

EVIA & LEBA Monthly Compliance Meeting

0830 Wednesday 02nd June 2021
[Virtual Meeting via MS Teams](#)
[+44 20 4526 6312,414763567#](#)
 Phone Conference ID: 414 763 567#
[Find a local number](#)

a. Matters arising

- i. [EVIA letter to Citigroup Global Markets Inc. concerning Give-Up Agreements - Manual Processing Service Fee 25Sep2020.pdf](#)
 1. [Citibank Brokerage With-holding letter pending uptake of proprietary Atlantis invoicing system.](#)
- ii. Standing Item: DCM/ Exchange Block Rules:
 1. FIA are going to go through ICE's rules
 2. FRANDT - certain EU obligations go live on 18 June 2021 - readiness regarding redocumentation requirements and onboarding requirements.
- iii. This [Coalition report published today](#), demonstrates quite how very profitable Q1 2021 was for Investment Banks, which may have a bearing on compliance and supervision too.
- iv. [deloitte-uk-ecrs-brexit-paper-beyond-brexit-v9.pdf](#)
- v. BIS / ISDA Key-Trends-in-the-Size-and-Composition-of-OTC-Derivatives-Markets-in-2H-of-2020



ISDA May 2021

KEY TRENDS IN THE SIZE AND COMPOSITION OF OTC DERIVATIVES MARKETS IN THE SECOND HALF OF 2020

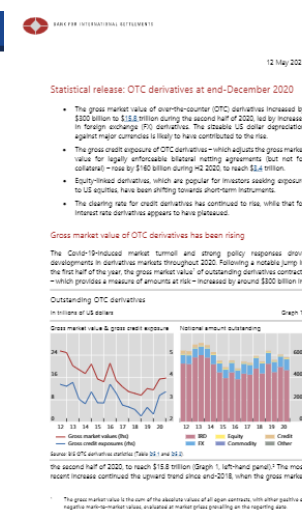
The latest data from the Bank for International Settlements (BIS) on the counter (OTC) derivatives statistics shows a significant increase in the gross market value and gross credit exposure of OTC derivatives during the second half of 2020, while notional outstanding remained relatively stable. The increase was driven by a surge in the gross market value of interest rate derivatives (IRD) and foreign exchange (FX) derivatives.

OTC derivatives notional outstanding at year-end 2020 increased by 4.2% compared to year-end 2019 and decreased by 4.1% compared to mid-year 2020. Some of this change reflects a seasonal pattern, under which notional outstanding tends to increase in the first half of the year and decrease in the second half.

The gross market value of OTC derivatives contracts at year-end 2020 was 36.1% higher compared to year-end 2019 and 1.0% higher compared to mid-year 2020. Gross credit exposure – gross market value after netting – increased by 42.6% compared to year-end 2019 and by 5.1% compared to mid-year 2020.

Market participants reduced their mark-to-market exposure by about 78.7% at year-end 2020 due to close-out netting. This credit exposure is further reduced by the collateral that market participants post for cleared and non-cleared derivatives transactions.

Market participants posted \$330.6 billion of initial margin (IM) for cleared IRD and single-name and index credit default swaps (CDS) at all major central counterparties (CCPs) at year-end 2020. The 20 largest market participants (phase-one firms) collected \$207.3 billion of IM for their non-cleared derivatives transactions.



b. Latest FCA Policy Development updates:

- i. The FCA have appointed Tom Soden as new head of Transaction Reporting and we have scheduled a JTAG call with him on priorities for 18th June
- ii. On 6 May 2021, FCA updated its [webpage](#) regarding outsourcing and operational resilience.


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1. *The FCA has added to the bottom of the webpage a new section entitled 'Who the EBA outsourcing guidelines apply to'. Among other things this new section explains that:*
 2. The FCA notified the EBA that it would comply with the EBA guidelines on outsourcing which also included the EBA's final report on cloud recommendations. In line with the FCA's approach to Level 3 materials set out in Policy Statement 19/5, the FCA expects firms to continue to comply with the EBA guidelines to the extent they remain relevant now that the UK has left the EU.
 3. The EBA guidelines came into force on 30 September 2019 for outsourcing arrangements including those started, reviewed or amended on or after this date. There are also transitional arrangements covering cooperation agreements extending up to 2021, a register of outsourcing and the review of existing 'critical or important' outsourcing arrangements entered into before 30 September 2019.
 4. Firms are not expected to report to the FCA on their progress towards meeting the timeline of 31 December 2021 in the EBA guidelines regarding legacy outsourcing arrangements. Firms should aim to review any outstanding critical or important outsourcing arrangement at the first appropriate contract renewal following the first renewal date of each existing outsourcing arrangement or revision point. Where arrangements of critical or important outsourcing arrangements have not been finalised by 31 March 2022, firms should inform the FCA.
- iii. **FCA Speeches.**
1. [Nikhil Rathi, FCA Chief Executive, on the UK regulatory landscape post-Brexit and beyond](#)
 - a. the FCA will continue to be a regulator that supports open, competitive markets with responsible innovation. The FCA is mindful of the important role international firms play in helping ensure competition in UK markets; (ii) the FCA's regulation of overseas firms is aimed at achieving the same high standards of conduct and behaviour as its regulation of domestic firms, and ensuring a level playing field.
 - b. For EU firms currently accessing UK markets via the Temporary Permissions Regime, there will be a rigorous review of all firms seeking to enter the UK authorisation gateway;
 - c. international regulatory cooperation with other supervisors and global standard-setting bodies is ever more vital – working towards the same outcomes as other regulators allows the regulators to defer to each other more and avoid duplication of regulatory requirements;
 - d. FCA recognises the increased flexibility that is available to the UK following Brexit and will use this for the benefit of UK financial markets and consumers.
 - e. UK was closely involved in the development of the EU's regulatory framework and therefore any changes will focus on tailoring those elements to the specificities and needs of UK markets and not simply diverging for the sake of it;

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- f. other key areas of focus in international regulation include ESG and the sustainability agenda, and dealing with financial crime; and
 - g. FCA will provide an update on its transformation programme in July alongside the FCA's business plan
 - 2. Mark Steward on conduct and scams [[The rise in scams and the threat to a legitimate financial services industry](#)]
 - a. *The FCA has a substantial role to play in preventing harm to consumers from unauthorised activities and it has made improvements to address scams as they are happening.*
 - b. *While the FCA does have statutory power over the use of false or misleading statements in relation to securities, those offences will not bite where the investment product is outside the financial promotions' perimeter.*
 - c. *The perimeter, or perimeters (there is more than one), is an intricate boundary that can produce different results in terms of regulatory power, consumer protection and outcome, depending on some equally technical distinctions. Despite these circumstances, the FCA remains very active and engaged in tackling the scourge of investment fraud in this country.*
 - d. *However, firms should be doing more to prevent harm also and regulated firms who let down their guard, especially in assisting firms on our Warning List, may well face action from us for doing so as well.*
 - e. *The FCA continues to engage with online platforms to ensure harm is prevented.*
 - 3. [Outcomes-focussed regulation: a measure of success?](#) [Charles Randell, Chair of the FCA]
 - a. [Norton Rose picked up on the FCA Chair's speech](#) as it looked into the thematic of "outcomes-based regulation," noting that this supervisory migration from checking processes is now back underway
 - b. FCA is determined to transform to produce better outcomes for the post-Covid-19 world. The FCA needs to focus even more on defining the right outcomes, to measure them more and then act on the results faster with an enhanced data capacity. Through this the FCA will be able to target its interventions more effectively;
 - c. being transparent about outcomes drives the FCA to act when required and increases its accountability;
 - d. FCA needs to embed a focus on consumer outcomes in its governance, board and executive processes, in the design of its organisation and in the objectives of its leaders. The FCA will use its 2021 board evaluation to ensure that oversight of the focus on outcomes is sufficiently clearly defined in the functioning of the board and its committees. Through improved governance, the FCA can help to ensure that the outcomes it works to deliver are specific, measurable, achievable, realistic and timely;

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- e. FCA needs to make sure it is collecting and using the right data, without needing to rely on market studies, which require some time to put together;
 - f. FCA needs to be bold about stating and measuring the outcomes it is seeking, even when it can't fully control the outcomes, with some elements lying outside the FCA's powers; and (vi) the FCA needs to reset its expectation of how firms define the outcomes their customers can expect, ensuring that the FCA's rules are not seen by firms as simply a box-ticking exercise.
 - g. FCA will be consulting on a new consumer duty shortly, which could embed a useful outcomes-focused approach
 - iv. FCA consulting on [changes to conduct and organisational rules](#)
 - v. FCA formally [replaced Gabriel with RegData](#) on the 11th May,
 - vi. FCA on 20 May, [published its May 2021 regulation round up](#).
 - 1. the SM&CR regime – the FCA notes that the regime is now fully effective for all firms authorised under FSMA. Solo regulated firms should have certified any staff that they are required to and trained all their financial services staff in the Conduct Rules. Larger firms are likely to need to ensure that they have effective systems and processes;
 - vii. **FCA Policy Development Update – May 2021; On 7 May, the FCA published its Policy Development Update for May, summarising its proposed future publications.**
 - 1. Newly announced upcoming publications include: (i) a consultation paper (CP) on enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers, due for publication in June; and (ii) proposals to extend climate-related disclosure rules to standard listed issuers and ESG-related discussion topics in capital markets.
 - 2. The update also lists out upcoming quarterly consultation papers. [Read more](#)
 - viii. **Financial Services Regulatory Initiatives Forum's third edition of the Regulatory Initiatives Grid; On 7 May, the Financial Services Regulatory Initiatives Forum published the third edition of the Regulatory Initiatives Grid.**
 - 1. In its press release, the FCA notes that the publication marks the end of a successful one-year pilot exercise – the Forum will continue and the Grid will be published twice a year. Upcoming work in the latest iteration includes eight new ESG initiatives, the BoE's and FCA's work to transform data collection, and HMT's Future Regulatory Framework Review.
 - 2. Furthermore, the Financial Reporting Council has also now joined the Forum with effect from 7 May and will be contributing towards the Grid for the first time.
 - 3. The Grid also contains sector-specific chapters covering: banking, credit and lending; payment services and systems and market infrastructures; insurance and reinsurance; pensions and retirement income; retail investments; investment management; and, wholesale financial markets.
 - a. *key initiatives in the near, medium and long-term include:*
 - b. *the final stages of open banking implementation;*

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- c. *holding companies' CRD5 applications deadline;*
 - d. *phase 5 of bilateral margin obligations;*
 - e. *implementation of strong customer authentication;*
 - f. *resolvability assessment framework reports deadline;*
 - g. *transition from LIBOR;*
 - h. *implementation of operational resilience;*
 - i. *diversity in financial services policy statement; and*
 - j. *implementation of Basel 3.*
 - k. *The Grid also sets out initiatives relating to on-going strategic reviews, such as the Future Regulatory Framework Review, the Review of the UK Funds Regime, the Payments Landscape Review, the Review of Solvency II and the consultation on restoring trust in audit and corporate governance.*
4. [Regulatory Initiatives Grid](#) [FCA Press Release](#) [BoE Press Release](#) Now that the pilot phase has been completed, the Forum intends to stabilise the publication of the Grid, which is also available in [dashboard](#) and [excel](#) format.
 5. [FCA Business Plan 2021/22](#); will publish our 2021/22 Business Plan in July, rather than April.
- ix. FCA; [Extension of REP-CRIM Reporting Obligation; ps21-4](#)
 - x. [FCA consults on use of new powers to support orderly wind down of critical benchmarks](#)
 - xi. FCA Dear CEO letter to e-money firms entitled: [Please Act: ensure your customers understand how their money is protected](#)
 - xii. [Handbook Notice 87](#); On 30 April, the FCA published Handbook Notice 87, which sets out changes to the FCA Handbook made by the FCA board on 25 March and 29 April
 1. *Supervision Manual (Financial Crime Report) (Amendment No 2) Instrument 2021 (FCA 2021/13). The instrument makes changes to the Handbook to increase the FCA's collection of REP-CRIM data (the FCA's annual financial crime reporting obligation). It will come into force on 30 March 2022;*
 2. *Operational Resilience Instrument 2021 (FCA 2021/14). The instrument makes changes to the Handbook to help firms and the UK financial sector prevent, adapt, respond to, recover and learn from operational disruptions. It will come into force on 31 March 2022;*
 3. *UK Emission Trading Scheme (ETS) Instrument 2021 (FCA 2021/15). The instrument makes changes to the Handbook to reinstate provisions previously deleted as a consequence of the UK's departure from the EU ETS at the end of the Brexit transition period. The instrument comes into force on 30 April;*
 4. *Technical Standards (MAR) (UK ETS) Instrument 2021 (FCA 2021/16). The instrument makes consequential changes to certain technical standards under UK MAR that derive from HMT's legislative amendments to UK MAR. These changes clarify the application of technical standards to auction platforms and auctioneers under the UK ETS and/or to UK Emission Allowance Market Participants. The instrument comes into force on 30 April*
 - xiii. FCA issued notice statement on [firms' handling of complaints during Covid-19](#) being no longer in force and issued a [statement](#) on its website concerning its

approach to regulating firms in relation to the Government's Recovery Loan Scheme (RLS). The statement provides that most of the lending available as part of the RLS will not be a regulated activity. Therefore, most lending applications will be outside the FCA's regulatory perimeter.

- xiv. **FCA Deadline extension for Strong Customer Authentication; extended deadline** for implementing Strong Customer Authentication (SCA) for e-commerce transactions to 14 March 2022. [/bit.ly/2S8FnXk](https://bit.ly/2S8FnXk)
- xv. Enforcement:
 1.  [Recent FCA fine shows importance of MiFIR Transaction Reporting; Kaizen Blog; 11May2021.pdf](#)
 2. LF Woodford Equity Income Fund investigation [Letter to the Treasury Select Committee with an update on the FCA's investigation](#)
 3. [FCA stops EverFX offering CFDs to UK customers](#)
 4. [FCA charges Ian Hudson with fraudulent trading and carrying on regulated activities without authorisation](#)
 5. [FCA fines Sapien Capital Ltd for serious financial crime control failings in relation to cum/ex trading](#)


c. UK Government

- i. The Law Commission are consulting on digital assets and electronic trade documents; *The Law Commission has launched a [call for evidence](#) and a [consultation](#) on two separate but related projects on digital assets.*
 1. In March 2020, the Government requested that the Law Commission:
 - a. make recommendations to allow for the legal recognition of electronic trade documents; and
 - b. review the law more generally and consider reform to ensure that it can accommodate digital assets, including cryptoassets.
 2. The Law Commission is now undertaking the first stage of both projects.
 3. Firstly, it has launched a consultation on its proposals for law reform to allow electronic forms of trade documents, such as bills of lading and bills of exchange, to have the same legal effects as their paper counterparts. Under English law 'possession' is associated with tangible assets and the law therefore does not recognise the possibility of possessing electronic documents. The Law Commission is proposing a Bill to introduce criteria under which an electronic document could be deemed to be 'possessed'. These include that the document:
 - a. is a bill of lading, bill of exchange, promissory note, ship's delivery order, warehouse receipt, marine insurance policy or cargo insurance certificate;
 - b. is capable of exclusive control; and
 - c. is fully divested on transfer.
 4. Simultaneously, the Law Commission has issued a call for evidence (CfE) on digital assets. The CfE builds on the electronic trade documents project, as well as the conclusions of the recent legal statement on the status of cryptoassets and smart contracts

published by the UK Jurisdiction Taskforce (UKJT). It seeks feedback on the ways in which digital assets are being used, treated and dealt with by market participants, as well as the potential consequences of digital assets being 'possessable'. Once it has gathered feedback from the CfE, the Law Commission intends to consult on proposals for law reform.

- ii.  [Modern Slavery HT update April 2021](#)
- iii.  [EMIR Refit Summary; May2021.pdf](#)

d. IFPR – IFR (Op Risk and Resilience)

- i. Bovill webinar on operational resilience is thorough and the slides are attached/linked with the video here; [Operational resilience - keeping compliant and commercial - What is the link between Operational Resilience and other requirements like ICAAP and ICARA?](#)
 - 1. Slides:  [IFPR-CP2-and-your-ICARA.pdf](#)
 - 2. There will be crossover between the Operational Resilience work, and other related work on a firm's risk assessment, recovery plans, business continuity and so on. But it's important to note that Operational Resilience considers the issues through a different lens.
 - 3. [Will the firm need to prepare separate documents for Operational Resilience?](#)
 - 4. Yes, there is an expectation for dedicated documents related to self-assessment, testing plans and communication plans etc. It will be good governance to have clear and complete documentation for senior management to review, rather than having elements spread across various documents.
 - 5. Who is in and out of scope?
 - 6. PS21/3 section 1.5 and CP19/32 section 1.4 provide guidance on which firms are in scope (including details on foreign branches)
 - 7. Can we rely on the fact that our outsourced provider is a regulated entity themselves?
 - 8. No, the regulatory responsibility to assess the Operational Resilience requirements rests with you.
- ii. IOSCO [reported on thematic review](#) of trading venues and intermediaries' business continuity plans
 - 1. include in regulatory frameworks the necessary or appropriate powers for the regulator to set and enforce requirements or clear expectations on the establishment and proper maintenance and update of BCPs by trading venues and intermediaries;
 - 2. enhance their regulatory frameworks to include more specific and detailed guidance to address the issues and topics raised in the Trading Venues Report and the BCP Report;
 - 3. ensure regulatory frameworks require enterprise-wide BCPs for both trading venues and intermediaries, rather than only disaster recovery or contingency measures for IT systems;
 - 4. adopt measures to require or encourage industry or market-wide scenario or stress testing of BCPs;

5. ensure that requirements aimed at critical systems sufficiently cover all aspects of business that fall within the definition of "critical systems" in the recommendations; and
6. provide regulators with the ability to obtain a copy of the BCP as well as the power to challenge the trading venues' Board and/or senior officers in relation to material deficiencies of the BCP arrangements or in relation to the Board or senior management responsibility for the establishment and maintenance of the BCP. [Read more](#)




e. Conduct / PFOF

- i. [Payment for Order Flow - A Prisoner's Dilemma - TabbFORUM.pdf](#) and [UK FCA Targets U.S. Brokers Earning Payment for UK Clients' Order Flow.pdf](#)
 1. Payment made to get retail order flow is permissible in the United States, but only if it is disclosed. In the UK, the chief regulator, the FCA deems it incompatible with MiFID II rules on best execution, conflicts of interest and inducements. The FCA is reiterating through several statement that it doesn't want to see that practice begin for UK retail clients when US brokers are involved
 2. [EU reviews no-fee brokers for possible rule changes](#); EU regulators are considering whether the business model of no-fee brokers is acceptable under the revised Markets in Financial Instruments Directive or whether rule changes are required. "We will form an opinion whether the current rules are sufficient to apprehend possible conflicts of interests or shortfalls in terms of retail clients obtaining best execution for their share trades," according to a letter from Mairead McGuinness, EU commissioner for financial services, to European Parliament member Markus Ferber. [Bloomberg](#)
- ii. The [FMSB published a new standard](#) on expected behaviours for participants executing Large Trades
 1. reduce information asymmetries between dealers and clients in relation to the execution of Large Trades and enhance the understanding of clients as to the method of execution and potential impact of Large Trades on the market and price the client receives;
 2. clarify and codify the principles governing the pre-hedging of Large Trades. Principle 11 of the FX Global Code (FXGC) sets out pre-hedging guidelines for client trades executed in the FX market and this Standard extends principles compatible with the FXGC to the fixed income and commodities markets;
 3. establish clear expectations with regard to client confidentiality given the potentially heightened impacts of information leakage in the context of Large Trades both within a firm and outside where knowledge of an anticipated transaction among other market participants, if acted upon, could move the market price against the client; and
 4. ensure that clients communicate with dealers in a transparent manner so as to not have a detrimental impact on the effectiveness of the execution of a Large Trade by the dealer. The 10 core

principles set out in this Standard are applicable to the execution of all Large Trades between dealers and clients, including those executed using an algorithmic execution method. [Read more](#)

- iii. **NR Webinar | Good governance: lessons from the pandemic and key considerations as lockdown eases;** Date: 9th June 2021; Time: 08:50am – 09:30am GMT; *The COVID-19 pandemic has led to many challenges for businesses, including large-scale remote working, staff lay-offs, increased use of online services and more vulnerable customers. In light of this, good governance has never been more important with company boards under close scrutiny from all stakeholders including regulators, customers and employees.*
1. As the UK approaches the later stages of lockdown easing, boards will need to carefully consider the lessons they've learned from the pandemic and how their governance arrangements can best support the sound running of their businesses in a world that will feel different to the one prior COVID-19. In this briefing we will cover:
 2. Senior Managers and Certification Regime:
 - i. How this has evolved through the pandemic
 - ii. FCA key areas of focus
 3. Governance hot topics:
 - i. Culture, diversity and inclusion
 - ii. Issue escalation
 - iii. Product governance
 - iv. Staff training
 4. Key considerations for businesses as lockdown eases
 5. Please register for the webinar [here](#).

f. AML / KYC/ Reg Tech

- i. JMLSG Update
- ii.  [TACIG Q2 2021 Minutes.pdf](#)
- iii.  [Australia's Westpac sued by regulator for alleged insider trading: 05 May 2021: Case relates to A\\$12bn debt deal for privatisation of nation's biggest electricity distributor](#)
- iv.  [data-protection-update-2021-slides \(Fox Williams deck\).pdf](#)
 1. Covid-19 –best practice for returning to the
 2. International data transfers
 3. Cookies and a new ePrivacy Regulation
 4. Regulatory actions and fines –what can we learn?
- v. [Mairead McGuinness speech at the AML Intelligence Boardroom Series; 17 May 2021](#) *speech* by Mairead McGuinness (European Commissioner for Financial Stability, Financial Services and the Capital Markets Union) at the AML Intelligence Boardroom series. Key points in the speech include:
 1. In May last year the European Commission set out its vision for the EU's future anti-money laundering (AML) system in an Action Plan. The Commission will unveil its package of reforms in July.
 2. At the heart of the Commission's package will be more harmonised rules and a new AML authority at the EU level.

3. The rules for the private sector will be laid down in a directly-applicable EU regulation.
 4. There will be the same rules across the EU in the most substantial areas. In other areas, there will be some margin for Member States in relation to how they want to organise their system, especially as regards the details about how national supervision and financial intelligence units work.
 5. An important component of the new rulebook will be legally binding technical standards to be developed by the future AML authority, which will add more granularity to the top level rules in the regulation and bring about more harmonisation.
 6. The Commission will also review the list of sectors covered by AML rules. The first step will be to align it with the latest Financial Action Task Force standards and cover all types of virtual asset service providers as obliged entities.
 7. Another part of the Commission's plan is to increase the detail in some areas already included in the AML Directive such as customer due diligence and beneficial ownership.
 8. AML enforcement remains a top priority for the Commission. A key priority is making sure that beneficial ownership registers are up and running and fully populated. The Commission is also working on the cross-border interconnection between national beneficial ownership registers – which should start later this year.
- ii. [pdf - Cryptoassets-Shaping-UK-regulation-for-innovation-and-global-leadership](#); City UK
 - iii. [pdf - 2015 to 2027 and the Penrose steps; Lyndon Nelson talks about the steps we take to counter it; 25May2021.pdf](#)

g. Covid

- i. Covid, the 'new normal' and practical risks as offices reopen/hybrid working takes effect.
- ii. [pdf - The-Role-of-Financial-Markets-and-Institutions-in-Supporting-the-Global-Economy-During-the-COVID-19-Pandemic](#); IIF Report

h. ESG Topics & Disclosures

- i. [IRSG & CoL Launch of a new report; 'Accelerating the S in ESG - a roadmap for global progress on social standards'](#); Monday 7 June
- ii. [ICMA; Overview and Recommendations for Sustainable Finance Taxonomies; 18May2021](#)

Overview and Recommendations for
Sustainable Finance Taxonomies



i. Energy & ACER

- i. ESMA has opened a consultation and published [this](#) document which covers the method by which changes to the MIFID II position limits and reporting regime will be implemented as part of the “quick fix” that will apply from next year (see [here](#)). *The consultation closes on 23 July 2021.*

1. The changes to the position limits regime include additional exemptions for liquidity provision and for Financial Entities who hold positions on behalf of Non-Financial Entities as well as requirements for venues to implement position controls.
2. There are many details on the proposed implementation in the document including around the behaviour of specific commodities and also the regimes already implemented in the US and by several venues. A draft of the new version of the Regulatory Technical Standard (“RTS21a”) is found at the end of the document.
3. The document also covers proposed changes to the position reporting regime, as detailed in Implementing Technical Standard 4 (“ITS4”).
4. Earlier this year ESMA issued a statement recommending that National Competent Authorities prioritise supervisory actions relating to limits that would still be in force after the change applies next year, in effect requesting that the reduction in scope of the limits regime commence immediately (see [here](#)).

- ii. [ACER publishes updated REMIT reporting and inside information disclosure guidelines & Webinar on Market Barriers.pdf](#)

j. MiFID2.2/ MiFIR/ EMIR/ SFTR / CSDR

- i. [CNMV: Programa Conferencia MiFID 2.pdf](#)
- ii. **Kaizan**; Thank you for attending our webinar 25th May on "ESMA's MiFIR Review Report - What does it mean for Transaction Reporting?"

1. The [recording of the webinar](#) is now available and we have also [published a blog](#) on the MiFIR review to help you better interpret the key themes.



- iii. [Speech – Ashley Alder at ISDA AGM 13 May: A global perspective on derivatives regulation](#)
- iv. **UK MiFID: FCA consults on changes to conduct and organisational rules;** *The FCA has launched a [consultation](#) (CP21/9) on proposed changes to the conduct and organisational rules in the UK Markets in Financial Instruments Directive (UK MiFID), specifically relating to research and best execution reporting.*
 1. The FCA and HMT are conducting a capital markets review aimed at ensuring the UK's regulatory regime is adapted to the structures of UK markets and maintains the highest regulatory standards.
 2. CP21/9 sets out an initial set of changes within the wider context of this reform work, and includes the following proposals:
 - a. exemption from the inducement rules for; and
 - b. deleting the UK versions of RTS 27 and RTS 28 (obligations to produce best execution reports).
 3. The FCA notes that while the issues in CP21/9 are in areas also covered by EU MiFID Quick Fix, the FCA's proposals differ as they seek to reflect the different circumstances in the UK. As to other areas covered by EU MiFID Quick Fix, HMT intends to consult in due course on proposed legislative changes relating to costs and charges disclosure for wholesale clients, electronic communications with clients, reporting to wholesale clients and changes to provisions linked to RTS 27 and 28.
 4. The FCA also intends to publish at least two further consultation papers in 2021 on the consequences of LIBOR transition for the derivatives trading obligation (DTO) and changes to market requirements and technical standards.
 5. Comments are due by 23 June 2021.
- v. [ICMA - published an industry guide to definitions and best practice for bond pricing distribution.](#) *Pre-trade information on bond pricing is currently non-standardised and often misunderstood. The term 'axe' is used in fixed income trading to represent a sell-side advertising buy or sell bond interests. These are traditionally tied in some form to the sell-side's book but can also be driven by client orders and even a trader's market view or valuation.*
 1. There is keen interest in how these axes are distributed because they are a vital source of data for bond traders. Counterparties use axes to source liquidity, as well as to negotiate improvements in quotes received, potentially bringing the traded price inside the bid-ask spread.
 2. Even though axes (pre-trade bond pricing information) are important for traders, the way in which they are distributed is not uniform and may even

in some cases have been unintentionally misleading, causing consternation amongst buy-side market participants.

Summary of standardised bond pricing distribution terminology

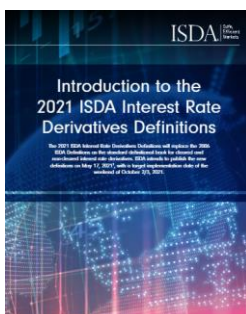
Cash bonds – corporates & sovereigns

	Run	Market-run	Axe	Streaming	Executable
Direction	Bid or offer/ Optional to publish/ Indicative (but should not change)	Bid and offer	Bid or offer	Bid or offer	Bid or offer
Price/Quote	Optional to publish/ Indicative state	Optional to publish/ Indicative state (but should show price)	Optional to publish/ Indicative state	Mandatory to publish/Indicative state	Mandatory to publish/Firm state
Size	Optional to publish/ Indicative state	Optional to publish/ Asymmetric or Identical/Indicative state	Mandatory to publish/Indicative state (but ideally firm)	Mandatory to publish/Firm state	Mandatory to publish/Firm state
Trade interest	Non-committal	Non-committal	Committed	Committed	Committed
Good until	N/A	N/A	Cancelled	Cancelled	Cancelled

- 3.
- vi. [PDF icon](#) [ROC consultative document – Harmonisation of critical OTC derivatives data elements – revised CDE Technical Guidance; 05 May 2021.pdf](#)
 - vii. [SFTR --- the impact of Brexit on the European repo market; We now have 16 weeks of data since the UK and EU repo markets split.](#) Can anything be gleaned from the sparse data published under SFTR?

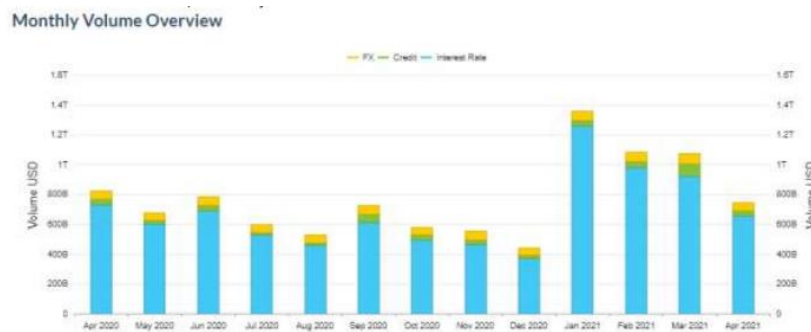
k. Benchmarks and LiBOR Topics

- i. [LIBOR Transition Market update; May 1-20, 2021](#)
 - 5. -ARRC's SOFR symposium: In defense of RFRs
 - 6. -ISDA's Annual General Meeting
 - 7. -SOFR term rate: the chicken, the egg and derivatives
 - 8. -WG on Euro RFR's recommendations for EURIBOR fallbacks-Safe harbor for use of synthetic LIBOR
- ii. [ICE-Benchmark-Administration-Consults-on-Potential-Cessation-of-ICE-Swap-Rate-based-on-GBP-LIBOR-2021](#)
- iii. [The FCA and the Bank of England encourage market participants in a switch to SONIA in the sterling exchange traded derivatives market from 17 June](#)
- iv. [ISDA is targeting implementation of the 2021 ISDA Interest Rate Derivatives Definitions](#)



I. US, No-Action, Interpretative Letters, Other Written Communications, and Advisories

- i. [April 2021 SEF Tracker; Trading volume on swap execution facilities reached \\$746.8 billion in average notional value per day during April 2021](#)



- ii. [CFTC's Energy and Environmental Markets Advisory Committee to Meet June 3](#)

1. Meeting to discuss domestic and international cap-and-trade markets and carbon derivatives markets and receive a staff update on recent events in the energy derivatives markets. Full details, including agenda, [here](#).
2. [CFTC's Agricultural Advisory Committee to Meet via Teleconference June 9](#) ,
3. [CFTC's Energy and Environmental Markets Advisory Committee to Meet June 3](#)
4. [CFTC Issues Order of Registration to Mercado Mexicano de Derivados, S.A. de C.V., to Permit Trading by Direct Access from the U.S.](#)
5. [CFTC Staff Renews Temporary No-Action Relief for Entities Submitting Swaps for Clearing with DCOs Acting Under Exemptive Orders or No-Action Relief](#)
6. [CFTC Awards Approximately \\$3 Million to Whistleblower](#)

- iii. **FINRA Annual Fees**

1. **Financial Reports and Policies;** As a not-for-profit, self-regulatory organization whose operations are funded by member firm fees—without the support of any taxpayer dollars—FINRA must prudently manage its finances to ensure it can appropriately fund its mission to protect investors and promote market integrity in a manner that facilitates vibrant capital markets. [/bit.ly/3oJ9pgn](https://bit.ly/3oJ9pgn)
2. **Report on Use of 2020 Fine Monies;** FINRA is a not-for-profit, self-regulatory organization (SRO) dedicated to promoting investor protection and market integrity in a manner that facilitates vibrant capital markets. One of FINRA's tools for achieving this objective is

fair and effective enforcement of our member firms' compliance with securities laws and regulations. [/bit.ly/3vqHh48](https://bit.ly/3vqHh48)

- iv. **Traders Shouldn't Get Prison Time in Spoofing Case, Probation Office Says; Prosecutors seek sentences of nearly five years or more for two former Deutsche Bank employees;** Two former Deutsche Bank DB -1.40% traders convicted of manipulating precious-metals prices shouldn't go to prison, federal probation officers recommended, sparking a backlash from prosecutors who sought terms of almost five years or more. A federal jury in September convicted James Vorley and Cedric Chanu of wire fraud after a two-week trial over their trading of gold and silver on futures exchanges operated by CME Group Inc. CME -1.12% Prosecutors alleged the pair engaged in spoofing, a type of rapid-fire market manipulation that traders and regulators say was once rampant in futures markets. [/on.wsj.com/3upusWx](https://on.wsj.com/3upusWx)
- v. **Notice of Summary Action;** CME Group; Member: E D & F Man Capital Markets Inc. *Rule Violation: Rule 576. Identification of Globex Terminal Operators* - Each Globex terminal operator shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange rules. If user IDs are required to be registered with the Exchange, it is the duty of the clearing member to ensure that registration is current and accurate at all times. Each individual must use a unique user ID to access Globex. In no event may a person enter an order or permit the entry of an order by an individual using a user ID other than the individual's own unique user ID. PENALTY: On May 5, 2021, E D & F Man Capital Markets Inc., pursuant to Rule 512 ("Reporting Infractions"), was issued a \$2,000 fine for its violation of Rule 576. [/bit.ly/3vmUEIT](https://bit.ly/3vmUEIT)

m. Regulatory Roadmap, Calendar and Weekly Roundups for February

- i. [!\[\]\(00454fbbe8db418db0de5eebfa916a08_img.jpg\) Weekly update on Key Regulatory Topics \(Week 21; 24th May 2021 to 29th May 2021\).pdf](#)
- ii. [!\[\]\(fd0f3d0c9a8d9b3ff3951bcf7c4bf0c0_img.jpg\) Weekly update on Key Regulatory Topics \(Week 20; 17th May 2021 to 22nd May 2021\).pdf](#)
- iii. [!\[\]\(e0cf2596b7f15139c12c58233ba748a6_img.jpg\) Weekly update on Key Regulatory Topics \(Week 19; 10th May 2021 to 15th May 2021\).pdf](#)
- iv. [!\[\]\(7229103dad454bef452b933d3e01b45a_img.jpg\) Weekly update on Key Regulatory Topics \(week 18; 03rd May 2021 to 08th May 2021\).pdf](#)