EVIA European Venues & Intermediaries Association

LEBA London Energy Brokers' Association

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

Wednesday 05th May 2022

Full Grid and Outlook Below

1. March Update
2. Regulatory Outlook and Diary
3. Regulatory Activities and Initiatives Inventory
4. Highlights from the Regulatory Environment
5. LiBOR Transition Update
6. Energy Market Reg developments, ESG, Fines and Enforcements

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Main Themes in 2022,

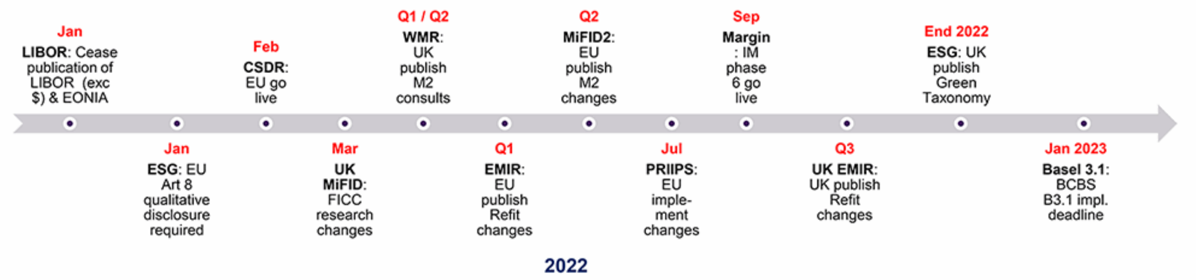
Regulators are now looking to the future – including the challenges of digital and sustainable finance. *However, they have also had to react to and monitor the impacts on financial markets and services of Russia's aggression towards Ukraine. At the international level, the FSB's recently published workplan reflects most of these areas of focus.*

Based on the EBA's initial assessment, there is limited direct impact on EU banks from the Russian invasion of Ukraine but second order effects may be more material from a financial stability perspective. The EBA strongly encourages banks and other financial institutions to consider carefully the prudential and business impacts of the short and longer-term risks they face in light of these geopolitical developments. Cyber risks in particular require continued attention. ESMA is coordinating the regulatory response to the Ukraine crisis and closely monitoring the impact on financial markets and reminds issuers of the need for transparency in financial reporting and market disclosures on the impacts of the crisis. Both Authorities reiterate the need for firms to comply with EU sanctions.

Regulators are considering how to balance the innovations and efficiencies that digital finance can bring with the associated risks. This issue covers developments in cryptoasset regulation and Central Bank Digital Currencies (CBDCs), how the expansion of big tech platforms into financial services is causing regulatory concern around potential anti-competitive behaviour, and how regulators are preparing for a world in which digital financial services could, theoretically, be delivered from anywhere.

As sustainable finance regulation develops, regulators continue to target better data and harmonised reporting standards for environmental objectives. However, initial policy work is also in progress on defining "socially sustainable" (the S in ESG) – it is likely that an EU "S" Taxonomy will present even more difficulties than the "E".

More established frameworks also present new challenges – the European Commission's October 2021 proposal to implement remaining Basel reforms is prompting varied reactions from market participants and supervisors, including the ECB
Timeline...



Regulatory Cooperation; Interactions between regulators in a digital age.
The financial services landscape continues to undergo widespread digitalisation, marked by an influx of borderless and data-based products and services. The internet now theoretically allows firms to sell financial services to consumers anywhere in the world and this transformation has prompted regulators to ramp up efforts towards formalising co-operation — both across jurisdictions and across industries. As a result, firms should prepare themselves for increased guidance and regulatory expectations.

In response to the digitalisation of financial services, regulators have been looking to step up co-operation with their international counterparts and with bodies outside the industry's traditional perimeter (including competition authorities, consumer protection authorities, and data governance regulators). As things stand, such cooperation remains somewhat inhibited by practical, regulatory and legal challenges including data protection rules or a lack of information exchange structures.

In early 2022, the FSB published a report (PDF 567 KB) assessing the risks posed by the expanding crypto-asset market — noting, in particular, how the rapid evolution and international nature of these arrangements raises the potential for regulatory gaps, fragmentation or arbitrage. The FSB consequently urged global authorities to prioritise cross-border and cross-sectoral cooperation. It also described how it plans to support this work by monitoring supervisory approaches and facilitating information sharing.

In regards to cyber and digital resilience, the EU's Digital Operational Resilience Act (DORA) also requires an unprecedented level of cooperation between authorities. The European Commission proposed DORA as part of its wider digital finance package to harmonise the EU's currently disjointed regulatory landscape (where rules are often overlapping, inconsistent and/or duplicative). Recognising the fluidity of cyber threats, DORA intends to establish several mechanisms through which authorities will have to exchange information and work together, not only within the financial sector, but also with the cybersecurity authorities in the ecosystem.

Decentralised Finance (DeFi) is another focus area. In March, IOSCO published a report (PDF 959 KB) describing how the majority of DeFi's new services are emerging to replicate more traditional financial services and relevant activities, but with weaker regulation and increased risks for investors. At the BIS's recent Innovation Summit, Andrew Bailey (Governor of the Bank of England), stressed the need for international co-operation (particularly around the increasing use of artificial intelligence in DeFi) to prevent companies from using modern technology to circumvent national rules.

To address these (and similar) challenges, the three European Supervisory Authorities (EBA, EIOPA and ESMA) recently published a response (PDF 2.56 MB) to the European Commission's (EC) call for Advice on Digital Finance. Within this, they recommended improving international supervisory coordination by:

- Producing additional guidance on notification requirements for cross-border provision — currently, passporting notifications are typically given on an EU-wide basis (rather than specific to the jurisdictions in which services are actually carried out) and have insufficient information regarding the modalities of provision (e.g., the use of digital platforms)
- Enhancing cross-border information exchange — e.g., by establishing supervisory forums to discuss practical use cases (such as the allocation of responsibilities between home and host authorities, coordinating the collection of data etc)
- Introducing processes and measures to address rule infringement Enhancing coordination with third-country authorities in the form of a review of existing Memoranda of Understanding (MoUs) to ensure they reflect specific issues related to digital finance

The ESAs also propose potential frameworks to introduce structured cooperation between financial, data, cyber, consumer protection and competition authorities. The report describes how this would be beneficial (i) to maintain awareness of policy developments happening across relevant sectors, (ii) to better identify and monitor market developments and emerging risks on a horizontal basis, and (iii) in the context of the growing platformisation of financial services and the development of mixed activity groups. [For more information, see our recent article on the expansion of Big Tech platforms into financial services]. Some initial improvements have already been seen as a result of the ESA's 2019 review, which resulted in a mandate for cooperation between the ESAs and the European Data Protection Board and a request for bilateral/multilateral information exchange between regulatory authorities. However, at the ESAs own admission, the steps taken remain limited in scope.

In the wake of Brexit, the UK has been working to establish its own cooperation structures. HMT published a report (PDF 2.60 MB) in July 2021 outlining its plan to remain an 'open and global financial hub' and to create a 'sector at the forefront of technology and innovation'.

In April 2021, the FCA became a full member of the UK Digital Regulation Cooperation Forum (DRCF), having previously been an observer member — a move which demonstrates the growing importance of data across sectors and regulatory disciplines. The DRCF was established in July 2020 by the Competition and Markets Authority (CMA), the Information Commissioner's Office (ICO) and the Office of Communications (Ofcom), to ensure a greater level of cooperation over the regulation of online platforms. Its member regulators have committed to launching joint projects on “complex cross-cutting issues” including AI, digital advertising technologies and end-to-end encryption.

A few months later, the Department for Business, Energy & Industrial Strategy (BEIS) published its Spring 2021 report on the Smart Data Working Group. The report describes the potential benefits, challenges and use cases of Smart Data in banking, finance and other industries, and sets out practical proposals for cross-sector coordination to inform future policy development.

And finally, the Department for Digital, Media, Culture and Sport (DCMS) recently closed a consultation on the legislation and governance required to enable the use of digital identity

across the economy — including in financial services. This consultation builds on previous government activity including a Call for Evidence in 2019 and the launch of the digital identity and attributes trust framework in February 2021 (setting out what rules and standards are needed to protect sensitive identity data when used digitally).
Taken together, these developments demonstrate how, in response to increasing digitalisation, financial services regulators are seeking to establish 'more concrete' frameworks to structure cross-border and cross-industry co-operation. Firms should continue to track developments, in order to best prepare themselves for when these regulatory expectations become final.

UK MiFID

Note of FCA & HMT discussions on UK MiFIR and Market Structure planned revisions and process
Various industry presentations[1] around the end of April by Claudia Trauffler [HMT], Fabio Braga, Steven Hanks, Ed Schooling-Latter, Anne Laure Condat, Elizabeth Kocovska and Ulla Suomio.

- *TV perimeter "outsourcing" is a particular UK focus*
- *More demonstrative on removing PTT and DVC, but pressed on non-equity timings still no schedule*
- *Legislative changes are still with uncertain timing, therefore the FCA approach will appear somewhat "staggered" for the next 12 months. Clearly only narrow areas of the revisions require changes to FSMA.*

i. WMR Update – [EVIA Summary note on HMT WMR Feedback and JG Speech to AFME on MiFID2; 01March2022 (1).pdf]
   a. Notes: Policy set out in
      i. HMT Feedback Report
      ii. John Glen Speech to AFME and
      iii. ESL Speech to Rosenblatt
      iv. Queen's Speech upcoming
   b. Next set of WMR related changes will be within FCA Handbook
   c. Other matters consulted within the WMR Review coming under the broader FCA remit

ii. FCA Diary H1
   a. June [early]: Aims to publish a CP covering equity markets [RTS1 and RTS 11]
      i. Tic Size
      ii. Waivers
      iii. Market Data Reporting
      iv. Trade Reporting –
         1. suggests a pre-MiFID2 reversion to adopt the ISDA/AFME SI super-reporter approach
         2. improvements to the suitability of flags
      v. Still developing work on "outages" and remains out of scope
   b. July [early]: Aims to publish a CP covering the trading venue perimeter [6-9-week period through 03 September]

iii. FCA Diary H2
   a. Commodity Derivatives Regime

[1] *FCA TACC, House of Lords EAC, Bovill, 'The Trade' MiFID Conference [see specific EVIA readouts for detail]*

        b. Consolidated Tape Provisions
    iv. SMAC Update
        a. FCA announced back in early March
        b. "Incredible amount of interest" – longer to sift applications via a wide internal FCA discussion on the context of broad participation
            i. A few TA application – but FCA seek firms ahead of Tas due to the role of TACC
        c. Acceptances in May
        d. First meeting hoped for in June

Claudia Trauffler (HMT):

- Emphasises reforms will be incremental, as basic MiFID II motives still supported
- WMR – were 78 responses
- FCA will progress matters in their current competence
- Will wait for the FRR for some items
- STO and DVC – no evidence to support continuing them
- Transparency regime for non-equities to be amended.
    - Hasn't worked. Limited impact on price formation.
    - MiFID II expanded equities model to non-equities model. Failed to treat bonds and derivatives separately.
    - So, will let the FCA work out the best approach to recalibrate the rules, tailored to the instruments.
    - Equity regime to be given to the FCA, too.
    - To be effective, has to apply to the correct instruments.
- DTO to be amended to match the scope of the CO.
    - FCA to get permanent power to adjust to prevent fragmentation.
- SI calculations to be abandoned. Returned to the FCA, as was under MiFID I.
- Will allow SIs to trade at the mid-point for best execution.
- Data – will give industry tools needed to create CT.
    - Private sector to be allowed to develop FI tape as priority.
    - FCA should settle the requirements. Legislative changes to empower FCA.

Stephen Hanks (FCA):

- Work on WMR is linked to other workstreams, including primary markets effectiveness, encouraging digital, work with Treasury on international place of UK.
- Will be establishing a secondary markets review committee.
    - Had 70 applicants. 20 people to be on committee.
    - Will also have subgroups on specific topics. Committee will help to design reforms and bring out practical issues.
- Will rely on existing powers to make rules and give guidance.
    - Will also be getting new powers. Won't be a big bang.
    - Will take time to do certain things.
    - Will only be able to act on e.g., CT when have the powers to do so. 2-3 years from end to end.
    - Taking account of lessons from EU where rules were implemented too quickly.
- Want to do what works for the UK. Take account of the costs of different EU/UK obligations.
- Work split between short term and long term.
    - In short term, 2 CPs before August. First on transparency and market structure—mainly equity markets and technical standards.

  - Waivers, post-trade transparency, order flow. Will be technical in nature.
  - Post-trade transparency issues will be of most interest—simplification of flags, so more accurate and consistent reporting can be obtained. Will help support CT issues later.
- Also, hierarchy of OTC transaction reporting—looking at whether an opt in regime for reporting, whether SI or not.
  - Hierarchy will depend on who is the counterparty. Second is on the TV perimeter. Note SEC has a CP, as well as ESMA. Looking at what is a mere communication system vs multilateral system.
  - Then bulletin boards.
  - Then crossing systems for asset managers.
  - Going to be guidance.
  - Recognise concerns about innovation but have spent as much time on this issue as any other over the past four years.
- CPs dependent on progress of leg, but not until YE or next year.
- Transparency for non-equities—complex and require detailed calculations.
  - Not doing derivatives now. Want to make it simpler.
  - looking at pre-trade transparency for non-equities.
  - post-trade transparency delays to be simplified. Similar to the EU's challenge but might have different outcomes.
- CT organisation, scope, and pricing of data to be considered. Competition doing market data work. Will help and feed into CT discussions. Wide perspectives from different stakeholders.
- Commodities markets—position limits to be revised under WMR.
  - Will go in similar direction to EU quick fix.
  - Couldn't keep pace with the EU, because elements in primary legislation, but want to ensure that lessons are learned about recent events.
- Will continue to talk to firms, not using advisory committee as a replacement.
- Process will last for some time.

Q&A

As there will be a number of consultation papers published from Q3/Q4 2022 through to Q1/Q2 2023 - what is the expected timeline for final rules coming into effect? - will there be a 'big bang' approach, or will the changes be spread out?

- Changes will currently be "spread out"

Is there a timing schedule for the non-equity transparency outreach schedule within 2022. Will this be across more than one consultation?

- SH – No. will reassess after the June and July consultations
- SH – no clear whether it can all be done within a single consultation paper

Would the FCA envisage any divergence from the EU on PERG C1- C10? (noting both Crypto developments/scope and C6 implications from the Ancillary Activity revisions) ?

- Too early to tell

Perimeter: Discussion with FCA (*FB and ESL*) on:

- Welcoming the adoption of a parallel wholesale framework to the prior "consumer only" focus.
  - ESL noted that this came as a great relief to himself and staff on the policy and wholesale supervision management.

- Scope of Crypto perimeter being entirely absent from the business plan and current plans being both “half pregnant” entirely parallel rather than integrated.
    - HB emphasized the upcoming crypto-sprints and the HMT statements
- Concerns over FCA plans and delivery couched in management speak that may obscure simple wins and industry requirements
- Overseas regime gestating in HMT
    - ESL notes the open philosophy of the FCA for UK and overseas firms to meet
    - UK is very open to branch structures
    - TPR: Progressing

Overseas Framework: *Much emphasis that the OPE is indeed still a key fundament – questioned why any progress around it is still delayed and opaque*

- OPE still sitting in the 1986 first drafting incarnation – which cannot cater for remote, cloud-based and virtual service delivery across or agnostic of national borders
- OPE will remain for delivery to international client base
- reliance on OPE for overseas access to UK exchanges – esp for remote market making
- ESL noted that this indeed warrants attention

The Government’s overarching principles

HM Treasury stated that its approach to changes to the overseas framework would be led by the principles below. In its view, the overseas access framework should:

1. facilitate the benefits of maintaining an open and globally integrated financial system, enabling international financial services business by reducing barriers and frictions where practicable;
2. consist of robust, high-quality and proportionate regulation, guided by and consistent with international standards;
3. ensure resilient and safe financial markets and firms in a way that supports financial stability, market integrity and consumer protection;
4. support the transition to sustainable finance;
5. be transparent and predictable;
6. provide a stable and reliable arrangement for cross-border market access; and
7. enable effective cooperation with international partners.

The information provided by firms in response to the Call for Evidence would be used to assess how well current arrangements achieve these outcomes.

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Findings from the Call for Evidence

HM Treasury published a response on 15 July 2021. Findings from the 34 responses received centred on four key themes:

01

More perimeter guidance: *"Respondents highlighted their view that the presentation of information in the guidance can often by difficult to find and incomplete in areas. Respondents suggested that they would support the issuance of new guidance in order to allow overseas firms to understand what services they can provide to UK users of financial services, either with or without authorisation in the UK."*

02

The OPE: *"Respondents cautioned against significant revisions to the OPE, in particular any amendments to the regime that would require significant operational changes for firms or changes that would restrict the OPE in relation to wholesale business."*

However, there was support for certain amendments, e.g. *"reducing the complexity of the OPE, allowing overseas firms to navigate it with a higher degree of legal certainty…"*

03

Title VIII of MiFIR: *"Respondents… saw benefit in the UK maintaining the equivalence provisions in Article 47 of the onshored MiFIR."*

However, *"Respondents recommended that the Government consider removing the rule that turns off access to the OPE three years after a positive equivalence determination under MiFIR Title VIII provisions to allow all overseas firms to rely on the OPE in the same way…"*

04

The FPO: *"Respondents… noted that the thresholds for what constitutes a high net worth individual are now out of date and have recommended that the Government review these thresholds included in Article 48 of the FPO. Respondents also stated that the FPO exemptions could be updated and called on the Government to consider whether there is scope to allow a wider range of financial promotions to be made into the UK by overseas firms who are not authorised in the UK."*

HM Treasury stated that *"information gaps still remain in particular around how firms use the OPE and how this may impact UK financial markets, including their resilience and safety"*.

- In the response to the Call for Evidence, HM Treasury outlined the next steps set out below.
- HM Treasury, working closely with the FCA, Bank of England and PRA, will review the overseas regulatory perimeter as it relates to sections 19 and 21 of FSMA (containing the prohibition on carrying on regulated activity in the UK and the restriction on financial promotions capable of having effect in the UK respectively). This review will seek to identify:
  - whether the balance of the overseas perimeter remains appropriate for the UK following the UK's exit from the EU in order to ensure resilience and safe financial markets;
  - whether there are elements of the overseas regulatory perimeter that need updating to reflect modern working patterns and advancements in technology, such as the "in the UK" test which is the first consideration for firms assessing their regulatory compliance; and
  - areas of the overseas perimeter that could be clarified to allow greater transparency and clarity for firms.
- Following this review, HM Treasury indicated that it would initiate a consultation on potential changes to the UK's overseas framework in Q4 2021.

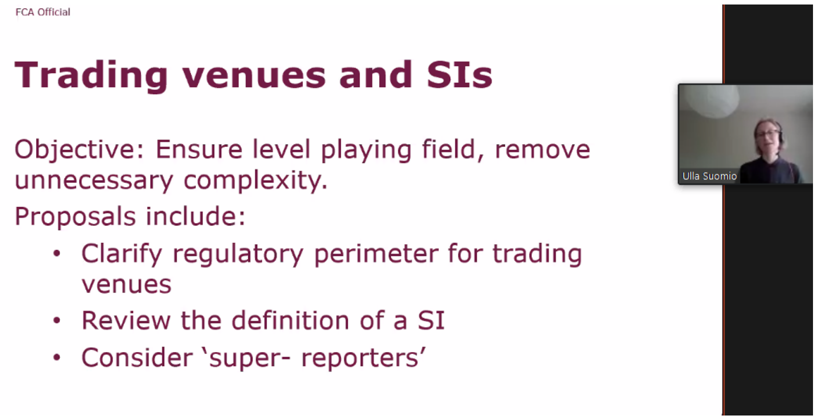
- HM Treasury indicated that the Government was aiming to consult on:
  - any proposed changes to the overseas regulatory perimeter following its review, including changes aimed at making the UK's overseas perimeter more coherent and easier to navigate;
  - any proposed changes to the OPE, including the option to remove the overlap between the OPE and equivalence provisions under MiFIR Title VIII;
  - whether the current operation of the regime appropriately balances openness whilst mitigating risks to the resilience and safety of financial markets, the protection of consumers and market integrity, and the promotion of competition; and whether further regulatory powers are needed for the ROIE and OPE to address any deficiencies in regulatory oversight; and
  - options for amendments to the FPO exemptions relating to insurance distribution with an overseas element.
- HM Treasury's statement reiterated that further evidence was needed "*… on how these regimes are used and how market participants navigate them so we can ensure they continue to support the principles that guide our approach to cross-border financial services*".
- It also reiterated that any changes to the framework would be guided by the 7 principles outlined in the Call for Evidence.

Parliamentary statement by John Glen MP, Economic Secretary to the Treasury

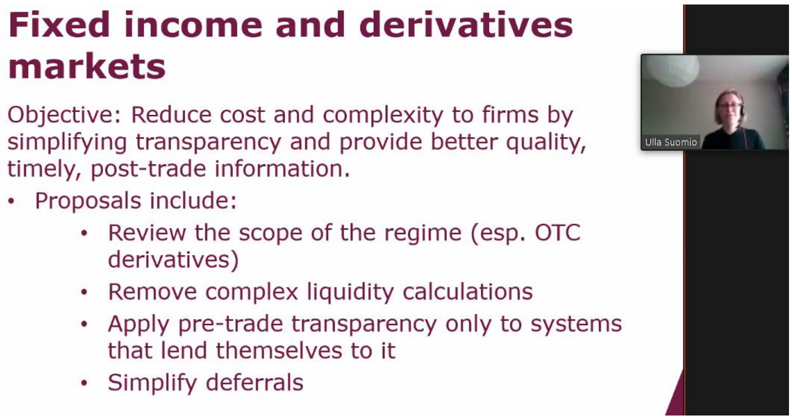
- On 15 December 2021, John Glen MP made a Parliamentary statement providing an update on the overseas framework consultation.
- This explained:

  "*The Government has noted the feedback from respondents to the Call for Evidence that the current overseas framework is complicated, difficult to navigate and that the implications of any changes to the framework should be carefully considered. As such, the Government intends to assess how the current framework is being used and consider the implications of any reforms in careful detail before bringing forward proposals on potential changes to the UK's regime for overseas firms and activities. The consultation will also consider changes to the UK's overseas framework which will make it more coherent and easier to navigate, reinforcing the Government's commitment to maintaining an open financial centre.*"
- This statement signalled that the Government required further consideration before bringing forward proposals, despite the timing originally indicated for its consultation on legislative changes, i.e. Q4 2021.

Slides and Comments



Technology Firms, bulletin boards and the TV perimeter
TV perimeter: FCA guidance on the perimeter will contain aspects of the debate that focus on UK specific matters arising that are separate to those important to ESMA. SH notes ESMA focus on arrangements and its treatment as "outsourcing"
Simplification of the SI definition and perimeter [to reduce costs and admin of the firms] -> by moving to a qualitative assessment
SI reporting segregation into "Super Reporters"



"I think its fair to say that the transparency regime for non-equities hasn't achieved its objectives"
"Non-equities are different to equities and largely exempt in any case"
FCA is looking to make quite significant changes to the regime to become less burdensome and less costly.
To move away from the TOTV approach.
Do away with liquidity calculations – replace with a simplified approach
Apply Pre-Trade-Transparency only where systems lend themselves to it.

The long-time view from the FCA has been that this should be made much more proportional to the needs of the business.
Core proposal is to scale back the position limits regime – such that it will only apply too "critical" and to "significant" contracts as defined, and where the risk of abuse is material. This will be largely agricultural contracts.
HMT needs to bring forward legislation in this respect in order to delegate powers to the FCA. The FCA will then propose a policy approach (Q4).
FCA plans to formalise other temporary exemptions wrt to Commodity Derivatives
Ancillary Activities Test to be streamlined. Proposals for solely a qualitative test such that any activity is exempt where ancillary to main business [i.e., back to MiFID1]
Removing notifications requirements by market participants
TV responsibilities for setting their own position limits; following FCA criteria and subject to FCA intervention powers.

- Lots size versus contract size matters
- Harmonisation matters
- Overseas competitiveness matters

FCA describe the S166 on the LME Nickel market events in addition to their own reviews – but no comments until both aspects are concluded.

DVC: Notes current temporary suspension of the dark trading cap which has made no impact on the 12/16% share of dark trading over the 6 months of the suspension to date. Therefore, the FCA is firm that the DVC is not worth the burden and will remove.

Substantial focus on outages. Liquidity does not relocate from the primary exchange. Therefore, the provision of information about the outage is both paramount and commercially political. Still looking into this.

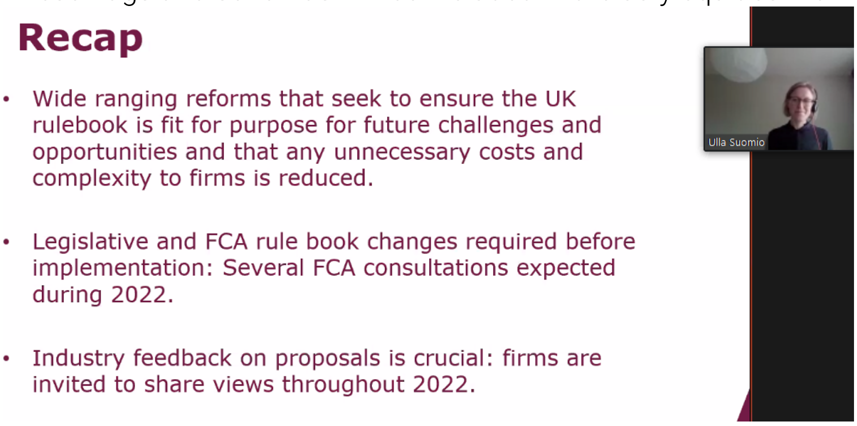
TIC sizes of overseas shares should align with the home state approach.

Market Data costs: FCA note how very difficult this question is. Split market data costs verses CTP operational costs and the requirement to sufficiently incentivise commercial parties to enter into the RFP. Viability versus efficacy is a very thorny matters.

FCA are still considering the constructions and the operation and the supervision of any possible CTP models. Ongoing work – CP in Q3.

Data quality focus. This extends to the MEFROC considerations and therefore FCA will propose post trade reporting obligations that flag this appropriately.

These flags and schemas will be included in the July equities market transparency CP.



Regulatory Outlook and Diary

2022/2023	EU	The European Commission (EC) has published the 3rd Capital Requirements Regulation (CRR III) proposal on 27 October 2021 which will implement the Basel 3.1 framework in Europe. 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. From the EC's original proposal, most of the requirements are set to apply from 1 January 2025. In terms of next steps, we expect now negotiations to take place among Member States and the European Parliament to work on the CRR 3 banking package in the coming months. As a result of these negotiations, the implementation date of 1 January 2025 will be subject to change.
2022	Australia	Expected finalization of APRA prudential standard for IRRBB (APS 117).
Q2 2022	Australia	Expected 2nd ASIC consultation on updating the Australian reporting regime.
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 prudentially regulated 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	Expiry of the derogation from collateralization of cross-border intragroup transactions under the EMIR Margin RTS. International groups wanting to avail of the intragroup exemption for cross-border intragroup trades involving a group entity under US PRU, Australian, Brazilian, Canadian, Hong Kong or Singaporean jurisdiction should obtain confirm permission to use the exemption from their NCAs by November 26, 2021, i.e. entry into force of the equivalence decisions taken under EMIR article 13 (July 26, 2021) + 4 months. See: US PRU equivalence; Singapore Equivalence; Brazil equivalence; Canada equivalence; Hong Kong equivalence; Australia equivalence.

June 30, 2022	Korea	Basel III: Expiry of FSS no-action relief for NSFR for special banks.
Q3 2022	Global	The Financial Stability Board (FSB) recommends that regulators implement the CPMI-IOSCO Unique Product Identifier (UPI) Technical Guidance to take effect no later than in the third quarter of 2022
Q3 2022	Australia	Expected publication of the updated ASIC reporting regime, with a 1-year implementation period.
Q3 2022	EU	The EC 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.
Q3 2022	EU	Following the European Commission consultation on the review of the EU clearing framework, the Commission is expected to propose amendments to EMIR 2.2 to incentivise clearing on EU CCPs. This is expected to cover a number of aspects of EMIR, including the scope of the clearing obligation, intra-group transaction and supervisory framework for EU CCPs.
Q2, Q3, Q4 2022	Hong Kong	Consultation of Hong Kong's reporting rules on adoption of UPI and CDE.
July 01, 2022	EU	Article 11 requirements with respect to periodic reports under the sustainability-related disclosures in financial sector regulation (SFDR) shall apply.
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	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.

	Korea Switzerland Singapore Japan South Africa	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 1, 2022	US	Expiration date of No-Action relief issued by the Division of Trading and Markets at the US Securities and Exchange Commission in respect of Exchange Act Rule 19a-3. The relief provides that Staff will not recommend enforcement action if a nonbank Security Based Swap Dealer does not collect initial margin from a Phase 6+ Counterparty (those with CFTC AANA of USD 50 billion or less) before September 1, 2022, provided a record of such Phase 6+ Counterparties is preserved for at least three years
Q4 2022/Q1 2023	EU	The EC 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
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.
Q4 2022	UK	Expected consultation of the Basel 3.1 standards.
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.
End 2022	Singapore	Expected publication of the updated MAS reporting regime; delay from originally indicative Q2 2022 timeline.
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
December 31, 2022	EU	Before December 31, 2022, the European Commission shall propose minimum sustainability criteria, or a combination of criteria for financial products that fall under Art. 8 of the SFDR, in order to guarantee minimum sustainability performance of such products.
December 31, 2022	UK	The FCA direction under the temporary transitional powers allowing UK firms to execute certain trades with EU clients on EU venues (even though there is no UK equivalence decision in respect of those venues) expires at the end of 2022. December 31, 2022 UK As established by the Policy Statement PS14/21 published by the UK FC
December 31, 2022	UK	As established by the Policy Statement PS14/21 published by the UK FCA and the UK PRA in June 2021 (https://www.bankofengland.co.uk/policy-statement/ps1421.pdf), UK firms are able to continue to use EEA UCITS as eligible collateral under the UK non-cleared margin rules.
January 2023	Australia	Expected effective date of APRA banking standards relating to the overall approach to capital requirements, SA-CCR and the internal ratings-based approach to credit risk.
2023	Australia	Expected finalization of APRA FRTB and CVA risk (APS 116 and APS 180) frameworks
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	Application of the Regulatory Technical Standards (RTS) under the Sustainable Finance Disclosure Regulation including disclosures for use of ESG-linked derivatives (except from first detailed reporting on the principal adverse impact indicators due by June 30, 2023).
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	EU	The European Commission (EC) has published the 3rd Capital Requirements Regulation (CRR III) proposal on October 27, 2021 which will implement the Basel 3 framework in Europe. 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. From the EC's original proposal, most of the requirements are set to apply from January 1, 2025. In terms of next steps, we expect now negotiations to take place among Member States and the European Parliament to work on the CRR 3 banking package in the coming months, with an expectation they will secure their respective position in the second half of 2022 and a finalization of the package in trilogue in the first half of 2023. As a result of these negotiations, the implementation date of January 1, 2025 will be subject to change
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	US	CFTC Position Limits second compliance date for economically equivalent swaps / risk management exemption.
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 1, 2023	Malaysia	Discontinuation of publication of 2-month and 12-month KLIBOR by BNM.
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 01, 2023	South Africa	Three-month calculation period begins to determine whether the average aggregate notional amount of derivatives for an entity and its affiliates exceeds either the ZAR 15 trillion or ZAR 8 trillion threshold for initial margin requirements as of September 1, 2023
March 31, 2023	Japan	Basel III: Expected implementation of revised credit risk, CVA, operational risk, leverage ratio and FRTB frameworks.
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.
June 28, 2023	EU	As part of CRR II, the European Banking Authority is to report on the calibration of the Standardised Approach for Counterparty Credit Risk (SA-CCR) which will potentially inform a future review by the European Commission.
June 28, 2023	EU	As part of CRR II, the European Banking Authority is to report on the treatment of repos and reverse repos as well as securities hedging in the context of the Net Stable Funding Ratio (NSFR).
July 1, 2023	Hong Kong	Basel III: Locally incorporated AIs required to report under revised FRTB and CVA frameworks.
July 1, 2023	Hong Kong	Basel III: Expected implementation of revised credit risk, operational risk, output floor, and leverage ratio frameworks
Q3/ Q4 2023	EU	Earliest expected start date for the Internal Model Approach (IM) reporting requirements under the CRR II market risk standard.

Q3 2023	Australia	Expected go-live of the updated ASIC reporting regime.
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 amended Benchmarks Regulation that entered into force on February 13, 2021 extends the BMR transition period for non-EU benchmark administrators until December 31, 2023 and empowers the European Commission (EC) to adopt a delegated act by June 15, 2023 to prolong this extension by maximum two years until December 31, 2025. It 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 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.
End 2023	Singapore	Expected go-live of the updated MAS reporting regime; delay from originally indicative Q2 2023 timeline.
December 04, 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 found in Part 43, Part 45 and Part 49 by the compliance date of December 5, 2022; provided, however that SDRs, SEFs, DCMs, and reporting counterparties must comply with the amendments to §§43.4(h) and 43.6 by December 4, 2023.
January 1, 2024	Australia	Basel III: Expected implementation of FRTB framework.
January 2024	Australia	Expected effective date of APRA prudential standard for IRRBB (APS 117).
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, was due to expire on January 4, 2021. The revised EMIR margin RTS, published in the official journal of the EU on February 17, 2021 and applicable since February 18, 2021, extended the period of availability of the equity options derogation to January 4, 2024.
January 4, 2024	Hong Kong	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.

March 31, 2024	Japan	Basel III: Implementation of revised credit risk, CVA, market risk (FRTB) for international active banks and domestic banks using IMM.
June 28, 2024	EU	As part of the review clause inserted in CRR II, the European Commission taking into account the reports by the European Banking Authority is expected to review the treatment of repos and reverse repos as well as securities hedging transactions through a legislative proposal.
September 1, 2024	South Africa	Initial margin requirements apply to a provider with aggregate month-end average notional amount exceeding ZAR 100 billion.
January 1, 2025	EU	Expected implementation of FRTB and CVA risk under the CRR III proposal.
January 1, 2025	Australia	Basel III: Expected implementation of APRA FRTB and CVA risk (APS 116 and APS 180) frameworks.
March 31, 2025	Japan	Basel III: Expected implementation of revised credit risk, CVA, market risk (FRTB) for domestic banks not using IMM.
June 30, 2025	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. 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 28, 2024	EU	As part of CRR II, the European Banking Authority is to monitor and report to the European Commission on Required Stable Funding (RSF) requirements for derivatives (including margin treatment and the 5% gross-derivative liabilities add-on).
June 28, 2024	EU	As part of the review clause inserted in CRR II, the European Commission taking into account the reports by the European Banking Authority is expected to review the treatment of repos and reverse repos as well as securities hedging transactions through a legislative proposal.
Q4 2024/Q1 2025	EU	Earliest expected start date for the Internal Model Approach (IM) reporting requirements under the CRR II market risk standard.
January 1, 2025	Australia	Basel III: Expected implementation of APRA FRTB and CVA risk (APS 116 and APS 180) frameworks.
January 1, 2025	UK	Expected implementation of the Basel 3.1 standards
March 31, 2025	Japan	Basel III: Expected implementation of revised credit risk, CVA, market risk (FRTB) for domestic banks not using IMM.
February 12, 2026	EU	CCP R&R (Article 96): The European Commission (EC) shall review the implementation of this Regulation and shall assess at least the following: • the appropriateness and sufficiency of financial resources available to the resolution authority to cover losses arising from a non-default event

		• the amount of own resources of the CCP to be used in recovery and in resolution and the means for its use • whether the resolution tools available to the resolution authority are adequate. Where appropriate, that report shall be accompanied by proposals for revision of this Regulation.
June 2026	EU	Commodity dealers as defined under CCR, and which have been licensed as investment firms under MiFID 2/ MIFIR have to comply with real capital/large exposures/liquidity regime under Investment Firms Regulation (IFR) provisions on liquidity and IFR disclosure provisions.
August 12, 2027	EU	CCP R&R (Article 96): The Commission shall review this Regulation and its implementation and shall assess the effectiveness of the governance arrangements for the recovery and resolution of CCPs in the Union and submit a report thereon to the European Parliament and to the Council, accompanied where appropriate by proposals for revision of this Regulation.

The European Parliament, Council and Commission have just identified their key legislative priorities for 2022. *These include proposals supporting the European Green Deal, a Europe fit for the digital age, an economy that works for people and a new push for European democracy. Sustainability, digital and resilience initiatives will be fundamental to delivering on these objectives. The EBA has also published its latest risk dashboard which shows that asset quality has improved further but that cyber risk remains a source of concern for EU banks.*

- The European Commission is advancing its Capital Markets Union (CMU) action plan with reviews of major pieces of legislation such as MiFIR, AIFMD and the European Long-Term Investment Funds Regulation (ELTIF). The MiFIR review proposals focus on improving market transparency and structure and will have the greatest impact on firms and venues engaged in wholesale trading markets. Proposed changes to the UCITS Directive and AIFMD cover delegation, liquidity risk management, data reporting for market monitoring purposes and the rules for depositaries. The aim of the changes to the ELTIF regulation is to make the funds more attractive.
- Also of concern to wholesale markets is the critical role of Central Counterparty Clearing Houses (CCPs) post-Brexit. Despite confirmation that EU temporary equivalence will be extended, the European Commission is continuing its efforts to re-shore derivative positions with potential cost implications for industry.
- The regulatory landscape around digital finance continues to evolve. Noise around Central Bank Digital Currencies (CBDCs) has intensified and, while many jurisdictions are now considering the impacts and development of CBDCs, some are pushing ahead with greater enthusiasm than others. On the infrastructure side, the greatest benefit from crypto innovations for mainstream financial institutions may well prove to lie in the capabilities of the underlying distributed ledger technology rather than in the deployment of crypto-assets.
- ESG developments remain a key priority for regulators across the region with policymakers turning their attention to the regulation of sustainable finance in wholesale capital markets. Calls for ESG data and rating providers to be regulated have increased,

standards for bond issuers are being debated and developments in carbon markets are being monitored closely.

Topics

- LIBOR: as we set-out in Going, going, gone before Christmas, 31 Dec saw LIBOR end except for USD; no new transactions in USD LIBOR in any asset class are permitted from **1 January 2022** except for derivatives for risk management of existing positions (see FCA prohibition statement), with USD LIBOR finally ceasing in June 2023; the FCA[4] announcement permitting tough legacy transactions in GBP & CHF LIBOR to reference synthetic LIBOR rates has provided a welcome safety net for any positions that didn't transition or fallback at year end, but it leaves a tail of trades still to deal with in 2022; EONIA[5] also ceased publication on 3 January (but EURIBOR[6] continues).
- ESG: climate-related and other ESG disclosures are going to become ever-more prevalent in the industry; the EU has led the charge with SFDR[7] and CSDR[8] (see our PIEs note), but the UK has recently made strong statements in their Green Finance Roadmap about their commitment to reporting under Sustainability Disclosure Requirements (SDR) and the UK Green Taxonomy; first up in **January 2022** the EU is mandating qualitative disclosures under EU Taxonomy Regulation for 'large undertakings' (> 500 employees), accompanied by a high level quantitative disclosure of 'taxonomy eligibility'. An interesting argument within the EU over Christmas around the inclusion of nuclear and gas within the EU taxonomy which underlines the challenges that will be faced globally as different jurisdictions start to implement their own taxonomies.
- CSDR: the Central Securities Depository Regulation goes live in the EU on **1 Feb 2022**, although there has been a delay to some of the requirements. The rules apply to firms that trade in-scope securities that settle on an EEA CSD – importantly the rules relating to mandatory buy-ins have been delayed (not yet decided until when), but various contractual agreements and operational processes do need to be in place for February; the UK did not onshore CSDR but there may be extra-territorial impacts for UK firms operating in the EU. For more information on CSDR see our website here.
- FICC Research in UK: the FCA has announced it will no longer be necessary for firms subject to UK MiFID2 obligations to pay separately for FICC[9] research ('unbundling') from **1 March 2022**, although the exemption does not extend to macro-economic research. Firms within the EU subject to the original EU MiFID2 rules will still be subject to the inducement regime; if you are unsure whether the exemption should apply to your relationship with NatWest, please speak to your usual bank contact.
- WMR/MiFID2: the Wholesale Markets Review (WMR) is the UK review of the MiFID2 regime it inherited from the EU; a consultation took place earlier in 2021, with further consultations expected in **Q1/Q2 2022**; though details and timing not yet clear, changes could have a significant impact in the area of transparency and the liquidity determination for fixed income / derivatives; meanwhile the EU is also revising MiFID2 with changes expected in **Q2** following multiple consultation papers over the last 2 years, though given EU trilogue process, likely a further year before implementation; expect more discussion from EU on establishing a consolidated tape for EU markets as well, in line with Capital Markets Union commitments.
- Margin:

- Margin phase 5 came and went, with many relying on threshold monitoring rather than repapering (a risk that will become ever more acute with the higher volumes in phase 6). The possible divisions in regulatory approach created by Brexit have not really manifested yet, though we are seeing the first signs of things to come in the consultations on MiFID2[3] and positioning on EUR clearing.
- Initial Margin Phase 6 goes live on **1 Sep 2022**; this pulls in a wide range of additional firms with AANA[10] above $/€8bn; as with Phase 5 (where repapering across the industry is still not complete with reliance on Threshold Monitoring to alert counterparties to when they are approaching levels where IM would be required), this will require a huge lift in legal docs and operational set up. Another change for the UK affecting both Margin and Clearing is the upcoming loss of intragroup exemption in June 2022, impacting firms with legal entities both inside and outside the EU.

- **Clearing:** the temporary equivalence decision by the EU, permitting EU firms to clear trades on UK based CCPs[11], was due to expire in June 2022, however in November 2021 the Commission agreed to extend the exemption (though as yet we don't know for how long); at the same time the UK has announced plans to consider relying on 'comparable compliance' from their home country for non-UK CCPs; on 17 Dec ESMA[12] released a statement that they would not derecognise UK CCPs "at this point in time", though they went on to list various measures they see as necessary to reduce systemic risk; a somewhat reluctant but ultimately welcome reprieve for EUR clearing for the time being.
- **PRIIPS:** the change to the PRIIPS[13] regulation is due to go live in EU on **1 July** (having been delayed from 1 January 2022); it revises the performance calculations for category 2 to 4 PRIIPS significantly, with only a minor modification to category 1 PRIIPS calculations; following agreement on a delay, the UK on-shored version of the revised regulation will be published in Q1 – it is not yet known what lead time there will be before implementation, but it is hoped it will not go live until Jan 2023.
- **EMIR Refit:** both EU and UK are reviewing their versions of EMIR[14] under the general heading of 'EMIR Refit'. In the EU the final results are expected to be published in an RTS[15] in **Q1 2022** which will give final detail for example on the Trade & Transaction Reporting changes that will be required, with go-live probably 18 months later. In the UK a consultation is underway with final rules published in **Q3 2022** for implementation the following year. In both cases quite substantial revisions are expected to T&TR; there are also changes in pipeline from CFTC[16] for Dodd Frank reporting, meaning the scale of impact to operations teams is likely to be substantial.
- **UK Ringfencing:** the independent Ring-fencing and Proprietary Trading (RFPT) Review is expected to publish a statement setting-out its initial findings and recommendations during the week commencing 17 January. These are likely to inform a detailed consultation by HM Treasury later in 2022. The UK currently has the most stringent post-crisis rules on structural separation of retail and wholesale activities, and the review has had a broad scope to consider whether these have met their original objectives of supporting financial stability, as well as their impacts on customers, competition and competitiveness.
- **Basel 3.1:** due to apply from **January 2023**, implementing remaining Basel 3[17] provisions; the EBA[18] has suggested that these rules will have an estimated increase of capital of 18.5% for EU banks; the PRA[19] has been given significant discretion of how Basel 3.1 will be implemented for UK banks and plans to issue a consultation paper in Q3 2022. Both the UK and EU are committed to full, timely and consistent

implementation of the remaining Basel standards, but doubts persist as to whether either jurisdiction will meet the 1 January 2023 deadline. Given the specificities of their respective economies there is now greater potential for divergence on detail.

- Crypto Assets: the draft Markets in Crypto-Assets Regulation (MiCA) is scheduled to come into force at the end of 2022; MiCA will establish a fully harmonised EU-wide regulatory framework for crypto-assets which will include crypto-asset service providers (CASPs); the FCA published a consultation paper concerning cryptoassets in January 2021, which ended in March.
- FCA Feedback Statement 22/1 'Accessing and using wholesale data'
  - Introduction; On 11 January 2022, the Financial Conduct Authority (**FCA**) published a Feedback Statement in relation to accessing and using wholesale data to gather information. In response to a call for input in March 2020, the FCA received concerns that limited competition in the markets for benchmarks and indices, credit ratings and trading data may increase costs for investors and affect investment choices.
  - As set out in its 2021/22 Business Plan, the FCA wants wholesale markets that deliver a range of good value, high-quality products and services to market participants. The FCA believes that effective competition within the wholesale sector can lead to an increase in the efficiency of markets, lower prices and greater innovation. These markets are typically not directly accessed by retail consumers. But, if competition is working effectively in wholesale markets, the FCA also expects retail consumers to benefit through lower costs and improved quality of investment products.
  - FCA concerns; In the Feedback Statement the FCA reports that it heard views from a range of market participants about the way competition is working for the supply of trading data, benchmarks and market data. Overall the FCA found that views were mixed, largely reflecting respondents' position in the market. Nevertheless, the FCA did hear about market features that it thinks warrant further investigation to ensure markets for the supply of data are working in the interests of users.
    - Reflecting on the feedback received, the FCA reports that it has concerns that trading venues' (including regulated markets, multilateral trading facilities (**MTFs**) and organised trading facilities) ownership of data may confer market power, resulting in:
    - Increasing data charges that may be increasing costs to end investors.
    - Data charges that may be affecting asset managers' investment decisions and so limiting competition between asset managers.
    - Data charges that may be limiting the efficiency of trading activity in a way that affects price formation.
    - Current regulatory provisions for free delayed data that may not be effective.
    - Based on the feedback it received, the FCA feels that the market for benchmark and indices provision may not be working well because:
    - Contracts may be unnecessarily complex and conditions not transparent.
    - There may be barriers to switching between benchmarks.
    - This is leading to an increase in prices that are not commensurate with increasing costs or improved services of quality

- The FCA also reports that it heard concerns from users of CRAs and market data vendors. These included:
- Vendors bundling core services with data services.
- Vendors imposing restrictive terms around data usage.
- High barriers to entry, making it difficult to enter the data vendor market.
- High charges upon renewal of contracts as vendors are not subject to the reasonable commercial basis regulations which bite on trading venues.
- A low level of meaningful innovation in the market.

- Information gathering and further market studies;
- The FCA will start an information gathering and analysis exercise in Spring 2022. This will focus on the pricing of trading data, underlying costs, and the terms and conditions of the sale of trading data. The regulator also plans to launch a market study this summer where is will look at how competition is working between benchmarks.
- A further market study will be launched at the end of the year focussing on competition in the sale of credit rating data. The FCA will publish more details about the scope and timetable of the market studies nearer the time.

Categories of products	Key points	EU SFDR equivalent
[1] Sustainable *Divided into three types:*	*Products that pursue specific sustainability characteristics, themes or objectives alongside delivering a financial return.*	
(a) Impact (objective of delivering positive environmental or social impact)	Products with the objective of delivering net positive social and/or environmental impact alongside a financial return. **Minimum criteria:** Intentionality, theoretical ability to deliver and measure additionality through investment decision-making and investor stewardship, impact measurement and verification. Note: If additionality (whether financial or non-financial) were one of the necessary criteria for impact products, it is likely that fewer products would qualify for an 'Impact' label than those currently categorised as Article 9 funds under SFDR. This may well be a reason to argue for an additional category of 'Impact' products that would only contain a sub-set of the funds currently categorised as Article 9 under SFDR.	FCA considers this would overlap with a small sub-set of Article 9 SFDR products *In principle we agree, except that an Article 9 SFDR product must also meet the "do not significantly harm" (DNSH) requirement – this does not seem a factor in the FCA's category.* *So, in fact, we would "map" this category to either Article 8 or 9 SFDR depending on the circumstances.*

(b) Aligned (sustainable characteristics, themes or objectives; high allocation to UK taxonomy aligned sustainable activities)	Products with sustainability characteristics, themes or objectives and a high proportion of underlying assets (measured according to a minimum threshold) that meet the sustainability criteria set out in the UK taxonomy (or could otherwise be verifiably established to be sustainable, where a taxonomy is not yet available). Minimum criteria: Same as transitioning criteria below, plus minimum thresholds for asset allocation.	Article 8 SFDR
c) Transitioning (sustainable characteristics, themes or objectives; low allocation to UK taxonomy aligned sustainable activities)	Products with sustainability characteristics, themes or objectives that do not yet have a high proportion of underlying assets meeting the sustainability criteria set out in the UK taxonomy (or can otherwise be verifiably established to be sustainable, where a taxonomy is not yet available). These products pursue strategies that aim to influence underlying assets towards meeting sustainability criteria over time; e.g., via active and targeted investor stewardship. The expectation, therefore, is that this proportion will rise over time. Minimum criteria: Evidence of sustainability characteristics, themes or objectives reflected fairly and consistently in the investment policy or strategy and may include some combination of: – restrictions to the investible universe, including investment limits and thresholds apply – screening criteria (positive or negative) – the application of benchmarks or indices and expected or typical tracking error relative to the benchmark – the entity's stewardship approach as applied to the product	Article 8 SFDR
(2) Responsible (may have some sustainable investments)	Impact of material sustainability factors on financial risk and return considered to better manage both risks and opportunities and deliver long-term, sustainable returns. No specific sustainability goals.	Article 8 SFDR

	Minimum criteria: *ESG integration, evidence of ESG analytical organisational capabilities and resources, demonstrable stewardship.* *Notes: The FCA notes that it expects managers to consider material sustainability risks as part of the risk management of an investment product. However, "the degree to which managers integrate ESG factors in how they manage their clients' investments varies".* *Responsible products may therefore have high, low or no allocation to sustainable investments. The criteria applied would not impose any restriction on the investible universe of such funds; exclusions, tilting or allocation thresholds would therefore not be an expectation. However, the criteria could include demonstrable evidence of ESG analytical capabilities and effective stewardship at entity level, applied in the management of the product.*	
(3) A product not promoted as sustainable	Sustainability risks have not been integrated into investment decisions. No specific sustainability goals. *Notes: The FCA notes that certain "investment products do not take sustainability considerations into account, even as a form of risk management". It also refers to the example of an index tracker with no sustainability-related criteria etc.*	Article 6 SFDR *Commentary: This may be a stronger view than we might hear from the EU – in particular, we believe the EU is likely to expect managers to take account of ESG risk in all investment decision making and monitoring subject to limited exceptions only based on the specific nature of the product or asset class* *– eg perhaps the manager of a FTSE tracker fund, a fund containing only G7 sovereign bonds etc.*

- New UK transition plan regime
  - HM Treasury (HMT) has said the UK will be the world's first "Net Zero-aligned Financial Centre" and UK financial institutions will have to have robust firm-level transition plans setting out how they will decarbonise.4 There is not a lot of detail

yet but initially, this seems likely to be imposed on a "comply or explain" basis – ie either you publish a transition plan that aligns with the government's net zero commitment or (if not) explain why.

- Initial scope is unclear, but possibly, at the outset, this will comprise asset managers, regulated asset owners and listed companies.
- HMT has said the UK will move towards making the publication of transition plans mandatory in 2023.
- This will be incorporated into the UK's regime on Sustainability Disclosure Requirements (SDR) – in particular, the UK government will *"strengthen requirements to encourage consistency in published plans and increased adoption by 2023. The Government intends to legislate to deliver this"*.5
- The government is also setting up a Transition Plan Taskforce to bring together industry, academia, regulators and others to develop a 'gold standard' for transition plans, metrics and reporting, by the end of 2022.6
- The FCA has added to this, saying it will engage with stakeholders in the first half of 2022, with a view to promoting credible and effective transition plans that consider the Government's net zero commitments. It will consider the governance of transition plans, including Board oversight, senior management responsibilities and objectives, and remuneration/incentive structures. It will also consider the content and disclosure of transition plans, building from TCFD guidance
- Timing:
  - Unclear, but as above, FCA stakeholder engagement will begin in H1 2022. [FCA, "*A strategy for positive change: our ESG priorities*" (November 2021)
  - NB: The UK government has also stated as follows, foreshadowing further policy initiatives next year for regulated firms: "*The government will... update the Green Finance Strategy in 2022. This will go beyond the timescales in this Roadmap and set out an indicative sectoral transition pathway out to 2050 to align the financial system with the UK's net zero commitment. The updated strategy will assess industry progress on Phases 1 [disclosures] and 2 [use of disclosures and stewardship]. It will also consider triggers*
  - *for stronger policy to facilitate Phase 3 [reorienting capital flows] and help ensure that the UK meets its climate and environmental objectives.*"

- New UK Sustainable Disclosure Requirements (SDR)
  - In its roadmap, the UK government has proposed Sustainability Disclosure Requirements (SDRs) to be implemented on an economy wide basis.
  - For FCA regulated firms, further detail has since been provided via a high level FCA discussion paper, however this is likely to develop significantly following market engagement
  - Any new proposed disclosures will be an "add on" to the TCFD10 based disclosure requirements already rolled out or proposed by the FCA (eg for listed companies and asset managers). But the core will be the global baseline sustainability reporting standards to be developed by the new International Sustainability Standards Board (ISSB) of the International Financial Reporting Standards Foundation.
- Timing:

- 3 Nov 2021 FCA discussion paper published
- 7 Jan 2022 Deadline for responses
- Q2 2022 Proposed rules to be published for consultation

- Details
  - (a) Consumer facing disclosures – The retail facing layer of disclosure would be a subset of the overall disclosure. It should comprise key sustainability-related information to enable retail to make considered choices about their investments
    - e.g.: – investment product label; – objective of the product, including specific sustainability objectives; – investment strategy pursued to meet the objectives; – proportion of assets allocated to sustainable investments (as per the UK taxonomy); – approach to investor stewardship; – wider sustainability performance metrics.
    - On this, the FCA is likely to prescribe a baseline set of sustainability metrics to enable retail clients to understand the sustainability performance of a relevant product over time (e.g. carbon reduction metrics).
    - This could include the core metrics required under TCFD disclosure rules, supplemented by other social (S) and governance (G) metrics.
    - Quite rightly, the FCA recognises that technical language and metrics may not be easy for retail to follow – investor education will need to play a role. But it will also do consumer testing – and possibly propose an ESG factsheet. In any case, the challenges here should not be underestimated.
    - The consumer-facing disclosure will be designed to be read alongside the Key Information Investor Document (KIID), providing additional colour on ESG matters while avoiding duplication of information.
  - (b) Disclosures for sophisticated or institutional investors – This is intended to support decision-making about both the products they are investing in and their providers.
    - The regime would therefore require both product and entity level disclosures.
    - Points for possible inclusion:
    - – Information on the methodologies used to calculate metrics. *"While data gaps exist and methodologies have yet to converge, it is critical that firms are transparent about how they have calculated metrics."*[11] Where proxies, assumptions etc are used to fill data gaps, these would need to be clearly explained.
    - – Information on data sources, limitations, data quality etc.
    - – Further supporting narrative, contextual and historical information.
    - – Further information about UK taxonomy alignment.
    - – Information about benchmarking and performance.
    - The FCA also suggests that the Principal Adverse Impact (PAI) indicators under the SFDR regime could be a starting point for environmental metrics beyond climate, as well as for a set of minimum safeguards for social indicators.
  - (c) Entity level disclosures – This has not been fleshed out.
    - But the FCA notes how important such disclosures may be to clients/investors (retail and otherwise), both in terms of how firms

manage sustainability risks, opportunities and impacts, and more broadly, the impact firms are having on the environment (E) and society (S). *"It also enables existing clients and consumers to hold their providers to account."* See DP21/4 referred to above.
    - Helpfully, the FCA also says it will propose *"flexibilities that would allow firms to make disclosures at the level of consolidation which they consider would be most decision useful for clients and consumers. This approach also recognises that many firms are already making TCFD-aligned disclosure rules voluntarily at a group level."*
  - Also helpfully, the FCA has gone out of its way to ask for feedback on aspects of SFDR that may be useful to consider or build on, in constructing the stand-alone UK regime. It also wishes to take into account what disclosures firms/groups may prepare under the ISSB sustainability standards (i.e., corporate reporting).
- New product labelling and classification regime
- In its roadmap, the UK government has proposed for the FCA to develop a new product labelling and classification regime to make it easier for retail investors to consider and assess the various products available to them.
- Further detail has since been provided via a high level FCA discussion paper, but as with the SDRs, this regime remains subject to potentially much development following market engagement.
- The FCA notes that retail investors appear to be strongly influenced by what they consider objective and reliable product labels. It also considers that classifying and labelling investment products according to objective criteria, and using common terminology, could help to combat potential greenwashing and enhance trust.
- The FCA suggests two options: firstly, a regime that will only apply to products that make sustainability claims or are marketed as being sustainable; OR secondly, a regime that covers all investment products available to retail investors. For the second option, the FCA proposes five categories of product labelling:

Not Sustainable		Sustainable		
Not promoted as sustainable	*Responsible*	*Transitioning*	*Aligned*	*Impact*
	(may have some sustainable investments)	*(sustainable characteristics, themes or objectives; low allocation to Taxonomy – aligned sustainable activities)*	*(sustainable characteristics, themes or objectives; high allocation to Taxonomy – aligned sustainable activities)*	*(objectives of delivering positive environmental or social impact)*

- Importantly, the difference between 'Aligned' and 'Transitioning' is the portion of assets considered sustainable (based on the UK taxonomy or other criteria). That is, a product in the 'Transitioning' category would (at the time of the assessment) have a low allocation to sustainable activities, while 'Aligned' products would have a higher allocation, presumably above a specified threshold). On the other hand, this approach would recognise that investors can play an important role in facilitating the transition and avoid discouraging investment in economic activities and projects in the process of transitioning to a more sustainable profile.

- Entity level criteria may be added on top of product level criteria – i.e., to use a 'Sustainable' or 'Responsible' product label, the product provider must demonstrate key attributes such as: meeting existing governance, systems and controls requirements; identifying how ESG considerations are integrated into investment processes to minimise risks and take advantage of opportunities; stewardship; voting/ engagement etc.
- Timings:
  - 3 Nov 2021 FCA discussion paper published
  - 7 Jan 2022 Deadline for responses
  - Q2 2022 Proposed rules to be published for consultation
- At minimum, this will apply to retail products but beyond that the scope is unclear – e.g., it is unclear whether the products covered will just be asset and fund management products or if PRIIPs, retail investment products, or pension products may be in-scope too.
- There are two reference points for consideration.
  - First, the ambitions of the product – e.g., its objectives, strategies, how it is pursuing them etc.
  - Secondly, the proportion of its investments currently allocated to sustainable projects or activities (possibly with the UK taxonomy as a reference point).
- The FCA wishes for its labelling and classification system to use objective criteria and descriptive labels; e.g., referencing the proportion of sustainable investments, or the nature of the product's strategy. Conversely, they wish to avoid a value judgement as to whether a product is 'good' or 'bad'. E.g., they have not suggested 'medals' or 'traffic lights'. They also consider this may be more difficult to supervise.
  - They wish for the system to be built on and mappable against existing standards. It should be simple and intuitive to understand. It should also be verifiable – and the system as a whole capable of being supervised effectively.
  - Helpfully, the FCA notes the desire to be consistent/ compatible with the current market and existing initiatives, flexible enough to cope with market developments, and broad enough to reflect the range of products in the market, ideally using terminology already familiar to investors/the industry.
  - These points are well made and welcome, although it is open to question as to whether what has been proposed meets all these tests.
  - It is likely that there would need to be a baseline level of prescription in the criteria that must be met for a 'Responsible' or 'Sustainable' label – presumably something quantifiable, with measurable thresholds. Possibly there would be higher threshold entity level standard for 'Sustainable' products, relative to 'Responsible' products.
- Other points to note in relation to both the SDR and labelling
  - *Third party verification, audit etc* – To build trust and support a robust approach, the FCA wishes to explore whether there could be a role for independent third-party verification of product level disclosures.
  - *Advisory group* – The FCA has created the delightfully named DLAG or Disclosures and Labels Advisory Group, including industry experts, trade bodies

and consumer representatives, to provide the FCA with feedback, technical advice and constructive challenge. This is welcome.
  - *New UK overseas funds regime* – The FCA is considering how overseas funds marketed into the UK should be treated, including in respect of the new post Brexit UK overseas funds regime that will essentially allow EU UCITS to be sold/continue to be sold in the UK to retail.
  - *Derivatives and short selling* – With a nod to the debate within the EU on such matters, the FCA specifically requests feedback on derivatives and short selling issues – e.g., whether the use of derivatives in pursuing sustainability strategies should have a bearing on classification, as well as views on the use of short-selling strategies.
  - *Securities lending* – Similarly, the FCA invites feedback on this in the context of sustainable investing; e.g., whether certain requirements should apply and whether sustainability should be taken into consideration in stock lending criteria.
- Financial advisers to consider ESG when providing advice
  - HMT and the FCA are exploring *"how best to introduce sustainability-related requirements for financial advisors"*. The FCA in particular considers it appropriate to confirm that *"advisers should consider sustainability matters in their investment advice and ensure their advice is suitable and reflects consumer sustainability-related needs and preferences. We acknowledge that the EU has taken this approach in introducing suitability requirements for different types of financial market participants. However, these were not onshored in the UK prior to the UK's withdrawal from the EU."*
  - It appears this is the subject of ongoing consideration, with a detailed consultation and cost benefit analysis to be prepared.
  - Timings: Unclear.
  - ESG ratings provides In its roadmap, the UK government explains how important ESG ratings are to the investment process, and how much differentiation exists in methodologies and scores. On this, the FCA has previously noted: *"One recent study... calculated an average overall correlation of 0.54 across the six rating providers in their sample – much lower than the 0.98 correlation observed between the largest three credit rating agencies"*.
  - The UK government also have concerns as to data gaps and assumptions. They are therefore considering bringing such firms into the scope of FCA regulation.
  - Timings: Unclear, but further announcements due in 2022.
- Digitisation of reported information
  - In its roadmap, the UK government expresses concerns as to the demand for sustainability disclosures to be easily read and analysed electronically and acknowledges calls from the industry as to enhanced digitisation and storage of sustainability information to support machine readability.
  - *"The government and regulators are considering how to deliver an approach to digitisation of sustainability data that builds on the UK's existing digital infrastructure for reporting.*
  - *This includes assessing the value of a centralised register for ESG data."*18
  - Timings: Unclear.
- Digitisation of reported information

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- *"The government and regulators are considering how to deliver an approach to digitisation of sustainability data that builds on the UK's existing digital infrastructure for reporting.*
- *This includes assessing the value of a centralised register for ESG data."*18
- Timings: Unclear.

- Asset managers and owners
    - In its roadmap, the UK government outlines how important stewardship is as "supporting a market-led transition to a more sustainable future."19 It wants asset managers and owners to actively monitor, encourage, and challenge investee companies, promoting long-term, sustainable value generation. It wants them to take account of the information generated by the UK's SDR regime when "allocating capital" and sign up to the revamped UK Stewardship Code. It wants them to show leadership; e.g., by joining net zero initiatives and publishing a high-quality transition plan by the end of 2022, including near-term science-based targets and a clear pathway for their organisations to become "net zero".
    - ***The government says it will assess progress on these matters at the end of 2023, with the suggestion that further regulatory initiatives will be considered if insufficient progress has been made.***
    - In fact, it seems almost certain that the results of this assessment will be mixed, especially given the limited take up of the Stewardship Code – such that more initiatives will be forthcoming.
- UK taxonomy
    - The UK government has clarified its position on this, promising to deliver a UK taxonomy, *"ensuring it has been road-tested in the market as a useful investment tool"*.
    - This will be based on the EU Taxonomy Regulation and will be intended to create a shared understanding as to what economic activities are "green" vs what are not for UK purposes.
    - As regards sequencing: *"Disclosure requirements for corporates will come into force prior to those for investment products, enabling the former to feed into the latter."* This will avoid some of the incredibly difficult timing issues asset managers have faced in the EU, with the roll out of the EU's Taxonomy Regulation.
    - Relevant firms will have to make disclosures against the taxonomy. This will be introduced via the new UK SDRs (see further detail below), presumably via new FCA rules – and will involve corporate or entity level disclosures. For firms with relevant products, product level disclosures will also be required.
    - Timing:
        - Q1 2022 First consultation on draft technical screening criteria (TSC) for climate change mitigation and climate change adaption objectives, which will be introduced via statutory instruments
        - Q2 2022 FCA will consult on initial SDR rules
        - By end 2022 Final rules on initial policy proposals

  - Q1 2023 Consultation on expansion of climate TSCs and standards for remaining four environmental objectives
- As part of its Brexit work, the UK onshored aspects of the EU Taxonomy Regulation, but not the parts that said what firms actually had to do or by when. This gap has now been addressed.
  - The initiative has involved the creation of a Green Technical Advisory Group (GTAG), to provide the UK government with independent advice. It is made up of financial and business stakeholders, taxonomy and data experts, and subject matter experts. One strand of its work will involve considering international interoperability (including the potential for equivalence). Interestingly, it will also explore avenues for influencing international taxonomy development in a "race to the top" and "*analyse the implications of and remedies for risks of international fragmentation*".
  - The TSCs will be the subject of consultation and be introduced via statutory instruments. Criteria for the climate change mitigation and adaptation objectives will be based on the EU taxonomy – these are currently under review, with a consultation in Q1 2022. Legislation is expected by the end of 2022.
  - Under the UK SDRs, certain companies will be required to disclose the percentage of their capital expenditure, operational expenditure and turnover that relates to taxonomy-aligned activities. Relevant product providers will have to disclose the extent to which relevant products are taxonomy-aligned.
  - Taxonomy-alignment will focus on reported data, rather than projections.
  - The UK government has said it plans to focus on delivering the UK taxonomy and ensuring that it has been road-tested by the market before changes or an expansion in scope is considered – e.g., identifying activities which cause significant harm, or adding further transitional activities. This is welcome.
  - An Energy Working Group (EWG) has been established, alongside the GTAG, to advise the UK government on key energy issues such as hydrogen, carbon capture, utilisation and storage, and nuclear.

4. FCA climate adaptation report

- The FCA has issued a Climate Change Adaptation Report.
- This is an impressive, wide ranging and insightful report as to how the FCA and the firms it regulates are adapting to climate change, and what the FCA is planning in terms of further work and initiatives in the short to medium term. It also:
  - summarises the FCA's climate change and ESG strategy;
  - provides a timeline of its proposed major ESG publications for the next c.9 months
  - summarises what the FCA considers to be the main climate-related risks to which financial services firms are exposed;
  - summarises how it considers firms to be addressing adapting to climate-related risks and opportunities; and

  - discusses the role of capital mobilisation in financing climate change adaptation/mitigation
- The report includes interesting observations off the back of consumer testing, as well as observations on "Climate risk management & the role of derivatives". The FCA also notes it *"will continue to engage with issuers, advisors and investors to better understand whether the current framework for ESG bonds supports the work led by the Treasury on funding the transition to net zero"*.
- Regulatory objectives
  - The FCA is clear on the ESG outcomes it wants to achieve the points on governance, market pricing and ESG ratings below are noted in particular:

    – high-quality climate- and sustainability-related disclosures to support accurate market pricing, helping consumers choose sustainable investments and drive fair value;
    – promote trust and protect consumers from misleading marketing and disclosure around ESG-related products;
    – regulated firms have governance arrangements for more complete and careful consideration of material ESG risks and opportunities;
    – active investor stewardship that positively influences companies' sustainability strategies, supporting a market-led transition to a more sustainable future;
    – promote integrity in the market for ESG-labelled securities, supported by the growth of effective service providers – including providers of ESG data, ratings, assurance and verification services; and
    – innovation in sustainable finance, making use of technology to bring about change and overcome industry-wide challenges.
  - What will the FCA look at re individual firms; *The FCA has foreshadowed what it will look at using its regulatory and supervisory tools to*:
    – oversee how firms design/deliver/disclose on ESG products – e.g., to challenge firms on how well the ESG characteristics of products align with their ESG claims and meet client needs/preferences (in other words, greenwashing risk);
    – oversee compliance with the new TCFD based disclosure regime – in particular, to help build confidence in the markets for ESG/sustainable products;
    – engage with firms to assess the extent to which they are effectively managing the risks and opportunities from climate change, and integrating these considerations within their culture and governance frameworks; and
    – engage with firms to assess the extent to which they are supporting the transition to a net zero economy
    – and where firms have set climate related targets or made net zero commitments, to consider their delivery plans to achieve them.
  - Three further practical points we would draw out from its report:
    – *"Our main focus will be on larger firms in the sectors where there are more likely to be climate-related risks, such as asset management and insurance, and on firms that particularly hold themselves out as 'green'."*

  - *"We are considering new areas of focus for future policy work, including promoting well-designed, well governed, credible and effective transition plans that consider the Government's net zero commitments."*
  - *"We have begun integrating net zero across our other functions, including Supervision and Authorisations.*
  - *This may include setting net zero expectations at the Authorisations gateway and incorporating net zero themes and questions into our supervisory assessments.*
- Although not a consultation, the FCA states that it welcomes feedback.

- Other points firms may wish to note:
  - ESG is now a formal priority for the FCA – e.g., the UK government has asked the FCA to have regard to its net zero commitment when discharging its functions.
    - The FCA has (in its latest business plan) noted ESG as a priority across the markets it regulates.
    - The CEO has committed it to taking a "lead policymaking role" on climate change, issues of sustainability and good governance, publicly emphasising its role in facilitating the transition to net zero.
    - ESG is also now an FCA Board priority and the FCA has appointed a Director of ESG to drive its ESG agenda forward.
  - The FCA has issued a specific ESG strategy.26
    - This will include developing a policy approach to ESG governance, remuneration, incentives and training/certification in regulated firms.
    - Target milestone: Begin stakeholder engagement in Q2 2022.
  - The FCA will begin to issue its own TCFD report – with the first due in the summer of 2022.
  - The FCA has a focus on "***Greentech***" and "***RegTech***", conducting various initiatives in this regard, including a "***Sustainability TechSprint***" in 2021 and a Green Fintech Challenge.
    - The Green Fintech Challenge is being run to support the development and live market testing of new products and services that will aid the transition to a net zero economy.
    - The FCA is especially welcoming application from firms developing innovative green solutions that require regulatory support to bring their proposition to market, especially as regards innovations in the area of ESG data and disclosure.28 The FCA has also hosted two international regulatory roundtable sessions on ***GreenTech***, with 59 regulators from 36 jurisdictions discussing challenges and coming up with an innovation 'Wishlist'.
  - Finally, the next cohort of the FCA Digital Sandbox Pilot will focus on sustainability and climate change, and it has begun work with the City of London Corporation and industry to help develop solutions to ESG data and disclosures issues via a digital testing environment.
- It remains early days for a number of the UK initiatives described above. *For firms with a pan European presence, relevant implementation work in relation to SFDR and the EU taxonomy will continue, but firms may otherwise wish to consider the following actions*:

Task	Context

Get organised	In various comments throughout its recent papers, the FCA has emphasised points around governance. In our view, it is looking to see that firms have organised themselves prudently, with sensible governance arrangements to deal with the impact of climate change on a firm's organisation, together with other ESG risks and opportunities. In our view, it is going to become increasingly important to ensure firms take a 360-degree approach – i.e. integrating climate change and ESG into all relevant functions within the firm, from product development to reporting to IT and to risk management.
Skills	In its recent papers, the FCA acknowledges that it is having to "skill up" on climate change and ESG – and in our view, it will recognise the same for most firms, as they need to develop the skills internally to identify, manage and report on climate change and ESG related matters.
Ensure you are aware of relevant regulatory priorities	The FCA papers referred to above include an excellent snapshot of the way they are looking at climate change and ESG, and what they will focus on in their regulatory work with firms – including day to day supervisory work. Firms may wish to ensure they understand this and are managing any new or emerging regulatory issues.
Plug into what the industry is doing	Trade bodies are doing a lot of work to get ahead of the regulatory developments discussed in this bulletin, as well as helping firms understand and adapt to the new world. Where you can, we recommend you get involved in this work and leverage it for your internal teams and projects – also to understand emerging best practice and industry views on interpretation issues.
Training	Focus on staff awareness building and training – some of this will likely need to be built over time. But in areas such as product development, this should reflect the current views and expectations of regulators – e.g., on greenwashing.
Regulatory developments	We expect the proposals set out in this paper to develop rapidly from this point – as a final but obvious point, we therefore recommend your internal team stay on top of regulatory developments and understand the "direction of travel".

Wholesale financial markets

This section contains 12 initiatives. They are aimed at improving the use of data and reducing the burden on firms whilst maintaining the highest standards of regulation and market efficiency, both with the ultimate aim of promoting competition.

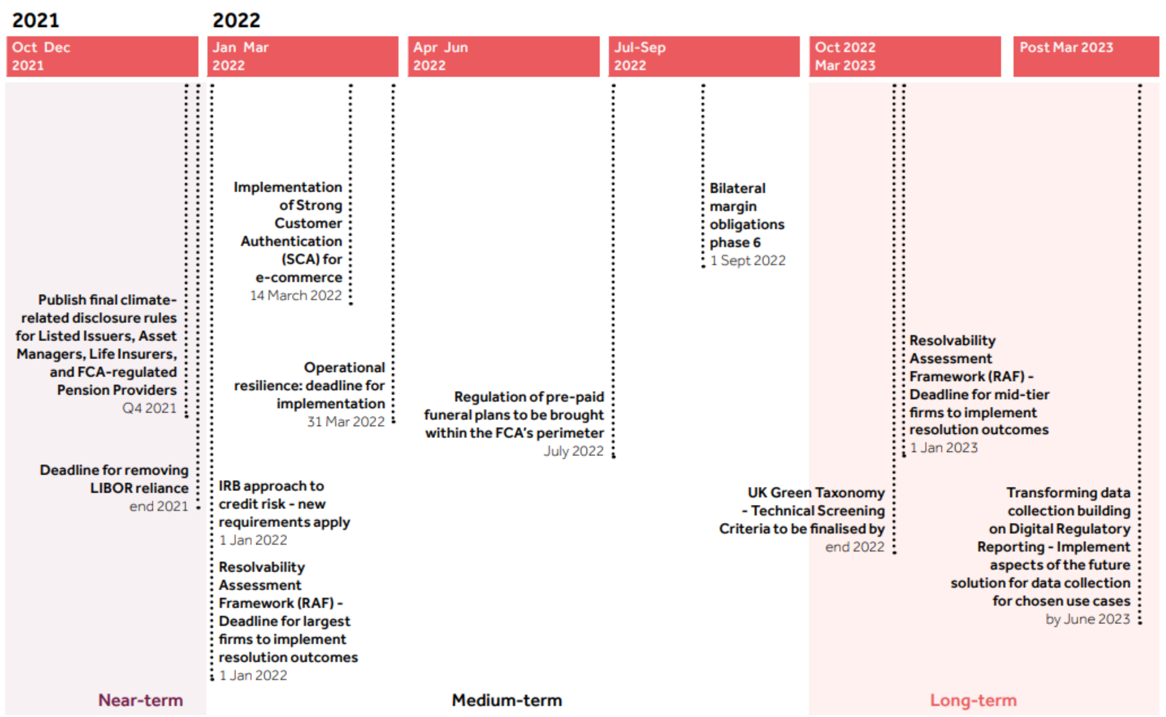
Six of the initiatives in this Grid are new. This includes work to achieve the Chancellor's vision for financial services and wider Government priorities, such as changes to onshored EU legislation, the review of the UK Securitisation Regulation and work to introduce the FMI Sandbox. The FCA has also included proposals to require greater transparency on the diversity of public company boards. Note that there are also diversity and inclusion initiatives in the multi-sector and pensions sections of the Grid.

One initiative has been completed since the May 2021 Grid: amendments to the Market Abuse Regime (MAR) were introduced in the Financial Services Act 2021 and came into force 29 June 2021.

Lead	Initiative	Expected key milestones	Indicative impact on firms	Oct Dec 2021	Jan Mar 2022	Apr Jun 2022	Jul Sep 2022	Oct2022 Mar2023	Post-Mar 2023	Consumer interest	Timing updated	New
BoE	**Changes to the EMIR Derivatives Clearing Obligation** The BoE is modifying the scope of contracts which are subject to the derivatives clearing obligation to reflect the ongoing reforms to interest rate benchmarks, including Libor.	End-November 2021: Policy statement 6 December 2021: changes to JPY Libor implemented 15 December 2021: changes to GBP IRS implemented H1 2022: BoE will consult on changes to the USD IRS clearing obligation.	L			E						●
FCA	**Primary Markets Effectiveness - UK Listings Review response** The FCA has bought forward consultation and discussion items on reforms to improve the effectiveness of UK primary markets, which follows FCA policy review work and responds to Lord Hill's final UK Listings Review Report and recommendations published on 3 March 2021. Joint objective initiatives: **Primary Markets Reform - UK Listings Review response ➤**	Consultation Paper on special purpose acquisition companies (SPACs) - published 30 April 2021 (CP21/10), closed 28 May 2021. Policy Statement on SPACs - published 27 July 2021 (PS21/10). Consultation Paper on further Listing Rule changes- published 6 July 2021 (CP21/21), closed 14 September 2021. Policy Statement on Listing Rules changes - October-December 2021. Further engagement into 2022.	L									
FCA	**Scope of UK MiFIR Derivatives Trading Obligation** We consulted on proposed changes to the scope of the UK MiFIR derivatives trading obligation (DTO) in July 2021 as UK liquidity has changed since the last review was carried out in 2017 by ESMA, particularly in light of Brexit and the LIBOR transition. We plan on publishing a statement with our final changes in early Q4.	Consultation paper: published July 2021, consultation period closed 25 August 2021. Next steps TBC.	L							●		
FCA	**Accessing and using wholesale data** Assessment of the use and value of data in wholesale financial markets, focusing on changes to business models, competitive dynamics, and how financial markets function.	Q4 2021: Publish Feedback Statement.	L								●	
FCA	**Diversity and inclusion on public company boards and executive committees** We are consulting on proposals to require greater transparency on the diversity of public company boards and executive management teams, including comply or explain targets on gender and ethnic diversity and standardised data to be disclosed on an annual basis. Associated initiatives: **Future of Trusteeship: Diversity and Inclusion Working Group ➤** **Diversity in Financial Services ➤**	Consultation Paper published 28 July 2021 Policy Statement likely in early 2022.	L							●		●
HMT	**HMT consultation on power to block listings on national security grounds** This initial consultation asks for views on the scope of a proposed new targeted power to allow the Government to block a company's listings, if a listing presents a risk to national security. This power will reinforce that reputation and help us maintain the UK's status as a world-class destination for listings.	This consultation closed on 27 August 2021. The government will respond in due course.	L									●

Lead	Initiative	Expected key milestones	Indicative impact on firms	Oct Dec 2021	Jan Mar 2022	Apr Jun 2022	Jul Sep 2022	Oct 2022 Mar 2023	Post-Mar 2023	Consumer interest	Timing updated	New
HMT	**Review of the Securitisation Regulation** HMT is legally obliged to review the Securitisation Regulation and lay a report before Parliament by 1 January 2022. To support this review, HMT has published a Call for Evidence to gather views on what is and isn't working in the Securitisation Regulation.	Call for evidence closed 2nd September. Report to be laid in Parliament by 1 January 2022.	L	E								●
HMT	**Primary Markets Reform - UK Listings Review response** Consulting on changes to the UK prospectus regime, and establishing a group to consider what more can be done to improve the efficiency of further capital raising by listed companies. This is in response to the recommendations of Lord Hill's Listing Review. This initiative relates to the separate FCA initiative on primary markets effectiveness. Joint objective initiatives: **Primary Markets Effectiveness - UK Listings Review response ➤**	The consultation on the UK prospectus regime was published in July 2021 (closed in September). The government will respond in due course. The Secondary Capital Raising Review was established on 12 October 2021 and will report in Spring 2022.	L								●	
FCA/ HMT	**UK MiFID conduct and organisational rules** Changes to rules governing research and data to support best execution	Policy statement: Q4 2021	L									●
FCA/ HMT	**Wholesale Market Review** Consulting on amendments to our regulatory regime that are aimed at reducing costs and burdens for firms while maintaining the highest standards of regulation and market efficiency.	FCA consultation on changes to UK MiFID conduct and organisational requirements published April 2021 and Policy Statement 2021 Q4. HMT consultation on Wholesale Markets Reform published July 2021 (closed in September). The government will respond in due course. Follow up FCA consultations published Q1 and Q2 2022 on changes that require amendments to FCA Handbook or Regulatory Technical Standards.	H								●	
BoE/ FCA/ HMT	**FMI Sandbox** The Financial Market Infrastructure (FMI) sandbox will support firms which want to use new technology, such as distributed ledger technology, to provide infrastructure services in financial markets. It will enable a more flexible and tailored approach to meeting requirements in current legislation, whilst appropriately balancing any risks to financial stability, market integrity and consumer protection. HM Treasury will work together with the Bank of England and the FCA to deliver this.	The government will provide further information in due course.	L									●
BoE/ FCA/ HMT	**EMIR REFIT** Complete the implementation of the European Market Infrastructure Regulation (REFIT) to improve trade repository data and ensure that firms are able to access clearing services on fair and reasonable terms. We plan to consult on changes to UK EMIR to harmonise the derivative reporting requirements with international derivative reporting standards.	Q4 2021: Consultation paper of requirements for Trade Repositories and review of the UK EMIR reporting standards. Policy Statement Summer 2022.	L	E							●	

The key initiatives in the regulatory landscape



LiBOR Transition

[Working group on euro risk-free rates - 2 March 2022 minutes](https://www.esma.europa.eu/document/working-group-euro-risk-free-rates-2-march-2022-minutes)

https://www.esma.europa.eu/document/working-group-euro-risk-free-rates-2-march-2022-minutes

- Open discussion on observations from end 2021 transitions events: lessons learnt for future cessation
    - Mr von Moltke initiated a discussion with members on observations from the end of 2021 transition and cessation events, explaining that the expected outcome of this discussion would be to document any lessons learnt for broader publication in order to help with the transition from USD LIBOR. Mrs Kam Hessling (LMA) shared her thoughts and experience from the point of view of the loan market. She explained that the clear milestones and frequent communications set by the Working Group on Sterling RiskFree Reference Rates proved very helpful as they kept market participants focused on active transition, providing them with accurate considerations on robust contractual arrangements, possibility of fallbacks and put a strong emphasis on the preparedness without waiting for dedicated legislation to address tough legacy issues. Mrs Hessling also emphasized the important role of having such milestones ready and published as early as possible to actively reduce the share of tough legacy contracts. She flagged the important role of education and information towards market participants, highlighting the value of public institutions' support.

- Other members of the WG echoed the considerations by Mrs Hessling, highlighting the important role played by the UK FCA and the Bank of England in providing consistent messages to market participants. One member explained that the work conducted by working groups in different jurisdictions proved very useful, flagging however that agreeing on rate conventions and market standards proved to be a very long and burdensome process that should be accelerated.
- Mr von Moltke agreed with the arguments put forward, and further expressed the need for dedicated project teams dealing with the benchmarks transition within banks to keep their focus and momentum. This is needed because the transition away from USD LIBOR will prove to be a very important market event and require significant effort by every involved stakeholder in order to ensure a smooth and successful transition.

- 3. Update and discussion on the next steps of the final 2022/2023 Book of Work
  - Mr von Moltke recalled that the 2022/2023 Book of Work was circulated amongst members in the previous weeks for fatal flaw review and received no opposition. Mr von Moltke handed over to Mrs Iliana Lani (ESMA) for her to update members on the renewed call for expressions of interest toward administrators developing €STR-based forward-looking term structure as a fallback in EURIBOR-linked contracts. EMMI staff and Dominique Le Masson (BNP Paribas – member of EMMI's Steering Committee) recused themselves for this item.
  - Mrs Lani recalled the background, and the publication in July 2019 of a previous Call for expressions of interest that culminated with presentations by two administrators to the WG members in February 2021. Mrs Lani further explained that – in line with the Recommendation on EURIBOR fallback trigger events and €STR-based EURIBOR fallback rates published in May 2021 and with the 2022 Book of Work, which includes an assessment of the availability of EURIBOR fallback rates to be published by one or more administrators – the WG will now launch a new call for expressions of interest to administrator in order to fulfil the above-mentioned deliverable of the Book of Work. This will allow the WG to take stock of any development related to EURIBOR fallback rates that might have arisen since February 2021.
  - Mrs Lani explained that the call for expressions of interest would be published on ESMA's website and that each interested administrator will be invited – separately – to present its project, including the process made over recent months, at the next WG meeting to be held on June 17th 2022. For transparency reasons, all of the presentations given by interested administrators will be published and therefore should not contain any commercially sensitive information.
  - One member asked whether the ultimate goal of the call for interest would be for the WG to identify and recommend a preferred fallback rate amongst those available. Mrs Lani clarified that the intention is not to identify and recommend a specific fallback rate, which is a decision to be taken by market participants; the purpose of the call for interest is instead to monitor market developments and progress on availability €STRbased EURIBOR fallback rates.
  - Mr von Moltke then handed over to Mr Alex Wilson for him to update members on the newly created €STR Task Force.
  - Mr Wilson explained that – in line with the mandate of the WG and in accordance with the objectives of the recently approved Book of Work – the WG should aim to foster the use of €STR in a diverse range of financial products. Mr Wilson further explained that building on feedback received from members and on discussions held during previous meetings, it had been agreed to set-up a dedicated sub-group to identify which financial products should be prioritised and propose actions that could be taken by the WG, with seven members having expressed interest to join the Task Force so far. Mr Wilson asked members whether they had views on how to order the topics, and on the format of deliverables i.e. formal recommendations, practical tips or others, to present back to the EUR RFR WG.

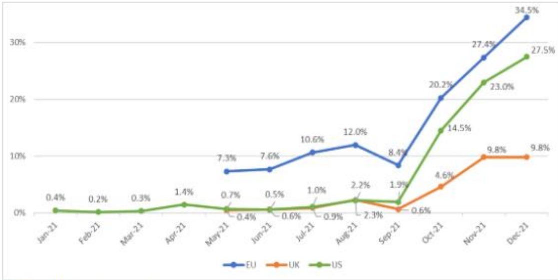
- A member flagged that the Task-Force's name should be appropriate to avoid misunderstanding on the purpose of the Task-Force, noting that the previous proposal of "€STR prioritisation Task-Force" would be misleading, to which Mr Wilson answered that this would be put up for discussion during the kick-off meeting of the Task-Force, which took place on March 15th, flagging that members interested to join that had not yet shared their interest can still do so and engage with ESMA Secretariat or with the Chair's Office.

- 4. Update on the Working Group Terms of Reference
  - Mr von Moltke handed over to Iliana Lani to present the amendments made to the Working Group's Terms of Reference. Mrs Lani recalled that a carved-out version – taking off the previous proposed changes under the governance section – was approved at the last WG meeting, and that the new draft version – circulated to members before the meeting and presented today for adoption – would account for the departure of both Generali as a member and FSMA as an observer, also proposing changes to the Governance Section in order to clarify and facilitate the decision-making process.
  - Two members voiced concerns and asked for confirmation that votes during plenary meeting sessions would remain the norm, also asking whether it would be possible to clarify within the Terms of Reference under which circumstances written procedures could be launched. Mr von Moltke and Mrs Lani explained that it would not be feasible to anticipate every development that could require a written procedure, also flagging that important and urgent matters could arise between meetings. One member shared his concerns about the abstentions being counted as votes in favour. Mr von Moltke answered that the proposed amendment would not prevent any member to share views by means of written procedure. He clarified that, should a written procedure be launched, the Secretariat and Chair's Office will give due consideration to the related deadline so as to ensure that every member would not be prevented from voting.
  - Mr von Moltke then asked whether any member objected to the adoption of the new Terms of Reference. Since no objection was voiced, the Terms of Reference were adopted.
- 5. Update on the PwC – DG Competition IBOR Fallbacks survey
  - Mr von Moltke handed over to Mrs Iliana Lani to recall the context of the survey and steps taken by ESMA Secretariat and Chair's Office to handle the request. Mrs Lani explained to members that the consulting firm PwC, acting on behalf of the European Commission's DG Competition, engaged with Chair's Office and Secretariat to gather input from the WG in response to a survey aiming at understanding how the WG had considered EU competition law in the process of designing and implementing fallbacks. Mrs Lani recalled that the WG has developed recommendations under its previous mandate for both EURIBOR and EONIA, and that ESMA Secretariat and Chair's Office were liaising with previous Secretariat & Chair's Office to ensure completeness and consistency in the context of the survey.
  - Mrs Lani explained that the final response made on behalf of the WG will be shared with members for transparency but not published.
- 6. Update by the European Commission on the possible GBP & JPY LIBORs designation
  - Mr von Moltke handed over to Mr Rik Hansen (European Commission, EC) for him to provide the latest update on the EC's proposed way forward with regards to a possible designation of a statutory replacement rate for both GBP & JPY LIBORs. Mr von Moltke recalled the previous steps taken by the WG in order to support the EC's decision-making process, including specific consultations and data collection exercises.
  - Mr Hansen explained that, in spite of the various data collection exercises arranged within the WG or the Expert Group of the European Securities Committee (EGESC), developing a clear and comprehensive picture of the market's exposures to GBP & JPY LIBORs proved difficult. He also flagged the need for the EC to assess compatibility

between the synthetic rate established by the FCA in the United Kingdom and any solution that could be established by the EC. Mr Hansen told members that the EC was still working on developing a complete and exhaustive picture on the usages of these rates and still considering the pros & cons of a potential statutory replacement rate designation, also considering the need for legal certainty.
  - Therefore, Mr Hansen explained that the EC would not go ahead with an urgent designation but will keep monitoring the market developments and considering possible options forward. Mr von Moltke thanked Mr Hansen for the details he provided, acknowledging that this was a clear and understandable decision, and thanked members that have provided their views and contributed to the data collection exercises. One member asked whether a public consultation would still be held, to which Mr Hansen answered that since the designation process would for now remain on hold, there will be no immediate public consultation foreseen. Another member asked if the EC had considered the technical challenges around a potential designation (i.e. designation of a "screen rate" or by means of formulaic approach), to which Mr Hansen answered that the EC had so far rather focused on the need for intervention rather than on the technical issues.
- 7. Presentation by ISDA on the market transition to RFR/€STR
  - Mr von Moltke handed over to ISDA staff to present a variety of datasets aiming at providing members with the latest trends regarding the use and adoption of €STR, also with reference to the dynamics related to the other currency RFRs. Mr Rick Sandilands briefly introduced the work of ISDA and handed over to Mrs Olga Roman, Head of Research at ISDA, who walked members through the presentation and provided an analysis of euro-denominated interest rate derivatives (IRD) by underlying reference rates.
  - Mrs Roman explained that ISDA had analysed three data sets of euro denominated IRD: transactions reported in the EU, transactions reported in the UK, and transactions reported in the US. All data sets include both cleared and non-cleared transactions.
    - She explained that in the EU, the percentage of trading activity in €STR had reached 34.5% of total euro-denominated IRD traded notional in December 2021 compared to 7.3% in May 2021.
    - In the UK, €STR-linked traded notional increased to 9.8% in December 2021 from 0.4% in May 2021.
    - In the US, the percentage of trading activity in €STR increased to 27.5% of total euro-denominated IRD traded notional in December 2021, compared to 0.4% in January 2021.
  - Mr von Moltke thanked ISDA staff for the presentation, highlighting the encouraging signals of €STR adoption. One member asked whether ISDA would be able to provide more granular data, including the maturities of the IRD. Mrs Roman explained that these data were not included in the dataset in the context of this presentation, but that there had been a trend towards longer maturities in the US market, also mentioning that ISDA will consider including related metrics in next datasets, should the need be confirmed (ISDA presentation is provided in the Annex, updated to include the additional information requested by members during the meeting).

€STR Traded Notional as % of EUR-denominated IRD Traded Notional by Region

- ISDA has conducted the analysis of euro-denominated IRD by underlying reference rates to show the adoption of €STR in different regions .
- ISDA has analyzed three data sets of euro-denominated IRD: transactions reported in the EU, transactions reported in the UK, and transactions reported in the US. All data sets include both cleared and non-cleared transactions.
- In the EU, the percentage of trading activity in €STR reached 34.5% of total euro - denominated IRD traded notional in December 2021 compared to 7.3% in May 2021.
- In the UK, €STR-linked traded notional increased to 9.8% in December 2021 from 0.4% in May 2021.
- In the US, the percentage of trading activity in €STR increased to 27.5% of total euro - denominated IRD traded notional in December 2021 compared to 0.4% in January 2021.
- The percentage of €STR-linked transactions with longer tenors increased.



Source: DTCC SDR, European APAs and TVs
EU and UK data is available only starting in May 2021

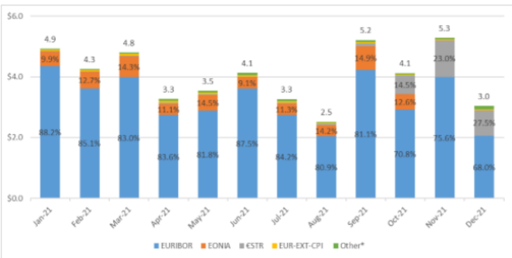
Euro-denominated IRD Transactions Reported in the EU Traded Notional (US$ trillions)

*Other includes EURIBOR/€STR, EURIBOR/EONIA and other underlying reference rates
Source: European APAs and TVs

Euro-denominated IRD Transactions Reported in the UK Traded Notional (US$ trillions)

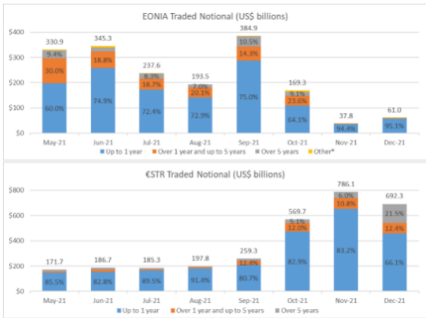
*Other includes EURIBOR/EONIA and other underlying reference rates
Source: European APAs and TVs

Euro-denominated IRD Transactions Reported in the US Traded Notional (US$ trillions)



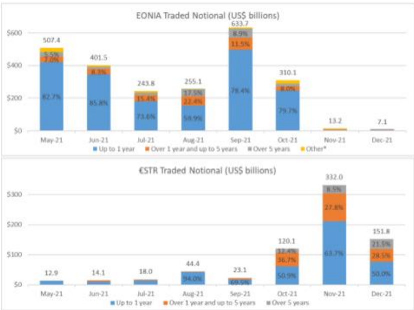
*Other includes EURIBOR/€STR, EURIBOR/EONIA, EURIBOR/EUR-EXT-CPI and other underlying reference rates
Source: DTCC SDR

EONIA and €STR Traded Notional Reported in the EU by Tenors



*Other includes transactions that don't have terms specified in the database
Source: European APAs and TVs

EONIA and €STR Traded Notional Reported in the UK by Tenors



*Other includes transactions that don't have terms specified in the database
Source: European APAs and TVs

EONIA and €STR Traded Notional Reported in the US by Tenors

Source: DTCC SDR

Trades executed on MTFs and OTFs between EU and US counterparties may be disseminated to the public twice. Since EU and US reporting rules have not been determined equivalent, trades executed on MTFs and OTFs are viewed as off -facility transactions for US real-time reporting purposes and are subject to the CFTC reporting rules. At the same time, MTFs and OTFs have an obligation to send trade details for public dissemination. Therefore, these trades may be double counted in European and US combined trading activity analysis.

- 8. AOB: Exchange of view on ARRC recommendation on transitioning Credit Support Annexes (CSAs) to SOFR
  - Mr von Moltke handed over to Stephanie Broks (ING) to introduce the topic. Mrs Broks explained that the Alternative Reference Rates Committee (ARRC) had made a suggestion to transition CSAs from FedFunds to SOFR – in spite of the fact that FedFunds will not cease – so as to ensure alignment between cleared and bilateral derivatives that will move from USD LIBOR to SOFR. Mrs Broks further explained that ING would see a case for such a transition and asked members if they would share this view.
  - One member agreed that he had witnessed more and more funding channelled towards SOFR, acknowledging a pick-up in this activity but flagged that on the other hand, its institution would still be keeping FedFunds as its main cash valuation floating rate for various reasons, such as the early behaviour of SOFR markets and because the unsecured money market is not the repo market, making the case that he would not see it that obvious that all the funding should be channelled towards SOFR already.
- 9. AOB
  - Mr von Moltke handed over to Mr Rick Sandilands (ISDA) who recalled that from 25th of March onwards, ISDA will not be amending anymore the 2006 IRD definitions, therefore encouraging all market participants to ensure a smooth and successful transition towards the new 2021 definitions adopted last year, which are already used on a widespread basis.

LIBOR Transition; Market update: March 1-31, 2022; 455 days to June 30, 2023

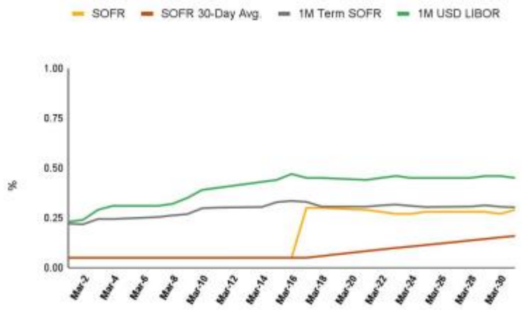
1 – Highlights - The (USD) LIBOR Act - Rising interest rates - ISDA's Benchmark Strategies Forum

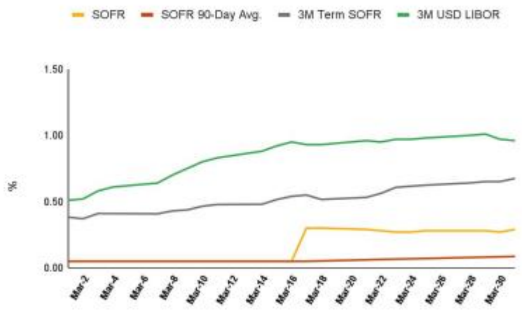
- The (USD) LIBOR Act; *President Biden signed into law the Adjustable Interest Rate (LIBOR) Act, which was passed by Congress as part of a broader omnibus spending package last week. The legislation — modelled after bills previously enacted in the states of New York, Florida and Alabama — facilitates the transition of USD LIBOR-based legacy contracts that lack adequate provisions to address USD LIBOR's permanent cessation.*
  - Upon their cessation (previously announced to be after June 30, 2023), references to 1-, 3-, 6- and 12-month USD LIBOR would be replaced by a reference rate based on spread-adjusted SOFR, the recommended alternative to USD LIBOR. The legislation also provides a safe harbour for the selection of SOFR-based rates in contracts that give the issuer, or agent, the discretion to select a replacement rate.
  - The Alternative Reference Rates Committee (ARRC), a private sector group sponsored by the Fed and charged with guiding the transition away from LIBOR, welcomed the passing of the legislation. The Bank Policy Institute, Structured Finance Association, and Securities Industry and Financial Markets Association released similar statements, having previously voiced their support for a legislative solution for so-called "tough legacy" contracts that cannot readily be remediated. In the absence of provisions to

address LIBOR's cessation, such agreements could pose legal uncertainty and litigation risks. The bill's original sponsor, [Brad Sherman (D-CA), noted that the "legislation provides a structural bridge,] removing uncertainty and reducing systematic disruption in the markets."

- The legislation requires the Fed to put into place corresponding regulations to designate SOFR-based replacement rates and conventions within 180 days of becoming law and supersedes the various state bills in place today.
- While largely employing the same mechanism, the federal legislation differs slightly from those enacted at the state level. It also amends the Trust Indenture Act of 1939 to clarify the impact of a change in reference rate in indenture securities, as well as the Higher Education Act of 1965, to address the reliance on USD LIBOR related to special allowance payments made to lenders of student loans under the Federal Family Education Loan Program.
- **The passing of federal legislation to address tough legacy contracts represents a major milestone in the transition away from LIBOR.** Over the past years, we have witnessed efforts across all asset classes to prepare for LIBOR's cessation. ISDA's IBOR fallbacks protocol, implemented last year, serves as a basis for the transition path for a large majority of LIBOR-based derivatives.
- The incorporation of improved fallback language in LIBOR-based loan agreements, amendments to Regulation Z to facilitate the transition of many consumer products and the shift from LIBOR to SOFR for adjustable-rate mortgages have provided certainty for a wide range of lending products. Lastly, the ongoing renegotiation of existing LIBOR-based contracts, where possible, and the shift from USD LIBOR to alternative reference rates for the issuance of new products have reduced overall LIBOR exposures.
- In the end, the legislative solution might only apply to a small subset of existing exposures. However, given the widespread use of USD LIBOR, that subset may well amount to several trillion dollars' worth of contracts. The LIBOR Act should not put an end to market participants' efforts to proactively remediate exposures prior to LIBOR's cessation — especially considering that many institutions will prefer to retain control over economic outcomes as contracts are transitioned.
- Having legislation in place might actually accelerate these efforts as certainty over the replacement rate and applicable spread adjustment can serve as a starting point for negotiations between parties.
- There are also additional costs associated with continuing to operate in a LIBOR environment. With regulatory guidance effectively prohibiting the use of USD LIBOR in new contracts, any use of LIBOR instruments today is restricted to risk management of existing positions. As liquidity continues to shift into alternative reference rates, hedging of LIBOR loans can be expected to become increasingly costly. Market participants with significant LIBOR exposures should think twice about relying on either fallbacks or the legislative solution as a means to transition a large number of contracts at the same time.
- As GBP, JPY, EUR and CHF LIBOR tenors were discontinued or became non-representative at the end of 2021, many market participants had to employ manual workarounds to transition legacy contracts at year-end or on subsequent reset dates. With USD LIBOR exposures an order of magnitude larger, widespread reliance on manual processes would carry significant operational risks this time around.
- Institutions should ensure that they have a clear picture of their covered agreements. Given the pervasive use of USD LIBOR in financial transactions, there are bound to remain exposures in contracts and securities that may not be covered by US law — and which would require an alternative solution. Going forward, they should continue to monitor legislation at the state level as legislators may look to address impacts of certain state-specific tax regulations on contracts impacted by a change in reference rates.

- Rising interest rates *The Fed's raising of the target range for the federal funds rate signals that we are slowly leaving the low-rate interest rate environment that has persisted for several years now.*
    - The charts below track the movements of SOFR and USD LIBOR over the month of March, showing the gradual increase in rates anticipating and following the Fed's announcement. Rates are shown for the actual day of publication, i.e., the 30-day SOFR average for March 15 is based on the daily SOFR rates over the preceding 30 days.



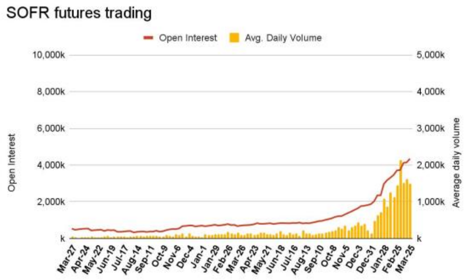


- Considering what each of the different rates represents, everything is arguably behaving as expected. SOFR itself, as a daily in-arrears rate, will respond as the market experiences changes in costs of funding. Backward-looking SOFR averages will also
- respond over time, gradually reflecting the rate increase in the days following the Fed's announcement on March 15.
- In contrast, both LIBOR and Term SOFR are forward-looking rates, which appear to have concurrently anticipated the rate increases. The somewhat more pronounced increase in LIBOR can be traced back to its term credit component. The magnitude of Term SOFR's increase was somewhat softened, as it reflects a compounded overnight rate.
- There are inherent differences in the timing of individual rates' response to a change in the markets. That has always been the case. Asset and liability management has long had to account for such timing differences and their impact on the balance sheet. Loans referencing LIBOR, for instance, tend to anticipate rate changes with quite a bit of lead time, whereas deposits priced off the federal funds rate move as the actual change in the target rate occurs. While the names of the players may have changed, the game stays the same.
- ISDA's Benchmark Strategies Forum
- In his opening remarks at ISDA's recent Benchmark Strategies Forum, ISDA's Chief Executive Scott O'Malia reminded market participants that "we're not finished yet." He stressed that the transition was not only continuing for those USD LIBOR settings that will see their publication continue into 2023, but would likely extend into other IBORs as well. A series of ensuing panel discussions explored the challenges that remain, primarily focused on the continuing transition away from USD LIBOR. ISDA provided coverage of the event through its Twitter account, excerpts of which are provided below

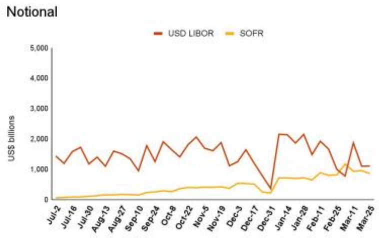
- It's important to remember that this work doesn't stop with the cessation of US dollar LIBOR. Other IBORs may also be phased out over the coming years, which will require close industry attention, says
- Firms need to be operationally ready for US dollar LIBOR to stop printing after the end of June 2023. Active conversion of LIBOR exposures before the cessation date will be helpful, says Nate Wuerffel @NewYorkFed Recent US legislation on LIBOR transition will minimize legal and operational risk and reduce the potential for disruption. There are approx. $10 trillion in tough legacy contracts, and that's not an insignificant number, says Nate Wuerffel
- US$ LIBOR and SOFR will have a period of coexistence. There are still markets being made in US$ LIBOR for unwind and hedging purposes. Those products will behave differently and liquidity in the two will not remain constant, says Jack Hattem. The end-2021 LIBOR transition occurred without any significant market disruption. It was smooth because of the significant efforts of all participants over the past few years, says Jack Hattem
- It is prudent to transition legacy US$ LIBOR portfolios early to avoid complications. We are seeing clients take action and that momentum can be maintained, but we need to keep our foot on the gas, says Alice Wang. Liquidity in US$ LIBOR is going to be an issue and volatility as liquidity declines is going to be an issue. To the extent people delay transition, they could see a situation where it is more costly and difficult, says Alice Wang
- Rather than waiting for fallbacks that may have been slightly misaligned, we saw a lot of active transition from LIBOR in the last months of 2021, says Chris Dickens @HSBC
- The legislation covers the toughest of tough legacy, which we felt has always been a big challenge – it is a critical for consumers, businesses, banks and others, and provides a solution across the market, says Tom Wipf. With the sunsetting of 30 LIBOR settings at the end of 2021, we learned how these things would work out operationally. For the US, it has given us a clear line of sight on what we can expect in June 2023, says Tom Wipf. Because of the consistency from the official sector on no new LIBOR, we can enjoy the benefit of the 18-month roll-down period for US$ LIBOR because we've finally stopped adding to our problem, says Tom Wipf. Initiatives like SOFR First were critical to creating liquidity. Without the ability to trade new LIBOR, people are now looking at SOFR who weren't looking at it before, says Tom Wipf. The overwhelming uptake of the ISDA IBOR Fallbacks Protocol provided the first step in de-risking the derivatives market and enabling voluntary conversion of LIBOR contracts, says Tom Wipf. Fallbacks are a tremendous safety net for everyone in the market and I think people may move a bit more quickly in controlling their own destiny and moving forward this year with voluntary measures, says Tom Wipf
- Europe is a dual rate jurisdiction, like Japan – we have €STR, which coexists with the credit-sensitive rate, EURIBIOR, and I think that will stay, there won't be a hard stop on EURIBOR, says Tilman Lüder. We still think there is room for credit sensitive benchmarks, but we are fully in line with international developments that where credit sensitive rates are not indispensable, we should shift to risk-free rates, says Tilman Lüder

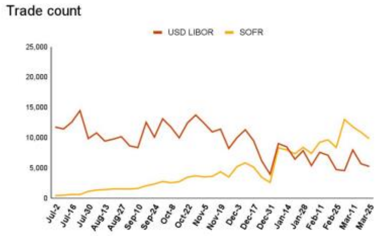
2 – RFR adoption: Derivatives - Futures - Swaps trading

- Futures

- 

USD swaps trading

- 



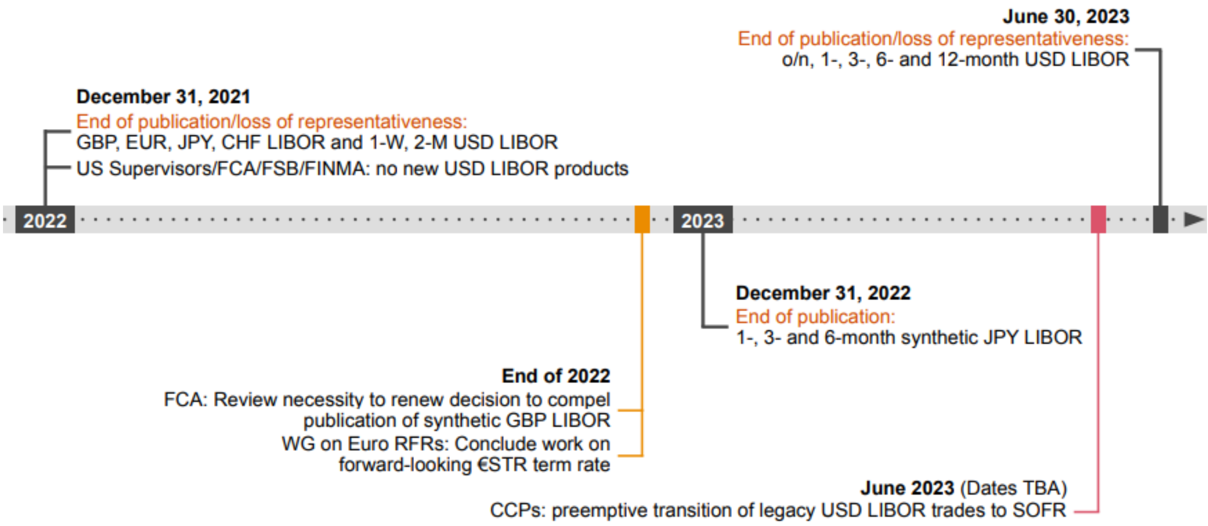
- From a trade count perspective, the tides are clearly changing. Ever since the weekly trading volume of SOFR swaps surpassed that of USD LIBOR swaps earlier this year, the gap has grown consistently. Notional activity, however, has remained more evenly spread between SOFR and USD LIBOR in recent weeks. But even with respect to notionals, the long-term trend seems to be in SOFR's favor.
- As we have noted before, in the case of cleared and transactions subject to ISDA fallbacks, longer-dated USD LIBOR transactions are effectively forward-starting SOFR transactions. The days of USD LIBOR having a significant activity advantage over SOFR are clearly behind us

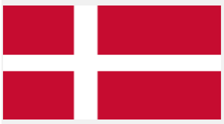
3 – Publications at a glance - National working groups - Regulators - Industry groups, infrastructure providers and other items

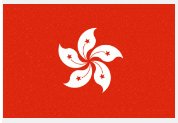
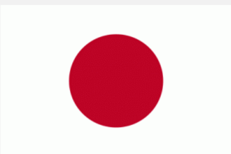
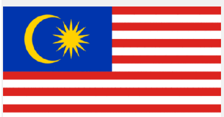
- Alternative Reference Rates Committee (ARRC)
- Welcomed the passage of the Adjustable Interest Rate (LIBOR) Act as part of the omnibus spending package.
- Shared a readout from the committee's March 23 meeting, including charts illustrating SOFR's market adoption.
- Working Group on Sterling Risk-Free Rates
- Published minutes from the working group's January 26 meeting.
- Working Group on Euro Risk-Free Rates
- Published its work program for 2022-23.
- Asked benchmark administrators interested in developing a forward-looking €STR term rate to indicate their intent to present their methodology and progress at the working group's June 10, 2022, meeting.
- Cross-Industry Committee on JPY IR Benchmarks
- The committee has been reconstituted as the Cross-Industry Forum on Interest Rate Benchmarks. The announcement was accompanied by revised terms of reference and a new list of attendees.
- Published minutes from the committee's February 16 meeting, the final meeting prior to its reconstitution.
- Regulators

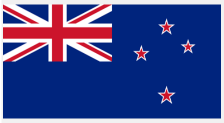
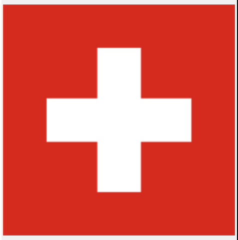
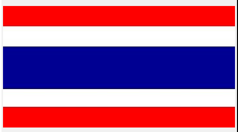
- US Congress: Passed the Adjustable Interest Rate (LIBOR) Act as part of the broader Consolidated Appropriations Act of 2022, which was subsequently signed into law by the president.
- Congressional Budget Office: Published its assessment of the House version of the LIBOR Act.
- Japanese Financial Services Agency: The results of the latest survey on LIBOR use, conducted jointly with the Bank of Japan, noted that the transition of contracts referencing LIBOR settings that ceased publication after December 2021 "is almost complete." While preparations for the transition away from USD LIBOR are progressing, many contracts maturing after June 2023 "still did not incorporate fallback provisions."
- Swiss National Bank: Governing Board members Andréa M. Maechler and Thomas Moser spoke on the end of LIBOR at a recent industry event, suggesting that "Swiss franc markets have managed the transition very well."
- The Central Bank of Iceland: Announced it had begun publication of IKON (Icelandic króna overnight), its recommended alternative reference rate.
- Bank Indonesia: The Indonesian working group on benchmark reform recommended IndONIA as alternative reference rate (in Indonesian).
- Industry groups, infrastructure providers and other items
- SIFMA: Welcomed the inclusion of legislation to address USD LIBOR legacy exposures as part of the omnibus spending bill.
- Structured Finance Association: Endorsed passage of the Adjustable Interest Rate (LIBOR) Act, calling it a "major victory for millions of Americans."
- LSTA: Published a series of amendment forms to facilitate the remediation of legacy USD LIBOR-based loans. Documents include cover amendments for benchmark replacements and conforming changes, supplemental terms to implement adjusted Term SOFR and a standalone Term SOFR amendment (member access required).
- Published a brief blog post recapping SOFR's first three months.
- Association of Corporate Treasurers: Published a checklist for completing the transition away from LIBOR, noting that "it's not over yet."
- Association for Financial Professionals: In a podcast, the AFP's Tom Hunt, director of Treasury and Payments Services, spoke with the FRB NY's Nathaniel Wuerffel on recommended actions organizations can take both before year-end and mid-2023.
- ISDA: Published the ISDA-Clarus RFR Adoption Indicator for February 22. The indicator increased to 36.3%, up from 31.9% in January. Chief Executive Scott O'Malia provided the opening remarks at ISDA's latest Benchmark Strategies Forum.
- CME: In its latest Rates Recap, the CME notes that SOFR futures stand at 50% of Eurodollars trading volume.
- ICE BA: ICE Term SOFR rates are now available for use in financial instruments. A license is required.
- AFX: Welcomed the inclusion of language in the LIBOR Act that stipulates that regulators should not criticize banks solely due to their choice of benchmark rate.
- Danish Financial Benchmarks Facility: Announced the cessation of the 2-week, 2-month and 9-month tenors of the Copenhagen Interbank Offered Rate (CIBOR) after March 31, 2022. It will also change the calculation methodology of the Tom/Next benchmark to DESTR plus a yet-to-be-determined fixed spread.

4 – Target dates



IBOR Currency	IBOR	IBOR Administrator	Alternative RFR	Alternative RFR Administrator	Public-/Private Sector Working Group	Fallback-related Announcements
	Bank Bill Swap Rate (BBSW)	Australian Securities Exchange (ASX)	Reserve Bank of Australia Interbank Overnight Cash Rate (AONIA)	Reserve Bank of Australia (RBA)	The IBOR Transformation Australia Working Group	
	Canadian Dollar Offered Rate (CDOR)	Refinitiv	Canadian Overnight Repo Rate Average (CORRA)	Bank of Canada	Canadian Alternative Reference Rate Working Group (CARR)	Refinitiv announcement regarding cessation of 6m and 12m CDOR Bloomberg announcement regarding fallback spread for 6m and 12m CDOR ISDA Tenor Cessation Guidance – 6m and 12m CDOR
	Copenhagen Interbank Offered Rate (CIBOR)	Danish Financial Benchmark Facility	DESTR (Denmark Short-Term Rate)	Danmarks Nationalbank	Working group on short term reference rate	Upcoming changes to the CIBOR and Tom/Next benchmarks
	LIBOR Euro Interbank Offered Rate (EURIBOR)	IBA European Money Markets Institute (EMMI)	Euro Short-term Rate (€STR)	European Central Bank (ECB)	Working Group on Euro Risk-free Rates	FCA Announcement on the Future of the LIBOR Benchmarks IBA Press Release

						ICE LIBOR Feedback Statement on Consultation on Potential Cessation Bloomberg Announcement on the Spread Adjustment Fixing ISDA Guidance
	Hong Kong Inter-bank Offered Rate (HIBOR)	Treasury Markets Associations (TMA)	Hong Kong Dollar Overnight Index Average (HONIA)	TMA	Working Group on Alternative Reference Rates (WGARR) under the Treasury Markets Association (TMA)	
	Mumbai Interbank Forward Outright Rate (MIFOR)	Financial Benchmark India Pvt. Ltd (FBIL)	FBIL Modified Mumbai Interbank Forward Outright Rate (Modified MIFOR)*	Financial Benchmark India Pvt. Ltd		
	LIBOR	IBA	Tokyo Overnight Average Rate (TONA)	Bank of Japan	Cross-Industry Forum on Interest Rate Benchmarks	FCA Announcement on the Future of the LIBOR Benchmarks IBA Press Release ICE LIBOR Feedback Statement on Consultation on Potential Cessation Bloomberg Announcement on the Spread Adjustment Fixing ISDA Guidance
	Tokyo Interbank Offered Rate (TIBOR)	Japanese Bankers Association TIBOR Administrator (JBATA)				
	Euroyen TIBOR	JBATA				
	Kuala Lumpur Interbank	Bank Negara Malaysia (BNM)	Malaysia Overnight Rate (MYOR)	Bank Negara Malaysia (BNM)	Financial Markets Committee (FMC)	BNM announcement on launch of MYOR

	Offered Rate (KLIBOR)					
	Bank Bill Benchmark rate (BKBM)	New Zealand Financial Markets Association (NZFMA)	Official Cash Rate (OCR)	Reserve Bank of New Zealand		
	Norwegian Interbank Offered Rate (NIBOR)	Norske Finansielle Referanser AS (NoRe)	Norwegian Overnight Weighted Average (NOWA)	Norges Bank	Working Group On Alternative Reference Rates For The Norwegian Krone (ARR)	
	Philippine interbank reference rate (PHIREF)	Bankers Association of the Philippines (BAP)				BAP Announcement on PHIREF
	Singapore Dollar Swap Offer Rate (SOR)	ABS Co	Singapore Overnight Rate Average (SORA)*	MAS	Steering Committee for SOR Transition to SORA	
	Stockholm Interbank Offered Rate (STIBOR)	Swedish Financial Benchmark Facility	SWESTR (Swedish krona Short Term Rate)	Riksbank		
	London Interbank Offered Rate (LIBOR)	ICE Benchmark Administration (IBA)	Swiss Average Rate Overnight (SARON)	SIX Swiss Exchange	National Working Group (NWG) on Swiss Franc Reference Rates	FCA Announcement on the Future of the LIBOR Benchmarks IBA Press Release ICE LIBOR Feedback Statement on Consultation on Potential Cessation Bloomberg Announcement on the Spread Adjustment Fixing ISDA Guidance
	Thai Baht Interest Rate Fixing (THBFIX)	Bank of Thailand	Thai Overnight Repurchase Rate (THOR)*	Bank of Thailand	Steering Committee on Commercial Banks' Preparedness	

					on LIBOR Discontinuation	
	LIBOR	IBA	Sterling Overnight Index Average (SONIA)	Bank of England	Working Group on Sterling Risk-free Reference Rates	FCA Announcement on the Future of the LIBOR Benchmarks IBA Press Release ICE LIBOR Feedback Statement on Consultation on Potential Cessation Bloomberg Announcement on the Spread Adjustment Fixing ISDA Guidance
	LIBOR	IBA	Secured Overnight Financing Rate (SOFR)	Federal Reserve Bank of New York (NY Fed)	Alternative Reference Rates Committee (ARRC)	FCA Announcement on the Future of the LIBOR Benchmarks IBA Press Release ICE LIBOR Feedback Statement on Consultation on Potential Cessation Bloomberg Announcement on the Spread Adjustment Fixing ISDA Guidance

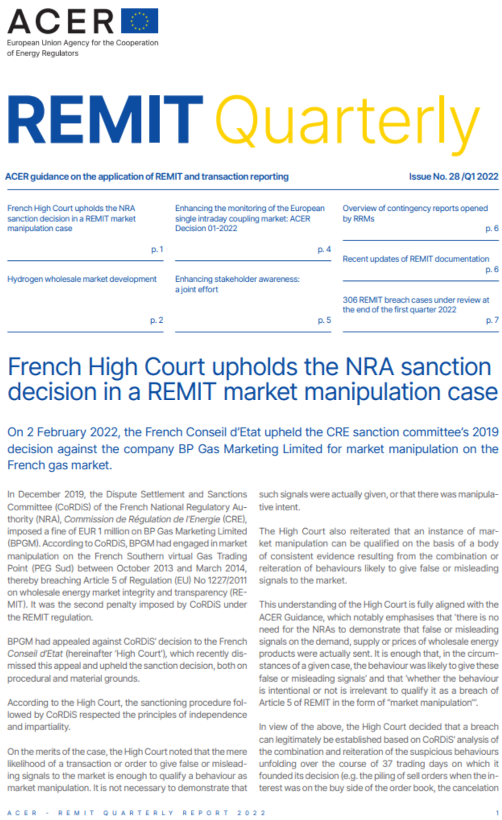
Commodities Regulation

ACER have published the Q1 2022 “Remit Quarterly”

- French High Court upholds the NRA sanction decision in a REMIT market manipulation case – *back in February France upheld BP Eur 1mm fine on PEG Sud. Court analysis only mentions the PowerNext market [dets attached fgos]*
- Hydrogen wholesale market development - *Looks at the Wholesale structure:*
    - *Even for the relatively developed market in the Netherlands, there is no many-to-many wholesale market for hydrogen yet.*
    - *The previously mentioned system of distribution points for hydrogen in Germany (hydrogen refuelling stations for transport) is an example of a fixed hydrogen price over a wider region.*
    - *The two market leaders for hydrogen production (Air Liquide and Linde Engineering) give quotes for potential hydrogen buyers depending on quantity, duration, delivery location and the hydrogen production method ("blue" vs. "green" quality)*
    - *Eventually, such a hydrogen wholesale market would be interlinked with electricity and gas markets via the fundamental connection of electrolysis, steam methane reforming, and possibly electricity generation with hydrogen.*
    - *The future development of a liquid and connected hydrogen market covering a wider region will also strongly rely on the development of a demand structure and the associated required network investments.*
    - *Another challenge will be to find a way to standardise hydrogen products in order to concentrate liquidity and, on the other hand, to create effective premium markets to incentivise environmentally friendly hydrogen production.*
- Enhancing the monitoring of the European single intraday coupling market: ACER Decision 01-2022
- Enhancing stakeholder awareness: a joint effort
- Overview of contingency reports opened by RRMs
- Recent updates of REMIT documentation:
    - *Updated Questions & Answers on REMIT Fees and the Annex to Questions & Answers on REMIT Fees On 28 January 2022*
    - *& all on 31 March 2022:*
        - *a new version of the Transaction Reporting User Manual (TRUM) and its Annex II, plus*
        - *updated 13th edition of the FAQs on REMIT transaction reporting,*
        - *Updated 27th edition Questions & Answers on REMIT policy*
        - *2022 quarterly update of the List of accepted EIC codes*
        - *the REMIT Knowledge Base is back online*
- 306 REMIT breach cases under review at the end of the first quarter 2022:

European Venues & Intermediaries Association

London Energy Brokers' Association


ACER
European Union Agency for the Cooperation of Energy Regulators

REMIT Quarterly

ACER guidance on the application of REMIT and transaction reporting

Issue No. 28 /Q1 2022

French High Court upholds the NRA sanction decision in a REMIT market manipulation case

On 2 February 2022, the French Conseil d'Etat upheld the CRE sanction committee's 2019 decision against the company BP Gas Marketing Limited for market manipulation on the French gas market.

In December 2019, the Dispute Settlement and Sanctions Committee (CoRDiS) of the French National Regulatory Authority (NRA), *Commission de Régulation de l'Energie* (CRE), imposed a fine of EUR 1 million on BP Gas Marketing Limited (BPGM). According to CoRDiS, BPGM had engaged in market manipulation on the French Southern virtual Gas Trading Point (PEG Sud) between October 2013 and March 2014, thereby breaching Article 5 of Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency (REMIT). It was the second penalty imposed by CoRDiS under the REMIT regulation.

BPGM had appealed against CoRDiS' decision to the French *Conseil d'Etat* (hereinafter 'High Court'), which recently dismissed this appeal and upheld the sanction decision, both on procedural and material grounds.

According to the High Court, the sanctioning procedure followed by CoRDiS respected the principles of independence and impartiality.

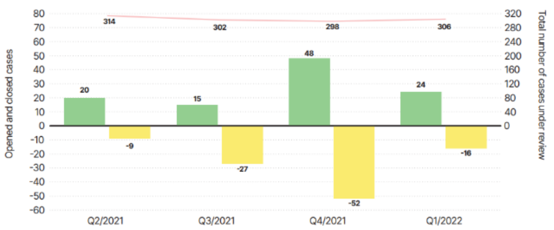
On the merits of the case, the High Court noted that the mere likelihood of a transaction or order to give false or misleading signals to the market is enough to qualify a behaviour as market manipulation. It is not necessary to demonstrate that such signals were actually given, or that there was manipulative intent.

The High Court also reiterated that an instance of market manipulation can be qualified on the basis of a body of consistent evidence resulting from the combination or reiteration of behaviours likely to give false or misleading signals to the market.

This understanding of the High Court is fully aligned with the ACER Guidance, which notably emphasises that 'there is no need for the NRAs to demonstrate that false or misleading signals on the demand, supply or prices of wholesale energy products were actually sent. It is enough that, in the circumstances of a given case, the behaviour was likely to give these false or misleading signals' and that 'whether the behaviour is intentional or not is irrelevant to qualify it as a breach of Article 5 of REMIT in the form of "market manipulation"'.

In view of the above, the High Court decided that a breach can legitimately be established based on CoRDiS' analysis of the combination and reiteration of the suspicious behaviours unfolding over the course of 37 trading days on which it founded its decision (e.g. the piling of sell orders when the interest was on the buy side of the order book, the cancelation

Figure 2: Potential REMIT Breach Cases - Quarterly Statistics



Prudential Regulation

Basel Reforms; ECB questions European Commission's proposed deviations from the Basel framework

[On 24 March, the European Central Bank (ECB) issued an opinion on the European Commission's October 2021 proposal for amendments to the Capital Requirements Regulation (CRR3).] *The amended CRR will implement the remaining Basel reforms in the EU.*

The opinion broadly welcomes the Commission's proposals, which implement the Basel reforms, reinforce the EU Single Rulebook and enhance the prudential framework for credit institutions in various areas.

The ECB reiterates earlier statements on the importance of finalising the EU implementation of the final Basel reforms in a "timely, full and faithful manner", in order to address shortcomings in the current framework swiftly and effectively, thereby ensuring that banks will continue to be resilient to future crises. And it notes that a full and faithful implementation is important, not only for financial stability, but for the international credibility of the EU.

Pockets of risk

It is the issue of full and faithful implementation that troubles the ECB. It expresses concern that some deviations and implementation choices in the European Commission proposal may leave pockets of risk insufficiently addressed in the banking sector. The main areas of risk, it notes, arise from the proposed prudential treatment of real estate exposures, credit risk from unrated corporates, counterparty credit risk, equity exposures, and operational risk.

The following areas are called out in detail:

Output floor — the proposal for the output floor (OF) includes significant transitional arrangements, leading to lower risk weights than those from the Basel standards in specific areas including residential real estate exposures with low historical losses, exposures to unrated corporates, and the calibration of counterparty credit risk related to derivative exposures.

The ECB supports the option for the "single stack" approach (a single capital stack for risk-based capital requirements) and the application of the OF at the highest level of consolidation. However, it disagrees with the re-distribution mechanism proposed by the European Commission. From the ECB's perspective, this mechanism may incentivise banking groups to reorganise their activities in order to minimise the impact of the OF on individual parts of the group. This could have a negative impact through the misalignment of organisational structures or sound risk management, and also freeze more capital at local level, which is contrary to the objective of free movement of capital necessary for financial integration.

Credit risk framework — the standardised approach contains several new deviations from the final Basel standards that, together with the continuation of some existing deviations (e.g. for small and medium-sized enterprises (SMEs) and infrastructure), may reduce the consistency and safety of the new standardised approach and leave certain risks uncovered.

The ECB suggests that co-legislators should also reassess the current deviations. It is particularly concerned with the impact of deviations regarding specialised lending exposures, equity exposures, retail exposures and the methodology for collateral valuation for exposures secured by immovable property.

Operational risk — the ECB expresses regret that the European Commission did not opt for recognition of historical losses for the calculation of capital requirements for operational risks. Inclusion of the loss history, it judges, would enhance risk-sensitivity and loss coverage of capital requirements, providing greater incentives for institutions to improve their operational risk management.

Market risk — the CRR3 proposal allows the European Commission to change the calibration of capital requirements under the new market risk framework and to postpone its implementation by two years. This could result in reduced capital requirements, deviating from the Basel standards. The ECB opinion recommends that these powers be limited, highlighting the importance of implementation by 2025.

Credit valuation adjustment (CVA) — the ECB highlights that the proposal does not reconsider existing exemptions and that such deviations are not justified from a prudential perspective, as they leave institutions exposed to uncovered risks from derivatives transactions with exempted counterparties.

Pillar III disclosures and reporting — the ECB considers that the small and non-complex institutions' (SNCIs') approach for quantitative disclosures (which uses supervisory reporting to compile the corresponding quantitative public disclosures on the basis of a pre-defined mapping) could be applied to all institutions, regardless of their size and complexity, to reduce the reporting burden of all institutions.

EUROPEAN CENTRAL BANK
EUROSYSTEM

EN

OPINION OF THE EUROPEAN CENTRAL BANK

of 24 March 2022

on a proposal for amendments to Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor

(CON/2022/11)

Introduction and legal basis

On 20 January and 21 January 2022 the European Central Bank (ECB) received requests from the European Parliament and the Council of the European Union, respectively, for an opinion on a proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor[1] (hereinafter the 'proposed amendments to the CRR').

The ECB notes that the proposed amendments to the CRR are closely linked to another proposal on which the ECB received a consultation request, namely a proposal for a Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, environmental, social and governance risk[2] (hereinafter the 'proposed amendments to the CRD').

The ECB's competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union since the proposed amendments to the CRR contain provisions affecting the ECB's tasks concerning the prudential supervision of credit institutions in accordance with Article 127(6) of the Treaty and the European System of Central Banks (ESCB)'s contribution to the smooth conduct of policies relating to the stability of the financial system, as referred to in Article 127(5) of the Treaty. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

General observations

The ECB welcomes the Commission's proposals, which implement the outstanding Basel III reforms[3] in the EU, reinforce the EU Single Rulebook and enhance the prudential framework for credit institutions in various areas.

The ECB emphasises the importance of finalising the EU implementation of the Basel III reforms in a timely, full, and faithful manner. These reforms address key shortcomings present in the current framework, which were identified by past analyses carried out by both European and international bodies also in relation to European banks, and therefore these reforms are essential to ensure the soundness of the European banking sector.

A *timely* implementation of the Basel III reforms is important to swiftly address such shortcomings. The ECB therefore encourages the Union legislative bodies to conclude the legislative process promptly, and without unduly long implementation periods. This is important in order to ensure that banks may withstand future crises.

The ECB also considers it important to *fully* implement the Basel III standards. In this regard, the ECB appreciates that the Commission's proposal covers all the elements that were developed by the Basel Committee on Banking Supervision and agreed by the Group of Central Bank Governors and Heads of Supervision in December 2017.

Finally, the ECB is strongly attached to a *faithful* implementation of the Basel III reforms. This is important for financial stability, as well as for the EU's international credibility. A consistent implementation of these reforms serves to underline the EU's commitment to international financial cooperation, thus helping to underpin the functioning of the global financial system and confidence in EU banks. At the same time, a faithful implementation provides the best possible guarantee for a stable banking system, while the proposed deviations and implementation choices would leave pockets of risks insufficiently addressed in the banking sector. As explained below, these risks mainly arise in the proposed prudential treatment of real estate exposures, credit risk from unrated corporates, counterparty credit risk, equity exposures, and operational risk.

The following sections of the opinion provide detailed views on the main elements of the proposal and on the remaining risks that could be insufficiently covered if the EU decides to depart from Basel III standards.

It is also important that the prudential framework remains fit for purpose by closing identified gaps and by keeping up with innovation. The new definitions of key concepts of ancillary services undertakings and financial institutions proposed by the Commission are welcome, as they clarify the boundaries of the regulatory perimeter. The ECB also welcomes the mandate for the Commission to report on a new proposal on the prudential treatment of crypto assets.

The ECB also agrees with the Commission's view expressed in the explanatory memorandum of the proposal that there is no need for additional supervisory powers to be granted to competent authorities to impose restrictions on distributions by credit institutions in exceptional circumstances of serious economic disturbance. At the same time, the ECB observes that during such periods of economic and financial distress, credit institutions might not be willing to use their capital buffers[4]. Looking forward, the ECB is of the view that further consideration should be given to removing disincentives to using capital buffers.

1 COM(2021) 664 final.
2 COM(2021) 663 final.
3 The Basel III reforms also known as the Basel III standards are standards adopted by the Basel Committee on Banking Supervision (BCBS). The consolidated standards are available on the website of the Bank for International Settlements at www.bis.org.
4 See Opinion CON/2020/16 of the European Central Bank of 20 May 2020 on amendments to the Union prudential framework in response to the COVID-19 pandemic (OJ C 180, 29.5.2020, p. 4). All ECB opinions are published on EUR-Lex.

2

ESG & Disclosures

ESG Regulatory Essentials; A summary of the latest ESG regulatory developments impacting financial services firms.

January saw the publication of supervisory priorities from the International Association of Insurance Supervisors (IAIS), the European Central Bank (ECB) and the UK's Prudential Regulation Authority (PRA), with clear expectations for firms in their monitoring and management of climate-related financial risks. The European Securities and Markets Authority (ESMA) followed in February with its three-year roadmap for sustainable finance.

Requirements around sustainability disclosures continue to expand with further announcements from the UK's Financial Conduct Authority (FCA) enhancing climate-related disclosures for UK listed companies, asset managers, life insurers and FCA-regulated pension providers.

In the EU, taxonomy-aligned disclosures for the first two environmental objectives, climate change mitigation and adaptation now apply. The European Commission (EC) has presented its long-awaited proposal to expand the scope of the Taxonomy Regulation through a Complementary Climate Delegated Act which sets out conditions for the inclusion of certain nuclear and gas transition-related activities. It may not be a straightforward passage through the European Parliament for this Act, with several countries objecting to the inclusion of nuclear and gas and/or to the lack of public consultation.

The protracted debate on nuclear and gas has delayed other EC initiatives, such as the EU Ecolabel and the final EU Green Bond Standard, but the Platform on Sustainable Finance (PSF) has now issued its final report on a social taxonomy.

The IAIS and European Insurance and Occupation Pensions Authority (EIOPA) are focused on the development of climate change scenarios for insurers. ESMA is consulting on embedding ESG factors into MiFID suitability assessments and has also fed back to the European Council and Parliament on its principal observations on the draft regulation Green Bond Standard (EU GBS).

Scrutiny of ESG ratings providers continues to grow, with ESMA launching a call for evidence, and further consultation expected by the EC later in the year. ESMA is also consulting on the methodology for a climate risk stress test for central counterparties, the first of its kind.

The ECB has launched its 2022 climate stress test for banks and in the UK, the Bank of England's (BoE's) CBES is moving to a second round of submissions, due by end-March 2022.

Banks have also received the European Banking Authority's (EBA's) final draft implementing technical standards for Pillar 3 disclosures of ESG risks.

Looking ahead, the first standards from the newly formed International Sustainability Standards Board are expected soon, along with more detail on the remaining four objectives of the EU Taxonomy and the Taskforce on Nature-Related Financial Disclosures' draft framework.

- European Commission Guide towards fair and inclusive transition to climate neutrality
- European Commission adopts corporate sustainability due diligence proposal
- EU Taxonomy Complementary Climate Delegated Act - nuclear and gas activities
- PSF – Final Report on Social Taxonomy
- FCA - enhanced climate-related disclosures for standard listed issuers, asset managers and owners, and pension funds
- ESMA Sustainable Finance Roadmap for 2022 to 2024
- ESMA consults on embedding ESG factors into MiFID II suitability assessments
- ESMA feedback on EU Green Bond Regulation proposal
- ESMA call for evidence on ESG Rating Providers
- ESMA call for evidence on climate stress testing for CCPs
- IAIS roadmap 2022-2023
- EIOPA consultation on climate change materiality assessment and scenarios
- PRA climate risk priorities
- ECB 2022-24 climate risk priorities
- ECB climate stress test launch
- BoE climate stress test second round
- EBA Final draft ITS on Pillar 3 ESG disclosures
- EBA consultation on remuneration and gender pay gap benchmarking exercise

Conduct

Sanctions

War in Ukraine: Sanctions developments

This information is intended to complement your own monitoring of sanctions developments, please contact us to discuss specific commercial and legal implications.

UK developments	EU developments
Developments identified between 5pm Thursday 21 April 2022 and 5pm Wednesday 27 April 2022	
On **26 April 2022** the Foreign, Commonwealth and Development Office updated the UK Sanctions List. 195 entries have been amended and 2 entries corrected under the Russia financial sanctions regime and remain subject to an asset freeze. The notice is here. OFSI's consolidated list of asset freeze targets has been updated to reflect these changes.	On **27 April 2022** the EU updated its guidance (FAQs) on Access to EU ports. The European Central Bank has published FAQs on the Russia Ukraine war which deal with, amongst other issues, sanctions and banks' exposure to the two countries.
On **25 April 2022** the Department for International Trade announced the removal of tariffs on all goods from Ukraine and an export ban on products and technology that Russia could use to repress the Ukrainian population including interception and monitoring equipment.	On **26 April 2022** the EU updated its guidance (FAQs) on Central securities depositories, maritime safety and intellectual property rights.
On **21 April 2022** the UK Government announced further trade sanctions against Russia – expanding the list of products facing import bans and increasing tariffs. The new sanctions will include import bans on silver, wood products and high-end products from Russia including caviar. Tariffs will also increase by 35 percentage points on various products from Russia and Belarus, including diamonds and rubber. Press release and Guidance.	On **25 April 2022** the EU updated its guidance (FAQs) on customs related matters and deposits.
On **22 April 2022** OFSI amended General License INT/2022/1280876, which allows payments by UK subsidiaries of Russian banks to meet their basic needs, routine maintenance, legal fees and insolvency-related payments.	On **21 April 2022**, the EU added Serhiy Vitaliyovich KURCHENKO and Yevgeniy Viktorovich PRIGOZHIN to its Russia sanctions list: (EU Regulation 2022/658).
On **21 April 2022** OFSI issued General licence - INT/2022/1630477 to allow payments to be made to Gazprombank or defined Subsidiaries for the purpose of making gas available in the EU.	On **22 April 2022** the EU updated its guidance (FAQs) on the Russian energy sector.
On **21 April 2022** OFSI amended General License INT/2022/1424276 which allows the winding down and closing out of transactions with various Russian banks. Details of the amendment are contained in this Notice.	On **21 April 2022** the EU updated its guidance (FAQs) on gas imports.
Developments identified between 5pm Wednesday 13 April 2022 and 5pm on Thursday 21 April 2022	
On 21 April 2022 the UK updated its Sanctions List, adding 26 new entries and amending a further 30 entries. See Notice. On 21 April 2022 the UK also amended one entry on its Belarus sanctions list. See Notice.	On 20 April 2022 the EU updated its guidance (FAQs) on banknotes, deposits, financing and refinancing restrictions, the Russian energy sector and humanitarian aid.
On **19 April 2022** the Government published an Export Control Joint Unit and Department for International Trade notice. This introduced new bans on the export or supply to Russia of oil refining goods and technology, quantum computing, luxury goods, advanced materials goods and technology. There is also a prohibition on the import, acquisition, supply and delivery of certain iron and steel products originating in Russia. These measures are effective from **14 April 2022**. Full details are contained in the Russia (Sanctions) (EU Exit) (Amendment) (No.8) Regulations 2022. Schedule 3A contains the definition of luxury goods, while Schedule 3B defines iron and steel products. Schedule 2D defines oil refining goods and technology while Schedule 2E defines quantum computing goods and technology. NTI 2953 have been updated in line with these new measures. The UK Government's statutory guidance on Russia has been updated to include guidance on the Russia (Sanctions) (EU Exit) (Amendment) (No.8) Regulations 2022.	On **19 April 2022** the EU updated its guidance (FAQs) on sale of securities denominated in a currency of a Member State. The European Medicines Agency has issued guidance for trial sponsors whose ongoing clinical trials have been disrupted by the invasion of Ukraine. It states that any urgent measures required for the safety of participants and personnel may be taken without prior notification to the competent authorities and the Ethics Committees of the Member States concerned. Sponsors will be expected to communicate the cause, measures taken and the plan for further actions without undue delay, in accordance with Article 3.9 of Communication from the Commission 2010/C 82/01.
On **14 April 2022** the Russia (Sanctions) (Overseas Territories) (Amendment) Order 2022 came into force. It extends the UK's sanctions regime concerning Russia to all of the UK Overseas Territories with the exceptions of Gibraltar and Bermuda.	On **14 April 2022** the EU updated its guidance (FAQs) on investment funds and road transport.
On **14 April 2022** the Foreign, Commonwealth and Development Office updated the UK Sanctions List. The following individuals have been added to the Russia financial sanctions regime and are now subject to an asset freeze: • Eugene Tenenbaum (Group ID: 15281) • David Davidovich (Group ID: 15290) The notice is here. OFSI's consolidated list of asset freeze targets has been updated to reflect these changes.	On **13 April 2022** the EU updated its guidance (FAQs) on technical assistance.
On **8 April 2022** the Department for International Trade revised General Trade Licence Russia Sanctions – Vessels. The version of this licence issued on 17 March 2022 has been revoked.	
Developments identified between 1pm Thursday 7 April and 5pm Wednesday 13 April 2022	
On **13 April 2022** the Foreign, Commonwealth and Development Office updated the UK Sanctions List.	On **13 April 2022** the EU introduced exceptions to its sanctions regimes to facilitate humanitarian activities in Ukraine. See Press release.

206 individuals have been added to the Russia financial sanctions regime and are now subject to an asset freeze. The notice is here. Corrections have also been made to entries under the Belarus financial sanctions regime. The notice is here. OFSI's consolidated list of asset freeze targets has been updated to reflect these changes.	On **11 April 2022** the EU updated its guidance (FAQs) related to cryptoassets; the sale of securities denominated in the currency of a Member State; central securities depositories; and the prohibition to access EU ports. On **11 April 2022**, Europol, jointly with EU Member States, Eurojust and Frontex, launched Operation Oscar to support financial investigations by EU Member States targeting criminal assets owned by individuals and legal entities sanctioned in relation to the Russian invasion of Ukraine. See Press release.
On **12 April 2022** OFSI revoked General Licence INT/2022/1438977 - see also Notice - following the sale of the DP's (Russian Railways) stake in GEFCO to non-designated persons. The sale was completed on **8 April 2022** and GEFCO is no longer impacted by UK sanctions.	On **9 April 2022** the EU updated its guidance (FAQs) on luxury goods.
On **12 April 2022** the FCA updated its guidance on financial sanctions.	On **8 April 2022** the EU adopted the fifth package of sanctions on Russia announced on **5 April** (see below), which includes prohibitions imposed on goods originating from Russia and designates further individuals and entities associated with the Russian regime. See press release and press release.
On **11 April 2022** the Foreign, Commonwealth and Development Office updated the UK Sanctions List. The UK has amended the entries for 3 people on its Russia targeted sanctions list: (Notice) • Evgeny Alekseevich FEDOROV (Group ID: 14602) • Tigran Organesovich KHUDAVERDYAN (Group ID: 14971) • Katerina Vladimirovna TIKHONOVA (Group ID: 15079) OFSI's consolidated list of asset freeze targets has been updated to reflect these changes.	On **8 April 2022**, in connection with the fifth package of sanctions, the following were published in the Official Journal and came into force: Council Regulation (EU) 2022/576 of 8 April 2022 amending Regulation (EU) No 833/2014 Council Regulation (EU) 2022/577 of 8 April 2022 amending Regulation (EC) No 765/2006 Council Decision (CFSP) 2022/578 of 8 April 2022 amending Decision 2014/512/CFSP Council Decision (CFSP) 2022/579 of 8 April 2022 amending Decision 2012/642/CFSP Council Regulation (EU) 2022/580 of 8 April 2022 amending Regulation (EU) No 269/2014 Council Implementing Regulation (EU) 2022/581 of 8 April 2022 implementing Regulation (EU) No 269/2014 Council Decision (CFSP) 2022/582 of 8 April 2022 amending Decision 2014/145/CFSP The EU's Q&As on the fifth package of sanctions is available here.
On 8 April 2022 the Foreign, Commonwealth and Development Office updated the UK Sanctions List. The following entries have been added to the consolidated list and are now subject to an asset freeze: • Katerina Vladimirovna Tikhonova (Group ID: 15079) • Maria Vladimirovna Vorontsova (Group ID: 15078) • Yekaterina Sergeyevna Vinokurova (Group ID: 15080) Further, the following entry has been amended under the Russia financial sanctions regime and remains subject to an asset freeze: • Evgeny Alekseevich Fedorov (Group ID: 14602) OFSI's consolidated list of asset freeze targets has been updated to reflect these changes. The notice is here.	On **8 April 2022** the EU updated its general sanctions guidance (FAQs) and guidance (FAQs) related to individual financial measures. On **8 April 2022** the 'Freeze and Seize Task Force' is meeting with US and Ukrainian representatives to discuss international cooperation on the enforcement of sanctions. The Task Force, set up by the Commission last month, has been meeting on a regular basis to ensure better coordination of the enforcement of EU sanctions against Russian and Belarusian individuals and companies. The press release notes that Member States have reported to the Commission that assets worth €29.5 billion, including boats, helicopters, real estate and artwork, worth almost €6.7 billion have been frozen. In addition, about €196 billion of transactions have been blocked.
On **6 April 2022** the UK Government announced a ban on outward investment to Russia, and a ban on the export of oil refining equipment and catalysts to take effect in the next week.	

The UK has also announced it will ban imports of iron and steel products from Russia and end imports of Russian coal and oil **by the end of 2022**.	On **6 April 2022** the European Commission published guidance for EU Member States on assessing and preventing threats to EU security and public order posed by foreign direct investment from Russia and Belarus.
Developments identified between 1pm Thursday 31 March and 1pm Thursday 7 April 2022	
OFSI has issued one new General Licence and amended an existing one, under Regulation 64 of the Russia (Sanctions) (EU Exit) Regulations. On **6 April 2022**, OFSI issued General Licence INT/2022/1544176 which allows for a 30 day wind down period of positions involving Credit Bank of Moscow. **This General Licence took effect on 06 April 2022 and expires on 06 May 2022.** General Licence INT/2022/1277877 has also been amended. Now that Sberbank is subject to an asset freeze under the Russia (Sanctions) (EU Exit) Regulations 2019, this amendment ensures that the General Licence in respect of energy related payments may continue to be used.	On **5 April 2022** the President of the EU Commission Ursula von der Leyen announced the fifth package of EU sanctions against Russia. The six pillars of the package include: • an import ban on coal from Russia, worth EUR 4 billion per year; • a full transaction ban on four key Russian banks, among them VTB, the second largest Russian bank; • a ban on Russian vessels and Russian-operated vessels from accessing EU ports; • further targeted export bans, worth EUR 10 billion, in areas in which Russia is vulnerable, for example, quantum computers and advanced semiconductors, sensitive machinery and transportation equipment; • specific new import bans, worth EUR 5.5 billion, to cut the money stream of Russia and its oligarchs; and • a number of very targeted measures, such as a general EU ban on participation of Russian companies in public procurement in Member States and an exclusion of all financial support.
On **6 April 2022** the UK Government announced a ban on outward investment to Russia, and a ban on the export of oil refining equipment and catalysts to take effect in the next week. The UK has also announced it will ban imports of iron and steel products from Russia and end imports of Russian coal and oil by the end of 2022.	
On **6 April 2022** the Foreign, Commonwealth and Development Office updated the UK Sanctions List. 10 entries have been added to the consolidated list and are now subject to an asset freeze. Further, amendments have been made to entries on the list of persons named in relation to financial and investment restrictions. The notice can be found here. The Russia notice is here.	
On **5 April 2022** the Foreign, Commonwealth and Development Office updated the UK Sanctions List. The following entry has been amended and remains subject to an asset freeze: • Wagner Group (Group ID: 15033) OFSI's consolidated list of asset freeze targets has been updated to reflect these changes. The notice is here.	
On **4 April 2022**, OFSI amended General Licence INT/2022/1438977 to permit persons or a relevant institution to process payments or transactions related to the sale and transfer of the Joint Venture's shares by the DP (Russian Railways). **This General Licence took effect on 25 March 2022 and expires on 23 May 2022.**	

On **31 March 2022** OFSI updated its Russia guidance to reflect extending the financial restrictions in place to all non-government controlled Ukrainian Territory, following the coming into force of Russia (Sanctions) (EU Exit) (Amendment) (No.7) Regulations 2022 – see below.	genuine link with a Member State are not compatible with the Treaty on European Union and Treaty on the Functioning of the European Union. Any Member State operating such an investor citizenship scheme needs to repeal it immediately." With regard to investor residence schemes the Commission says "Member States should take measures to prevent [such schemes] from operating in a way that could create risks linked to security, money laundering, tax evasion and corruption."
The Russia (Sanctions) (EU Exit) (Amendment) (No. 7) Regulations 2022 SI 2022 No. 395 took effect from **5pm on 30 March 2022**. These make various amendments to the Russia (Sanctions) (EU Exit) Regulations 2019. The amendments will, amongst other things: introduce a power to designate persons by description; extend existing finance, trade and shipping sanctions measures in relation to Crimea and the city of Sevastopol to the non-government controlled areas of the Donetsk and Luhansk oblasts of Ukraine; and introduce prohibitions on technical assistance relating to aircraft and ships.	The EU has published updated Guidance (FAQs) (as at **20 March 2022**) on its Russia sanctions regime. Amongst other things, the Guidance covers aggregation, following OFSI's guidance on this issue. It says if the aggregated ownership of a company by listed persons meets the 50% threshold, the company should be considered jointly owned and controlled by listed persons. This applies, for example, if one listed person owns 30% of the company and another listed person owns 25% of the company. Dealings with the company could be considered as making funds indirectly available to those listed persons. The EU has also published a FAQ document on their website:- Frequently asked questions (as at **23 March 2022**) on insurance and reinsurance related matters concerning sanctions adopted following Russia's military aggression against Ukraine (europa.eu). Among other issues it addresses insurance for non-Russian airlines conducting flights to / from Russia.
On **30 March 2022** the Foreign, Commonwealth and Development Office updated the UK Sanctions List The following entry has been amended under the Belarus regime: • OJSC KB Radar-Managing Company Holding Radar System (Group ID: 14984) The following entry has been amended under the Russia regime: • Sergey Pavlovich Ivanov (Group ID: 14964) The following duplicate entry has been removed from the consolidated list under the Russia regime. The original listing for Alexander Alexandrovich Mikheev (Group ID: 14967) continues to apply and is still subject to an asset freeze. Only the duplicate listing has been removed: • Aleksander Aleksandrovich Mikheev (Group ID: 14985) The Russia notice can be found here and the Belarus notice here.	On **16 March 2022** the European Commission published a guidance document in the form of Frequently Asked Questions on the export-related restrictions pursuant to articles 2, 2a and 2b of Council Regulation No 833/2014 (the Sanctions Regulation) as amended by Council Regulation (EU) 2022/328 of **25 February 2022**. It also published an updated Consolidated Version of Council Regulation No 833/2014.
OFSI has issued General licence INT/2022/1469378 under Regulation 64 of the Russia (Sanctions) (EU Exit) Regulations 2019. Under General Licence INT/2022/14369378, the DP is Sovcomflot. A subsidiary is any entity owned or controlled by the DP. **This licence took effect from 29 March 2022 and expires on 15 May 2022**.	

The Cabinet Office has published "Procurement Policy Note – contracts with suppliers from Russia and Belarus" dated **March 2022** and FAQs. The Note applies to all Central Government Departments, their Executive Agencies and Non Departmental Public Bodies. In-Scope Organisations should: • Review their contract portfolio and identify any contracts where the prime contractor is a Russian or Belarusian supplier. • Where a Russian or Belarusian prime contractor is identified, they should consider terminating that contract in accordance with the terms of the contract Only proceed to terminate a contract if an alternative supplier can be sourced in line with value for money, affordability and with minimal disruption to public services.	
On **27 March 2022**, the UK Government announced the suspension of publicly funded research and innovation collaborations with Russian Universities and companies of strategic benefit to the Russian state.	
OFSI has issued General licence INT/2022/1438977 under Regulation 64 of the Russia (Sanctions) (EU Exit) Regulations 2019. Under General Licence INT/2022/1438977 , the DP is Russian Railways. The Joint Venture is GEFCO, a Joint Venture owned by Russian Railways and Stellantis, GEFCO S.A Rue Jean Jaures, 20-22, 92800 Puteaux, France. A Subsidiary is any entity owned or controlled by the DP, including: • GEFCO UK Ltd • GEFCO Forwarding UK • Auto XP Limited • XP Tech Limited **This licence took effect from 25 March 2022 and expires on 23 May 2022.**	
On **25 March 2022** the Foreign, Commonwealth and Development Office updated the UK Sanctions List The following entry has been amended and is still subject to an asset freeze: • SOVCOMFLOT (Group ID: 15040) The following entries have been corrected: • Oleg Yurievich TINKOV (Group ID: 15041) • Eugene Markovich SHVIDLER (Group ID: 15043 The notice can be found here.	
On **24 March 2022** the Foreign, Commonwealth and Development Office updated the UK Sanctions List The following entry has been added to the consolidated list under the Cyber financial sanction regime and is now subject to an asset freeze:	

- Central Scientific Research Institute of Chemistry and Mechanics (Group ID: 15044)

The cyber notice is here.

OFSI's consolidated list of asset freeze targets has been updated to reflect these changes.

On **24 March 2022** further amendments were made to entries on the list of persons named in relation to financial and investment restrictions. The relevant notice can be found here. The following entries have been amended:

- GazPromBank
- Rosselkhozbank
- Vnesheconombank

OFSI has issued 2 General licences - INT/2022/1424276 under Regulation 64 of the Russia (Sanctions) (EU Exit) Regulations 2019 and INT/2022/1424277 under Regulation 32 of the Republic of Belarus (Sanctions) (EU Exit) Regulations 2019.

Under General Licence INT/2022/1424276, the designated persons are

- Alfa Bank JSC
- GazPromBank
- Rosselkhozbank
- SMP Bank
- Ural Bank for Reconstruction and Development
- Subsidiaries of the DPs

This licence takes effect on 24 March 2022 and expires on 23 April 2022.

General Licence INT/2022/1424277 allows a person to wind down any transactions to which it is party including the closing out of positions with Bank Dabrabyt Joint Stock Company or its subsidiaries.

This licence also takes effect on 24 March 2022 and expires on 23 April 2022.

On **24 March 2022** OFSI amended General Licence INT/2022/1381276. The amendment clarifies that:

"Under General Licence INT/2022/1381276 a Person may provide financial services for the purposes of winding down any derivatives, repurchase, and reverse repurchase transactions entered into prior to 1 March 2022 with the CBR, the NWF or the MF *or those persons set out in regulation 18A d to e of the Russia Regulations*. A Person or Relevant Institution can carry out any activity reasonably necessary to effect this."

On **24 March 2022** the UK added 33 people and 26 entities to the sanctions list pursuant to the Russia (Sanctions) (EU Exit) Regulations 2019. Individuals include Didier Casimiro (First Vice President of Rosneft), Oleg Tinkov (founder of Tinkoff Bank); and Herman Gref (CEO of Sberbank). Entities include Alfa-Bank; Gazprombank; Russian Railways; Russian Agricultural Bank and SMP Bank. The Notice is here.

The UK has also added 6 entities to the sanctions list pursuant to the Republic of Belarus (Sanctions) (EU Exit) Regulations 2019. The Notice is here.

On **22 March 2022** OFSI updated its general guidance to add new paragraphs on aggregation (para 4.1.4). A company will not be treated as owned by a designated person where their holdings falls below 50% share ownership and there is no evidence of a joint arrangement. However, holding more than 50% of voting rights or exercising effective control could still lead to the company being deemed owned by the individual.

OFSI has issued a General licence - INT/2022/1381276 under Regulation 64 of the Russia (Sanctions) (EU Exit) Regulations 2019 relating to:

- Central Bank of the Russian Federation (CBR)
- National Wealth Fund of the Russian Federation (NWF)
- Ministry of Finance of the Russian Federation (MF)

allowing winding down of any derivatives, repurchase, and reverse repurchase transactions entered into with these entities prior to 01/03/22.

This licence takes effect from 22 March 2022 and expires on 02 May 2022.

On **18 March 2022**, the Foreign, Commonwealth and Development Office updated the UK Sanctions List. Amendments were made to entries under these financial sanctions regimes: Belarus; Chemical Weapons; Cyber; Russia and Zimbabwe.

On **17 March 2022** a ministerial joint statement was released by the Russian Elites, Proxies, and Oligarchs Task Force. Participants stated:

"We, the undersigned Finance, Justice, Home Affairs, and Trade Ministers and European Commissioners, jointly commit to prioritizing our resources and working together to take all available legal steps to find, restrain, freeze, seize, and, where appropriate, confiscate or forfeit the assets of those individuals and entities that have been sanctioned in connection with Russia's premeditated, unjust, and unprovoked invasion of Ukraine and the continuing aggression of the Russian regime."

Signatories included representatives from EU Member States, the US, the UK, Australia, Canada and Japan.

Regulatory Activities and Initiatives Inventory

COVID-19

UK	BoE & PRA	Speech by Victoria Saporta, Executive Director for Prudential Policy, on emerging prudential lessons from COVID-19. ECB extends leverage ratio relief for banks until March 2022.
	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.
	HMT	
EU	EBA	Supervisory statement on the ORSA in the context of COVID-19 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.
	ESMA	Autumn 2021 report on risks and vulnerabilities across the financial sector, including risks from COVID-19 Announcement stating that ESMA anticipates a prolonged period of risk from market corrections.
	ECB Central Bank	Speech by Fabio Panetta, Member of the Executive Board of ECB, on monetary-fiscal interactions on the way out of the crisis. Speech by Luis de Guindos, Vice President of the ECB, on euro area banks' pandemic recovery. 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.
	ECB - SSM	Speech by Kerstin af Jochnick, Member of the Supervisory Board of the ECB, on how European banks have coped with the pandemic. ECB extends leverage ratio relief for banks until March 2022. 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. Annex 1 Annex 2
	SRB	Note on the financial stability implications of COVID-19 support measures. Speech by Elke König, SRB Chair, on the impact of COVID19 on digital banking, and relevant challenges and opportunities
	European Commission	Speech by Valdis Dombrovskis, Executive Vice-President of the European Commission, on EU economic recovery from COVID-19.
	EP - ECON	Papers on avoiding the risk of financial dominance and disorderly market reactions beyond COVID-19. European Council and Parliament agreement on Credit Servicers and Purchasers Directive for non-performing loans.
	ECOFIN	
	EIOPA	
International	BIS	Speech by Agustín Carstens, BIS General Manager, on the role of macroprudential policies during economic crises, including during COVID-19. Speech by Denis Beau, First Deputy Governor of the Bank of France, on bank capital regulation post-pandemic. Annual Economic Report on securing a durable recovery after COVID-19.

		Speech by Agustín Carstens, General Manager of the BIS, on challenges faced by central banks exiting the pandemic. 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
	FSB	Report on preliminary lessons for financial stability from the COVID19 experience.
	BCBS	Report on early lessons from the COVID-19 pandemic on the Basel reforms.
	IOSCO	
	IMF	
	IAIS	Press Release announcing the IAIS conclusion of mid-year committee and stakeholder meetings, noting solid progress in delivering on the IAIS Strategy 2020-2024 and sharing key learnings from COVID-19.
Brexit		
UK	HMT	Markets in Financial Instruments Benchmarks and Financial Promotions (Amendment) (EU Exit) Regulations 2021 laid before parliament, addressing deficiencies in retained EU law and making technical amendments to certain exemptions to the financial promotions regime laid before parliament.

		Annex
		Statutory Instrument amending retained EU law in relation to the non-discriminatory access regime for exchange traded derivatives, the low carbon benchmarks regime and the financial promotions regime for relevant markets to ensure that they apply to the UK following the UK's departure from the EU.
	Parliament	
	BOE	
	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.
		Annex
	FCA	
	PRA	Consultation on PRA's proposed updates to its approach to insurance business transfers following the UK's withdrawal from the EU.
		Update on the PRA's approach to firm authorisation under the Temporary Permissions Regime.
EU	EU	Adequacy decisions for the UK under the GDPR and Law Enforcement Directive adopted. The UK government issued a statement welcoming the decisions.
		Annex 1
		Annex 2
	ECON	Report on the main differences in the supervision of large banks in the UK and euro area, and the risks of regulatory divergence.
	ECB	
	ESMA	

	EBA	
Banking Prudential		
UK	BOE	Dear CFO letter giving thematic feedback from the 2020/2021 round of written auditor reporting. Statistical releases on: i. claims on and liabilities to other countries by UK banks and building societies in Q2 2021; and ii. mortgage lending activities of 340 mortgage lenders and administrators in Q2 2021. Dear CEO Letter on thematic findings on the reliability of regulatory reporting Financial Policy Committee's July 2021 financial stability report CP on the BoE's review of its approach to MREL and operational guide on bail-in execution. annex Consultation paper on the fees regime for financial market infrastructure supervision 2021/22. 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.
	PRA	Policy statement on the application of existing consolidated prudential requirements to financial holding companies, and

statement of policy on supervisory measures and penalties in relation to financial holding companies

Annex 1

Annex 2

Consultation on changes to requirements on the identification of material risk takers for the PRA's remuneration regime.

Consultation on prudential liquidity requirements for Domestic Liquidity Sub-Groups.

PS on implementation of Basel standards.

PS on IRB UK mortgage risk weights and the management of deficiencies in model risk capture.

Statement on PRA's updated approach to shareholder distributions by large UK banks.

PS on PRA's approach to the supervision of international bank branches and subsidiaries.

Policy statement on credit risk: approach to overseas IRB models.

PRA Annual Report 2021.

Consultation paper on proposed rules for the application of existing consolidated prudential requirements to financial holding companies and mixed financial holding companies.

CP14/21 - Consultations by the Financial Policy Committee (FPC) and PRA on changes to the UK leverage ratio framework.

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.
	Annex
HMT	
FCA	Mortgage and re-mortgage product sales data from 1 January 2016 to 31 December 2020.
EU	
EBA	Launch of 2021 EU-wide transparency exercise, based on supervisory reporting data.
	Revised list of Implementing Technical Standards validation rules on supervisory reporting.
	Final guidelines to assess breaches of large exposure limits
	Revised guidelines on stress tests of deposit guarantee schemes.
	Study showing that EU banks' funding plans are poised to return gradually to a pre-pandemic funding composition by 2023.
	Revised Decision confirming the quality of unsolicited credit assessments by certain External Credit Assessment Institutions for calculating banks' capital requirements.

Final revised guidelines on sound remuneration policies taking into account the amendments introduced by CRD V.

Staff paper on a universal stress scenario approach for capitalising non-modellable risk factors under the FRTB.

Final guidelines for the use of data inputs in the expected shortfall risk measure under the Internal Model Approach for market risk.

Annual report on asset encumbrance.

DP on the EBA's proportionality assessment methodology.

Consultation on draft RTS on the criteria for the identification of shadow banking entities for the purposes of reporting large exposures.

Final guidelines on the monitoring of the threshold and other procedural aspects on the establishment of intermediate EU parent undertakings.

Results of the EBA's 2021 EU-wide stress test.

EBA's 2020 Annual Report.

Implementing technical standards on 2022 benchmarking of internal model approaches.

Study of cost of compliance of supervisory reporting requirements.

Updated EBA Methodological Guide, including an updated list of risk indicators and analysis tools.

Opinion on measures to address macroprudential risk in France, through large exposure limit for highly indebted Non-Financial Corporations.

Report on the treatment of incoming third-country branches under national law of EU Member States.

Consultation on amendments to reporting on securitisation, asset encumbrance and Global Systematically Important Institutions (GSIIs).

Consultation on review of guidelines on common procedures and methodologies for the SREP.

Statement on timing for publication of 2021 EU-wide stress test results.

Report on RegTech use in the EU, including recommendations for steps to be taken to support the adoption and scale-up of RegTech solutions.

Revised list of ITS validation rules.

Regulatory technical standards on risk retention requirements under the Securitisation Regulation.

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.

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.

ESMA ECB - SSM	Basel III developments, including:
	ECB-EBA letter on EU implementation of outstanding Basel III reforms;
	EBA regular monitoring report on Basel III full implementation in the EU; and
	speech by Elizabeth McCaul, Member of the Supervisory Board of the ECB, on implementing the Basel III reforms in Europe.
	Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on:
	avenues to accelerate progress on the integration of the EU banking sector; and
	the challenges facing euro area banks.
	Andrea Enria, Chair of the Supervisory Board:
	Letter on the ECB's general approach to assessing banks' management of non-performing loans.
	Speech on the outlook for the eurozone economy and emerging risks in the banking union.
	Q1 2021 supervisory banking statistics
	Annual report on the outcome of the 2020 SREP IT Risk Questionnaire, including feedback to the industry.
	Article by Elizabeth McCaul, Member of the Supervisory Board, on credit risk and how acting now paves the way for sound resilience later.

	Decision not to extend recommendation that all banks limit dividends beyond 30 September 2021. 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.
ECB Central Bank	Monetary policy decisions including interest rates, the asset purchase programme, the pandemic emergency purchase programme, and refinancing operations. Euro area bank interest rate statistics for July 2021 Interview with Christine Lagarde, ECB President, on topics including COVID-19, social and gender inequality, climate change and decentralised currencies Interview with Luis de Guindos, Vice-president of the ECB, including commentary on the use of macroprudential tools and the need for EU banking market consolidation. Research bulletins on: the role of macroprudential policies in avoiding a financial epidemic; and a novel risk management perspective for macroprudential policy

Isabel Vansteenkiste appointed Director General International and European Relations

Staff paper on the growth-at-risk perspective on the system-wide impact of Basel III finalisation in the euro area.

Survey on the Access to Finance of Enterprises in the euro area.

Changes to the Eurosystem's loan-level data requirements.

Macroprudential bulletin on the factors what make banks adjust dividend payouts.

Macroprudential bulletin evaluating the impact of dividend restrictions on euro area bank valuations.

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.

ECOFIN

ESRB

September 2021 risk dashboard.

Occasional papers on:

growth-at-risk and macroprudential policy design; and

the benefits of the LEI for monitoring systemic risk.

Report on macroprudential policy issues arising from the low interest rate environment.

	SRB	Statement on 2022 resolution reporting, highlighting the importance of high quality, complete and timely data submissions. Interview with Elke König, Chair, on the regulation of medium-sized banks. Blog by Jan Reinder de Carpentier, Vice Chair, urging the EU to complete the Banking Union. Update on the application of RTS provisions on prior permissions, complementing July 2021 guidance. Blueprint for the crisis management and deposit insurance framework review. Updated MREL policy and MREL dashboard for Q4 2020. Annex
International	BIS	Speech by Carolyn Rogers, Secretary General of the Basel Committee on Banking Supervision, on the Basel III framework. Speech by François Villeroy de Galhau, Governor of the Bank of France, on developing the EU banking Union. Speech by Joachim Wuermeling, Member of the Executive Board of Deutsche Bundesbank, on transformation finance and challenges for the banking system. 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.

	FSB	New financial stability surveillance framework
	BCBS	Finalised technical amendments for minimum haircut floors for securities financing transactions. Targeted consultation on an amendment to the process for reviewing the G-SIB assessment methodology
Conduct		
UK	HMT	
	FCA	Joint FCA-PRA Dear CEO letter on Trade Finance Activity. Dear CEO letter on expectations of firms in reporting BBLS fraudulent activity. Dear CEO Letter for retail banks regarding common control failings identified in AML frameworks. Access to cash: a) joint statement with the PSR on access to cash; and b) speech by Sheldon Mills, Executive Director of Consumers and Competition, on protecting access to cash and banking services.
	BOE	Working paper on gender, age, and nationality diversity in UK banks. Speech by Andy Haldane, Chief Economist at BoE "Thirty years of hurt, never stopped me dreaming", summarising his time at the BoE. Minutes of the Wholesale Distribution Steering Group 4th May 2021 meeting on access to cash.
	PRA	Letter from the PRA and FCA on 'Pre-settlement counterparty credit exposure management and controls for Delivery versus Payments (DvP) Clients'. Annex Results of annual firm feedback survey 2020.
	CMA	

EU	EBA	Final guidelines on internal governance under CRD. EBA and ESMA joint final guidance on fit and proper requirements following amendments to CRD V and IFD. Consultation to amend technical standards on credit risk adjustments. Report on mystery shopping activities of national authorities.
	ESMA	
	ECB as a Central Bank	
	ECB - SSM	ECB launches consultation on updates to options and discretions policies. 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.
	SRB	Publication of approach to notifying impracticability to include bail-in recognition clauses in contracts.
	ECOFIN	NPLs: provisional agreement on selling credit to third parties
	European Commission	Consultation on improving transparency and efficiency in secondary markets for NPLs. Annex
	European Parliament	Briefing on the gender balance on the boards of significant banks in the banking union.
International	FSB	
	BIS	Working paper on limits of stress-test based bank regulation. Launch the Central Banks' and Supervisors' Climate Training Alliance ahead of COP26.
Capital Markets Prudential		
UK	PRA	Update on the remuneration benchmarking and high earners 2020 submissions. Minutes of the September 2021 Post-Trade Task Force meeting.

BOE	Discussion paper on supervisory stress testing of central counterparties (CCPs) Consultation on modifications to the derivatives clearing obligation to reflect interest rate benchmark reform. Policy statement on modifications to the derivatives clearing obligation to reflect interest rate benchmark reform. Approach to the monitoring of third country systems designated under the Settlement Finality Regulations. Martin Pluves appointed as external member of the Financial Market Infrastructure Board. LIBOR: a) speech by Andrew Bailey, Governor, on LIBOR transition; b) minutes of the Working Group on Sterling Risk-Free Reference Rates 30 March 2021 meeting (published May 2021); 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; 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 e) speech by John C Williams, President and CEO of the Federal Reserve Bank of New York, on LIBOR transition
FCA	Further arrangements for the orderly wind-down of LIBOR at end-2021. Annex 1 Annex 2 Annex 3

		Joint letter with the PRA on pre-settlement counterparty credit exposure management and controls for delivery versus payment clients. 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.
EU	ECOFIN	
	ECB Central Bank	Recommendations of the private sector working group on euro risk-free rates on EURIBOR fallbacks.
	EU	Report on improving securities settlement and CSDR Targeted consultation on the functioning of the EU securitisation framework.
	EBA	
	ESMA	2022 annual work programme. Final guidelines on settlement fails reporting under Article 7 of CSDR. Consultation on the review of the MiFID II best execution reporting regime. Consultation on the review of the short selling regulation Recommendation to European Commission to delay buy-in rules under the CSDR. Updated Q&As on: EMIR implementation; SFTR data reporting; and MIFID II & MiFIR transparency topics. MiFID II review report on algorithmic trading.

Letter from Chairman of the EUR Risk Free Rates Working Group to the European Commission on transition from EONIA to the Euro Short Term Rate.

Opinion on how access to and use of credit ratings can be improved in the EU.

National rules on notifications of major holdings under the Transparency Directive.

Methodology for assessing third country CCPs' systemic importance.

Consultation on EMIR reporting guidelines.

Public statement on the prospectus disclosure and investor protection issues raised by special purpose acquisition companies (SPAC).

CP on the review of guidelines on delayed disclosure of inside information under MAR, in relation to its intersection with prudential supervision

Annual review report on MiFID II/MiFIR and RTS 2.

ESMA's 2020 Annual Report.

Announcement of the appointment of James von Moltke as Chairman of the Euro Risk-Free Rates Working Group

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.
International	FSB	Updated Global Transition Roadmap for LIBOR.
		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.
	BIS	
	IOSCO	IOSCO reiterates the importance of continued transition to risk-free rates.
		Thematic review on business continuity plans for trading venues and market intermediaries.
Conduct		
UK	BOE	Speech by Edwin Schooling Latter, Director of Markets and Wholesale Policy, on the remaining six months before the end of the sterling LIBOR panel.
		Statement on supervision of commodity position limits.
		CP on LIBOR transition and the derivatives trading obligation
		Statement from the FCA and the BoE encouraging market participants in a switch to risk-free-rates in the LIBOR crosscurrency swaps market from 21 September.

		PS on finalised changes to the Listing Rules to strengthen investor protections measures for special purpose acquisition companies.
	FCA	Updated Money Markets Code published. Policy statement on bilateral margin requirements for uncleared derivatives.
		Announcement that the FCA and BoE are encouraging market participants in their switch to the Secured Overnight Financing Rate (SOFR) in US dollar interest rate swap markets from 26 July.
		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.
	HMT	
	PRA	
EU	EC	Publication of a list of indicators to monitor progress towards the CMU objectives.
		Report on the settlement and CSDR.
		Study by the European Parliament on robo-advisors covering how they fit in the existing EU regulatory framework, in particular with regard to investor protection.
	ECOFIN	
	EBA & ESMA	CP on the clearing and derivative trading obligations in view of the benchmark transition.
		CP on the review of RTS 1 (equity) and RTS 2 (non-equity) transparency requirements under MiFIR.
		Public consultations on the implementation of ESMA's CCP recovery mandates.
		CSDR report on the provision of banking-type ancillary services by CSDs.

		First consolidated tape provider data made available.
		Final report on the MIFID II/MIFIR obligations on market data.
		Publication of framework for ESMA's fourth stress test for CCPs.
		The European Commission, ECB Banking Supervision, EBA and ESMA encourage market participants to cease all LIBOR settings.
		Annex 2
		Annex 3
		Annex 4
	ECB - SSM	Consultation paper on a revised Guide to fit and proper assessments.
		Annex
	ECB - CB	Results of the June 2021 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets.
International	BIS	
	FSB	Progress report to the G20 on LIBOR transition issues including recent developments, supervisory issues, and next steps.
		FSB issues statements to support a smooth transition away from LIBOR by end-2021.
		FSB issues statements to support a smooth transition away from LIBOR by end-2021.
	IOSCO	

Investment Management
Prudential

UK	HMT	Amendments to Financial Services Markets Act 2000
	BOE / PRA	Productive finance working group recommendations to address barriers to investment in less liquid assets.
		CP on designating investment firms.

European Venues & Intermediaries Association

London Energy Brokers' Association

		Speech by Andrew Bailey, Governor, on improving the resilience and functioning of money market funds to protect the stability of the financial system.
	FCA	Three-year consumer investments strategy and podcast transcript with Debbie Gupta, Director, Consumer Investments, on the FCA consumer investments strategy. Annex Dear CEO letter on the FCA's wealth management and stockbroking supervision strategy PS on the implementation of the IFPR. PS21/6: Policy Statement on implementation of Investment Firms Prudential Regime. 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.
EU	ECB Central Bank	Q1 2021 euro area investment fund statistics. Q1 2021 euro area financial vehicle corporation statistics.
	EBA	Consultation paper on RTS on the calculation of the EUR 30bn threshold for investment firms.
	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.
International	IOSCO	Guidance for market intermediaries and asset managers using AI and machine learning.
	BIS	Industry survey on exchange-traded funds.

Conduct

UK	BOE	BoE and FCA report on assessing the resilience of market-based finance, including a joint review of liquidity in open ended funds. DP on diversity and inclusion in the financial sector, in collaboration with the FCA.
	FCA	CP on reforms to improve the effectiveness of UK primary markets. Statement on its review of value assessments undertaken by authorised fund managers. Dear Chair letter containing guiding principles on the design, delivery, and disclosure of ESG and sustainable investment funds Consultation on proposals to change disclosure documents provided to retail investors under the PRIIPs regulation. Information for firms who use certain exemptions to the Financial Promotions Order. Dear CEO letter on the platform's portfolio strategy update CP on diversity and inclusion on company boards and executive committees

		FCA multi-firm review findings on 'host' AFM firms' governance and operations. Annex FCA urges victims to come forward after Court orders compensation for victims of illegal investment scheme
EU	EC	Launch of four AML/CFT legislative proposals: – a proposal for a new EU AML authority; – a new Regulation on AML/CFT; – sixth Directive on AML/CFT; and – a revision of the 2015 Regulation on information accompanying transfers of funds, including certain cryptoassets.
	ESMA	Report on national rules governing the marketing of investment funds under the Regulation on cross-border distribution of funds. Public statement warning firms and investors about risks arising from payment for order flow and from certain practices by zero commission brokers. CP on draft guidelines on the MiFID II remuneration requirements. Results of 2020 Common Supervisory Action on MiFID II suitability requirements. Data for the systematic internaliser calculations for equity, equity like instruments, bonds and for other non-equity instruments. Opinion on Product Intervention Measures on Turbos (high-risk, speculative leveraged products)

		ESMA recommends changes to supervisory fees for credit rating agencies (CRAs).
		Guidelines on stress test scenarios under the Money Market Funds (MMF) Regulation.
	ECB Central Bank	
	EBA	
	ESRB	
	ECON	
International	IOSCO	
	BIS	
	FSB	

Fintech & Cyber

UK	BOE	Speech by Charles Randell on the regulation of cryptoassets.
		2021 annual report on the RTGS payments system and CHAPS
		Speech by Christina Segal-Knowles, Executive Director for Financial Markets Infrastructure, on how stable-coins could be regulated if they are used as a form of payment.
		Discussion paper on new forms of digital money, including systemic stablecoins and a UK central bank digital currency.
		BIS and BoE launch BIS Innovation Hub London centre.
		Annex
		Speech by Andrew Bailey, Governor, on how public interest must be at the heart of innovation in payments.
		Speech by Victoria Cleland, Executive Director for Banking, Payments and Innovation, on the evolution of UK payment systems, the role of the UK RTGS system and the vision for the future.
	HMT	UK National AI Strategy.

	DCMS	Updated UK digital identity and attributes trust framework
	FCA	Temporary Registration Regime extended for existing crypto-asset businesses from 9 July 2021 to 31 March 2022. Research shows increase in crypto-asset ownership. 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
	PRA	
	TPR	
	PSR	Annual report and accounts 2020/21. PS and consultation on legal instrument to lower the risks to the delivery of the New Payments Architecture. Launch of Digital Payments initiative to understand potential barriers to the take-up of digital payments and identify potential solutions. Consultation on new five-year strategy. Consultation on next steps for all banks to deliver Confirmation of Payee.
	CMA	
EU	EC	
	ECB Central Bank	Speech by Fabio Panetta, Member of the Executive Board of the ECB, on digital finance and evolving cyber risks. Launch of digital euro project 24 months investigation phase. Report on initiatives to build payments and market infrastructure two decades after the start of the ECB. 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.

	ECB - SSM	Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on the pay-offs and perils of innovation in the banking sector.
	ESMA	Call for evidence on digital finance, gathering information on topics including value chains, platforms and groups providing financial and non-financial services.
	EBA	Report on the use of digital platforms in the EU's banking and payments sector. Consultation on draft guidelines on the application of limited network exclusion requirements under PSD2. Clarifications to the sixth set of issues raised by the industry working group on Application Programming Interfaces under PSD2. Final revised guidelines on major incident reporting under PSD2. Report on payment service providers' readiness to apply strong customer authentication for e-commerce card-based payments.
	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	BIS Innovation Hub and central banks of Australia, Malaysia, Singapore and South Africa to test CBDCs for international settlements. Newsletter on cyber security. Speech by Joachim Wuermeling, Member of the Executive Board of the Deutsche Bundesbank, on the EU's Digital Operational Resilience Act and its impact on banks and their supervisors.

BIS Innovation Hub, Bank of Thailand, the Digital Currency Institute of the People's Bank of China and the Central Bank of the United Arab Emirates joint report on a multi-CBDC platform for international payments.

FSI Insights report on emerging developments in the regulation of BigTechs.

Speech by Benoît Cœuré, Head of the BIS Innovation Hub, on central bank digital currencies.

Speech by Jens Weidmann, President of the Deutsche Bundesbank, on considerations for developing a digital euro.

Report on regulating digital payment services and e-money.

Report to the G20 on the use of CBDCs for cross-border payments

Monthly Global FinTech regulatory updater

Working paper on minimally invasive technology in relation to central bank digital currencies.

Consultation on the prudential treatment of banks' crypto-asset exposures.

Speech by Hyun Song Shin, Head of Research of the BIS, on the opportunities central bank digital currencies offer for the monetary system.

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.

FSB
IMF
BdF

	SNB	

Sustainable Finance

UK	HMT	
	TPR	Consultation on the TPR's approach to new requirements for the governance and reporting of climate related risks and opportunities.
	PRA / BOE	The BoE's climate-related financial disclosure 2020/21. Speech by Andrew Bailey, Governor of BoE, on the role of central banks in tackling climate change. BoE publishes the key elements of the 2021 Climate Biennial Exploratory Scenario (CBES). 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.
	FCA	Consultation paper on enhancing climate-related disclosures by standard listed companies. Annex TCFD consultation on enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers. Annex
EU	EBA	Joint ECB/ESRB report shows uneven impacts of climate change for the EU financial sector. Report on management and supervision of ESG risks for credit institutions and investment firms.
	ECB as a Central Bank	Opinion on a proposal for a Directive amending existing Directives as regards corporate sustainability reporting.

	Speech by Frank Elderson, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, on integrating climate and environmental challenges into the missions of central banks and supervisors.
	Occasional paper on the ECB's economy-wide climate stress test.
	Speech by Christine Lagarde, President of the ECB, on financing a green and digital recovery.
	Speech by Christine Lagarde, President of the ECB, on the opportunity to build a green capital markets union for Europe.
ECOFIN	
ECB – SSM	
European Commission	Strategy to make the EU's financial system more sustainable, and the proposal for a new European Green Bond Standard.
	Platform on Sustainable Finance:
	– draft reports on a social taxonomy, and
	– public consultation on taxonomy extension options linked to environmental objectives.
	Letter from the EU Commission to EP and Council on information regarding the adoption of regulatory technical standards under SFDR.
ESMA	
EIOPA	Remarks by Petra Hielkema, EIOPA Chair, on climate change challenges for insurers.
	Article on climate change, catastrophes, and the macroeconomic benefits of insurance.
	Report on non-life underwriting and pricing in light of climate change.
	Methodological paper on potential inclusion of climate change in the Nat Cat standard formula.

		Opinion on the supervision of the use of climate change risk scenarios in ORSA.
		Consultation on Taxonomy-related product disclosures
		Annex 1
		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).
		Annex
		Announcement of a Sustainable Finance Roundtable on the 16th of December.
International	BIS	Speech by Sabine Mauderer, Member of the Executive Board of the Deutsche Bundesbank, on sustainable finance and the availability of good quality data. Speech by François Villeroy de Galhau, Governor of the Bank of France, on an approach to tackle challenges around climate-related data.
	FSB	
	IOSCO	FR04/2021 Report on Sustainability-related Issuer Disclosures. IOSCO consults on sustainability-related regulatory and supervisory expectations in asset management. Annex
	IMF	

Other / Resilience

UK	FCA	Consultation on changes to the FCA Handbook and enforcement guide to provide guidance on the FCA's new

power to cancel or vary the statutory permissions of many FCA-authorised firms to carry on FCA-regulated activities.

Speech by Sheldon Mills, Executive Director of Consumers and Competition on measuring and assessing culture, the role of purpose and the importance of diversity and inclusion.

Speech by Nikhil Rathi, FCA CEO, on the challenges and priorities for the FCA.

Office for Professional Body Anti-Money Laundering Supervision report on progress made in tackling money laundering by professional body supervisors in 2020/21.

Consultation on the TPR's approach to the new powers introduced by the Pension Schemes Act 2021.

Business Plan 2021/22.

Annual report and accounts 2020/21 and final 2021/22 regulated fees and levies.

annex

CP on changes to streamline the FCA's decision-making and governance procedures.

Joint FCA and PSR:

– updated assessment of the UK's cash infrastructure and wider banking services

– commissioned consumer research exploring the needs and preferences of people that view themselves as reliant on cash.

Speech by Nikhil Rathi, FCA CEO, on building a regulatory environment for the future.

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 identify market 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.
BOE/ PRA	Speech by Sam Woods, Deputy Governor for Prudential Regulation and CEO of the PRA, setting out the PRA's future work plans, including responding to climate change, reviewing Solvency II and ensuring a reliable and safe exit process for firms that become unviable.
	Annual reports for the Treasury Select Committee by:
	Dave Ramsden, Deputy Governor for Markets and Banking; and
	Silvana Tenreyro, external member of the MPC
	Policy statement on temporary, long-term absences for Senior Management Functions
	Third edition of regulatory initiatives grid published.
	Speeches by Lyndon Nelson, Deputy CEO, on:
	a) the PRA's recent final policy on operational resilience and the merits of outcome-based regulation of operational resilience; and
	b) steps to counter cyber risk, including simulation exercises, penetration testing and international collaboration.
HMT	Queen's speech, setting out the Government's programme for the upcoming parliamentary session.

	CMA	
EU	ECB as a Central Bank	
	EC	
	ECOFIN	
	ECON	European Parliament briefing on strengthening the framework of the anti-money laundering package 2021.
	ESRB	
	EBA	Consultation on RTS on crowdfunding service providers offering individual portfolio management of loans. 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	
	EIOPA	Article by Ana Teresa Moutinho, Head of Supervisory Processes Department at EIOPA, on the importance of digital operational resilience.
International	BIS	Newsletter on cyber security. Speech by Joachim Wuermeling, Member of the Executive Board of the Deutsche Bundesbank, on the EU's Digital Operational Resilience Act and its impact on banks and their supervisors. FSI Brief on banking supervisors' oversight and accountability regimes.
	G7	
	FSB	Roadmap for addressing climate-related financial risks. Report on the use of overnight risk-free rates and term rates. Thematic peer review on corporate debt workouts. Annex

IMF	
IOSCO	Consultation on ESG Ratings and Data Providers.