to UK MIFID's conduct and organisational requirements

- 25 June 2021: FCA launches consultation on a new type of fund to support investment in long-term assets
- 29 June 2021: FCA Consultation Paper 21/11: The stronger nudge to pensions guidance
- 30 June 2021: PSR seeks views on next steps for all banks to deliver confirmation of payee

Our webinars

- 9 June 2021: Good governance: lessons from the pandemic and key considerations as lockdown eases

Regulatory initiatives grid

The latest version of the regulatory initiatives grid notes a number of new publications in June including:

- FCA Consultation paper in June 2021 on climate related disclosures – asset managers, life insurers, and FCA regulated pension schemes
- FCA consultation paper in June 2021 on climate related disclosures – listed issuers
- FCA and PRA joint Discussion Paper on diversity and inclusion

COVID-19		
UK	BoE & PRA	• Statement on the regulatory treatment of the UK Recovery Loan Scheme. • Article on how COVID-19 has affected firms' costs and prices. • Statement on the disclosure of exposures subject to measures applied in response to COVID-19 • 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	• Approach to regulating firms in relation to the UK Government's Recovery Loan Scheme (RLS) • Finalised Guidance on helping consumers with rights and routes to refund in light of COVID-19 • COVID-19 guidance for employers in relation to automatic enrolment and DC pension contributions. • Final Guidance on the business interruption insurance test case and proving the presence of COVID-19. • Key findings from review on COVID-19 linked forbearance. • Further updated tailored support guidance for firms with regards to mortgages in light of COVID-19.

		• Feedback Statement on the Bounce Back Loan Scheme and guidance for firms on use of Pay as You Grow options. • Updated guidance on mortgages and consumer credit repossessions • Banks asked to reconsider branch closures during COVID-19 lockdown • Updated expectations on Approved Persons Regime (APR) and coronavirus. • Updated expectations on SM&CR and coronavirus for solo-regulated firms. • Updated joint FCA and PRA statement on the SM&CR and COVID-19: expectations of dual-regulated firms. • Final guidance for firms on mortgages and COVID-19 • Final guidance for firms in relation to consumer credit and COVID-19 • Written cases for the Supreme Court appeal of business interruption insurance
	HMT	• COVID-19 business loan scheme statistics.
EU	EBA	• Speech by José Manuel Campa, EBA Chairperson, on the measures taken by banks in relation to COVID-19. • Thematic note comparing provisioning in the United States and the EU during the peak of COVID-19. • Second annual report monitoring the implementation of the Liquidity Coverage Ratio (LCR) during the COVID-19 period, in the EU. • Additional clarifications on the application of the prudential framework in response to issues raised as a consequence of the COVID-19 pandemic. • Additional clarity on the implementation of select COVID-19 policies, including on moratoria, COVID-19 reporting, operational risk, downturn LGD, and credit risk mitigation. • Report on the use of COVID-19 moratoria and public guarantee schemes by EU banks
	ECB Central Bank	• Interview with Christine Lagarde, President of the ECB, on the recovery of the European economy from COVID-19. • Publication on the suspension of redemptions during COVID-19, discussing the case for pre-emptive liquidity measures. • Speech by Christine Lagarde, President of the ECB on the COVID-19 crisis and SMEs. • Speech by Luis de Guindos, Vice-President of the ECB, on macroprudential policy through COVID-19 and beyond. • Interview with Luis de Guindos, Vice-President of the ECB, on Euro area economic recovery from COVID-19.

		• Interview with Isabel Schnabel, Member of the Executive Board of the ECB, on the effect of delayed vaccines on the EU's recovery. • Article on Euro area capital stock since the beginning of the pandemic. • Interview with Philip R. Lane, Member of the Executive Board of the ECB, on COVID-19 and monetary policy. • Announcement on extension of pandemic emergency longer-term refinancing operations. • Speech by Philip Lane, Member of the Executive Board of the ECB, on the role of monetary policy in the pandemic, focussing on the ECB and the Euro area. • Report on consumption patterns and inflation measurement issues during COVID-19 • Speech Luis de Guindos, Vice-President of the ECB, on the Banking Union and Capital Markets Union after COVID-19 • Speech by Isabel Schnabel, Member of the Executive Board of the ECB, on lessons learned from COVID-19 and the non-bank liquidity crisis • November 2020 Financial Stability Review • Speech by Isabel Schnabel, Member of the Executive Board of the ECB, on the monetary policy challenges facing central banks

	ECB - SSM	• Interviews with Andrea Enria, Chair of the Supervisory Board of the ECB, on topics including: the risks banks face in relation to asset quality and profitability as a result of COVID-19; rising NPLs; and climate risk.
		    o Annex 1
		    o Annex 2
		• Speech by Andrea Enria, Chair of the ECB, on European banks in the post-COVID-19 world.
		• Recommendation on dividend distributions during the COVID-19.
		• Dear CEO letter on remuneration policies in the context of the COVID-19.
		• Dear CEO letter on identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic.
		• Speech by Kerstin af Jochnick, Member of the Supervisory Board of the ECB, on the recovery from COVID-19 and the regulatory response

	SRB	• Speech by Elke König, SRB Chair, on the impact of COVID19 on digital banking, and relevant challenges and opportunities • Speech by Elke Konig, Chair of SRB on post pandemic recovery and new growth models. • Speech by Elke König, Chair, on the next steps for banks in coping with COVID-19.

		• Speech by Sebastiano Laviola, Member of the Board at the SRB, on bank resolution in times of uncertainty • Speech by Elke König, Chair of the SRB, on bank resolvability and COVID-19
	European Commission	• Speech by Valdis Dombrovskis, Executive Vice-President of the European Commission, on EU economic recovery from COVID-19.
	ECOFIN	• Technical note on the sectoral impact of COVID-19.
	EIOPA	• Consultation on ORSA in the context of COVID-19.
International	BIS	• Speech by Fernando Restoy, Chair of the BIS Financial Stability Institute, on potential changes to prudential policy post COVID-19 and key challenges for prudential authorities. • Statement by Randal Quarles, Vice Chair for Supervision of the Board of Governors of the Federal Reserve System, on supervision and regulation through COVID-19. • Speech by Klaas Knot, President of the Central Bank of the Netherlands, on rebuilding resilience in the financial system after COVID-19. • Written brief on redefining insurance supervision in the 'new normal' era post COVID-19. • Speech by Pablo Hernandez de Cos on the evaluation of the effectiveness of Basel III during COVID-19 and beyond. Link • Speech by Pablo Hernández de Cos on how to help the recovery of viable firms affected by COVID-19 • Speech by Andrew Bailey, Governor of the Bank of England, on the impact of (and recovery from) COVID-19. • Working paper on macroeconomic consequences of "pandexit" (exit from the pandemic). • Pablo Hernández de Cos, Governor of the Bank of Spain and Chairman of the BCBS, on the challenges to the banking sector a year after the outbreak of the COVID-19 pandemic. • Speech by Isabel Schnabel, Member of the Executive Board of the ECB, on the importance of favourable financing conditions to the COVID-19 recovery. • Working paper for a global database on central banks' monetary policy responses to COVID-19. • Opening remarks by Sharon Donnery, Deputy Governor of the Central Bank of Ireland on macroprudential policy and lessons in the pandemic era. • Opening remarks by Gabriel Makhlouf, Governor of the Central Bank of Ireland on lessons from COVID-19 and a macroprudential framework for the market-based finance sector.

		• Bulletin on recovery from an "uneven recession" following COVID-19. • Speech by Agustin Carstens, General Manager of the BIS, on how the challenges and priorities in a global pandemic represent a delicate moment for supervisors. • Speech by Benoit Coeure, Head of the BIS Innovation Hub, on the financial system after COVID-19. • Speech by Jens Weidmann, President of Deutsche Bundesbank, on the potential long-term effects of the COVID-19 crisis on the economy and on monetary policy. • Speech by Ed Sibley, Deputy Governor of Prudential Regulation at the Central Bank of Ireland, on the unprecedented challenges facing SMEs • Speech by Mr Luis de Guindos, Vice-President of the ECB, on the Euro area financial sector during COVID-19 • Speech by Margarita Delgado, Deputy Governor of the Bank of Spain, on consumers and the post-COVID-19 mortgage market • Speech by Pablo Hernández de Cos, Chair of the BCBS, on the European response to COVID-19
	FSB	• FSB Chair's letter to G20 Finance Ministers and Central Bank Governors, updating the G20 on the unwinding of COVID-19 support measures and a roadmap for climate risk. • Report on the unwinding of COVID-19 support measures. • 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	• Global Financial Stability Report, April 2021: pre-empting a legacy of vulnerabilities. • Speech by Gita Gopinath, Chief Economist, on Women's Economic Empowerment and Inclusive Global Economic Growth, during COVID-19 and Beyond. • Remarks by Kristalina Georgieva, IMF Managing Director on financing for development in the era of COVID-19 and beyond initiative. • Report on corporate liquidity and solvency in Europe during COVID-19, and the potential impact on the banking system. • Blog on how digitisation can help support the global recovery from COVID-19 • Blog on addressing urgent financing needs arising fromCOVID-19

		• Speech by Kristalina Georgieva, Managing Director of the IMF, on lessons from the Global Financial Crisis in the age of COVID-19
Brexit		

UK	HMT	• Conclusion of technical negotiations on the UK–EU Memorandum of Understanding on Financial Services Regulatory Cooperation
		• Consolidated guidance for financial services providers in light of the end of the transition period.
		• UK-EU Trade and Cooperation Agreement published, including a joint declaration to establish a framework for regulatory cooperation for FS
		  o Annex
		• The Securities Financing Transactions, Securitisation and Miscellaneous Amendments (EU Exit) Regulations 2020 have been made, including an explanatory memorandum.
		  o Annex
		• The Financial Holding Companies (Approval etc.) and Capital Requirements (Capital Buffers and Macroprudential Measures) (Amendment) (EU Exit) Regulations 2020 have been made, including an explanatory memorandum.
		  o Annex
		• Call for evidence on the overseas framework for cross border FS.
		• Guidance on the open access regime for exchange traded derivatives.

	Parliament	• UK and Switzerland plan to deepen financial services cooperation, moving ahead with negotiations to deliver a comprehensive mutual recognition agreement. • House of Lords EU Services Sub-Committee invites written contributions to its inquiry into the future of UK-EU relations on trade in services, including financial services. • Treasury Committee launches inquiry into the future of financial services after the end of the transition period • House of Lords EU Services Sub-Committee invites contributions to its ongoing enquiry into financial services after the end of the transition period
	BOE	• Amendments under the European Union (Withdrawal) Act 2018, including the final PRA Rulebook (EU Exit) Instrument, PRA transitional direction, and related guidance documents. • Joint BoE/PRA statement of policy detailing their approach to interpreting EU guidelines and recommendations following the UK's withdrawal from the EU and the end of the transition period. • Bank of England statement acknowledging HMT equivalence decisions

	ECPB	• Opinions on the Commission's draft UK data adequacy decisions published, including one opinion on adequacy under the GDPR, and another on adequacy under the Law Enforcement Directive. o Annex
	FCA	• Confirmation that the FCA will continue to use the Temporary Transitional Power to modify the application of the derivatives trading obligation. • Pre-agreed Memoranda of Understanding with EU authorities in the areas of securities, insurance and pensions, and banking came into force at the end of the transition period. • Statement and explanatory note on use of the Temporary Transitional Power (TTP) to modify the UK's derivatives trading obligation. o Annex • Draft transitional direction for the share trading obligation. • Supervisory statement on the MiFID Markets Regime after the end of the transition period. • Final Brexit onshoring instruments and TTP directions. • Approach to interpreting reporting and disclosure requirements under Capital Requirements Directive and Capital Requirements Regulation after the end of the transition period. • Instructions on the Financial Instruments Transparency System.
	PRA	• Final policies on the Capital Requirements Directive (CRD) V and Bank Recovery and Resolution Directive (BRRD) II. o Annex • Supervisory statement on how firms should interpret existing non-binding PRA regulatory and supervisory materials in light of the UK's exit from the EU. • Supervisory statement on the approach it expects firms to take when interpreting EU-based references found in reporting and disclosure requirements and regulatory transactions forms following the UK's exit from the EU. • Supervisory statement on setting out its expectations on deposit-takers in regard to depositor protection rules following the end of the transition period.
EU	EU	• Opinions on the Commission's draft UK data adequacy decisions published, including one opinion on adequacy under the GDPR, and another on adequacy under the Law Enforcement Directive. • Communication on the EU's economic and financial system, proposing a list of actions to reinforce its "open strategic autonomy". • UK-EU Trade and Cooperation Agreement published, including a joint declaration to establish a framework for regulatory cooperation. o Annex

		• Time-limited equivalence decision for UK Central Securities Depositories adopted and published in the Official Journal. It will enter into force on 1 January and lapse on 30 June 2021
	ECB	• Occasional paper on economic analyses on the potential impact of Brexit.
	ESMA	• Updated statement on the impact of Brexit on the Benchmark Regulation. • Registration of six UK-based credit rating agencies and four trade repositories withdrawn at the end of the transition period. • ESMA-BoE Memorandum of Understanding on ESMA's monitoring of ongoing compliance with recognition conditions by UK central securities depositories. • Reminder to firms on MiFID II rules on reverse solicitation in light of practices observed since the end of the transition period. • Euroclear UK & Ireland Limited recognised as third-country central securities depositories after the end of the transition period.
	EBA	• Change in the status of Simple, Transparent and Standardised securitisation transactions at the end of the transition period. 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	• Updates to the Bank of England's approach to assessing resolvability. • Monetary Policy Report for May 2021, maintaining the Bank Rate at 0.1%. • Speech by Sam Woods, CEO of the PRA, on the PRA's plans for the future regulation of building societies. • Working paper on evidence on the relative performance of regulatory requirements for small and large banks. • Quarterly bulletin on the BoE's plans to deliver data standards and transform data collection in financial services. • MPC Remit statement and letter and FPC Remit letter. • Statement on maintaining the Bank Rate at 0.1%.

		• Consultation paper and draft supervisory statement on the PRA's approach to supervision of branch and subsidiaries, and speech by David Bailey, Executive Director Financial Markets Infrastructure.
		  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	• 2021/22 Business Plan, setting out the PRA's strategy, workplan and budget for the year ahead. • Statement on the progress of the Working Group on Productive Finance, including the development of the Long Term Asset Fund (LTAF) and the Group's next phase of work. • Statement on the 2022 and 2023 supervisory benchmarking exercise relating to capital internal models. • Approach to updating requirements on the identification of material risk takers. • Final policy on ensuring OCIR and updated supervisory statement on resolution assessment and public disclosure by firms. o Annex • Discussion paper on a 'strong and simple' prudential framework for non-systemic banks and building societies. • Speech by Victoria Saporta, Executive Director for Prudential Policy, on a 'strong and simple' prudential framework for non-systemic banks and building societies • Dear CEO letter from the PRA and FCA on obtaining deposits via deposit aggregators.

		• Policy statement (PS8/21) and finalised supervisory statement (SS3/21) on the PRA's approach to supervising new and growing banks. • The Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP) (updated following publication of PS8/21). • The PRA's methodologies for setting Pillar 2 capital (updated following publication of PS8/21). • Consultation on the identification of the nature, severity, and duration of an economic downturn for the purposes of Internal Ratings Based (IRB) models. • Results of the Q1 2021 credit conditions survey • Results of the Q1 2021 bank liabilities survey • Statement on the regulatory treatment of retail residential mortgage loans under the Mortgage Guarantee Scheme (MGS). • Consultation on renumeration and correction to the definition of 'higher paid material risk taker'. • Letter from Melanie Beaman, Director of UK Deposit Takers Supervision, on the thematic findings of the internal audit review of collections of non-systemic UK Deposit Takers • Policy statement on PRA fees and levies (holding company regulatory transaction fees). • Policy statement CP3/21 on Depositor Protection: Identity verification. • Consultation on supervising branches and subsidiaries of international banks. • Consultation paper on the 2021/22 Management Expenses Levy Limit for the Financial Services Compensation Scheme. • Consultation paper on holding company regulatory transaction fees. • Policy statement on simplified obligations for recovery planning. • Decision regarding Systemic Risk Buffer Rates. • Statement on capital distributions by large UK banks. • Letter from Sarah Breeden, Executive Director of the PRA and Melanie Beaman, Director, on 2021 supervisory priorities for UK Deposit Takers. • Letter from David Bailey, Executive Director and Rebecca Jackson, Director, on 2021 priorities for International Banks Supervision. • Final policy on the Bank Recovery and Resolution Directive II. • Updated supervisory statement on buffers and thresholds in relation to minimum requirements for own funds and eligible liabilities (MREL). • Updated supervisory statement on implementing capital buffers. • Updated supervisory statement on Groups and methods of consolidation. • Updated supervisory statement on the ICAAP and the SREP.

		• Updated policy statement on methodologies for setting Pillar 2 capital. • Supervisory statement on remuneration. • Guidelines for completing regulatory reports. • Updated supervisory statement on the PRA's approach to branch supervision for liquidity reporting. • Updated supervisory statement on internal governance of third country branches.
	HMT	• Paper announcing and outlining the mortgage guarantee scheme. • Revised special resolution regime code of practice. • Joint statement on the planned timings for CRR2 and IFPR implementation o 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	• Results of the EU-wide pilot exercise on climate risk. • Consultation on Pillar 3 disclosure of interest rate risk exposures. • Plans for the 2021 EU-wide transparency exercise and EBA risk assessment report. LinkPage 5 of 18 • Discussion paper on NPL data templates. • Updated data on deposit guarantee schemes across the EEA covering available financial means, and covered deposits. • Phase one of the EBA's 3.1 reporting framework published, including new reporting requirements for investment firms. • Report on convergence of supervisory practices in 2020. • Report on Member States' reliance on external credit ratings. • Report on the application of the BRRD early intervention framework. • Report on the reduction of MREL shortfall for the largest EU banks as of December 2019. • Consultation on draft RTS on the list of countries with an advanced economy for calculating equity risk under the alternative standardised approach (FRTB-SA). • Updated lists of regional governments and local authorities and regional governments and local authorities for the calculation of capital requirements. o Annex Link • Report on window dressing systemic importance, using evidence from EU banks and the G-SIB framework. • Final draft RTS specifying the methods of prudential consolidation.

		• Updated list of Other Systemically Important Institutions (O-SIIs). • Erratum of the taxonomy package on reporting framework 3.0 phase 2. • Consultation on draft ITS on supervisory reporting for Additional Liquidity Monitoring Metrics (ALMM). • Consultation on draft Guidelines on the delineation and reporting of available financial means of Deposit Guarantee Schemes (DGS). • Consultation on RTS on how to identify appropriate risk weights and conditions when assessing minimum LGD values for exposures secured by immovable property. • Consultation paper on Guidelines on a common assessment methodology for granting authorisation as a credit institution. • Revised list of ITS validation rules included in its Implementing Technical Standards (ITS) on supervisory reporting. • Consultation on draft revised Guidelines on stress tests of Deposit Guarantee Schemes (DGSs). • Report on the consistency of internal model outcomes for 2020. o Annex • Statement on making the Basel III monitoring exercise mandatory for EU banks. • Consultation paper on Guidelines for institutions and resolution authorities on improving resolvability. • Consultation paper on revised Guidelines on recovery plan indicators. • Speech by Isabelle Vaillant, Director of the Prudential Regulation and Supervisory Policy Department at the EBA, on a regulatory perspective on reforms to complete the banking union. • Launch of 2021 EU-wide stress test exercise. • Q3 2020 risk dashboard. • Consultation paper on revised guidelines on monitoring the threshold for establishing an intermediate EU parent undertaking. • Guidelines on legislative and non-legislative moratoria. • Final draft RTS on the treatment of non-trading book positions subject to foreign-exchange risk or commodity risk under the FRTB framework. • Basel III monitoring report. • Opinion to the European Commission on proposed amendments to the EBA final draft RTS on IRB assessment methodology. • Updated Basel III impact assessment. • Final technical standards on the contractual recognition of stay powers under BRRD2. • Consultation paper on RTS to calculate risk weights of collective investment undertakings. • Consultation paper on amending standards on benchmarking of internal models.

		• Final draft technical standards on capital requirements of non-modellable risks under the FRTB. • Report on the application of simplified obligations and waivers under BRRD2. • Proposal on appropriate methodology to calibrate O-SII buffer rates.
	ESMA	• ESAs first joint Risk Assessment Report, warning of an expected deterioration in asset quality. • Published its annual Public European Common Enforcement Priorities for 2020.
	ECB - SSM	• Statement on the ECB's decision to supervise securitisation requirements for significant banks. • Supervisory newsletter published, covering topics including the impact of COVID-19 on banks' credit risk management and the new regulatory regime for large investment firms. • Contribution to the European Commission's targeted consultation on the review of the crisis management and deposit insurance framework. • Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on Basel III implementation in the EU. • Interview with Frank Elderson, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, on monitoring credit risks during COVID-19, addressing climate change risks and the diversity of banks' boards. • Results of the ECB's Targeted Review of Internal Models (TRIM) exercise. • List of supervised entities (as of 1 March 2021). • Supervisory banking statistics for the Q4 2020. • Presentation on the benchmarking of Recovery Plans (cycle 2019/20). • Interview with Andrea Enria, Chair of the Supervisory Board of the ECB, regarding the health of European banks in light of COVID-19. • Guide on the supervisory approach to consolidation in the banking sector. • Supervisory Banking Statistics for Q3 2020 • Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on a consistent European crisis management framework for medium-sized banks. • Results of the ECB's annual SREP exercise, including disclosure of bank-by-bank Pillar 2 Requirements. • Report on key risks and vulnerabilities expected to affect supervised firms in 2021. • Blog post by Elizabeth McCaul, Member of the Supervisory Board of the ECB, on the need for, and benefit of, strong credit risk management.

		• 2020 significance assessment review, stating the ECB will directly supervise 115 banks from 1 January 2021. • Interview with Andrea Enria, Chair of the Supervisory Board of the ECB, on dividend payments. • Speech by Elizabeth McCaul, Member of the Supervisory Board of the ECB, on bank boards and supervisory expectations. • Speech by Elizabeth McCaul, member of the Supervisory Board of the ECB, on transatlantic views on the next stage for European banking supervision
	ECB Central Bank	• Financial Stability Review - May 2021. • Updated treatment of leverage ratio in the Eurosystem monetary policy counterparty framework. • EU banking sector structural indicators for the end of 2020. • TARGET2 2020 annual report, providing information on TARGET2 traffic, performance, and developments in 2020. • Speech by Luis de Guindos, Vice-President of the ECB, on climate change and financial integration. Link • Euro area securities issues statistics for March 2021. • April 2021 euro area bank lending survey. • Working paper on foreign banks and the sovereign doom loop. • Christine Lagarde, President of the ECB, and Luis de Guindos, Vice-President of the ECB, on the ECB's monetary policy decisions. • Occasional paper on liquidity in resolution, comparing frameworks for liquidity provision across jurisdictions. • Statement that Denmark will join Eurosystem's TARGET services. • Frank Elderson nominated as Vice-Chair of the Supervisory Board. • Report giving an overview of the Eurosystem Integrated Reporting Framework • Cost-benefit assessment questionnaire on the Integrated Reporting Framework for the banking industry • September 2020 euro area bank interest rate statistics
	ECOFIN	• Statement of the Eurogroup on the ESM reform and the early introduction of the backstop to the Single Resolution Fund
	ESRB	• Working paper on the importance of technology in banking during a crisis. • Working paper on the retrenchment of euro area banks and international banking models
	SRB	• Blueprint for the crisis management and deposit insurance framework review. • Updated MREL policy and MREL dashboard for Q4 2020.

		◦ Annex • Publication of an overview of Banking Union resolution and access to FMIs. • Consultation on 2021 Single Resolution Fund contributions. • Checklist for banks under the SRB's remit to use when preparing the Additional Liability Report to provide additional assurance on liabilities reported as eligible for MREL. • Article by Elke Konig, Chair of the SRB, on the SRB's priorities to promote financial stability in 2021. • Expectations for ensuring the resolvability of banks engaging in mergers, acquisitions and other corporate transactions. • Publication of MREL dashboard, setting out an overview of MREL requirements for banks under the SRB's remit. • Article by Jan Reinder De Carpentier, Vice-Chair of the SRB, on the common backstop to the Single Resolution Fund. • Final SRB valuation data set and explanatory note. ◦ Annex
International	BIS	• Insight paper on institutional arrangements for bank resolution. • Speech by Fernando Restoy, Chair of the BIS Financial Stability Institute, on the role of deposit insurance in improving funding of bank resolution in the banking union. • Speech by Carolyn Rogers, Secretary General of the BCBS, on the outlook for banking, covering topics including COVID-19 risks and vulnerabilities in the banking system, Basel III and innovation. • Speech by Sir David Ramsden, Deputy Governor for Markets and Banking of the Bank of England, on the UK's progress on resolvability. • Announcement of Governors and Heads of Supervision meeting to endorse strategic priorities and work programme of Basel Committee and discuss global initiatives on non-bank financial intermediation. • Guidelines on supplemental note to external audits of banks - audit of expected credit loss. • Basel III monitoring results based on end-December 2019 data. • Report to G20 Leaders on Basel III implementation • Working paper on the macro-financial effects of international bank lending on emerging markets • Working paper on whether commercial property markets affect bank equity prices
	FSB	• Work Programme for 2021. • 2020 list of global systemically important banks (G-SIBs) • 2020 Annual report on the implementation and effects of the G20's financial regulatory reforms

Conduct		
UK	HMT	• Letter from the Chancellor of the Exchequer to the Chief Executive of the FCA providing recommendations for the FCA. • Second annual financial inclusion report • Guidance on disguised remuneration following the outcome of the independent loan charge review

	FCA	• Access to cash:
		  o a) joint statement with the PSR on access to cash; and
		  o b) speech by Sheldon Mills, Executive Director of Consumers and Competition, on protecting access to cash and banking services.
		• Speech by Georgina Philippou, Senior Adviser to the FCA on the Public Sector Equality Duty, on why diversity and inclusion are key issues for the FCA.
		• Letter to the Boards of Directors of Debt Purchasers, Debt Collectors and Debt Administrators.
		• Portfolio letter to Mainstream Consumer Credit Lenders (MCCLs).
		• Mortgage lending statistics - December 2020.

	BOE	• Minutes of the Wholesale Distribution Steering Group 4th May 2021 meeting on access to cash. • Updated roadmap of priorities for ending the new use of GBP LIBOR-linked derivatives.
	PRA	• Results of annual firm feedback survey 2020. • Consultation paper on the identification verification requirements for depositor protection. • Policy statement on strengthening Accountability and SM&CR forms update. • Consultation paper on joint PRA and FCA Chapter clarifying expectations for temporary, long-term absences of Senior Managers. • Report on the evaluation of the SM&CR.
	CMA	• Consultation paper on future oversight of the CMA's open banking remedies.
EU	EBA	• Report on mystery shopping activities of national authorities. • Opinion document highlighting key money laundering and terrorist financing risks across the EU. • Discussion paper on a new integrated reporting system across supervisory, resolution and central banks statistical data. • Consultation on changes to Guidelines on Risk-based AML/CFT supervision. • Regulatory instruments to address 'de-risking' practices.

		• Opinion on strengthening the connection between the EU legal frameworks on anti-money laundering, terrorist financing, and deposit protection.
	ESMA	• Statement promoting transparency for Targeted Longer-Term Refinancing Operations (TLTRO III) transactions.
	ECB as a Central Bank	• Blog post by Isabel Schnabel, Member of the Executive Board of the ECB, titled "Don't take it for granted: the value of high-quality data and statistics for the ECB's policymaking".
	ECB - SSM	• Blog by Edouard Fernandez-Bollo, Member of the Supervisory Board at the ECB, on fostering a compliance culture in the European banking system. • Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on the effectiveness of European banks' boards. • Guide on method of determining penalties for regulatory breaches. • Opinion piece by Yves Mersch,, regarding the ECB "raising the bar on bank governance".
	SRB	• Eurofi article by Elke König, Chair of the SRB, on a European solution to deal with failures of medium-sized banks in the Banking Union. • Resolution Planning Cycle (RPC) Booklet. • SRB responses to the European Commission targeted consultation on the review of the crisis management and deposit insurance framework. • Article by Elke König, Chair of the SRB, on how Single Point of Entry resolution strategies can address the home-host issue in the Banking Union. • New guidance on liquidity and funding in resolution. • Speech by Elke Konig, Chair of the Single Resolution Board, to the European Parliament at the ECON Committee on 27 October 2020.
	European Parliament	• Briefing on the gender balance on the boards of significant banks in the banking union.
International	FSB	• Statement on reprioritisation of the FSB work programme
	BIS	• Speech by François Villeroy de Galhau, Governor of the Bank of France, on how to revisit central banking and financial stability. • Speech by Pablo Hernandez de Cos, Chair of the BCBS, on crossing the Basel III implementation line.

		• Speech by Mr Gareth Ramsay, Executive Director for Data and Analytics & Chief Data Officer of the Bank of England, on how data standards can transform reporting. • Working paper assessing the impact of Basel III using evidence from macroeconomic models. • International banking statistics and global liquidity indicators at end-December 2020. o Annex • Announcement regarding Jens Weidmann being re-elected as Chair of the BIS Board of Directors. • Proposed technical amendments to rules on haircut floors for securities financing transactions. • Speech by Isabel Schnabel, Member of the Executive Board of the EBC, on the importance of trust for the ECB's monetary policy.
Capital Markets		
Prudential		
UK	PRA	• Consultation on modifications to the derivatives clearing obligation to reflect interest rate benchmark reform. • Statement on remuneration benchmarking and remuneration high earners reporting templates. • Speech by Anil Kashyap, External member of the Financial Policy Committee, on the "dash for cash" and the liquidity multiplier

	BOE	• LIBOR:
		  o a) speech by Andrew Bailey, Governor, on LIBOR transition;
		  o b) minutes of the Working Group on Sterling Risk-Free Reference Rates 30 March 2021 meeting (published May 2021);
		  o c) the Working Group on Sterling Risk-Free Reference Rates recommend the use of overnight SONIA, compounded in arrears, as the successor rate to GBP LIBOR for the operation of fallbacks in bond documentation that envisage the selection of a recommended successor rate;
		  o d) joint statement with the FCA encouraging market participants to switch to SONIA in the sterling exchange traded derivatives market from 17 June 2021; and
		  o e) speech by John C Williams, President and CEO of the Federal Reserve Bank of New York, on LIBOR transition.
		• Annual report on the supervision of financial market infrastructures in 2020.

	FCA	• Consultation on a policy framework for exercising the FCA's new powers under the BMR, relating to the use of critical benchmarks that are being wound down. • Speech by Nausicaa Delfas, Executive Director of International and Interim Chief Operating Officer, on the FCA's approach to regulating the UK as a global financial centre. • Letter of concerns in relation to Provident's proposed scheme of arrangement. • Consultation paper on bilateral margin requirements for uncleared derivatives.
EU	ECOFIN	• Conclusions on the European Commission's action plan for the CMU.
	ECB Central Bank	• Recommendations of the private sector working group on euro risk-free rates on EURIBOR fallbacks. • 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	• Report on the implementation and functioning of the EU Securitisation Regulation. • Consultation on commodity derivatives technical standards as part of MiFID II Recovery Package. • Consultation on guidelines for disclosure requirements for initial reviews and preliminary ratings under the Credit Rating Agencies Regulation. • Consultation on guidelines for data transfer between trade repositories under EMIR and SFTR. • Consultation on draft synthetic securitisations RTS and amendments to simple, transparent and standardised templates. • Final guidelines on the calculation of positions under SFTR. • Latest double volume cap data. • Letter to the European Commission on the review of the Central Securities Depositories Regulation. • Guidance to NCAs on supervising benchmark administrators to mitigate the risk of 'letter box' entities and ensure oversight of outsourcing.

		• Results of the annual transparency calculations for non-equity instruments. • Quarterly liquidity assessment for bonds available for trading on EU trading venues published. • Results of the annual transparency calculations for equity and equity-like instruments. • Latest double volume cap data under MiFID II. • Final guidelines on stress test scenarios under the MMF regulation. • Final guidance to address leverage risks in the Alternative Investment Fund sector. • Updated Q&A on OTC requirements and reporting issues under EMIR. • Updated Q&A on the implementation of investor protection topics under MiFID II / MiFIR, including information on costs and charges. • Updated guidance on waivers from pre-trade transparency for equity and non-equity instruments.
International	FSB	• Survey on the common template for collecting information on continuity of access to financial market infrastructures for firms in resolution. • FAQs on Global Securities Financing Data Collection and Aggregation. • 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	• Thematic review on business continuity plans for trading venues and market intermediaries. • Review of Money Market Funds recommendations and events arising from the March 2020 market turmoil
Conduct		

UK	BOE	• Updated Money Markets Code published. • Announcements on the end of LIBOR. ○ Annex • Statement on the need for firms to secure a smooth completion of the sterling LIBOR transition by end-2021. • Speech by Andrew Hauser, Executive Director for Markets at the Bank of England, on why central banks need new tools for dealing with market dysfunction. • Speech by Andrew Hauser, Executive Director for Markets at the Bank of England, on the retirement of LIBOR • Announcement regarding BoE signing up to ISDA's IBOR Fallbacks Protocol.
	FCA	• Speech by Nikhil Rathi, CEO, on topics including regulation and competition in UK markets, international cooperation and consistency, and the FCA's transformation. • Speech by Mark Steward, Executive Director of Enforcement and Market Oversight, on the rise in investment scams. • Consultation on changes to UK MiFID's conduct and organisational requirements. • Speech by Edwin Schooling Latte, Director of Markets and Wholesale Policy, on a forward-look at regulation of the UK's wholesale financial markets. • The FCA and the Bank of England encourage market participants to switch to SONIA in the sterling non-linear derivatives market from 11 May. • Statement on MiFID trade reporting and position limit obligations. • Speech by Julia Hoggett, Director of Market Oversight at the FCA, on market abuse during COVID-19. • Requirements and directions under the FSMA 2000 (Over the Counter Derivatives etc.) Regulations 2013 regarding the information to be contained in an application for, or a notification of, an exemption under paragraph 8 or 9 of EMIR.
	HMT	• Policy statement paper on amendments to the Benchmarks Regulation to support LIBOR transition.
	PRA	• Consultation paper on the approach to recognition of overseas Internal Ratings Based (IRB) credit risk models.

EU	EC	• Targeted consultation on the designation of a statutory replacement rate for CHF LIBOR. • Adoption of an equivalence decision for US central counterparties. • Consultation on the review of CSDR. • Adoption of CSDR RTS, further postponing settlement discipline measures until 1 February 2022.
	ECOFIN	• Proposed amendments to the benchmark's regulation on exemptions of certain third country foreign exchange benchmarks and the designation of replacement benchmarks for certain benchmarks in cessation • Capital Markets Recovery Package: Council endorsement of targeted amendments to EU capital market rules. • Announcement on Council agreeing its position on the Capital Markets Recovery Package.
	EBA & ESMA	• 2020 report on enforcement of corporate disclosure in the EEA. • Guidelines on certain aspects of the MiFID II compliance function requirements. • Draft RTS on changes to CCP's activities and models not covered by initial authorisation. • Annual Peer Review of CCP supervision. • Final report on the functioning of the regime for smaller and medium-sized enterprise growth markets under MiFID II. • Recommendations for Organised Trading Facilities under MiFID II/MiFIR. • Final report on EMIR and SFTR data quality. • Advice by the Securities and Markets Stakeholder Group to ESMA on its CP on Guidelines on certain aspects of appropriateness and execution-only • Table setting out a list of competent authorities that comply or intend on complying with ESMA's CPP guidelines on conflicts of interest management. • ESMA updates EMIR validation rules. • Technical advice sent to the Commission on the application of sanctions under MiFID II/MiFIR. • Call for experts on commodity derivatives to join a consultative industry group. • Draft technical standards under EMIR REFIT. • Consultation paper on MIFID II/MIFIR review report on algorithmic trading. • Response to IASB's discussion paper 'Business combinations - disclosures, goodwill and impairment'. • Annual report on the application of accepted market practices under MAR. • Consultation report on procedural rules for penalties imposed on Benchmark Administrators.

		• Report on CSDR implementation covering central securities depositories' (CSDs) cross border services and handling of applications as well as internalised settlement • Results of ESMA's fast track peer review identifying the deficiencies in supervision of Wirecard's financial reporting • Updated list of Competent Authorities responsible for the authorisation and supervision of Central Securities Depositories (CSDs)
International	BIS	• Speech by Klaas Knot, President of De Nederlandsche Bank (DNB) on the importance of the Capital Markets Union • Report submitted by a study group chaired by Andréa M Maechler on FX execution algorithms and market functioning.
	FSB	• Announcement regarding FSB publishing a global transition roadmap for LIBOR.
	IOSCO	• Report on suitability requirements with regards to the distribution of complex financial products.
Investment Management		
Prudential		
UK	HMT	• Statutory instrument to ensure that the Capital Requirements Regulation (CRR) continues to operate for investment firms until the implementation of the Investment Firms Prudential Regime. • Consultation on updating the UK's Prudential Regime before the end of the Transition Period.
	BOE	• Speech by Andrew Bailey, Governor, on improving the resilience and functioning of money market funds to protect the stability of the financial system.
	FCA	• Feedback to consultation on liquidity mismatch in authorised open-ended property funds and update on next steps. • Consultation on proposals for a new authorised fund regime to support investment in long-term, illiquid assets. • Consultation paper on the new prudential regime for UK investment firms.
EU	ECB Central Bank	• Q1 2021 euro area investment fund statistics. • Q1 2021 euro area financial vehicle corporation statistics. • Macroprudential bulletin on a theoretical model analysing investment funds' liquidity management and policy measures
	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	• Proposal to lower the reporting threshold for net short positions to 0.1% on a permanent basis. • Consultation on MiFID II/MiFIR RTS annual report, considering changes thresholds for the liquidity criterion 'average daily number of trades' for bonds as well as trade percentiles used to determine the size specific to the financial instruments for non-equity instruments. • Updated opinion on reporting information under the AIFMD. • Final report on guidelines on funds' marketing communications. • New Q&As on a range of topics covering AIFMD, UCITs and EMIR implementation. • Updated Q&As on the Prospectus Regulation. • Natasha Cazenave appointed as Executive Director. • Updated list of administrative measures and sanctions applicable in Member States for infringements of regulations on short selling and credit default swaps. • Launch of a common supervisory action with NCAs on the supervision of the costs and fees of UCITS. • Opinions on position limits regarding commodity derivatives under MiFID II/MIFIR. • Consultation on the application of certain aspects of appropriateness and execution-only requirements under MiFID II.
International	IOSCO	• Industry survey on exchange-traded funds.
	BIS	• Report on how exchange-traded funds can allow market participants to pursue strategies that may lead to unusual price movements for commodities with costly storage. • Working paper on the constraining role of banking regulation on asset managers' market making activities.
Conduct		
UK	FCA	• Second consultation on the new UK Investment Firms Prudential Regime. • Discussion paper on strengthening financial promotion rules for high-risk investments. • Consultation on strengthening investor protections in SPACs. o Annex • FCA published equity transparency calculations. • Research findings on understanding the behaviour of investors who engage in high-risk investments like cryptocurrencies and foreign exchange.

		◦ Annex • Findings from survey undertaken as part of joint BoE-FCA review of liquidity in open ended funds. • Future consultation on strengthening investor protections in Special Purpose Acquisition Companies (SPACs). • Speech by Mark Steward, Executive Director of Enforcement and Oversight, on preventing market abuse. • Portfolio Letter for SIPP operators. • Treasury, Bank of England and FCA convene working group to facilitate investment in productive finance. • Report on the evaluation of the Retail Distribution Review (RDR) and the Financial Advice Market Review (FAMR). • Update of position limits for certain commodity derivative contracts. • Confirmation that the temporary ban on speculative mini-bond mass-marketing is to be made permanent. • Announcement regarding the commencement of High Court proceedings over unauthorised collective investment schemes
EU	ESMA	• Guidelines on periodic information for trade repositories. ◦ Annex ◦ Annex • Report highlighting liquidity concerns for Alternative Investment Funds. • Latest double volume cap data. • Report on cost and performance of EU retail investment products (such as UCITS and retail AIFs), finding that costs remain high and diminish returns for retail investors. • Guidelines on disclosure requirements under the Prospectus Regulation. • Guidelines on certain aspects of the MiFID II compliance function requirements. • Draft RTS on changes to CCP's activities and models not covered by initial authorisation. • Annual Peer Review of CCP supervision. • Final report on the functioning of the regime for smaller and medium-sized enterprise growth markets under MiFID II. • Recommendations for Organised Trading Facilities under MiFID II/MiFIR. • Final report on EMIR and SFTR data quality. • Advice by the Securities and Markets Stakeholder Group to ESMA on its CP on Guidelines on certain aspects of appropriateness and execution-only • ESMA budget 2021. • Announcement confirming that the amendment to the short selling reporting threshold will expire on 19 March 2021. • Statement providing clarification on position limits pending MiFID II change.

		• Results of CSA on compliance with UCITS liquidity rules. • ESMA appoints new chair of Market Integrity Standing Committee. • Consultation on the framework for EU Money Market Funds (MMFs). • ESMA proposes amendments to MiFIR transactions and reference data reporting regimes. • ESMA promotes coordinated action on the suspension of best execution reports. • ESMA clarifies corporate disclosures obligations for UK issuers after Brexit. • ESMA updates its Q&As relating to the Prospectus Regulation. • ESMA updates Q&As on the BMR Transitional Provision. • Public consultation on simplified supervisory fees for Trade Repositories. • Final guidance to address leverage risk in the AIF sector. • Translations for Guidelines on performance fees in UCITS and certain types of AIFs • Consultation on the Guidelines on the MiFID II/ MiFIR obligations on market data • Consultation on Guidelines on marketing communications under the Regulation on cross-border distribution of funds
	ECB Central Bank	• Euro money market study 2020. • Survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)
	EBA	• EBA launched public consultation on regulatory technical standards on disclosure of investment policy by investment firms. • Final revised Guidelines on money laundering and terrorist financing (ML/TF) risk factors
	ESRB	• Working paper on procyclical asset management and bond risk premia.
	ECON	• Consultation on a review of the ELTIF to evaluate the effectiveness of the ELTIF framework and to determine why the ELTIF market has not developed as expected. • Consultation on the review of AIFMD seeking views on how the AIFMD can be amended to ensure a more efficient EU AIF market.
International	IOSCO	• Consultation on issues and concerns regarding market data in secondary equity markets.

	BIS	• A BIS bulletin on liquidity management and asset sales by bond funds in the face of investor redemptions in March 2020.
	FSB	• Peer Review on the implementation of financial sector compensation reforms in the UK
Fintech & Cyber		
UK	BOE	• Access Policy establishing a new "omnibus" Real Time Gross Settlement (RTGS) account for FMI providers. • Statement on the establishment of a BoE/HMT Central Bank Digital Currency (CBDC) Taskforce • Speech by Dave Ramsden, Deputy Governor for Markets and Banking, on how to support the safe development of FinTech services in the UK. • 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.
	HMT	• Rishi Sunak, UK Chancellor, announces seven FinTech policy and regulatory initiatives.
	FCA	• Dear CEO letter to e-money firms asking them to write to their customers to make it clear how their money is protected. • Extension of deadline for implementing Strong Customer Authentication for e-commerce transactions to 14 March 2022 • Speech by Nikhil Rathi, CEO, on levelling the playing field and innovation in the service of consumers and the market. • Report evaluating the digital sandbox pilot • Feedback statement on Open Finance call for input. • Annual financial crime reporting requirements for cryptoasset businesses registered under the Money Laundering Regulations. • Statement on the benefits of the FCA's new data collection platform, RegData • Application windows for two regulatory sandboxes opened. o Annex • Statement on the FCA participating in GFIN cross-border testing of financial products and services.
	PRA	• Speech by Victoria Cleland, Executive Director for Banking, Payments and Innovation at BoE, on cross-border payments and innovating in a changing world
	TPR	• Statement urging the industry to make a pledge to combat pension scams

	PSR	• Consultation on next steps for all banks to deliver Confirmation of Payee.
	CMA	• First annual work plan of the Digital Regulation Cooperation Forum published, aimed at ensuring regulatory coordination across digital and online services.
EU	EC	• Artificial intelligence (AI) Act legislative proposal. • Targeted consultation on instant payments.
	ECB Central Bank	• Speech by Fabio Panetta, Member of the Executive Board of the ECB, on innovation in retail payments. • Interview with Fabio Panetta on topics including the ECB's work on a digital euro. • Report on the use of distributed ledger technology in post-trade processes. • Report on the consultation on a digital euro. • Report on the Eurosystem's retail payments strategy. • Opinion on the proposal for regulation on a pilot regime for market infrastructure based on distributed ledger technology. • 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.
	ESMA	• Call for evidence on digital finance, gathering information on topics including value chains, platforms and groups providing financial and non-financial services.
	EIOPA	• Discussion paper on blockchain and smart contracts in insurance. • Reminders to consumers about crypto-assets risks. • Guidelines on information and communication technology security and governance, including cyber security capabilities.

	ECOFIN	• Retail payments: Council supports action to promote instant payments and EU-wide payment solutions.
International	BIS	• Speech by Per Callesen, Governor of the National Bank of Denmark on whether the EU should launch a digital Euro. • Speech by Lael Brainard, Member of the Board of Governors of the Federal Reserve System, providing an update on CBDC work in the USA. • Report on the supervision of crypto-assets for anti-money laundering. • Working paper on big data and machine learning in central banking. • Working paper on the gender gap in relation to the use of FinTech products and services. • Speech by Margarita Delgado, Deputy Governor of the Bank of Spain, on the proliferation of digital technologies used by banks. • FSI Brief on regulatory approaches and policy options in relation to BigTechs in financial services. • Report on the interoperability of central bank digital currency arrangements and the future of cross-border payments. • Article on the digitisation of the payments landscape • Working paper on how entering the UK's regulatory sandbox affects Fintechs' ability to raise funding • Working paper on the risks and potential of stablecoins and what this implies for their regulation • Speech by Frank Elderson, Executive Director of Supervision at the Dutch Central Bank, on a digitalisation boost due to COVID-19 and the supervisory response.
	FSB	• Discussion paper on regulatory and supervisory issues relating to outsourcing and third-party relationships • Virtual workshop on assessing the financial stability implications for BigTech firms in finance in emerging market and developing economies • Note on responses to the public consultation on effective practices for cyber incident response and recovery. • Publication of the toolkit of effective practices for financial institutions' cyber incident response and recovery. • Report on the use of supervisory and regulatory technology by authorities and regulated firms. • Final report and recommendations on the regulation, supervision and oversight of global stablecoin (GSC) arrangements.
	IMF	• Policy paper on potential macro-financial effects of the use of central bank digital currencies and global stablecoins across borders.

	BdF	• Speech by Denis Beau, First Deputy Governor of the Bank of France, on tackling challenges posed by the digitisation of payment systems.
	SNB	• Speech by Andréa M Maechler, Member of the Governing Board of the Swiss National Bank, on digital transformation in financial markets
Sustainable Finance		
UK	HMT	• Accompanying notes to the Structured Data Templates and the Qualitative Questionnaire for the 2021 Climate Biennial Exploratory Scenario. • Climate policy and transition risk in the housing market. • 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	• Statement on the TPR's new climate change strategy, calling on scheme trustees to act now to protect savers from climate risk. • Blog on a changing climate for pension trustees.
	PRA / BOE	• Discussion paper on options for greening the Bank's corporate bond purchase scheme. • Speech by Sarah Breeden, Executive Director of UK Deposit Takers Supervision, on climate change and the role of the financial sector in the move to net zero. • Accompanying notes to the Structured Data Templates and the Qualitative Questionnaire for the 2021 Climate Biennial Exploratory Scenario. • Climate policy and transition risk in the housing market • Seminar with Professor Sir Partha Dasgupta to discuss the UK government's global independent review on the economics of biodiversity. • Speech by Andrew Hauser, Executive Director for Markets at the BoE, on "how financial markets are finally getting a grip on how to price climate risk and return".
	FCA	• Consultation on regulating bidding for emissions allowances under the UK Emissions Trading Scheme. • Reminder for firms to review regularly their regulatory permissions.

		• Policy statement on proposals to enhance climate related disclosures by listed issuers and clarification of existing disclosure obligations. • Speech by Nikhil Rathi, Chief Executive Officer of the FCA, on rising to the climate challenge • Speech by Richard Monks, Director of Strategy at the FCA, on building trust in sustainable investments
EU	EBA	• EBA launches call for papers for its 2021 Policy Research Workshop, covering the transition of the economy to netzero. • Consultation paper on draft implementing technical standards (ITS) on Pillar 3 disclosures of ESG risks. • Response to the European Commission's call for advice on KPIs related to institutions' environmentally sustainable activities, including a Green Asset Ratio. • Final draft Implementing Technical Standards on reporting templates under the Financial Conglomerates Directive. • Consultation on incorporating ESG risks into the governance, risk management and supervision of credit institutions and investment firms
	ECB as a Central Bank	• Speech by Christine Lagarde, President of the ECB, on the opportunity to build a green capital markets union for Europe. • Statement on the appointment of Irene Heemskerk as Head of the ECB's climate change centre. • Speech by Isabel Schnabel, Member of the Executive Board of the ECB, on the need for central bank action on climate change. • Letter from Christine Lagarde, ECB President, to several MEPs, on the ECB's approach to managing risks associated with climate change. • Decision to set up a climate change centre to bring together the work on climate issues in different parts of the ECB. • Keynote speech by Christine Lagarde, President of the ECB, on climate change and central banking. • Working paper on green asset pricing.
	ECOFIN	• Announcement on provisional agreement being reached for public sector loan facility to support just climate transition.
	ECB – SSM	• Speech by Frank Elderson, Vice-Chair of the Supervisory Board of the ECB, on guiding banks towards a carbon-neutral Europe. • Final guide on climate-related and environmental risks • Report on institutions' climate-related and environmental risk disclosures
	EC	• EU Sustainable Finance legislative package relating to the EU Taxonomy Climate Delegated Acts, the Corporate Sustainability

		Reporting Directive and various Delegated Acts on fiduciary duties, investment and insurance advice. o Annex 1 o Annex 2 • Speech by Commissioner McGuinness on the Sustainable Finance Package. • Speech by Valdis Dombrovskis, Executive Vice President of the European Commission, on the EU's Sustainable Finance Package.
	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	• Opinion on the supervision of the use of climate change risk scenarios in ORSA. • Consultation on Taxonomy-related product disclosures o Annex 1 o Annex 2 • Technical advice on key performance indicators under Article 8 of the Taxonomy, to assist insurance and re-insurance firms with complying with the Non-Financial Reporting Directive (NFRD). o Annex • Announcement of a Sustainable Finance Roundtable on the 16th of December.
International	BIS	• Report on measurement methodologies for climate-related financial risks. • Report on climate-related risk drivers and their transmission channels. • Speech by Ravi Menon, Managing Director of the Monetary Authority of Singapore on the future of capital being green. • Speech by Lael Brainard, Member of the Board of Governors of the Federal Reserve System, on the financial stability implications of climate change. • Speech by Pablo Hernández de Cos, Governor of the Bank of Spain and Chair of the BCBS, on the role of central banks and banking supervisors in climate action. • Haruhiko Kuroda, Governor of the Bank of Japan, on addressing climate-related financial risks. • Launch of a second green bond fund for central banks • Speech by Denis Beau, First Deputy Governor of the Bank of France, on how controlling the risks posed by climate change to

		financial stability implies developing and standardising non-financial information. • Speech by Lael Brainard, Member of the Board of Governors on strengthening the financial system to meet the challenge of climate change.
	FSB	• FSB encourages use of TCFD's recommendations as the basis for climate-related financial risk disclosures. • Annual status report on TCFD-aligned disclosures by firms
	IOSCO	• New Technical Expert Group established, which has been given the task of assessing the technical recommendations to be developed as part of the IFRS Foundation's sustainability project.
	IMF	• Launch of Climate Change Indicators Dashboard. • Speech by Tao Zhang, Deputy Managing Director of the IMF, on green finance and a sustainable recovery
Other / Resilience		
UK	FCA	• Consultation on plans for a new Consumer Duty • Consultation on preventing individuals connected with a wound-up FS firm reappearing in connection with a claims management company ('claims management phoenixing'). • Market Watch newsletter, covering how the FCA uses orderbook data to help conduct surveillance to identifymarket manipulation. • Speech by Charles Randell, FCA and PSR Chair, on the future of outcomes-focussed regulation. • Finalised guidance for insolvency practitioners on how to approach regulated firms. • Speech by Mark Steward, Executive Director of Enforcement and Market Oversight, on the importance of purposeful anti-money laundering controls. • Speech by Charles Randell, Chair of the FCA and PSR, on the FCA's cautious optimism for the post-pandemic world. • Aggregate complaints data reported by financial services firms during H2 2020. • Financial promotions quarterly data for Q1 2021 • Statement on the appointment of Nausicaa Delfas as Interim Chief Executive and Chief Ombudsman of the Financial Ombudsman Service. • Statement on the appointment of Sacha Sadan as Director of Environment, Social & Governance (ESG), Ian Alderton as permanent CIO and Ian Phoenix as Director of Intelligence and Digital. • Statement in response to Complaints Commissioner's report, accepting the Commissioner's recommendations. • Number of skilled persons reports commissioned in Q1 2021.

		• Policy statement on building operational resilience: feedback to CP19/32 and final rules. • Consultation on plans to regulate the pre-paid funeral plans sector. • FCA confirms the increase in thresholds for contactless payments. • Speech by Nikhil Rathi, FCA CEO, on why diversity and inclusion are regulatory issues. • Speech by Georgina Philippou, Senior Advisor to the FCA, on Public Sector Equality Duty. From regulator to firm to consumer: a virtuous chain of events. • Campaign launched to encourage individuals working in financial services to report wrong-doing. • Warning to consumers about the risks of investments advertising high returns based on crypto-assets. • Consultation paper on changes to the technical standards on strong customer authentication and common and secure methods of communication, and guidance on prudential risk management and safeguarding, for payment and e-money firms. • Report of the Independent Investigation into the FCA's Regulation of London Capital & Finance plc. • Andrew Bailey's (former CEO of the FCA) statement on the FCA's supervision of London Capital and Finance. • Quarterly consultation paper on miscellaneous amendments to the Handbook.

	BOE/ PRA	• Third edition of regulatory initiatives grid published.
		• Speeches by Lyndon Nelson, Deputy CEO, on:
		    o a) the PRA's recent final policy on operational resilience and the merits of outcome-based regulation of operational resilience; and
		    o b) steps to counter cyber risk, including simulation exercises, penetration testing and international collaboration.
		• PRA and FCA joint statement welcoming the Financial Stability Board's Peer Review of the remuneration regime.
		    o Annex
		• Working paper on slow recoveries, endogenous growth and macroprudential policy.
		• Article on how the Bank monitors UK financial conditions
		• Statement on the appointment of Carolyn Wilkins to the Financial Policy Committee.
		• Minutes of the Wholesale Distribution Steering Group – March 2021.
		• Statement on changes to the provision of U.S. dollar repo operations from 1 July 2021.
		• 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	• Queen's speech, setting out the Government's programme for the upcoming parliamentary session. • Recommendations from Lord Hill's UK Listings Review. o Annex • HMT monetary policy remit - letter from Chancellor to BoE on how price stability should be defined and what the government's economic policy consists of. • Consultation and call for evidence on the UK regulatory approach to cryptoassets and stablecoins. • Consultation on insolvency changes for payment and electronic money institutions. • Guidance on notifications threshold under the Short Selling Regulation. • Publication of the Green Book containing international guidance on how to appraise and evaluate policies, projects and programmes • Consultation on the Reform to Retail Prices Index (RPI) Methodology
	CMA	• Call for input on competition and consumer harm arising from the use of algorithms. • Research paper on loyalty price discrimination.
EU	ECB as a Central Bank	• Eurosystem oversight report 2020. • Interview with Isabel Schnabel, Member of the Executive Board of the ECB, covering Archegos and cryptocurrencies. • Feedback on the input provided by the European Parliament as part of its resolution on the ECB Annual Report 2019. • TARGET2-Securities Annual Report 2020. • Interview on Twitter with Frank Elderson, Member of the Executive Board of the ECB, on several topics including climate risk and the economy. • Occasional paper on fiscal transfers and economic convergence. • Study on the payment attitudes of consumers in the euro area.
	EC	• Joint Statement on the 2nd Meeting of the EU-Japan Joint Financial Regulatory Forum • Statement on the agreement reached between the European Parliament and the European Council on financial benchmarks

	ECOFIN	• Leaders' Declaration at the G20 Riyadh Summit
	ESRB	• ESRB risk dashboard for March 2021. • Report on preventing and managing a large number of corporate insolvencies. ○ Annex 1
	EBA	• Consultation on proposals for a central database on anti-money laundering and countering the financing of terrorism (AML/CFT) in the EU. • Consultation on new guidelines on cooperation and information exchange between supervisors in relation to AML and CFT.

	ESMA	• Joint Annual Report for 2020.
		  ○ Annex 1
		  ○ Annex 2
		• ESMA supports increasing corporate transparency through the creation of a European Single Access Point (ESAP) for financial and non-financial information publicly disclosed by companies.
		  ○ Annex
		• The European Supervisory Authorities issue a report on the application of their Guidelines on complaints-handling.
		  ○ Annex 1
		  ○ Annex 2
		• Appointment of Vojtech Belling (Czech National Bank) and Vasiliki Lazarakou (Hellenic Capital Markets Commission) to the Management Board.
		• Guidelines on cloud outsourcing
		• SMSG advice on 2021 Annual Work Programme.

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

International	BIS	• Speech by Christine Lagarde, President of the ECB on investing in our climate, social and economic resilience and the main policy priorities. • Speech by François Villeroy de Galhau, Governor of the Bank of France, on the “tale of the three stabilities” - price stability, financial stability and economic stability. • Speech by Michelle W Bowman, Member of the Board of Governors of the Federal Reserve System, on the economic outlook and prospects for small business.

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

Diversity: a social and regulatory concerning

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

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

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

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

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

Regulatory pressures increase

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

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

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

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

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

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

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

Regulators seek to set the right example

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

PRA 2021/22 business plan

The PRA published its 2021/22 business plan at the end of May. The eight strategic goals are unchanged and, unsurprisingly, mitigation of the impacts of COVID-19 on regulated firms and the wider economy remains high on the agenda with continuing focus on asset and credit quality, the resumption of stress testing, clear expectations for the implementation of operational resilience policy and emphasis on the importance of robust recovery and resolution planning. Maintaining a sustainable and resilient financial framework following the UK's exit from the EU is a priority and, as the PRA adjusts to its role as rule-maker rather than rule-taker, it notes that this may bring changes to improve the effectiveness of rules for UK markets. It also has a key role to play in supporting the UK Government and HMT in developing the Future Regulatory Framework.

Whilst financial and operational resilience for all firms remain paramount, smaller and mid-sized firms will welcome the focus on competition and proportionality which plays through in initiatives such as the proposed "strong and simple" prudential framework for smaller banking firms, a more measured implementation of remaining Basel standards, and consideration of the design and implementation of a "mobilisation phase" for insurers.

There are some major reviews or policies to deliver too, not least the Solvency II Review and final policy for the Capital Requirements Regulation II (CRR2), the Resolvability Assessment Framework (RAF) and operational continuity in resolution (OCIR). An approach to recovery and resolution for insurers will be developed this year and the S166 skilled person reviews of banks' regulatory reporting will recommence, having been suspended due to the pandemic.

Banks: resolution, models, NPL securitisations and DvP

Resolvability of banks remains in focus with a new policy statement from the PRA on OCIR, which will amend the definition of critical services from 1 January 2023, alongside other minor changes. "Critical services" will refer to both critical functions and core business lines – in response to feedback, the PRA will not introduce the term "essential services". The BoE has confirmed updates to its approach to assessing resolvability (RAF SoP) and clarified expectations for the first RAF reporting and disclosure cycle for major UK firms:

- The BoE's assessment of firms' resolvability in 2021 and 2022 will focus on the PRA's January 2019 OCIR policy
- Firms' October 2021 reports should focus on capabilities developed to comply with the 2019 OCIR policy
- Firms should submit their plans for implementing the PRA's revised OCIR policy by 18 February 2022

The PRA has published its policy for the Overseas Model Approach (OMA) for Internal Ratings Based (IRB) models. Where existing overseas IRB models built to non-UK requirements are not currently used for UK consolidated capital requirements, firms that wish to use the OMA can submit applications using an updated pro forma on the PRA's website for implementation from 1 July 2021 or choose not to use OMA. Where existing IRB models built to non-UK requirements are already used for UK consolidated capital requirements, there are three options:

- If the models meet the new OMA criteria, they can continue to be used and firms should submit a self-attestation that the criteria are met
- If the models do not meet the OMA's criteria from 1 July 2021, they may need to be remediated to meet UK IRB or OMA requirements by 1 January 2023
- If firms do not wish to use the OMA, they will need to develop models that meet UK IRB requirements and discuss this with their supervisor

The PRA intends to consult on new UK standards for the **benchmarking of internal capital models** now that the UK is no longer required to participate in the EBA supervisory benchmarking exercise. These would aim to reflect better upcoming changes to credit and market risk models, including those arising from the UK's future implementation of the Fundamental Review of the Trading Book (FRTB). Firms will not be required or expected to submit any data for the 2022 and 2023 benchmarking exercises (relating to year ends 2021 and 2022) for credit risk, market risk and IFRS 9. Firms should expect the market risk benchmarking exercise to resume in line with the UK implementation of FRTB, and the credit risk benchmarking exercise to resume in 2024.

The PRA is consulting on proposed rules relating to the implementation of prudential standards agreed by the Basel Committee on Banking Supervision (BCBS) for **non-performing loan (NPL) securitisations**. The consultation sets out how the PRA proposes to define non-performing exposure securitisations and proposes changes to the associated capital treatment.

The PRA and FCA have jointly requested Chief Risk Officers to consider, and respond by end-2021 to, the regulators' observations of good practice on **pre-settlement counterparty credit exposure management** and controls for delivery versus payment (DvP) clients. The observations arose from the regulators' review of risk controls following a number of defaults of DvP clients that led to material losses at some firms. Good practices include credit profiling at onboarding, pre-settlement credit exposure limits and client exposure monitoring.

Digital Currencies

The BoE is ramping up its work on digital currencies with speeches from Jon Cunliffe on whether the UK needs "public money" and from Christina Segal-Knowles on the potential regulation of stablecoins. The BoE has issued a discussion paper on new forms of digital money, intended to broaden the debate and gather views from a wide range of stakeholders. The paper includes an illustrative scenario under which 20% of all UK retail deposits transfer to new forms of digital money. Responses to the 2020 BoE discussion paper on central bank digital currencies (CBDC) have identified five core principles to guide further developments:

- Financial inclusion should be a prominent consideration in the design of any CBDC
- A competitive CBDC ecosystem with a diverse set of participants will support innovation and offer the best chance to deliver benefits
- In assessing the case for CBDC, due recognition should be given to the value of other payment innovations and their ability to deliver the benefits the BoE seeks
- CBDC should seek to protect users' privacy
- While CBDC should "do no harm" to the BoE's ability to deliver monetary and financial stability, opportunities to meet BoE objectives in better ways should also be considered in CBDC exploration

Payments and cash

Payment methods are rapidly innovating and developing. Andrew Bailey highlighted that regulators want to ensure **public interest is at the heart of innovation** in this area.

Although the use of cash has fallen dramatically over the last few years, HM Treasury will shortly consult on proposals to ensure people and businesses that need **access to cash withdrawal and depositing facilities** can do so within reasonable travel distances. The consultation will set which organisations will be in the scope of the regulation. The FCA and the Payment Services Regulator (PSR) also jointly emphasised their expectation that individual firms protect the ability of their customers to access cash and wider banking services in ways that meet their needs, particularly vulnerable customers and SMEs.

Alongside this, regulators are also focused on **preventing fraud** in payments made electronically. The FCA has extended the deadline for implementing strong customer authentication (SCA) in e-commerce transactions to 14 March 2022 in response to concern about industry readiness. The PSR is consulting on how it should extend the scope of confirmation of payee direction, originally aimed at the UK's six largest banking groups, to all banks and building societies.

The FCA has asked the CEOs of **e-money firms** to write to their customers to clarify how their money is protected. The FCA is concerned that e-money firms do not adequately disclose the differences in protections between e-money accounts and bank accounts. In particular, firms may not make it clear that Financial Services Compensation Scheme (FSCS) protection does not apply to e-money accounts.

The PSR is seeking feedback on its strategy for the next five years. It is proposing four strategic priorities:

- Ensure users have continued access to the payment services they rely upon and support effective choice of alternative payment options
- Ensure users are sufficiently protected when using the UK's payment systems, now and in the future

- Promote competition in markets and protect users where that competition is not sufficient, including a) between payment systems within the UK and b) in the markets supported by them
- Ensure the renewal and future governance of the UK's interbank payment systems supports innovation and competition in payments

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The FCA is consulting on a new Consumer Duty designed to increase the current level of consumer protection in the retail financial services market. The FCA's publication signals a "paradigm shift in its expectations" of firms. Therefore, the impact of this publication should not be under-estimated in terms of the FCA's regulatory intentions.

At its heart, the duty would require firms:

- To ask themselves what outcomes consumers should be able to expect from their products and services
- To act to enable rather than hinder those outcomes
- To assess the effectiveness of their actions

The FCA's publication does not contain detailed draft rules, but it signals an intention to apply some existing sector-specific requirements more broadly across all retail sectors. Further, the FCA clarifies that, even where firms may not have a direct relationship with end-consumers, it expects these firms to "look through" and consider the consequential impact of their actions on the end retail customer.

The Consumer Duty will comprise a package of measures:

- A **new Consumer Principle** that provides a high-level expectation of conduct
- A set of overarching **Crosscutting Rules** that develop and amplify the standards of conduct that the FCA expects under the Consumer Principle
- A suite of rules and guidance setting more detailed expectations for firm conduct for the **four outcomes** that represent the key elements of the firm-consumer relationship

Given the materiality of the potential impact of this consultation, KPMG has published a short paper exploring the potential implications for firms and how the FCA may supervise differently as it transitions to outcomes-based supervision.

The growing pursuit of sustainability; Climate risk: banks and insurers

The BoE has launched its Climate Biennial Exploratory Scenario (CBES). The exercise will explore the vulnerability of the largest banks' and insurers' current business models to physical and transition risks under three scenarios: early action, late action and no additional action. The focus for banks will be on the credit risk associated with the banking book, including detailed analysis of risks to large corporate counterparties. For insurers, the focus will be on changes in Invested Assets (and Reinsurance Recoverables), and Insurance Liabilities (including accepted Reinsurance) assuming an instantaneous shock.

CBES is intended as a learning exercise for firms and the regulator. It will not be used to inform capital-setting. Firm submissions are due by October 2021, with aggregated results expected no later than May 2022 (earlier if there is no second round of submissions). Sarah Breeden, BoE Executive Sponsor for Climate Change encouraged “all firms, not just those participating, to engage in and learn from this exercise.”

Climate risk has featured heavily in recent BoE speeches on the significance of financial institutions’ actions in helping the government to deliver against its net zero commitments, the application of monetary policy to support an orderly transition and the broader role that central banks have to play in maintaining monetary and financial stability through the process. The BoE is seeking comments until 2 July on principles and tools that might further support the transition to net zero via its Corporate Bond Purchase Scheme.

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

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

Search for common reporting standards

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

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

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

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

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

The US joins the debate

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

Central banks and banking supervisors

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

- Financial authorities to support global disclosure frameworks, efforts to establish a comprehensive corporate disclosure standard aligned with the TCFD recommendations and development of a global set of sustainability reporting standards

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

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

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

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

More EU FS regulation expected:

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

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

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

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

The EU-UK relationship evolves:

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

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

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

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

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

State-of-play on equivalence

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

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

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

Impacts on firms and markets

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

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

Continuing alignment or divergence?

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

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

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

Global regulatory themes

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

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

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

Systemic risk

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

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

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

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

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

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

Recovery

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

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

Digital finance

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

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

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

Sustainable Finance

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

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

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

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

Focus on conduct and culture remains

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

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

Supervisory convergence in the EU

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

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

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

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

UK regulators cut their own cloth

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

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

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

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

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

Highlights:

Review of the UK funds regime

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

Key principles and objectives are that:

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

Transforming data collection

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

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

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

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

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

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

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

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

Tactical solutions for negative interest rates

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

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

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

Implementing remaining Basel 3 standards

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

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

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

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

It also proposes enhanced proportionality for smaller firms, including:

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

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

Resolvability Assessment Framework

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

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

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

Payments update

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

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

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

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

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

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

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

Tables turned as FCA receives public censure.

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

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

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

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

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

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

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

Post-Transition: ongoing uncertainty

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

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

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

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

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

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

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

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

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

- Both parties also agreed a joint declaration to establish a framework for regulatory cooperation, allowing for transparency and dialogue in the process of adopting, suspending, or withdrawing equivalence decisions.
- Amongst the volumes of Brexit-related regulation and guidance published in December, the BoE and PRA published a statement of policy detailing their approach to interpreting EU guidelines and recommendations following the UK's withdrawal from the EU and the end of the transition period.

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

- The FCA published final on-shoring instruments, related guidance and Temporary Transitional Power (TTP) directions that became applicable at the end of the transition period. It also published a statement on the use of the TTP to modify the UK's derivatives trading obligation (DTO) and a Supervisory Statement on the Operation of the MiFID Markets Regime.

- Elsewhere, EIOPA released its Opinion on the 2020 Solvency II review. The Opinion is one of the key inputs that the European Commission will consider as it develops the package of changes that it will present for adoption over the course of 2021. The Opinion covers, inter alia, the risk margin, the long-term guarantees package, the solvency capital requirement standard formula, proportionality, reporting, group supervision, macroprudential policy and insurance guarantee schemes.
- The EBA published its revised assessment of the industry-wide impact of implementing Basel 3.1 in the EU, setting out the EBA's expectation of a reduced impact on Minimum Required Capital (MRC) compared to its estimations in its previous reports, owing to reduced impact from the Output Floor and revisions to the proposed CVA framework.

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

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

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

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

COVID-19: regulatory implementation

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

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

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

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

The FCA's Market Watch 66 emphasises its expectation that firms should have adapted policies, controls and oversight around **telephone recording and electronic communication** to take account of risks arising from alternative working arrangements, including increased homeworking.

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

Accountability and remuneration

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

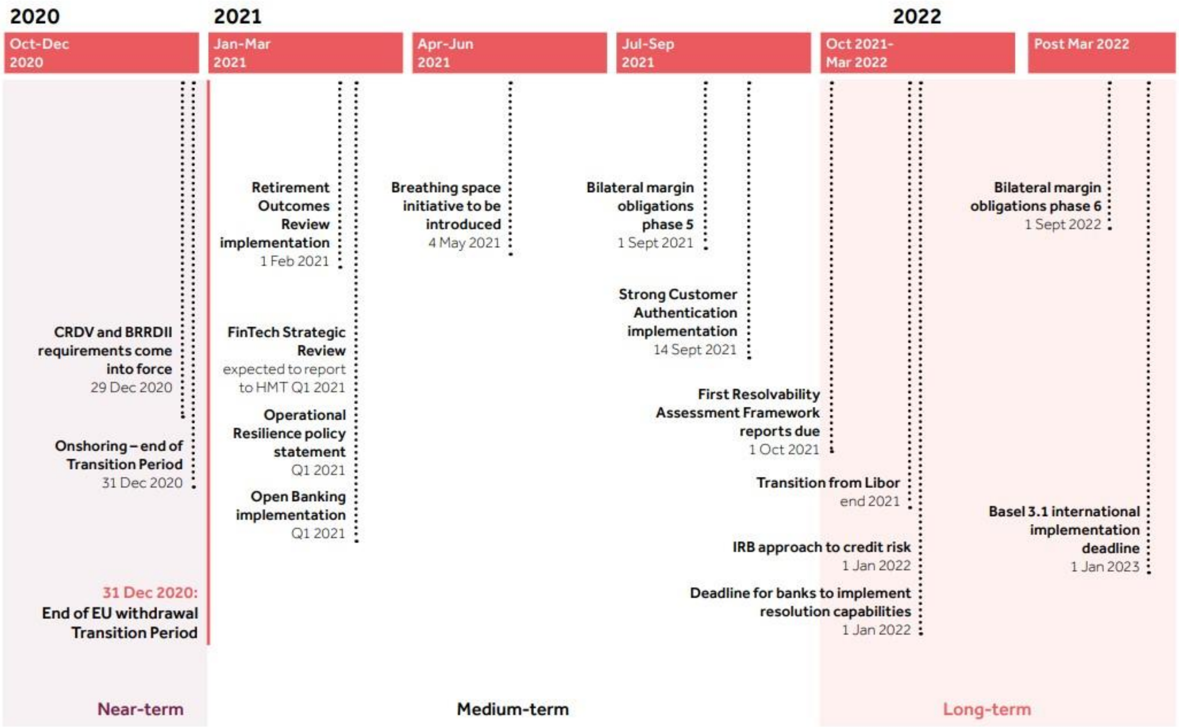
The EU's fifth Capital Requirements Directive (CRD V) amends certain **remuneration provisions**, which the UK was required to transpose into UK law by 28 December 2020. The PRA amended Supervisory Statement 2/17, and the FCA published Policy Statement 20/16 and updated guidance via FAQs for dual-regulated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

Managing the risks of crypto-assets

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

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

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



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

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

Benchmark Reform

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

Insurers switch to SONIA

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

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

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

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

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

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

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

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

- The FMLC urges the FCA to centre careful coordination with authorities around the world in exercising its power. Read more

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

- While the Protocol and Supplement are efficient mechanisms to amend derivative contract fallbacks, reversion to fallback is not the "officially" approved method of amendment. Applying to a wide range of Master and Credit Support Agreements, the Protocol's coverage is extensive, if not universally supported by accompanying legal opinion.
- Though it seems likely that this somewhat convoluted method will suffice for adherents' vanilla legacy derivative portfolios, the Protocol will be of no assistance for a range of more "complex" product types such as swaptions, or packages where the hedge must entirely accord with the underlying.
- Equally, there is no Protocol for loans or bonds; amendment for each broad product class will require careful bilateral handling, being fraught with the potential for litigation. While some vague hope of respite, in the form of a continued publication of a "synthetic" LIBOR, has been offered by the FCA in respect "difficult" legacy transactions,
- Regulators have been univocal in their insistence that end' 2021 will mark the end of the IBORs. The publication of the Protocol and Supplement mark the beginning of the largest repapering exercise yet undertaken by the market.

Continued focus on COVID-19 impacts into 2021

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

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

insurance intermediaries). The third letter relates to Business Interruption Insurance and ensuring that insurers are keeping policyholders suitability updated following the outcome of the High Court judgement.

IM Phases 5 and 6

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

- Despite Regulatory acknowledgement and assistance via bifurcation and delay, the remaining two phases constitute a hugely significant, if not historic challenge. IM 5 and 6 differ from their antecedents primarily by the vast volume increase- 314 in-scope entities for Phase 5 and a further 775 for Phase 6.
- This amounts respectively to 3,616 and 5,443 counterparty relationships that require de novo documentation. The volume of Phase 5 alone represents a multiple of all other phases to date- combined. ISDA Create and online portals into the major custodians will introduce some marginal efficiencies, but compliance remains a complex task of negotiating and harmonising multiple documents.
- The typical new entrant IM "start to finish" time is 18 months, volume multiplication will not compress this timeline. Given the lack of experienced IM resource- 2021 should be the year of IM, regardless of what phase you expect to be.
- Cancellation of Phase 6, or further delay of either phase, is overwhelmingly unlikely.

CSDR

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

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

[ICE: SONIA futures account for 40% of Sterling rate risk](); Intercontinental Exchange global head of derivatives Steven Hamilton says about 40% of Sterling interest rate risk is being regularly exchanged in SONIA futures. "From the conversations we are having and the amount of risk being exchanged, listed SONIA contracts are increasingly a useful tool for market participants and our clients are telling us that it's easier to use standardized instruments to manage this big change," he said. Markets Media

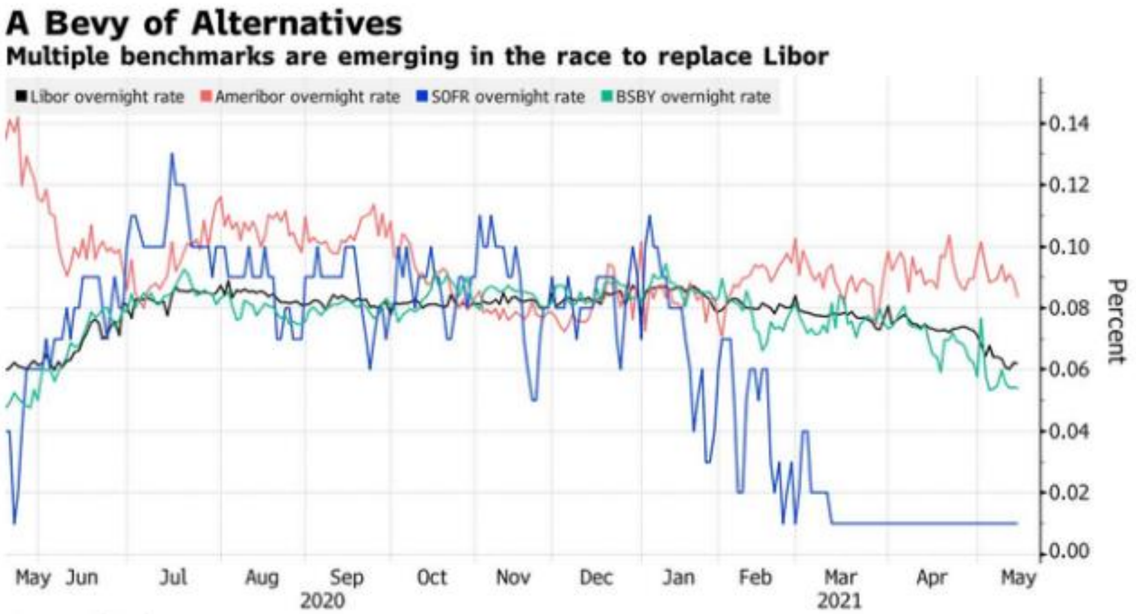
FCA and the BoE encourage market participants in a switch to SOFR in US dollar interest rate swap markets from 26 July; *On 16 June 2021, the FCA and the Bank of England (***BoE***) issued a statement supporting and encouraging liquidity providers in the US dollar linear interest rate swaps market to adopt new trading conventions for interdealer trading based on the secured overnight financing rate (***SOFR***) instead of LIBOR from 26 July 2021. This is to facilitate a shift in market liquidity towards SOFR, bringing benefits for a wide range of users as they move away from LIBOR.* The statement also provides the following background and technical notes:

- The proposed change will involve interdealer brokers moving the primary basis of their pricing screens and curve construction for interest rate swaps from USD LIBOR to SOFR.
- At present, SOFR swaps are priced by default by reference to a LIBOR swap adjusted by the LIBOR-SOFR basis. As a result of this change, SOFR swaps would be the primary pricing point.
- LIBOR swaps would therefore be priced by reference to SOFR swaps adjusted by the LIBOR-SOFR basis.
- The same change would be made in the trading of swap spreads (swaps against bonds) in US dollar markets, such that the default pricing will show SOFR swaps relative to US Treasuries.
- For the avoidance of doubt, from 26 July 2021, the FCA and the BoE encourage all trading in USD LIBOR swaps, and USD LIBOR-based swap spreads in the interdealer broker market to be replaced with trading in SOFR swaps and SOFR-based swap spreads.
- USD LIBOR is expected to be accessible only as a basis swap to SOFR in the interdealer broker market from this date. However, screens for outright LIBOR swaps and LIBOR-based swap spreads are expected to remain available for informational purposes, but not trading activity, until 22 October 2021. After this date, these screens would be turned off altogether.

As SOFR stumbles, failing to meet the credit market needs LIBOR met, the likelihood that SOFR will dominate trading of short-term interest rate forward and futures markets is fading. Several alternative indexes, produced by data factories using similar mathematical manipulations of transactions in illiquid markets, vie to replace SOFR. The likely outcome – a trader-unfriendly competition among data factories to collect futures exchange user fees – works against the interest of other market participants. The CME can prevent this outcome by listing its own spot markets for use in settling its futures contracts

- The markets are rejecting SOFR. As market participants back away from SOFR, several alternatives have presented themselves. Bloomberg reports the early competitors, Ameribor and Bloomberg short-term bank yield index (BSBY), are based upon actual, yet illiquid, credit-risky yields and quotes. There are others – for example ICE's bank yield index, IHS Markit's CRITR (Credit-inclusive rate) and CRITS (Creditinclusive spread), and SOFR Academy's AXI (Across-the-curve credit spread). A Bloomberg-provided chart that displays the recent performance of Ameribor and BSBY relative to SOFR and LIBOR is displayed below.

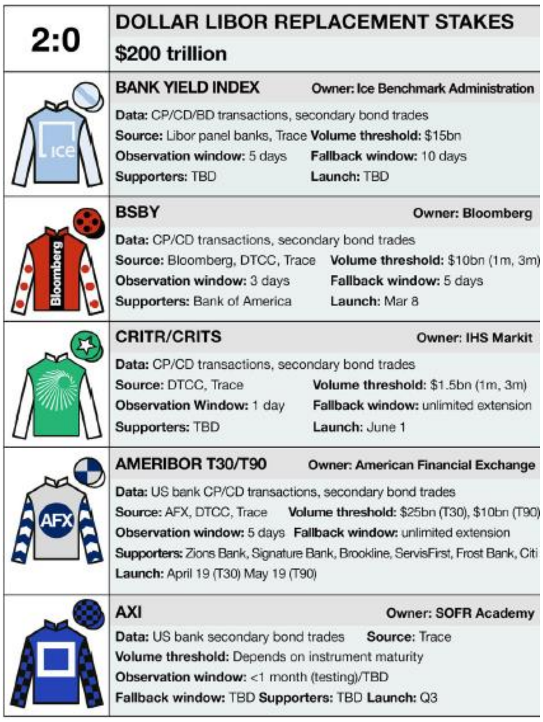
- The chart clearly displays reasons for the private sector's concern with using SOFR. The rate has been driven solely by monetary policy concerns since March of this year and has been the most volatile of the overnight rates in question during the remainder of the year covered by the graph.



- The LIBOR crisis has thrown new light on the function of markets. Lessons from LIBOR:
- Liquidity matters in the pre-trade forward or futures market. Not at the time of the trade. E$ futures can thrive while the LIBOR spot market shrinks.
- Regulators of markets would have more success protecting market participants by letting the market meet its own perceived needs first. Then regulators may successfully adjust the result to protect the system from systemic failure.• Index-creating data factories are becoming another group of parasites in the exchange market fee bonanza. Where a market closing price within the exchange itself will work, it's a better answer than a costly data-factory-invented and manufactured index.
- • A futures exchange would be far more systemically secure if the exchange lists the deliverable spot instrument as well as the related futures contract.
- We know now that liquidity is important in advance of a transaction. At the time the trade is made, liquidity becomes irrelevant. That is why the Treasury when-issued market, for example, settles all trades at one auction price.
- Regulators displayed a certain hubris in proposing SOFR to replace LIBOR. The SOFR overnight market is high in volume largely because its overnight maturity and collateralized status make its volume an overstatement of its importance in the overall process by which lenders provide credit to borrowers. Had the regulators tweaked a

private market solution to LIBOR replacement, the transition away from LIBOR would have been smoother.

- But the market index feeding frenzy – payment for the use of a data-factory-created index – is a symptom of the weakness of investors' position in exchange politics. Why should investors pay index providers for calculations of weighted averages of their own transaction prices? The money flow should be reversed.
- Perhaps most important, the futures exchanges should be permitted by regulators to list spot instruments designed solely to settle their futures contracts. This would end the threat of third-party actions – parties unregulated by both the exchange itself and its regulators – that incidentally destroy a major marketplace.



2:0	DOLLAR LIBOR REPLACEMENT STAKES $200 trillion
	BANK YIELD INDEX **Owner:** Ice Benchmark Administration **Data:** CP/CD/BD transactions, secondary bond trades **Source:** Libor panel banks, Trace **Volume threshold:** $15bn **Observation window:** 5 days **Fallback window:** 10 days **Supporters:** TBD **Launch:** TBD
	BSBY **Owner:** Bloomberg **Data:** CP/CD transactions, secondary bond trades **Source:** Bloomberg, DTCC, Trace **Volume threshold:** $10bn (1m, 3m) **Observation window:** 3 days **Fallback window:** 5 days **Supporters:** Bank of America **Launch:** Mar 8
	CRITR/CRITS **Owner:** IHS Markit **Data:** CP/CD transactions, secondary bond trades **Source:** DTCC, Trace **Volume threshold:** $1.5bn (1m, 3m) **Observation Window:** 1 day **Fallback window:** unlimited extension **Supporters:** TBD **Launch:** June 1
	AMERIBOR T30/T90 **Owner:** American Financial Exchange **Data:** US bank CP/CD transactions, secondary bond trades **Source:** AFX, DTCC, Trace **Volume threshold:** $25bn (T30), $10bn (T90) **Observation window:** 5 days **Fallback window:** unlimited extension **Supporters:** Zions Bank, Signature Bank, Brookline, ServisFirst, Frost Bank, Citi **Launch:** April 19 (T30) May 19 (T90)
	AXI **Owner:** SOFR Academy **Data:** US bank secondary bond trades **Source:** Trace **Volume threshold:** Depends on instrument maturity **Observation window:** <1 month (testing)/TBD **Fallback window:** TBD **Supporters:** TBD **Launch:** Q3

[Regulators dubious on proposed alternatives to SOFR](#) Five firms have created US dollar Libor replacement rates that provide an alternative to the Federal Reserve-backed benchmark, the Secured Overnight Financing Rate. But US regulators have expressed concerns over the potential risks posed by the alternative rates. [Risk](#)

- *Five vendors have released – or are due to release – interest rate benchmarks with a credit risk component to replace the outgoingly rate.*
- *Two are already in use in cash and derivatives transactions; the other three are aiming to be active soon.*
- *The benchmarks track unsecured lending activity between banks, in contrast to the approved replacement for US dollar Libor, SOFR, which is based on the much bigger repo market.*

- *Regulators have expressed concerns about the potential for risk from these new rates. "Some of Libor's shortcomings may be replicated through the use of alternative rates that lack sufficient underlying transaction volumes," said Treasury Secretary Janet Yellen last Friday.*
- *And they are off. The starting gates have opened in the race to replace Leibowitz a credit-sensitive alternative to the secured overnight financing rate, or SOFR – regulators' preferred successor for US markets.*
- Five vendors are jockeying to be the go-to provider of a new bank funding benchmark, which could be used as an all-in rate or layered over SOFR to make the risk-free rate (RFR) more palatable for lenders. The race is not necessarily winner-takes-all, though. Some punters believe the market has room for a number of these rates to co-exist. Others feel a single winner would be a cleaner outcome. And regulators might prefer it if there was no winner at all. Of the five, BSBY and Ameribor have taken an early lead, with a growing pool of cash and derivatives contracts using the two reference rates. But rivals still have time to catch up.
- HIS Markit released its credit-sensitive rate on June 1. Ice is negotiating data agreements with banks for its Bank Yield Index. And late entrant SOFR Academy is prepping its AXI index for third-quarter launch. "At this stage, it's a pretty level playing field," says Gerard Jacob, a partner in Accenture's finance and risk practice. "We haven't seen enough products yet to know which of these rates can really gain momentum."
- Although US dollar Libor is set to continue until June 2023June 2023, US regulators have called on market participants not to write new contracts referencing the rate after 2021, when the remaining currency settings, including sterling and Japanese yen, become obsolete. Rate vendors will be keen to establish their offerings as a credible Libor alternative before the end-of-year deadline for billions of dollars of lending activity to pivot to a new reference rate.
- But not all market participants share the same vision of how the post-Libor benchmark landscape should look. On one hand, most vendors argue that giving lenders and borrowers a choice of rates is healthier than relying on a single benchmark, as was the case with Libor. "To replace a failed one-rate system with another one-rate system is contrary to the whole demise of Libor," says Richard Sandor, chief executive of American Financial Exchange (AFX) and Ameribor' s founder. "We realised it was not a good idea to centralise all the risk in the world to one interest rate."
- However, regulators fear the onset of new risks if cash and derivatives markets fragment into a patchwork of unproven benchmarks.
- At a June 11 meeting of the Financial Stability Oversight Council, US Treasury Secretary Janet Yellen expressed concern that "some of Libor's short-comings may be replicated through the use of alternative rates that lack sufficient underlying transaction volumes." US Securities and Exchange Commission chair Gary Gensler singled out BSBY, which he said had "many of the same flaws as Libor". At the FSOC meeting, Randal Quarles, vice-chair for supervision at the Federal Reserve, conceded that borrowers are "free to choose the rate they wish to use to replace Libor on newly originated loans". However, he urged them to be aware of any fragilities in the way each rate is constructed and to use strong fallback provisions.

- A danger of multiple competing benchmarks is that one or more falls by the wayside, leaving contracts pegged to a ghost rate. For that reason, Andrew Morton, co-head of markets at Citi, favours a standard benchmarking convention. “What I’m hoping for is relatively quickly the market standardises so there’s not orphan indices and people that went down the wrong road and have to reverse and come out and go down a new road,” he said. “As middlemen we’ll make prices and serve our clients in hopefully whatever turns out to be the winning one, if indeed there is a winning one, “he added.
- SOFR cynics; Regulators’ selection of SOFR as the official replacement for US dollar Libor has been met with furrowed brows in some areas of the market. As a secured overnight rate built from US Treasury repo transactions, the Federal Reserve-backed successor lacks Libor’s embedded credit spread. History shows unsecured funding costs typically diverge from risk-free rates in times of panic. Some lenders are worried that loans referencing SOFR do not reflect the marginal cost of funds and would become unprofitable during stress scenarios. US regional banks are prominent among the sceptics. Many believe SOFR.
- is unsuited to their business model. “SOFR is really designed for large institutions doing a ton of overnight repo as it allows them to hedge their books perfectly, but it’s not – in my opinion– a great option for a commercial loan given the daily nature of it, the compounding issuers and the fact it’s a risk-free rate,” says Reed Whitman, treasurer of Boston-based Brookline Bank, which has $8.6 billion of assets. In early 2020, US regulators convened a credit sensitivity group to address growing SOFR discontent among regional banks. But the agencies ultimately decided not to back a credit-sensitive alternative to SOFR,instead leaving it to individual firms to consider the most appropriate rate for their funding needs.
- The main appeal of SOFR for regulators is that it is based on the $900billion daily overnight repo market. By contrast, US dollar Libor is based on an unsecured interbank lending market totalling less than $1 billion per day. This means the market is less robust and, as history has shown, more prone to manipulation prone manipulation prone to manipulation.
- The unsecured funding referenced by Libor has dried up since the 2009financial crisis, yet the current crop of credit-sensitive hopefuls are built from much the same data – primary bank funding transactions such as commercial paper and certificates of deposits.
- Most try to make up for this deficiency by using multi-day lookbacks to hit transaction thresholds ranging from $1.5 billion to $25 billion. All bolster inputs with bank bond trades reported to Finra’s Trace system.
- Ameribor is positioning itself as the benchmark of choice for smaller or regional banks. The rate, which was launched in 2015, is based on overnight lending conducted by 170 US.
- regional banks over AFX. The exchange trades an average of $2 billion per day. More recently, the provider has launched 30-day and 90-day term benchmarks to replicate Libor’s one- and three-month tenors. The term versions, named T30 and T90, differ from the core Ameribor index in that they add wholesale US bank funding transactions reported to the Depository Trust & Clearing Corporation and secondary bonds reported to Trace.
- Bloomberg’s BSBY, or Short-Term Bank Yield Index, is based on wholesale funding transactions on the company’s electronic platforms, plus firm quotes from banks.

The quote data is scaled down and capped, so that it does not drown out the real trade data. Bloomberg also intends to add wholesale bank funding transactions reported to the DTCC.

- Ice's Bank Yield Index, or BYI, is the closest in structure to Libor. The vendor uses the same bank funding data – commercial paper, certificates of deposit and bank deposits from 15 Libor panel banks – to create one-,three-, six- and 12-month settings. Ice has started publishing daily test-rates, but live production is on hold while the vendor finalises negotiations with banks over data agreements.
- HIS Markit has hedged its bets by releasing two rates releasing rates releasing two rates: Credit Inclusive Term Rate (Critr) and Credit Inclusive Term Spread (Crits). Critr is designed to be a stand-alone fixing while Crits is an add-on to SOFR. The rates are constructed from bank funding data reported to DTCC and bond transactions tracked by Finra. Both are available in one-day, one-month, three-, six- and 12-month term settings.
- SOFR Academy's AXI, or Across the Curve Credit Index, was developed by a team of academics including Stanford University's Darrell Duffie. Like Crits, the rate is an add-on to SOFR. It is based on bank funding transactions across a range of maturities, out to five years. The provider is currently in discussions with regulated benchmark administrators regarding administrator publication of the rate.
- Up and running; Ameribor remains the only benchmark to have received an implicit official sector nod. In June 2020, Federal Reserve chair Jerome Powell publicly deemed Ameribor to be "fully appropriate" for banks which fund themselves via AFX. However, he said the benchmark may not be a natural fit for many market participants. Brookline's Whitman describes AFX and the Ameribor ecosystem around it as a "democratisation of the unsecured fed funds market." "We're borrowing $200 million to $300 million every single day at Ameribor, so that represents truly our cost of funds whether it's in the cash market, the deposit market or debt tied to it. We want to make sure when we offer loans, that there is no basis. We're not borrowing in the repo market nine times out of 10."
- The first bond to use Ameribor, issued by Signature Bank Signature Bank Signature Bank, referenced a90-day trailing average of the overnight rate. Some loans have also been pegged to Ameribor 30 – a one-month trailing average. In December 2020, ED&F Man and First Merchants Bank traded the first over-the-counter swap linked to the rate. Utah-based Zions Bank, which has over $80 billion in assets, has committed to begin using Ameribor T30 for commercial lending later this year.
- Interest is building beyond the regional lenders who is funding the rate reflects. Citi has agreed to begin making markets in the instruments. Isda has also added overnight and term Ameribor to its interest rate definitions, along with Bloomberg's BSBY. "We've seen a dramatic take up of interest in the last two months," says Sandor. "I think everyone is finally recognizing that the Libor funeral is going to be in December, and they'd better get going with regard to alternatives."
- For Sandor, the pitch is simple. While BSBY and BYI reflect activity by the world's largest dealers, Ameribor remains indicative of US mid- and small-cap funding. For example, 30-day BSBY currently quotes around 5 basis points, compared to 7bp for 30-day Ameribor. "It sounds like very little, but that's a 40% difference," Sandor says. "If interest rates were 3% then you might expect 2% for SOFR, 3% for BSBY and 4% for Ameribor. Hypothetically you would expect credit spreads for smaller banks to be significantly wider."

- Like Ameribor, BSBY has gained early momentum thanks, in part, to its easy access via Bloomberg terminals and a high-profile advocate in Bank of America.
- In April, BofA issued a $1 billion six-month floating rate note referencing the index. A month later, the bank led the first syndicated loan linked to the benchmark – a $150 million five-year revolver for workwear company Duluth Holdings. BofA and JP Morgan entered into the first over-the-counter BSBY swap on April 31 – a $250 million basis swap to SOFR. Since then, more than $1billion of swaps have traded on the Bloomberg benchmark including fixed-to-float contracts out to 10 years, swap data repository reports show.
- A commercial agreement with CME will see the Chicago-based exchange group offer BSBY.
- futures in the third quarter and begin clearing over-the-counter BSBY swaps in the fourth quarter. "There is clear demand from US regional banks as well as large global banks for a rate that captures a credit-sensitive component and we believe BSBY will serve those unique and specific needs," says Agha Mirza, global head of rates and over-the-counter products at CME.
- In the new world you can see one rate falling back to another rate, which should put the marketplace and regulators at ease that we do not run into another Libor-like situation CME.
- already offers SOFR futures and has not ruled out other credit-sensitive alternatives to plug a gap which will be left when Libor's demise puts paid to CME's vast Eurodollar business.
- While Bloomberg has no control over the pool of transactions available to construct the rate, the vendor is attempting to bolster data from its own platforms – where banks are under no legal obligation to quote – with additional data from the DTCC. "We always want to make sure we have contingencies and that we have the most robust data set possible, to keep the rate resilient regardless of where transactions happen or possible market structure changes in the future. The DTCC data will add even more robustness than we've already shown, but it also gives us that back-up of contingency," says UmeshGajria, global head of index-linked products at Bloomberg.
- As well as DTCC data, BSBY relies on quotes to backfill its inputs. The BoE's Bailey cast doubt on the robustness of non-transaction data during his March comments, yet Bloomberg says these additional prices helped double inputs during extreme Covid-19 volatility in March 2020. "We've done a historical analysis of the underlying markets and we've seen that even during times of stress, we're able to produce a representative rate," adds Gajria.
- This additional layer could prove vital in building confidence in the rate, particularly where competing benchmarks are broadly similar. "If there are two indices that are very similar, the market is likely to choose one which draws on a larger set of transactions that are available more consistently and whose calculation methodology and benchmark administration is perceived as reliable and high quality," says administ's Mirza.
- Rivals BYI, produced by Ice, has been four years in the making and is yet to launch. The rate is similar to BSBY – which some believe could lead to a straight shoot-out between the two competitors. This could be bad news for BYI given its late arrival. "Although Ice is well-known in the industry, particularly as they are the existing provider of Libor, their delay in bringing the rate formally to market will no doubt be

a hindrance in light of other Libor alternatives already being used," says Jason Straker, a client service executive at Western Asset, a California-based asset manager with $485 million undermanagement.

- Ice Benchmark Administration declined to comment for this article. Administer HIS Markit aims to represent the broadest view of funding by retaining all DTCC funding data from more than 50 institutions. Despite its delayed start, the vendor hopes a strong pedigree in credit indexes may win over users to its twin rates, Crits and Critr.
- The firm is also confident of liquidity in the commercial paper and certificates of deposit markets, which underpin the rates alongside Trace data. "CP and CD volumes have remained high, and significantly above our thresholds, even though periods of market volatility like in March 2020,"says Julien Rey, head of HIS Markit's Libor transition programme. "We've noticed that there were actually more CPs and CDs issued than in normal times but at a smaller size, so that's still allowing us to reach our thresholds."
- CP and CD markets comprise as much as 99% of the inputs in the shorter-term settings. Rey adds the vendor will maintain a flexible approach to input data, to reflect major market structure changes. "We'll continue to leverage a diverse set of input data to ensure robustness of the rate, but CPs and CDs are now a very good source of information and have a very deep pool of liquidity." The fifth contender, SOFR Academy's AXI represents the weighted average cost of wholesale unsecured bank debt funding in maturities from overnight to five years.
- It is the only one of the five yet to launch a public beta version, but Marcus Burnett, executive director of SOFR Academy is confident there will be space for the divergent methodology "I don't really view any of the credit-sensitive proposals as being competitors to AXI, because AXI is fundamentally different in its construction methodology and its application," says Burnett.
- He expects the largest banks to support multiple rates and credit spread add-ons. "I don't think they want to be caught in a situation where a top client asks for something they can't price," he says.
- Instead of bucketing transactions into traditional Libor tenor settings, AXI pools and automatically weights transactions towards the most active maturities, generating a single spread reflecting current bank funding trends. The spread can be scaled to reproduce Libor's familiar tenor settings and layered on top of overnight SOFR, or its term equivalent. "We support SOFR and believe market participants should focus their time and energy on operationalising SOFR. In the longer run, we support a menu of credit-sensitive add-ons, such as AXI," says Burnett.
- While most of the competitors mimic Libor's tendency to spike under market stress AXI does not, by design. For example, liquidity tends to drain from short-dated trades during stress periods, so AXI automatically rebalances to use longer-dated trades.
- This makes AXI particularly interesting to non-financial corporates according to Burnett. "In times of market liquidity stress, AXI won't pop up like Libor, and we know there are very few transactions happening at the short end in times of stress, in some cases, none."
- This divergence from Libor may appeal more to regulators than to lenders seeking to hedge funding risk. Tom Wipf, chair of the Alternative Reference Rates

Committee, said he was “puzzled” by the appeal of Libor-like alternatives, whose procyclical characteristics mean borrowing costs can soar as policy rates fall.
- Regulators also have wider concerns about the new breed of credit-sensitive fixings. Speaking in March, Bank of England governor Andrew Bailey cautioned on rolling windows, which give “the appearance of larger underlying volumes” and potential model risk stemming from regression approaches intended to create stability.
- “What is a lot less clear is how stable these rates will be in the future as these underlying markets continue to evolve, especially against a backdrop of money market reform,” said Bailey. “It is therefore not clear to what extent alternative credit-sensitive benchmarks have addressed the weaknesses of Libor.”
- But vendors are more optimistic. Some see room for multiple rates, each supporting and complementing one another. As Gajria at Bloomberg says: “In the new world you can see one rate falling back to another rate, which should put the marketplace and regulators at ease that we don’t run into another Libor-like situation.”

In comments prepared for the Financial Stability Oversight Board, SEC Chairman Gary Gensler talked about Warren Buffett and Hans Christian Andersen. Of the latter, he quoted from Hans Christian Andersen's "The Emperor's New Clothes" to comment on Libor. Gensler wrote: "The emperor had no clothes." -- SEC

U.S. regulators urge financial firms to quickly ditch Libor rate benchmarks; U.S. financial regulators urged market participants on Friday to accelerate their efforts to detach financial products from Libor interest rate benchmarks, while casting doubt on new benchmarks built to compete with their preferred replacement. /yhoo.it/3gdLgvG

Corporates know transition from Libor is painful but necessary; Companies are still not prepared enough for switch from borrowing benchmark; It used to be all so simple. Corporates, wanting to borrow at a floating rate, could take out loans or issue bonds safe in the knowledge that it could be underpinned by Libor, a benchmark that, for all its flaws, was easy to use and used the world over. No longer. Libor, or to give it its full name the London Interbank Offered Rate, is in its death throes. /on.ft.com/3gu75Gt

Regulators maintain pressure on Libor transition Federal Reserve Vice Chair for Supervision Randal Quarles says there is "no path forward" for Libor and urges market participants to shift derivatives and other contracts to the Secured Overnight Financing Rate. The message has been repeated by Fed Chair Jerome Powell and Treasury Secretary Janet Yellen. Reuters Bloomberg The Wall Street Journal

BoE: Existing regulation can manage stablecoins risk The Bank of England says in a discussion paper on digital currencies its approach to regulating payment systems is sufficient to manage risk presented by stablecoins. However, the paper states critical links in payment products beyond the core system operator should be within the BoE's remit for regulation. CoinDesk , Securities Finance Times Finextra Research

- BoE exec says CBDCs would be the safest type of money ; Bank of England director of fintech Tom Mutton told a conference that central bank digital currencies "would be the safest type of money available." Mutton also said that responses to a BoE discussion paper on CBDCs indicated "there was near universal agreement that the pros and cons needed to be studied in depth, broad engagement was needed as the evidence was assembled, and open consultation essential before reaching any conclusions." The Block

Bailey: UK has largely dropped sterling Libor The UK has addressed most issues standing in the way of markets moving away from sterling Libor, says Bank of England Governor Andrew Bailey, who notes the transition is "pretty much" complete. Market participants were told in April to stop issuing loans, bonds and securitisations tied to sterling Libor, and the derivatives market has embraced the Sterling Overnight Index Average. Bloomberg

ICE Futures Europe trades its first SARON futures; ICE Futures Europe has traded its first futures contract based on the Swiss Average Rate Overnight, SARON. The trade comes one day after ICE traded its first SONIA-based one-year mid-curve options contract. Futures & Options World

Mortgage interest rates and LIBOR: information for borrowers; *On 11 June 2021, the FCA published a new webpage providing information to mortgagees on the impact of LIBOR reform. The webpage covers the following topics:*

- Do I have a mortgage which uses LIBOR to calculate my interest rate? The FCA explains that most mortgage interest rates are not calculated using LIBOR. If a mortgage uses LIBOR, the lender will tell the borrower.
- What does the end of LIBOR mean for my mortgage? If a mortgage uses LIBOR, the lender may need to amend its terms and conditions to change the way the interest rate is calculated. If so, the lender will tell the borrower about this. The lender may also ask for the borrower's consent to make these changes.
- What happens if your mortgage isn't moved onto a different rate? The FCA mentions that there may be some cases where despite lenders' efforts to replace LIBOR in mortgage contracts it does not happen before the end of 2021. The FCA states that it will consult on providing a temporary solution for certain products, which may include mortgages, that have not changed by that time. As this will be a time-limited solution, it will be important for borrowers to respond to their lender when they are contacted.

June 18, 2021

FSB statements, SOFR First and a eulogy for LIBOR - June 18, 2021 update on the adoption of the new risk-free reference rates, a summary of industry publications, and key transition milestones.

1 - Highlights

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1 - Highlights

FSB statements on LIBOR transition: All together now

The Financial Stability Board (FSB) issued a series of statements and documents related to LIBOR transition, including an updated global transition roadmap reflecting LIBOR's now definitive end dates, along with interim milestones set by the various national working groups and regulators. While the most frequently used settings of USD LIBOR will continue into June 2023, the FSB's roadmap highlights its expectation that firms conduct all new transactions, including those in USD, in alternative reference rates after December 31, 2021.

A separate statement to local regulators stresses the FSB's support of corresponding supervisory guidance issued by US banking regulators and appeals to all national authorities to "reinforce the message and timeline from US Supervisors on a global scale." The Board of the International Organization of Securities Commissions (IOSCO) echoed that message in a subsequent statement, encouraging all "global market participants to discontinue new use of USD LIBOR-linked contracts, as soon as practicable."

The FSB acknowledged that the slower pace of transition in loan markets remains a concern, cautioning market participants not to wait for the development of forward-looking term rates based on risk-free rates (RFRs). A supporting discussion paper makes the case for overnight RFRs — whether in the form of backward-looking averages or in advance settings — as the most robust alternatives to LIBOR. Once available, the use of forward-looking term rates should be "relatively narrow" and "concentrated largely in certain cash products rather than derivative markets."

In further support of the transition in cash products, the FSB also released a statement endorsing the use of the ISDA spread adjustments in fallbacks for cash products, thus promoting consistency in fallbacks for derivatives and cash products. The spread adjustments developed by ISDA intend to reflect and compensate for the economic differences between LIBOR and the various RFRs specified as replacements in derivative contracts.

Coinciding with the release of the FSB's statement, the International Capital Markets Association (ICMA) published a recording of an official sector panel discussion. Representatives from the Financial Conduct Authority (FCA), Fed, European Central Bank (ECB) and Swiss National Bank (SNB) discussed the remaining challenges associated with the transition away from LIBOR, the continued need for — and their commitment to — international coordination and key messages from the official sector to market participants as we approach LIBOR's cessation.

The desire for coordination and consistency has long been a major theme in the transition away from LIBOR. For instance, market participants have frequently called for consistency in transition approaches for different products, market conventions for the use of RFRs, and a series of other legislative and operational issues. This sentiment was evident in the ICMA panel discussion, as a seemingly united front of officials looked to assure the marketplace that coordination efforts are ongoing among various regional authorities.

Market participants should expect local regulators to heed the FSB's call for a uniform de facto ban on the issuance of new USD LIBOR products after the end of this year. Other global regulators including the FCA (UK), FINMA (CH) and the HKMA (HK) have already made it clear that they intend to restrict the use of USD LIBOR in new products in alignment with guidance issued by US supervisors. And not long after the FSB published its statements, Australian banking regulators added a similar joint statement in support of guidance issued by the FSB and US banking supervisors, reiterating the importance of firms ending the use of any LIBOR setting in new contracts as soon as practicable — but, in any event, after the end of 2021.

The use of LIBOR in new products seems destined for a truly global demise after December 2021. The FSB's pronounced support of overnight RFRs as the preferred alternative to LIBOR, reiterated by participants in the official sector panel discussion, should be top of mind for market participants exploring other alternative reference rates. Especially in the USD lending markets, a series of credit-sensitive alternatives are continuing to garner attention. While regulators have at times conceded that firms are free to choose a suitable replacement for LIBOR, market participants shouldn't latch on to such sound bites as a wholesale endorsement of credit-sensitive alternatives.

In the eyes of the regulators, the similarity of these rates to LIBOR appears to be to their detriment rather than an operational benefit. For example, Securities & Exchange Commission (SEC) Chairman Gary Gensler, voiced concerns about the possible impact on financial market stability during comments (starting at 32:10 in the recording) made at a recent industry event. He openly worried that "there are some that would want to put together an index rate based on a very small unsecured commercial paper and CD marketplace." He continued his criticism at a meeting of the US Treasury's Financial Stability Oversight Committee (FSOC), which we report on later in this issue.

Firms considering the use of credit-sensitive rates will need to do their due diligence, critically evaluating concerns around volumes of transactions used to derive the rates, their potential behavior in times of market stress, and potential accounting and tax implications. Most importantly, they will need to be prepared to explain the rationale behind their choices to their supervisors and customers.

SOFR First — and a term rate next?

The CFTC's Market Risk Advisory Committee (MRAC) subcommittee on benchmark reform recommended July 26, 2021, as the target date for interdealer brokers to switch USD linear swap trading conventions from LIBOR to SOFR. Following that date, LIBOR linear swap screens should only be available for informational purposes and be turned off entirely after October 22, 2021. The initiative, also dubbed "SOFR First," mirrors a similar effort made last month to further accelerate the shift in swaps trading in the Sterling derivatives markets from GBP LIBOR to SONIA. Additional information has been provided in a FAQs document.

The Alternative Reference Rates Committee (ARRC) welcomed the recommendation and encouraged widespread adoption. Later that day, the initiative was a primary topic at the ARRC's third SOFR Symposium on the final year of the LIBOR transition, which featured an agenda focused primarily on the transition in the derivatives markets.

The shift, which according to the CFTC should affect a "substantially large share" of the USD swaps market, is expected to sharply increase liquidity in SOFR derivatives trading overall. The ARRC had previously identified robust trading in SOFR derivatives as a precondition to making a formal recommendation on a forward-looking SOFR term rate, as such a rate would be based on transacted prices in SOFR futures. The committee's statement quotes Fed Vice Chair of Supervision Randal Quarles, who suggested that term SOFR would "be available upon implementation of the change in quoting conventions."

In the Sterling derivatives market, the initiative to shift interdealer swaps trading conventions from GBP LIBOR to SONIA provided a noticeable boost to SONIA swaps trading. Over the first few months of 2021, GBP LIBOR continued to account for the majority of trading in Sterling derivatives. That changed following the switch in convention in May. In June, SONIA swaps accounted for close to 70% of overall Sterling swaps trading on a notional basis and an even higher share on a risk-adjusted basis. SOFR First should similarly provide a boost to SOFR swaps trading liquidity although the USD derivatives markets have an arguably steeper hill to climb.

The latest ISDA RFR Adoption Indicator showed that risk-adjusted trading volumes in SOFR interest rate derivatives accounted for well below 10% of all trading in USD derivatives in May.

For many market participants, the improved prospects for an ARRC-endorsed forward-looking SOFR term rate will be the biggest news. A term rate has long been desired by a segment of the market keen on operational ease. With the ability to have the rate known at the beginning of the interest period, using term SOFR would operationally (if not economically) feel a lot like using a forward-looking rate such as LIBOR. Some market participants have recently been looking to forward-looking, credit-sensitive alternatives to USD LIBOR, due, in part, to concerns about the complexities of using a daily in-arrears rate.

If an ARRC recommendation for term SOFR is indeed around the corner, as Quarles' comments seem to suggest, we could see the rate becoming more widely adopted in new products. An endorsement of term SOFR as early as July could serve as a key catalyst in the transition away from LIBOR — and come at just the right time for market participants concerned about possible regulatory scrutiny about the use of credit-sensitive rates.

US Treasury FSOC meeting: Eulogy for LIBOR

Secretary Janet Yellen hosted a meeting of the Treasury's FSOC, which included updates on the transition away from LIBOR by several US banking regulators. With the official start of summer just around the corner, Quarles described a path to the "broad, sunlit uplands of a stronger financial system." But public officials at the same time flexed their muscles and delivered a series of salvos directed at organizations that have been slow to prepare for LIBOR's cessation. Regulators also reiterated the need for robust replacement rates, cautioning market participants not to repeat the mistake of relying on benchmark rates lacking sufficient underlying transaction volumes.

A summary of their words may not accurately capture the conviction and consistency of the US supervisory regime. Instead, read on for a selection of quotes from the meeting, presented in order:

"Thanks for this opportunity to offer a eulogy for LIBOR. ... despite all these years of work to transition away from LIBOR, despite LIBOR's record of manipulation, and despite the clear and unalterable intention of the panel banks to stop participating in the production of LIBOR, some market participants seem to believe that the remorseless evolution of the universe will somehow not involve them. Others have adopted a posture of strategic procrastination, watching as others take the necessary steps to prepare for the imminent end of LIBOR. The deniers and the laggards are engaging in magical thinking. LIBOR is over."

Randal Quarles, Fed Vice Chair for Supervision

"SOFR provides a robust rate, suitable for use in most products and with underlying transaction volumes that are unmatched by other LIBOR alternatives. ..."The decisions made now around the selection of alternative rates will determine whether some of LIBOR's shortcomings may be replicated through the use of alternative rates that lack sufficient underlying transaction volumes. I am concerned about recent use, and potential future growth in use, of these rates in derivatives ..."

Janet Yellen, U.S.Treasury Secretary

"December 31 is not very far off, and planning by market participants needs to really accelerate. "The Vice Chair has emphasized the importance of adopting SOFR in derivative and capital markets and thereby avoiding broad systemic risks. The path ahead is clear; and there is no longer an excuse for procrastination."

Jerome Powell, Fed Chair

“The Financial Stability Board recently echoed those views when it stated that “[b]enchmarks which are used extensively must be especially robust.” To that end, I have several concerns about one rate that a number of commercial banks are advocating as a replacement for LIBOR. This rate is called the Bloomberg Short-Term Bank Yield Index (BSBY). ... Markets underpinning BSBY not only are thin in good times; they virtually disappear in a crisis. Last spring, the primary commercial paper lending market evaporated for about five weeks during the initial stresses of the pandemic. “We just had a discussion about the lack of resilience in prime money market funds, particularly during stress times. Let’s not forget those lessons here.... [IOSCO] “found it was necessary to establish a benchmark that ‘reflects a credible market for an Interest measured by that benchmark.’ I don’t believe BSBY meets that standard. I don’t believe it is, as FSB urged, ‘especially robust.’”

Gary Gensler, Securities and Exchange Commission Chair

... “As a market regulator, it’d be indefensible to stand by and allow market participants to mechanically continue down LIBOR's road to obsolescence when a sustainable path is clearly in sight.... “Complacency is no longer an option, and market participants cannot assume that they can ride the LIBOR train until the end of the line. While we collectively act to ensure a smooth transition to SOFR, we must make it clear as we are today, the time to make the switch is now. ... “To avoid the conduct and stability risks that emerged when LIBOR became disconnected from actual activity, we must rely on a benchmark that is both representative of transactions and proportional to the depth and breadth of the products that rely upon it.”

Rostin Behnam, Acting Chairman, Commodity Futures Trading Commission

“We at FHFA have consistently made clear to the entities we regulate that LIBOR is going away.“

Dr. Mark Calabria, Federal Housing Finance Agency Director

“The Secured Overnight Financing Rate (SOFR) is a robust replacement rate that has been carefully developed and will be reliably produced in a wide range of market conditions. “The widespread adoption of SOFR in derivatives and other markets will promote financial stability for all participants in the financial system. SOFR enjoys broad applicability and already has a proven track record. “We expect every bank, regardless of size, to demonstrate that its replacement rate selections are appropriate for the bank’s products, funding needs and operational capacities.”

Michael Hsu, Acting Comptroller of the Currency

“As stated in the past by me and other FDIC officials, the FDIC does not endorse any particular alternative reference rate.”

Jelena McWilliams, Federal Deposit Insurance Corporation Chairman

“Come I too to bury LIBOR, not to praise him.”

Todd M. Harper, National Credit Union Administration Chairman

“State insurance regulators believe it is critically important that insurance companies transition to LIBOR alternatives as expeditiously as possible, given the upcoming deadline.

… “insurance regulators have been focused on three areas that may have the most potential impact to the insurance sector: life insurance reserving, investment and swaps, and statutory accounting.”

Eric Cioppa, Superintendent, Maine Bureau of Insurance

Our take: While the repeated calls for urgency to accelerate transition efforts strike a familiar chord, regulators are becoming increasingly vocal about their criticism of credit-sensitive alternatives to SOFR. We have previously seen regulators avoid declaring winners and losers, often conceding that the recommendation of SOFR as replacement to USD LIBOR is just that, rather than a mandate. But while regulators are showing a united front with respect to LIBOR’s certain demise, we are also seeing a concerted effort to warn of the risks associated with credit sensitive rates (CSRs) considered too similar to LIBOR in nature. SEC Chair Gensler took those warnings the furthest, making an example of a specific index, which he called out by name.

One no longer has to read between the lines to realize what the opinions of the official sector on the desirability of non-SOFR alternatives may be from a safety and soundness perspective. The government health warning attached to CSRs is increasingly clear: borrowers (and lenders) transacting in these rates do so at a risk that is not to be underestimated.

However, while LIBOR’s days are certainly numbered, regulatory criticism of CSRs alone doesn’t necessarily mean they’re immediately destined for the same fate. Any floating-rate instrument is going to incur risk for both the borrower and the lender. In the case of CSRs those risks might be similar to those of using LIBOR: risk of non-representativeness, unavailability, or regulatory scrutiny, to name a few. But for some market participants, employing SOFR as a lending rate might create asset liability management (ALM) challenges.

Recent interest in CSRs seems to indicate that, at least for some banks, ALM considerations are significant enough to seriously consider their use, even if that presents another set of risks. To mitigate conduct risk, banks willing to explore that trade-off will need to demonstrate that the benefits of employing a CSR aren’t one-sided. Rather, they should show that their customers understand their options and that both borrowers and lenders accept the consideration each receives as appropriate, given the risks being incurred — particularly now that they have been publicly put on notice.

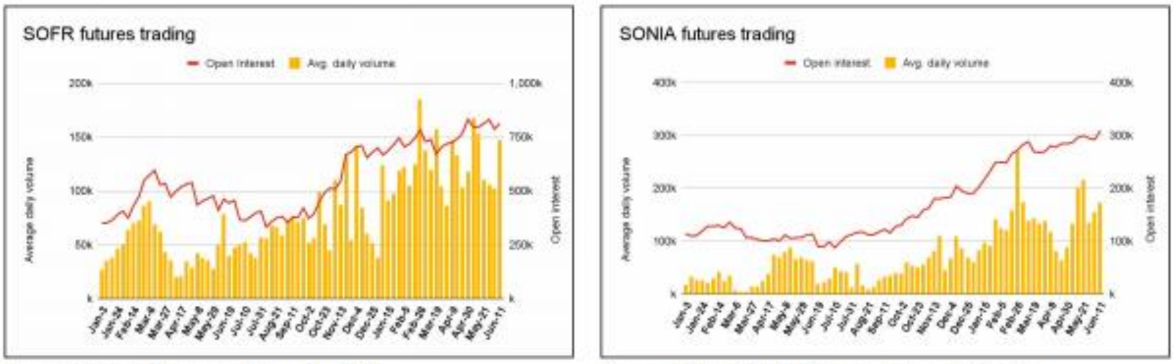
A conversation with the PRA on models and the latest ‘Dear CEO’ letter

Anyone who is involved in LIBOR transition knows what a significant challenge it is. For some firms, models will be one of the most complex parts of the exercise. Our guests on our latest podcast are Dherminder Kainth, from the Prudential Regulation Authority’s (PRA) Traded Risk

Measurement team, and Chris Heys, PwC Partner and one of our Global Model Risk Leads. Hosted by Laura Talvitie, we covered the impact of LIBOR transition on models, the latest PRA / FCA 'Dear CEO' letter and what firms should do now.

RFR adoption: Derivatives

Futures and options

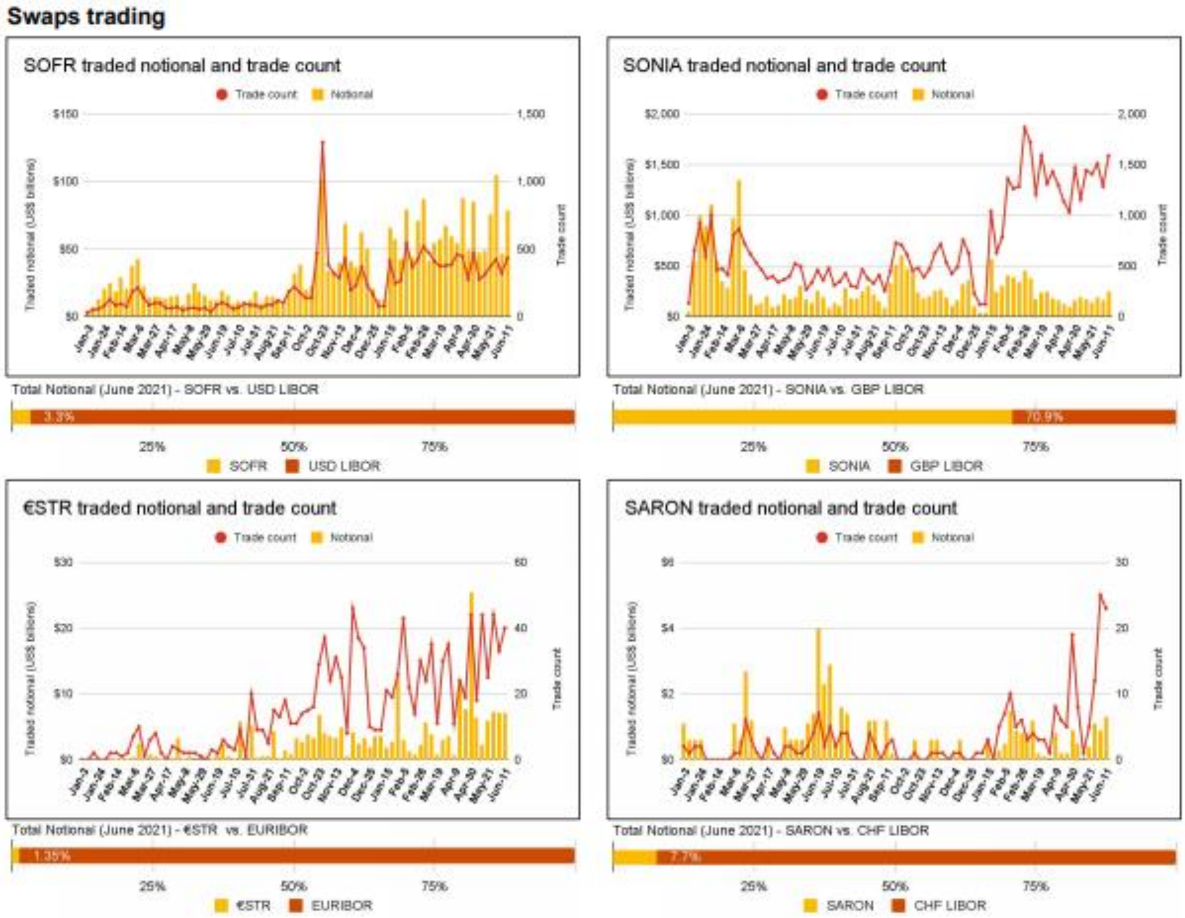


Source: CME, ICE (accessed June 14, 2021)

Source: CME, LCH, ICE (accessed June 14, 2021)

After declining in average daily trading volume for four consecutive weeks, SOFR futures recovered in the second week of June, driven by a significant increase in trading of 3M SOFR futures at both ICE and CME, including one of the largest block trades seen to date. The upcoming switch to SOFR as a convention for interdealer swap trading should provide a boost to futures trading as well. Market participants will likely monitor the effects of the switch closely. With SOFR term rates derived from transacted prices in SOFR futures, an increase in liquidity in SOFR futures would allow the ARRC to eventually make a formal recommendation for a SOFR term rate.

Outside of the major currencies, DBS and [Standard Chartered announced they had executed Singapore's first interbank option trade] based on the Singapore Overnight Rate Average (SORA). The transaction was done on behalf of a corporate client looking to hedge SORA interest rate risk exposure

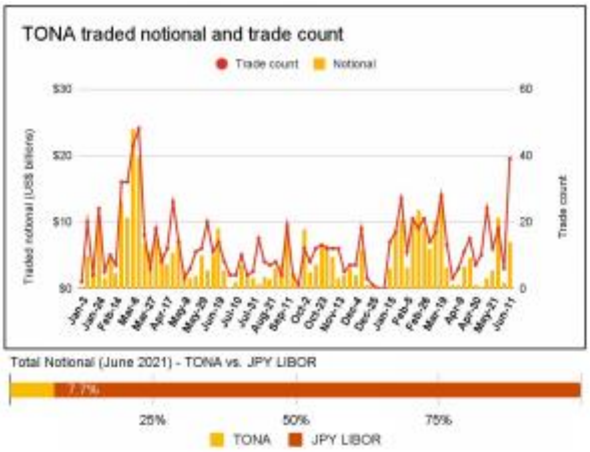


In the Sterling markets June 17 marks the date suggested by UK regulators for a switch in convention for exchange traded derivatives to SONIA. The switch should provide a further boost to SONIA swaps trading. Volumes have already been elevated since the beginning of the year, although notionals outstanding have not yet followed that increase.

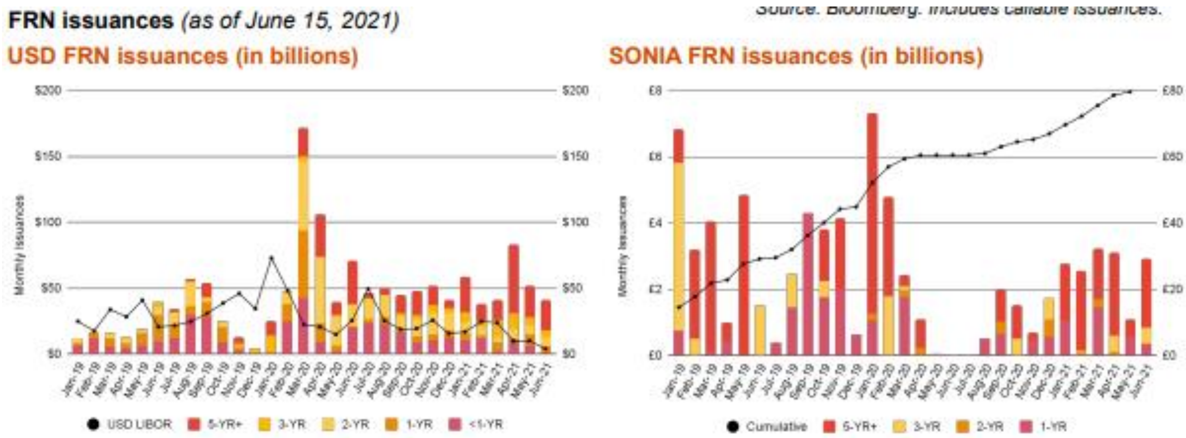
In the JPY swaps market the most noticeable increase in trading activity was not seen in TONA. Rather, notionals outstanding in JPY TIBOR increased to their highest levels in years. It's not yet clear whether that increase came at the expense of JPY LIBOR or TONA. Overall JPY swap volumes decreased dramatically over the past few weeks, from a high in January of just under $500 billion to about $100 billion in notionals outstanding at the end of last week.

Once trading recovers, it wll be interesting to see which one of the JPY interest rate benchmarks sees the largest increases.

In the USD markets, all eyes are now naturally on July 26 and the weeks to follow. The switch in convention to SOFR for linear swap trading should provide a significant boost to trading volumes. That push appears dearly needed, as USD LIBOR continues to serve as reference rate for the vast majority of USD swaps trading.



RFR adoption: Cash products



Other than a smaller number of callable issuances, the first two weeks of June saw only a single USD LIBOR FRN issuance with a maturity date after June 2023. SOFR has become the de facto market standard, with over $40 billion in total amounts issued in SOFR FRNs in the first two weeks of June, compared to just over $3 billion in total USD LIBOR FRNs.

SOFR has also firmly taken over the long end of the curve. In 2020, the single most popular maturity bucket for SOFR FRNs was less than one year — and over 80% of total amounts issued came in maturities of two years or less. In 2021, almost half of the total of SOFR FRN issuances came in maturities of five years or longer.

Notable cash product issuances and other RFR adoption

SOFR Ford Motor Credit Company Issued its first SOFR-linked, asset-backed securitization (ABS) through a private facility established with J.P. Morgan. The deal also included a SOFR-based hedge. Press

Sberbank of Russia Extended a $12 million, 18-month revolving SOFR-based credit facility to OOO Grain Service — reportedly Russia's first SOFR-linked loan. Press release

Inter-American Development Bank (IDB) Issued a $600 million, 10-year benchmark bond linked to SOFR, reportedly the tightest ever SSA SOFR transaction issued in the 10-year tenor. The FRN is now the longest-dated issuance outstanding. Press release

SONIA OCBC Bank Reportedly became the first bank in Asia to successfully execute a consent

solicitation to switch the interest rate benchmark for a series of floating-rate bonds from GBP LIBOR to SONIA. Press release

Bank of Montreal Announced a consent solicitation to switch the benchmark on a series of covered floating-rate bonds from GBP LIBOR to SONIA. Notice to bondholders

KfW Issued its first SONIA-linked FRN, reportedly the first SSA SONIA issuance since January and tightest final spread for a syndicated SONIA transaction printed to date. Press release.

Publications at a glance

National working groups

Alternative Reference Rates Committee (ARRC)

- Published a statement welcoming the messages delivered at the recent FSOC meeting, highlighting broad regulatory support for SOFR as a USD LIBOR replacement.
- Held its third SOFR Symposium on the final year of the LIBOR transition. The discussion focused primarily on the transition in the derivatives markets, including the CFTC's MRAC recommendation on the switch of interdealer conventions to SOFR front and center.

WG on Sterling RFRs

- Published a refreshed best practice guide for GBP loans. Updates relate to the calculation of SONIA-based cost of carry for traded loans.
- Published an updated Q&A document on its Q1 milestone for the cessation of new GBP LIBOR issuances, clarifying that the milestone included existing facilities containing an extension option past the end of 2021.
- Published its newsletter for May 2021.

WG on Euro RFRs

- Published its newsletter for May 2021.

Regulators

• *Financial Stability Board*: The FSB issued a series of statements and documents on LIBOR transition. These include an updated global transition roadmap, a discussion paper on the use of term rates, a statement expressing its support of the use of ISDA spread adjustments in cash products and a statement urging local banking authorities to set expectations consistent with global milestones.

• ICMA: Published a panel discussion featuring representatives from the FCA, Fed, ECB and SNB to discuss the remaining challenges, international coordination and key messages from the official sector to market participants as we approach LIBOR's cessation.

• IOSCO: Released a statement on benchmark transition, encouraging all "global market participants to discontinue new use of USD LIBOR-linked contracts, as soon as practicable."

• ASIC, Australian Prudential Regulation Authority (APRA), Reserve Bank of Australia (RBA): Published a joint statement in support of guidance issued by the FSB and US Banking supervisors, reiterating the importance of firms ending the use of LIBOR.

• Bank of Japan: In a speech on the final stage of the transition away from LIBOR, Deputy Governor Amamiya stressed that it was in market participants' best interest to avail themselves of provided tools to accelerate their efforts.

• People's Bank of China (PBOC): Asked major lending institutions to proactively advance the transition for USD loans from LIBOR to SOFR. To support the transition, PBOC issued a series of templates to facilitate conversion and new SOFR-based lending (in Chinese).

• US Department of the Treasury: Secretary Janet Yellen hosted a meeting of the FSOC. A replay of the meeting is available HERE.

• SEC: Chairman Gary Gensler spoke (comments at 30:05) on LIBOR transition at the WSJ's CFO Network Summit, noting that "after this December, there can be no loans or derivatives based upon [LIBOR]."

• CFTC: The CFTC's MRAC subcommittee on benchmark reform recommended July 26, 2021, as the target date for interdealer brokers to switch USD linear swap trading conventions from USD LIBOR to SOFR. Additional information has been provided in an FAQs document. The ARRC welcomed the recommendation and encouraged widespread adoption.

• FCA: Published a series of FAQs for consumers holding LIBOR-based adjustable-rate mortgages. As part of its latest quarterly consultation, the FCA is requesting feedback on proposed amendments to Mortgage Lenders & Administrator Return (MLAR) reporting instructions to account for LIBOR's discontinuance.

• Prudential Regulation Authority: Published responses to a previous consultation and a policy statement on periodic deep, liquid and transparent (DLT) assessments of SONIA for the purposes of Solvency II. It also released a report on the results of its first assessment.

• Danmarks Nationalbank: Published a report on the underlying data and methodology used to calculate "DESTR," a new proposed reference rate in Danish kroner similar in nature to €STR.

• Institute of Chartered Accountants of India (ICAI): Published an exposure draft for amendments to accounting standards for derivative contracts impacted by reference rate reform (i.e., issues addressed as part of IASB Phase 2).

Industry groups, infrastructure providers and other items

• ISDA: Published its 2021 Interest Rate Derivative Definitions. In addition to the ISDA IBOR Fallbacks, the new definitions also include risk-free rate (RFR) floating-rate options and new RFR compounding conventions. Published a consultation on fallbacks for GBP and USD LIBOR swap rates published by ICE Benchmark Administration (IBA). The proposed provisions, included in the consultation as draft amendments to ISDA documentation, are based on recommendations made by the WG on Sterling RFRs and the ARRC, respectively. ISDA has announced a corresponding webinar on June 23, 2021. Published the ISDA-Clarus RFR adoption indicator for May 2021, which increased from 10.1% in April to 10.7%.

• LMA: Published an exposure draft, explanatory note and updated trade confirmation for secondary loan market trading of RFR-based syndicated loans (member access only). Published an updated version of its recommended reference rate selection agreement (member access only). Hosted a webinar to provide an update on the transition from LIBOR in the loan market (available on demand).

• LIBOR Trade Association Working Party: Published minutes from the group's May 25, 2021, meeting.

• Government Finance Officers Association: Published a brief guide on unwinding LIBOR-based loans or private debt placements.

• Global Association of Risk Professionals (GARP): Summarized the developing alternatives to SOFR as a lending rate.

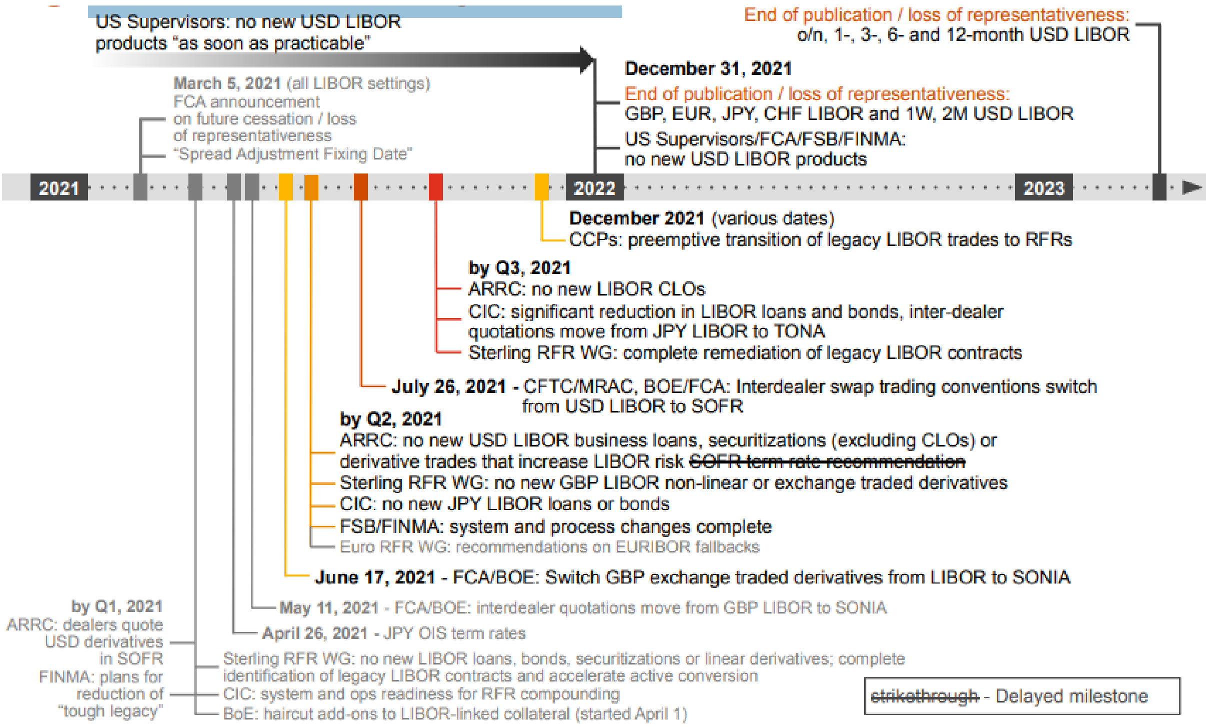
• International Securities Lending Association: Published Global Master Securities Lending Agreement (GMSLA) amendment language allowing market participants to agree on the deletion of LIBOR references in their documentation (member access required).

• Structured Finance Association: Reported that year-to-date issuances of SOFR-based securitizations have reached $38.9 billion. • CME: Published an updated plan for the preemptive conversion of cleared LIBOR swaps planned for December of this year.

• American Financial Exchange: Published a white paper on Ameribor Term-30, a forward-looking term rate based on unsecured lending data from AFX, as well as CP and CD issuances recorded at the DTCC.

• SOFR Academy: Sent a letter to associations representing non-financial corporations, expressing their support for SOFR, as well as a menu of credit-sensitive alternatives, such as the Across-the-Curve Credit Index (AXI).

LIBOR transition target dates to June 30, 2023



From AXI to FXI