EVIA European Venues & Intermediaries Association

LEBA London Energy Brokers' Association

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

Wednesday 12th January 2021

Full Grid and Outlook Below

FCA recognises revised FX Global Code and Global Precious Metals Code; *The FCA has recognised the updated FX Global Code and Global Precious Metals Code and at the same time taken aim at the misuse of 'last look' and 'pre-hedging' practices by market participants. The FCA warns that:*

- last look practices incorporating 'additional hold time', i.e. a delay additional to what is required to complete price and validity checks, to, for example, see if future prices move in a market participant's favour in relation to a client's trade request are not consistent with the codes; and
- pre-hedging practices where market participants do not communicate these to clients in a way that allow the client to understand the potential impact on execution, including where appropriate controls to monitor conflicts of interest or to limit access to confidential information relating to anticipated orders are not in place, are also not consistent with the codes.

- In light of these warnings, we would suggest participants and individuals subject to the FCA's Senior Managers and Certification Regime review the codes carefully and consider if their behaviour is in line with the spirit and letter of code provisions. This exercise will ensure that Senior Managers meet their obligation to observe 'proper standards of market conduct', which extends to unregulated activities such as those to which the codes relate.
- Some trading venues have already adhered to the revised code. From late this month, they should be publishing more information on various practices, including the extent to which the venue is truly anonymous – the new FX code focuses on the practice of "tagging". Market participants who have not themselves adhered to the codes might become subject to their provisions as a result of venues adhering to the codes – Simmons' Trading Venue Reviewer interrogates venue rules on this point.

Proposed delay to the EU CSDR mandatory buy-in regime; *To an audible sigh of relief from the industry, a tweet from Commissioner Mairead McGuinness confirmed the much-anticipated agreement by the EU Parliament and EU Council to postpone the CSDR mandatory buy-in regime (***MBI regime***) implementation from its planned date of 01 February 2022. The delay has been welcomed by the industry as the MBI regime has been widely criticised as unworkable and market participants have faced serious difficulties regarding implementing its rules.*

- Details of the postponement, including how long the postponement will be, are still to be confirmed. The formal process will likely involve an official regulatory amendment, but this would not be possible before 01 February. ESMA has therefore issued a public statement asking national competent authorities to exercise regulatory forbearance and not to prioritise supervisory actions in respect of non-compliance with the MBI regime. Sensing the agitation of market participants, ESMA has also informally indicated that a 2 to 3-year delay is likely to be considered.
- Given the length of the likely delay and potential for amendments to the regime, we do not expect market participants to continue work on compliance with the MBI regime. Market participants can instead focus on Cash Penalties and Allocations, both of which will still come into effect on 1 February 2022. Read our note on what needs to be done here.

FCA warns firms on use of web-based trading platforms and MAR compliance; *In a quasi-statement of intent, the FCA set out in its Market Watch 68 its concerns about gaps in market participants' surveillance of user activity on web-based platforms and strongly hinted at enhanced future regulatory scrutiny in this area.*

- The FCA's concerns centre around the growing use of web-based platforms where a direct connection to users' trading systems is not required and users have been unable to (or choose not to) establish one. Although trade details for trades executed on such systems are generally recorded in trade booking systems, this is not necessarily the case for related order messages that precede execution and those that do not result in a trade. The FCA is therefore concerned that this gap around capturing and monitoring orders means that the requirements for market abuse surveillance are not being met.
- The FCA acknowledged that the industry in general faces specific challenges with regard to these platforms but emphasised that it would not accept this as an excuse for failing to comply with MAR. The FCA emphasised that it market participants should consider its concerns and take steps to ensure they are monitoring all orders and transactions. To capture all unexecuted orders and relevant order-related messages, participants should consider the following steps:
    - Compliance awareness – Review the number of web-based platforms used, the quantity of activity happening on such platforms, and the scope for capturing order and trade data.
    - Overcoming the data challenge – Instead of settling for a data gap, use tactical solutions to get useable data on both orders and trades in a format suitable for surveillance. Consider offboarding platforms if it is not possible to get the necessary data.

- Market abuse risk assessments – Risk assessments of the market abuse risks facing the business should include business entered on web-based platforms and particularly on orders which are deleted or otherwise do not result in a trade.
- Onboarding governance – Establish formal procedures and governance procedures for onboarding new platforms. As part of these procedures, the ability to retrieve relevant trade and order data should be included as a prerequisite to onboarding platforms and market participants should consider how to meet market abuse surveillance and record keeping obligations.

The FCA and the PRA have jointly requested UK-based firms with equity finance (prime brokerage) businesses to carry out systematic reviews of their equity finance businesses and their risk management practices and controls by end of Q1 2022. *Following the default of Archegos Capital Management, the regulators' supervisory reviews have found weaknesses in business strategy and organisation; onboarding and reputational risk; financial risk management controls and governance; and liquidation and close-out.*

The FCA's PS21/20 confirms amendments to UK MiFID to remove the obligation for execution venues and investment firms to produce best execution reports (RTS27 and RTS 28 reports respectively) from 1 December 2021. The policy statement also amends MiFID inducement rules to improve the availability of research on SME firms.

As part of its Primary Markets Effectiveness Review, the FCA is removing some barriers to listing and making its rulebooks more accessible. The changes, detailed in PS21/22, include an introduction of a targeted form of dual class share structure within premium listing. The policy statement also reduces from 25% to 10% the level of shares required to be in public hands at listing and increases the minimum market capitalisation for premium and standard listing segments from £700,000 to £30 million.

In its annual report on financial market infrastructure (FMI) supervision, the BoE outlined its future priorities for the sector. These include reviewing implementation of new operational resilience standards, consulting on FMI outsourcing, further developing the CCP supervisory stress testing framework and continuing to work with HMT and other authorities to develop the UK approach to crypto-assets and stablecoins.

The BoE and the FCA, under their joint responsibility for supervising the UK version of the European Market Infrastructure Regulation (EMIR), are proposing to amend the framework for derivatives reporting to ensure a more globally consistent data set. The FCA is also proposing to streamline the registration and reconciliation processes for trade repositories.

In Market Watch 68, the FCA highlighted its concern around the lack of surveillance over data from web-based trading platforms, in particular the gaps in rates and fixed income order capture. The FCA found firms with formal procedures and good governance for onboarding new platforms, including consideration of surveillance and record keeping obligations, were better able to ensure capture and monitoring of all relevant trade and order data.

Wth the FCA's confirmation that all legacy contracts apart from cleared derivatives can use synthetic LIBOR, the regulatory framework is in place for the LIBOR transition. From 1 January

2022, 24 of the 35 LIBOR settings will no longer be available. Six sterling and yen LIBOR settings will continue for the duration of 2022 in synthetic form for legacy use only. Five US dollar LIBOR settings will continue in their current form until mid-2023 but the FCA is restricting in the UK the use of US dollar LIBOR from end-2021.

Payments; *The Payment Systems Regulator (PSR) is consulting on proposals to prevent Authorised Push Payment (APP) scams. The PSR proposes:*

- *Publication of fraud data by banks every six months*
- *Improved intelligence sharing, detection and prevention of APP scams*
- *Mandatory reimbursement for victims of scams who have done nothing wrong,*
- It also intends to consider further measures, how best to use existing powers, and explore how it can facilitate industry coordination and initiatives.
- The PSR also set out its regulatory framework for the New Payments Architecture (NPA) central infrastructure services (CIS) following concerns there were unacceptably high risks in the existing NPA programme. The framework is intended to reduce the ability and incentives of a CIS provider to act in ways that distort competition or stifle innovation.
- Finally, the PSR is also consulting on proposals to ensure the industry remains on track with establishing a single Confirmation of Payee (CoP) system. The aim is to allow more providers to work together to ensure a greater number of customers are protected and there is an orderly transition between Phase 1 (where UK's six largest banking groups were required to introduce CoP) and Phase 2 (a new technical environment, rules and standards) designed to widen participation.
- The FCA published final rules for the Regulatory Technical Standards on Strong Customer Authentication and Secure Communication (SCA-RTS). Amendments have been made to its 'Payment Services and Electronic Money – Our Approach' document and its Perimeter Guidance Manual (PERG) consolidating FCA expectations and providing further clarity.

Update on UK government and FCA regulatory developments – ESG and climate change; In a speech in 2019, the Economic Secretary to the Treasury lay down a marker, referring to the "UK's long history of international leadership on climate change": "*The financial sector has perhaps more potential than any other part of our economy to bring about a greener future. It is the City that can bring forward new financial products and services to meet rising demand for sustainable investment. It is the City that can unlock capital for renewable energy and other clean technology required to reduce emissions in this country, and overseas. And it is the City, with its restless commercial zeal, that will seize the opportunities of clean and resilient growth and lead us toward a low carbon future.*

- Our Strategy seeks to bring about a complete change in the way the City thinks and acts.
- We must ensure the financial risk and opportunities from climate change are integrated into mainstream decision making. Because let's be clear: the climate challenge poses an existential risk to the future of the planet and, by extension, our economy too.
- If our financial system is to remain resilient – and relevant – then the City must adapt.

- The threat is real, the opportunities are growing, and the world is watching. So the time for action has come. The City must lead the way."
- UK initiatives
- It is fair to say that it has taken some time for the zeal contained in this stirring call to arms to be reflected in real world proposals and initiatives. But, with a flurry of action, the UK has recently launched various initiatives and proposals, presumably seeking to capitalise on its hosting of COP26 in November 2021 for maximum publicity, both locally and internationally. Some of the key initiatives are set out below.
- For those with pan European businesses, it is necessary to contextualise the UK proposals against those on the EU side and consider where there is overlap vs divergence. On this the answer is clear. Put simply, the UK has largely gone its own way in almost all respects bar one – the taxonomy. The UK pointedly says the UK taxonomy "draws on the EU approach which the UK helped design as a former member state".
- HMT "*Greening Finance: A Roadmap to Sustainable Investing*" (18 October 2021),

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	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	Article 8 SFDR

(sustainable characteristics, themes or objectives; high allocation to UK taxonomy aligned sustainable activities)	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.	
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. Minimum criteria: *ESG integration, evidence of ESG analytical organisational capabilities and resources, demonstrable stewardship.*	Article 8 SFDR

	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
  - 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.
- 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".

Regulatory Outlook and Diary

2H 2021	India	Basel III: Expected SA-CCR implementation.
2H 2021	India	Basel III: Expected implementation of standards for the capitalization of banks' exposures to CCPs.
Q4 2021	EU	The European Commission (EC) will adopt a Delegated Act (DA) on specifying fees and rules of procedure for measures applicable to the supervision by ESMA of certain benchmark administrators (i.e. supervisory fees, fines and penalties for administrators of critical and/or third country benchmarks).
Q4 2021	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.
Q4 2021	EU	The European Commission shall publish and adopt an Implementing Act (IA) to designate statutory replacements rates for EONIA.
December 01 2021	US	Registration applications due from major-SBS participants that incur a registration obligation as a result of SBS activities in their quarter ending September 30, 2021, per SEC Security Based Swap final rules (See 84 Fed. Reg. 6270-6354 (February 4, 2020) and 84 Fed. Reg. 6359-6417 (February 4, 2020)).
December 01 2021	Malaysia	Expected deadline for banks to elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions.
December 6, 2021	Japan	Amendment to the scope of the mandatory clearing requirements (the removal of interest rate swaps referring to 3/6M JPY LIBOR and the addition of TONA compounding OISs that are clearable at JSCC), subject to the public consultation (the deadline to respond was October 8, 2021, and the finalized rules are soon to be published).
December 6, 2021	Japan	Amendment to the scope of the mandatory trading requirements at electronic trading facility (the removal of interest rate swaps referring to 6M JPY LIBOR and the addition of TONA compounding OISs that are clearable at JSCC), subject to the public consultation (the deadline to respond was October 8, 2021 and the finalized rules are soon to be published).
December 30 2021	EU	The European Supervisory Authorities (ESMA, EBA, EIOPA) shall submit a RTS to specify website disclosures of adverse social sustainability impacts at entity level (Article 4) under the sustainability-related disclosures in financial sector regulation (SFDR).
December 31, 2021	UK	LIBOR phase out deadline.
December 31 2021	EU	All benchmark administrators in scope of the European Benchmarks Regulation (BMR), with the exception of currency and interest rate benchmarks, have to explain in their benchmark statement how their methodology aligns with carbon emission reductions.
December 31 2021	EU	The European Commission shall publish a report describing the provisions that would be required to extend the scope of the EU Taxonomy regulation beyond environmentally sustainable economic activities and describing the provisions that would be required to cover economic activities that do not have a significant impact on environmental sustainability and economic activities that significantly harm environmental sustainability

		('Brown Taxonomy') and whether other sustainability objectives such as social objectives should be added to the framework.
December 31 2021	EU	CCP R&R (Article 96): The European Commission (EC) shall review the application of Article 27(7) (Requirement to for the resolution authority to write down and convert any instruments of ownership and debt instruments or other unsecured liabilities immediately before or together the use of a government stabilization tool). The EC shall submit a report thereon to the European Parliament and to the Council accompanied where appropriate by proposals for revision of this Regulation.
December 31 2021	EU	The transitional provisions for 'critical benchmarks' (EURIBOR, EONIA, NIBOR, STIBOR AND WIBOR) under the EU BMR expires.
December 31 2021	Hong Kong	Date by which Ais should cease to issue new LIBOR-linked products that will mature after 2021.
2022	Australia	Expected finalization of APRA prudential standard for IRRBB (APS 117).
H1 2022	EU	The European Commission shall adopt Delegated Acts (DAs) to specify the technical screening criteria with respect to 'the sustainable use and protection of water and marine resources', 'the transition to a circular economy', 'pollution prevention and control' and 'the protection and restoration of biodiversity and ecosystem' (Article 9 (c) -(f)), with a view to ensuring its application from January 1, 2023.
Q1 2022	Australia	Expected 2nd ASIC consultation on updating the Australian reporting regime.
January 1, 2022	EU	Administrators of significant benchmarks, as defined under the European Benchmarks Regulation (BMR), have to endeavour to market at least one EU climate-transition benchmark.
January 1, 2022	EU	From 2022, the disclosure requirement under Regulation EU 2020/852 on the establishment of a framework to facilitate sustainable investment ('EU Taxonomy') with respect to the environmental objectives 'climate change mitigation' and 'climate change adaptation' (Article 9 (a) and (b)) have to be applied.
January 1, 2022	EU	Article 11 requirements with respect to periodic reports under the sustainability-related disclosures in financial sector regulation (SFDR) shall apply.
January 1, 2022	EU	ESAs Review: Start date of the application of the provisions relating to the BMR. ESMA will become the competent authority for administrators of critical benchmarks, as defined in Article 20(1)(a) and (c), i.e. large interest rate benchmarks such as Euribor, EONIA, WIBOR and STIBOR. ESMA will also become the competent authority under the recognition process (BMR Article 32) for administrators located in third country jurisdictions. This notably removes the requirement for third country benchmark administrators to identify the 'member state of reference'.

January 1, 2022	UK	Date by which outstanding elements on the UK-onshored version of the 2nd Capital Requirements Regulation (CRR 2) will apply including the net stable funding ratio, leverage ratio and the standardized approach for counterparty credit risk and the FRTB SA reporting requirements
January 1, 2022	US	Compliance date for advanced approaches banking organizations of standardized approach for counterparty credit risk (SA-CCR) for calculating the exposure amount of derivative contracts under US prudential regulators' regulatory capital rule (See 85 Fed. Reg. 4362-4444 (January 24, 2020))
January 1, 2022	Thailand	Date after which the fallback THBFIX is permitted to be referenced only in new derivative contracts.
January 2, 2022	EU	In the context of EMIR 2.2, 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 (EMIR article 90)
January 3 2022	US	Comments due on SEC Proposal: Electronic Recordkeeping Requirements for Broker-Dealers, Security-Based Swap Dealers, and Major Security-Based Swap Participants. (See 86 FR 68300- 28 (December 1, 2021)).
January 12, 2022	Global	Responses due on Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) joint consultative report review of margining practices.
February 3, 2022	EU	Responses due on European Banking Authority (EBA) public consultation on its draft Regulatory Technical Standards (RTS) on Initial Margin Model Validation (IMMV) under the European Markets Infrastructure Regulation (EMIR).
February 12, 2022	EU	CCP R&R (Article 9 (12)): ESMA in cooperation with ESRB shall issue guidelines on scenarios for recovery plans, taking account of supervisory stress tests where appropriate.
February 12, 2022	EU	CCP R&R (Article 9 (15)): ESMA in cooperation with EBA and after consulting the ESCB shall develop draft regulatory technical standards specifying the methodology for calculation and maintenance of the additional amount of pre-funded dedicated own resources (SSITG)
February 12, 2022	EU	CCP R&R (Article 10 (12)): ESMA, in cooperation with the ESCB and the ESRB shall develop criteria to assess CCP's recovery plan
February 12, 2022	EU	CCP R&R (Article 12 (9)): ESMA, after consulting with the ESRB shall develop draft regulatory technical standards further specifying the contents of the Resolution Plan in accordance with paragraph 7.
February 12, 2022	EU	CCP R&R (Article 15 (5)): ESMA, in close cooperation with the ESRB shall issue guidelines to promote the convergence of resolution practices regarding the application of section C of the Annex
February 12, 2022	EU	CCP R&R (Article 18 (8)): ESMA shall issue guidelines in accordance with Article 16 of Regulation (EU) No. 1095/2010 to promote the consistent application of the triggers for the use of the early intervention measures.

February 12, 2022	EU	CCP R&R (Article 20 (2)): ESMA shall develop draft regulatory technical standards to specify the order in which recompense must be paid, the appropriate maximum number of years and the appropriate maximum share of the CCP's annual profits.
February 12, 2022	EU	CCP R&R (Article 22 (6)): ESMA shall adopt guidelines to promote the convergence of supervisory and resolution practices regarding the application of the circumstances under which a CCP is deemed to be failing or likely to fail
February 12, 2022	EU	CCP R&R (Article 25 (6)): ESMA shall develop draft regulatory technical standards to specify: • Independence of validator • Methodology for assessing the value of assets and liabilities of the CCP • Separation of valuations under art 24 and art 61.
February 12, 2022	EU	CCP R&R (Article 26 (4)): ESMA shall develop draft regulatory technical standards to specify the methodology for calculating the buffer for additional losses to be included in provisional valuations.
February 12, 2022	EU	CCP R&R (Article 29 (7)): ESMA shall issue guidelines further specifying the methodology to be used by the resolution authority for determining the valuation of contracts to be torn up.
February 12, 2022	EU	CCP R&R (Article 61 (5)): ESMA shall develop draft regulatory technical standards specifying the methodology for carrying out the NCWO valuation including the calculation of the losses following liquidation if the CCP had been wound up under normal insolvency proceedings, following the full application of the applicable contractual obligations and other arrangements in its operating rules.
February 12, 2022	EU	CCP R&R (Article 63 (2)): ESMA shall develop draft regulatory technical standards in order to specify, in a transparent manner, to the extent allowed by confidentiality of contractual arrangements, the conditions under which the passing on of compensation, cash equivalent of such compensation or any proceeds that the clearing member receives from the CCP, and the conditions under which it is to be considered proportionate.
February 12, 2022	EU	CCP R&R (Article 83 (4)): ESMA shall ubmit a report to the Commission on the publication of administrative penalties and other administrative measures by Member States on an anonymous basis and in particular whether there have been significant divergences between Member States in that respect. That report shall also address any significant divergences in the duration of publication of administrative penalties or other administrative measures under national law for Member States for publication of administrative penalties and other administrative measures.
February 12, 2022	EU	CCP R&R (Article 87 - EMIR art 45a (3)): ESMA shall draft guidelines further specifying the circumstances in which the competent authority may request the CCP to refrain from undertaking dividends, bonuses and buy-backs.
March 1, 2022	EU	Three-month calculation period begins to determine whether the average aggregate notional amount of derivatives for an entity and its affiliates exceeds relevant threshold for initial margin requirements as of

	Switzerland Japan Canada Singapore Hong Kong Australia South Africa US	September 1, 2022. In the US, this calculation period only applies under CFTC regulations.
March 3, 2022	Singapore	MAS Notice SFA 04-N16 on Execution of Customers' Orders and the related Guidelines to the Notice take effect.
March 31, 2022	UK	Following the use a temporary transitional power (TTP) by the bank of England, UK firms can continue to follow, until March 31, 2022, the procedures and arrangements for risk management in non-cleared derivatives business that were required under EU EMIR.
Q2 2022	Singapore	Expected publication of the updated MAS reporting regime, with a 1-year implementation period
April 2, 2022	Australia	Expiry of ASIC Corporations (Amendment) Instrument 2020/149, providing relief from mandatory clearing requirements for AUD-denominated FRAs.
April 13, 2022	US	Compliance date: CFTC Bankruptcy Regulations (See 86 Fed. Reg.19324-19477 (April 13, 2021)).
May 25, 2022	US	Swap data repositories (SDRs), swap execution facilities (SEFs), designated contract markets (DCMs), and reporting counterparties must comply with the amendments to the CFTC swap data reporting regulations found in Part 43, Part 45 and Part 49 by the compliance date of May 25, 2022; provided, however that SDRs, SEFs, DCMs, and reporting counterparties must comply with the amendments to §§43.4(h) and 43.6 by May 25, 2023
June 1, 2022	US	Three-month calculation period begins under US prudential regulations to determine whether the material swaps exposure, or daily average aggregate notional amount, of swaps, security-based swaps, FX swaps and FX forwards for an entity and its affiliates that trade with a prudentiallyregulated swap dealer exceeds $8 billion for the application of initial margin requirements as of January 1, 2023.
June 1, 2022	EU	The European Supervisory Authorities (ESMA, EBA, EIOPA) shall submit draft Regulatory Technical Standard (RTS) on the presentation and content for the environmental objectives 'the sustainable use and

		protection of water and marine resources', 'the transition to a circular economy', 'pollution prevention and control' and 'the protection and restoration of biodiversity and ecosystem' under the EU Taxonomy Regulation.
June 30, 2022	EU	The temporary recognition of UK CCPs (LME, ICE and LCH) under the EMIR 2.2. framework expires. Unless further addressed, following this date, EU firms could not have access to the UK CCPs and would need to relocate their clearing activities to EU CCPs. Please note that under EMIR 2.2, ESMA has also performed its tiering assessment, with LME becoming a Tier 1 CCP whereas ICE and LCH are considered Tier 2 CCPs.
June 30, 2022	EU	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.
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	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.

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

December 31, 2022	EU	The European Commission shall review the minimum standards of carbon benchmarks (climatetransition and Paris-aligned benchmarks) in order to ensure that the selection of the underlying assets is coherent with environmentally sustainable investment as defined by the EU taxonomy.
December 31, 2022	EU	Before December 31, 2022, the European Commission shall present a report to the co-legislators on the impact of an 'ESG benchmark', taking into account the evolving nature of sustainability indicators and the methods used to measure them. The report shall be accompanied, where appropriate by a legislative proposal
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	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	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	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 31, 2023	Japan	Basel III: Expected implementation of revised credit risk, CVA, operational risk, leverage ratio and FRTB frameworks.
Q2 2023	Singapore	Expected go-live of the updated MAS reporting regime.
May 25, 2023	US	Swap data repositories (SDRs), swap execution facilities (SEFs), designated contract markets (DCMs), and reporting counterparties must comply with the amendments to the CFTC swap data reporting regulations §§43.4(h) and 43.6 by the compliance date of May 25, 2023.
June 15, 2023	EU	The European Commission shall adopt a Delegated Acts (DA) to designate exempted FX spot rates from the scope of the EU BMR.

June 15, 2023	EU	The European Commission (EC) shall submit a report to the European Parliament and to the Council on the scope of the BMR, in particular with respect to the use of third country benchmarks. If appropriate, the EC shall accompany the report with a legislative proposal.
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.
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.
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	Australia	Basel III: Expected implementation of APRA FRTB and CVA risk (APS 116 and APS 180) frameworks.
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 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.
September 1, 2024	South Africa	Initial margin requirements apply to a provider with aggregate month-end average notional amount exceeding ZAR 100 billion.
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.
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.

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. • Statement on the regulatory treatment of the UK Recovery Loan Scheme. • Article on how COVID-19 has affected firms' costs and prices. • Statement on the disclosure of exposures subject to measures applied in response to COVID-19 • Speech by Christina Segal-Knowles, Executive Director for Financial Markets Infrastructure, on how the post-2008 financial reforms held up during the pandemic, and next steps for policy makers. • Speech by Andrew Bailey, Governor of the Bank of England, on the future for business investment in the age of COVID-19 and the role of financial services • November 2020 Monetary Policy Report • Report on how COVID-19 has affected household savings • Statement by the PRA on COVID-19 guidance for firms
	FCA	• Approach to regulating firms in relation to the UK Government's Recovery Loan Scheme (RLS) • Finalised Guidance on helping consumers with rights and routes to refund in light of COVID-19 • COVID-19 guidance for employers in relation to automatic enrolment and DC pension contributions. • Final Guidance on the business interruption insurance test case and proving the presence of COVID-19. • Key findings from review on COVID-19 linked forbearance. • Further updated tailored support guidance for firms with regards to mortgages in light of COVID-19. • Feedback Statement on the Bounce Back Loan Scheme and guidance for firms on use of Pay as You Grow options. • Updated guidance on mortgages and consumer credit repossessions • Banks asked to reconsider branch closures during COVID-19 lockdown • Updated expectations on Approved Persons Regime (APR) and coronavirus.

		• Updated expectations on SM&CR and coronavirus for solo-regulated firms. • Updated joint FCA and PRA statement on the SM&CR and COVID-19: expectations of dual-regulated firms. • Final guidance for firms on mortgages and COVID-19 • Final guidance for firms in relation to consumer credit and COVID-19 • Written cases for the Supreme Court appeal of business interruption insurance
	HMT	• COVID-19 business loan scheme statistics.
EU	EBA	• 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. • Second annual report monitoring the implementation of the Liquidity Coverage Ratio (LCR) during the COVID-19 period, in the EU. • Additional clarifications on the application of the prudential framework in response to issues raised as a consequence of the COVID-19 pandemic. • Additional clarity on the implementation of select COVID-19 policies, including on moratoria, COVID-19 reporting, operational risk, downturn LGD, and credit risk mitigation. • Report on the use of COVID-19 moratoria and public guarantee schemes by EU banks
	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.
- Speech by Christine Lagarde, President of the ECB on the COVID-19 crisis and SMEs.
- Speech by Luis de Guindos, Vice-President of the ECB, on macroprudential policy through COVID-19 and beyond.
- Interview with Luis de Guindos, Vice-President of the ECB, on Euro area economic recovery from COVID-19.
- Interview with Isabel Schnabel, Member of the Executive Board of the ECB, on the effect of delayed vaccines on the EU's recovery.
- Article on Euro area capital stock since the beginning of the pandemic.
- Interview with Philip R. Lane, Member of the Executive Board of the ECB, on COVID-19 and monetary policy.
- Announcement on extension of pandemic emergency longer-term refinancing operations.
- Speech by Philip Lane, Member of the Executive Board of the ECB, on the role of monetary policy in the pandemic, focussing on the ECB and the Euro area.
- Report on consumption patterns and inflation measurement issues during COVID-19
- Speech Luis de Guindos, Vice-President of the ECB, on the Banking Union and Capital Markets Union after COVID-19
- Speech by Isabel Schnabel, Member of the Executive Board of the ECB, on lessons learned from COVID-19 and the non-bank liquidity crisis
- November 2020 Financial Stability Review
- Speech by Isabel Schnabel, Member of the Executive Board of the ECB, on the monetary policy challenges facing central banks

ECB - SSM

- Speech by 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. i. Annex 1 ii. Annex 2 • Speech by Andrea Enria, Chair of the ECB, on European banks in the post-COVID-19 world. • Recommendation on dividend distributions during the COVID-19. • Dear CEO letter on remuneration policies in the context of the COVID-19. • Dear CEO letter on identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic. • Speech by Kerstin af Jochnick, Member of the Supervisory Board of the ECB, on the recovery from COVID-19 and the regulatory response
SRB	• 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 • Speech by Elke Konig, Chair of SRB on post pandemic recovery and new growth models. • Speech by Elke König, Chair, on the next steps for banks in coping with COVID-19. • Speech by Sebastiano Laviola, Member of the Board at the SRB, on bank resolution in times of uncertainty • Speech by Elke König, Chair of the SRB, on bank resolvability and COVID-19
European Commission	• Speech by Valdis Dombrovskis, Executive Vice-President of the European Commission, on EU economic recovery from COVID-19.
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	• Technical note on the sectoral impact of COVID-19.
	EIOPA	• Consultation on ORSA in the context of COVID-19.
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 • Speech by Andrew Bailey, Governor of the Bank of England, on the impact of (and recovery from) COVID-19. • Working paper on macroeconomic consequences of "pandexit" (exit from the pandemic). • Pablo Hernández de Cos, Governor of the Bank of Spain and Chairman of the BCBS, on the challenges to the banking sector a year after the outbreak of the COVID-19 pandemic. • Speech by Isabel Schnabel, Member of the Executive Board of the ECB, on the importance of favourable financing conditions to the COVID-19 recovery.

- Working paper for a global database on central banks' monetary policy responses to COVID-19.
- Opening remarks by Sharon Donnery, Deputy Governor of the Central Bank of Ireland on macroprudential policy and lessons in the pandemic era.
- Opening remarks by Gabriel Makhlouf, Governor of the Central Bank of Ireland on lessons from COVID-19 and a macroprudential framework for the market-based finance sector.
- Bulletin on recovery from an "uneven recession" following COVID-19.
- Speech by Agustin Carstens, General Manager of the BIS, on how the challenges and priorities in a global pandemic represent a delicate moment for supervisors.
- Speech by Benoit Coeure, Head of the BIS Innovation Hub, on the financial system after COVID-19.
- Speech by Jens Weidmann, President of Deutsche Bundesbank, on the potential long-term effects of the COVID-19 crisis on the economy and on monetary policy.
- Speech by Ed Sibley, Deputy Governor of Prudential Regulation at the Central Bank of Ireland, on the unprecedented challenges facing SMEs
- Speech by Mr Luis de Guindos, Vice-President of the ECB, on the Euro area financial sector during COVID-19
- Speech by Margarita Delgado, Deputy Governor of the Bank of Spain, on consumers and the post-COVID-19 mortgage market
- Speech by Pablo Hernández de Cos, Chair of the BCBS, on the European response to COVID-19

FSB

- Report on preliminary lessons for financial stability from the COVID19 experience.
- FSB Chair's letter to G20 Finance Ministers and Central Bank Governors, updating the G20 on the unwinding of COVID-19 support measures and a roadmap for climate risk.
- Report on the unwinding of COVID-19 support measures.
- Letter from Randal Quarles, Chair of the FSB, on the vulnerabilities in the financial system exposed by COVID-19 and new and emerging risks.
- Report on the financial stability impact of COVID-19 and policy responses

		• Discussion on responses to COVID-19 and non-bank financial intermediation
	BCBS	• Report on early lessons from the COVID-19 pandemic on the Basel reforms.
	IOSCO	• Report on the impact of COIVD-19 on retail market conduct.
	IMF	• Global Financial Stability Report, April 2021: pre-empting a legacy of vulnerabilities. • Speech by Gita Gopinath, Chief Economist, on Women's Economic Empowerment and Inclusive Global Economic Growth, during COVID-19 and Beyond. • Remarks by Kristalina Georgieva, IMF Managing Director on financing for development in the era of COVID-19 and beyond initiative. • Report on corporate liquidity and solvency in Europe during COVID-19, and the potential impact on the banking system. • Blog on how digitisation can help support the global recovery from COVID-19 • Blog on addressing urgent financing needs arising fromCOVID-19 • Speech by Kristalina Georgieva, Managing Director of the IMF, on lessons from the Global Financial Crisis in the age of COVID-19
	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. i. 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.
	• Conclusion of technical negotiations on the UK–EU Memorandum of Understanding on Financial Services Regulatory Cooperation
	• Consolidated guidance for financial services providers in light of the end of the transition period.
	• UK-EU Trade and Cooperation Agreement published, including a joint declaration to establish a framework for regulatory cooperation for FS
	    i. Annex
	• The Securities Financing Transactions, Securitisation and Miscellaneous Amendments (EU Exit) Regulations 2020 have been made, including an explanatory memorandum.
	    i. Annex
	• The Financial Holding Companies (Approval etc.) and Capital Requirements (Capital Buffers and Macroprudential Measures) (Amendment) (EU Exit) Regulations 2020 have been made, including an explanatory memorandum.
	    i. Annex
	• Call for evidence on the overseas framework for cross border FS.
	• Guidance on the open access regime for exchange traded derivatives.

Parliament	• UK and Switzerland plan to deepen financial services cooperation, moving ahead with negotiations to deliver a comprehensive mutual recognition agreement. • House of Lords EU Services Sub-Committee invites written contributions to its inquiry into the future of UK-EU relations on trade in services, including financial services. • Treasury Committee launches inquiry into the future of financial services after the end of the transition period • House of Lords EU Services Sub-Committee invites contributions to its ongoing enquiry into financial services after the end of the transition period

BOE	• Amendments under the European Union (Withdrawal) Act 2018, including the final PRA Rulebook (EU Exit) Instrument, PRA transitional direction, and related guidance documents. • Joint BoE/PRA statement of policy detailing their approach to interpreting EU guidelines and recommendations following the UK's withdrawal from the EU and the end of the transition period. • Bank of England statement acknowledging HMT equivalence decisions
ECPB	• Opinions on the Commission's draft UK data adequacy decisions published, including one opinion on adequacy under the GDPR, and another on adequacy under the Law Enforcement Directive. i. Annex
FCA	• Confirmation that the FCA will continue to use the Temporary Transitional Power to modify the application of the derivatives trading obligation. • Pre-agreed Memoranda of Understanding with EU authorities in the areas of securities, insurance and pensions, and banking came into force at the end of the transition period. • Statement and explanatory note on use of the Temporary Transitional Power (TTP) to modify the UK's derivatives trading obligation. i. Annex • Draft transitional direction for the share trading obligation. • Supervisory statement on the MiFID Markets Regime after the end of the transition period. • Final Brexit onshoring instruments and TTP directions. • Approach to interpreting reporting and disclosure requirements under Capital Requirements Directive and Capital Requirements Regulation after the end of the transition period. • Instructions on the Financial Instruments Transparency System.
PRA	• 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.
- Final policies on the Capital Requirements Directive (CRD) V and Bank Recovery and Resolution Directive (BRRD) II.
    i. Annex
- Supervisory statement on how firms should interpret existing non-binding PRA regulatory and supervisory materials in light of the UK's exit from the EU.
- Supervisory statement on the approach it expects firms to take when interpreting EU-based references found in reporting and disclosure requirements and regulatory transactions forms following the UK's exit from the EU.
- Supervisory statement on setting out its expectations on deposit-takers in regard to depositor protection rules following the end of the transition period.

EU	EU	• Adequacy decisions for the UK under the GDPR and Law Enforcement Directive adopted. The UK government issued a statement welcoming the decisions. i. Annex 1 ii. Annex 2 • Opinions on the Commission's draft UK data adequacy decisions published, including one opinion on adequacy under the GDPR, and another on adequacy under the Law Enforcement Directive. • Communication on the EU's economic and financial system, proposing a list of actions to reinforce its "open strategic autonomy". • UK-EU Trade and Cooperation Agreement published, including a joint declaration to establish a framework for regulatory cooperation. i. Annex • Time-limited equivalence decision for UK Central Securities Depositories adopted and published in the Official Journal. It will enter into force on 1 January and lapse on 30 June 2021
	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	• Speech by Edouard Fernandez-Bollo, Member of the Supervisory Board of the ECB, on banking regulation and supervision after Brexit. • Occasional paper on economic analyses on the potential impact of Brexit.
	ESMA	• Updated statement on the impact of Brexit on the Benchmark Regulation. • Registration of six UK-based credit rating agencies and four trade repositories withdrawn at the end of the transition period. • ESMA-BoE Memorandum of Understanding on ESMA's monitoring of ongoing compliance with recognition conditions by UK central securities depositories. • Reminder to firms on MiFID II rules on reverse solicitation in light of practices observed since the end of the transition period. • Euroclear UK & Ireland Limited recognised as third-country central securities depositories after the end of the transition period.
	EBA	• Change in the status of Simple, Transparent and Standardised securitisation transactions at the end of the transition period. i. Annex ii. Annex • Proposal to amend EMIR implementation timelines for intragroup transactions, equity options and novations to EU counterparties i. Annex 1 ii. Annex 2 • Endorsement of credit ratings elaborated in the United Kingdom after end of transition period.
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;

   i. 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.
   i. 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.
- Quarterly bulletin on the BoE's plans to deliver data standards and transform data collection in financial services.
- MPC Remit statement and letter and FPC Remit letter.
- Statement on maintaining the Bank Rate at 0.1%.
- Consultation paper and draft supervisory statement on the PRA's approach to supervision of branch and subsidiaries, and speech by David Bailey, Executive Director Financial Markets Infrastructure.
   i. Annex I
   ii. Annex II
- Speech by Silvana Tenreyro, External Member of the Monetary Policy Committee, on negative interest rates.
- Key elements of the 2021 solvency stress test for major UK banks and building societies.
- Update on the Bank's approach to the Climate Biennial Exploratory Scenario in selected areas.
- Statistical release of the external business of Monetary Financial Institutions operating in the UK in 2020 Q3.
- Mortgage lenders and administrators' statistics - Q3 2020.
- December 2020 Financial Stability Report and Financial Policy Summary.

- Treasury Select Committee hearing on Financial Stability Report.
- Statement on MREL and resolvability deadlines, and Discussion paper on the approach to setting MREL.
- Paper on capital flows during COVID-19, and lessons for a more resilient international financial architecture.
- Speech by Sam Woods, Chief Executive Officer of the PRA, on a more proportionate prudential regime for small banks and building societies

PRA

- Policy statement on 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
    i. Annex 1
    ii. 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.
    i. Annex
- Discussion paper on a 'strong and simple' prudential framework for non-systemic banks and building societies.
- Speech by Victoria Saporta, Executive Director for Prudential Policy, on a 'strong and simple' prudential framework for non-systemic banks and building societies
- Dear CEO letter from the PRA and FCA on obtaining deposits via deposit aggregators.
- Policy statement (PS8/21) and finalised supervisory statement (SS3/21) on the PRA's approach to supervising new and growing banks.
- The Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP) (updated following publication of PS8/21).
- The PRA's methodologies for setting Pillar 2 capital (updated following publication of PS8/21).
- Consultation on the identification of the nature, severity, and duration of an economic downturn for the purposes of Internal Ratings Based (IRB) models.
- Results of the Q1 2021 credit conditions survey
- Results of the Q1 2021 bank liabilities survey
- Statement on the regulatory treatment of retail residential mortgage loans under the Mortgage Guarantee Scheme (MGS).
- Consultation on renumeration and correction to the definition of 'higher paid material risk taker'.
- Letter from Melanie Beaman, Director of UK Deposit Takers Supervision, on the thematic findings of the internal audit review of collections of non-systemic UK Deposit Takers

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

HMT

- Paper announcing and outlining the mortgage guarantee scheme.
- Revised special resolution regime code of practice.
- Joint statement on the planned timings for CRR2 and IFPR implementation
  i. Annex 1

FCA

- Mortgage and re-mortgage product sales data from 1 January 2016 to 31 December 2020.

EU

- Interim study on the development of tools and mechanisms for the integration of ESG factors into the EU banking prudential framework and into banks' business strategies and investment policies.
- Q&A on tackling non-performing loans.

EBA

- Launch of 2021 EU-wide 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.
- Consultation on draft RTS on the list of countries with an advanced economy for calculating equity risk under the alternative standardised approach (FRTB-SA).
- Updated lists of regional governments and local authorities and regional governments and local authorities for the calculation of capital requirements.
    i. Annex Link
- Report on window dressing systemic importance, using evidence from EU banks and the G-SIB framework.
- Final draft RTS specifying the methods of prudential consolidation.
- Updated list of Other Systemically Important Institutions (O-SIIs).
- Erratum of the taxonomy package on reporting framework 3.0 phase 2.
- Consultation on draft ITS on supervisory reporting for Additional Liquidity Monitoring Metrics (ALMM).
- Consultation on draft Guidelines on the delineation and reporting of available financial means of Deposit Guarantee Schemes (DGS).
- Consultation on RTS on how to identify appropriate risk weights and conditions when assessing minimum LGD values for exposures secured by immovable property.
- Consultation paper on Guidelines on a common assessment methodology for granting authorisation as a credit institution.
- Revised list of ITS validation rules included in its Implementing Technical Standards (ITS) on supervisory reporting.
- Consultation on draft revised Guidelines on stress tests of Deposit Guarantee Schemes (DGSs).

- Report on the consistency of internal model outcomes for 2020.
    i. Annex
- Statement on making the Basel III monitoring exercise mandatory for EU banks.
- Consultation paper on Guidelines for institutions and resolution authorities on improving resolvability.
- Consultation paper on revised Guidelines on recovery plan indicators.
- Speech by Isabelle Vaillant, Director of the Prudential Regulation and Supervisory Policy Department at the EBA, on a regulatory perspective on reforms to complete the banking union.
- Launch of 2021 EU-wide stress test exercise.
- Q3 2020 risk dashboard.
- Consultation paper on revised guidelines on monitoring the threshold for establishing an intermediate EU parent undertaking.
- Guidelines on legislative and non-legislative moratoria.
- Final draft RTS on the treatment of non-trading book positions subject to foreign-exchange risk or commodity risk under the FRTB framework.
- Basel III monitoring report.
- Opinion to the European Commission on proposed amendments to the EBA final draft RTS on IRB assessment methodology.
- Updated Basel III impact assessment.
- Final technical standards on the contractual recognition of stay powers under BRRD2.
- Consultation paper on RTS to calculate risk weights of collective investment undertakings.
- Consultation paper on amending standards on benchmarking of internal models.
- Final draft technical standards on capital requirements of non-modellable risks under the FRTB.
- Report on the application of simplified obligations and waivers under BRRD2.
- Proposal on appropriate methodology to calibrate O-SII buffer rates.

ESMA

- ESAs first joint Risk Assessment Report, warning of an expected deterioration in asset quality.

- Published its annual Public European Common Enforcement Priorities for 2020.

ECB - SSM

- Basel III developments, including:
  1. ECB-EBA letter on EU implementation of outstanding Basel III reforms;
  2. EBA regular monitoring report on Basel III full implementation in the EU; and
  3. 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:
  1. avenues to accelerate progress on the integration of the EU banking sector; and
  2. the challenges facing euro area banks.

- Article by Andrea Enria, Chair of the Supervisory Board of the ECB, on topics including financial stability and the banking union.
- Speech by Edouard Fernandez-Bollo, Member of the Supervisory Board of the ECB, on the modern financial system, covering topics including Basel III reform and stress tests.
- Overview of current activities of ECB banking supervision, including credit risk, structural transformation and digitisation
- Andrea Enria, Chair of the Supervisory Board:
  1. Letter on the ECB's general approach to assessing banks' management of non-performing loans.
  2. 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.
- Results of the ECB's Targeted Review of Internal Models (TRIM) exercise.
- List of supervised entities (as of 1 March 2021).
- Supervisory banking statistics for the Q4 2020.
- Presentation on the benchmarking of Recovery Plans (cycle 2019/20).
- Interview with Andrea Enria, Chair of the Supervisory Board of the ECB, regarding the health of European banks in light of COVID-19.
- Guide on the supervisory approach to consolidation in the banking sector.
- Supervisory Banking Statistics for Q3 2020
- Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on a consistent European crisis management framework for medium-sized banks.
- Results of the ECB's annual SREP exercise, including disclosure of bank-by-bank Pillar 2 Requirements.
- Report on key risks and vulnerabilities expected to affect supervised firms in 2021.
- Blog post by Elizabeth McCaul, Member of the Supervisory Board of the ECB, on the need for, and benefit of, strong credit risk management.
- 2020 significance assessment review, stating the ECB will directly supervise 115 banks from 1 January 2021.
- Interview with Andrea Enria, Chair of the Supervisory Board of the ECB, on dividend payments.

	• Speech by Elizabeth McCaul, Member of the Supervisory Board of the ECB, on bank boards and supervisory expectations. • Speech by Elizabeth McCaul, member of the Supervisory Board of the ECB, on transatlantic views on the next stage for European banking supervision
ECB Central Bank	• 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: i. the role of macroprudential policies in avoiding a financial epidemic; and ii. 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. • April 2021 euro area bank lending survey. • Working paper on foreign banks and the sovereign doom loop. • Christine Lagarde, President of the ECB, and Luis de Guindos, Vice-President of the ECB, on the ECB's monetary policy decisions. • Occasional paper on liquidity in resolution, comparing frameworks for liquidity provision across jurisdictions. • Statement that Denmark will join Eurosystem's TARGET services. • Frank Elderson nominated as Vice-Chair of the Supervisory Board. • Report giving an overview of the Eurosystem Integrated Reporting Framework • Cost-benefit assessment questionnaire on the Integrated Reporting Framework for the banking industry • September 2020 euro area bank interest rate statistics
ECOFIN	• Statement of the Eurogroup on the ESM reform and the early introduction of the backstop to the Single Resolution Fund
ESRB	• September 2021 risk dashboard. • Occasional papers on: i. growth-at-risk and macroprudential policy design; and ii. the benefits of the LEI for monitoring systemic risk. • Report on macroprudential policy issues arising from the low interest rate environment. • Working paper on the importance of technology in banking during a crisis. • Working paper on the retrenchment of euro area banks and international banking models

	SRB	• 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. i. Annex • Publication of an overview of Banking Union resolution and access to FMIs. • Consultation on 2021 Single Resolution Fund contributions. • Checklist for banks under the SRB's remit to use when preparing the Additional Liability Report to provide additional assurance on liabilities reported as eligible for MREL. • Article by Elke Konig, Chair of the SRB, on the SRB's priorities to promote financial stability in 2021. • Expectations for ensuring the resolvability of banks engaging in mergers, acquisitions and other corporate transactions. • Publication of MREL dashboard, setting out an overview of MREL requirements for banks under the SRB's remit. • Article by Jan Reinder De Carpentier, Vice-Chair of the SRB, on the common backstop to the Single Resolution Fund. • Final SRB valuation data set and explanatory note. i. 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. • Speech by Sir David Ramsden, Deputy Governor for Markets and Banking of the Bank of England, on the UK's progress on resolvability. • Announcement of Governors and Heads of Supervision meeting to endorse strategic priorities and work programme of Basel Committee and discuss global initiatives on non-bank financial intermediation. • Guidelines on supplemental note to external audits of banks - audit of expected credit loss. • Basel III monitoring results based on end-December 2019 data. • Report to G20 Leaders on Basel III implementation • Working paper on the macro-financial effects of international bank lending on emerging markets • Working paper on whether commercial property markets affect bank equity prices
	FSB	• New financial stability surveillance framework • Work Programme for 2021. • 2020 list of global systemically important banks (G-SIBs) • 2020 Annual report on the implementation and effects of the G20's financial regulatory reforms
	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	• Letter from the Chancellor of the Exchequer to the Chief Executive of the FCA providing recommendations for the FCA. • Second annual financial inclusion report

	• Guidance on disguised remuneration following the outcome of the independent loan charge review
FCA	• 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: i. a) joint statement with the PSR on access to cash; and ii. b) speech by Sheldon Mills, Executive Director of Consumers and Competition, on protecting access to cash and banking services. • Speech by Georgina Philippou, Senior Adviser to the FCA on the Public Sector Equality Duty, on why diversity and inclusion are key issues for the FCA. • Letter to the Boards of Directors of Debt Purchasers, Debt Collectors and Debt Administrators. • Portfolio letter to Mainstream Consumer Credit Lenders (MCCLs). • Mortgage lending statistics - December 2020.
BOE	• 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. • Updated roadmap of priorities for ending the new use of GBP LIBOR-linked derivatives.
PRA	• Letter from the PRA and FCA on 'Pre-settlement counterparty credit exposure management and controls for Delivery versus Payments (DvP) Clients'. i. Annex • Results of annual firm feedback survey 2020. • Consultation paper on the identification verification requirements for depositor protection. • Policy statement on strengthening Accountability and SM&CR forms update.

		• Consultation paper on joint PRA and FCA Chapter clarifying expectations for temporary, long-term absences of Senior Managers. • Report on the evaluation of the SM&CR.
	CMA	• Consultation paper on future oversight of the CMA's open banking remedies.
EU	EBA	• 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. • Opinion document highlighting key money laundering and terrorist financing risks across the EU. • Discussion paper on a new integrated reporting system across supervisory, resolution and central banks statistical data. • Consultation on changes to Guidelines on Risk-based AML/CFT supervision. • Regulatory instruments to address 'de-risking' practices. • Opinion on strengthening the connection between the EU legal frameworks on anti-money laundering, terrorist financing, and deposit protection.
	ESMA	• Statement promoting transparency for Targeted Longer-Term Refinancing Operations (TLTRO III) transactions.
	ECB as a Central Bank	• Blog post by Isabel Schnabel, Member of the Executive Board of the ECB, titled "Don't take it for granted: the value of high-quality data and statistics for the ECB's policymaking".
	ECB - SSM	• 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.

		• Guide on method of determining penalties for regulatory breaches. • Opinion piece by Yves Mersch,, regarding the ECB "raising the bar on bank governance".
	SRB	• Publication of approach to notifying impracticability to include bail-in recognition clauses in contracts. • Eurofi article by Elke König, Chair of the SRB, on a European solution to deal with failures of medium-sized banks in the Banking Union. • Resolution Planning Cycle (RPC) Booklet. • SRB responses to the European Commission targeted consultation on the review of the crisis management and deposit insurance framework. • Article by Elke König, Chair of the SRB, on how Single Point of Entry resolution strategies can address the home-host issue in the Banking Union. • New guidance on liquidity and funding in resolution. • Speech by Elke Konig, Chair of the Single Resolution Board, to the European Parliament at the ECON Committee on 27 October 2020.
	ECOFIN	• NPLs: provisional agreement on selling credit to third parties
	European Commission	• Consultation on improving transparency and efficiency in secondary markets for NPLs. i. Annex
	European Parliament	• Briefing on the gender balance on the boards of significant banks in the banking union.
International	FSB	• Statement on reprioritisation of the FSB work programme
	BIS	• Working paper on limits of stress-test based bank regulation. • Launch the Central Banks' and Supervisors' Climate Training Alliance ahead of COP26. • Speech by François Villeroy de Galhau, Governor of the Bank of France, on how to revisit central banking and financial stability. • Speech by Pablo Hernandez de Cos, Chair of the BCBS, on crossing the Basel III implementation line.

- Speech by Mr Gareth Ramsay, Executive Director for Data and Analytics & Chief Data Officer of the Bank of England, on how data standards can transform reporting.
- Working paper assessing the impact of Basel III using evidence from macroeconomic models.
- International banking statistics and global liquidity indicators at end-December 2020.
    i. Annex
- Announcement regarding Jens Weidmann being re-elected as Chair of the BIS Board of Directors.
- Proposed technical amendments to rules on haircut floors for securities financing transactions.
- Speech by Isabel Schnabel, Member of the Executive Board of the EBC, on the importance of trust for the ECB's monetary policy.

Capital Markets Prudential

UK	PRA	• Update on the remuneration benchmarking and high earners 2020 submissions. • Minutes of the September 2021 Post-Trade Task Force meeting. • Discussion paper on supervisory stress testing of central counterparties (CCPs) • Consultation on modifications to the derivatives clearing obligation to reflect interest rate benchmark reform. • Statement on remuneration benchmarking and remuneration high earners reporting templates. • Speech by Anil Kashyap, External member of the Financial Policy Committee, on the “dash for cash” and the liquidity multiplier
	BOE	• 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: i. a) speech by Andrew Bailey, Governor, on LIBOR transition;

		ii. b) minutes of the Working Group on Sterling Risk-Free Reference Rates 30 March 2021 meeting (published May 2021); iii. 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; iv. 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 v. e) speech by John C Williams, President and CEO of the Federal Reserve Bank of New York, on LIBOR transition. • Annual report on the supervision of financial market infrastructures in 2020.
	FCA	• Further arrangements for the orderly wind-down of LIBOR at end-2021. i. Annex 1 ii. Annex 2 iii. 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. • Speech by Nausicaa Delfas, Executive Director of International and Interim Chief Operating Officer, on the FCA's approach to regulating the UK as a global financial centre. • Letter of concerns in relation to Provident's proposed scheme of arrangement. • Consultation paper on bilateral margin requirements for uncleared derivatives.
EU	ECOFIN	• Conclusions on the European Commission's action plan for the CMU.

ECB Central Bank	• Recommendations of the private sector working group on euro risk-free rates on EURIBOR fallbacks. • Report on the interconnectedness of derivatives markets and money market funds through insurance corporations and pension funds
EU	• Report on improving securities settlement and CSDR • Targeted consultation on the functioning of the EU securitisation framework. • Consultation paper on establishing a European Single Access Point (ESAP) for financial and non-financial information publicly disclosed by companies.
EBA	• Report on significant risk transfer (SRT) in securitisation transactions, and detailed recommendations to the European Commission on the harmonisation of practices and processes applicable to the SRT assessment
ESMA	• 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: i. EMIR implementation; ii. SFTR data reporting; and iii. 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.
- Results of the annual transparency calculations for non-equity instruments.
- Quarterly liquidity assessment for bonds available for trading on EU trading venues published.
- Results of the annual transparency calculations for equity and equity-like instruments.
- Latest double volume cap data under MiFID II.
- Final guidelines on stress test scenarios under the MMF regulation.
- Final guidance to address leverage risks in the Alternative Investment Fund sector.

		• Updated Q&A on OTC requirements and reporting issues under EMIR. • Updated Q&A on the implementation of investor protection topics under MiFID II / MiFIR, including information on costs and charges. • Updated guidance on waivers from pre-trade transparency for equity and non-equity instruments.
International	FSB	• 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. • Announcement regarding FSB continuity of access to FMIs for firms in resolution, including an informal summary of outreach and Q&As.
	BIS	• Statistical release on OTC derivatives at end-June 2020
	IOSCO	• IOSCO reiterates the importance of continued transition to risk-free rates. • Thematic review on business continuity plans for trading venues and market intermediaries. • Review of Money Market Funds recommendations and events arising from the March 2020 market turmoil

Conduct

UK	BOE	• 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. • Updated Money Markets Code published. • Announcements on the end of LIBOR.

i. Annex

- Statement on the need for firms to secure a smooth completion of the sterling LIBOR transition by end-2021.
- Speech by Andrew Hauser, Executive Director for Markets at the Bank of England, on why central banks need new tools for dealing with market dysfunction.
- Speech by Andrew Hauser, Executive Director for Markets at the Bank of England, on the retirement of LIBOR
- Announcement regarding BoE signing up to ISDA's IBOR Fallbacks Protocol.

FCA

- 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.
- Consultation on changes to UK MiFID's conduct and organisational requirements.
- Speech by Edwin Schooling Latte, Director of Markets and Wholesale Policy, on a forward-look at regulation of the UK's wholesale financial markets.
- The FCA and the Bank of England encourage market participants to switch to SONIA in the sterling non-linear derivatives market from 11 May.
- Statement on MiFID trade reporting and position limit obligations.
- Speech by Julia Hoggett, Director of Market Oversight at the FCA, on market abuse during COVID-19.
- Requirements and directions under the FSMA 2000 (Over the Counter Derivatives etc.) Regulations 2013 regarding the information to be contained in an application for, or a notification of, an exemption under paragraph 8 or 9 of EMIR.

	HMT	• Policy statement paper on amendments to the Benchmarks Regulation to support LIBOR transition.
	PRA	• Consultation paper on the approach to recognition of overseas Internal Ratings Based (IRB) credit risk models.
EU	EC	• 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. • Targeted consultation on the designation of a statutory replacement rate for CHF LIBOR. • Adoption of an equivalence decision for US central counterparties. • Consultation on the review of CSDR. • Adoption of CSDR RTS, further postponing settlement discipline measures until 1 February 2022.
	ECOFIN	• Proposed amendments to the benchmark's regulation on exemptions of certain third country foreign exchange benchmarks and the designation of replacement benchmarks for certain benchmarks in cessation • Capital Markets Recovery Package: Council endorsement of targeted amendments to EU capital market rules. • Announcement on Council agreeing its position on the Capital Markets Recovery Package.
	EBA & ESMA	• 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.
    i. Annex 2
    ii. Annex 3
    iii. Annex 4
- 2020 report on enforcement of corporate disclosure in the EEA.
- Guidelines on certain aspects of the MiFID II compliance function requirements.
- Draft RTS on changes to CCP's activities and models not covered by initial authorisation.
- Annual Peer Review of CCP supervision.
- Final report on the functioning of the regime for smaller and medium-sized enterprise growth markets under MiFID II.
- Recommendations for Organised Trading Facilities under MiFID II/MiFIR.
- Final report on EMIR and SFTR data quality.
- Advice by the Securities and Markets Stakeholder Group to ESMA on its CP on Guidelines on certain aspects of appropriateness and execution-only
- Table setting out a list of competent authorities that comply or intend on complying with ESMA's CPP guidelines on conflicts of interest management.
- ESMA updates EMIR validation rules.
- Technical advice sent to the Commission on the application of sanctions under MiFID II/MiFIR.
- Call for experts on commodity derivatives to join a consultative industry group.
- Draft technical standards under EMIR REFIT.
- Consultation paper on MIFID II/MIFIR review report on algorithmic trading.
- Response to IASB's discussion paper 'Business combinations - disclosures, goodwill and impairment'.
- Annual report on the application of accepted market practices under MAR.
- Consultation report on procedural rules for penalties imposed on Benchmark Administrators.
- Report on CSDR implementation covering central securities depositories' (CSDs) cross border services and handling of applications as well as internalised settlement

		• Results of ESMA's fast track peer review identifying the deficiencies in supervision of Wirecard's financial reporting • Updated list of Competent Authorities responsible for the authorisation and supervision of Central Securities Depositories (CSDs)
	ECB - SSM	• Consultation paper on a revised Guide to fit and proper assessments. i. 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	• Speech by Klaas Knot, President of De Nederlandsche Bank (DNB) on the importance of the Capital Markets Union • Report submitted by a study group chaired by Andréa M Maechler on FX execution algorithms and market functioning.
	FSB	• 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. • Announcement regarding FSB publishing a global transition roadmap for LIBOR.
	IOSCO	• Report on suitability requirements with regards to the distribution of complex financial products.
Investment Management Prudential		
UK	HMT	• Amendments to Financial Services Markets Act 2000 • Statutory instrument to ensure that the Capital Requirements Regulation (CRR) continues to operate for investment firms until the implementation of the Investment Firms Prudential Regime.

		• Consultation on updating the UK's Prudential Regime before the end of the Transition Period.
	BOE / PRA	• Productive finance working group recommendations to address barriers to investment in less liquid assets. • CP on designating investment firms. • 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. i. 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. • Consultation paper on the new prudential regime for UK investment firms.
EU	ECB Central Bank	• Q1 2021 euro area investment fund statistics. • Q1 2021 euro area financial vehicle corporation statistics. • Macroprudential bulletin on a theoretical model analysing investment funds' liquidity management and policy measures
	EBA	• Consultation paper on RTS on the calculation of the EUR 30bn threshold for investment firms. • Final draft RTS on the criteria to identify categories of staff whose professional activities have a material impact on an investment firms' risk profile or assets it manages under the Investment Firm Directive. • Consultation on EBA's new guidelines on internal governance for investment firms under the IFD/IFR

	ESMA	• Proposal to lower the reporting threshold for net short positions to 0.1% on a permanent basis. • Consultation on MiFID II/MiFIR RTS annual report, considering changes thresholds for the liquidity criterion 'average daily number of trades' for bonds as well as trade percentiles used to determine the size specific to the financial instruments for non-equity instruments. • Updated opinion on reporting information under the AIFMD. • Final report on guidelines on funds' marketing communications. • New Q&As on a range of topics covering AIFMD, UCITs and EMIR implementation. • Updated Q&As on the Prospectus Regulation. • Natasha Cazenave appointed as Executive Director. • Updated list of administrative measures and sanctions applicable in Member States for infringements of regulations on short selling and credit default swaps. • Launch of a common supervisory action with NCAs on the supervision of the costs and fees of UCITS. • Opinions on position limits regarding commodity derivatives under MiFID II/MIFIR. • Consultation on the application of certain aspects of appropriateness and execution-only requirements under MiFID II.
International	IOSCO	• Guidance for market intermediaries and asset managers using AI and machine learning. • Industry survey on exchange-traded funds.
	BIS	• Report on how exchange-traded funds can allow market participants to pursue strategies that may lead to unusual price movements for commodities with costly storage. • Working paper on the constraining role of banking regulation on asset managers' market making activities.

Conduct

UK	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.
    i. Annex
- FCA urges victims to come forward after Court orders compensation for victims of illegal investment scheme
- Second consultation on the new UK Investment Firms Prudential Regime.
- Discussion paper on strengthening financial promotion rules for high-risk investments.
- Consultation on strengthening investor protections in SPACs.
    i. Annex
- FCA published equity transparency calculations.
- Research findings on understanding the behaviour of investors who engage in high-risk investments like cryptocurrencies and foreign exchange.
    i. Annex
- Findings from survey undertaken as part of joint BoE-FCA review of liquidity in open ended funds.
- Future consultation on strengthening investor protections in Special Purpose Acquisition Companies (SPACs).
- Speech by Mark Steward, Executive Director of Enforcement and Oversight, on preventing market abuse.
- Portfolio Letter for SIPP operators.

		• Treasury, Bank of England and FCA convene working group to facilitate investment in productive finance. • Report on the evaluation of the Retail Distribution Review (RDR) and the Financial Advice Market Review (FAMR). • Update of position limits for certain commodity derivative contracts. • Confirmation that the temporary ban on speculative mini-bond mass-marketing is to be made permanent. • Announcement regarding the commencement of High Court proceedings over unauthorised collective investment schemes
EU	EC	• Launch of four AML/CFT legislative proposals: i. – a proposal for a new EU AML authority; ii. – a new Regulation on AML/CFT; iii. – sixth Directive on AML/CFT; and iv. – 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. • Guidelines on periodic information for trade repositories. i. Annex ii. Annex

- Report highlighting liquidity concerns for Alternative Investment Funds.
- Latest double volume cap data.
- Report on cost and performance of EU retail investment products (such as UCITS and retail AIFs), finding that costs remain high and diminish returns for retail investors.
- Guidelines on disclosure requirements under the Prospectus Regulation.
- Guidelines on certain aspects of the MiFID II compliance function requirements.
- Draft RTS on changes to CCP's activities and models not covered by initial authorisation.
- Annual Peer Review of CCP supervision.
- Final report on the functioning of the regime for smaller and medium-sized enterprise growth markets under MiFID II.
- Recommendations for Organised Trading Facilities under MiFID II/MiFIR.
- Final report on EMIR and SFTR data quality.
- Advice by the Securities and Markets Stakeholder Group to ESMA on its CP on Guidelines on certain aspects of appropriateness and execution-only
- ESMA budget 2021.
- Announcement confirming that the amendment to the short selling reporting threshold will expire on 19 March 2021.
- Statement providing clarification on position limits pending MiFID II change.
- Results of CSA on compliance with UCITS liquidity rules.
- ESMA appoints new chair of Market Integrity Standing Committee.
- Consultation on the framework for EU Money Market Funds (MMFs).
- ESMA proposes amendments to MiFIR transactions and reference data reporting regimes.
- ESMA promotes coordinated action on the suspension of best execution reports.
- ESMA clarifies corporate disclosures obligations for UK issuers after Brexit.
- ESMA updates its Q&As relating to the Prospectus Regulation.
- ESMA updates Q&As on the BMR Transitional Provision.

		• Public consultation on simplified supervisory fees for Trade Repositories. • Final guidance to address leverage risk in the AIF sector. • Translations for Guidelines on performance fees in UCITS and certain types of AIFs • Consultation on the Guidelines on the MiFID II/ MiFIR obligations on market data • Consultation on Guidelines on marketing communications under the Regulation on cross-border distribution of funds
	ECB Central Bank	• Euro money market study 2020. • Survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD)
	EBA	• EBA launched public consultation on regulatory technical standards on disclosure of investment policy by investment firms. • Final revised Guidelines on money laundering and terrorist financing (ML/TF) risk factors
	ESRB	• Working paper on procyclical asset management and bond risk premia.
	ECON	• Consultation on a review of the ELTIF to evaluate the effectiveness of the ELTIF framework and to determine why the ELTIF market has not developed as expected. • Consultation on the review of AIFMD seeking views on how the AIFMD can be amended to ensure a more efficient EU AIF market.
International	IOSCO	• Consultation on issues and concerns regarding market data in secondary equity markets.
	BIS	• A BIS bulletin on liquidity management and asset sales by bond funds in the face of investor redemptions in March 2020.
	FSB	• Consultation with proposals to enhance MMF resilience. i. Annex • Peer Review on the implementation of financial sector compensation reforms in the UK

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. i. 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. • Access Policy establishing a new “omnibus” Real Time Gross Settlement (RTGS) account for FMI providers. • Statement on the establishment of a BoE/HMT Central Bank Digital Currency (CBDC) Taskforce • Speech by Dave Ramsden, Deputy Governor for Markets and Banking, on how to support the safe development of FinTech services in the UK. • Speech by Andy Haldane, Chief Economist of the Bank of England and Member of the Monetary Policy Committee, on seizing the opportunities from digital finance • Minutes from the first meeting of the joint BoE/FCA Artificial Intelligence Public-Private Forum.
	HMT	• UK National AI Strategy. • Rishi Sunak, UK Chancellor, announces seven FinTech policy and regulatory initiatives.
	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
- Speech by Nikhil Rathi, CEO, on levelling the playing field and innovation in the service of consumers and the market.
- Report evaluating the digital sandbox pilot
- Feedback statement on Open Finance call for input.
- Annual financial crime reporting requirements for cryptoasset businesses registered under the Money Laundering Regulations.
- Statement on the benefits of the FCA's new data collection platform, RegData
- Application windows for two regulatory sandboxes opened.
    i. Annex
- Statement on the FCA participating in GFIN cross-border testing of financial products and services.

PRA

- Speech by Victoria Cleland, Executive Director for Banking, Payments and Innovation at BoE, on cross-border payments and innovating in a changing world

TPR

- Statement urging the industry to make a pledge to combat pension scams

PSR

- 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

- First annual work plan of the Digital Regulation Cooperation Forum published, aimed at ensuring regulatory coordination across digital and online services.

EU	EC	• Artificial intelligence (AI) Act legislative proposal. • Targeted consultation on instant payments.
	ECB Central Bank	• Speech by Fabio Panetta, Member of the Executive Board of the ECB, on 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. • Report on the use of distributed ledger technology in post-trade processes. • Report on the consultation on a digital euro. • Report on the Eurosystem's retail payments strategy. • Opinion on the proposal for regulation on a pilot regime for market infrastructure based on distributed ledger technology. • Article by Christine Lagarde, President of the ECB, on the future of money • Speech by Fabio Panetta, Member of the Executive Board of the ECB, on stablecoins and their implications for the payments market, financial sector and overall economy • Working paper on the open-economy implications of introducing a central bank digital currency • Speech by Fabio Panetta, Member of the Executive Board of the ECB, on delivering efficient, inclusive and secure payments in the digital age
	ECB - SSM	• Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on the pay-offs and perils of innovation in the banking sector. • Speech by Pentti Hakkarainen, Member of the Supervisory Board of the ECB, on digitalising banking supervision • Speech by Pentti Hakkarainen, Member of the Supervisory Board of the ECB, on banks' cyber resilience in the digital world.

	ESMA	• Call for evidence on digital finance, gathering information on topics including value chains, platforms and groups providing financial and non-financial services.
	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.
- Report on the supervision of crypto-assets for anti-money laundering.
- Working paper on big data and machine learning in central banking.
- Working paper on the gender gap in relation to the use of FinTech products and services.
- Speech by Margarita Delgado, Deputy Governor of the Bank of Spain, on the proliferation of digital technologies used by banks.
- FSI Brief on regulatory approaches and policy options in relation to BigTechs in financial services.
- Report on the interoperability of central bank digital currency arrangements and the future of cross-border payments.
- Article on the digitisation of the payments landscape
- Working paper on how entering the UK's regulatory sandbox affects Fintechs' ability to raise funding
- Working paper on the risks and potential of stablecoins and what this implies for their regulation

- Speech by Frank Elderson, Executive Director of Supervision at the Dutch Central Bank, on a digitalisation boost due to COVID-19 and the supervisory response.

FSB

- Discussion paper on regulatory and supervisory issues relating to outsourcing and third-party relationships
- Virtual workshop on assessing the financial stability implications for BigTech firms in finance in emerging market and developing economies
- Note on responses to the public consultation on effective practices for cyber incident response and recovery.
- Publication of the toolkit of effective practices for financial institutions' cyber incident response and recovery.
- Report on the use of supervisory and regulatory technology by authorities and regulated firms.
- Final report and recommendations on the regulation, supervision and oversight of global stablecoin (GSC) arrangements.

IMF

- Policy paper on potential macro-financial effects of the use of central bank digital currencies and global stablecoins across borders.

BdF

- Speech by Denis Beau, First Deputy Governor of the Bank of France, on tackling challenges posed by the digitisation of payment systems.

SNB

- Speech by Andréa M Maechler, Member of the Governing Board of the Swiss National Bank, on digital transformation in financial markets

Sustainable Finance

UK	HMT	• Accompanying notes to the Structured Data Templates and the Qualitative Questionnaire for the 2021 Climate Biennial Exploratory Scenario. • Climate policy and transition risk in the housing market. • UK Government and UK regulators' TCFD Taskforce interim report and roadmap • UK Government and UK regulators' joint statement of support for IFRS Foundation consultation on sustainability reporting • Speech by Andrew Bailey, Governor of the Bank of England, on pushing ahead on tackling climate change • Statement on the resumption of the Climate Biennial Exploratory Scenario (CBES)
	TPR	• Consultation on the TPR's approach to new requirements for the governance and reporting of climate related risks and opportunities. • Statement on the TPR's new climate change strategy, calling on scheme trustees to act now to protect savers from climate risk. • Blog on a changing climate for pension trustees.
	PRA / BOE	• 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. • Accompanying notes to the Structured Data Templates and the Qualitative Questionnaire for the 2021 Climate Biennial Exploratory Scenario. • Climate policy and transition risk in the housing market • Seminar with Professor Sir Partha Dasgupta to discuss the UK government's global independent review on the economics of biodiversity.

		• Speech by Andrew Hauser, Executive Director for Markets at the BoE, on "how financial markets are finally getting a grip on how to price climate risk and return".
	FCA	• Consultation paper on enhancing climate-related disclosures by standard listed companies. i. Annex • TCFD consultation on enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers. i. Annex • Consultation on regulating bidding for emissions allowances under the UK Emissions Trading Scheme. • Reminder for firms to review regularly their regulatory permissions. • Policy statement on proposals to enhance climate related disclosures by listed issuers and clarification of existing disclosure obligations. • Speech by Nikhil Rathi, Chief Executive Officer of the FCA, on rising to the climate challenge • Speech by Richard Monks, Director of Strategy at the FCA, on building trust in sustainable investments
EU	EBA	• 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. • EBA launches call for papers for its 2021 Policy Research Workshop, covering the transition of the economy to net-zero. • Consultation paper on draft implementing technical standards (ITS) on Pillar 3 disclosures of ESG risks. • Response to the European Commission's call for advice on KPIs related to institutions' environmentally sustainable activities, including a Green Asset Ratio. • Final draft Implementing Technical Standards on reporting templates under the Financial Conglomerates Directive. • Consultation on incorporating ESG risks into the governance, risk management and supervision of credit institutions and investment firms

ECB as a Central Bank	• 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. • Statement on the appointment of Irene Heemskerk as Head of the ECB's climate change centre. • Speech by Isabel Schnabel, Member of the Executive Board of the ECB, on the need for central bank action on climate change. • Letter from Christine Lagarde, ECB President, to several MEPs, on the ECB's approach to managing risks associated with climate change. • Decision to set up a climate change centre to bring together the work on climate issues in different parts of the ECB. • Keynote speech by Christine Lagarde, President of the ECB, on climate change and central banking. • Working paper on green asset pricing.
ECOFIN	• Announcement on provisional agreement being reached for public sector loan facility to support just climate transition.
ECB – SSM	• Speech by Frank Elderson, Vice-Chair of the Supervisory Board of the ECB, on guiding banks towards a carbon-neutral Europe. • Final guide on climate-related and environmental risks • Report on institutions' climate-related and environmental risk disclosures
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: i. – draft reports on a social taxonomy, and ii. – 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. • EU Sustainable Finance legislative package relating to the EU Taxonomy Climate Delegated Acts, the Corporate Sustainability Reporting Directive and various Delegated Acts on fiduciary duties, investment and insurance advice. i. Annex 1 ii. Annex 2 • Speech by Commissioner McGuinness on the Sustainable Finance Package. • Speech by Valdis Dombrovskis, Executive Vice President of the European Commission, on the EU's Sustainable Finance Package.
ESMA	• Letter to EU Commission on priority issues relating to SFDR application. • Call for legislative action on ESG ratings and assessment tools. • Speech by Steven Maijoor, Chair, on the paradoxes of sustainability reporting • Consultation on its draft advice to the EC under Article 8 of the Taxonomy Regulation
EIOPA	• 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 i. Annex 1 ii. 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). i. 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. • Report on measurement methodologies for climate-related financial risks. • Report on climate-related risk drivers and their transmission channels. • Speech by Ravi Menon, Managing Director of the Monetary Authority of Singapore on the future of capital being green. • Speech by Lael Brainard, Member of the Board of Governors of the Federal Reserve System, on the financial stability implications of climate change. • Speech by Pablo Hernández de Cos, Governor of the Bank of Spain and Chair of the BCBS, on the role of central banks and banking supervisors in climate action. • Haruhiko Kuroda, Governor of the Bank of Japan, on addressing climate-related financial risks. • Launch of a second green bond fund for central banks • Speech by Denis Beau, First Deputy Governor of the Bank of France, on how controlling the risks posed by climate change to financial stability implies developing and standardising non-financial information. • Speech by Lael Brainard, Member of the Board of Governors on strengthening the financial system to meet the challenge of climate change.
	FSB	• FSB encourages use of TCFD's recommendations as the basis for climate-related financial risk disclosures. • Annual status report on TCFD-aligned disclosures by firms

	IOSCO	• FR04/2021 Report on Sustainability-related Issuer Disclosures. • IOSCO consults on sustainability-related regulatory and supervisory expectations in asset management. i. Annex • New Technical Expert Group established, which has been given the task of assessing the technical recommendations to be developed as part of the IFRS Foundation's sustainability project.
	IMF	• Launch of Climate Change Indicators Dashboard. • Speech by Tao Zhang, Deputy Managing Director of the IMF, on green finance and a sustainable recovery

Other / Resilience

UK	FCA	• Consultation on 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. i. annex • CP on changes to streamline the FCA's decision-making and governance procedures. • Joint FCA and PSR: i. – updated assessment of the UK's cash infrastructure and wider banking services ii. – 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.
- Speech by Mark Steward, Executive Director of Enforcement and Market Oversight, on the importance of purposeful anti-money laundering controls.
- Speech by Charles Randell, Chair of the FCA and PSR, on the FCA's cautious optimism for the post-pandemic world.
- Aggregate complaints data reported by financial services firms during H2 2020.
- Financial promotions quarterly data for Q1 2021
- Statement on the appointment of Nausicaa Delfas as Interim Chief Executive and Chief Ombudsman of the Financial Ombudsman Service.
- Statement on the appointment of Sacha Sadan as Director of Environment, Social & Governance (ESG), Ian Alderton as permanent CIO and Ian Phoenix as Director of Intelligence and Digital.
- Statement in response to Complaints Commissioner's report, accepting the Commissioner's recommendations.
- Number of skilled persons reports commissioned in Q1 2021.
- Policy statement on building operational resilience: feedback to CP19/32 and final rules.
- Consultation on plans to regulate the pre-paid funeral plans sector.
- FCA confirms the increase in thresholds for contactless payments.
- Speech by Nikhil Rathi, FCA CEO, on why diversity and inclusion are regulatory issues.

- Speech by Georgina Philippou, Senior Advisor to the FCA, on Public Sector Equality Duty. From regulator to firm to consumer: a virtuous chain of events.
- Campaign launched to encourage individuals working in financial services to report wrong-doing.
- Warning to consumers about the risks of investments advertising high returns based on crypto-assets.
- Consultation paper on changes to the technical standards on strong customer authentication and common and secure methods of communication, and guidance on prudential risk management and safeguarding, for payment and e-money firms.
- Report of the Independent Investigation into the FCA's Regulation of London Capital & Finance plc.
- Andrew Bailey's (former CEO of the FCA) statement on the FCA's supervision of London Capital and Finance.
- Quarterly consultation paper on miscellaneous amendments to the Handbook.

BOE/ PRA

- 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:

  i. Dave Ramsden, Deputy Governor for Markets and Banking; and
  ii. 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:
  i. a) the PRA's recent final policy on operational resilience and the merits of outcome-based regulation of operational resilience; and
  ii. b) steps to counter cyber risk, including simulation exercises, penetration testing and international collaboration.
- PRA and FCA joint statement welcoming the Financial Stability Board's Peer Review of the remuneration regime.

		i. Annex • Working paper on slow recoveries, endogenous growth and macroprudential policy. • Article on how the Bank monitors UK financial conditions • Statement on the appointment of Carolyn Wilkins to the Financial Policy Committee. • Minutes of the Wholesale Distribution Steering Group – March 2021. • Statement on changes to the provision of U.S. dollar repo operations from 1 July 2021. • Statement regarding supervisory cooperation on operational resilience • Working Paper on whether regulatory and supervisory independence affect financial stability • Speech by Nick Strange, Director of the Supervisory Risk Specialists directorate at BoE, on resilience in a time of uncertainty.
	HMT	• Queen's speech, setting out the Government's programme for the upcoming parliamentary session. • Recommendations from Lord Hill's UK Listings Review. i. Annex • HMT monetary policy remit - letter from Chancellor to BoE on how price stability should be defined and what the government's economic policy consists of. • Consultation and call for evidence on the UK regulatory approach to cryptoassets and stablecoins. • Consultation on insolvency changes for payment and electronic money institutions. • Guidance on notifications threshold under the Short Selling Regulation. • Publication of the Green Book containing international guidance on how to appraise and evaluate policies, projects and programmes • Consultation on the Reform to Retail Prices Index (RPI) Methodology
	CMA	• Call for input on competition and consumer harm arising from the use of algorithms. • Research paper on loyalty price discrimination.
EU	ECB as a Central Bank	• Eurosystem oversight report 2020.

	• Interview with Isabel Schnabel, Member of the Executive Board of the ECB, covering Archegos and cryptocurrencies. • Feedback on the input provided by the European Parliament as part of its resolution on the ECB Annual Report 2019. • TARGET2-Securities Annual Report 2020. • Interview on Twitter with Frank Elderson, Member of the Executive Board of the ECB, on several topics including climate risk and the economy. • Occasional paper on fiscal transfers and economic convergence. • Study on the payment attitudes of consumers in the euro area.
EC	• Joint Statement on the 2nd Meeting of the EU-Japan Joint Financial Regulatory Forum • Statement on the agreement reached between the European Parliament and the European Council on financial benchmarks
ECOFIN	• Leaders' Declaration at the G20 Riyadh Summit
ECON	• European Parliament briefing on strengthening the framework of the anti-money laundering package 2021.
ESRB	• ESRB risk dashboard for March 2021. • Report on preventing and managing a large number of corporate insolvencies. i. Annex 1
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	• Joint Annual Report for 2020. i. Annex 1 ii. Annex 2

		• ESMA supports increasing corporate transparency through the creation of a European Single Access Point (ESAP) for financial and non-financial information publicly disclosed by companies. i. Annex • The European Supervisory Authorities issue a report on the application of their Guidelines on complaints-handling. i. Annex 1 ii. Annex 2 • Appointment of Vojtech Belling (Czech National Bank) and Vasiliki Lazarakou (Hellenic Capital Markets Commission) to the Management Board. • Guidelines on cloud outsourcing • SMSG advice on 2021 Annual Work Programme.
	EIOPA	• Article by Ana Teresa Moutinho, Head of Supervisory Processes Department at EIOPA, on the importance of digital operational resilience. • Discussion paper on open insurance: accessing and sharing insurance-related data. • Decision on legal case against EIOPA on alleged non-application of Union law i. Annex 1 ii. Annex 2
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. • Report comparing supervisory practices for stress-testing banks for climate change. • FSI Brief on banking supervisors' oversight and accountability regimes. • Speech by Christine Lagarde, President of the ECB on investing in our climate, social and economic resilience and the main policy priorities. • Speech by François Villeroy de Galhau, Governor of the Bank of France, on the "tale of the three stabilities" - price stability, financial stability and economic stability.

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

IOSCO	• Consultation on ESG Ratings and Data Providers. • Report on the education of retail investors regarding risks posed by crypto-assets.

On 1 November 2021, the FCA issued an updated version of the Regulatory Initiatives Grid which sets out the regulatory pipeline so that financial services firms and other stakeholders can understand, and plan, for the timing of the initiatives that may have a significant operational impact on them. The Grid contains new climate related additions around introducing a sustainable finance disclosure regime, net zero transition plans and work on environmental, social and governance (ESG) issues in capital markets.

1. Follow up FCA consultations on WMR/MiFID2.2 now pushed back to be published Q1 and Q2 2022 on changes that require amendments to FCA Handbook or Regulatory Technical Standards. (Timing Updated)
2. Expect an imminent FCA PS on Accessing and using wholesale data. (Timing Updated)
3. H1 2022: BoE will consult on changes to the USD IRS clearing obligation . (New)
4. Reviewing the Appointed Representatives regime: FCA Consultation Paper planned for November 2021 & HMT Call for Evidence planning for November 2021 & FCA Policy Statement Planned for Q2 2022. (New)
5. Changes to the FCA's cancellation of the authorisation of firms – formal engagement in q4 now planned (Timing Updated)
6. Central bank digital currency (UK CBDC) - Meeting of the external engagement L groups. (New)
7. HMT Cryptoassets Task Force - response to stablecoins - HMT will respond to the consultation in "due course". (Timing Updated)
8. Review of the UK's AML/CTF regulatory and supervisory regime; HMT to publish a report on the review of the MLRs and OPBAS regulations in June 2022. . (New)
9. Operational Resilience Incident Reporting; Consultation paper planned for H1 2022 (Timing Updated)
10. Update to the UK's High Risk Third Countries List: An SI will be laid in early November and will amend Regulation 33 in the MLRs. Future updates are planned following the next FATF Plenaries, in March, July and November 2022. (New)
11. *Noting more tangentially:*
    a. *No changes to the IFPR implementation timelines (and* Rem rules for Broker *MRTs)*
    b. *that the* ***Banking Basle 3.1*** *deadline for the UK is here pushed back to Jan 2023 (impact on clients' trading books)* (Timing Updated)
    c. *Oversight of* ***Critical Third Parties to dealers*** *- Publication of DP in 2022 (some members have been cited by banks already in this regard)* (New)
    d. *New UK technical fixes for* ***Bilateral margin*** *obligations phases 5 and 6 during H1 2022*
    e. ***Sustainability disclosure*** *requirements (SDR) and investment product labels - November 2021: FCA to publish discussion paper on SDR and sustainable investment labels & in Q2 2022: FCA to publish consultation paper on SDR and sustainable investment labels. (New)*
    f. ***ESG in capital markets*** *– green and sustainable debt instruments/ ESG data and ratings; FCA H1 2022 Targeting for a Feedback statement* (New)

The European Supervisory Authorities (ESAs) and European Commission unveil their 2022 work plans.

- The European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Securities and Markets Authority (ESMA) and the European Commission have each set out their work programmes for 2022.
- There are several consistent themes across the programmes, including continued management of the impacts of COVID-19, ESG and the sustainable finance agenda, enhancements to the supervisory framework, and supporting developments in innovation and digitisation.
- EBA:
- The EBA sets out five vertical priorities:
  - Monitoring and updating the prudential framework for supervision and resolution.
  - Revisiting and strengthening the EU-wide stress-testing framework.
  - Leveraging the European centralised infrastructure for supervisory data (EUCLID).
  - Deepening analysis and information-sharing in the areas of digital resilience, fintech and innovation.
  - Fighting AML/CFT and contributing to a new EU infrastructure.
- And two horizontal priorities:
  - Providing tools to measure and manage ESG risks.
  - Monitoring and mitigating the impact of COVID-19.
- The EBA also published:
  - The European Supervisory Examination Programme (ESEP), identifying key topics for supervisory attention and convergence. These topics closely align to the themes listed above - including COVID-19 impacts, ICT risk management, digital transformation, ESG risk and AML/CFT.
  - The European Resolution Examination Programme (EREP), identifying key topics for resolution authorities' attention. These topics include (i) managing MREL shortfalls, (ii) the development of management information systems for valuations in resolution and (iii) preparations for managing liquidity needs in resolution.
- ESMA: ESMA identifies three cross-cutting themes:
- Capital markets union: Refining the regulatory and supervisory framework supporting the development of efficient and orderly capital markets, including the European single access point (ESAP).
- Fostering investor participation through the retail investment strategy.
- Supporting small and medium-sized enterprises' (SME) access to capital markets.
- Sustainable finance:
- Delivering on ESMA's Sustainable Finance Strategy and contributing to the EU transition towards more sustainable financial markets.
- Striving to ensure that developments relating to ESG-related factors are considered across ESMA's activities.
- Innovation and digitalisation:

- Developing the single digital finance rulebook following the adoption of DORA, Markets in Crypto Assets Regulation (MiCA) and the regulation of a pilot regime for market infrastructures based on distributed ledger technology.
- Furthering understanding of financial innovation's impact on market functioning and participants and fostering a co-ordinated approach to regulatory and supervisory treatment with National Competent Authorities (NCAs).
- Providing advice to EU institutions, market participants or consumers where appropriate.
- And four additional themes:
- Supervisory convergence – Continuing to contribute to a sound and efficient EU single market by promoting supervisory convergence focused on outcomes and using innovative tools.
- Risk assessment – Further strengthening risk identification work and co-operation with NCAs and other public authorities at EU and international level, including the European Systemic Risk Board (ESRB), International Organisation of Securities Commissions (IOSCO) and the Financial Stability Board (FSB).
- Single rulebook – Continuing to develop ESMA as a source of expertise and strategic direction on financial market regulation. Priority areas include contributing to reviews of the Prospectus and Transparency Directives, MiFID II/MiFIR, PRIIPS, Short Selling Regulation, and Central Securities Depositories Regulation (CSDR).
- Direct supervision – Continuing to intensify ESMA's risk-based preventive approach to supervision and enhance enforcement processes.
- European Commission:
- The Commission's work programme includes the following financial services-related initiatives:
- Green finance: An emphasis on green bonds - which are expected to play an increasingly important role in the financing needed for the decarbonisation of European society (as part of the Sustainable Europe Investment Plan).
- Payments: A proposal to deliver an initiative on instant payments to foster the full take-up of digital payments in the EU.
- Insolvency: A proposal to take action regarding insolvency proceedings by enhancing convergence and removing discrepancies, increasing efficiency, facilitating cross-border investments and aiming to reduce burden.
- Capital markets: The simplification of listing requirements, to make public capital markets more attractive for EU companies and facilitate access to capital for SMEs.
- Heading into 2022, the ESAs and the European Commission have set themselves challenging books of work. Firms will need to keep up with regulatory developments to help ensure they are appropriately prepared for the changes to come.
- EIOPA: Under the twin objectives of striving to ensure consumer protection and safeguarding financial stability, EIOPA will pursue six strategic areas:

- Integrating sustainable finance considerations across all areas of work, including promotion of sustainability disclosures, a sustainable conduct of business framework and addressing protection gaps.
- Supporting the market and supervisory community through digital transformation, including the preparation of regulatory and implementing technical standards from the Digital Operational Resilience Act (DORA), and continuous implementation of the cyber underwriting strategy.
- Enhancing the quality and effectiveness of supervision, including the provision of training on Solvency II to national authorities in cooperation with DG REFORM.
- Aiming to ensure technically sound prudential and conduct business policy, including follow-up to the Solvency II review and the provision of technical advice on the scheduled review of the Institutions for Occupational Retirement Provision (IORP) II directive.
- Identifying, assessing, monitoring and reporting on risks to financial stability and business conduct, and promoting preventative policies and mitigating actions, including the provision of financial stability analyses and risk assessments.
- Providing effective recruitment, management and development of EIOPA's human capital.

More on crypto assets; The regulatory evolution continues.

- The digitalisation of the financial sector is continuing at pace, with demand for retail crypto assets growing exponentially. The potential benefits of these technologies — to increase payment efficiency, reduce cost and expand financial inclusion — have been widely acknowledged by regulators. However, regulators have also highlighted concerns around the possible risks and are stepping up warnings to consumers and investors. They are also beginning to differentiate their approaches depending on the structure of the asset.
- Stablecoins
- The global market capitalisation for stablecoins continues to grow — from near zero in 2019 to approximately $123 billion (PDF 577 KB) in September 2021. Use has expanded into wholesale financial market players and large corporates, with additional proposals developing around larger-scale public participation. And yet, a progress report from the FSB reveals that implementation of its recommendations for global stablecoin supervision remains at an early stage, with many jurisdictions considering different approaches. To limit regulatory arbitrage and market fragmentation, the FSB has called on international regulators to co-operate and accelerate efforts.
- In the UK, regulators are concerned that stablecoins' growth not precipitate any lowering of standards. In fact, they are pushing for systemic stablecoins to be treated equivalently to other retail payment methods — via HM Treasury's (HMT) consultation (PDF 444 KB) to bring such stablecoins within the Bank of England's (BoE's) regulatory remit and the BoE's own discussion paper on new forms of digital money. This sentiment is also reflected at the global level, in recent CPMI-IOSCO guidance.

- In **Europe**, October saw the Members of European Parliament (MEPs) conclude their first round of draft amendments to the proposed Market in Crypto-Assets regulation (MiCA). MiCA recommends that 'asset-referenced tokens' (i.e., stablecoins) require regulatory authorisation to be traded within the EU — with this also applying to stablecoins already in circulation.
- **In general**, concern is also mounting over potential risks related to stablecoin reserves. In theory, stablecoins are backed one to one with fiat currency (i.e. currency guaranteed by the government as legal tender). However, confidence in the stablecoin could be undermined by factors such as reserve assets that fall in price, become illiquid, or are not adequately safeguarded, or where redemption rights of stablecoin holders are not clear. Short sellers have begun to question the underwriting of some of the world's largest coins. As primary drivers to the crypto-economy, any collapse or regulatory backlash against these coins could lead to a run on crypto assets, with instability leaking out into the mainstream financial sector.
- For more on US regulatory developments, see US article.
- **Unbacked crypto**; *In regard to unbacked cryptoassets (such as Bitcoin or Ethereum), regulators continue to warn (PDF 1.30 MB) that the investments are highly risky and that consumer should be prepared to "lose all their money".*
- While the Basel Committee has proposed that stablecoins be eligible for modified Basel treatment, they have recommended that unbacked cryptoassets be subject to a new and more conservative prudential treatment, effectively requiring banks to hold capital equivalent to the full amount of the exposure. This is a mechanism that attempts to reduce the risk of contagion of the regulated business of authorised firms by unregulated activities in digital tokens.
- In the **UK**, the particular nature of a cryptoasset still determines its level of supervisory scrutiny. Those firms carrying out regulated activity (i.e. security tokens and e-money tokens (PDF 984 KB)) require FCA authorisation. But all other tokens (including those primarily used as a means of exchange) remain regulated only under money laundering regulations. HMT's January consultation (PDF 444 KB) re-iterated the stance that exchange tokens remain outside the regulatory perimeter for prudential and conduct purposes - while becoming subject to more stringent consumer communications regulation via the financial promotions regime (if adopted) and the FCA's response (PDF 660 KB).
- In October, BoE Deputy Governor Jon Cunliffe cautioned that effectively regulating cryptocurrencies is "a matter of urgency", in order to prevent the growing risks they pose to financial stability. UK holders increasingly see crypto assets less as speculative and more as complementary to mainstream investments. This despite the value of such assets remaining highly volatile and a scenario involving a major price collapse being plausible. FCA Chair Charles Randell has noted a further complexity whereby attempts to regulate purely speculative tokens could inadvertently provide them with a `halo effect' in the eyes of consumers.

- And finally, the situation in Europe remains slightly unclear. Under MiCA's decentralised approach, the regulation would be enforced primarily by national regulatory authorities – and could result in 'forum shopping' with crypto projects seeking out the most crypto-friendly member states.
- Evolving market; *The crypto world is beginning to connect to the traditional financial system, as large fintech and crypto firms, which are generally not subject to comprehensive supervision, offer bank-like products and services and regulated firms build crypto infrastructure (e.g., custody services, exchanges).*
- Decentralised Finance (DeFi) is generating its own unique set of challenges. Regulators are considering how to address the risks of a broad range of financial services being affected through these platforms, while simultaneously acknowledging that, due to the inherent lack of intermediaries, there may be no individual to ultimately hold accountable.
- In short, regulators have an enormous task ahead as they try to figure out how to bring the quickly-evolving crypto world effectively within the regulatory perimeter without destroying its potential to significantly enhance the financial system. Not only will this safeguard financial stability, but it will allow the benefits of this technology to flourish in a sustainable way.

Sustainability disclosure requirements increase; *ESG reporting requirements for companies and mandatory disclosures by FS firms are expanding*

- Environmental, social and governance (ESG) reporting requirements for companies and mandatory disclosures by financial services firms are expanding rapidly.
- Firms need to prepare to make more disclosures and to use the information disclosed by others. They must also be able to substantiate their sustainability claims, at entity- and product-level, to regulators, investors and consumers. Independent assurance requirements are being introduced in some areas.
- The 2021 status report of the Task Force on Climate-Related Financial Disclosures (TCFD) indicates that the TCFD's recommendations are being adopted in an increasing number of jurisdictions and by more companies, with Europe leading the way. But significant progress is still needed, with a worldwide average of only one in three companies reviewed making TCFD-aligned disclosures.
- The proposed EU Corporate Sustainability Reporting Directive (CSRD) heralds a significant expansion in the range of entities required to report and what those disclosures must cover. It adds to the new requirement under the Non-Financial Reporting Directive (NFRD), which was introduced via Article 8 of the Taxonomy Regulation and requires around 11,000 large companies to disclose proportions of turnover and expenses relating to environmentally sustainable activities. CSRD will:
- Extend the scope of NFRD to all large companies and all companies listed on regulated markets (except listed micro-enterprises), with future capture of non-listed entities
- Require the audit (assurance) of reported information

- Introduce more detailed reporting requirements and a requirement to report according to mandatory EU sustainability reporting standards
- Require companies to add a digital tag to the reported information, to feed into the European "single access point" envisaged in the Capital Markets Union action plan
- The proposed Green Bond Standard is also being debated, but work on criteria for an EU Ecolabel for retail investment products has been put on hold until the Level 2 rules on climate change mitigation and adaptation under the Taxonomy Regulation are completed.
- There are more rules to come on product disclosures. The ESAs have submitted to the Commission draft rules for SFDR Article 8 and 9 products to underpin the additional requirements introduced into SFDR via the Taxonomy Regulation. Precontractual and periodic disclosures must identify the environmental objectives to which the product contributes and show how and to what extent the product's investments are Taxonomy-aligned. These will take the form of graphs and changes to the existing SFDR mandatory templates. In addition, independent assurance will be required.
- The UK government has issued "A roadmap to sustainable investing", which covers phase 1 of the government's three-phase plan for greening the financial system: informing investors and consumers, acting on the information, and shifting financial flows. In addition to work on a UK taxonomy (see ESG taxonomies article), rules to be developed will require financial services firms and real economy corporates to report consistent information on sustainability.
- The new regime will streamline existing disclosure requirements (e.g. TCFD-aligned) with new requirements, including on reporting environmental impact. Investment products will need to make consumer-focused disclosures showing the impact, risks and opportunities of the activities they finance. This will be accompanied by a consumer-facing label, to be developed by the FCA. Moreover, asset managers, asset owners and investment products will be required to substantiate their sustainability claims.
- Making existing rules work
- ESMA's 2022 work programme (PDF 590 KB) says the priority will be to support building new sustainability disclosure rules and to lead common approaches in national regulators' supervisory practices. ESMA notes that extensive work will be required to build consistent application of rules and effective approaches. It will prepare a supervisory briefing to assist national regulators in supervising investment products with sustainability features and will develop further its own sustainability risk identification methodology.
- The EBA recognises that the proposed Green Asset Ratio is imprecise in its current iteration but believes it will improve through use and experience. Final Pillar 3 proposals are expected to be approved by end-2021. As part of its 2022 work programme (PDF 1.25 MB), the EBA will monitor the effective implementation of ESG disclosure standards and gradually expand the scope of disclosure reflecting the development of the EU taxonomy and data availability.

- In July, the FCA published guiding principles and key considerations on the design, delivery and disclosure of UK sustainable investment funds. The principles take the form of a "Dear Chair" letter. They are a statement of the FCA's expectations for retail funds that incorporate ESG attributes and include interpretative guidance and examples to help firms.
- SFDR — a little more clarity, perhaps
- In January 2021, with less than eight weeks before the first March 2021 SFDR implementation deadline, the ESAs wrote to the Commission highlighting several important areas of uncertainty in the interpretation of SFDR that needed urgent clarification and with which firms had been struggling. In July, the Commission published its long-awaited Q&A (PDF 602 KB), which is helpful in some areas, but in others simply repeats the ESAs' questions or cites sections of the SFDR text, without providing clarification on interpretation or practical implementation. In brief:
- 1. Does the provision of SFDR apply to non-EU AIFMs1 and registered AIFMs?
- EC: No to non-EU AIFMs (but product disclosures may apply if funds are marketed in the EU); yes to registered (i.e. sub-threshold) AIFMs
- 2. How should you apply the 500-employee threshold for principal adverse impact reporting at entity level to parent undertakings of a large group? Should it include both EU and non-EU entities, and should the due diligence statement include impacts of the parent undertaking only or include the impacts of the group at a consolidated level?
- EC: The headcount is linked to the parent undertaking being a "financial market participant" (FMP) under SFDR. If it is, any subsidiaries beneath it are caught. If it is not, its own headcount is not included. Instead, the headcount is focused on the employees of the subsidiary undertaking that is the FMP.
- 3. What is the meaning of "promotion" in the context of products `promoting' environmental or social characteristics (Article 8)?
- EC: Integration of sustainability risks (per SFDR Article 2(22)) is not sufficient for Article 8 to apply. Promotion "encompasses, by way of example, direct or indirect claims, information, reporting, disclosures as well as an impression that investments pursued by the given financial product also consider environmental or social characteristics in terms of investment policies, goals, targets or objectives or a general ambition". These disclosures may appear in a wide range of documents or media.
- 4. How should you apply Article 9 of SFDR?
- EC: Article 9 products may invest in a wide range of underlying assets, provided they qualify as sustainable investments under SFDR Article 2(17). In order to meet requirements in accordance with prudential, product-related sector-specific rules, an Article 9 product may include investments for certain specific purposes such as hedging or liquidity, but these must also meet minimum environmental or social safeguards to be in line with the sustainable investment objective.
- 5. How should you apply SFDR disclosure rules to MIFID portfolios and other tailored products? And if they apply at the portfolio level, how is it possible to maintain client confidentiality obligations?

- EC: Confidentiality and data protection requirements under EU and national laws owed to the individual client may prevail over the requirement to disclose information pursuant to SFDR Article 10 on a public part of the FMP's website. Depending on the FMP's jurisdiction and the applicable statutory level of protection, this may require the portfolio manager mandate to include strong language as to confidentiality owed to clients.

ESG taxonomies - will one standard emerge?

- The search for common global definitions, corporate reporting standards and metrics has gathered pace, with more jurisdictions joining the debate and an important initiative by the IFRS Foundation. Will one global set of definitions, reporting standards and metrics emerge?
- There is progress, but there is still a long way to go. Political and social momentum is on the side of policymakers seeking to reach agreement on standards, but the journey to convergence will not be easy. The more detailed standards and rules become in one jurisdiction, the more difficult it may be for others to converge with them.
- At each stage of the convergence journey, a balance needs to be struck between detail and flexibility. Regulators and standard-setters need to be aware of the risk of over-stepping their mandates and over-directing capital flows. Industry is calling for clarification of minimum standards in order to help capital flow to carbon-intensive developing economies, which cannot yet reach global or European standards and which need capital to transition to a sustainable future, and quickly.
- Principles for taxonomies
- A BIS paper entitled "a taxonomy of sustainable finance taxonomies" develops a framework to classify and compare existing taxonomies. Several weaknesses emerge from this classification and comparison, it says, including the lack of usage of relevant and measurable sustainability performance indicators, lack of granularity and lack of verification of achieved sustainability benefits. The paper therefore proposes key principles for the design of effective taxonomies:
- Taxonomies should correspond to specific sustainability objectives
- The development of transition taxonomies, which focus on alignment with the objectives of the Paris Agreement, should be encouraged
- The evolution of certification and verification processes should be monitored and supervised
- There should be a shift to mandatory impact reporting for green bonds
- Given global concerns about the diverse range of sustainability standards, standard setters are joining forces to strive for consistency in corporate reporting. The IFRS Foundation Trustees are establishing the International Sustainability Standards Board (ISSB) which will propose financial and non-financial reporting standards related to climate change. In addition, the Carbon Disclosure Project (CPD), Climate Disclosure Standards Board (CDSB), Global Reporting Initiative (GRI), US Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) are working together.

- A definition of what and how to measure it?
- A fundamental difference between existing taxonomies is whether they cover climate change, environmental risks more widely or the full set of environmental, social and governance (ESG) factors. The UN Sustainable Development Goals (SDGs), the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), the EU Taxonomy Regulation and the US SASB framework all focus on different aspects. They are also a mix of definitions, metrics and reporting standards, as are the various industry initiatives, including the WEF metrics and the UK Climate Financial Risk Forum's guides. And some jurisdictions, such as the UK, are indicating that they intend to write their own taxonomies.
- The highly charged debate in the EU about how to define environmentally sustainable activities demonstrates how difficult it will be to deliver common global standards. The Taxonomy Regulation covers six environmental objectives, but detailed technical screening criteria have so far only been issued for the first two — climate change mitigation and adaptation — and debate continues about key sectors such as nuclear energy and agriculture. However, the Commission estimates that the rules issued so far cover 40% of EU-domiciled listed companies, in sectors which are responsible for almost 80% of direct greenhouse gas emissions in Europe.
- In order for financial firms and institutional investors to measure their ESG exposures, they need data from the companies and projects they fund, insure or invest in, including other financial firms and products. Without mandatory and consistent definitions, metrics and reporting, it is difficult for firms to obtain the data they need, let alone verify their accuracy.
- Listed corporates are responding by improving their ESG reporting and credentials. Around the globe, the TCFD recommendations are being incorporated into corporate reporting requirements, but there are still many data gaps, a lack of consistency and differences across asset types. For the latest on reporting and disclosures, see our separate article.
- What is material?
- The EU Taxonomy Regulation enshrines a "double materiality" concept, which requires consideration of how an activity is helping to meet one or more of the objectives and that it does no significant harm ("DNSH") to the other objectives. Firms must look in two directions and must also decide whether any indicator or data point is material. This construct feeds through to consideration of principal adverse impacts ("PAIs") in the EU Sustainable Finance Disclosures Regulation (SFDR), which impacts investors and their intermediaries (the buy-side). It has significant ramifications for data needs and operations.
- Within international discussions on corporate reporting, the IFRS Foundation has said the ISSB's work will be based on the existing and long-developed IFRS concept of materiality and will not adopt the EU's double materiality concept. Simply put, corporate reporting standards are concerned about a company's own financial health and risks to it, not about what impact the firm is having on the planet. The Foundation has said,

however, that the ISSB's standards will not preclude the EU from adhering to the double materiality concept within the bloc, or preclude similar concepts being adopted elsewhere.

- Don't forget good governance
- The EU Taxonomy Regulation says that even if an activity supports at least one of the environmental objectives and does no significant harm to any of the others, it cannot be classified as environmentally sustainable unless the company also follows good governance principles (the same holds for socially-sustainable activities). In other words, the EU framework is not E and S and G, but EG and SG.
- In addition to further technical screening criteria to come on the sectors mentioned above and the other four environmental objectives, the EU is working on a social taxonomy and may provide further articulation of what good governance looks like

Implementing Basel 4 - European Commission proposal for CRR3

- On 27 October 2021, the European Commission published its 2021 Banking Package designed to strengthen banks' resilience and better prepare for the future.
- There are three parts to the package:
- Implementing the final Basel reforms (Basel 4)
- Sustainability - contributing to the green transition
- Stronger supervision - ensuring sound management of EU banks and protecting financial stability
- The first part is covered in the Commission's proposal for key amendments to the Capital Requirements Regulation, referred to as CRR3. These relate to credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor and will be the basis for implementing the remaining Basel 4 requirements in the EU.
- Why are further amendments required?
- While the overall level of capital in the EU banking system is now generally considered satisfactory, there were still issues to address around the use of internal models and underestimation of risk. These issues are addressed by the Basel 4 requirements.
- CRR3 is intended to implement faithfully the Basel 4 requirements, while taking into account the specific features of the EU's banking sector. It aims to ensure that internal models used by banks to calculate their capital requirements do not underestimate risks, thereby ensuring that the capital required to cover those risks is sufficient. This will make it easier to compare risk-based capital ratios across banks and should, in turn restore confidence in the ratios and the soundness of the sector overall.
- The proposal aims to strengthen resilience, without resulting in significant increases in capital requirements. The Commission notes that it limits the overall impact on capital requirements to what is necessary, in order to maintain the competitiveness of the EU banking sector. The package also aims to reduce compliance costs, particularly for smaller banks, without loosening prudential standards.
- In line with expectations?

- Perhaps most importantly, the EU has made concessions to banks' calls for more time to implement the final Basel reforms. **The Commission proposes to start implementing the new rules from 1 January 2025**, two years later than the (already deferred) 1 January 2023 Basel Committee timeline. This, it says, is to allow banks to focus on managing the financial risks stemming from the COVID-19 crisis and on financing the recovery, and to give them enough time to adjust before the reforms reach their full effect.
- It was widely expected that the Commission would reject the "parallel stacks approach" for which some banks lobbied in relation to the output floor, and it has done so. CRR3 introduces the output floor through a "single stack" approach but with safeguards to avoid duplication in capital requirements.
- In a predicted deviation from Basel 4, CRR3 introduces an amendment that the `floored' total risk exposure amount be applied at the highest level of consolidation in the EU.
- The proposals also make use of flexibility elsewhere in the framework to keep capital increases to a minimum - for example to reduce the impact of historical losses feeding through to capital, through deployment of transitional regimes for loans to unrated corporates and low-risk mortgages and by maintaining regional carve-outs for small businesses, infrastructure and derivatives. For more detail, see below.
- And CRR3 also introduces harmonised definitions of the different types of ESG risks (aligned to definitions proposed by the EBA). Banks are now required to identify, disclose and manage these risks at an individual level and report their exposure to the competent authorities. However, no immediate increase in capital is required.

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	Oct 2022 Mar 2023	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
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

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
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

2021

Oct Dec 2021
- **Publish final climate-related disclosure rules for Listed Issuers, Asset Managers, Life Insurers, and FCA-regulated Pension Providers** Q4 2021
- **Deadline for removing LIBOR reliance** end 2021

2022

Jan Mar 2022
- **Implementation of Strong Customer Authentication (SCA) for e-commerce** 14 March 2022
- **Operational resilience: deadline for implementation** 31 Mar 2022
- **IRB approach to credit risk - new requirements apply** 1 Jan 2022
- **Resolvability Assessment Framework (RAF) - Deadline for largest firms to implement resolution outcomes** 1 Jan 2022

Apr Jun 2022
- **Regulation of pre-paid funeral plans to be brought within the FCA's perimeter** July 2022

Jul-Sep 2022
- **Bilateral margin obligations phase 6** 1 Sept 2022

Oct 2022 Mar 2023
- **UK Green Taxonomy - Technical Screening Criteria to be finalised by** end 2022
- **Resolvability Assessment Framework (RAF) - Deadline for mid-tier firms to implement resolution outcomes** 1 Jan 2023

Post Mar 2023
- **Transforming data collection building on Digital Regulatory Reporting - Implement aspects of the future solution for data collection for chosen use cases** by June 2023

Near-term | Medium-term | Long-term

LiBOR Transition

LIBOR Transition; Market update: November 1-30, 2021

1 – Highlights

- US Senate hearing on legislative solution for tough legacy exposures
- Synthetic LIBOR: Ready to go
- FSB statement on LIBOR transition
- Definition of "new use" of USD LIBOR

2 – RFR adoption: Derivatives

- Futures and options
- Swaps trading

3 – Publications at a glance

- National working groups
- Regulators
- Industry groups, infrastructure providers and other items

4 – Target dates

---

1 – Highlights

- US Senate hearing on legislative solution for tough legacy exposures

The Senate Banking Committee held a hearing titled "The LIBOR Transition: Protecting Consumers and Investors." Representatives from a number of industry groups discussed, and fielded questions on, the need for federal legislation to address legacy LIBOR-based contracts without adequate contractual provisions to address the reference rate's permanent cessation. A group of 20 different trade organizations expressed their support for such legislation in a letter to the committee. Committee member statements were provided by Chairman Sherrod Brown (D - OH) and Ranking Member Patrick J. Toomey (R - PA). Witnesses at the hearing included: - Tom Wipf: Chair of the ARRC and Managing Director at Morgan Stanley - Andrew Pizor: Staff attorney at the National Consumer Law Center - Christopher Giancarlo: Former Chairman of the U.S. CFTC and Senior Counsel at Willkie Farr & Gallagher LLP - Michael R. Bright: Chief Executive Officer of the Structured Finance Association Lawmakers and industry representatives broadly agreed that designating SOFR-based fallbacks for contracts that lack adequate fallback language would reduce the risk of litigation upon USD LIBOR's cessation. Legislation would also provide a safe harbor for the selection of SOFR-based fallbacks in contracts that provide the issuer or agent with the discretion to select a replacement rate. With respect to new products, committee members were adamant that institutions should have the option to choose a reference rate that is suitable for their business models.

We are still far away from legislation being enacted. Nevertheless, the hearing suggests that lawmakers and industry groups have found common ground on at least one important issue: Statutory fallbacks for legacy contracts, along with any corresponding safe harbor provisions, should be based solely on SOFR. On other occasions — for example, in response to the Consumer Financial Protection Bureau's proposed amendments to Regulation Z — some market participants had argued that legislation should also allow for the selection of replacement rates based on alternatives other than SOFR.

In reality, extending legislative safe harbors to multiple rates has always been a somewhat dicey proposition. If a safe harbor provision were to cover multiple options, would it actually cover any of them? Limiting fallbacks for existing contracts to SOFR provides a great deal of legal certainty and predictability with respect to the economic impacts upon USD LIBOR's cessation.

The proposed bill, modeled after legislation enacted earlier this year in New York State, does not include any provisions related to the issuance of new products. That didn't stop both lawmakers and industry representatives from taking the opportunity to reiterate that, for new product issuances, institutions should be free to choose any suitable benchmark they deem appropriate for their business model. However, market participants would be well-advised to not treat lawmakers' comments as a blanket stamp of approval to widely avail themselves of credit-sensitive rates (CSRs). Regulators have made it abundantly clear that they would heavily scrutinize the use of benchmarks that appear to suffer from many of the same shortcomings as LIBOR itself. As banks engage in bilateral discussions with their supervisors, the burden of proof with respect to the suitability of selected rates will remain with the institutions.

Deliberations on the bill will continue, as the House Committees on Ways and Means, as well s Education and Labor, may weigh in on provisions within their jurisdiction. That could include the potential tax impacts of a statutory benchmark replacement, or specific considerations related to special allowance payments made to lenders of student loans under the Federal Family Education Loan Program.

- Synthetic LIBOR: Ready to go

The Financial Conduct Authority (FCA) confirmed that it would allow all legacy contracts based on 1-, 3- or 6-month GBP or JPY LIBOR (with the exception of cleared derivatives) to reference the Market update: November 1-30, 2021 rates' synthetic versions slated to be published starting in January 2022. Making use of its powers under the UK Benchmarks Regulation (BMR), the FCA has compelled ICE Benchmarks Administration (IBA, the current administrator of LIBOR) to publish rates that are calculated based on Term RFRs and hence no longer rely on panel bank submissions from January 3, 2022. This is intended to provide a safety net for contracts that lack contractual provisions related to LIBOR's cessation. Under the BMR, synthetic LIBOR would not be available for use in new products. The FCA formalized its prohibition on new use of USD LIBOR after the end of this year, save for a limited set of exceptions related to risk management of existing positions.

The FCA also published a supporting feedback statement summarizing comments it received on its earlier consultation on synthetic LIBOR. In response to industry feedback, the FCA noted it would adjust the JPY LIBOR calculation methodology to account for day count differences between JPY LIBOR and TORF.

Earlier, a letter sent by the Working Group on Euro Risk-Free Rates to the European Commission (EC) served as a reminder that, for contracts not subject to UK law, the use of synthetic LIBOR might not be without risk. In the UK Parliament, a bill to provide a legal safe harbor for the use of synthetic LIBOR has advanced to the final stage and appears set to be enacted prior to year-end. In the absence of such legislation outside the UK, the working group fears that market participants and their clients could face legal uncertainty with respect to applying synthetic LIBOR to their contracts. The letter calls on the EC to adopt legislation, preferably in the form of designation of statutory replacement rates, to address and resolve such uncertainty.

In Japan, the Cross-Industry Committee (CIC) on JPY IR Benchmarks published the results of its consultation on the treatment of tough legacy exposures. The report suggests that synthetic JPY LIBOR could be considered as a safety net for tough legacy cash products, i.e. those without a transition path to an alternative reference rate, but stresses the importance of proactive communication among all parties to a contract in order to reduce litigation risk. While the scope of the initial consultation did not include derivatives, the committee suggests that "contracting parties should decide on whether or not to use synthetic JPY LIBOR" in derivative transactions intended for risk management of cash products that cannot be transitioned — and that would hence reference synthetic JPY LIBOR.

Discussions at recent industry events suggest that the actual population of contracts expected to reference synthetic LIBOR will likely be a relatively small, albeit very important, portion of current LIBOR indexed exposures. It is quickly becoming clear, however, that even sporadic use of synthetic LIBOR might carry any number of risks — first and foremost of the legal variety. That appears especially true outside of the UK, where the promise of a safe harbor should offer at least some protection. The uncertainties about the regulatory or legislative treatment of synthetic LIBOR in contracts not covered by such provisions should serve as motivation to reduce legacy exposures to the greatest extent possible. That's easier said than done, as the end of the year is quickly approaching. At the very least, institutions need to understand the precise implications of provisions contained within their contracts. Agreements might contain language referencing non-representativeness or a change in LIBOR's calculation methodology in the description of benchmark replacement triggers, effectively preventing the use of synthetic LIBOR.

Transition progress has been slower in syndicated deals, which commonly require coordination between multiple parties, than for bilateral loans. As a result, we expect that synthetic LIBOR will serve as a safety net for those type of agreements. Bonds lacking appropriate fallback language will certainly be impacted as well. Efforts to remediate such contracts will likely intensify early next year. While the publication of synthetic LIBOR is slated to begin in January 2022, it is really the date of the first floating-rate reset in 2022 that serves as the proverbial line in the sand. Naturally, remediation efforts should prioritize those contracts that have reset dates closer to the beginning of the year.

In the end, synthetic LIBOR represents only a temporary life raft. Synthetic JPY LIBOR will be published for only one year, while the use of synthetic GBP LIBOR may be heavily curtailed at some point. Organizations will need to communicate to their clients not only where and how synthetic LIBOR is used in their agreements, but also that these exposures will need to actually transition — or find some alternative remediation path — before the flotation device deflates.

- FSB statement on LIBOR transition

In a statement, the Financial Stability Board (FSB) urged market participants to "act with urgency to ensure they are fully prepared by the end of the year." Advocating for the proactive transition of contracts as the preferred option, the FSB notes that overnight risk-free rates (RFRs) should serve as primary replacement options. Of particular concern is the continued use of USD and other LIBORs — not only in major financial markets, but also in emerging markets and developing economies.

While credit-sensitive rates (CSRs) aren't mentioned by name, the statement notes that potential alternatives would need to be especially robust "to avoid reintroducing the weaknesses of LIBOR."

The transition away from LIBOR has primarily been shaped by industry bodies and regulators in the five LIBOR currency jurisdictions. There has been a strong focus on international collaboration and alignment, both with respect to recommended milestones and technical decisions, such as the methodology for computing credit-spread adjustments. A number — but certainly not all — of regulators in other jurisdictions have issued corresponding guidance as well, most notably prohibitions on new use of USD LIBOR after 2021.

One of the larger remaining unknowns surrounds the use of LIBOR, especially USD LIBOR, after 2021 in jurisdictions that haven't yet been active participants in the transition. In the US markets, there remain uncertainties on a number of issues — for example, in regard to what exactly would constitute new use of LIBOR or the extent to which banks need to ensure that their counterparties adhere to related guidance as well. Generally speaking, however, most everyone expects that new use of USD LIBOR in major financial markets will largely end after 2021. What is not clear is whether institutions in some emerging or developing markets will feel compelled to follow suit.

For instance, cross-currency swaps between LIBOR currencies that will either cease or become unrepresentative at the end of the year are now predominantly trading RFR vs. RFR. Frequently, however, these currencies also make up one side of the swap against any number of other currencies. In those contracts, the shift from LIBOR to RFRs is still in the very early days.

There are numerous other challenges associated with applying the solutions designed with a specific jurisdiction in mind to broader global markets. As market participants prepare for the upcoming cessation of USD LIBOR in June of 2023, many of these crossborder challenges experienced today can reasonably be expected to become magnified, given the vastness of exposures to the world's reserve currency.

- Definition of "new use" of USD LIBOR

The Fed issued additional guidance on the transition away from LIBOR, coming in the form of FAQs. These supplement a previously released set of FAQs addressing the transition impact on regulatory capital as part of SR Letter 21-12. The new guidance provides further clarity on what would be considered a "new use" of USD LIBOR after year end 2021, reiterating that the creation of additional LIBOR exposures — or extending the maturity of existing exposures — could be considered a threat to safety and soundness.

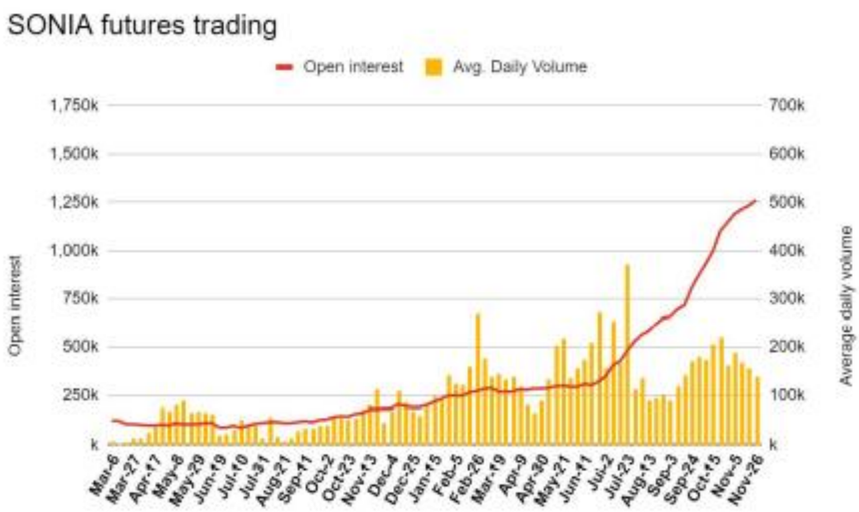
The Loan Syndications & Trading Association (LSTA) summarized the Fed guidance in a blog post, noting that regulators have yet to address the question of whether drawdowns on uncommitted lines tied to USD LIBOR would be permissible after 2021. The LSTA also points out that the FAQs did not address the potential issue of loans referencing USD LIBOR that may be underwritten in 2021, but not distributed until 2022.

Market participants hoping for an explicit, comprehensive regulatory blueprint that addresses any and all scenarios of potential new use of USD LIBOR should manage their expectations. As has commonly been the case in other areas, guidance issued by US banking regulators remains largely based on principles. From that perspective, it appears difficult to ascertain that draws on uncommitted lines would be considered to meet the spirit of regulatory expectation to not increase exposures to USD LIBOR. On the other hand, it may not always be immediately apparent whether an extension of an existing LIBOR-based facility is driven by convention or, in fact, represents a contractual obligation. Banks, customers and regulators may not always see eye to eye when making that determination — but any such disagreements are bound to be resolved in bilateral discussions, rather than universally applicable guidance. Regardless, any use of USD LIBOR outside of well-controlled and documented exception processes aligned to the four permitted cases outlined in SR 20-27 will likely draw special ire from supervisors.

Beyond the definition of what would constitute new use of LIBOR, it remains unclear how the prohibition on new LIBOR contracts may impact non-bank lenders or institutions in other unregulated sectors. Some organizations may retain at least some appetite to continue offering USD LIBOR-based instruments. Whether they will be able to do so, as liquidity and demand gradually shift toward other alternatives, is another question altogether.

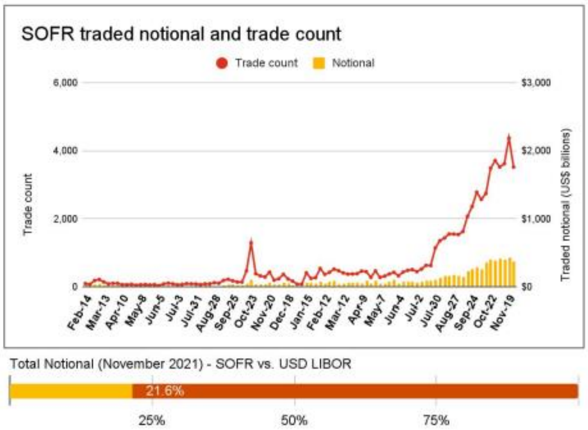
2 – RFR adoption: Derivatives

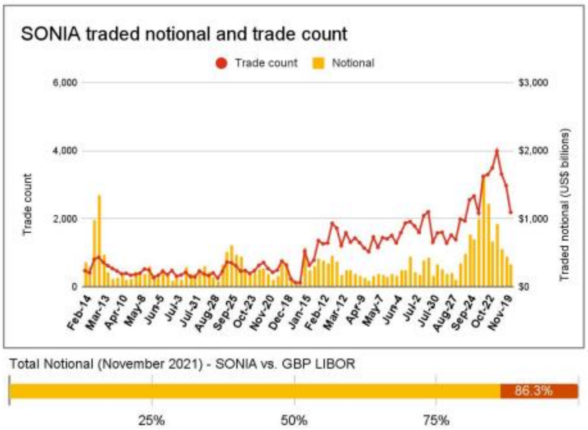
- Futures and options

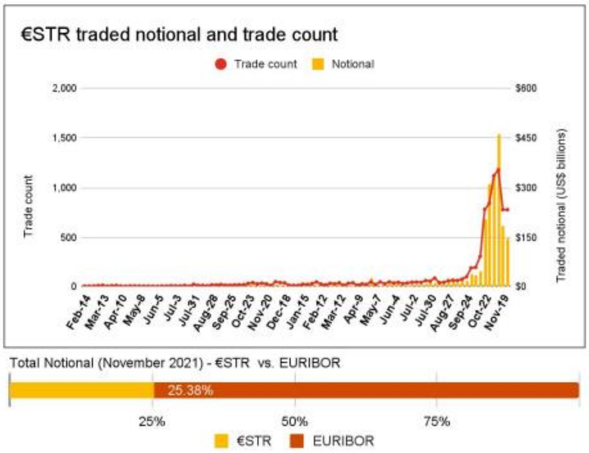


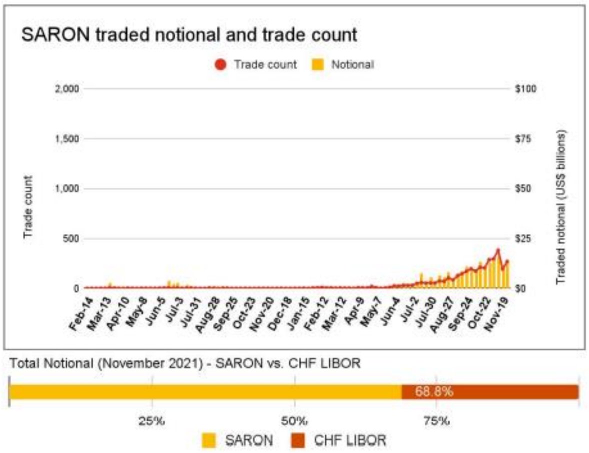
By any and all metrics, November has been the most active month for SOFR futures trading on record. While our charts above only include data reported up until November 26, 2021, we can report that the last trading days of November saw the trends visible above continue. At the end of the month, open interest surpassed 1.6 million contracts at the CME alone, which is an all-time high. As has been noted previously, actual exposure to SOFR futures is even larger, given that there are more than 18 million outstanding long-dated Eurodollar futures that include SOFR-based fallbacks. Open interest in SONIA futures continues to set records as well, surpassing $1.2 million contracts at the end of November. Trading is largely concentrated at ICE, where open interest has more than doubled over the past two months alone.

- Swaps trading

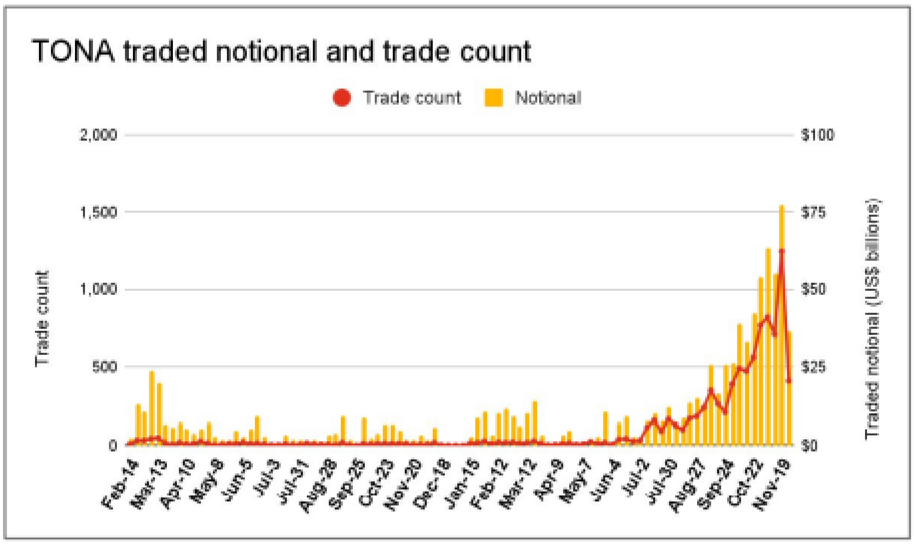


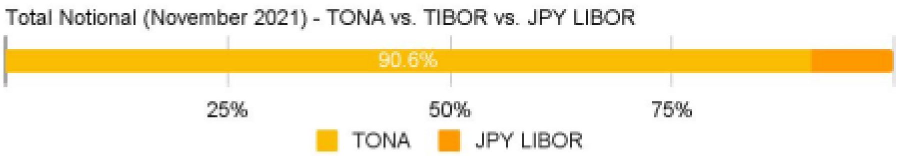






Trading around the time of the Thanksgiving Day holiday in the US has historically been slower — and 2021 was no exception. Weekly trade counts for all major currencies dipped downward over the past two weeks in November, although the shorter US trading week over the holiday likely accounts for much of that decline. Looked at on a daily average basis — i.e., accounting for the loss of a business day — trade counts in SOFR swaps were actually higher in the last week of November than the week prior. The third phase of SOFR First (the switch to SOFR in interdealer conventions for nonlinear derivatives) is now behind us. Market participants will now shift their focus toward the pre-emptive conversion of legacy GBP, JPY, EUR and CHF LIBOR-based legacy trades at the central counterparties (CCPs) taking place in December.





3 – Publications at a glance

- National working groups

Alternative Reference Rates Committee (ARRC) • Published an addendum to a previously released white paper describing options for using SOFR in ABS products. The update includes a conventions matrix demonstrating options for using SOFR in arrears in new ABS products.

Working Group on Sterling Risk-Free Rates • Published its newsletter for October 2021.

National Working Group on CHF Reference Rates • Published minutes and materials from the group's November 9 meeting. The working group concluded that "the transition to SARON is conceptually completed." As a consequence, the working group will be disbanded at the end of the first quarter 2022.

Working Group on Euro Risk-Free Rates • Sent a letter to the European Commission, advocating for the designation of statutory replacement rates for GBP and JPY LIBOR. • Published minutes from the group's September 29 meeting, as well as an updated list of current working group members and observers.

Cross-Industry Committee on JPY IR Benchmarks • Published a report on the results of its consultation on the treatment of tough legacy contracts in Japan. • Published minutes from the group's October 18 meeting.

Canadian Alternative Reference Rate Working Group • Published minutes from the working group's October meeting. Discussions have begun on setting a formal cessation date for

CDOR. • Published a series of recommendations for the use of CORRA, the recommended alternative to CDOR. The recommendations include conventions for FRNs and loans, as well as interest rate swaps referencing either CORRA or CDOR. Documents also include worked examples of conventions for the use of CORRA in loans, a comparison to conventions in other jurisdictions, recommended fallback language for FRNs referencing CORRA and a recent presentation by the committee summarizing key findings of its review of CDOR.

Steering Committee for SOR & SIBOR Transition to SORA • The SC-STS updated its overall guidance document on the transition from SOR to SORA, reflecting recent developments, emerging conventions and numerous other edits and amendments. A blacklined version that tracks changes is also available.

- Regulators

Financial Stability Board: Urged market participants to "act with urgency to ensure they are fully prepared by the end of the year." •

Financial Conduct Authority: Published a feedback statement summarizing received responses on its decision to compel the ongoing publication of GBP and JPY LIBOR on a synthetic basis and confirmed its proposal for permitted use of synthetic GBP and JPY LIBOR. Formalized a prohibition on the new use of USD LIBOR after year end 2021. •

Bank of England: Published the minutes of the SONIA Stakeholder Advisory Group's October meeting. •

UK Parliament: The Critical Benchmarks Bill, intended to provide a safe harbor for the use of synthetic LIBOR, has progressed through the final stages of debate and looks set to be enacted without amendments. Following the second reading, the bill's explanatory notes were updated for clarity. A letter from Lord Agnew addressing questions raised during the Second Reading in the House of Lords was published as well. •

US Senate: The Committee on Banking, Housing and Urban Affairs held a hearing on the transition away from LIBOR. •

Fed: Issued additional FAQs on the transition away from LIBOR. •

US Treasury: Noted in its quarterly refunding statement that it had "decided that an FRN linked to the Secured Overnight Financing Rate (SOFR) is not necessary to meet its borrowing needs at this time." •

FASB: Issued an Accounting Standards Update (ASU) that extends a practical expedient allowing for the use of RFRs as an accounting policy election to non-public business entities. •

Commodity Futures Trading Commission: Issued a consultation on various aspects of the swap clearing requirement. The commission is requesting information and volume data on swaps currently subject to clearing requirements, as well as swaps based on RFRs. The consultation also includes a general request for comment on all aspects of the swap clearing requirement, followed by a series of specific requests for comment primarily concerning potential new clearing requirements, such as for SOFR swaps. •

ESMA: Updated its Questions and Answers on the EU Benchmarks Regulation (BMR). Published its final report on proposed changes to the clearing and derivative trading obligations (CO and DTO). The agency proposes to remove derivatives referencing GBP and USD LIBOR from both the CO and DTO and derivatives referencing EONIA and JPY LIBOR from the CO. Derivatives referencing €STR, SONIA and SOFR would be added to clearing obligations, although derivatives referencing SOFR would be subject to a three-month phase-in period. Updated its Questions and Answers on the EU Benchmarks Regulation (BMR). •

European Insurance and Occupational Pensions Authority: Announced it would publish updated RFR term structure calculations on a monthly basis, allowing market participants to compare their own calculations before the updates become effective in 2022. The first monthly set of technical information was published shortly thereafter. •

Japanese Financial Services Agency and Bank of Japan: Published the results of its survey on the use of JPY LIBOR, showing a significant portion of both loans and derivatives contain fallback provisions to address JPY LIBOR's permanent cessation. •

Hong Kong Monetary Authority: Following an announcement earlier in November, the HKMA issued a series of 1-year HONIA-indexed floating rate notes. The HKMA had first publicly discussed plans for such an issuance in September 2020. •

Commission de Surveillance du Secteur Financier: The Luxembourgian regulator issued a reminder on LIBOR's upcoming cessation. •

Central Bank of Seychelles: Announced that it was working with supervised institutions to prepare for LIBOR's cessation. •

Bank Indonesia: Announced the formation of a national working group on benchmark reform. •

Bank of Thailand: Published a series of milestones for the transition away from THBFIX and updated its recommended milestones for the transition to THOR.

- Industry groups, infrastructure providers and other items

ISDA:

- Updated several LSTA/LMA RFR Hedging Confirmations templates based on various conventions for the use of RFRs.
- Published templates to facilitate the amendment of existing contracts based on JPY LIBOR or USD LIBOR (member access only) swap rates with fallback provisions.
- The latest ISDA Quarterly included a roundtable discussion in Q&A form, with prominent official sector and alternative reference rate working group representatives commenting on the remaining challenges in the transition away from LIBOR.

- Published Supplement 88 (member access only) to the 2006 ISDA Definitions, incorporating fallbacks for GBP, USD and JPY LIBOR swap rates. ISDA also published a corresponding amendment template (member access only) to adopt fallbacks in legacy transactions.
- Published Supplement 87 (member access only), which provides rate options for CRITR, BSBY and Ameribor in derivative transactions. The supplement updates rate options for BSBY and Ameribor in response to regulatory feedback on previously published supplements.
- Published a set of diagrams describing the operation of fallbacks for various currencies included in the IBOR Fallbacks
- Published an updated guide on the outcomes for swaptions both with or without IBOR Fallbacks.
- Published its quarterly report on the transition to RFRs for Q3 2021 and year to date 2021. • I
- SDA / ClarusFT: Published its RFR adoption indicator for August 2021, which increased to 24.5%. •

LSTA: Commented on the Fed's recently released FAQs on LIBOR transition, suggesting that market participants would appreciate additional guidance on potential drawdowns on uncommitted USD LIBOR-based credit lines after 2021.

- Made additional updates to Confirm Standard Terms and Conditions (STCs) for primary allocations, par/near-par trades and distressed trades (member access only) to include additional non-LIBOR benchmark options in cost-of-carry calculations.
- Published a blog post recapping recent SOFR-based loan issuances, while seemingly advocating for the AXI as a differentiated option.
- Published a presentation discussing the economics of historical SOFR - LIBOR spreads (member access only).
- Published an updated credit agreement template (member access only) for revolving credit facilities, which includes updates related to the transition away from LIBOR. •

LMA: Published an updated list of RFR referencing business loans. The LMA will publish one more iteration for the month of December, with RFRs expected to become the standard after year end. Published updated documentation (member access only) to facilitate the transition away from LIBOR in the secondary loan markets. •

LIBOR Trade Association Working Party: Published minutes from the working group's November 2 meeting. Published minutes from the group's October 4 meeting. •

Australian Financial Markets Association: Announced that its members had agreed that cross-currency swaps trading would switch from BBSW/LIBOR to BBSW/SOFR beginning November 29 2021. •

ICE Benchmark Administration: Announced the official launch of a production version of its SOFR ICE Swap Rate. Confirmed calculation details for the publication of synthetic GBP and JPY LIBOR, slated to begin in January 2022. •

LCH: Submitted a self-certification to the CFTC for rule book amendments that would allow for clearing of a series of BSBY swaps. Philip Whitehurst, head of Service Development, discussed the upcoming transition away from LIBOR on a recent webinar. •

CME: Announced it would begin to publish TONAR-based Market Agreed Coupon (MAC) Rates in December 2021. Issued an advisory notice on the pre-emptive conversion of GBP, JPY and CHF LIBOR swaps, providing an update both on the initial conversion in December 2021, as well as the process to convert any new LIBOR-based swaps after year end 2021. Submitted a request to accept BSBY swaps for clearing to the CFTC. In its latest Rates Recap, the CME notes that "SOFR takes a giant leap forward." •

Refinitiv: Announced that it would launch fallbacks for consumer loans referencing 1-week and 2-month USD LIBOR beginning January 3, 2022. Refinitiv also announced that the currently published fallbacks for institutional cash products are now production benchmarks. The ARRC welcomed the announcement. •

Bloomberg: Following an earlier consultation, Bloomberg announced that SOFR would replace the Overnight Bank Funding Rate (OBFR) as the final stage of the BSBY waterfall. •

Association of Corporate Treasurers: Published its LIBOR blog for November 2021, recapping recent developments. • Association for Financial Professionals: Published a podcast featuring a conversation with the Fed's David Bowman on the remaining LIBOR transition steps in 2021. •

The Bankers Association for Finance and Trade: Published updated master participation and form of amendment agreements under English and New York law to facilitate the amendment of contracts in light of LIBOR's cessation. •

The International Trade & Forfaiting Association: The ITFA published an interview discussing preparations for the end of LIBOR with the Bank of England's Alastair Hughes. Published amendment agreements to facilitate the transition away from LIBOR in master participation agreements (member access only). •

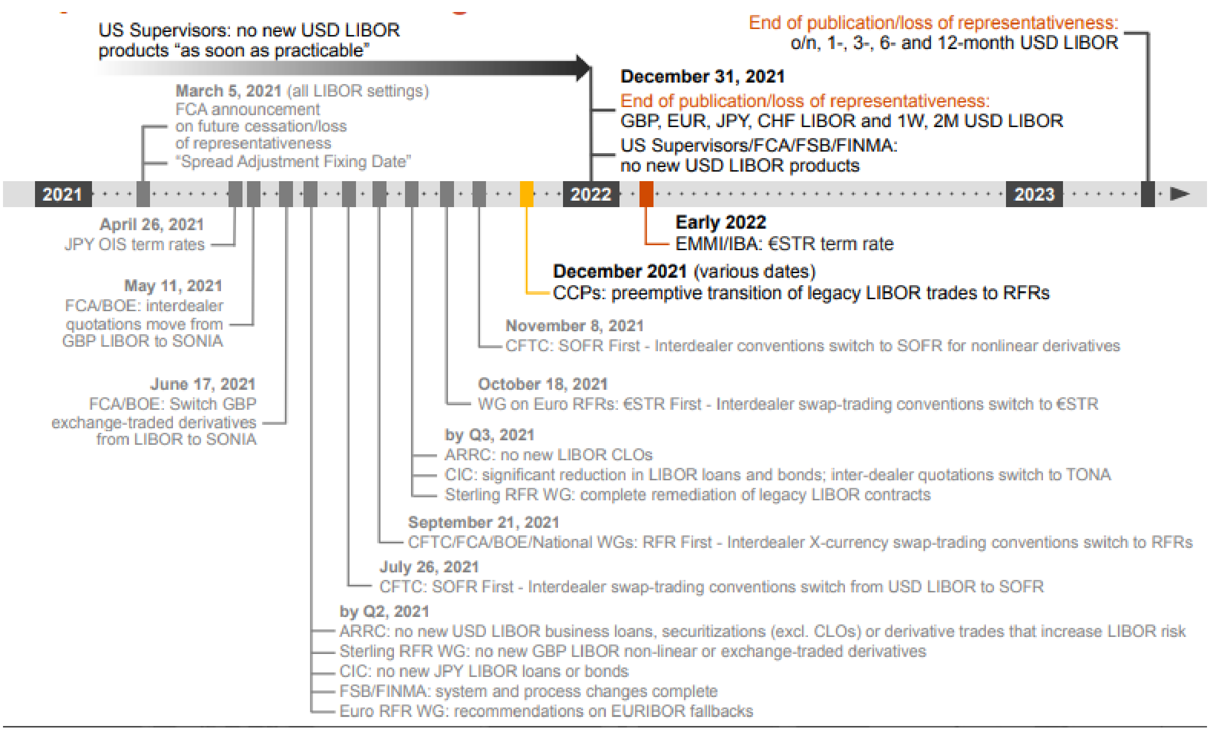
International Islamic Financial Market: Summarized key takeaways from its recent webinar on benchmark reform held in collaboration with the International Islamic Liquidity Management Corporation. •

Joint Trade Organizations: 20 different trade organizations undersigned a letter to the US Senate Committee on Banking, Housing and Urban Affairs in support of a legislative solution for tough legacy LIBOR exposures.

4 – Target dates

EVIA European Venues & Intermediaries Association

LEBA London Energy Brokers' Association



Currency overview | From LIBOR to risk-free reference rates

	SOFR	SONIA	€STR	SARON	TONA
Recommended alternative rate	SOFR (Secured Overnight Financing Rate)	SONIA (Reformed Sterling Overnight Index Average)	€STR[1] (Euro Short-Term Rate)	SARON (Swiss Average Rate Overnight)	TONA[1] (Tokyo Overnight Average rate)
Working group	Alternative Reference Rates Committee (ARRC)	Working Group on Sterling Risk-Free Rates (UK RFRWG)	Working Group on Euro Risk-Free Rates	National Working Group on Swiss Franc reference rates (NWG)	Cross-Industry Committee on JPY Interest Rate Benchmarks
Administrator	Federal Reserve Bank of NY	Bank of England	European Central Bank	SIX Swiss Exchange	Bank of Japan
Data source	Triparty repo from FICC, GCF from FICC bilateral	Form SMMD collected by BoE	MMSR	CHF interbank repo	Uncollateralised call money markets
Nature	Secured	Unsecured	Unsecured	Secured	Unsecured
Methodology	Fully transaction- based	Fully transaction- based	Fully transaction- based	Transaction and binding quotes-based	Fully transaction-based
Overnight vs. Term	Overnight	Overnight	Overnight	Overnight	Overnight
Go-live date	3 April 2018	23 April 2018 (originally introduced in March 1997)	2 October 2019	Published since 2009	Published since 1992
Term rate availability	Live since April 2021 (via CME). ARRC formally recommended CME's Term SOFR on 29 July 2021.	Live since January 2021 (via ICE BA, Refinitiv)	WG recommended OIS quotes based methodology for forward term rate. EMMI/IBA targeting publication of an €STR term rate early 2022.	Use of compounded SARON recommended – robust term rate seen as unlikely	Live since April 2021 ('TORF,' via Quick)

GBP | LIBOR vs alternative reference rates

	GBP LIBOR	SONIA O/N (Sterling Overnight Index Average)	SONIA (in Arrears)[3]	Term SONIA	Synthetic LIBOR	Bank of England Bank rate (Base rate)
Key attributes						
Method	Forward looking	Overnight	Backward looking	Forward looking	Forward looking	Forward looking
Published rate	O/N, 1W, 1M, 2M, 3M, 6M, 12M	O/N rate, based on transactions	Index rate for reference period calculation	1M, 3M, 6M, 12M Published term	1M, 3M, 6M	Published rate
Known at start/end of the interest period	Start (in advance)	After the period	End or shortly before (in arrears)	Start (in advance)	Start (in advance)	Start (may change during the interest period if longer than six weeks)
Credit component	Dynamic bank credit spread	No term credit spread	No term credit spread	No term credit spread	Term SONIA Reference Rate plus ISDA fixed spread adjustment	No credit spread
Publication	Daily in advance	Daily	Daily	Daily by e.g. ICE BA, Refinitiv	ICE BA	Set by the BoE's MPC every six weeks
Use cases[1]						
Derivatives	Will cease on 31 December 2021. No new transactions[2]	Input into SONIA compounded in arrears use cases shown to the right	Adopted as the main alternative reference rate to LIBOR for GBP linear derivatives and majority of non-linear derivatives	Careful assessment and robust rationale for use, e.g. potentially: • Derivatives used to hedge cash products or manage such hedges • Derivatives used to hedge tough legacy products referencing synthetic LIBOR or manage such hedges	The FCA has confirmed it will permit legacy use of synthetic sterling LIBOR in all tough legacy contracts, except cleared derivatives, at least for the duration of 2022.	Potential alternative
Bonds	As above	As above	Adopted as the main reference rate for GBP bonds	Careful assessment and robust rationale for use required	The FCA must review the use of its power to require publication of synthetic sterling LIBOR annually (up to a maximum period of 10 years).	–
Loans and other cash products	As above	As above	Examples where there is a robust rationale for using SONIA compounded in arrears include where: • The borrower may seek to hedge interest payments either at the time of borrowing or in the future • The interest rate is not used for discounting	Careful assessment and robust rationale for use, e.g. potentially: • Trade and working capital products requiring a forward-looking interest rate for discounting • Islamic finance products which can pay variable rates of return as long as the variable element is predetermined • Mid corporate/private banking and retail and export finance/emerging markets lending	The synthetic rates will not be available for use in any new contracts. This is prohibited under the UK Benchmarks Regulation. *See the footnote for more information.*	Potential alternative where simplicity or payment certainty is the key factor

USD | LIBOR vs alternative reference rates

	USD LIBOR	O/N SOFR	Average SOFR			Term SOFR	CSRs
			Daily Simple SOFR	Compound in Arrears	Compound in Advance		e.g. BSBY, CRITR, BYI, Ameribor, AXI
Key attributes							
Method	Forward looking	Backward looking	Backward looking	Backward looking	Backward looking	Forward looking	Forward looking
Published rate	O/N, 1W, 1M, 2M, 3M, 6M, 12M	O/N rate only	Calculated average term	Calculated average term, 30D, 90D, 180D	Calculated average term, 30D, 90D, 180D	1M, 3M, 6M Published term	Published term
Known at start/end of the interest period	Start (in advance)	After the period	End or shortly before	End or shortly before	Start (in advance)	Start (in advance)	Start (Term CSRs)
Credit component	Dynamic bank credit spread	No term credit spread	No term credit spread	No term credit spread	No term credit spread	No term credit spread	Dynamic credit spread
Publication	Daily in advance	Daily	n/a (calculated by bank)	Daily by FRBNY	Daily by FRBNY	Daily by CME	Depending on the rate
Use cases[1]							
Derivatives	No new use by banks after 31 December 2021[2]	Input into SOFR average use cases shown to the right	–	Recommended	–	Limited to end-user facing derivatives intended to hedge cash products that reference the SOFR Term Rate	Not endorsed by the ARRC or Financial Conduct Authority (FCA)
Bonds	As above	As above	–	Recommended	–	Fallbacks for legacy LIBOR	Not endorsed by the ARRC or FCA
Loans and other cash products	As above	As above	Recommended	Recommended	Recommended	• The use is supported where the use of term rate could be helpful in addressing difficulties to transition from LIBOR (e.g. multi-lender facilities, middle market loans, trade finance loans) • Certain securitisations that hold underlying business loans or other assets that reference the SOFR Term Rate	Not endorsed by the ARRC or FCA

USD | SOFR vs credit sensitive rates

Rate	Publisher	First published	Underlying market/Methodology	Tenors	Underlying volume	Volume threshold	Sources
SOFR							
Secured Overnight Financing Rate	FRB NY	3 April 2018	Trades in the Broad General Collateral Rate, plus bilateral Treasury repo transactions cleared through the FICC DVP service	Overnight	~$800 billion – $1 trillion/daily (Q2 2021)	N/A	FRB NY SOFR Landing Page
CME Term SOFR Reference Rates	CME	21 April 2021	Executed transactions and executable bids and offers in CME SOFR Futures SOFR OIS (depending on volume)	1M 3M 6M	Average daily volume in CME SOFR Futures in Q3 2021: ~160,000 contracts OI (as of Q3 2021): >1 million contracts	N/A	CME Term SOFR Reference Rates Benchmark Methodology CME SOFR Futures
Credit sensitive rates							
BSBY (Bloomberg Short-Term Bank Yield Index)	Bloomberg	20 January 2021	Transactions and executable offers in USD unsecured wholesale funding (CP, CD, ECP, ECD, YCD, bank deposits and short-term bank bonds)	Overnight	~$96 billion (transactions and offers, over a 3-day window)	$60 billion	Introducing the Bloomberg Short-Term Bank Yield Index (BSBY)
				1M	~$22 billion	$10 billion	
				3M	~$19 billion	$10 billion	
				6M	~$16 billion	$10 billion	
				12M	~$16 billion	$9 billion	
Bank Yield Index	ICE Benchmark Administration (IBA)	N/A – test rates available	USD unsecured wholesale funding (CP, CD, bank deposits, CDS and short-term bank bonds) (transactions only) from 14 panel banks	1M 3M 6M 12M	~20-35 billion (aggregate across all tenor buckets, over a 5-day window)	$15 billion (aggregate across all tenors, over a 5-day window) Minimum of 100 transactions in aggregate	USD ICE Bank Yield Index - Calculation Methodology – 2021 U.S. Dollar ICE Bank Yield Index Update – May 2020
AMERIBOR	American Financial Exchange (AFX)	11 December 2015 (o/n)	Overnight unsecured lending on the AFX (200+ members)	Overnight	$2 billion/daily outstanding	N/A	AMERIBOR® Methodology Presentation at FRB NY CSG Innovation Forum
			CP, CDS from US institutions (30-day/90-day term)	Term-30, Term-90	CP and CD issuances from US institutions, AFX unsecured lending data	$25 billion (aggregate over a 5-day window)	AMERIBOR® Term-30 White Paper – June 2021
			Implied rates from AMERIBOR futures contracts (term structure)	Term Structure (1W, 1M, 3M, 6M, 1Y, 2Y)	Average daily volume in CBOE AMERIBOR Futures in 1H 2021: ~19 contracts OI (as of June 22, 2021): 744 contracts	N/A	AMERIBOR Term Structure Press Release – June 2021
CRITR and **CRITS** (USD Credit Inclusive Term Rate, USD Credit Inclusive Term Spread)	IHS Markit	1 June 2021	CD, CP, corporate bonds transactions and indicative price quotes	1M 3M 6M 12M	~$10 billion (aggregate across all tenor buckets, over a 5-day window)	unknown	Presentation at FRB NY CSG Innovation Forum IHS Markit press release introducing CRITR and CRITS
Across-the-Curve Credit Spread Benchmarks	SOFR Academy	N/A	U.S. dollar wholesale unsecured debt funding for publicly listed U.S. BHCs and commercial banks	N/A – credit spread depends on maturity	$10-20 billion/month long end component (Bonds with maturities out to 5yrs) & ~$300-600 billion/month short end component (money market products)	N/A	Across-The-Curve Credit Spread Indexes (AXI) – Oct 2021 Letter to ARRC – June 2021 Original white paper (by Duffie et al.) – July 2020 SOFR Academy landing page

JPY | LIBOR vs alternative reference rates

	JPY LIBOR	JBA TIBOR (Tokyo InterBank Offered Rate)	Euroyen TIBOR	TONA O/N (Tokyo Overnight Average rate)	TONA (Compound in Arrears)	TORF (Tokyo Term Risk Free Rate)	Synthetic LIBOR
Key attributes							
Method	Forward looking	Forward looking	Forward looking	Backward looking	Backward looking	Forward looking	Forward looking
Published rate	S/N, 1W, 1M, 2M, 3M, 6M, 12M	1W, 1M, 3M, 6M, 12M	1W, 1M, 3M, 6M, 12M	O/N	Calculated average term 30D, 90D, 180D	1M, 3M, 6M published term	1M, 3M, 6M
Known at start/end of the interest period	Start (in advance)	Start (in advance)	Start (in advance)	End (in arrears)	End or shortly before (in arrears)	Start (in advance)	Start (in advance)
Credit component	Dynamic bank credit spread	Dynamic bank credit spread	Dynamic bank credit spread	No term credit spread	No term credit spread	No term credit spread	TORF *(360/365) plus ISDA fixed spread adjustment
Publication	Daily in advance	Daily in advance	Daily in advance	Daily in arrears	Daily in arrears by QUICK Calculated	Daily by QUICK in advance	ICE BA
Use cases[1]							
Derivatives	N/A, will cease December 31, 2021	An existing rate in a multi-rate environment	An existing rate in a multi-rate environment (may be discontinued in the future)	Input into TONA average use case shown to the right	The main alternative rate in a multi-rate environment	May be used, although primary rate for derivatives should be TONA	The FCA has confirmed to permit legacy use of synthetic yen LIBOR in all tough legacy contracts, except cleared derivatives, from 1 January 2022 until 31 December 2022. The FCA does not intend to renew the requirement to publish synthetic yen LIBOR, and publication will therefore cease at end of 2022. The synthetic rates will not be available for use in any new contracts. Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks is consulting on the treatment of tough legacy contracts in Japan. (link)
Bonds	As above	As above	As above	As above	Alternative rate in a multi-rate environment	Alternative rate in a multi-rate environment Primary rate for recommended fallbacks	
Loans and other cash products	As above	As above	As above	As above	As above	As above	

Links

- https://www.fca.org.uk/markets/libor

- https://www.bankofengland.co.uk/markets/transition-to-sterling-risk-free-rates-from-libor/working-group-on-sterling-risk-free-reference-rates
- https://www.newyorkfed.org/arrc
- https://www.ecb.europa.eu/paym/interest_rate_benchmarks/WG_euro_risk-free_rates/html/index.en.html
- https://www.snb.ch/en/ifor/finmkt/fnmkt_benchm/id/finmkt_reformrates
- https://www.boj.or.jp/en/paym/market/jpy_cmte/index.htm/
- https://www.isda.org/2020/05/11/benchmark-reform-and-transition-from-libor/
- https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/benchmark-reform/
- https://www.fsb.org/work-of-the-fsb/market-and-institutional-resilience/financial-benchmarks/

Noise around central bank digital currencies (CBDCs) has intensified over the past few months. Despite universal progress, enthusiasm among regulators remains mixed - with some jurisdictions pushing ahead and others following more reluctantly. *In late September, the Bank of International Settlements (BIS), working with a group of seven central banks, published a new set of reports, with the Head of its Innovation Hub emphasising the ability of CBDCs to "foster innovation and preserve the best elements of the current system." The reports turn from foundational principles towards tackling practical implementation issues. The key finding is that for CBDCs to work effectively, public and private institutions need:*

- *to cooperate to ensure integration with existing payments systems,*
- *to anticipate customers' future needs, and*
- *to support innovation while preserving public trust, privacy, and stability in the broader financial system.*
- The G7 also released its Principles for Retail CBDCs (PDF 563 KB), setting out a common set of considerations for public policy implications.Although moving forward, both bodies have cautioned against too much speed. The BIS stresses that the financial system must be given sufficient time to adjust, while the G7 reiterates (PDF 163 KB) that no global CBDC should launch without the relevant regulatory and oversight requirements in place.The BIS also published supplementary research highlighting the sheer volume of questions that remain unanswered on the cross-border dimension, the interoperability between existing and new infrastructures, accessibility and the distinction between wholesale and retail CBDCs.In the UK, the Bank of England (BoE) held its first CBDC Technology Forum in September, with the aim of helping the Bank to understand the technological challenges of designing, implementing and operating a CBDC. The Forum was technology-agnostic (i.e. not wedded to the use of distributed ledger technology) and championed simplicity of the core ledger infrastructure to enable better performance, security and extensibility with more complex functions being added as overlay. The group also expressed a preference for a platform model (while remaining open to alternatives), where the central bank's core ledger is made available to users via private sector payment interface providers.

- More recently, the BoE announced that it will issue a formal CBDC consultation in 2022. Deputy Governor Jon Cunliffe described this as a "crucial step in policy development", the outcome of which will determine whether the BoE enters the next phase - the `development phase' - of a digital pound.
- In **Europe**, individual central banks (most notably France and Sweden) are progressing pilot experiments with wholesale technological solutions. At the same time, the European Central Bank's (ECB's) 24 month `investigation phase' into a digital euro continues, with the recent appointment of its Market Advisory Group members.
- This phase involves experimenting with design features including whether the currency can be used offline via Bluetooth technology and how to incorporate limits to payment confidentiality. The task force has indicated that work on a prototype will begin in early 2023, with expectations for it to be developed and tested in 2024.
- ECB President Christine Lagarde has repeatedly reaffirmed her support for the digital euro project. She emphasises that "central banks have a responsibility to ensure citizens have access to the safest form of money - central bank money - in the digital age". However, for now, she posits that any digital euro would be available as a complement to cash and commercial bank money, not as a replacement.
- Like many regulators, Lagarde does not believe that crypto technology should be left entirely in the hands of the private sector. She has noted (81.5 KB) that, unlike other crypto-assets (which are not fit alternatives in terms of basic monetary functions), a digital euro would offer the same confidence as cash. It would therefore preserve the central bank's role as "an anchor of stability for the financial system".
- The ECB has also highlighted the international implications of CBDCs and the dangers of being left behind. Any country too slow to adopt its own digital currency could suffer from substitution effects (`dollarisation') and be left dependent on an alternative digital currency issued and controlled from abroad. Such an outcome could undermine domestic financial stability and monetary sovereignty. European regulators are already acutely aware that non-European payment providers currently handle around 70% of European card payment transactions.
- One particular concern is drawing attention across the board — the potential disintermediation of commercial banks. Regulators are trying to pin down how best to strike the balance of a CBDC being `successful enough' (so as to appeal sufficiently as a means of exchange), but not `too successful' (so as to be used as a form of investment and thus eliminate the role of commercial banks). Some are more optimistic than others, theorising that a solution can be achieved through limiting the retail holdings of CBDC, for example through a direct cap or less favourable interest rate.
- As regulators and central banks continue to develop CBDC initiatives, albeit at different paces, the advantages and disadvantages of being a `first mover' will no doubt become clearer. The future impacts on financial firms are uncertain and they should therefore ensure that they keep abreast of development and debate in this space.

Given the momentum around COP26, there has been a rush of climate-related regulatory updates and announcements. Regulators have continued to develop and expand on their guidance and requirements across disclosures, supervisory expectations, stress testing, and possible future capital requirements.

Context

- The COP26 meeting in Glasgow put the "E" front and central, triggering announcements such as the creation of an International Sustainability Standards Board, mandatory net zero transition plans for all UK listed firms from 2023 and reaffirmation of the NGFS members' commitments to meeting the 2015 Paris Agreement objectives.
- Work continues to develop ESG frameworks and standards — at a global level, IOSCO has published recommendations for national regulators and policy makers in the asset management industry and called for oversight of ESG Ratings and Data product providers.
- The Basel Committee is consulting on draft principles for banks and supervisors for the effective management and supervision of climate-related financial risks. And the IAIS has committed to urgently advance work to address risks and opportunities associated with climate change.
- The European Commission's new banking package introduces further ESG requirements for banks and the Commission also proposes new sustainability mandates for EIOPA under Solvency II. The European Supervisory Authorities have delivered draft Regulatory Technical Standards for disclosures under the Sustainable Finance Disclosure Regulation (SFDR). EIOPA has announced that in 2022 it will finalise the first Europe-wide dashboard on the natural catastrophe protection gap, and the ECB has shared the findings of its 2021 supervisory review work and published its stress testing methodology for 2022.
- And in the UK, the government has launched its roadmap for sustainable investment, the first phase of which includes new Sustainability Disclosure Requirements for all financial firms and customer facing investment labels. The Climate Financial Risk Forum has issued further guidance for banks, insurers and asset managers.
- Financial regulators have also published their climate adaptation reports including supervisory expectations for 2022 - with particular focus on evolving capital requirements (PRA) and transition plans (FCA). Banks and insurers have made their first CBES stress test submissions.

Key developments

- *Creation of International Sustainability Standards Board (ISSB)*
- *Mandatory transition plans for UK companies*
- *IOSCO – recommendations for asset management regulators and policy-makers*
- *IOSCO – calls for oversight of ESG ratings and data product providers*
- *BCBS draft principles for the effective management and supervision of climate-related financial risks*
- *EC – CRR3/CRD6 introduce new ESG requirements*
- *EC – SFDR delegated act deferred to 1 January 2023*
- *Introduction of UK Sustainability Disclosure Requirements (SDR)*
- *EIOPA sustainability mandates under Solvency II*
- *Stress testing progresses for banks and insurers*
- *2022 supervisory expectations emerge*

COP 26

The United Nation's Climate Summit, COP 26 (the 26th Climate Change Conference of the Partners), from 31 October to 12 November, aimed to solidify the plans set out in the 2015 Paris Agreement by:

i. *Securing the reduction of global carbon emissions to net zero by 2050*
ii. *Adapting and protecting communities and ecosystems*
iii. *Mobilizing the public and private climate finance required to secure net zero*

- For a summary of the implications for businesses, achievements and shortcomings of COP26, see KPMG Impact's paper.
- Several regulators and financial services industry bodies used the platform and attention afforded by the summit to make significant announcements relating to climate risk.
- The IFRS Foundation announced the formation of a new International Sustainability Standards Board (ISSB) to develop a "comprehensive global baseline of high-quality sustainability disclosure standards" for financial markets. The standards will aim to combat accusations of greenwashing, fill remaining data gaps and enable investors and other stakeholders to compare sustainability performance and related risks in a more meaningful way. They will be voluntary but are expected to be adopted by companies in Q3 or Q4 2022.
- Prototype requirements, for climate and general sustainability disclosures have already been provided to the ISSB for consideration.
- The IFRS Foundation will complete the consolidation of the Climate Disclosure Standards Board (CDSB), an initiative of the Climate Disclosure Project (CDP), and the Value Reporting Foundation (VRF), which houses the Integrated Reporting Framework and SASB Standards, by June 2022.
- This is designed to ensure that the new ISSB Board builds on these existing disclosure frameworks to ease the process for corporates.
- The Network for Greening the Financial System (NGFS) published its Glasgow Declaration. This reiterates the readiness of central banks and supervisors to contribute to meeting the objectives of the 2015 Paris Agreement through enhanced efforts such as further development of climate scenarios, intensifying work to bridge data gaps, supplementary guides on TCFD-aligned reporting for central banks, facilitating improvement and consistency in supervisory practices and exploring emerging climaterelated risks to financial systems. A further key announcement impacting financial firms was the requirement for all listed companies in the UK to develop transition net-zero transition plans by 2023 This will increase transparency and make clear which companies have credible plans and which do not. The requirement is likely to be replicated in other countries.

UK updates

- As part of its proposals for how UK regulation will be made in the future, the UK Treasury plans to amend the existing regulatory principle for sustainable growth to reference climate change and a net zero economy for the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). This is intended to increase the accountability of regulators to government, parliament and stakeholders.

- The UK's Climate Financial Risk Forum (CFRF) published a second round of guidance to support financial services firms as they develop their approaches to addressing climate-related risks and opportunities.
- The CFRF, established in March 2019 by the PRA and the FCA, includes representatives from banks, insurers and asset managers, and aims to share best practice and analysis "by industry, for industry".
- The first round of guidance was published in June 2020. The Session 2 guides are based on outputs of the CFRF's Working Groups and expand further the thinking around risk management, scenario analysis, disclosure, innovation and climate date and metrics. They also provide case studies, implementation guides and commentaries. For more details see our article. The UK's financial regulators have responded to the Government's request for Climate Change Adaptation reports. The reports focus on the current and future predicted impact of climate change in relation to the regulators' functions, their proposals and policies for adapting to climate change, and an . assessment of progress against previous r commitments and targets.

Climate Adaptation Reports

- The FCA report identifies a "broader risk of financial loss for consumers where firms do not sufficiently consider climate risk", whether through the physical effects of climate change on asset values or through loss of money or access to products where firms fail to adapt to the evolving policy environment. It considers how firms plan to transition to net zero and the role of capital mobilisation in financing climate change adaptation and climate change mitigation.
- Projects considering net zero will form a significant part of the FCA's sustainable finance programme going forward, through work with HM Treasury to support firms with their transition plans, continuing focus on net zero investor stewardship and research on capital mobilisation. Work to develop solutions to ESG data and disclosure issues will begin in Q1 2022. Firms are encouraged to ensure that their net zero commitments are appropriate, achievable and accountable. The PRA report notes a significant change in the way firms' leaderships recognise the risks associated with, and firms' responsibilities to, mitigating climate change, but finds that further progress is required, particularly in risk management and scenario analysis functions.
- In 2022, all elements of the supervisory review cycle will include consideration of climate-related risks. The PRA will exercise its expanded range of supervisory powers where firms are not deemed to have made sufficient progress, including risk management- and governance-related capital scalars, capital add-ons or s166 'Skilled Person' reviews. Firms will be assessed against the requirements of SS3/19, and larger firms' processes for compiling ICAAP or ORSA regulatory returns will be reviewed.
- Existing ICAAP and ORSA frameworks are only partially adequate in capturing the effects of climate risk for regulatory capital purposes and the PRA sets out possible solutions including further add-ons for firms with significant weaknesses, amendments to frameworks or calculations and a system-wide capital buffer.
- In 2022, the PRA will determine whether capital changes are best enforced through modifications to internationally-driven or domestic Pillar 2 requirements and will determine what changes are required to insurers' Solvency Capital Requirement (SCR) calculations.

- Firms should also expect an update on future climate scenario exercises, a possible consultation on regulatory returns and a review of SS3/19 disclosures.

Banks

- The Basel Committee for Banking Supervision (BCBS) is consulting until February 2022 on new principles for the effective management and supervision of climate-related financial risks. There are 18 high-level principles, 12 for banks and 6 for prudential supervisors across corporate governance, internal controls, capital and liquidity adequacy, risk management, and monitoring and reporting.
- The principles have been designed to accommodate a diverse range of banking systems and are intended to be applied on a proportionate basis depending on the size, complexity and risk profile of the bank or banking sector for which an authority is responsible. They are high-level and it is therefore expected that they can be implemented while also meeting local and/or regional supervisory expectations. BCBS will monitor implementation of the principles across member jurisdictions to promote a common understanding of expectations, support the development of harmonised practices and facilitate adoption as soon as possible.
- There are new ESG requirements under the 2021 EU banking package:
    - CRD6 proposes a horizon of at least 10 years for business strategy, planning and scenario analyses, in line with the EBA's June 2021 recommendation. A new minimum frequency is included, with plans to be reviewed at least every 2 years. Banks will be expected to identify, measure, manage and report on ESG risks and develop quantifiable targets to monitor them. The EBA is tasked with developing specific guidelines.
    - CRD6 also introduces incentives for banks to align their strategies with the objectives of initiatives such as the EU Green Deal and EU Sustainable Finance Strategy, with powers for supervisors to intervene in case of misalignment. The EBA will develop further guidelines on the content of business plans.
    - CRR3 introduces a harmonised definition of ESG risks, again consistent with the EBA's June 2021 definition. Environmental risks include factors explicitly related to the six objectives of the EU Taxonomy. ICLAAPs are to consider ESG risks for short, medium and long-term (greater than 10 years) horizons.
    - The EBA will develop specific guidelines on climate related stress testing, update standards on supervisory reporting to include exposures to ESG risks and extend application of Pillar 3 disclosures to a significantly larger set of banks.
    - The delivery date for the EBA's report on the classification and prudential treatment of assets from a sustainability perspective has been brought forward from 28 June 2025 to 28 June 2023. ESG risks will also be integrated in the Supervisory Review and Evaluation Process (SREP).

The European Central Bank (ECB) has published its climate stress test methodology ahead of the 2022 exercise.

- Results are expected to be published in July 2022 and will inform the SREP through a qualitative approach. The main goal of the exercises is to assess European banks' climate risk stress test capabilities - and their vulnerabilities to transition and physical risks - under certain assumptions and a range of climate scenarios.

  - In December 2021, the ECB will host a workshop with in-scope banks. Final versions of the methodology and data templates, together with the scenarios, will be published shortly before the exercise begins.

- The ECB has also published a report on the state of climate and environmental risk management in the banking sector.
  - Of the 112 significant institutions asked to self-assess against the ECB's 13 supervisory expectations for climate and environmental (C&E) risk management, the ECB found that none were close to fully aligning practices with supervisory expectations and that most are still in the early stages of development:
    - Most expect C&E risks to have a material impact on their risk profile in the coming three to five years and roughly half expect a material impact in the short-to-medium term. Credit, operational and business model risks are seen as being most sensitive to C&E risk drivers.
    - Management bodies are increasingly taking formal responsibility for C&E risk, but most banks have not developed the relevant risk reports
    - Few banks have made any effort to take stock of the type of data they would need in order to identify and report internally on C&E risks
    - More than half of banks have described C&E risks in their risk inventory, but less than one-fifth have included dedicated C&E key risk indicators in their risk appetite statement
    - Some have started to consider how to align their financing with the Paris Agreement while avoiding an excessive build-up of transition risks
    - Most institutions have a blind spot for physical risks and other environmental risk drivers, such as biodiversity loss and pollution
    - Almost all banks have developed implementation plans to improve their practices, but the quality of the plans varies considerably.
  - Some good practices were identified, but in most cases progress remains slow. The ECB expects all institutions to take decisive action to address the shortcomings set out in a dedicated supervisory feedback letter. For some banks, a qualitative requirement may be communicated as part of the 2021 SREP.

Capital markets

- ESMA has put out a preliminary report on the EU carbon market.
  - This presents an overview of the financial regulatory environment for the carbon market under MAR, MiFID II and EMIR and the tools available to securities supervisors to fulfil their responsibilities.
  - It also provides an analysis (based on commercial data) of price evolution and volatility in European Emission Allowances (EUAs) and derivatives on EUAs. EMA will carry out further in-depth analysis before presenting its final report to the EU Commission in 2022.

  - The EU will then assess whether targeted actions are needed in the EU carbon market.
- IOSCO has called for oversight of ESG Ratings and Data product providers and published a set of recommendations (following its July consultation). *The aim is to increase trust in ESG ratings and data going forward. There are 10 recommendations in all across: possible regulatory and supervisory approaches, internal processes for ratings and data providers, use of ratings and data products and the interactions of ESG ratings and data product providers with entities subject to assessment such providers.*
- Given that this part of the market does not currently fall within the typical remit of securities regulators, IOSCO has sought to strengthen its knowledge by undertaking a fact-finding exercise with ESG ratings and data products providers, users of ESG ratings and data products, and the companies that are the subject of these ESG ratings or data products.

IOSCO recommendations

Securities regulators and policymakers should set regulatory and supervisory expectations for asset managers in respect of:

i. Material sustainability-related risks for all products.
ii. The development and implementation of practices, policies and procedures relating to material sustainability-related risks and opportunities
iii. The disclosure of these practices, policies and procedures, as well as the nature of material risks and opportunities
iv. Securities regulators and policymakers should clarify and expand on existing regulatory requirements/ guidance or create new regulatory requirements or guidance, to improve product-level disclosures which help investors to understand: — Sustainability-related products
v. Securities regulators and policymakers should have supervisory tools to monitor and assess whether asset managers and sustainability-related products comply with regulatory requirements. Enforcement tools should be in place to address any breaches of requirements.
vi. Securities regulators and policymakers should encourage industry participants to develop common sustainable finance-related terms and definitions, including relating to ESG approaches, to ensure consistency throughout the global asset management industry.
vii. Securities regulators and/or policymakers should educate financiers and investors as to sustainability issues or enhance existing educational initiatives

Asset Owners & Asset Managers

- The UK Government has set out its "*Roadmap to Sustainable Investing*", the first phase of which requires development of an integrated UK framework for disclosures, the new Sustainability Disclosure Requirements (SDR), and customer-facing investment labels.
- SDR will expand on the UK's TCFD implementation and will cover corporate, asset manager, asset owner and investment product disclosures. Asset managers, asset owners and investment products will be required to substantiate ESG claims in a way

that is comparable between products and accessible to clients and consumers. They will also need to disclose whether and how they take ESG-related matters into account in governance arrangements, investment policies and investment strategies.

- The framework will use consistent approaches and metrics across the economy, aligned to international standards where possible to support international compatibility. SDR will integrate the global standards to be developed by the ISSB in 2022, which themselves will build on the four pillars of the TCFD recommendations. Under SDR, firms wil also be expected to disclose against the UK Green Taxonomy. For more on these initiatives, see our article here.
- The FCA has issued a discussion paper on the SDR and customer-facing investment labels. SDR will be of particular relevance and challenge to firms also subject to the EU's SFDR. The FCA recognises this and is therefore asking for views on the extent to which UK policy can remain as consistent as possible with SFDR, while reflecting the needs of the UK market. The feedback window closes on 7 January 2022 with further consultation expected in Q2 2022 before final policy is agreed.
- For further information, see this article.
- SFDR - the European Commission has informed the Parliament and Council that the additional SFDR RTS, as required by the amendments to SFDR under the Taxonomy Regulation and as presented by the European Supervisory Authorities (ESAs) in October 2021, are too long and technical to be adopted within the usual three-month period. Also, they are to be bundled together with the first set of SFDR RTS proposed by the ESAs. The application of this single delegated act will therefore be deferred by six months to 1 January 2023.
- Company-level disclosures on principal adverse impacts will be required from June 2023, but the first reference period will be the calendar year 2022. Therefore, firms need to collect PAI data from January 2022.

Asset Managers

- In November, IOSCO published recommendations on sustainability-related practices, policies, procedures and disclosures for national regulators and policy makers in the asset management industry.
- The recommendations are in five parts and cover: setting of regulatory expectations around practices, policies and l procedures, clarification and guidance to include product-level disclosures; supervisory and enforcement tools; encouraging common terms and definitions; and educating financiers and investments. IOSCO notes that setting regulatory and supervisory expectations will help address the need for consistent, comparable, and decision-useful information, allow investors to understand the impact of their investments and reduce the risk of greenwashing.
- Securities regulators and policymakers should use the recommendations to identify areas for consideration within their domestic mandates and regulatory frameworks.

Central counterparty clearing houses (CCPs) have come to play a critical role in the international financial landscape. However, in the wake of Brexit, the EU's perceived over-reliance on UK CCPs has triggered regulatory attempts to re-shore capacity. Despite a recent announcement that EU temporary equivalence will be extended, the European Commission remains steadfast in these re-shoring efforts. Industry stakeholders should brace themselves for the increased costs that will result from the consequent relocation of derivative positions.

Context

- *Over the past decade, CCPs have become increasingly global and interconnected - predominantly as a deliberate outcome of financial crisis reforms. In fact, in 2009, the G20 mandated that all standardised OTC derivates contracts be cleared through CCPs — something the EU (which, at the time, included the UK) adopted via the 2012 European Market Infrastructure Regulation (EMIR). However, this increasingly central role has also meant that potential disruptions pose a larger risk to the wider financial system — as we are learning through the post-Brexit experience.*
- *Almost one year on from the Brexit deadline, the bulk of EU clearing continues to take place in London — with UK CCPs clearing about 80% of euro-denominated interest rate derivatives and 40% of credit default swaps. The European Commission (EC) has come to view this dependence as a financial stability risk and, as a result, is attempting to draw clearing activity back to the continent.*

Tiers and extended equivalence, but not forever

Under EMIR, EU counterparties can only satisfy their clearing obligation for mandated derivative products by clearing them through an authorised EU CCP, or a third country CCP that has been granted equivalence by the ESMA. Clearing products at other, non-qualified CCPs, results in prohibitively high capital requirements. In 2020, an updated framework (EMIR 2.2) was finalised which tiers third country CCPs according to their risk level.

Following the transition period, the UK on-shored EMIR 2.2 and, in November, the Bank's Christina Segal Knowles confirmed that rather than diverging, the UK will continue to implement its own `safe openness' version of EU tiering. For both jurisdictions, tiering continues to sit on top of the equivalence process.

The UK HM Treasury (HMT) originally granted non-UK CCPs temporary recognition until the end of 2023, with a clear commitment to extend this, if necessary. Since then, HMT has confirmed formal equivalence of the EU supervisory regime for CCPs - and so, subject to cooperation arrangements being in place with the relevant national authority, EU CCPs will be able to apply for permanent recognition and continue serving UK members once temporary equivalence expires.

EU regulators are not expected to respond in kind. In September 2020, the EC adopted temporary equivalence for UK-based CCPs until 30 June 2022, to avoid any 'cliff edge' drop-off in access to clearing services following Brexit. And, following extensive industry lobbying, this equivalence is now expected to be extended early next year — an expectation further strengthened by the recent findings of ESMA's assessment of UK CCPs' systemic importance. However, rather than settling on a permanent solution for UK CCPs, the Commission plans to use the temporary extension to reduce UK exposure and expand the EU's own clearing capacity by enhancing liquidity, increasing the range of offerings and strengthening the supervisory framework.

Early signs indicate the EC's strategy may be starting to take effect - Eurex has seen its market share for euro denominated interest rate swaps increase by 0.5% per month, while LCH's share has decreased by a similar amount. The trading of EU carbon contracts and euro-denominated shares also appears to be gradually shifting from London to the continent.

The EU is also attempting to reduce UK-dependence in other ways. Following "several years" of discussions, in January the EU granted permanent equivalence to the US SEC regime for CCPs. Additionally, open access provisions for exchange-traded derivatives have been scrapped - in order to "foster competition, innovation and development of exchange-traded derivatives in the EU on one side and building further clearing capability in the EU".

Impact on firms

As a result of HMT's permanent equivalence decision, the road ahead seems relatively clear for UK members using EU CCPs. They face neither a drop-off in access nor punitive capital requirements.

With the EC unlikely to respond in kind, more bumps are expected for EU members using UK CCPs. Despite some evidence of liquidity organically migrating back to the EU, the continuing growth of the global derivatives market suggests that substantial repatriation won't be easy. The movement could result in additional costs for EU members, either in the form of new capital requirements or from trading in less liquid and fragmented markets. Any additional costs, either regulatory or market-driven, will no-doubt be passed on to members' clients. John Berrigan (Head of the EC's Financial Services unit) has emphasised that difficulties will only be exacerbated if equivalence runs out too soon.

Transferring positions (271 KB) from UK CCPs to EU CCPs would mean replacing one set of rights with a new set of rights. This process is a complex one and requires accounting for the following considerations:

- Universal agreement would be required across all affected participants (counterparty members and, in turn, their clients).
- The CCPs involved may not have the same clearing members, and therefore some counterparties may first need to become members of successor CCPs - often at substantial cost (default fund contributions, exposure collateral considerations).
- Successor CCPs may need to obtain EMIR authorisation to clear new types of contracts.
- A sudden influx of positions could create capacity issues (both operational and capital-related) for successor CCPs and could result in a further concentration of risk.

As for the UK CCPs themselves — to the extent that the considerations above are accounted for and liquidity successfully migrates to the EU — in this zero-sum game they stand to lose the members that the EU gains.

In order to be best prepared for the changes to come, CCPs and the members they serve should stay abreast of the latest developments. In particular, these stakeholders should use the EC's extended equivalence timeline to consider the actions required.

The FCA's Consumer Duty initiative aims to increase the current level of consumer protection in the retail financial services market. The FCA has now published its second consultation paper (CP) (PDF 2.26 MB) on this topic detailing the proposed rules and guidance. *For details of the initial CP, please click here.*

Key messages:

- The FCA opt for 'good outcomes' for the wording of its new Consumer Duty principle.
- The consultation response deadline is 12 February 2022 and the final rules are to be published by 31 July 2022. However, the FCA is only proposing a 9-month implementation period. This is unlikely to be long enough for the majority of firms - especially given the materiality of change and need for data and technological driven solutions to evidence good outcomes for consumers.
- The new principle, rules and guidance will sit within the FCA's High Level Standards Principles (PRIN) sourcebook. They will essentially apply to all firms currently required to comply with a Conduct of Business (COBs) sourcebook.
- Cross-cutting intentions remain and are now supported with further detail about the FCA's expectations.
- The four outcomes are also unchanged:
    - Products and services: New product governance requirements to be introduced, which although they will sit in PRIN, are aligned in approach with existing Product Governance arrangements (i.e. PROD) applicable to some firms.
    - Consumer Support (renamed from Customer Service in the initial CP): contains a focus on embedding the proposed outcome across the entire customer journey and relevant areas across the business and functions within a firm.
    - Pricing and Value: develops the requirement for all firms to develop a framework to objectively assess pricing factors to determine the value products and services deliver.
    - Consumer understanding (renamed from Communications in the initial CP) contains guidance to elaborate on existing clear fair and not misleading expectations and additional general requirements relating to outcomes.
- Private Right of Action (PRoA) is not being introduced as part of Consumer Duty – but will be kept under review by the FCA.

Summary

- The second consultation paper on the Consumer Duty re-emphasises the FCA's intention for a regime where "*firms compete vigorously in the interests of consumers*". Whilst acknowledging the feedback received, the FCA is pressing on with its initiative, therefore the impact of its regulatory ambitions remains undiminished.

Consumer Duty Principle

- The FCA has settled on "A firm must act to deliver good outcomes for retail customers" for the Consumer Principle. This was the option most supported by the majority of respondents and will become Principle 12 within PRIN. In reality, the choice of definition makes very little difference as with either, the FCA's intention was to drive a change in firms' behaviour with a focus on consumer outcomes. Interestingly, Principles 6 and 7 will be disapplied where Consumer Duty principle applies. Principles 6 and 7 will therefore only continue to apply to certain SMEs and wholesale business. The FCA emphasise the Consumer Duty Principle imposes a higher standard of conduct than Principles 6 and 7.

Cross-cutting rules

- The cross-cutting rules approach remains, and are now accompanied by the draft Handbook rules for their implementation. Following minor amendments, firms must

  1. act in good faith toward retail customers
  2. avoid foreseeable harm to retail customers
  3. enable and support retail customers to pursue their financial objectives

- In response to industry feedback, the key change from the first CP is the removal of "all reasonable steps". This is a welcome move. The FCA acknowledges this was not the best way to achieve the aims of the Consumer Duty as firms may simply seek to focus on compliance with the rules rather than ensuring good outcomes for their customers.

Four outcomes

- The FCA has provided more clarity on their expectations:
  - Products and services: Creating new product governance requirements, within PRIN, differentiating between manufacturing and distribution roles which are aligned to the FCA's existing approach in PROD. In simple terms, it's PROD-lite. Whilst proportionate for firms not currently subject to PROD, firms that have products or services in both PRIN and PROD regimes will need to decide whether to operate a single product governance framework and policy.
  - Pricing and Value: Requirements added for all firms to develop a framework to objectively assess pricing factors to determine the value products and services deliver. Critically, however, the FCA does not propose to set detailed requirements for the fair value assessment. Instead, it proposes to set out the factors firms must consider, as a minimum, to assess value. This is similar to the approaches we have seen the FCA adopt elsewhere (e.g. GI pricing practices case study).
  - Consumer support (renamed from Customer Service): Firms to consider customer support in a wider context. The paper includes examples/guidance demonstrating this approach. Whilst the intention has not changed, the FCA has softened the wording away from 'undue hindrance' language used in the first paper to 'unreasonable barriers'.

- Consumer understanding (renamed from Communications) Additional guidance proposed to elaborate on the 'clear fair and not misleading rule' and additional general requirements relating to outcomes. The FCA details that the proposals build on, and go further than, Principle 7 by requiring firms to focus much more on consumer outcomes and understanding throughout the customer journey. As a result, firms will need to monitor and, where appropriate, test and adapt their communications so they can demonstrate they have acted to deliver good outcomes and support consumers and their understanding.

Case Study: GI Pricing

- The FCA's new rules on General Insurance (GI) Pricing Practices have introduced measures aimed at ensuring firms across the market offer fair value products – similar to those proposed in the Consumer Duty consultation. The measures are underpinned by detailed product governance requirements, which demonstrate the FCA's approach to how firms should consider value when launching or reviewing products. KPMG has been working with a wide range of GI and Protection providers to enhance and update their product and pricing governance frameworks throughout 2021. Key lessons included:
    - The need to form an overarching pricing and assessment of value framework to be applied as consistently as possible across all products and services, with a broad range of inputs from across product, brand & marketing, operations, digital and claims.
    - The need to underpin the approach with robust insight ensuring product value is regularly assessed from a customer perspective, supported by key performance metrics and minimum value thresholds.
    - Evidencing how the distribution arrangements support the intended value and maintaining strong oversight of distribution chains.
    - Documenting key decisions relating to pricing and product value, ensuring these clearly demonstrate consideration of customer outcomes and have been approved by an appropriate level of governance.
    - Achieving a genuine and objectively robust balance between the firm's commercial interests and those of the end retail customer.

Expansion of existing High-Level Standards sourcebook

- All new rules, requirements and guidance will form part of the FCA's High Level Standards Principles (PRIN) sourcebook. This is a straightforward and simplified approach rather than seeking to fully integrate into existing handbooks with a significant volume of changes. All existing requirements to remain in place. The FCA commits to use the implementation period to identify whether there are any areas of the Handbook that may require amendment, in light of the Consumer Duty.
- By placing the new requirements within the High-Level Standards sourcebook, the FCA communicates the significance of the rules and guidance and the importance that the FCA attaches to it.
- Private Right of Action (PRoA)

- The FCA have deferred further consideration on a PRoA pending evaluation of whether the proposed measures, once embedded, are delivering the desired outcomes thereby negating the need for a PRoA.
- Broader considerations
- The FCA has also set out in the paper: its expectations of firms monitoring consumer outcomes, how the FCA will regulate and supervise the Consumer Duty: and how its Senior Managers and Certification Regime will be developed to accommodate the new Consumer Duty.