EVIA European Venues & Intermediaries Association

LEBA London Energy Brokers' Association

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

Wednesday 06th July 2022

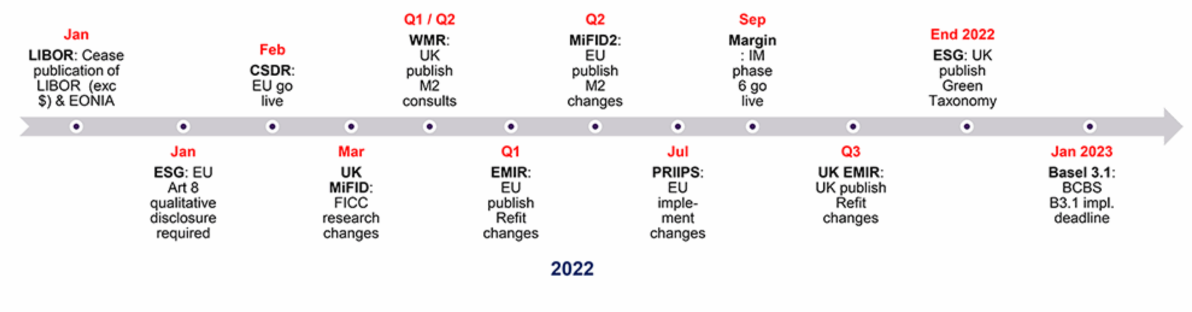
Full Grid and Outlook Below

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

---

Main Themes in 2022,

Timeline…



ESMA Overview of planned consultation papers 2022
https://www.esma.europa.eu/document/overview-planned-consultation-papers-2022

Topic	Topic	Planned publication
Benchmarks	Amendment to the RTS to reflect that ESMA becomes the competent authority of recognised 3rd country benchmark as of January	2022 Q2 2022
Cooperation	Guidelines on cooperation arrangement with third-countries on CCP recognition decisions	Q2 2022
EuVECA/EuSEF	RTS and ITS on European Venture Capital Funds and European Social Enterpreneurship Funds	September 2022
Sustainable Finance	Review of Principal Adverse Impact (PAI) indicators (SFDR)	Q3 2022

ECAI Mappings	Joint Committee ITS on External Credit Assessment Institutions' Mappings	Q3 2022
Benchmarks	RTS on the Clearing Obligation and the Derivative Trading Obligations (DTO) regarding the benchmark transition	July 2022
CCP resolution	RTSs to specify the minimum elements that should be included in a business reorganisation plan; and the criteria that a business reorganisation plan is to fulfil for approval by the resolution authority	Q3 2022
MMF	Update of MMF Stress Test methodology	Q3 2022
MIFID II	Guidelines on MiFID II product governance requirements (sustainability)	July 2022
EMIR	RTS on publication of derivatives data (EMIR)	Q3/4 2022
Derivatives	Amendment to Guidelines on calculation of positions in derivatives	Q3/4 2022
DLT	Guidelines on standard forms, formats and templates (under Distributed Ledger Technology (DLT) Pilot Regime)*	Q3/Q4 2022
Sustainable Finance	Review of Principal Adverse Impact (PAI) indicators (SFDR)	Q4 2022
Shareholder cooperation	Review of the Whitelist on acting in concert	TBC*

Sustainable Finance

- The Bank of England (BoE) has published the results of the 2021 **Climate Biennial Exploratory Scenario (CBES)** — for more information see our article above and here.
- The **UK Transition Plan Taskforce** (TPT) has launched a Call for Evidence (PDF 1.21 MB) that aims to identify the vital elements and key principles that should inform all transition plans. This will result in a model framework that can apply across all sectors, ensuring a shared and consistent understanding for firms of what is needed. The framework will inform UK regulations for certain financial sector firms and listed companies to publish climate transition plans. The consultation period closes on 13 July.
- At the **first meeting of the Climate Financial Risk Forum's (CFRF) Third Session**, new Terms of Reference and actions for the Transition Working Group (WG), the Disclosure, Data and Metrics WG and the Scenario Analysis WG were agreed. In addition, Members considered how they should adapt their workplans and whether there is scope for the Forum to undertake bespoke work to help firms navigate the unique set of challenges arising from external events such as the war in Ukraine and the implications of transition to net zero.

Digital Finance

- HM Treasury (HMT) is consulting (PDF 270 KB) on **managing the failure of systemic Digital Settlement Asset (DSA) (including stablecoin) firms**. HMT proposes to apply a modified

Financial Market Infrastructure Special Administration Regime (FMI SAR) which will give the BoE powers to specify to an appointed administrator which of the two following objectives should take precedence in an administration: the return or transfer of funds and custody assets or continuity of services. In the case of stablecoins, a 'systemic DSA firm' might include — but is not limited to — the issuer of a stablecoin, a wallet, or a third-party service provider.

- Stable (or not-so-stable) coins; *Noise around regulation has intensified over the past few months, particularly in the wake of the mid-May collapse of a prominent algorithmic stablecoin. As this component of the crypto-ecosystem continues to forge deeper connections with traditional finance, many regulators are pushing for a formalised regulatory framework to be developed as soon as possible.*
    - Stablecoins are cryptocurrencies whose value is pegged to the value of another asset. As such, they are typically held-up as a strain of cryptoasset which minimises volatility. Most are collateralised with 'safe' backing assets (typically cash or highly liquid assets like money market funds or commercial paper). However, other algorithmic stablecoins seek to maintain their peg (or stability) through algorithms which increase or decrease a coin's supply in response to changes in demand. These algorithmic coins have been at the centre of controversy following the crash of US Terra (and associated cryptocurrency Luna USD) in May, where an estimated $42 billion of investment was lost in one week.
    - The total market capitalisation for stablecoins continues to rise and is now estimated to have reached over $180 billion. Moreover, the interconnectedness of stablecoins with the wider financial system continues to deepen. Not only are these coins being used to facilitate retail crypto trading and support decentralised finance (DeFi) (through liquidity provision for exchanges and leveraged borrowing), but they are increasingly being adopted as a means of payment. As reiterated (PDF 1.4MB) by the BIS, if left unchecked, these interlinkages could result in "risks from cryptocurrencies easily transfer(ing) to banks and other established financial institutions".
    - Consequently, governments and regulators are ramping up efforts to address systemic risks and close regulatory gaps, while still harnessing the potential benefits of the innovative technology. In particular, there is a desire to remove arbitrage opportunities that could exist if stablecoin business models are subject to looser regulation than commercial bank equivalents.
- UK developments; *In the UK, the regulatory approach continues to evolve. HM Treasury (HMT) originally supported the idea that stablecoins be regulated through a money market fund (MMF) model. The Bank of England (BoE), on the other hand, posited a commercial bank deposit-backed (DB) model (in its Discussion Paper on New Forms of Digital Money — the response to which was published in March 2022). The latter approach would be similar to the backing model used by e-money firms, although would require enhanced safeguarding and additional prudential conditions.*
    - In the March 2022 Financial Stability in Focus report, the Financial Policy Committee (FPC) raised concerns about the DB model, suggesting that it would pose an unacceptable risk to financial stability in the event of bank runs. Instead, the FPC proposed a high-quality liquid asset (HQLA) alternative where "systemic stablecoin issuance would likely need to be fully backed with high quality and liquid assets". The report also proposed that:

        - If backing assets have liquidity risk, the BoE would need to consider offering access to central bank lending facilities
        - Backing assets should be held in a way that protects them from the failure of the issuer or other significant parts of the stablecoin arrangement (e.g. wallets, asset custodians)
        - Additional capital requirements may be needed to mitigate market risk
        - Supervisors would need to be able to verify that the coins are fully backed at all times, including preventing any unbacked issuance
    - The April 2022 response (PDF 405KB) to HMT's consultation (PDF 445KB) on the regulatory approach to cryptoassets and stablecoins, demonstrated alignment to this proposed HQLA model — indicating that this may be the chosen route forward. As part of the response, HMT:
        - Confirmed that the government will focus the first phase of legislative changes on bringing certain 'payment' stablecoins (those that reference fiat currencies — either a single currency or basket of currencies) within the regulatory perimeter. This would involve amending Electronic Money Regulations 2011, the Payment Services Regulations 2017 and Parts 5 of the Banking Act 2009, and the Financial Services (Banking Reform) Act 2013
    - Confirmed original proposals to:
        - Establish an FCA authorisation and supervision regime for stablecoin issuers and other entities facilitating stablecoin activities (e.g. wallet providers, custody providers) — where requirements would be lighter for smaller firms, and certain exclusions would be permitted (in line with e-money regulation)
        - Establish enhanced requirements for stablecoins that become systemic (whereby the BoE would become the lead prudential regulator in line with its responsibilities for systemic payments systems)
        - Exclude certain stablecoins (namely algorithmic stablecoins, or those that may be linked to assets other than fiat currency) from scope
        - Proposed that stablecoins ensure convertibility into fiat currency, at par and on demand
        - Proposed a legal claim for the customer — either against the stablecoin issuer or, where appropriate, the consumer facing entity (e.g. wallet)
    - Although the original consultation determined that no resolution regime or deposit guarantee scheme was needed for stablecoins, following the BoE's DP and the FPC report, HMT now considers that there should be appropriate backstop arrangements to manage risks related to stablecoin failure. HMT published an open consultation (PDF 271KB) in May, proposing that a modified Financial Market Infrastructure Special Administration Regime (FMI SAR) be applied.
    - The spring Queen's Speech (PDF 406KB) formally introduced a Financial Services Bill which, based on the proposals made by HMT and BoE, is expected to present primary legislation for stablecoin regulation. The final framework that would apply would likely be subject to additional BoE and FCA consultations, pending HMT's legislative process.
    - The Bill is also expected to provide secondary powers (PDF 305KB) allowing HMT to more-quickly address consumer risks posed by other crypto-assets (e.g., unbacked exchange tokens). A further consultation on this broader set of crypto-assets is expected later in 2022.
- European developments

- In the EU, the recent market turmoil will likely increase pressure to conclude negotiations on the Markets in Crypto-assets legislation (MiCA) and accelerate its implementation. Currently, the delayed second and third trilogues are set to take place before the end of June. The key point of contention appears to lie with the supervision of systemic stablecoins — with Parliament (who view the coins as akin to securities) advocating for ESMA to supervise, and Member States (who view the coins more as private money) favouring the EBA.
- Under MiCA's current proposals, algorithmic stablecoins cannot be issued or offered in the EU. The proposals are instead focussed on two other types of stablecoin: asset-referenced tokens (which reference a basket of goods — including fiat currencies, securities, commodities and even other crypto assets), and e-money tokens (which reference a single fiat currency).
- The draft legislation proposes that:
    - Both asset-referenced tokens (AFT) and e-money tokens (ET) must produce whitepapers in order to participate in any trading activity
    - AFT and ET issuers must provide additional disclosures related to (i) their asset reserves (including custody arrangements and associated investment policies) and (ii) the composition / qualifications of their management bodies
    - ET issuers must provide full redemption rights (immediately and at par)
        - AFT issuers, on the other hand, are not required to provide redemption rights. However, this must be clearly articulated in their white paper - and some mechanisms to ensure token liquidity must exist
    - AFT and ET issuers must register as legal entities and obtain authorisation from Member State authorities
        - Specifically, ET issuers must be authorised as credit or e-money institutions
    - AFT and ET issuers must maintain asset reserves — invested only in highly liquid financial instruments with minimum market and credit risk
        - The EBA and ESMA plan to develop joint draft technical standards specifying which instruments meet these conditions
        - These reserves must be verified through mandatory independent audits conducted every 6 months at the expense of the issuer
        - These reserves must be separated from the issuer's own funds and entrusted to a credit institution
    - AFT and ET issuers must comply with own capital provisions — holding funds greater than or equal to either €350,000 or 2% of the average amount of their reserve assets. These required provisions would increase if:
        - ET issuers become engaged in activities such as payment services
        - The national competent authority (NCA) determines that an AFT or ET offering is 'significant'
- European Parliament is currently lobbying for MiCA to be brought into force 18 months after negotiations conclude — as opposed to the 24 months original

proposed by the Council. If Parliament is successful, MiCA is expected to apply sometime in H1 2024, with stablecoin rules applying first.

- Looking ahead
    - According to Ian Taylor, KPMG's UK Head of Crypto and Digital Assets, “the industry largely supports this UK and EU approach — while opposing the alternative approach chosen by some jurisdictions to regulate stablecoins as banks. This is because the latter approach places a much larger regulatory burden on new innovative firms”.
    - Regulators from across the UK and EU acknowledge the importance of promoting international consistency in this space. This is important not least because systemic coins will likely be used to transact across borders. Recent events such as the pandemic and the war in Ukraine have further emphasised the overall need to ensure payment systems are robust whilst maintaining financial stability and protecting against consumer harms.
    - The FSB's 2020 high-level recommendations for stablecoin regulation and CPMI-IOSCO's 2021 guidance (PDF 453KB) on applying systemic stablecoin arrangements for payments under the international Principles for Financial Market Infrastructures (PFMIs) provide examples of how international standard-setting bodies are attempting to build the foundations of an approach that could avoid (or at least minimise) regulatory divergence. In fact, in May of this year, G7 finance ministers reaffirmed that “no global stablecoin project should begin operation until it adequately addresses relevant legal, regulatory and oversight requirements through appropriate design and by adhering to applicable standards”.
    - Given the increasing scrutiny and desire to develop a clear regulatory framework for stablecoins, market players already operating in (or considering operating in) this space should carefully analyse their strategy and pipeline of products accordingly.

Prudential

- The PRA has announced that the PRA buffer adjustment, introduced in July 2020 due to the COVID-19 pandemic, will be removed with effect from end-December 2022. Supervisors will communicate firms’ updated PRA buffers as part of the 2022 Supervisory Review and Evaluation Process (SREP) where relevant, or separately.
- The BoE has issued (PDF 938 KB) its **first public assessment of the resolvability preparations of the eight major UK banks** under the Resolvability Assessment Framework (RAF) — for more details, see the article above.

- The BoE's Financial Policy Committee (FPC) has responded to feedback on its proposed **revisions to the O-SII buffer framework** for UK domestic systemically important banks (D-SIBs). The buffer applies to ring-fenced banks and large building societies, reflecting the additional damage that D-SIBs could cause to the UK economy if they were to fail or come close to failure. The revisions will:
    - Change the metric used to determine O-SII buffer rates from total assets to the UK leverage exposure measure
    - Recalibrate the thresholds used to determine O-SII buffer rates to prevent an overall tightening or loosening of the framework relative to its pre-COVID level.
- There is one change to the original proposal — the average of firms’ quarter-end leverage exposure measure over the year will be used to determine O-SII buffer rates, rather than

the year-end value. This will take effect after the PRA's December 2023 review. The main changes will take effect after the PRA's December 2022 review of O-SII buffer rates but in time for the PRA to review rates under a revised framework in December 2023. Rates set in 2023 will apply from January 2025.

- The PRA has issued **final** policy (including a Supervisory Statement (SS1/22), a Statement of Policy and updates to SS9/17 (PDF 854 KB) on Recovery Planning) **on trading activity wind-down** (TWD). Firms will be expected to meet the expectations of SS1/22 by 3 March 2025. TWD firms are expected to have a set of capabilities that can be utilised to develop and either partially or fully execute the TWD option, in both recovery and post-resolution restructuring. PRA supervisors will engage with TWD firms throughout the period until March 2025 and will want to understand that firms are making adequate preparations significantly in advance of the implementation date. Firms should expect dialogue to commence in H2 2022.
- The PRA's statement on the **EBA Guidelines (GLs) relating to the management of non-performing and forborne exposures** (NPEs and FBEs) notes that the prudential aspects of the GLs broadly represent good credit risk management standards and may be a helpful reference for firm's management of NPEs and FBEs. However, the PRA reminds firms that the GLs are not applicable to or in the UK. In particular, the PRA has not adopted the 5% gross NPE ratio threshold for applying detailed requirements and the approach to valuation and revaluation of the collaterals used for NPEs remains at the discretion of individual firm.
- The PRA has launched the **biennial Insurance Stress Test (IST)** for the largest PRA-regulated life and general insurers. The IST aims to assess sector resilience to severe but plausible adverse scenarios, guide supervisory activity and enhance the PRA's and firms' ability to respond to future shocks. The deadline for submission is 28 September 2022. The scenario specifications include a life stress centred on falling interest rates, and a hurricane scenario to reflect the significance of US exposures on the London market. In response to heightened geopolitical and economic risks, the PRA has included an additional question on the implications of rising inflationary pressures on firms' balance sheet and business model. The published scenarios are not comprehensive — insurers are expected to carry out their own testing on additional scenarios which are most relevant to their business model. The PRA proposes to host roundtables for general insurers (18 July) and life insurers (20 July) to discuss and clarify any aspects of the IST.
- In a speech at the City & Financial 9th Annual Operational Resilience for Financial Institutions Summit, PRA Executive Director Duncan McKinnon reiterated that UK **operational resilience policy is outcome-based**. He also noted that, where firms are not able to remain within their defined impact tolerances, they will need to build substitutability into the way services are delivered, review and adapt outsourcing arrangements, and re-architect or replace legacy systems which have remained critical to the delivery of services despite their obsolescence. He noted that "**we [the PRA] expect for it [operational resilience] to become a major consideration in [firms'] investment programmes**. Designing services to be resilient is often easier than reverse engineering resilience into fragile services."

- The FCA and the BoE's joint discussion paper on **Money Market Fund (MMF) reform** followed on from the FSB's 2021 policy proposals. After gathering feedback, the UK authorities will consult on policy measures to strengthen the resilience of MMFs, reduce the need for extraordinary central bank intervention and support the provision of cash management services. The FCA also published guidance (PDF 94.8 KB) relating to MMFs' liquidity thresholds and portfolio requirements.
- The FCA's discussion paper (PDF 671 KB) on the **reforms to the listing regime** is a continuation of the Primary Markets Effectiveness Review that the FCA started in 2021. The main proposals are to simplify the listing regime for equity shares from two segments (standard and premium) into a single segment. The single segment would have mandatory obligations, but issuers could decide whether to opt for supplementary obligations which would provide an enhanced role for shareholders. The proposal aims to broaden access to listings to a wider range of companies. The paper also discusses reforms to the current rules and guidance on the sponsor regime to make it more efficient.
- The FCA's Market Watch 69 offers guidance around firms' arrangements for **market abuse surveillance**, drawing on its observations from engaging with small and medium sized firms. Areas covered include market abuse risk assessments, calibration of order and trade surveillance, policies and procedures, outsourcing, and the role of front office staff in surveillance.

- In the FCA's first portfolio supervision letter (PDF 186 KB) to **Data Reporting Services Providers (DRSPs)** (consisting of approved reporting mechanisms (ARMs) and approved publication arrangements (APAs)), it identified the key risks in the DRSP sector as:
    - market concentration due to a small number of providers
    - inadequate systems and controls to identify incomplete and potentially erroneous trade or transaction reporting data
    - insufficient operational resilience
    - The letter outlines the FCA's expectations of firms and the supervisory work it will undertake in these areas.
- In its response (PDF 200 KB) to its July 2021 consultation on extending the Senior Managers and Certification Regime (SMCR) to financial market infrastructure, HM Treasury confirmed that it will **introduce SMCR for Central Counterparties (CCPs) and Central Securities Depositories (CSDs)**, with the legislation giving the power to the Bank of England to set detailed rules. HMT also signalled that it may extend SMCR to credit rating agencies (CRAs) and recognised investment exchanges (RIEs) but will consult further. HMT may also extend SMCR to recognised payment systems and specified service providers but will take account of the forthcoming review of the regulatory perimeter for systemic firms in payments chains regulated by the BoE before taking this further.

Payments

- The PSR's panel published its digital payments initiative report (PDF 313 KB). This review was commissioned in response to last year's Access to Cash Working Group's recommendation for further work to enable digital payments. The recommendations included:

- Improving consumers and SMEs awareness and understanding of, and trust in, digital payment options
- Tackling barriers to new digital payment services and service features, including enabling new functionalities and improving trust by addressing fraud risks
- Reducing digital exclusion
- Putting better data in place to monitor the transition to digital payments

Regulatory Outlook and Diary

2022/2023	EU	The European Commission (EC) has published the 3rd Capital Requirements Regulation (CRR III) proposal on 27 October 2021 which will implement the Basel 3.1 framework in Europe. The CRR III will transpose the market risk standards (FRTB) as a binding capital constraint, the output floor, the revised credit valuation adjustment framework, alongside operational and credit risk framework, amongst others. The proposal will also take into consideration the impact of the COVID-19 crisis on the EU banking sector. From the EC's original proposal, most of the requirements are set to apply from 1 January 2025. In terms of next steps, we expect now negotiations to take place among Member States and the European Parliament to work on the CRR 3 banking package in the coming months. As a result of these negotiations, the implementation date of 1 January 2025 will be subject to change.
2022	Australia	Expected finalization of APRA prudential standard for IRRBB (APS 117).
Q2 2022	Australia	Expected 2nd ASIC consultation on updating the Australian reporting regime.
Q3 2022	Global	The Financial Stability Board (FSB) recommends that regulators implement the CPMI-IOSCO Unique Product Identifier (UPI) Technical Guidance to take effect no later than in the third quarter of 2022
Q3 2022	Australia	Expected publication of the updated ASIC reporting regime, with a 1-year implementation period.
Q3 2022	EU	The EC shall publish a report describing the provisions that would be required to extend the scope of the EU Taxonomy regulation beyond environmentally sustainable economic activities and describing the provisions that would be required to cover economic activities that do not have a significant impact on environmental sustainability and economic activities that significantly harm environmental sustainability ('Brown Taxonomy') and whether other sustainability objectives such as social objectives should be added to the framework.
Q3 2022	EU	Following the European Commission consultation on the review of the EU clearing framework, the Commission is expected to propose amendments to EMIR 2.2 to incentivise clearing on EU CCPs. This is

		expected to cover a number of aspects of EMIR, including the scope of the clearing obligation, intra-group transaction and supervisory framework for EU CCPs.
Q3, Q4 2022	Hong Kong	Consultation of Hong Kong's reporting rules on adoption of UPI and CDE.
July 01, 2022	EU	Article 11 requirements with respect to periodic reports under the sustainability-related disclosures in financial sector regulation (SFDR) shall apply.
July 31, 2022	US	Expiration of an extension of relief to Shanghai Clearing House permitting it to clear swaps subject to mandatory clearing in the People's Republic of China for the proprietary trades of clearing members that are US persons or affiliates of US persons (CFTC Letter No. 20-46).
September 1, 2022	US EU Australia Canada Hong Kong Korea Switzerland Singapore Japan South Africa	Initial margin requirements apply to covered swap entities with material swaps exposure (average aggregate daily notional amount exceeding USD 8 billion). Initial margin requirements apply to counterparties with an aggregate average notional amount exceeding EUR 8 billion. Initial margin requirements apply to Phase 6 APRA covered entities with an aggregate notional amount exceeding AUD 12 billion. Initial margin requirements apply to Phase 6 covered entities with aggregate month-end average notional amount exceeding CAD 12 billion. Initial margin and risk mitigation requirements apply to Phase 6 HKMA AIs and SFC LCs with an aggregate notional amount exceeding HKD 60 billion. Initial margin requirements apply to financial institutions with derivatives exceeding more than KRW 10 trillion. Initial margin requirements apply to counterparties whose aggregate month-end average position exceeds CHF 8 billion. Initial margin requirements apply to Phase 6 MAS covered entities with an aggregate notional amount exceeding SGD 13 billion. Initial margin requirements apply to Phase 6 JFSA covered entities with an aggregate notional amount exceeding JPY 1.1 billion. Initial margin requirements apply to a provider with aggregate month-end average notional amount exceeding ZAR 15 trillion
September 1, 2022	US	Expiration date of No-Action relief issued by the Division of Trading and Markets at the US Securities and Exchange Commission in respect of Exchange Act Rule 19a-3. The relief provides that Staff will not recommend enforcement action if a nonbank Security Based Swap

		Dealer does not collect initial margin from a Phase 6+ Counterparty (those with CFTC AANA of USD 50 billion or less) before September 1, 2022, provided a record of such Phase 6+ Counterparties is preserved for at least three years
Q4 2022/Q1 2023	EU	The EC shall adopt Delegated Acts (DAs) to specify the technical screening criteria with respect to 'the sustainable use and protection of water and marine resources', 'the transition to a circular economy', 'pollution prevention and control' and 'the protection and restoration of biodiversity and ecosystem' (Article 9 (c) -(f)), with a view to ensuring its application from January 1, 2023
September 30, 2022	Australia	Expiry of ASIC Corporations (Amendment) Instrument 2020/242, providing relief from reporting certain unique transaction identifiers (UTIs) and from NZ banks reporting entity information. Expiry of ASIC Corporations (Amendment) Instrument 2020/827, providing relief from reporting exchange-traded derivatives, name information and FX securities conversion transactions.
Q4 2022	UK	Expected consultation of the Basel 3.1 standards.
Q4 2022	Australia	Expected third consultation paper on reporting by ASIC.
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 01, 2022	India	Variation margin requirements apply to domestic covered entities exceeding the AANA threshold of INR 250 billion (approximately USD 3.2 billion).
December 05, 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 December 5, 2022; provided, however that SDRs, SEFs, DCMs, and reporting counterparties must comply with the amendments to §§43.4(h) and 43.6 by December 4, 2023
December 05, 2022	US	Expiration of an extension of CFTC no-action relief to entities submitting swaps for clearing by derivatives clearing organizations (DCOs) operating under CFTC exemptive orders or CFTC staff no-action relief (Relief DCOs) (CFTC Letter No. 22-05).
End 2022	Singapore	Expected publication of the updated MAS reporting regime; delay from originally indicative Q2 2022 timeline.

December 30, 2022	EU	Requirements under EU Regulation 2019/2088 on sustainability-related disclosures in the financial sector (SFDR) with respect to the comply or explain product-level adverse impacts (Article 7) shall apply
December 31, 2022	EU	The European Commission shall review the minimum standards of carbon benchmarks (climatetransition and Paris-aligned benchmarks) in order to ensure that the selection of the underlying assets is coherent with environmentally sustainable investment as defined by the EU taxonomy.
December 31, 2022	EU	Before December 31, 2022, the European Commission shall present a report to the co-legislators on the impact of an 'ESG benchmark', taking into account the evolving nature of sustainability indicators and the methods used to measure them. The report shall be accompanied, where appropriate by a legislative proposal
December 31, 2022	EU	Before December 31, 2022, the European Commission shall propose minimum sustainability criteria, or a combination of criteria for financial products that fall under Art. 8 of the SFDR, in order to guarantee minimum sustainability performance of such products.
December 31, 2022	UK	The FCA direction under the temporary transitional powers allowing UK firms to execute certain trades with EU clients on EU venues (even though there is no UK equivalence decision in respect of those venues) expires at the end of 2022. December 31, 2022 UK As established by the Policy Statement PS14/21 published by the UK FC
December 31, 2022	UK	As established by the Policy Statement PS14/21 published by the UK FCA and the UK PRA in June 2021 (https://www.bankofengland.co.uk/policy-statement/ps1421.pdf), UK firms are able to continue to use EEA UCITS as eligible collateral under the UK non-cleared margin rules.
January 2023	Australia	Expected effective date of APRA banking standards relating to the overall approach to capital requirements, SA-CCR and the internal ratings-based approach to credit risk.
2023	Australia	Expected finalization of APRA FRTB and CVA risk (APS 116 and APS 180) frameworks
January 1, 2023	Global	FRTB: Banks are required to report under the new market risk standards by January 1, 2023.
January 1, 2023	Global	Leverage Ratio: Banks are required to calculate leverage using the revised exposure definitions, including the G-SIB buffer from January 2023
January 1, 2023	Global	CVA: Banks are required to implement the revised CVA framework from January 2023.
January 1, 2023	EU	New application date for the leverage ratio surcharge for G-SIIs in the EU as agreed in the CRR quick fix legislation finalised in June 2020.
January 1, 2023	EU	Application of the Regulatory Technical Standards (RTS) under the Sustainable Finance Disclosure Regulation including disclosures for use of ESG-linked derivatives (except from first detailed reporting on the principal adverse impact indicators due by June 30, 2023).
January 1, 2023	EU	From 2023, the disclosure requirement under Regulation EU 2020/852 on the establishment of a framework to facilitate sustainable investment

		('EU Taxonomy') with respect to the environmental objectives 'the sustainable use and protection of water and marine resources', 'the transition to a circular economy', 'pollution prevention and control' and 'the protection and restoration of biodiversity and ecosystem' (Article 9 (c) -(f)) have to be applied
January 1, 2023	EU	The European Commission (EC) has published the 3rd Capital Requirements Regulation (CRR III) proposal on October 27, 2021 which will implement the Basel 3 framework in Europe. The CRR III will transpose the market risk standards (FRTB) as a binding capital constraint, the output floor, the revised credit valuation adjustment framework, alongside operational and credit risk framework, amongst others. The proposal will also take into consideration the impact of the COVID-19 crisis on the EU banking sector. From the EC's original proposal, most of the requirements are set to apply from January 1, 2025. In terms of next steps, we expect now negotiations to take place among Member States and the European Parliament to work on the CRR 3 banking package in the coming months, with an expectation they will secure their respective position in the second half of 2022 and a finalization of the package in trilogue in the first half of 2023. As a result of these negotiations, the implementation date of January 1, 2025 will be subject to change
January 1, 2023	US	Regulatory initial margin requirements apply under US prudential regulations for covered swap entities with material swaps exposure (average aggregate daily notional amount exceeding USD 8 billion) based on the calculation period which ended August 30, 2022.
January 1, 2023	US	CFTC Position Limits second compliance date for economically equivalent swaps / risk management exemption.
January 1, 2023	Australia	Basel III: Expected implementation of revised leverage ratio requirements, including revised treatment for client clearing.
January 1, 2023	Singapore	Basel III: Expected implementation of FRTB framework for supervisory reporting purposes.
January 1, 2023	Singapore	Basel III: Expected implementation of revised credit risk, operational risk, output floor and leverage ratio frameworks.
January 1, 2023	Malaysia	Discontinuation of publication of 2-month and 12-month KLIBOR by BNM.
January 2, 2023	EU	In the context of EMIR 2.2, the European Commission shall produce a report assessing the effectiveness of: • ESMA's tasks, in particular the CCP Supervisory Committee's, in fostering the convergence and coherence of the application of EMIR2.2 among the competent authorities; • the framework for the recognition and supervision of third-country CCPs; • the framework for guaranteeing a level playing field among CCPs authorized in the EU and third-country CCPs; and

		• the division of responsibilities between ESMA, the competent authorities and the central banks of issue (EMIR article 85 (7)).
February 12, 2023	EU	CCP R&R (Article 37 (4)): ESMA shall develop draft regulatory technical standards to specify further the minimum elements that should be included in a business reorganisation plan. Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph.
February 12, 2023	EU	CCP R&R (Article 38 (4)): ESMA shall develop draft regulatory technical standards to specify further the minimum criteria that a business reorganisation plan is to fulfil for approval by the resolution authority.
March 01, 2023	US EU Australia Canada Hong Kong Korea Switzerland Singapore Japan South Africa	Three-month calculation period begins to determine whether the average aggregate notional amount of derivatives for an entity and its affiliates exceeds the lowest threshold for application or revocation of initial margin requirements as of the next relevant compliance date of either September 1, 2023 or January 1, 2024 (EU/UK/CHF/US Prudential). In the US, this calculation period only applies under CFTC regulations. For RSA, Three-month calculation period begins to determine whether the average aggregate notional amount of derivatives for an entity and its affiliates exceeds either the ZAR 15 trillion or ZAR 8 trillion threshold for initial margin requirements as of September 1, 2023.
March 31, 2023	Japan	Basel III: Expected implementation of revised credit risk, CVA, operational risk, leverage ratio and FRTB frameworks.
June 2023	UK	Deadline for ending reliance on US dollar LIBOR.
June 1, 2023	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, 2024
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	US EU Australia Canada Hong Kong Korea Switzerland Singapore Japan	Under CFTC rules only, 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 Phase 6 APRA covered entities with an aggregate notional amount exceeding AUD 12 billion. Canada: Under both OSFI and AMF guidelines, initial margin requirements apply to Phase 6 covered entities with aggregate month-end average notional amount exceeding CAD 12 billion. Hong Kong: Initial margin and risk mitigation requirements apply to HKMA AIs and SFC LCs with an aggregate notional amount exceeding HKD 60 billion. Korea: Initial margin requirements apply to financial institutions with derivatives exceeding more than KRW 10 trillion. Singapore: Initial margin requirements apply to MAS covered entities with an aggregate notional amount exceeding SGD 13 billion. Japan: Initial margin requirements apply to JFSA covered entities with an aggregate notional amount exceeding JPY 1.1 trillion. Brazil: Initial margin requirements apply to financial institutions and other entities authorized to operate by the Central Bank of Brazil which have an average aggregate notional amount exceeding BRL 25 billion.
September 1, 2023	South Africa	Initial margin requirements apply to a provider with aggregate month-end average notional amount exceeding ZAR 8 trillion. South Africa; Initial margin requirements apply to a provider with aggregate month-end average notional amount exceeding either ZAR 15 trillion or ZAR 8 trillion.
October 1, 2023	Australia	Stage 1 implementation of ASIC Derivative Transaction Rules (Reporting) 2022, consisting of the implementation of UTI, the full implementation of LEI requirements and other changes, but not any new data elements beyond those currently reported
December 04, 2023	US	Swap data repositories (SDRs), swap execution facilities (SEFs), designated contract markets (DCMs), and reporting counterparties must comply with the amendments to the CFTC swap data reporting regulations found in Part 43, Part 45 and Part 49 by the compliance date of December 5, 2022; provided, however that SDRs, SEFs, DCMs, and reporting counterparties must comply with the amendments to §§43.4(h) and 43.6 by December 4, 2023.

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.
End 2023	Singapore	Expected go-live of the updated MAS reporting regime; delay from originally indicative Q2 2023 timeline.
January 1, 2024	US EU Switzerland UK	Under US Prudential Regulations only, initial margin requirements apply to covered swap entities with material swaps exposure (average aggregate daily notional amount exceeding USD 8 billion). EU: Initial margin requirements apply to counterparties with an aggregate average notional amount exceeding EUR 8 billion. Switzerland: Initial margin requirements apply to counterparties whose aggregate month-end average position exceeds CHF 8 billion. UK: Initial margin requirements apply to counterparties with an aggregate average notional amount exceeding EUR 8 billion.
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.
January 4, 2024	Hong Kong	Expiry of the SFC exemption from margin requirements for non-centrally cleared single stock options, equity basket options and equity index options.
February 12, 2024	EU	CCP R&R (Article 96): ESMA shall assess the staffing and resources needs arising from the assumption of its powers and duties in accordance with this Regulation and submit a report to the European Parliament, the Council and the Commission.
March 01, 2024	Australia US EU Australia Canada Hong Kong Korea Switzerland	Three-month calculation period begins to determine whether the average aggregate notional amount of derivatives for an entity and its affiliates exceeds the lowest threshold for application or revocation of initial margin requirements as of the next relevant compliance date of either September 1, 2024 or January 1, 2025 (EU/UK/CHF/US Prudential). In the US, this calculation period only applies under CFTC regulations.

	Singapore Japan Brazil	
March 01, 2024	South Africa	Three-month calculation period begins to determine whether the average aggregate notional amount of derivatives for an entity and its affiliates exceeds ZAR 100 billion threshold for initial margin requirements as of September 1, 2024.
March 31, 2024	Japan	Basel III: Implementation of revised credit risk, CVA, market risk (FRTB) for international active banks and domestic banks using IMM.
April 01, 2024	Japan	Expected implementation of transaction reporting requirements updated based on the technical guidances published by CPMI and IOSCO in February 2017, September 2017 and April 2018, The public consultation closed on May 30, 2022 and JFSA will publish the final rules
April 01, 2024	Australia	Stage 2 implementation of ASIC Derivative Transaction Rules (Reporting) 2022: Compliance start date for the reporting of the additional data elements and implementation of the UPI and ISO 20022 XML messaging standard.
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.
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).
September 1, 2024	Australia US EU Australia Canada Hong Kong Korea Switzerland Singapore Japan Brazil	Under CFTC rules only, initial margin requirements apply to covered swap entities with material swaps exposure (average aggregate daily notional amount exceeding USD 8 billion). Australia: Initial margin requirements apply to Phase 6 APRA covered entities with an aggregate notional amount exceeding AUD 12 billion. Canada: Under both OSFI and AMF guidelines, initial margin requirements apply to Phase 6 covered entities with aggregate month-end average notional amount exceeding CAD 12 billion. Hong Kong: Initial margin and risk mitigation requirements apply to HKMA AIs and SFC LCs with an aggregate notional amount exceeding HKD 60 billion. Korea: Initial margin requirements apply to financial institutions with derivatives exceeding more than KRW 10 trillion. Singapore: Initial margin requirements apply to MAS covered entities with an aggregate notional amount exceeding SGD 13 billion. Japan: Initial margin requirements apply to JFSA covered entities with an aggregate notional amount exceeding JPY 1.1 trillion. Brazil: Initial margin requirements apply to financial institutions and other entities authorized to operate by the Central Bank of Brazil which have an average aggregate notional amount exceeding BRL 25 billion.

September 1, 2024	South Africa	Initial margin requirements apply to a provider with aggregate month-end average notional amount exceeding ZAR 100 billion. South Africa Initial margin requirements apply to a provider with aggregate month-end average notional amount exceeding ZAR 100 billion.
January 1, 2025	EU	Expected implementation of FRTB and CVA risk under the CRR III proposal.
January 1, 2025	Australia	Basel III: Expected implementation of APRA FRTB and CVA risk (APS 116 and APS 180) frameworks.
March 31, 2025	Japan	Basel III: Expected implementation of revised credit risk, CVA, market risk (FRTB) for domestic banks not using IMM.
June 30, 2025	EU	The temporary recognition of UK CCPs (LME, ICE and LCH) under the EMIR 2.2 framework expires. Unless further addressed, following this date, EU firms could not have access to the UK CCPs and would need to relocate their clearing activities to EU CCPs. Under EMIR 2.2, ESMA has also performed its tiering assessment, with LME becoming a Tier 1 CCP whereas ICE and LCH are considered Tier 2 CCPs.
Q4 2024/Q1 2025	EU	Earliest expected start date for the Internal Model Approach (IM) reporting requirements under the CRR II market risk standard.
January 1, 2025	Australia	Basel III: Expected implementation of APRA FRTB and CVA risk (APS 116 and APS 180) frameworks.
January 1, 2025	UK	Expected implementation of the Basel 3.1 standards
March 31, 2025	Japan	Basel III: Expected implementation of revised credit risk, CVA, market risk (FRTB) for domestic banks not using IMM.
June 30, 2025	EU	The temporary recognition of UK CCPs (LME, ICE and LCH) under the EMIR 2.2 framework expires. Unless further addressed, following this date, EU firms could not have access to the UK CCPs and would need to relocate their clearing activities to EU CCPs. Under EMIR 2.2, ESMA has also performed its tiering assessment, with LME becoming a Tier 1 CCP whereas ICE and LCH are considered Tier 2 CCPs.
February 12, 2026	EU	CCP R&R (Article 96): The European Commission (EC) shall review the implementation of this Regulation and shall assess at least the following: • the appropriateness and sufficiency of financial resources available to the resolution authority to cover losses arising from a non-default event • the amount of own resources of the CCP to be used in recovery and in resolution and the means for its use • whether the resolution tools available to the resolution authority are adequate.

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

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

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

Topics

- LIBOR: as we set-out in Going, going, gone before Christmas, 31 Dec saw LIBOR end except for USD; no new transactions in USD LIBOR in any asset class are permitted from 1 January 2022 except for derivatives for risk management of existing positions (see FCA prohibition statement), with USD LIBOR finally ceasing in June 2023; the FCA[4] announcement permitting tough legacy transactions in GBP & CHF LIBOR to reference synthetic LIBOR rates has provided a welcome safety net for any positions that didn't transition or fallback at year end, but it leaves a tail of trades still to deal with in 2022; EONIA[5] also ceased publication on 3 January (but EURIBOR[6] continues).
- ESG: climate-related and other ESG disclosures are going to become ever-more prevalent in the industry; the EU has led the charge with SFDR[7] and CSDR[8] (see our PIEs note), but the UK has recently made strong statements in their Green Finance Roadmap about their commitment to reporting under Sustainability Disclosure Requirements (SDR) and the UK Green Taxonomy; first up in January 2022 the EU is mandating qualitative disclosures under EU Taxonomy Regulation for 'large undertakings' (> 500 employees), accompanied by a high level quantitative disclosure of 'taxonomy eligibility'. An interesting argument within the EU over Christmas around the inclusion of nuclear and gas within the EU taxonomy which underlines the challenges that will be faced globally as different jurisdictions start to implement their own taxonomies.
- CSDR: the Central Securities Depository Regulation goes live in the EU on 1 Feb 2022, although there has been a delay to some of the requirements. The rules apply to firms that trade in-scope securities that settle on an EEA CSD – importantly the rules relating to mandatory buy-ins have been delayed (not yet decided until when), but various contractual agreements and operational processes do need to be in place for February; the UK did not onshore CSDR but there may be extra-territorial impacts for UK firms operating in the EU. For more information on CSDR see our website here.
- FICC Research in UK: the FCA has announced it will no longer be necessary for firms subject to UK MiFID2 obligations to pay separately for FICC[9] research ('unbundling') from 1 March 2022, although the exemption does not extend to macro-economic research. Firms within the EU subject to the original EU MiFID2 rules will still be subject to the inducement regime; if you are unsure whether the exemption should apply to your relationship with NatWest, please speak to your usual bank contact.
- WMR/MiFID2: the Wholesale Markets Review (WMR) is the UK review of the MiFID2 regime it inherited from the EU; a consultation took place earlier in 2021, with further consultations expected in Q1/Q2 2022; though details and timing not yet clear, changes could have a significant impact in the area of transparency and the liquidity determination for fixed income / derivatives; meanwhile the EU is also revising MiFID2 with changes expected in Q2 following multiple consultation papers over the last 2 years, though given EU trilogue process, likely a further year before implementation; expect more discussion from EU on establishing a consolidated tape for EU markets as well, in line with Capital Markets Union commitments.
- Margin:
    - Margin phase 5 came and went, with many relying on threshold monitoring rather than repapering (a risk that will become ever more acute with the higher volumes in phase 6). The possible divisions in regulatory approach created by Brexit have not really manifested yet, though we are seeing the first signs of things to come in the consultations on MiFID2[3] and positioning on EUR clearing.
    - Initial Margin Phase 6 goes live on 1 Sep 2022; this pulls in a wide range of additional firms with AANA[10] above $/€8bn; as with Phase 5 (where repapering

across the industry is still not complete with reliance on Threshold Monitoring to alert counterparties to when they are approaching levels where IM would be required), this will require a huge lift in legal docs and operational set up. Another change for the UK affecting both Margin and Clearing is the upcoming loss of intragroup exemption in June 2022, impacting firms with legal entities both inside and outside the EU.

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

(CASPs); the FCA published a consultation paper concerning cryptoassets in January 2021, which ended in March.

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

  - High charges upon renewal of contracts as vendors are not subject to the reasonable commercial basis regulations which bite on trading venues.
  - A low level of meaningful innovation in the market.
- Information gathering and further market studies;
- The FCA will start an information gathering and analysis exercise in Spring 2022. This will focus on the pricing of trading data, underlying costs, and the terms and conditions of the sale of trading data. The regulator also plans to launch a market study this summer where is will look at how competition is working between benchmarks.
- A further market study will be launched at the end of the year focussing on competition in the sale of credit rating data. The FCA will publish more details about the scope and timetable of the market studies nearer the time.

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

The wide range and scope of regulatory change in the UK financial services sector is highlighted in the May 2022 update to the Regulatory Initiatives Grid, with key themes including adapting regulations to meet the challenges of ESG and digital finance and tailoring on-shored EU regulations for the UK. These themes were also highlighted in the Government's legislative plans as outlined in the Queen's Speech.

- Other cross sectoral changes announced in the last month include HM Treasury's (HMT) policy statement on mitigating risks from critical third parties to the finance sector. Under the regime, HMT will – in consultation with the financial regulators and other bodies – be able to designate certain third parties to firms as 'critical'.

- Once a third party has been designated as 'critical', the financial regulators will be able to exercise a range of powers in respect of any material services that the third party provides to the finance sector (including make rules relating to the provision of these material services) gather relevant information from critical third parties and take formal action (including enforcement) where needed.
- The financial regulators will publish a joint Discussion Paper on how they might exercise their powers, shortly after the legislation is introduced.
- And the FCA has published a Policy Statement (PS) setting out its new cancellation and variation power to help streamline and shorten the process of removing firms' permissions. The FCA is making these changes to reduce the risk of harm that consumers are misled by incorrect or outdated permissions on the Financial Services Register

Wholesale financial markets

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

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

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

Lead	Initiative	Expected key milestones	Indicative impact on firms	Oct Dec 2021	Jan Mar 2022	Apr Jun 2022	Jul Sep 2022	Oct2022 Mar2023	Post-Mar 2023	Consumer interest	Timing updated	New
BoE	**Changes to the EMIR Derivatives Clearing Obligation** The BoE is modifying the scope of contracts which are subject to the derivatives clearing obligation to reflect the ongoing reforms to interest rate benchmarks, including Libor.	End-November 2021: Policy statement 6 December 2021: changes to JPY Libor implemented 15 December 2021: changes to GBP IRS implemented H1 2022: BoE will consult on changes to the USD IRS clearing obligation.	L			E						●
FCA	**Primary Markets Effectiveness - UK Listings Review response** The FCA has bought forward consultation and discussion items on reforms to improve the effectiveness of UK primary markets, which follows FCA policy review work and responds to Lord Hill's final UK Listings Review Report and recommendations published on 3 March 2021. Joint objective initiatives: **Primary Markets Reform - UK Listings Review response** ➤	Consultation Paper on special purpose acquisition companies (SPACs) - published 30 April 2021 (CP21/10), closed 28 May 2021. Policy Statement on SPACs - published 27 July 2021 (PS21/10). Consultation Paper on further Listing Rule changes- published 6 July 2021 (CP21/21), closed 14 September 2021. Policy Statement on Listing Rules changes - October-December 2021. Further engagement into 2022.	L									

FCA	**Scope of UK MiFIR Derivatives Trading Obligation** We consulted on proposed changes to the scope of the UK MiFIR derivatives trading obligation (DTO) in July 2021 as UK liquidity has changed since the last review was carried out in 2017 by ESMA, particularly in light of Brexit and the LIBOR transition. We plan on publishing a statement with our final changes in early Q4.	Consultation paper: published July 2021, consultation period closed 25 August 2021. Next steps TBC.	L	
FCA	**Accessing and using wholesale data** Assessment of the use and value of data in wholesale financial markets, focusing on changes to business models, competitive dynamics, and how financial markets function.	Q4 2021: Publish Feedback Statement.	L	
FCA	**Diversity and inclusion on public company boards and executive committees** We are consulting on proposals to require greater transparency on the diversity of public company boards and executive management teams, including comply or explain targets on gender and ethnic diversity and standardised data to be disclosed on an annual basis. **Associated initiatives:** **Future of Trusteeship: Diversity and Inclusion Working Group ➤** **Diversity in Financial Services ➤**	Consultation Paper published 28 July 2021 Policy Statement likely in early 2022.	L	
HMT	**HMT consultation on power to block listings on national security grounds** This initial consultation asks for views on the scope of a proposed new targeted power to allow the Government to block a company's listings, if a listing presents a risk to national security. This power will reinforce that reputation and help us maintain the UK's status as a world-class destination for listings.	This consultation closed on 27 August 2021. The government will respond in due course.	L	
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	

EVIA European Venues & Intermediaries Association

LEBA London Energy Brokers' Association

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

1. Highlights
   - The end of CDOR
   - Pre-emptive conversion of USD LIBOR swaps
2. RFR adoption: Derivatives
   - Futures
   - Swaps trading
3. Publications at a glance
   - National working groups
   - Regulators
   - Industry groups, infrastructure providers and other items
4. Target dates

The end of CDOR

- Refinitiv, the administrator of the Canadian Dollar Offered Rate (CDOR), formally announced that it would cease the calculation and publication of all of the rate's tenors after June 28, 2024. In a brief statement, ISDA confirmed that the announcement constituted an index cessation event. Upon cessation, references to CDOR in derivative contracts subject to ISDA's IBOR fallbacks would be replaced by spread-adjusted Canadian Overnight Repo Rate Average (CORRA), the recommended alternative to CDOR. Bloomberg, as the calculation agent for ISDA, published a technical note announcing the spread adjustment values for the various tenors, which are fixed as of the date of the cessation announcement.
- ISDA published additional guidance that provides further detail on the application of its fallbacks protocol with respect to CDOR's future cessation. The Canadian Alternative Reference Rate Working Group (CARR) welcomed Refinitiv's announcement and published an updated transition roadmap and milestones. Market participants are expected to transition the majority of all new derivative products from CDOR to overnight CORRA in arrears by June 30, 2023, and transition all products away from CDOR by the June 28, 2024 announced cessation date.
- In parallel, CARR also released a consultation, seeking input on the need for a forward-looking term rate, i.e., Term CORRA, to replace CDOR in certain hedging and loan agreements. Pending the outcome of the consultation, CARR suggests that publication of such a rate could begin by the end of Q3 2023. Comments are due by June 13, 2022. The Office of the Superintendent of Financial Institutions (OSFI) issued a statement on its expectations for the transition from CDOR, warning that it would "take supervisory actions, as appropriate, based on its evaluation of transition preparedness."
- The announcement removes any lingering doubt that the Canadian market could evolve into a multi-rate environment, with CDOR and alternative reference rates existing side by side.
- The big question is: What will be the future product mix for floating-rate CAD instruments? The end of CDOR is expected to end, or at least significantly modify, the structure of the Bankers Acceptance (BA) product. Filling that void will likely be the biggest challenge for the buy-side in search of short-term, high-quality liquid investment vehicles. Corporate treasurers, in turn, will need to evolve cash flow management strategies.
- The desire for Term CORRA appears likely to resurrect similar debates in other currencies' transitions away from LIBOR. USD markets took advantage of deep and liquid derivative markets in SOFR, allowing a forward-looking Term SOFR rate to be derived and widely adopted for lending.

In the CHF markets, however, it was decided that limited derivative trading volumes didn't allow for the creation of a Term SARON.

- The UK struck a middle ground. While liquidity in the SONIA derivatives market was deemed sufficient to develop a Term SONIA rate, use of that rate has been restricted to a limited section of the market.
- With CAD derivative markets looking a lot more like those in CHF than USD or even GBP, it's not certain that efforts to develop a term rate will eventually be successful. That said, the consultation itself provides a clear indication that market participants' strong desire for cashflow simplicity seems to have at least provided motivation to — at the very least — kick the tires.
- While preparing for CDOR cessation will likely be a significant lift for all involved, a cessation date coming a full year after the anticipated cessation of USD LIBOR should allow for ample time to apply lessons learned from the transition in USD and other currencies. Institutions with international exposures that have had to deal with prior LIBOR transitions look well-positioned to leverage their experience in updating systems and programs, analyzing financial contracts and developing new products. The CDOR buy-side, on the other hand, might well be entering uncharted territory. There are, however, some mitigating factors.
- Ninety-seven percent of the gross national value of products referencing CDOR is concentrated in derivatives — and is therefore poised to benefit from expected actions by the derivative clearinghouses, or from ISDA's 2020 IBOR Fallbacks Protocol, which will provide a clear transition path.
- The cessation of LIBOR has highlighted the importance of having robust fallback language in other products, too. While CARR has already recommended CDORspecific language for floating rate notes, similar language for loan documentation remains under development. In the interim, it's likely that market participants will choose to include amendment type fallback language. Combined with already highly customized, bespoke provisions often found in existing lending agreements, it's likely that the interpretation and remediation of existing contracts will — as has been the case in other LIBOR transitions — be difficult and time-consuming.
- There now is clarity on CDOR's future, or rather the lack thereof. However, questions remain. As market participants worked through answering similar questions as part of the transition away from LIBOR, there wasn't always agreement between the numerous parties involved on what the answers should be. In some cases, institutions even found themselves navigating inconsistent guidance and competing interests. The high degree of coordination in the case of CDOR's cessation announcement seems to suggest that transition efforts could be more tightly aligned in this case.

Pre-emptive conversion of USD LIBOR swaps

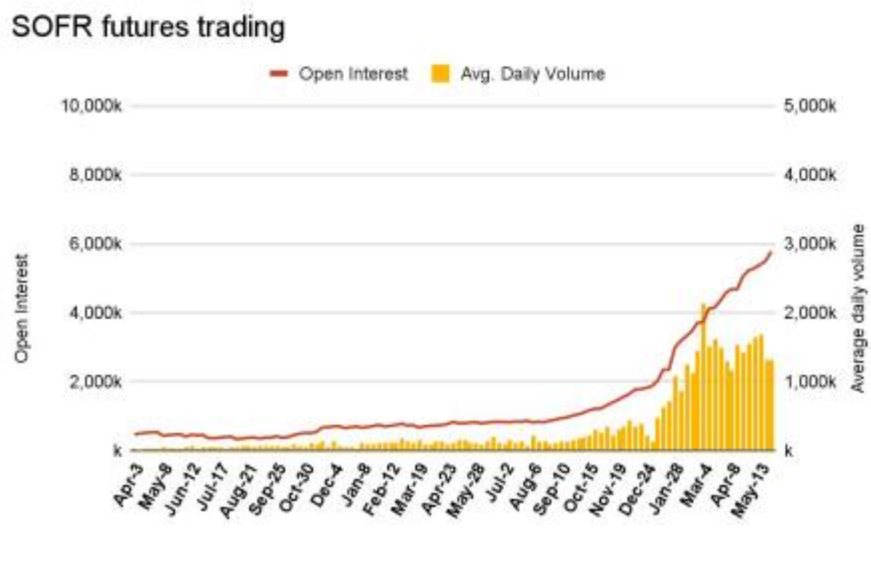
- The LCH issued a consultation detailing its plans to pre-emptively convert USD LIBOR swaps into SOFR Overnight Index Swap (OIS) contracts before USD LIBOR's cessation at the end of June 2023.
- In similar efforts at the end of 2021, various central counterparties (CCPs) pre-emptively converted instruments tied to CHF, GBP, JPY and EUR LIBOR into market standard OIS contracts based on the respective risk-free rates (RFRs) replacing LIBOR. The intent is to pre-empt the fallbacks developed by the International Swaps and Derivatives Association (ISDA), resulting in swaps using different conventions than current market conventions for OIS swaps, creating bifurcation and operational complexities.
- While the LCH's proposal is broadly consistent with last year's pre-emptive conversion in other currencies, there are a number of differences. In a nod to the significantly larger amount of USD LIBOR swaps, the conversion will take place on two dates in April and May, leaving additional time for two contingency dates prior to USD LIBOR's cessation that could be used to address any potential issues. LCH plans to convert USD LIBOR/ FedFunds basis swaps, variable notional swaps and zero-coupon swaps the weekend of April 22, 2023 — with all remaining contracts to

be converted during the weekend of May 20, 2023. Unlike last year, there would be no mandatory pre-emptive splitting of basis trades ahead of the conversion event.

- The LCH's proposal largely follows the methodology employed successfully during last year's conversion events in the four other LIBOR currencies. The nuances in the proposed approach reflect the additional complexities of the product range of USD LIBOR contracts and the significantly larger size of USD exposures. According to the ARRC, USD exposures (across all products) were estimated to amount to approximately 150% of those across GBP, EUR, CHF and JPY combined.
- Market participants that have exposure to cleared USD instruments should ensure they understand the details of exactly how their transactions will be modified if left at the clearinghouses. This includes, among other nuances, the timing of when different instruments will be converted, the changes to LCH contract IDs for the replacement trades, the creation of additional overlay swaps to deal with remaining representative LIBOR fixings between conversion and cessation, and cash compensation amounts.
- Those that are using cleared instruments as economic or accounting hedges of other financial instruments should pay particular attention to how the terms of the replacement instruments may differ from the fallback terms applicable to the corresponding hedged items.
- That would be the case for hedged instruments already containing contractual fallback clauses, as well as those subject to the Federal legislative solution for contracts that lack appropriate fallback language. Different SOFR conventions, such as differences in payment dates, may create basis risk, operational issues or other challenges.
- Importantly, the LCH approach will provide more than a mandatory conversion to cleared swaps. It will also provide clarity on the exact timing and SOFR conventions and adjustments that will be applicable to cleared instruments after the conversion dates — and therefore where differences may arise in SOFR conventions and consequent cash flows versus related exposures.
- That certainty — combined with existing compression capabilities and additional tools LCH will provide to facilitate voluntary modifications ahead of conversion dates — will enable market participants to proactively modify contracts when they choose to do so.

<u>RFR adoption: Derivatives</u>

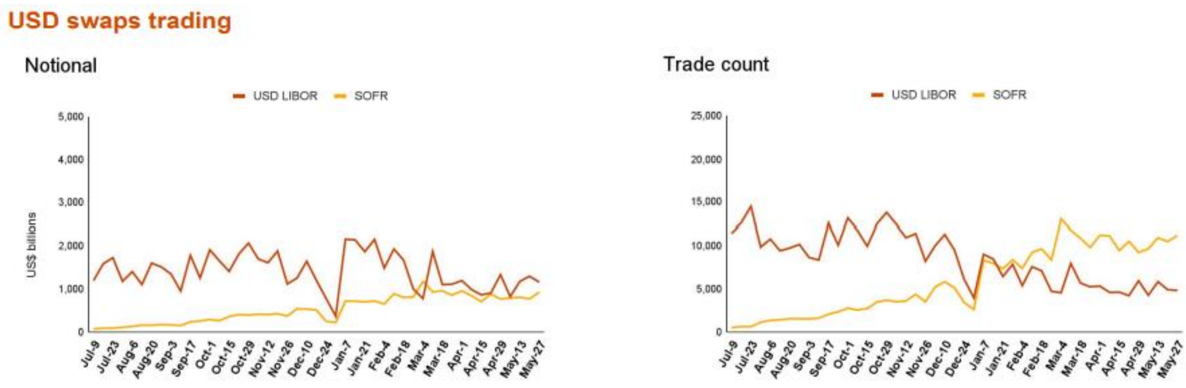
- Futures



Open interest in SOFR futures continues to increase every month. And while trade counts and notionals in SOFR swaps have leveled off slightly, the long-term trend toward SOFR is becoming the predominant rate in US markets.

The beginning of June will mark the beginning of SOFR First for options, which includes a market-wide fee waiver for SOFR options trades. That initiative is expected to provide a boost to SOFR options trading, and also can be expected to have second-order benefits for liquidity in linear derivatives trading as well.

- Swaps trading



3 – Publications at a glance

- National working groups

- Alternative Reference Rates Committee [ARRC]
    - Published a readout of its May 18 meeting.
    - The committee formally endorsed CME's 12-month Term SOFR.
    - Encouraged widespread support for the CME's SOFR First for Options initiative.
- Canadian Alternative Reference Rate Working Group
    - Welcomed Refinitiv's announcement to cease the publication of CDOR.
    - The committee also published an updated transition roadmap and milestones, as well as a consultation on a potential new term rate to replace CDOR.

- Regulators

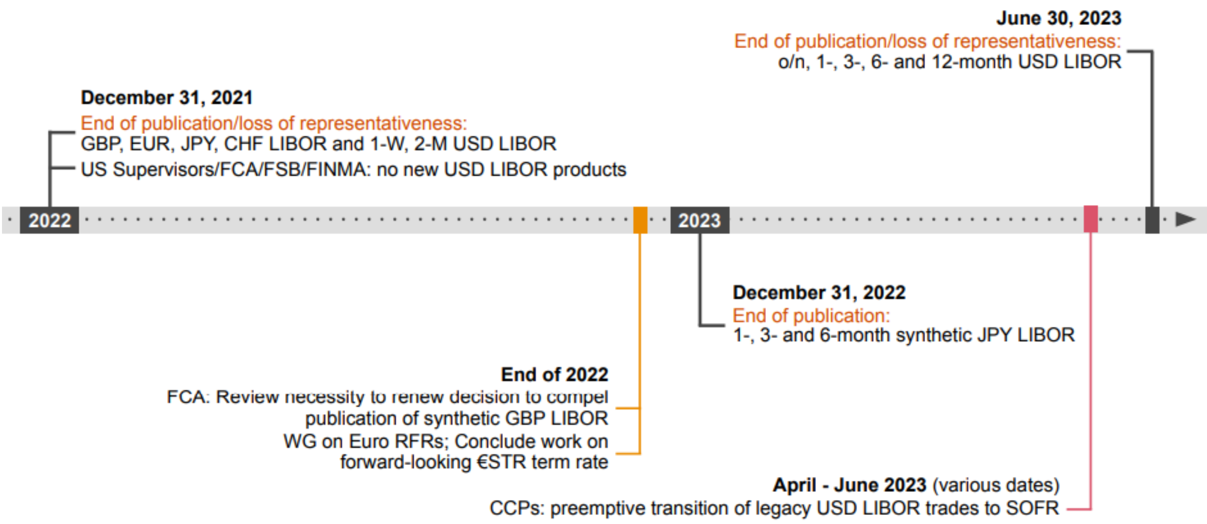
- CFTC: The Commission issued a notice of proposed rulemaking (NPRM) that would amend swap clearing requirements to replace LIBOR-based instruments with those based on the respective risk-free rates. In a supporting statement, Commissioner Christy Goldsmith Romero stressed the importance of continued international cooperation. The NPRM was published in the federal register on May 31, 2022, and comments are due by June 30, 2022.
- CFTC: In a keynote at a recent industry event, Chairman Behnam summarized current efforts to facilitate the transition from USD
- LIBOR to SOFR in derivative markets.
- Bank of Japan: Published a report reviewing the transition from JPY LIBOR and highlighting remaining initiatives related to
- the transition away from USD LIBOR.

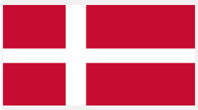
- Bank of England: Published a market notice announcing that progressively increasing haircut add-ons would be applied to collateral tied to USD LIBOR, beginning with a 10% haircut beginning October 1, 2022.
- OSFI: The Canadian banking regulator issued a statement on its expectations for the transition from CDOR, warning that it would "take supervisory actions, as appropriate, based on its evaluation of transition preparedness."
- BIS: Reported a significant decline in forward rate agreements as a result of the transition away from LIBOR.
- US Treasury: In testimony in front of the US Senate Committee on Banking, Housing and Urban Affairs, Secretary Yellen noted that good progress had been made in the transition from USD LIBOR to SOFR.
- GASB: As part of a broader omnibus statement, the Governmental Accounting Standards Board issued guidance that would effectively make all LIBOR settings (other than USD LIBOR tenors published into June 2023) ineligible as benchmark rates. The remaining USD LIBOR settings would become ineligible after cessation of publication.

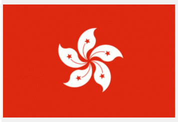
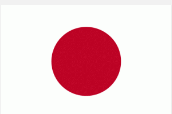
- Industry groups, infrastructure providers and other items

- Refinitiv: The administrator of the Canadian Dollar Offered Rate (CDOR) announced that publication of all tenors of the reference rate would cease after June 28, 2024.
- Bloomberg: Announced the now-fixed spread adjustments resulting from the announcements on CDOR's cessation.
- ISDA: Issued a statement and guidance document on the future cessation of CDOR.
- ISDA: In a recent issue of derivatiViews, CEO Scott O'Malia commented on the transition away from USD LIBOR, noting that "its vital momentum is maintained to ensure successful completion of the transition."
- ISDA (w/ ClarusFT): Published its RFR Adoption Indicator for April 2022, which increased from 40.5% to 43.8%.
- LCH: Issued a consultation detailing its plans to pre-emptively convert USD LIBOR swaps into SOFR OIS contracts in advance of USD LIBOR's cessation at the end of June 2023.
- LSTA: Published drafts of a series of Term SOFR amendment forms, including cover amendments for conforming changes and benchmark replacement, draft provisions implementing adjusted Term SOFR and a consensual amendment to transition a LIBOR-based loan to either Term SOFR or daily simple SOFR
- LSTA: Commented on the ARRC's formal endorsement of 12-month CME Term SOFR.
- LSTA: Published a brief blog post summarizing its presentation on the lessons learned from the transition away from GBP LIBOR at a recent industry event (Presentation).
- LIBOR Trade Association Working Party: Published minutes from the group's March 29 meeting.
- CME: Held a webinar to announce its SOFR First for Options initiative. The Fed's Nate Wuerffel and David Bowman joined the event to discuss details of the effort to facilitate the move from USD LIBOR to SOFR for exchange traded derivatives.
- In its latest rates recap, the CME provided further details on its SOFR First for Options initiative, discussed the increase of SOFR's share of Eurodollars trading and announced that the CME Term SOFR loan market had surpassed $1 trillion.
- Fannie Mae: Announced it would stop resecuritizing LIBOR-indexed CMOs and MBS into new LIBOR-indexed bonds.

Target dates

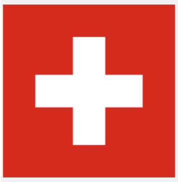


IBOR Currency	IBOR	IBOR Administrator	Alternative RFR	Alternative RFR Administrator	Public-/Private Sector Working Group	Fallback-related Announcements
	Bank Bill Swap Rate (BBSW)	Australian Securities Exchange (ASX)	Reserve Bank of Australia Interbank Overnight Cash Rate (AONIA)	Reserve Bank of Australia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

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

EVIA European Venues & Intermediaries Association

LEBA London Energy Brokers' Association

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

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

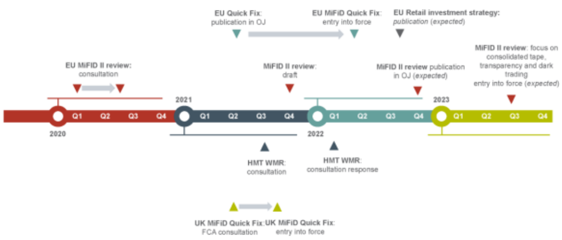
Markets Conduct Regulations

UK

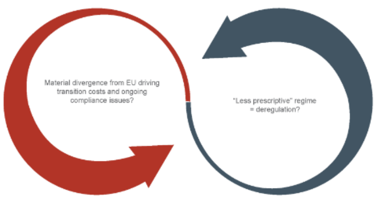
- HM Treasury's consultation on the Wholesale markets Review (**WMR**) completed on 24 September 2021
- On 1 March 2022 HMT published the consultation responses including on how the government intends to deliver on the various aspects of the review
- The Government intends to bring forward primary legislation as soon as parliamentary time allows while other aspects of the review are to be implemented through FCA guidance or as part of the Future Regulatory Framework (**FRF**) Review

EU

- On 25 November 2021 the EU Commission published its long-awaited proposal for amendments to EU MiFIR/MiFID II
- The areas addressed by the WMR overlap in certain respects with those proposed by the EU Commission and diverge from it in a number of instances



HM Treasury's approach to wholesale market reform – practical impact?



- Upholding high regulatory standards
- Promoting openness and competitiveness
- Delivering fair and proportionate regulation
- Supporting economic growth

MiFID II is not calibrated for the idiosyncratic features of markets in individual member states, and therefore Brexit provides an opportunity to recalibrate wholesale markets regulation as it specifically applies to the UK. In HMT's view, "*given the extent and complexity of the new regulation introduced by MiFID II, some rules have not delivered their intended benefits, have led to duplication and excessive administrative burdens for firms, or have stifled innovation. The government intends to rectify this*".

The following principles and objectives will shape any reform of the UK's wholesale markets regime:

European Commission & ESMA

- On 17 February 2020 the Commission launched long awaited consultation as part of its Capital Markets Union reform package. The focus was not simply on prescribed areas but also areas of 'discontent' that may require a Refit
- ESMA's work ran parallel to Commission consultation. Required to provide technical advice as part of the prescribed process
- On 25 November 2021 the Commission published its suggested changes to MiFIR and MiFID II – much more limited than anticipated than at the time of consultation with focus on a limited range of changes. Most changes are made to MiFIR and a few limited changes to MiFID largely to mirror the changes to MiFIR
- The review package is expected to enter into force in **Q2/Q3 2023**
- Further changes to MiFID may be introduced as part of retail investment strategy expected in Q3 2022
- Final changes are likely to consider how to ensure the EU maintains a competitive regulatory environment

Trading venues - definition of multilateral systems

ESMA recommendation(s)

- Two-step approach aimed at clarifying the trading venue perimeter – moving Article 1(7) from MiFID II to MiFIR and the publication of an Opinion by ESMA which clarifies the boundaries of trading venue's authorisation
- ESMA published a consultation paper on trading venue perimeter in January 2022 with the final report due to be published in Q3 2022

Commission Proposal

- Moving the relevant provisions from MiFID to MiFIR in order to drive a uniform application of the requirements
- Amending certain aspects of the matter and scope articles of MiFIR to provide further clarity regarding the obligation for multilateral systems to operate with a trading venue licence

UK Government's position

- HMT also seeks to clarify the perimeter of the concept
- The FCA is tasked with clarifying the concept through its guidance rather than legislation being used to avoid further confusion

Trading venues – further aspects of the HMT WMR

Restrictions on MTFs/OTFs	– The government plans to lift the ban on matched principal trading for investment firms operating a trading venue as part of the upcoming FRF Review – The FRF Review is also intended to enable OFTs to execute transactions in equities when dealing in large packages – On the other hand, the government does not consider that there is a compelling case for permitting investment firms to operate an SI and an OTF within the same legal entity. Further consideration is needed.
SME Markets	– No change regarding the development of a new venue/segment for micro SMEs but the government intends to keep this under review
Market outages	– The FCA is tasked with developing a playbook for market operators and participants to deal with market outage and alternative mechanisms to closing auction during market outages

These changes do not form part of the EU MiFID Review

Market data - consolidated tape providers (CTP)

Commission's proposal

- Establishment of a **single EU CTP** to help brokers to locate liquidity at the best price available in the European markets, and increase investors' capacity to evaluate the quality of their broker's performance
- Significant changes are needed to facilitate the emergence of **one CTP per asset class** – shares, ETFs, bonds and derivatives
- ESMA to run a competitive selection procedure to appoint a single entity as CTP for a specified asset class for a 5-year term
- New quarterly public reporting obligations would apply to incumbent CTPs relating to service level requirements
- New regime to be based on a mandatory contributions, whereby all market data sources must make standardised core market data available
- Corresponding changes to MiFID to obligate investment firms, market operators (operating a MTF or OTF) and regulated markets to have arrangements in place to ensure they meet the data quality standards
- Expert stakeholder group to provide advice on the quality and the substance of market data, the common interpretation of market data and the quality of the transmission protocol

UK government's position

- The preference is to have a framework that allows for multiple tapes as the government believes competition would help deliver the overall aims
- The HMT WMR consulted on five specific legislative changes
- The powers to design and implement the framework should be delegated to the FCA and the government intends to pass legislation when parliamentary time allows
- The FCA will consult on the five specific changes following implementation of FRF Review

Market data – further changes

Commission's proposal

- MiFIR provides that market operators and investment firms operating a trading venue must make pre and post-trade data available to the public on reasonable commercial basis
- Despite available ESMA Guidelines there are still divergent interpretations of the requirement
- The Commission proposes mandating ESMA to develop RTS to specify content, format and terminology.

UK government's position

- FCA published a feedback statement "Accessing and Using Wholesale Data" on 11 January 2022
- FCA will create further information gathering work and consult on changes to equities and non-equities trade reporting standards over the course of 2022

Equity markets – pre-trade transparency

ESMA recommendation

- Retention of the double volume cap (DVC) but with a number of modifications including the transformation of the DVC mechanism into a single volume cap by deleting the 4% trading venue threshold
- Restricting the use of the reference price waiver to large orders

Commission Proposal

- Replacement of the DVC mechanism with a single volume cap set at 7% of trades that are executed under the reference price waiver or the negotiated trade waiver
- Modifying the reference price waiver so that it is applicable to orders with a size greater than or equal to twice the standard market size (SMS). In addition, a CTP would become an eligible reference price source

UK Government's position

- The government intends to repeal of the DVC, subject to continuing monitoring of the use of dark trading by the FCA
- Reference price systems will be allowed to match orders at the midpoint within the current bid and offer of any UK or non-UK trading venue that offers the best bid or offer, so long as it supports best execution

Equity Systematic internalisers (SIs) - pre-trade transparency

ESMA recommendation(s)
- Increase the minimum quote size to 100% of SMS
- Not to extend the regime to illiquid instruments
- Determine the SMS by reference to average daily turnover rather than average value of transactions

Commission Proposal
- The transaction size threshold (at which an equities SI is no longer required to publish quotes) should be increased to twice the SMS
- Minimum quote size of twice SMS should be introduced
- SIs should be prohibited from matching orders at midpoint where the trade is less than twice the SMS

UK Government's position
- SIs to be allowed to execute client orders at the midpoint the extent to which their use of midpoint execution is consistent with their best execution obligations (legislative change when parliamentary time allows)
- As part of the FRF Review the FCA will take forward the initiative to increase the minimum quote size to a proportion of standard market size (SMS)
- Replace the existing complex quantitative tests with a qualitative test determined by its market activity (legislative change when parliamentary time allows)
- FCA to consult on simplifying the reporting regime for SIs

Equity markets – share trading obligation (STO)

ESMA recommendation
- Clarify the scope of the STO and limit to shares listed in EEA

Commission Proposal
- Clarify the scope of the STO and limit it to shares that are admitted to trading on an EEA regulated market
- Establish an EU official list of shares subject to the STO with the aim of avoiding current ambiguities in the perimeter

UK Government's position
- The government intends to remove the STO to allow firms to trade any shares on an OTC basis

Equity markets – further changes to UK regime

Market making strategy for algorithmic trading
- The requirement for algorithmic trading firms to enter into market making agreements with trading venues when they pursue market making strategies to be removed as part of the FRF Review

Tick size regimes
- **Overseas shares**: FCA to develop rules to allow trading venues to follow the tick size applicable to the primary market of a share, even when that market is overseas
- **New Shares**: FCA to develop rules allow trading venues to establish tick sizes for new shares until sufficiently robust data is available
- **Delegating the tick size regime to venues**: respondents were overwhelmingly against such delegation and the government does not intend to change rules at this stage
- **Future changes to tick size regime** will be delivered through implementation of the FRF Review

Fixed income and derivatives markets – derivatives trading obligation (DTO)

These changes are not part of the EU MiFID Review

ESMA recommendation(s)
- Full alignment between the EMIR clearing obligation, as amended by EMIR Refit, and DTO provisions

Commission Proposal
- Aligning the DTO under MiFIR with the clearing obligation for derivatives under EMIR Refit
- Introduce a stand-alone suspension mechanism to enable the Commission to suspend the DTO for certain investment firms acting as market makers with non-EEA counterparties, provided certain conditions are met

UK Government's position
- Primary legislation (where parliamentary time allows) to:
  - Realign the scope of the DTO and EMIR clearing obligation
  - Expand the grounds for an exemption from the DTO beyond portfolio compression to all post-trade risk reduction services
  - Retain the FCA Temporary Transitional Powers (TTP) to modify or suspend the DTO under certain conditions

UK specific topic: commodity derivatives

	Legislative change when parliamentary time allows	No change yet
Scope of the regime: Definition of commodity derivative		✓
Scope of the regime: Economically equivalent OTC contracts should not be automatically within scope of the commodity derivatives position limits regime	✓	
Position limits: Revoke the requirement for position limits to be applied to all exchange-traded contracts and will transfer the setting of position limits from the FCA to trading venues	✓	
Position limit exemptions: Creating position limit exemptions for (i) all liquidity providers, and (ii) investment firms offering risk-mitigation services to clients	✓	
Position reporting: no amendments to the regime		✓
Ancillary activities test (AAT) (which helps to determine whether firms participating in commodity derivatives markets need to be regulated) – current ancillary activities test to be revoked; the "commodity dealer exemption" to be re-introduced; and the annual notification requirements to be removed	✓ Secondary legislation under existing powers	

Fixed income and derivatives markets – transparency

Changes were made to the commodity derivatives regime in the EU by the MiFID Quick Fix

ESMA recommendation
- Streamline the deferral regime with a simplified system based on volume masking and full publication after two weeks, and by removing the supplementary deferral options left to NCAs
- Pre-trade SSTI waiver and the post-trade SSTI deferral should be deleted

Commission Proposal
- Simplify and harmonise post-trade deferrals for non-equities (possibility to defer the publication of the price of transactions until the end of the trading day, or the volume of transactions for a maximum of two weeks)
- ESMA tasked with developing RTS to determine whether deferrals should actually be as short as 15 minutes
- Removal of MS discretion to defer post-trade reports for non-equities (except re sovereign debt)

UK Government's position
- HMT consulted on simplifying the deferral regime and reducing the number of deferrals that are available
- The recalibration of the regime to be delegated to the FCA when parliamentary time allows
- The specific matters, including scope, liquid market determination and pre and post-trade transparency will be considered and taken forward by the FCA

Transaction reporting and reference data requirements

ESMA recommendation(s)
- ESMA published report on amendments to the MiFIR transactions and reference data reporting regimes in March 2021
- Report suggests various legislative amendments with the aim of simplifying the current reporting regimes whilst ensuring quality and usability of the reported data

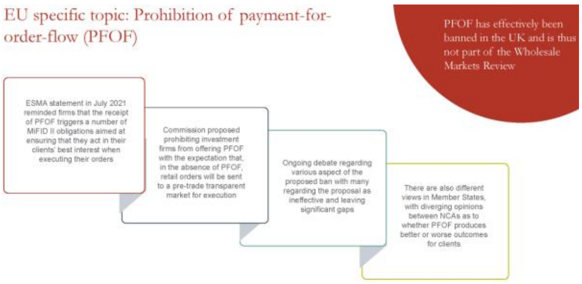
Commission Proposal
- ESMA to be able to develop level 2 legislation defining the date by which transactions must be reported, or reference data submitted. In doing so ESMA should take into account international standards
- ESMA to prepare a feasibility report on greater alignment with transaction reporting under EMIR and SFTR

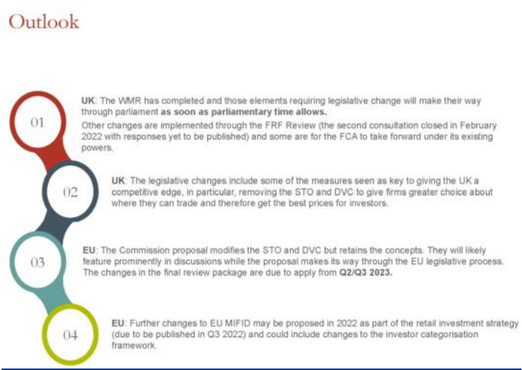
UK Government's position
- HMT asked for feedback on possible duplicative reporting requirements and mixed responses as to whether action should be taken to mitigate these
- Following a recent FCA consultation, SFTs with ESCB and BoE as counterparty are no longer be reportable under UK regime. SFTs with ESCB as counterparty will be reportable under UK SFTR only and SFTs with BoE as counterparty no longer reportable
- Further work required, some of which has already begun with FCA CP suggesting OTC derivatives should be identified using a UPIs and suggesting changes to TOTV concept for derivatives

Best execution reporting

Commission's proposal
- Deleting the RTS 27 best execution reporting requirement from MiFID following the temporary suspension of the obligation under the EU MiFID II "quick fix" amendments
- Changes to RTS 28 are not part of the Commission's proposal, but ESMA published a report on best execution on 16 May 2022 that suggests improvements to RTS 28

UK Government's position
- Best execution reporting did not form part of the HMT WMR since it had already been dealt with as part of the UK "quick-fix"
- Reference to RTS 27 and 28 obligations were deleted from the handbook as of 1 December 2021





Brexit Regulations

The Queen's Speech 2022; *The UK Government sets out its legislative programme each year in the "Queen's Speech". The content of the 2022 speech reflects the greater responsibility the Government now has for financial services legalisation since the UK left the EU and contains proposals for reforms across the sector. Alongside the Financial Services and Markets Bill, there are other Bills planned that will have an impact on financial services firms. These Bills are likely to be introduced over the coming months and it will be important for firms to analyse the impact of proposals on their business models.*

Financial Services and Markets Bill; *The Government will introduce the Financial Services and Markets Bill with the aim of enhancing "the UK's position as a global leader in financial services, through the establishment of a coherent, agile and internationally-respected approach to financial services regulation". There are five main elements to the Bill.*

1. Revoking retained EU law on financial services and replacing it with an approach to regulation that is designed for the UK. The Government has already started consulting on reforming onshored EU regulation so that is more suited to the UK. More information on proposed changes to Solvency II can be found here and to the MiFIR/MiFID II regimes here.
2. Updating the objectives of the financial services regulators to ensure a greater focus on growth and international competitivenes. With the UK leaving the EU, the Government has been reviewing and consulting upon the way that financial services regulation is formed in the UK and the split of responsibilities between Parliament, the Government

and regulators in the Future Regulatory Framework Review. The Bill is likely to introduce new statutory secondary objectives for the PRA and FCA to require them to act in a way that facilitates the long-term growth and international competitiveness of the UK economy. Although broadly welcomed, there are questions on how the regulators will balance these new objectives with their primary objectives of financial stability, consumer protection and market integrity. The Government is also proposing to amend the regulatory principles to ensure that sustainable growth should occur in a way that is consistent with its commitment to achieve a net zero economy by 2050.

3. Reforming the rules that regulate the UK's capital markets to promote investment, including implementing the Wholesale Markets Review. The UK's capital markets are subject to large and complex onshored EU regulation such as MiFID II. In its response to the Wholesale Markets Review, HM Treasury will make changes to legislation that will allow market participants to have greater choice on where they trade by removing the double volume cap and the share trading obligation. HM Treasury will also amend legislation with the aim of simplifying and improving the transparency regime contained within the regulations. Read more here.

   The Bill may also include changes to the Prospectus Regime. These changes would be aimed at facilitating wider participation in the ownership of public companies by simplifying the regulation of prospectuses and improving the quality of information investors receive to allow them to make more informed decisions.

4. Ensuring that people across the UK continue to be able to access cash. Although cash is now only the second most frequently used method of payment in the UK, 5.4 million adults still rely on it to a great extent in their daily lives. The Bill will contain legislation to give the FCA new powers over the UK's largest banks and building societies to ensure that cash withdrawal and deposit facilities are available within a specified reasonable distance for all communities.
5. Introducing additional protections for those investing or using financial products, to improve safety and support the victims of APP scams. The Bill will include legislation to enable the Payment Systems Regulator to require banks to reimburse authorised push payment (APP) scam losses.

- The Government notes that other benefits of the Bill will include the 'safe adoption of cryptocurrencies and resilient outsourcing to technology providers.' So it is likely that amendments to the Electronic Money Regulations 2011 and the Payment Services Regulations 2017, amongst others, will be contained within the Bill to bring stablecoins within the regulatory framework as set out (PDF 404 KB) by HM Treasury. Read more on stablecoin regulation here.
- Other planned Bills that could have an impact on financial services:
  - Data Reform Bill — is likely to set out how the UK will reform the onshored GDPR whilst trying to maintain adequacy with EU. It will be designed to create a clearer regulatory environment for `smart data' schemes that could help drive the adoption of Open Finance.
  - Economic Crime & Corporate Transparency Bill — enabling businesses in the financial sector to share information more effectively to prevent and detect economic crime.

- Audit Reform Bill — strengthening of corporate governance (including controls / 'UK SOx') to be implemented via the formation of Audit, Reporting & Governance Authority (ARGA), expanding the scope of transparency requirements for very large unlisted companies and increased regulation of Director accountability.
- Digital Markets, Competition & Consumer Bill — will allow Digital Markets Unit to designate BigTech firms as having 'Strategic Market Status', thereby obliging them to not abuse their dominant positions at the expense of consumers and other businesses.
- Brexit Freedoms Bill — creating new powers to strengthen the ability to amend, repeal or replace the large amounts of retained EU law without the need to always resort to primary legislation.

ESG & Disclosures

ESG Regulatory Essentials for May and June 2022; *As we head towards the summer holidays, regulators and standard-setters in the ESG space show no signs of slowing down. Sustainability reporting and disclosures have continued to be front and centre and there is more to come. TCFD disclosures are now mandatory for the largest UK-registered companies and financial institutions and the FCA requires issuers to report against specific diversity and ethnicity targets. Consultations on proposed sustainability standards have been launched by the International Sustainability Standards Board (ISSB), the European Financial Reporting Advisory Group (EFRAG) and the US Securities and Exchange Commission, with potential synergies, divergences and interactions provoking significant debate. UK-based firms are preparing for the imminent publication of the FCA's Sustainability Disclosure Requirements (SDR) and the delayed UK Green Taxonomy.*

- Support for firms as they develop transition plans is gaining momentum, with HM Treasury (HMT) and the Glasgow Financial Alliance For Net Zero (GFANZ) consulting on draft guidance.
- Nature and biodiversity are also sharply in focus - version 2.0 of the Task Force for Nature-related Financial Disclosures' (TNFD) beta framework is hot off the press, incorporating feedback on the first prototype issued in March.
- Approaches to assessing and managing climate and other ESG risks are evolving. The Basel Committee (BCBS) has agreed final principles on managing climate-related risk, the Bank of England (BOE) has published aggregate results for its first combined climate stress test of the largest banks and insurers, the ECB is expected to publish its results in July, and the EBA is seeking feedback on a Discussion Paper on the effective management of climate-related risk. For asset managers, ESMA has issued a supervisory briefing on the integration of sustainability risks and their disclosure.
- There has been a raft of other analysis, updates and clarifications too, ranging from the Sustainable Finance Disclosure Regulation (SFDR) and EU Taxonomy Regulation, to sustainable securitisation, the ESG ratings market and the trading of emissions

allowances in the EU carbon markets. In short, there is a lot for firms to track, digest and, potentially, implement over the coming months.

Reporting and disclosures;

HM Treasury Call for Evidence on transition plans; *The UK Transition Plan Taskforce (TPT) has launched a [Call for Evidence] (PDF 1.21 MB) that aims to identify the vital elements and key principles that should inform all transition plans. This will result in a model framework that can apply across all sectors, ensuring a shared and consistent understanding for firms of what is needed. The framework will inform UK regulations for certain financial sector firms and listed companies to publish climate transition plans. The consultation period closes on 13 July.*

GFANZ releases guidance on transition plans; *The Glasgow Financial Alliance for Net Zero (GFANZ) is [consulting] until 27 July on its draft Net-zero Transition Plan (NZTP) framework for the financial sector. GFANZ has also [published] a set of connected tools, frameworks and other resources for firms to support their transition to net zero.*

FCA introduces new Listing Rules for diversity and inclusion; *The FCA has introduced [new requirements] (PDF 644 KB) for Diversity and Inclusion (D&I) on company boards and executive committees. It is the first time such targets have been set by the regulator and the new rules represent a significant step in expanding regulatory policy around D&I. New Listing Rules require issuers to include a statement in their annual financial report setting out on a "comply-or-explain" basis whether they have met specific board diversity targets*:

1. At least 40% of the board are women
2. At least one of the Chair, Chief Executive Officer (CEO), Senior Independent Director (SID) or Chief Financial Officer (CFO) is a woman
3. At least one board member is from a minority ethnic background

- Corporate governance rules are also expanded to encourage issuers to consider broader aspects of diversity in their reporting on board diversity policies. In-scope companies are required to make disclosures in their annual reports for financial years starting on or after 1 April 2022.

TNFD beta framework for nature-related financial disclosures; *In March, the Taskforce on Nature-related Financial Disclosures (TNFD) released a [prototype] (PDF 10.2 MB) framework for consultation. The framework includes three core components:*

- An outline of recommended fundamental concepts and definitions for understanding nature across the four realms of Land, Ocean, Freshwater and Atmosphere. TNFD recommends that market participants use this when assessing and disclosing their nature-related risks and opportunities
- Draft disclosure recommendations for nature-related risks and opportunities — these follow the TCFD's four pillars of: governance, strategy, risk management and metrics and targets
- Guidance for corporates and financial institutions to undertake nature-related risk and opportunity assessments and incorporate these into their enterprise strategy and risk

management processes. TNFD introduces an integrated nature-related risk and opportunity assessment process (LEAP — Locate, Evaluate, Assess, Prepare)

- Version 2.0 of the framework, published on 28 June, incorporates feedback from the first release and includes three significant additions:
    - A first draft architecture for metrics and targets, and draft guidance on, and an illustrative set of, dependency and impact metrics
    - A proposed approach to sector-specific guidance
    - An update to the LEAP process
- Three further iterations of the framework will follow in October 2022, February 2023 and September 2023.

IFRS Foundation and GRI collaborate on approach for sustainability disclosures; *In March, the IFRS Foundation and Global Reporting Initiative (GRI) announced a collaboration agreement under which the International Sustainability Standards Board (ISSB) and the Global Sustainability Standards Board (GSSB) will coordinate their work programmes and standard-setting activities.*

- By working together, the IFRS Foundation and GRI provide two 'pillars' of international sustainability reporting — a first pillar representing investor-focused capital market standards of IFRS Sustainability Disclosure Standards developed by the ISSB, and a second pillar of GRI sustainability reporting requirements set by the GSSB, compatible with the first, designed to meet multi-stakeholder needs.

ISSB publishes first two exposure drafts for consultation; *On 31 March 2022, the new International Sustainability Standards Board (ISSB) released Exposure Drafts (EDs) of its first two sustainability standards. The first ED sets out general sustainability-related disclosure requirements (PDF 288KB) and the second specifies climate-related disclosure requirements (PDF 317KB). The ISSB is gathering feedback until 29 July 2022.*

- The ISSB disclosure standards build on the work of the TCFD, formalising the recommendations and the way in which information should be presented. They also incorporate the industry-based disclosure requirements of the SASB standards, which were subsumed into the ISSB on its creation in 2021.
- The ISSB will refine and make necessary revisions to the standards based on feedback received. The final set of disclosure standards is expected by the end of 2022. The standards will need to be adopted at a national or regional level before organisations are required to disclose against them.

EFRAG consults on package of draft sustainability standards; *The European Financial Reporting Advisory Group (EFRAG) is consulting until 8 August on Exposure Drafts (EDs) of the first European Sustainability Reporting Standards (ESRS) which will underpin the EU Corporate Sustainability Reporting Directive (CSRD).*

- The published EDs correspond to the first set of standards required under the CSRD proposal. Work on the standards has been running in parallel with the legislative process of CSRD. The final first set of ESRS will be submitted to the European Commission in November 2022 so that they can be applied for the first time to large companies' reports in 2024, based on financial year 2023.

- The EFRAG package consists of 13 EDs under the 4 broader topics of Cross-cutting standards, Environment, Social and Governance. The EDs are based upon two categories of standards:

1. Cross-cutting ESRS which:
    1. Establish the general principles to be followed when preparing sustainability reporting in line with the CSRD provisions
    2. Mandate disclosure requirements (DRs) aimed at providing an understanding of (a) strategy and business model, (b) governance and organisation, and (c) materiality assessment, covering all topics
2. Topical ESRS which, from a sector-agnostic perspective:
    1. Provide topic-specific application guidance in relation to the cross-cutting DRs on strategy and business model, governance and materiality assessment
    2. Mandate DRs about the undertaking's implementation of its sustainability-related objectives (i.e. on its policies, targets, actions and action plans, and allocation of resources)
    3. Mandate performance measurement metrics

- The package also includes a consultation survey on the overall ESRS exposure drafts relevance in three sections (architecture, implementation of CSRD principles, exposure drafts content) and a questionnaire on prioritisation and phasing-in of the standards.

ESA and European Commission updates regarding the SFDR; *On 25 March, the European Supervisory Authorities (ESAs), the EBA, EIOPA and ESMA, updated their joint supervisory statement (PDF 232KB) on the application of the Sustainable Finance Disclosure Regulation (SFDR). The statement reiterated that the application date of the SFDR Regulatory Technical Standards (RTS) would be delayed until 1 January 2023 and provided guidance to national competent authorities for the interim period. It also set expectations regarding the application timeline for the entity-level principal adverse impact (PAI) statement, products' periodic disclosures, and the application of the Taxonomy Regulation provisions*.

- On 6 April, the European Commission adopted the RTS to be used by market participants when disclosing sustainability-related information under the SFDR. The Commission confirmed that the RTS is scheduled to apply from 1 January 2023 (subject to scrutiny by the European Parliament and Council).
- On 5 May, the Commission published two letters to the ESAs regarding amendments to the SFDR RTS. The first (PDF 205KB) related to the recent changes to the Taxonomy Regulation regarding fossil gas and nuclear energy (see below), and invited the ESAs to propose amendments to the SFDR RTS to bring them into alignment. The second (PDF 225KB) invited the ESAs to streamline and further develop the regulatory framework, to consider extending the list of universal indicators for PAIs and other indicators, and to refine the content of all the indicators for adverse impacts. It also invited the ESAs to jointly propose amendments to the SFDR RTS regarding information provided in relevant disclosures on decarbonisation targets.
- On 25 May, the Commission responded (PDF 795KB) to a list of questions (PDF 133KB) that had been jointly submitted by the ESAs to clarify the interpretation of EU law in the context of the SFDR and Taxonomy Regulation. The responses cover PAI disclosures at entity and product level, financial advisers and investment advice, rules for products that

existed as at 10 March 2021 (the application date of the SFDR), good governance practices for investee companies, and disclosures under Article 5 and 6 of the Taxonomy Regulation.

- Further clarifications and guidance (PDF 307KB) from the ESAs on the draft RTS were issued on 2 June regarding: uses of sustainability indicators, PAI disclosures, financial product disclosures, direct and indirect investments, taxonomy-related financial product disclosures, "do not significantly harm" (DNSH) disclosures, and disclosures for financial products with investment options. The ESAs plan to promote a better understanding of the RTS through practical application Q&As in due course.

Sustainability disclosures for simple, transparent and standardised securitisations; *The EBA, EIOPA and ESMA, are consulting (PDF 630KB) until 2 July on draft RTS for sustainability disclosures for simple, transparent and standardised (STS) securitisations. The draft RTS build on the existing infrastructure for the disclosure of public securitisation information*.

- Securitisation is not currently a "financial product" as defined under the SFDR, and sustainability disclosures regarding securitisation were considered by the ESAs to be insufficiently developed. Therefore, these draft RTS aim to harmonise information disclosure and ensure consistency (where possible) with the draft SFDR RTS — building as much as possible on the SFDR and adapting it where necessary to the specificities of securitisations. The consultation aims to gather views on the content, methodologies, and presentation of information about the proposed PAI indicators on sustainability factors for certain securitisations.
- Banks and other relevant institutions will be able to make Banking book Taxonomy Alignment Ratio and Green Asset Ratio (GAR) disclosures which include securitisation products.
- The RTS also propose the requirement for a new "non-green asset ratio" (i.e. 100% — GAR) disclosure in the PAI statement. This would show users of the disclosures the proportion of a securitisation portfolio not aligned with activities classed as green under the EU Taxonomy Regulation.

Taxonomy developments; *EU Taxonomy — PSF proposes extended framework to support transition*

- In March, the Platform for Sustainable Finance (PSF) issued its Final Report (4.94 MB) on Taxonomy extension options supporting a sustainable transition. The current Taxonomy leaves a wide variety of economic activities unclassified and only a very small percentage of existing assets under the included activities are identified as `taxonomy-aligned" or "green'.
- The PSF acknowledges the problem of non-alignment being perceived as a negative classification, and recommends extending the environmental Taxonomy "beyond green" to increase transparency and encourage more ambitious greening across the entire economy. New categories could signal and support the financing of the most urgent transitions needed:
    - Unsustainable performance requiring an urgent transition to avoid significant harm
    - Intermediate (or Amber) performance

    - Unsustainable, significantly harmful performance where urgent, managed exit/decommissioning is required
    - Low environmental impact activities
- Further work is required to define and develop specific criteria. The PSF cautions that a balance needs to be struck between additional complexity in reporting versus the benefit of more information being made available.

EU Taxonomy — next step for gas and nuclear; *A public hearing was held in May by the European Parliament as part of MEPs' ongoing scrutiny of the European Commission's proposal on how nuclear and gas activities should be classified under the EU Taxonomy. The Complementary Climate Delegated Act was proposed in March 2022 to include, under certain conditions, specific nuclear and gas energy activities in the list of economic activities covered by the EU Taxonomy.*

- The Delegated Act classifies these activities as transitional activities contributing to climate change mitigation under Article 10(2) of the Taxonomy Regulation. Their inclusion is time-limited and dependent upon specific conditions and transparency requirements.
- The Parliament and Council have until 10 July 2022 to decide if they want to veto the Commission's proposal. This period may be extended by two months. A joint vote for the two committees is tentatively scheduled for 14 June.

Climate-related/ESG risks; Publication of UK CBES results; *On 24 May, the Bank of England (BOE) published aggregate results for its Climate Biennial Exploratory Scenario (CBES) stress test for the largest UK banks and insurers.*

- The CBES was intended as a learning exercise to (i) improve banks' and insurers' climate risk management, (ii) size the risks faced by participants and (iii) better understand the potential responses of banks and insurers to climate-related risks and their broader implications. Key findings were that:
    - Projections of climate losses are uncertain — climate-related financial scenario analysis is still in its infancy and significant data gaps remain. UK banks and insurers have made progress but have much more to do to understand and manage their exposures
    - At an aggregate level, UK banks and insurers are likely to be able to absorb the costs of transition. These costs will be lowest where early and well-managed action is taken to reduce greenhouse gas emissions and limit climate change. Some costs that initially fall on banks and insurers will ultimately be passed on to their customers
    - Government climate policy will be a key determinant of the speed and impact of changes in the global economy
    - Banks and insurers have a collective interest in managing climate related financial risks in a way that supports that transition over time

Basel Committee finalises climate risk principles; *Following consultation in 2021, the Basel Committee (BCBS) has finalised its principles for the effective management and supervision of* *climate-related financial risks. The principles have been designed such that they can be adapted to a diverse range of banking systems in a proportional manner*.

- Finalisation of the principles forms part of the BCBS's broader assessment of potential measures — spanning disclosure, supervisory and regulatory measures — to address climate-related financial risks to the global banking system.
- EBA discussion paper on the role of environmental risks in the prudential framework
- The EBA is seeking comments until 2 August on an exploratory Discussion Paper (PDF 2.78 MB) on integrating environmental risks into Pillar 1 capital. The paper considers:
    - The extent to which environmental risks will be automatically captured by Pillar 1, in the absence of legislative amendments and whether environmental risks will lead to a reallocation of risks between sectors rather than an overall increase in the level of systemic risk
    - The extent to which 'double materiality' should be incorporated within the prudential framework
    - How credit, market and operational risk frameworks could be adjusted to be explicitly integrate environmental risks and be more forward-looking
- The EBA clarifies that strategic and reputational risks would fall under Pillar 2 and not under Pillar 1. It assumes that liquidity and leverage rules will not be significantly affected by environmental risks at this stage.
- And it suggests that amending the large exposures regime to explicitly address environmental risks would not be warranted as it would require a reorientation of its objective and design.
- However, it notes that enhancing the regime's reporting obligations could be helpful. The EBA expresses future ambitions to integrate social risks if these can be appropriately quantified, but they are not considered in this paper.

FSB consultation on supervisory and regulatory approaches to climate-related risks; *The Financial Stability Board (FSB) is consulting until 30 June on a set of guidelines for national competent authorities and regulators to promote consistency in the monitoring, management and mitigation of the financial risks of climate change. Final recommendations will follow towards the end of 2022. The FSB focuses on three areas that it considers to be "cross-sectoral and system-wide aspects of climate-related risk"*:

- Supervisory and regulatory reporting and collection of climate-related data as foundational to identifying and monitoring risks
- System-wide supervisory and regulatory approaches to assessing climate-related risks, including the use of analytical tools such as scenario analysis and stress testing
- Early consideration of other macroprudential policies and tools to address systemic risks

ECB assessment of banks' progress on disclosing climate and environmental risks; *In March, the ECB reported (based on November 2021 data) on banks' progress against the expectations of its November 2020 guide. Whilst there has been progress since the ECB's 2020 assessment (PDF 357 KB) and some good practices were observed, banks need to do better and significant gaps remain. In particular, the ECB found the overall level of transparency to be insufficient*:

- Around 75% of banks are not disclosing whether climate and environmental risks have a material impact on their risk profile
- Around 60% do not describe how physical or transition risk could affect their strategy
- Only around 50% publish key performance or risk indicators
- Only 15% disclose scope 3 emissions
- Almost 30% of banks that have committed to align exposures with the Paris Agreement provide no information to back this up
- The ECB has sent individual feedback letters to firms and expects them to take decisive action. The next review will be at end of 2022.

ESMA briefing on asset managers' integration of sustainability risks; *ESMA has issued a supervisory briefing on asset managers' integration of sustainability risks and their disclosures. The purpose of the briefing is to promote supervisory convergence - it is aimed at EU regulators and their supervisory approach and covers the following*:

- Guidance for the supervision of fund documentation and marketing material: on pre-contractual disclosures, fund documentation and marketing material, website disclosures, periodic disclosures and other supervisory actions
- Guidance for convergent supervision of the integration of sustainability risks by AIFMs and UCITS Management Companies
- Regulatory interventions in case of breaches: ESMA describes potential issues that regulators need to address (e.g. SFDR disclosures have not been made at all, SFDR disclosures that are severely misleading etc.)

Capital markets; EBA reports on a framework for sustainable securitisation; *In March, the EBA issued a report (PDF 1.59 MB) on how existing EU regulations, including the Green Bond Standard (EUGBS), the Taxonomy Regulation and the SFDR could be applied to securitisation markets, and the extent to which a dedicated regulatory framework for securitisation markets is required. The EBA concludes that*:

1. The EUGBS would be the most appropriate existing regulation under which to develop regulation of the sustainable securitisation market
2. Even though securitisation products are not within the scope of the EU Taxonomy, the sustainability criteria provide a useful and standardised basis for defining sustainable securitisation products
3. A dedicated regulatory framework for securitisation markets is not currently required, although as the market matures it may become appropriate to develop one

- The European Commission's report to the European Parliament and Council regarding the creation of a sustainable securitisation framework will be informed by the EBA's report. A legislative proposal will follow if deemed appropriate. To note, simple transparent and standardised (STS) securitisations (see above) are not necessarily sustainable and vice versa.

MEPs adopt position on EU Green Bond Standard; *In May, MEPs adopted their negotiating position on the EUGBS. The text introduces several changes to the Commission's original proposal, which are intended to better regulate the entire green bond market, improve its* *supervision, reduce greenwashing, and add clarity when proceeds are allocated to gas or nuclear activities, including*:

- Transparency requirements for all bonds marketed as green, including alignment with the EU Taxonomy Regulation and on the use of proceeds derived from the bond issuance
- All EUGBs should have verified transition plans and all issuers should also have processes in place to identify and limit the principal adverse impacts of their activity
- EUGBs may not be issued from countries on the EU's grey or blacklist of tax havens
- Provisions to ensure that authorities could ban companies from issuing EUGBs if they fail to follow the rules. Investors have legal recourse if an issuer's failure to comply leads to the depreciation of a green bond
- When a green bond issuer intends to allocate proceeds to nuclear energy or fossil gas related activities, a statement must appear prominently on the first page of the EUGB Factsheet

European Commission consults on the ESG ratings market; *The European Commission's targeted consultation on the functioning of the ESG ratings market in the EU and the integration of sustainability characteristics in credit rating analysis closed on 8 June. The consultation was aimed at ESG ratings providers, credit ratings agencies, investors, companies, public authorities (including supervisors and regulators) and other stakeholders*.

- The first part of the consultation looked at the determination and use of ESG ratings and the second considered how ESG characteristics are incorporated into credit ratings. The outcomes of the consultation will inform the Commission's decision on whether further regulatory policy is required.

ESMA final report on carbon markets; *ESMA's final report on the EU carbon market, specifically the trading of emission allowances, finds no major deficiencies in the functioning of the market, but it makes a number of policy recommendations to improve transparency and monitoring including:*

- Extension of position management controls to venues trading derivatives on emission allowances
- Adapting of position reporting on emission allowances to ensure full reporting of positions on spot emission allowance instruments
- Refinement of transparency calibrations to improve pre-trade transparency to market participants
- Increased transparency and reporting of OTC transactions
- ESMA to have access to primary markets transactions in order to monitor activity effectively
- Changes to the EU Allowance (EUA) registry to improve identification of market abuse
- Recalibration of position limits to prevent market abuse and support orderly pricing and settlement conditions
- The European Commission, the EU Council and the European Parliament will use the report to determine whether additional measures to regulate the carbon market are necessary.

Regulator/standard-setter workplans;

- IOSCO publishes Sustainable Finance Workplan for 2022; *IOSCO's key activities for 2022 (PDF 107 KB) around sustainable finance will include a thorough review of the ISSB Exposure Drafts of proposed climate and general sustainability disclosure requirements (see above), as well as the final standards once issued.*
    - If IOSCO determines that the standards are fit for purpose, its decision would provide all 140 IOSCO member jurisdictions with the basis to decide how they might adopt, apply or be informed by the ISSB standards.
    - In addition, IOSCO's workplan covers the development of assurance standards to build trust in sustainability reporting, an in-depth review of carbon markets to identify vulnerabilities in voluntary carbon markets and assess the transparency and integrity of market functioning, and pushing for recommendations to asset managers and ESG ratings and data providers to be implemented.
- NGFS 2022/23 workplan; *The Network for Greening the Financial System (NGFS), the voluntary group of central banks and supervisors, has published its 2022-24 work programme. The key areas of focus, to be covered under four workstreams and by two task forces, are:*
    - Supervisory practices with respect to managing climate-related risks
    - The design and analysis of climate scenarios
    - The implications of climate change for monetary policy
    - Guidance for central banks on the transition to net zero
    - Nature-related financial dangers
    - Capacity building and training for NGFS's membership

Bank of England publishes results of Climate Biennial Exploratory Scenario (CBES); *In June 2021, the Bank of England ("BoE") launched the Climate Biennial Exploratory Scenario ("CBES") exercise for the UK's largest banks and insurers. Today, the BoE has released its analysis of participants' aggregate results. The CBES explored the size of potential losses to the UK financial system against physical and transition risks across three climate policy scenarios – Early Action ("EA"), Late Action ("LA") and No Additional Action ("NAA").*

- The results show a material level of losses, causing persistently lower profitability for firms as well as a significant risk in averaged annualised losses at the end of the NAA scenario for insurers. Losses are especially pertinent when we consider the long-time horizon involved (up to 2050) and the exercise requirements of not allowing for management actions in the NAA scenario. However, unlike the annual cyclical scenario for banks and insurance stress tests for insurers, the CBES was not trying to confirm whether the UK financial system is resilient to climate-related risks. The methodologies used to quantify these risks are still in their infancy and there are data gaps leading to widespread use of proxies, both of which make the results too broad to be able to make that judgement.
- In general, banks and life insurers were found to be relatively more exposed to transition risks than general insurers due to assets held in higher carbon intensive sectors, such as mining and manufacturing. However, general insurers were relatively more exposed to

physical risks under the NAA scenario due to the impact of insured losses on the liability side of their businesses.

- Some may argue that it is difficult to think about the risks of climate change at a time when there are more seemingly immediate issues such as a war in Europe and prices increasing at their fastest rate in 40 years, risking double digit inflation by the end of the year and creating an income shock that is expected to intensify in the near future. This is especially true as, if mismanaged, embedding climate risk could lead to unintended consequences including increasing loan and premium prices, sometimes disproportionately. This could exacerbate the cost-of-living crisis. And climate risks have the potential to cause even greater disruption to our financial system than the shocks we are already facing. According to the latest report of the Intergovernmental Panel on Climate Change (IPCC), without immediate and substantial actions we will not be able to limit global warming to 1.5 degrees Celsius. The results indicate that early, ordered action will also limit losses to the financial sector.
- The exercise was successful in directing larger financial services firms to consider climate risks, allocate dedicated resources and start quantifying the impacts. Participating firms have shown ambition to build their capabilities and start understanding these risks and ways in which they can support their customers in their transition to a low carbon economy. Participating firms now need to build on this initial progress to improve their processes and continue to integrate climate-related risks into day-to-day activities. The challenge for the wider market is to learn from the CBES exercise and adopt some of these practices in a cost-effective manner. As such, here are some of the challenges that firms faced in responding to the CBES exercise.
- Climate risk analysis is currently subject to significant data gaps – Some firms estimated loss rates for the same counterparty are ten times higher than other firms. The BoE has clarified that the results represent a first step towards quantifying the financial risks of climate change. Firms need to continue to develop and refine their approaches to climate risk management beyond this exercise, as they embed climate risk processes and tools across their organisations. Firms used data items such as addresses, postcodes, energy Performance certificates (EPCs), industry codes, countries of incorporation and operation, and insurance flags for the first time in a regulatory exercise, which left a challenge to align data. Firms should continue to build strategic solutions to integrate this data, as successfully sourcing and mapping these to traditional and climate data is crucial to climate risk modelling. As firms consider expanding the reach of their modelling, they should enhance collection to include data for calculating secondary risk channels and other aspects of ESG.
- The CBES required banking and life insurance participants to engage with their corporate counterparties to obtain a greater accuracy and coverage of information. Firms struggled with this aspect of the exercise. While many larger counterparties could answer the questions asked of them, some smaller counterparties were unable to submit meaningful data. Since the exercise, counterparties' consideration of climate risk has expanded and requirements to make TCFD-aligned disclosures are being introduced across the UK. Client outreach is a valuable strategy for data acquisition in the early stages of embedding climate risks and beyond. Firms should consider engaging in periodic client outreach to harness counterparties' sector knowledge and alleviate the difficulty, should they need to repeat the exercise.
- While the exercise provided scope for participants to determine their own approaches to the modelling, there was also a requirement to calibrate climate models to the dataset

provided by the BoE. Some participants found difficulty in aligning to the data provided, which is likely indicative of the uncertainty inherent in these models at this early stage in their adoption and so the wide range of possible results. As this area of modelling continues to develop and to drive disclosures, there will need to be an increasing focus on validating the output of climate models against both internal and external information.

- Financing the Transition and Credible Transition Plans
- The CBES offered an early framework for assessing client transition plans. This catalysed the development of transition plans by participating firms and sparked engagement with their clients, in turn accelerating the development of their corporate transition plans. Firms are starting to understand the range of vulnerabilities and resilience to climate change of their customers. However, this was a theoretical exercise. Firms must leverage this tool and others to create a meaningful strategy for the low carbon economy.
- Financial institutions are uniquely placed to accelerate the net zero transition. In investments, this can be done using a combination of divestment, green financing or supporting their customers' transitions. Insurers have a further role in incentivising green choices for their personal and commercial customers, providing products to support new technologies and utilising the claims fulfilment process to provide green repairs. Targeting green financing and divestment strategies is not enough – Firms need to actively engage their clients to help them manage the transition in a fair and balanced way. As such, actively supporting customer transitions is emerging as the best way firms can support the economy-wide transition, as well as that of their own portfolios. Sam Woods has said banks and insurers should continue financing counterparties in carbon-intensive industries, to allow them to invest in the transition.
- Climate as a strategic question
- The qualitative questionnaire challenged firms to consider climate risk across a range of areas, considering risk management processes, resource gaps and future plans as well as the details of the quantitative modelling. While there has been significant focus on the risks associated with climate change, this part of the exercise also asked participants to think about opportunities. For both banks and insurers, the opportunity to develop new products to support new technologies or to make novel, green construction methods insurable will allow financial institutions to have a profound impact on the adoption of these emerging approaches. Ultimately, the decision as to where to focus is one of strategy and the exercise gave participants a chance to think at a much more granular level about their overall climate strategy, considering for example what it really means to be a market leader in this area.
- The exercise, and in particular the qualitative questionnaire, encouraged firms to seek input from a wide range of stakeholders from across the business as well as requiring Board-level challenge of the outputs. This part of the exercise also allowed broader consideration of some of the less quantifiable risks, such as litigation risk which may be a key concern for insurers writing some liability lines. For many, this may have provided the first opportunity to put climate risk high on the agenda across all parts of the business, allowing firms to further develop climate strategy, not solely based on the model outputs but also on the diverse range of views gathered from key stakeholders.
- Supervisory focus
- In line with SS3/19, climate-related risk is increasingly being incorporated into supervisory activities and firms will need to actively demonstrate the management of climate risks throughout their business-as-usual activities. Although the CBES was not a capital setting exercise, it has helped to implement and progress SS3/19 across firms. However, more

needs to be done on firms' governance, management and disclosures related to climate risk. Regulators are actively considering whether and how climate risks should be incorporated into prudential frameworks. It is still unclear what this may look like. The Network for Greening the Financial System (NGFS) published a progress report suggesting that current modelling practices are not mature enough to successfully introduce adjustment factors to the Pillar 1 framework. Rather, the report suggests that Pillar 2 measures may be more suitable to address climate risk alongside Pillar 3 disclosures in this early stage.

- The results suggest that industry-wide capital may be sufficient, but that more needs to be done to ensure it is held in the appropriate places. Steven Maijoor, a De Nederlandsche Bank (DNB) board member responsible for Supervision suggested a new approach to prudential monitoring altogether, by introducing a concentration limit on exposures. Firms who continue to improve their climate risk practices will not only see a competitive advantage but are less likely to fall foul of potential prudential tools. Adding or rearranging capital is certainly not ruled out. Sam Woods has indicated that the BoE could introduce incentives if firms are not building the capabilities they require.
- Climate change represents only a small subset of the factors considered under the umbrella of ESG. Since the announcement of CBES in 2019, the regulatory community has increasingly recognised the importance of broader environmental risks such as biodiversity loss. As well as environmental factors, companies are progressively expected to disclose on social issues such as human slavery and the gender pay gap. Therefore, Institutions should expect regulatory expectations in these areas to increase.
- Conclusion
- The exercise was successful as a first step in understanding the potential financial losses of climate change, but there is more for firms and central bankers to do.
- Data remains the greatest issue in climate risk calculations. Client outreach and a deliberate data strategy will improve model outputs.
- The second round highlighted the need to align counterparty transition plans and those of Banks and insurers who need to understand and guide customer transitions.
- Finally, firms should prepare for enhanced supervision from regulators, begging the questions: What will be the scope and focus of future CBES exercises? And how will climate-related risks be introduced into the capital regime, particularly given its current focus on a one-year time horizon?

Conduct

Sanctions

Regulatory Activities and Initiatives Inventory

COVID-19

UK	BoE & PRA	Speech by Victoria Saporta, Executive Director for Prudential Policy, on emerging prudential lessons from COVID-19. ECB extends leverage ratio relief for banks until March 2022.
	FCA	Approach to regulating firms in relation to the UK Government's Recovery Loan Scheme (RLS) Finalised Guidance on helping consumers with rights and routes to refund in light of COVID-19 COVID-19 guidance for employers in relation to automatic enrolment and DC pension contributions.
	HMT	
EU	EBA	Supervisory statement on the ORSA in the context of COVID-19 Speech by José Manuel Campa, EBA Chairperson, on the measures taken by banks in relation to COVID-19. Thematic note comparing provisioning in the United States and the EU during the peak of COVID-19.
	ESMA	Autumn 2021 report on risks and vulnerabilities across the financial sector, including risks from COVID-19 Announcement stating that ESMA anticipates a prolonged period of risk from market corrections.
	ECB Central Bank	Speech by Fabio Panetta, Member of the Executive Board of ECB, on monetary-fiscal interactions on the way out of the crisis.

	Speech by Luis de Guindos, Vice President of the ECB, on euro area banks' pandemic recovery. Interview with Christine Lagarde, President of the ECB, on the recovery of the European economy from COVID-19. Publication on the suspension of redemptions during COVID-19, discussing the case for pre-emptive liquidity measures.
ECB - SSM	Speech by Kerstin af Jochnick, Member of the Supervisory Board of the ECB, on how European banks have coped with the pandemic. ECB extends leverage ratio relief for banks until March 2022. Interviews with Andrea Enria, Chair of the Supervisory Board of the ECB, on topics including: the risks banks face in relation to asset quality and profitability as a result of COVID-19; rising NPLs; and climate risk. Annex 1 Annex 2
SRB	Note on the financial stability implications of COVID-19 support measures. Speech by Elke König, SRB Chair, on the impact of COVID19 on digital banking, and relevant challenges and opportunities
European Commission	Speech by Valdis Dombrovskis, Executive Vice-President of the European Commission, on EU economic recovery from COVID-19.
EP - ECON	Papers on avoiding the risk of financial dominance and disorderly market reactions beyond COVID-19. European Council and Parliament agreement on Credit Servicers and Purchasers Directive for non-performing loans.
ECOFIN	https://www.consilium.europa.eu/media/48767/eg-note-sectoral-impact_fin.pdf
EIOPA	https://www.eiopa.europa.eu/content/eiopa-consults-orsa-context-of-covid-19_en

International	BIS	Speech by Agustín Carstens, BIS General Manager, on the role of macroprudential policies during economic crises, including during COVID-19.
		Speech by Denis Beau, First Deputy Governor of the Bank of France, on bank capital regulation post-pandemic.
		Annual Economic Report on securing a durable recovery after COVID-19.
		Speech by Agustín Carstens, General Manager of the BIS, on challenges faced by central banks exiting the pandemic.
		Speech by Fernando Restoy, Chair of the BIS Financial Stability Institute, on potential changes to prudential policy post COVID-19 and key challenges for prudential authorities.
		Statement by Randal Quarles, Vice Chair for Supervision of the Board of Governors of the Federal Reserve System, on supervision and regulation through COVID-19.
		Speech by Klaas Knot, President of the Central Bank of the Netherlands, on rebuilding resilience in the financial system after COVID-19.
		Written brief on redefining insurance supervision in the 'new normal' era post COVID-19.
		Speech by Pablo Hernandez de Cos on the evaluation of the effectiveness of Basel III during COVID-19 and beyond. Link
		Speech by Pablo Hernández de Cos on how to help the recovery of viable firms affected by COVID-19
	FSB	Report on preliminary lessons for financial stability from the COVID19 experience.
	BCBS	Report on early lessons from the COVID-19 pandemic on the Basel reforms.
	IOSCO	https://www.iosco.org/library/pubdocs/pdf/IOSCOPD669.pdf
	IMF	
	IAIS	Press Release announcing the IAIS conclusion of mid-year committee and stakeholder meetings, noting solid progress in

		delivering on the IAIS Strategy 2020-2024 and sharing key learnings from COVID-19.
Brexit		
UK	HMT	Markets in Financial Instruments Benchmarks and Financial Promotions (Amendment) (EU Exit) Regulations 2021 laid before parliament, addressing deficiencies in retained EU law and making technical amendments to certain exemptions to the financial promotions regime laid before parliament. Annex Statutory Instrument amending retained EU law in relation to the non-discriminatory access regime for exchange traded derivatives, the low carbon benchmarks regime and the financial promotions regime for relevant markets to ensure that they apply to the UK following the UK's departure from the EU.
	Parliament	
	BOE	
	ECPB	Opinions on the Commission's draft UK data adequacy decisions published, including one opinion on adequacy under the GDPR, and another on adequacy under the Law Enforcement Directive. Annex
	FCA	
	PRA	Consultation on PRA's proposed updates to its approach to insurance business transfers following the UK's withdrawal from the EU. Update on the PRA's approach to firm authorisation under the Temporary Permissions Regime.
EU	EU	Adequacy decisions for the UK under the GDPR and Law Enforcement Directive adopted. The UK government issued a statement welcoming the decisions. Annex 1

		Annex 2
	ECON	Report on the main differences in the supervision of large banks in the UK and euro area, and the risks of regulatory divergence.
	ECB ESMA EBA	
Banking Prudential		
UK	BOE	Dear CFO letter giving thematic feedback from the 2020/2021 round of written auditor reporting. Statistical releases on: i. claims on and liabilities to other countries by UK banks and building societies in Q2 2021; and ii. mortgage lending activities of 340 mortgage lenders and administrators in Q2 2021. Dear CEO Letter on thematic findings on the reliability of regulatory reporting Financial Policy Committee's July 2021 financial stability report CP on the BoE's review of its approach to MREL and operational guide on bail-in execution. annex Consultation paper on the fees regime for financial market infrastructure supervision 2021/22. Updates to the Bank of England's approach to assessing resolvability. Monetary Policy Report for May 2021, maintaining the Bank Rate at 0.1%. Speech by Sam Woods, CEO of the PRA, on the PRA's plans for the future regulation of building societies.

European Venues & Intermediaries Association

London Energy Brokers' Association

		Working paper on evidence on the relative performance of regulatory requirements for small and large banks.
	PRA	Policy statement on the application of existing consolidated prudential requirements to financial holding companies, and statement of policy on supervisory measures and penalties in relation to financial holding companies Annex 1 Annex 2 Consultation on changes to requirements on the identification of material risk takers for the PRA's remuneration regime. Consultation on prudential liquidity requirements for Domestic Liquidity Sub-Groups. PS on implementation of Basel standards. PS on IRB UK mortgage risk weights and the management of deficiencies in model risk capture. Statement on PRA's updated approach to shareholder distributions by large UK banks. PS on PRA's approach to the supervision of international bank branches and subsidiaries. Policy statement on credit risk: approach to overseas IRB models. PRA Annual Report 2021. Consultation paper on proposed rules for the application of existing consolidated prudential requirements to financial holding companies and mixed financial holding companies. CP14/21 - Consultations by the Financial Policy Committee (FPC) and PRA on changes to the UK leverage ratio framework.

2021/22 Business Plan, setting out the PRA's strategy, workplan and budget for the year ahead.

Statement on the progress of the Working Group on Productive Finance, including the development of the Long-Term Asset Fund (LTAF) and the Group's next phase of work.

Statement on the 2022 and 2023 supervisory benchmarking exercise relating to capital internal models.

Approach to updating requirements on the identification of material risk takers.

Final policy on ensuring OCIR and updated supervisory statement on resolution assessment and public disclosure by firms.

Annex

HMT

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

EU

EBA — Launch of 2021 EU-wide transparency exercise, based on supervisory reporting data.

Revised list of Implementing Technical Standards validation rules on supervisory reporting.

Final guidelines to assess breaches of large exposure limits

Revised guidelines on stress tests of deposit guarantee schemes.

Study showing that EU banks' funding plans are poised to return gradually to a pre-pandemic funding composition by 2023.

Revised Decision confirming the quality of unsolicited credit assessments by certain External Credit Assessment Institutions for calculating banks' capital requirements.

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

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

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

Annual report on asset encumbrance.

DP on the EBA's proportionality assessment methodology.

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

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

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

EBA's 2020 Annual Report.

Implementing technical standards on 2022 benchmarking of internal model approaches.

Study of cost of compliance of supervisory reporting requirements.

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

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

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

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

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

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

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

Revised list of ITS validation rules.

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

Results of the EU-wide pilot exercise on climate risk.

Consultation on Pillar 3 disclosure of interest rate risk exposures.

Plans for the 2021 EU-wide transparency exercise and EBA risk assessment report.

Discussion paper on NPL data templates.

Updated data on deposit guarantee schemes across the EEA covering available financial means, and covered deposits.

Phase one of the EBA's 3.1 reporting framework published, including new reporting requirements for investment firms.

Report on convergence of supervisory practices in 2020.

Report on Member States' reliance on external credit ratings.

Report on the application of the BRRD early intervention framework.

Report on the reduction of MREL shortfall for the largest EU banks as of December 2019.

ESMA

ECB - SSM

Basel III developments, including:

ECB-EBA letter on EU implementation of outstanding Basel III reforms;

EBA regular monitoring report on Basel III full implementation in the EU; and

speech by Elizabeth McCaul, Member of the Supervisory Board of the ECB, on implementing the Basel III reforms in Europe.

Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on:

avenues to accelerate progress on the integration of the EU banking sector; and

the challenges facing euro area banks.

Andrea Enria, Chair of the Supervisory Board:

Letter on the ECB's general approach to assessing banks' management of non-performing loans.

Speech on the outlook for the eurozone economy and emerging risks in the banking union.

Q1 2021 supervisory banking statistics

Annual report on the outcome of the 2020 SREP IT Risk Questionnaire, including feedback to the industry.

Article by Elizabeth McCaul, Member of the Supervisory Board, on credit risk and how acting now paves the way for sound resilience later.

	Decision not to extend recommendation that all banks limit dividends beyond 30 September 2021. Statement on the ECB's decision to supervise securitisation requirements for significant banks. Supervisory newsletter published, covering topics including the impact of COVID-19 on banks' credit risk management and the new regulatory regime for large investment firms. Contribution to the European Commission's targeted consultation on the review of the crisis management and deposit insurance framework. Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on Basel III implementation in the EU. Interview with Frank Elderson, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, on monitoring credit risks during COVID-19, addressing climate change risks and the diversity of banks' boards.
ECB Central Bank	Monetary policy decisions including interest rates, the asset purchase programme, the pandemic emergency purchase programme, and refinancing operations. Euro area bank interest rate statistics for July 2021 Interview with Christine Lagarde, ECB President, on topics including COVID-19, social and gender inequality, climate change and decentralised currencies Interview with Luis de Guindos, Vice-president of the ECB, including commentary on the use of macroprudential tools and the need for EU banking market consolidation. Research bulletins on: the role of macroprudential policies in avoiding a financial epidemic; and a novel risk management perspective for macroprudential policy

Isabel Vansteenkiste appointed Director General International and European Relations

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

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

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

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

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

Financial Stability Review - May 2021.

Updated treatment of leverage ratio in the Eurosystem monetary policy counterparty framework.

EU banking sector structural indicators for the end of 2020.

TARGET2 2020 annual report, providing information on TARGET2 traffic, performance, and developments in 2020.

Speech by Luis de Guindos, Vice-President of the ECB, on climate change and financial integration. Link

Euro area securities issues statistics for March 2021.

ECOFIN https://www.consilium.europa.eu/en/press/press-releases/2020/11/30/statement-of-the-eurogroup-in-inclusive-format-on-the-esm-reform-and-the-early-introduction-of-the-backstop-to-the-single-resolution-fund/

ESRB September 2021 risk dashboard.

Occasional papers on:

growth-at-risk and macroprudential policy design; and

the benefits of the LEI for monitoring systemic risk.

		Report on macroprudential policy issues arising from the low interest rate environment.
	SRB	Statement on 2022 resolution reporting, highlighting the importance of high quality, complete and timely data submissions. Interview with Elke König, Chair, on the regulation of medium-sized banks. Blog by Jan Reinder de Carpentier, Vice Chair, urging the EU to complete the Banking Union. Update on the application of RTS provisions on prior permissions, complementing July 2021 guidance. Blueprint for the crisis management and deposit insurance framework review. Updated MREL policy and MREL dashboard for Q4 2020. Annex
International	BIS	Speech by Carolyn Rogers, Secretary General of the Basel Committee on Banking Supervision, on the Basel III framework. Speech by François Villeroy de Galhau, Governor of the Bank of France, on developing the EU banking Union. Speech by Joachim Wuermeling, Member of the Executive Board of Deutsche Bundesbank, on transformation finance and challenges for the banking system. Insight paper on institutional arrangements for bank resolution. Speech by Fernando Restoy, Chair of the BIS Financial Stability Institute, on the role of deposit insurance in improving funding of bank resolution in the banking union. Speech by Carolyn Rogers, Secretary General of the BCBS, on the outlook for banking, covering topics including COVID-19 risks and vulnerabilities in the banking system, Basel III and innovation.

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

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

	Discussion paper on supervisory stress testing of central counterparties (CCPs)
BOE	Consultation on modifications to the derivatives clearing obligation to reflect interest rate benchmark reform. Policy statement on modifications to the derivatives clearing obligation to reflect interest rate benchmark reform. Approach to the monitoring of third country systems designated under the Settlement Finality Regulations. Martin Pluves appointed as external member of the Financial Market Infrastructure Board. LIBOR: a) speech by Andrew Bailey, Governor, on LIBOR transition; b) minutes of the Working Group on Sterling Risk-Free Reference Rates 30 March 2021 meeting (published May 2021); c) the Working Group on Sterling Risk-Free Reference Rates recommend the use of overnight SONIA, compounded in arrears, as the successor rate to GBP LIBOR for the operation of fallbacks in bond documentation that envisage the selection of a recommended successor rate; d) joint statement with the FCA encouraging market participants to switch to SONIA in the sterling exchange traded derivatives market from 17 June 2021; and e) speech by John C Williams, President and CEO of the Federal Reserve Bank of New York, on LIBOR transition
FCA	Further arrangements for the orderly wind-down of LIBOR at end-2021. Annex 1 Annex 2 Annex 3

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

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

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

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

Methodology for assessing third country CCPs' systemic importance.

Consultation on EMIR reporting guidelines.

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

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

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

ESMA's 2020 Annual Report.

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

Report on the implementation and functioning of the EU Securitisation Regulation.

Consultation on commodity derivatives technical standards as part of MiFID II Recovery Package.

Consultation on guidelines for disclosure requirements for initial reviews and preliminary ratings under the Credit Rating Agencies Regulation.

Consultation on guidelines for data transfer between trade repositories under EMIR and SFTR.

		Consultation on draft synthetic securitisations RTS and amendments to simple, transparent and standardised templates.
		Final guidelines on the calculation of positions under SFTR.
		Latest double volume cap data.
		Letter to the European Commission on the review of the Central Securities Depositories Regulation.
		Guidance to NCAs on supervising benchmark administrators to mitigate the risk of 'letter box' entities and ensure oversight of outsourcing.
International	FSB	Updated Global Transition Roadmap for LIBOR.
		Survey on the common template for collecting information on continuity of access to financial market infrastructures for firms in resolution.
		FAQs on Global Securities Financing Data Collection and Aggregation.
	BIS	
	IOSCO	IOSCO reiterates the importance of continued transition to risk-free rates.
		Thematic review on business continuity plans for trading venues and market intermediaries.
Conduct		
UK	BOE	Speech by Edwin Schooling Latter, Director of Markets and Wholesale Policy, on the remaining six months before the end of the sterling LIBOR panel.
		Statement on supervision of commodity position limits.
		CP on LIBOR transition and the derivatives trading obligation
		Statement from the FCA and the BoE encouraging market participants in a switch to risk-free-rates in the LIBOR crosscurrency swaps market from 21 September.

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

		First consolidated tape provider data made available. Final report on the MIFID II/MIFIR obligations on market data. Publication of framework for ESMA's fourth stress test for CCPs. The European Commission, ECB Banking Supervision, EBA and ESMA encourage market participants to cease all LIBOR settings. Annex 2 Annex 3 Annex 4
	ECB - SSM	Consultation paper on a revised Guide to fit and proper assessments. Annex
	ECB - CB	Results of the June 2021 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets.
International	BIS	
	FSB	Progress report to the G20 on LIBOR transition issues including recent developments, supervisory issues, and next steps. FSB issues statements to support a smooth transition away from LIBOR by end-2021. FSB issues statements to support a smooth transition away from LIBOR by end-2021.
	IOSCO	
Investment Management Prudential		
UK	HMT	Amendments to Financial Services Markets Act 2000
	BOE / PRA	Productive finance working group recommendations to address barriers to investment in less liquid assets. CP on designating investment firms.

		Speech by Andrew Bailey, Governor, on improving the resilience and functioning of money market funds to protect the stability of the financial system.
	FCA	Three-year consumer investments strategy and podcast transcript with Debbie Gupta, Director, Consumer Investments, on the FCA consumer investments strategy. Annex Dear CEO letter on the FCA's wealth management and stockbroking supervision strategy PS on the implementation of the IFPR. PS21/6: Policy Statement on implementation of Investment Firms Prudential Regime. Feedback to consultation on liquidity mismatch in authorised open-ended property funds and update on next steps. Consultation on proposals for a new authorised fund regime to support investment in long-term, illiquid assets.
EU	ECB Central Bank	Q1 2021 euro area investment fund statistics. Q1 2021 euro area financial vehicle corporation statistics.
	EBA	Consultation paper on RTS on the calculation of the EUR 30bn threshold for investment firms.
	ESMA	Proposal to lower the reporting threshold for net short positions to 0.1% on a permanent basis. Consultation on MiFID II/MiFIR RTS annual report, considering changes thresholds for the liquidity criterion 'average daily number of trades' for bonds as well as trade percentiles used to determine the size specific to the financial instruments for non-equity instruments. Updated opinion on reporting information under the AIFMD. Final report on guidelines on funds' marketing communications.

		New Q&As on a range of topics covering AIFMD, UCITs and EMIR implementation.
		Updated Q&As on the Prospectus Regulation.
		Natasha Cazenave appointed as Executive Director.
International	IOSCO	Guidance for market intermediaries and asset managers using AI and machine learning.
	BIS	Industry survey on exchange-traded funds.

Conduct

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

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

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

Fintech & Cyber

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

	FCA	Temporary Registration Regime extended for existing crypto-asset businesses from 9 July 2021 to 31 March 2022. Research shows increase in crypto-asset ownership. Dear CEO letter to e-money firms asking them to write to their customers to make it clear how their money is protected. Extension of deadline for implementing Strong Customer Authentication for e-commerce transactions to 14 March 2022
	PRA	
	TPR	
	PSR	Annual report and accounts 2020/21. PS and consultation on legal instrument to lower the risks to the delivery of the New Payments Architecture. Launch of Digital Payments initiative to understand potential barriers to the take-up of digital payments and identify potential solutions. Consultation on new five-year strategy. Consultation on next steps for all banks to deliver Confirmation of Payee.
	CMA	
EU	EC	
	ECB Central Bank	Speech by Fabio Panetta, Member of the Executive Board of the ECB, on digital finance and evolving cyber risks. Launch of digital euro project 24 months investigation phase. Report on initiatives to build payments and market infrastructure two decades after the start of the ECB. Speech by Fabio Panetta, Member of the Executive Board of the ECB, on innovation in retail payments. Interview with Fabio Panetta on topics including the ECB's work on a digital euro.

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

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

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

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

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

Report on regulating digital payment services and e-money.

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

Monthly Global FinTech regulatory updater

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

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

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

Speech by Per Callesen, Governor of the National Bank of Denmark on whether the EU should launch a digital Euro.

Speech by Lael Brainard, Member of the Board of Governors of the Federal Reserve System, providing an update on CBDC work in the USA.

FSB
IMF
BdF

EVIA European Venues & Intermediaries Association

LEBA London Energy Brokers' Association

	SNB	

Sustainable Finance

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

Speech by Frank Elderson, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, on integrating climate and environmental challenges into the missions of central banks and supervisors.

Occasional paper on the ECB's economy-wide climate stress test.

Speech by Christine Lagarde, President of the ECB, on financing a green and digital recovery.

Speech by Christine Lagarde, President of the ECB, on the opportunity to build a green capital markets union for Europe.

ECOFIN

ECB – SSM

European Commission

Strategy to make the EU's financial system more sustainable, and the proposal for a new European Green Bond Standard.

Platform on Sustainable Finance:

– draft reports on a social taxonomy, and

– public consultation on taxonomy extension options linked to environmental objectives.

Letter from the EU Commission to EP and Council on information regarding the adoption of regulatory technical standards under SFDR.

ESMA

EIOPA

Remarks by Petra Hielkema, EIOPA Chair, on climate change challenges for insurers.

Article on climate change, catastrophes, and the macroeconomic benefits of insurance.

Report on non-life underwriting and pricing in light of climate change.

Methodological paper on potential inclusion of climate change in the Nat Cat standard formula.

		Opinion on the supervision of the use of climate change risk scenarios in ORSA. Consultation on Taxonomy-related product disclosures Annex 1 Annex 2 Technical advice on key performance indicators under Article 8 of the Taxonomy, to assist insurance and re-insurance firms with complying with the Non-Financial Reporting Directive (NFRD). Annex Announcement of a Sustainable Finance Roundtable on the 16th of December.
International	BIS	Speech by Sabine Mauderer, Member of the Executive Board of the Deutsche Bundesbank, on sustainable finance and the availability of good quality data. Speech by François Villeroy de Galhau, Governor of the Bank of France, on an approach to tackle challenges around climate-related data.
	FSB	
	IOSCO	FR04/2021 Report on Sustainability-related Issuer Disclosures. IOSCO consults on sustainability-related regulatory and supervisory expectations in asset management. Annex
	IMF	

Other / Resilience

UK	FCA	Consultation on changes to the FCA Handbook and enforcement guide to provide guidance on the FCA's new power to cancel or vary the statutory permissions of many FCA-authorised firms to carry on FCA-regulated activities.

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

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

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

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

Business Plan 2021/22.

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

annex

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

Joint FCA and PSR:

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

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

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

Consultation on plans for a new Consumer Duty

Consultation on preventing individuals connected with a wound-up FS firm reappearing in connection with a claims management company ('claims management phoenixing').

EVIA European Venues & Intermediaries Association

LEBA London Energy Brokers' Association

		Market Watch newsletter, covering how the FCA uses orderbook data to help conduct surveillance to identify market manipulation. Speech by Charles Randell, FCA and PSR Chair, on the future of outcomes-focussed regulation. Finalised guidance for insolvency practitioners on how to approach regulated firms.
	BOE/ PRA	Speech by Sam Woods, Deputy Governor for Prudential Regulation and CEO of the PRA, setting out the PRA's future work plans, including responding to climate change, reviewing Solvency II and ensuring a reliable and safe exit process for firms that become unviable. Annual reports for the Treasury Select Committee by: Dave Ramsden, Deputy Governor for Markets and Banking; and Silvana Tenreyro, external member of the MPC Policy statement on temporary, long-term absences for Senior Management Functions Third edition of regulatory initiatives grid published. Speeches by Lyndon Nelson, Deputy CEO, on: a) the PRA's recent final policy on operational resilience and the merits of outcome-based regulation of operational resilience; and b) steps to counter cyber risk, including simulation exercises, penetration testing and international collaboration.
	HMT	Queen's speech, setting out the Government's programme for the upcoming parliamentary session.
	CMA	
EU	ECB as a Central Bank	
	EC	

	ECOFIN	
	ECON	European Parliament briefing on strengthening the framework of the anti-money laundering package 2021.
	ESRB	
	EBA	Consultation on RTS on crowdfunding service providers offering individual portfolio management of loans. Consultation on proposals for a central database on anti-money laundering and countering the financing of terrorism (AML/CFT) in the EU. Consultation on new guidelines on cooperation and information exchange between supervisors in relation to AML and CFT.
	ESMA	
	EIOPA	Article by Ana Teresa Moutinho, Head of Supervisory Processes Department at EIOPA, on the importance of digital operational resilience.
International	BIS	Newsletter on cyber security. Speech by Joachim Wuermeling, Member of the Executive Board of the Deutsche Bundesbank, on the EU's Digital Operational Resilience Act and its impact on banks and their supervisors. FSI Brief on banking supervisors' oversight and accountability regimes.
	G7	
	FSB	Roadmap for addressing climate-related financial risks. Report on the use of overnight risk-free rates and term rates. Thematic peer review on corporate debt workouts. Annex
	IMF	
	IOSCO	Consultation on ESG Ratings and Data Providers.