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SELL SIDE HORIZON SCANNER 2023 APRIL 2023

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INTRODUCTION KEY CONTACTS AND FURTHER RESOURCES

Key contacts



SIMON CROWN PARTNER, LONDON

T +44 20 7006 2944 E simon.crown @cliffordchance.com



CAROLINE DAWSON PARTNER, LONDON

T +44 20 7006 4355 E caroline.dawson @cliffordchance.com



MONICA SAH PARTNER, LONDON

T +44 20 7006 1103 E monica.sah @cliffordchance.com

SARA EVANS SENIOR ASSOCIATE KNOWLEDGE LAWYER, LONDON

- T +44 20 7006 2557
- E sara.evans @cliffordchance.com

Our sell-side regulation practice

The financial services industry currently faces unprecedented regulatory change on a global basis. No other law firm is better placed to address these challenges for banking and investment firm clients than Clifford Chance.

Our understanding of each part of the sector, coupled with our global network of expertise, allows us to tailor our advice to a client's exact needs while accessing the very latest market thinking and advice from around the world, whether in relation to MiFID or EMIR or under Dodd-Frank.

Our clients include the world's leading banks, investment firms, insurance companies and private banking businesses. They range in size from household names with a five-continent footprint to start-up fintech firms.

Further Clifford Chance resources

The Financial Markets Toolkit

The Financial Markets Toolkit provides the cutting-edge knowledge you need for your business. It brings together, in a "one-stop shop", a wide range of practical, user-friendly resources. The Financial Markets Toolkit comprises a growing collection of

web-based videos, publications and other key resources on an expansive range of topics, from regulatory developments to transactional matters:

(http://financialmarketstoolkit.cliffordchance.com).

Alerter: Finance Industry

Our daily 'Alerter: Finance Industry' email and our weekly 'International Regulatory Update' email keep our clients up-to-date with a comprehensive, up-to-the-minute summary of regulatory and legal developments from around the world as well as links to relevant Clifford Chance publications and contacts.

Training and events

Sharing know-how is central to our ethos. Our London Perspective series is a seasonal series of talks addressing a wide range of topical issues for financial institutions, from corporate and employment issues to tax and regulatory developments. Our Insights on Financial Regulation series is a programme of frequent, short calls on which we share our practical insights on topical developments, from the Edinburgh Reforms to cryptoasset regulation.

Briefings

We regularly produce short, practical briefings on regulatory developments and longer, thought leadership pieces on industry and legal trends and issues. These are distributed to our existing clients and collated on our Financial Markets Toolkit.

CONTACTS



KIKUN ALO

SENIOR ASSOCIATE, LONDON

- +44 20 7006 4067 +44 7983 313225 E kikun.alo
 - @cliffordchance.com



CHRISTOPHER BATES SPECIAL COUNSEL. LONDON

T +44 20 7006 1041

- +44 7785 700236
- E chris bates @cliffordchance.com



CHARLOTTE CHOPPING SENIOR ASSOCIATE KNOWLEDGE

LAWYER, LONDON +44 20 7006 8327

- M +44 7966 144560
- E charlotte.chopping @cliffordchance.com



LAURA DOUGLAS

SENIOR ASSOCIATE, LONDON

- +44 20 7006 1113 +44 7583 035088
- E laura.douglas @cliffordchance.com



STEVE JACOBY

REGIONAL MANAGING PARTNER. LUXEMBOURG

- +352 48 50 50 219
- M +352 621303470 E steve.jacoby @cliffordchance.com



MONICA SAH PARTNER

- +44 207006 1103
- +44 7747627820
- E monica.sah @cliffordchance.com



+34 91 590 7541 +34 659780081





M +49 1709222892

E marc benzler @cliffordchance.com

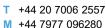
SIMON CROWN

PARTNER, LONDON +44 20 7006 2944

+44 7900 167265 E simon.crown @cliffordchance.com

SARA EVANS

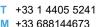
SENIOR ASSOCIATE KNOWLEDGE LAWYER, LONDON

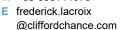


E sara.evans @cliffordchance.com

FREDERICK LACROIX

PARTNER, PARIS







PARTNER, AMSTERDAM

+31 20 711 9340 +31 621517107

E jurgen.vandermeer @cliffordchance.com

DANIEL BADEA MANAGING PARTNER, BUCHAREST



M +40 722205607 E daniel.badea @cliffordchance.com

ANNA BIAŁA

COUNSEL. WARSAW T +48 22429 9692

M +48 608042015

E anna biala @cliffordchance.com

LOUNIA CZUPPER PARTNER, BRUSSELS

T +32 2 533 5987

M +32 496239987 E lounia.czupper @cliffordchance.com

MILOS FELGR

PARTNER, PRAGUE

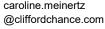
- T +420 222 55 5209 M +420 731471429
- E milos.felgr



CAROLINE MEINERTZ PARTNER, LONDON



M +44 7717 693723 E caroline.meinertz





SENIOR ASSOCIATE, LONDON T +44 20 7006 3425



@cliffordchance.com



LUCIO BONAVITACOLA PARTNER, MILAN

T +39 02 8063 4238 M +39 3479571560

E lucio.bonavitacola @cliffordchance.com



CAROLINE DAWSON PARTNER, LONDON

+44 20 7006 4355 +44 7949 443527

E caroline.dawson @cliffordchance.com



SIMON GLEESON PARTNER

- T +44 207006 4979
- M +44 7962371512
- @cliffordchance.com



- +44 20 7006 4387 +44 7908 223827
- E stephanie.peacock @cliffordchance.com









INTRODUCTION THE SELL-SIDE REGULATORY HORIZON SCANNER

This sell-side regulatory horizon scanner provides a high-level overview of key ongoing and expected EU and UK regulatory developments relevant to banks and investment firms. The tracker identifies and summarises key legislative and non-legislative developments that are likely to have an impact on banks and investment firms providing services in the EU and UK. Developments are grouped firstly according to whether they are EU or UK developments and, within those categories, into the following four topics:

Markets related developments Key financial markets developments, such as MiFIR2/MiFID3

ESG developments

Key ESG developments that are relevant to banks and investment firms, such as the SFDR

Prudential developments

Key developments related to the capital, recovery and resolution frameworks to which sell-side firms are subject

Cross-sectoral developments

Key developments that impact all firms across the financial services sector, such as MLD5

The horizon scanner also sets out projected timelines for the finalisation and implementation of the relevant developments, covering approximately the next 18 months to 2 years.

Further background information and commentary on many of these developments, as well as an overview of the EU legislative process, is available on the <u>Financial Markets Toolkit</u>.

This horizon scanner has been prepared as of April 2023. It does not constitute legal advice and is not intended to provide an exhaustive list of all provisions or requirements applicable to such firms during this period.

INTRODUCTION THE EU SELL-SIDE REGULATORY LANDSCAPE



In 2023, we are in the fourth year of the five year agenda for the EU agreed by the European Council in 2019. That agenda consists of four priorities: developing a strong and vibrant economic base; building a climate-neutral, green, fair and social Europe; protecting citizens and freedoms; and promoting European interests and values on the global stage. In 2023 we expect to see the first three of these priorities come to the fore.

As in 2022, the EU's work to strengthen its economic base will be reflected via the continuation of its programme of revisions to the EU capital markets union. In 2023, the Commission's proposals for revisions to existing regimes, including the MiFID and EMIR packages, are expected to continue through the EU legislative process.

At the same time, the EU will continue to progress its digital-related initiatives, including legislation on digital operational resilience, DORA, and on markets in cryptoassets, MiCA, and its ESG-related initiatives, including further developments to the SFDR and Taxonomy Regulation.

Finally, 2023 is forecast to see the unveiling of the EU's retail investment strategy. Firms and investors alike will be interested to see the nature and scope of changes that are proposed as part of this publication.

INTRODUCTION THE UK SELL-SIDE REGULATORY LANDSCAPE



In 2023 we expect to see a continuation of the three-pronged approach to regulatory reform that has typified the UK's post-Brexit years.

The first prong consists of targeted amendments to existing legislation to ensure that it remains suitable for the evolving financial services industry. A programme of current reforms to the UK's financial promotion (marketing) regime to ensure it reflects today's investors and investment products is an example of such amendments.

The second prong consists of the development of new, post-Brexit initiatives. Some, such as the UK's new Consumer Duty and reform of the ring-fencing regime, reflect domestically-driven initiatives. Others, such as the UK's proposals for a regulatory framework for cryptoassets, reflect the global direction of travel.

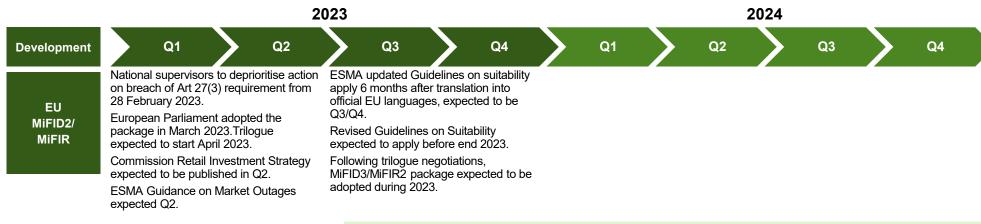
Finally, the third prong consists of a more fundamental restructuring of the UK's post-Brexit regulatory framework. Following a period of review and discussion surrounding the UK regulatory framework, in 2022 we saw the publication of the Financial Services and Markets Bill, the Retained EU Law (Revocation and Reform) Bill and the announcement of the so-called Edinburgh reforms. These will make significant changes to the legislative framework, including enabling the revocation of retained EU, providing the UK's regulators with additional objectives and reforming many aspects of UK financial regulation. In 2023, we expect to see an ambitious number of consultations and publications aiming to bring forward this post-Brexit reform.



HORIZON SCANNER A. EU DEVELOPMENTS I. MARKETS



EU MIFID2



EU MiFID2/MiFIR package

The extensive legislative package known as MiFID 2 (comprising the MiFID 2 Directive and the MiFIR Regulation) has since 2018 been the cornerstone of EU legislation governing the authorisation and operation of investment firms and the buying, selling and organised trading of financial instruments. The MiFID 2 'Quick Fix' measures in response to Covid-19 have applied since February 2022 and measures to integrate sustainability into the package were introduced in August and November 2022.

In addition, the Commission has reviewed the functioning of the MiFID 2 framework and put forward legislative proposals (sometimes referred to as '**MiFID3/MiFIR2'**) which are passing through the EU legislative process during 2023. MiFID2 will also see further changes due to initiatives being introduced under the Capital Markets Union (CMU) Action Plan.

Read our in-depth briefings on these developments <u>here, here</u> and <u>here</u>.

- The MiFID2 'Quick Fix' measures suspended best execution periodic reporting under Article 27(3) of the MiFID2 Directive until 28 February 2023. However, the incoming MiFID3/MiFIR2 package will remove the Article 27(3) requirement and so ESMA has advised national supervisors to deprioritise supervisory actions relating to breaches of Article 27(3) after 28 February 2023.
- The incoming Fintech Amending Directive (see slide 18) will strengthen operational resilience of MiFID firms by amending the MiFID2 Directive to apply the provisions of the DORA Regulation (see slide 35).
- The Council agreed its negotiating mandates on the MiFID3/MiFIR2 package on 16 December 2022 and is ready to begin negotiations with the European Parliament. The European Parliament's voted on the Reports of its ECON Committee in its March 2023 plenary session. Trilogue negotiations are expected to begin in April 2023.
- The incoming CMU initiative, the Listing Act package to support access to public markets (see **slide 19**), will among other things amend MiFID 2's provisions on research unbundling and SME growth markets, to stimulate investment in SMEs.
- The Commission's Retail Investment Strategy (see slide 22), expected in Q2 2023, will include proposed
 amendments to MiFID2 to introduce simplified/improved disclosures on products, new provisions relating to
 sophisticated retail investors and harmonisation of professional standards for advisers.
- ESMA published updated Level 2 Guidelines on aspects of the MiFID2 suitability requirements in September 2022. These are expected to apply before the end of 2023.
- ESMA is expected to publish guidance in Q2 2023 on market outages and its requirements on trading venue systems resilience.

EU EMIR



EMIR

The European Market Infrastructure Regulation (EU EMIR) places clearing, risk mitigation and reporting requirements on counterparties to derivatives contracts, central counterparties ((CCPs) and trade repositories. EU EMIR also sets out registration and supervision requirements applicable to CCPs and trade repositories.

Since its application, EMIR has been amended by EMIR REFIT and EMIR 2.2.

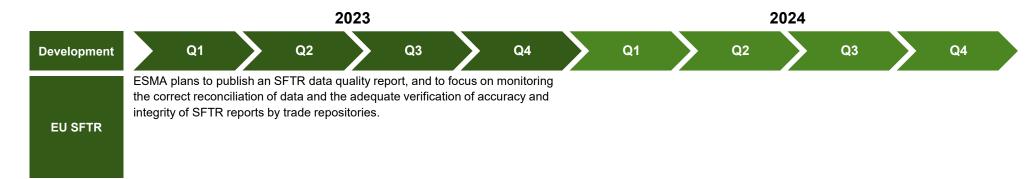
In December 2022, the European Commission adopted proposals for the **EMIR 3.0** package, comprising a proposed Regulation and Directive. EMIR 3.0 will amend EU EMIR and other sectoral legislation to mitigate excessive exposures to third country CCPs and improve the efficiency of EU clearing markets, as well as to enhance the monitoring and treatment of concentration risk towards CCPs and the counterparty risk on centrally cleared derivatives transactions.

Recently adopted Level 2 measures have deferred the application of some of EMIR's requirements.

Listen to our panel discussion on this development <u>here</u>

- Commission Delegated Regulation (EU) 2022/1671 exempts pension scheme arrangements from the EMIR Clearing Obligation (CO) until 18 June 2023.
- On 1 February 2023, in view of IBOR transition ESMA published a Final Report submitting to the European Commission draft RTSs: (i) under Article 5(2) of EMIR on the CO; and (ii) under Article 32 of MiFIR on the Derivatives Trading Obligation (DTO). Subject to endorsement by the Commission the RTS on the CO would enter into force on publication, and the RTS on the DTO would enter into force on application of the MiFID3/MiFIR2 package.
- Draft RTS under Art 11(5) EMIR are under development, setting out supervisory procedures for initial and ongoing validation of initial margin (IM) models used to determine the level of margin requirements for uncleared over the counter (OTC) derivatives.
- ESMA published final Guidelines on reporting under EMIR REFIT on 20 December 2022, providing clarification on compliance with the EMIR technical standards. The Guidelines apply from 29 April 2024.
- Intragroup transactions:
 - Commission Delegated Regulation (EU) 2023/314 has extended the deferred date of the application of margin requirements for intragroup transactions to 30 June 2025.
 - Delegated Regulation (EU) 2023/315 has extended the deferred date of application of the CO for intragroup transactions set in the three Commission Delegated Regulations to 30 June 2025.
- The European Parliament and the Council of the European Union are considering the EMIR 3.0 package during 2023. Once adopted, EU Member States are expected to implement the amendments set out in the proposed Directive 12 months after the date of the entry into force of the proposed Regulation.

EU SFTR



EU SFTR

SFTR aims to increase transparency and reduce perceived "shadow banking" risks by requiring counterparties to report securities financing transactions (SFTs) to a trade repository, requiring UCITS managers and AIFMs to make pre-contractual and periodical disclosures to investors about their use of SFTs and total return swaps and imposing conditions on the 'reuse' of financial instruments that have been provided as collateral.

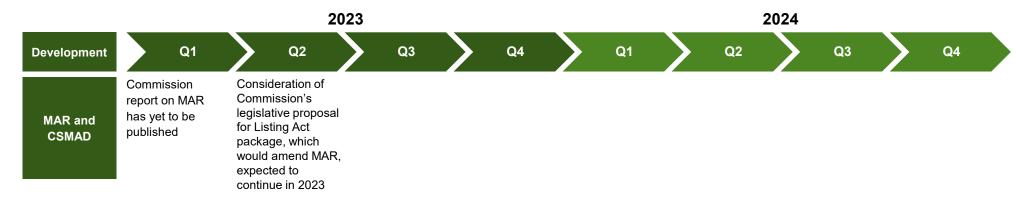
ESMA Guidelines for the transfer of data between trade repositories under EMIR and the SFTR were published in March 2022 and have applied since October 2022.

ESMA informed the European Commission in June 2022 that it has deprioritised the following EU SFTR deliverables: (a) a report on the efficiency of SFTR reporting; and (b) a report on SFTR fees.

What's on the horizon?

 During 2023, ESMA plans to publish an SFTR data quality report, and to focus on monitoring the correct reconciliation of data and the adequate verification of accuracy and integrity of SFTR reports by trade repositories.

EU MAR AND CSMAD



MAR and CSMAD

An EU-wide framework for tackling market abuse and market manipulation was first introduced in 2005. MAR and CSMAD aimed to update and strengthen this framework. MAR extended the scope of the market abuse regime and introduced new requirements including in relation to insider lists, disclosure of inside information and reporting of suspicious orders and transactions. CSMAD sets minimum requirements for EU member states' criminal sanctions regimes for market abuse.

- MAR required the Commission to submit a report on MAR and, if the Commission considered this to be appropriate, a proposal for amendments to MAR, by 3 July 2019. In September 2020, ESMA published a report on MAR. The Commission's report has yet to be published.
- In December 2022, the Commission published a package of proposals to simplify EU listing rules, referred to as the Listing Act package (see **slide 19**). This will, amongst other things, amend MAR to: narrow the scope of the obligation to disclose inside information and enhance legal clarity as to what information needs to be disclosed and when; clarify the conditions under which issuers may delay disclosure of inside information; clarify the market sounding procedure; simplify the insider lists regime; and simplify the reporting mechanism for buy-back and stabilisation programmes. The proposals will now continue through the EU legislative process.

EU CSDR



EU CSDR

EU CSDR aims to harmonise certain aspects of securities settlement, such as the timing of settlement and the authorisation process for EEA CSDs. The next major phase of implementation, the introduction of a mandatory buy-in regime, was intended to come into effect on 1 February 2022. This, however, has been postponed. In the meantime, in March 2022 the Commission published a legislative REFIT proposal with proposed amendments to the CSDR.

Read our in-depth briefing on this development <u>here</u>.

- From 1 January 2023, any EU issuer that issues transferable securities that are admitted to trading or traded on trading venues must arrange for the securities to be represented in electronic book-entry form.
 From 1 January 2025, this requirement will apply to all remaining transferable securities that are admitted to trading or traded on trading venues.
- In November 2022, ESMA published a final report and draft RTS amending Article 19 of Commission Delegated Regulation (EU) 2018/1229. The amendments would remove the special distribution and collection process for cash penalties that applies to central counterparties (CCPs) and instead allocate responsibility for the collection and distribution of all cash penalties to central securities depositaries (CSDs). The draft RTS will now proceed through the EU legislative process.
- In March 2022, the Commission adopted a legislative REFIT proposal to amend the CSDR. The proposal is now continuing through the EU legislative process. As yet, there is no firm date on which this process will conclude. Most recently, in December 2022, the Council of the EU announced that it had agreed its general approach on the proposed draft regulation, and the European Parliament's ECON Committee voted to adopt its report on 1 March 2023.
- The ECON report was adopted by the European Parliament at its March 2023 plenary session. Trilogue negotiations are expected to begin during H1 2023.
- The CSDR's mandatory buy-in regime was intended to apply from 1 February 2022. The application of the relevant rules has been delayed until 2 November 2025.

EU MICA REGULATION



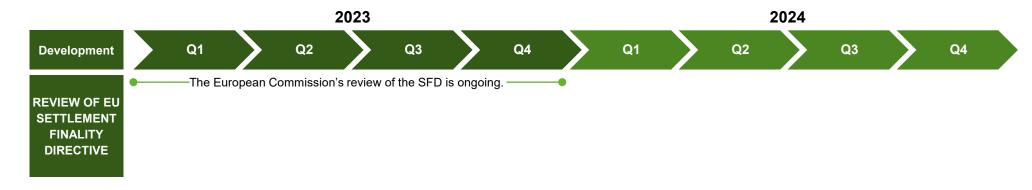
MICA regulation

The Markets in Cryptoassets Regulation (MiCA) aims to harmonise cryptoasset regulation across the EU. As well as placing obligations on those who issue or offer cryptoassets to the public, MiCA provides a framework for service providers ('CASPs'), which will bring in separate authorisation and ongoing requirements for activities such as trading and custody of this asset class. It will ensure among other things that customer assets are properly segregated from a cryptoasset firm's own assets and will ensure the cryptoassets firm has enough liquidity on hand in the form of reserves to meet customer withdrawals. It will also introduce a market abuse regime.

Read our in-depth briefings on this development <u>here</u>, <u>here</u>, <u>here</u> and <u>here</u>.

- The European Parliament and the Council reached political agreement on the text of MiCA in October 2022. The European Parliament is expected to vote on the Regulation at its plenary session in April 2023.
- Once adopted, MICA will enter into force 20 days following its publication in the Official Journal of the European Union.
- MiCA's provisions related to stablecoins ('Asset Referenced Tokens' and 'E-Money Tokens') will apply 12 months after MiCA enters into force, with the remainder of its provision (covering other cryptoassets) will apply 18 months after MiCA enters into force.

SETTLEMENT FINALITY DIRECTIVE



Review of EU settlement finality directive

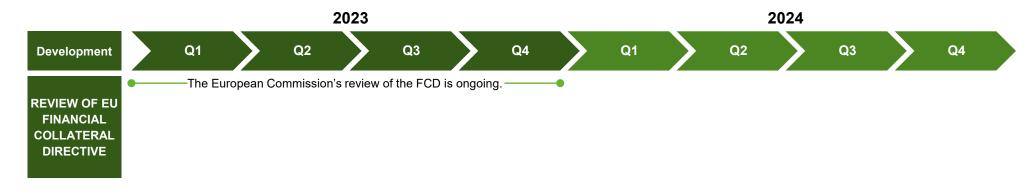
The Settlement Finality Directive (SFD) regulates designated systems used by participants to transfer financial instruments and payments. It guarantees that transfer orders which enter into such systems are also finally settled, regardless of insolvency or revocation of transfer orders in the meantime.

The Commission was mandated under Article 12a of the SFD to conduct a review of its functioning and was to have produced a report by 28 June 2021, including proposed legislative amendments where appropriate. Due to the close post-trade interconnection of the SFD with the Financial Collateral Directive (FCD), the Commission launched parallel consultations on the two Directives in February 2021.

Read our in-depth briefing on this development here

- The consultation closed on 7 May 2021 and the Commission is reviewing responses. As yet there are no firm indications as to when the Commission will conclude its review of the SFD. Matters under consideration for potential legislative amendment include:
 - extending the scope of the SFD to cover EU institutions participating in third country systems as well as new types of entity;
 - o enabling the SFD to apply in the context of permissionless DLT;
 - amending the protections relating to collateral security so that these can apply in the context of client clearing; and
 - clarifying and/or revising the concepts of irrevocability and the point in time at which an order enters the system.

FINANCIAL COLLATERAL DIRECTIVE



Review of EU financial collateral directive

The Financial Collateral Directive (FCD) facilitates the cross-border use of financial collateral primarily by removing national law formalities and offering harmonised protections against insolvency challenges in certain cases. It also ensures that certain close out netting provisions are enforceable in accordance with their terms.

The Commission launched a consultation on the functioning of the FCD in February 2021, in parallel with a consultation on the functioning of the Settlement Finality Directive given that the two Directives are closely connected in the post-trade context.

What's on the horizon?

- The consultation closed on 7 May 2021 and the Commission is reviewing responses. As yet there are no firm indications as to when the Commission will conclude its review of the FCD. Matters under consideration for potential legislative amendment include:
 - o revising the types of entity and collateral types that are in scope of the FCD;
 - clarifying the requirements of "possession" and "control" and the concept of "awareness of pre-insolvency proceedings"; and
 - achieving further harmonisation around the requirement that close out netting arrangements should take effect in accordance with their terms notwithstanding the onset of insolvency proceedings of a counterparty.

Read our in-depth briefing on this development here

FINTECH AMENDING DIRECTIVE



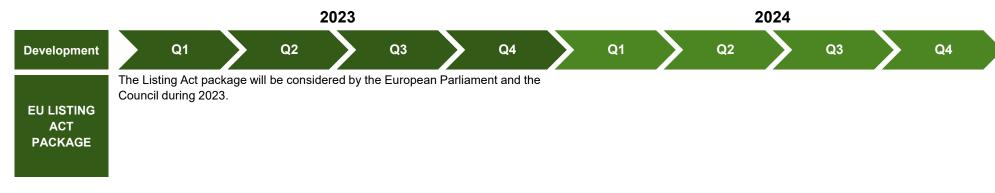
Fintech amending directive

The Amending Directive (EU) 2022/2556 of 14 December 2022 supports the DORA Regulation (see **slide 35**) as part of the EU's Digital Finance Strategy.

The Amending Directive makes amendments to various sectoral Directives to ensure that their requirements on operational risk and risk management are cross-referenced to the DORA Regulation. The objective is to ensure legal certainty and clarity for financial services entities as to the relevant requirements for the operational resilience of their digital operations against information and communication technology (ICT) risk.

- Member States must amend their national law implementing the following Directives to transpose the provisions of the Amending Directive: UCITS Directive; Solvency II Directive; AIFMD; Capital Requirements Directive; Bank Recovery & Resolution Directive; MiFID II; PSD2; and IORP Directive.
- Provisions in the original proposal for the Amending Directive that proposed amendments to MiFID II to allow derogations from MiFID II requirements for DLT market infrastructures that have permission under the DLT Pilot Regulation (a related initiative under the EU's Digital Finance Strategy) were not carried through into the final version of the Amending Directive.
- Member States' transposition measures to implement the Amending Directive in domestic law must take effect from 17 January 2025.

LISTING ACT PACKAGE



EU Listing Act package

The EU is moving forward with its ambitious plans for a new wideranging "Listing Act" package, following a wide-ranging consultation at the start of 2022. The package comprises three legislative proposals:

- a proposed Directive to introduce targeted adjustments to MiFID2 to enhance visibility of listed companies, especially SMEs, and to introduce regulation for issuer-sponsored research (see **slide 10** for other MiFID2 amendments), and to repeal the Listing Directive to enhance legal clarity;
- (ii) a proposed Directive on multiple-vote share structures, to address regulatory barriers at the pre-IPO phase and, in particular, the unequal opportunities of companies across the EU to choose the appropriate governance structures when listing; and
- (iii) a proposed Regulation amending the Prospectus Regulation and the Market Abuse Regulation, to streamline and clarify listing requirements applying on primary and secondary markets, while maintaining an appropriate level of investor protection and market integrity.

Read our in-depth briefing on this development here

- The proposed measures will be considered by the European Parliament and the Council during 2023.
- The three legislative proposals will each enter into force on the 20th day following their publication in the Official Journal.
- Member States will need to create and publish national implementing measures by the expiry of 12 months following the entry of the Directives into force.
- The two Directives and the Regulation will each take effect 18 months after their entry into force.

SECURITISATION REGULATION REVIEW



Securitisation regulation review

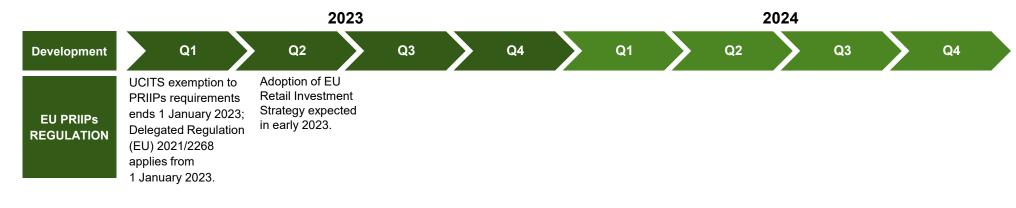
As part of the capital markets union (CMU) action plan the Commission is currently engaged in a process of reviewing the EU securitisation framework. Fulfilling its mandate under Article 46 of the Securitisation Regulation (SR), the Commission published a report in October 2022, which set out the results of the Commission's stocktake on the SR's functioning. The Commission has highlighted some targeted improvements to the framework, which will be made without legislative revisions.

Separately, the Commission is mandated under Article 519a of the Capital Requirements Regulation (CRR) to review the securitisation capital and liquidity frameworks. The Commission is currently considering the advice of the European Supervisory Authorities' Joint Committee, which was published in a report in December 2022.

Read our in-depth briefings on Securitisation and CMU <u>here</u> and <u>here</u>

- The Council has highlighted review of the appropriateness of the EU Securitisation framework as one of the most urgent measures that should be taken forward under the CMU action plan, as a means of boosting the contribution of this asset class to the economy. The Commission does not propose amending the Securitisation Regulation at this stage, but it has committed to the non-legislative improvements to the framework set out below.
- ESMA should revisit the disclosure templates for the information originators, sponsors, SSPEs must make available under Article 7 of the SR, to reduce prescription and to simplify them where appropriate. This should also assist EU investors in seeking information that will allow them to invest in certain third country securitisations.
- ESMA should develop a dedicated template for private securitisations.
- The Commission will clarify in a future revision of the SR the provisions of Article 2(12) of the SR, which have caused problems for AIFMs.
- The Commission will not establish a dedicated framework for green securitisation, and instead contribute to work on specifying the details of securitisation within the incoming EU Green Bond Standard framework (see **slide 29**). Green Bonds will include those issued by a special purpose vehicle in the context of a securitisation transaction.
- The Commission agrees with the recommendation of the Joint Committee that a common EU guide should be developed on best practices for national supervisors.
- In relation to the prudential regime for securitisation, the Commission is considering recommendations from the Joint Committee, which include a potential relaxation of capital requirements in the significant risk transfer market and a set of fixes designed to clarify existing requirements, remove some inconsistencies and improve risk sensitivity in the framework.

EU PRIIPS REGULATION

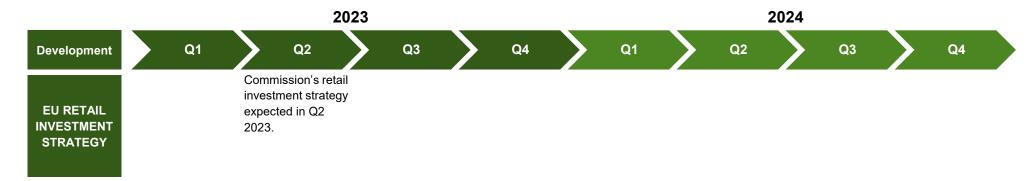


PRIIPs Regulation

The PRIIPs Regulation obliges manufacturers of PRIIPs to produce a concise pre-contractual disclosure document, the KID, where such products are made available to retail investors. It also obliges persons who advise upon or sell PRIIPs to provide investors with the KID. It sets out rules on the content and format of the KID, as well as guidance for its review and timing of delivery.

- Delegated Regulation (EU) 2021/2259 extended the exemption from PRIIPs requirements for UCITS until 31 December 2022. This exemption has now expired, with the result that from 1 January 2023 PRIIPs KID requirements have applied to UCITS. In a related measure, Directive (EU) 2021/2261 amended the UCITS package to provide that KIDs that comply with PRIIPs are considered to satisfy the requirements for KIIDs set out in the UCITS package. EU member states were required to implement the Directive by 30 June 2022 and to apply it from 1 January 2023. As a result, member states must now allow provision of the PRIIPs KID to satisfy the requirement to provide a UCITS KIID.
- Delegated Regulation (EU) 2021/2268 amends certain requirements relating to the presentation and content of KIDs. It applies from 1 January 2023.
- The Commission is reviewing the PRIIPs Regulation as part of a wider assessment of the EU's retail investment strategy. The retail investment strategy is expected to be adopted in early 2023 and may propose amendments to the PRIIPs Regulation.

EU RETAIL INVESTMENT STRATEGY



EU retail investment strategy

In May 2021, the Commission published a consultation paper entitled 'A retail investment strategy for Europe'. The Commission stated that the aim of the consultation was to ensure that retail investors can take full advantage of capital markets and that rules are coherent across legal instruments. In February 2022, the Commission published a second, targeted consultation on options to enhance the

suitability and appropriateness assessments.

What's on the horizon?

• The Commission's proposal for improving the retail investment framework was originally expected in H1 2022. The Commission's work programme for 2023 indicated that it would publish its proposal in Q1 2023. The proposal is expected to be published during Q2 2023.



HORIZON SCANNER A. EU DEVELOPMENTS II. ESG



EU SFDR



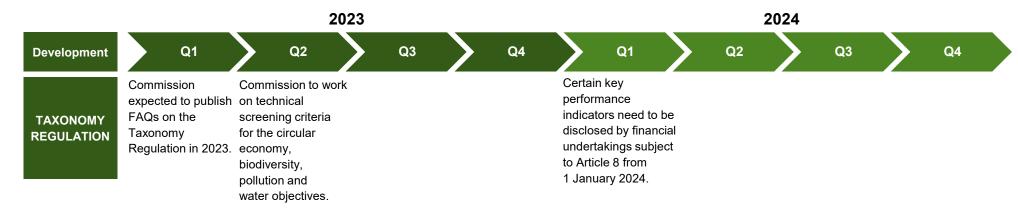
SFDR

The SFDR sets out harmonised rules on disclosures to investors regarding the integration of sustainability risks and the consideration of adverse sustainability impacts in investment decision-making and investment advice. Whilst many of its provisions began to apply in 2021, staggered implementation deadlines and the development of underlying technical standards have meant that firms' implementation projects have continued long past this date.

Read our in-depth briefings on this development here and here.

- A delegated regulation incorporating nuclear and gas disclosures into SFDR disclosures was published in the Official Journal on 17 February 2023 and entered into force on 20 February 2023.
- The Commission was due to evaluate the SFDR by 30 December 2022. In December 2022, the European Commissioner for financial services, financial stability and Capital Markets Union stated that a public consultation on the SFDR should begin in early 2023.
- Commission Q&As on SFDR expected early 2023.
- In November 2022, the ESAs launched a Call for Evidence on greenwashing. A progress report is expected in May 2023 and a final report in May 2024.
- Financial market participants that are required to publish 'principal adverse impact' (PAI) statements under Articles 4(1)(a), 4(3) or 4(4) of the SFDR must comply with the disclosure requirements set out in the RTS by 30 June 2023 for the reference period 1 January 2022 to 31 December 2022.
- The ESAs are due to report to the Commission on best practices relating to voluntary disclosures annually, by 10 September of each year. The next report is due by 10 September 2023.
- The ESAs have been asked to review the indicators for principal adverse impact and the financial product disclosures under the SFDR. In November 2022 the ESAs wrote to the Commission to confirm that they would need a six-month extension to this deadline, with the result that the ESAs' review should complete by 28 November 2023.

EU TAXONOMY REGULATION



Taxonomy regulation

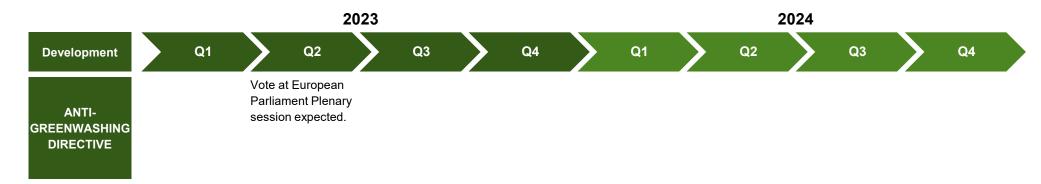
The Taxonomy Regulation sets out criteria that an activity must satisfy to be referred to as 'environmentally sustainable'. Two such criteria are that the activity must contribute substantially to at least one 'environmental objective' and that the activity must not significantly harm an 'environmental objective'. The six 'environmental objectives' are set out in the Taxonomy Regulation. The Taxonomy Regulation also creates disclosure obligations for certain products that are within the scope of the SFDR.

What's on the horizon?

- In December 2022, the European Commissioner for financial services, financial stability and Capital Markets Union stated that the Commission intends to publish over 200 FAQs on the Taxonomy Regulation, presumably in 2023.
- The Commission has also announced its intention to work on technical screening criteria for activities that can make a substantial contribution to the remaining four environmental objectives (circular economy; biodiversity; pollution; and water). The Commission did not state a firm date by which this work would be completed.
- Under Article 8 of the Taxonomy Regulation, undertakings that are required to publish non-financial information under Articles 19a or 29a of the Non-Financial Reporting Directive must include sustainability information in their non-financial disclosures. Under Commission Delegated Regulation 2021/2178, which supplements Article 8 of the Taxonomy Regulation, financial undertakings will need to disclose certain key performance indicators from 1 January 2024.
- A number of reports under the Taxonomy Regulation remain outstanding with no confirmed dates for publication.

Read our in-depth briefing on this development here.

ANTI-GREENWASHING DIRECTIVE: AMENDMENTS TO UCPD



Anti-Greenwashing Directive

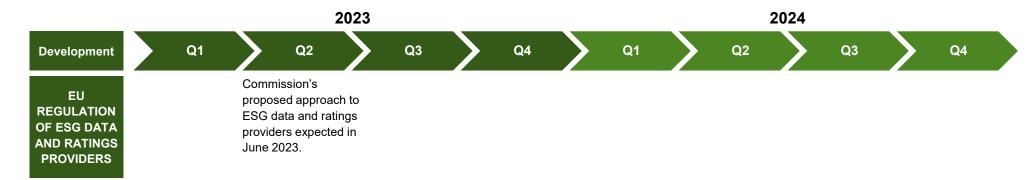
A priority measure in the Commission's 2023 Work Programme, the proposed **Directive on Empowering Consumers for Green Transition** (referred to as the Anti-Greenwashing Directive) is proceeding through the EU legislative process. The new Directive aims to strengthen consumer rights and protections with respect to commercial practices, including greenwashing, that prevent sustainable purchases.

The Directive will amend the **Unfair Commercial Practices Directive (UCPD)** to:

- extend the list of product characteristics about which a trader cannot mislead consumers to cover the environmental or social impact;
- extend the list of actions which are to be considered misleading if they cause or are likely to cause the average consumers to take a transactional decision that they would not have otherwise taken; and
- add new practices, including forms of greenwashing, to the existing 'blacklist' of prohibited unfair commercial practice.

- In March 2022, the Commission published a package of proposed measures as part of its New Consumer Agenda and Circular Economy Action Plan, aimed at making sustainable products the norm in the EU, boosting circular business models, and empowering consumers for the green transition. The proposed *Directive on Empowering Consumers for Green Transition* (Anti-Greenwashing Directive) is designed to ensure consumers take informed and environment-friendly decisions when buying products, and the rules strive to strengthen consumer protection against untrustworthy or false environmental claims by banning greenwashing and other practices that mislead consumers.
- The European Parliament's Internal Market and Consumer Protection (IMCO) lead committee voted to adopt its Report on the proposal on 28 March 2023. The Report is tabled for a vote at a future plenary session of the European Parliament.
- The Council will continue to review the proposal under the Swedish Presidency.
- Once adopted the Directive will enter into force on the 20th day following its publication in the Official Journal. The Commission proposal envisages a 24-month transposition period, but this may be subject to change as the measure passes through trilogue negotiations.

EU REGULATION OF ESG DATA AND RATINGS PROVIDERS



EU regulation of ESG data and ratings providers

In April 2022, the Commission confirmed that it is considering the adoption of a legislative proposal relating to ESG ratings providers (essentially, firms offering products that opine on the ESG characteristics or exposure of products and firms). The Commission published a consultation and call for evidence on the topic in April 2022. Publication of its proposed approach, including draft legislation, is expected in June 2023.

What's on the horizon?

• The Commission is expected to publish a proposal for a Regulation on ESG ratings and its approach to ESG data providers in June 2023.

CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (CS3D)



Corporate Sustainability Due Diligence Directive (CS3D)

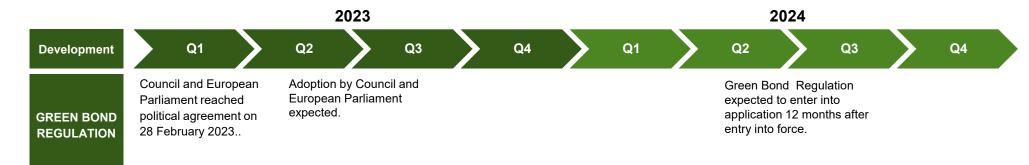
The Corporate Sustainability Due Diligence Directive (CS3D) sets out an EU legal framework on sustainable corporate governance, including cross-sector corporate due diligence along global value chains. A sustainability due diligence duty will apply to large EU companies and non-EU companies with significant EU activity to address human rights and environmental violations in their own operations, those of their subsidiaries and in their global value chains.

What's on the horizon?

- CS3D will apply to large EU companies and large non-EU companies active in the EU. The Council adopted its general approach on 1 December 2022, and is ready to enter into negotiations with the European Parliament. Among other things, the Council's approach would be to introduce a phase-in approach regarding the application of the rules. The rules would first apply to very large companies that have more than 1000 employees and €300 million net worldwide turnover or, for non-EU companies, €300 million net turnover generated in the EU (irrespective of whether they have a branch or subsidiary in the EU), 3 years from the entry into force of the directive.
- In the European Parliament, the lead Committee is the JURI Committee. The JURI Committee was originally expected to adopt its Report on the proposal in March 2023, but the vote has been deferred to April 2023.
- Following the JURI vote, the Report will be tabled for a European Parliament vote at a plenary session, expected to take place on 30 May 2023.
- Once CS3D is adopted by the co-legislators, Member States will have two years to transpose the Directive into national law and communicate the relevant texts to the Commission.

Read our in-depth briefing on this development here

GREEN BOND REGULATION



Green Bond Regulation

The Commission published its proposal for an EU Green Bond Standard (EuGBS) in July 2021 and political agreement was reached in February 2023. The Green Bond Regulation is intended to be a voluntary EU framework for green bonds, including those issued by a special purpose vehicle in the context of a securitisation transaction (see **slide 20** for securitisation developments). In order to get the green bond label, the issuer needs to commit to use the proceeds from the bond issuance to finance, refinance or acquire assets aligned with the EU taxonomy set out in the EU Taxonomy Regulation.

Read our in-depth briefing on this development here

- The Green Bond Regulation is designed to address the fact that, whilst green bonds play an increasingly important role in financing assets needed for the low-carbon transition, there has not, to date, been any uniform green bond standard within the EU, with Member States potentially adopting diverging measures.
- The Council and the European Parliament reached political agreement 2023.
- Once adopted by the co-legislators, the Regulation will start to apply 12 months after its entry into force.
- Key elements of the new Regulation are:
 - For designation, all proceeds of EuGBs must be invested in economic activities aligned with the Taxonomy Regulation (subject to a flexibility pocket of 15% for those sectors not yet covered by the Taxonomy and certain specific activities).
 - Compliant bonds will have the 'European Green Bond' or 'EuGB' designation. Issuers' home state National Competent Authorities will supervise issuers' compliance with the standard.
 - A registration and supervisory framework for reviewers of European Green Bonds will be established.
 - The Regulation also provides for some voluntary disclosure requirements for other environmentally sustainable and sustainability-linked bonds issued in the EU, such as those issued under the ICMA principles.



HORIZON SCANNER A. EU DEVELOPMENTS III. PRUDENTIAL



CRR3/CRDVI



CRR3/CRDVI package

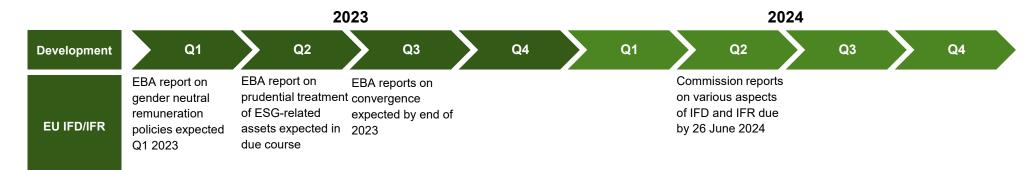
Revisions to the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRDIV) known as the **CRR3/CRDVI package** are being made to implement in the EU the final reforms agreed by the Basel Committee on Banking Supervision in December 2017 (known as Basel 3.1). Other revisions introduce some EU-specific measures, including on the proportionate application of the prudential regime, the fitness and propriety of senior staff, the incorporation of ESG risks within the regime, and measures on supervisory powers (including prudential supervision of third-country branches).

The so-called Daisy Chain Regulation has also made further revisions to the CRR to improve banks' resolvability, including clarifying the treatment of indirect subscription of internal MREL eligible instruments within a resolution group with a multiple point of entry resolution strategy.

Read our in-depth briefing on the CRR3/CRDVI package <u>here</u>

- Most provisions of the Daisy Chain Regulation have applied from 14 November 2022, apart from: (i)
 provisions relating to the indirect subscription of internal MREL eligible instruments within resolution
 groups, which will apply from 1 January 2024; (ii) Consequential amendments to the Bank Recovery and
 Resolution Directive (BRRD), which must be brought into force by member states by 15 November 2023.
- The Commission published its proposals for the CRR3/CRDVI package in October 2021.
- The Council agreed its general approach on the package in November 2022, proposing some changes to the proposed fit and proper framework and adjustments to ensure proportionate application of the rules for small and non-complex institutions. The Council also seeks to defer (until 2026 at the earliest) the introduction of legislative proposals on third country branch supervision, in favour of mandating the EBA to produce a report by 31 December 2025 on the merits and modalities of introducing a harmonised third country branch requirement for banking services.
- In the European Parliament, the ECON committee adopted its Reports on the proposals on 24 January 2023, and the European Parliament has entered into trilogue negotiations (under rule 71 of its Rules of Procedure).
- Under the current proposals, Member states must adopt and publish measures implementing the CRD VI Directive 18 months from the date of its entry into force and to apply those measures from the following day. The CRR3 Regulation is to apply (with limited exceptions) from 1 January 2025.

EU IFD/IFR



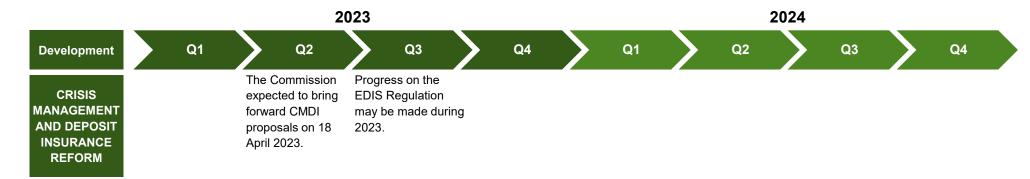
IFD/IFR

The IFD and IFR created a new harmonised prudential regime for EU investment firms. Certain larger investment firms are now treated as credit institutions and subject to the capital regime under CRD4. Other firms are subject to the new IFD and IFR prudential regime, which includes capital, consolidation, reporting, governance and remuneration requirements. The IFD and IFR will be accompanied by a number of RTS, ITS and guidelines, not all of which have been finalised.

Read our in-depth briefings on this development <u>here</u> and <u>here</u>.

- An EBA report on the application of gender-neutral remuneration policies is expected in Q1 2023.
- The EBA was required to report by 26 December 2021 on whether dedicated prudential treatment of
 assets exposed to activities associated substantially with environmental or social objectives, in the form of
 adjusted K-factors or adjusted K-factor coefficients, would be justified from a prudential perspective. The
 report has not been published. The EBA published a discussion paper on the topic in May 2022 and a
 report is expected in due course.
- An EBA report on the degree of convergence of the application of the Chapter 2 of the IFD (*Review process*) among member states is expected by the end of 2023.
- The Commission is required to report on the IFD and IFR, with legislative proposals to amend the package if it considers this to be necessary, by 26 June 2024.

CMDI REFORM



Crisis Management and Deposit Insurance (CMDI) reform

The Commission is reviewing the EU CMDI framework set out in the Bank Recovery and Resolution Directive (BRRD) the Single Resolution Mechanism Regulation (SRMR) and the Deposit Guarantee Schemes Directive (DGSD) with a view to making improvements to the framework to:

- improve its efficiency, flexibility and coherence;
- ensure depositors receive equal treatment; and
- give depositors more protection, including a possible common deposit protection mechanism.

- The Commission is considering the responses to consultations it launched in early 2021 on general and technical issues in the CMDI framework.
- Initial indications were that the Commission might publish legislative proposals for revisions to the framework at the end of 2021. However, those legislative proposals have been delayed and the Commission is now expected to bring forward proposals in April 2023.
- Revisions to the CMDI framework may potentially cover a range of areas including:
 - revisions to BRRD to: adjust the wording for the public interest assessment; remove overlap between BRRD early intervention powers and CRDIV prudential supervision powers; align the triggers for resolution and insolvency (to avoid the potential for 'standstill' where neither course can be taken); introduce further tools for resolution and insolvency; adjust the MREL framework as it applies to retail deposits and to small and medium sized banks; and potential revisions to the BRRD creditor hierarchy
 - revisions to the DGSD to: harmonise or remove DGS preventative measures across the EU; revise the coverage level per depositor; extend DGS protection to client funds of electronic money institutions, payment institutions and investment firms deposited with credit institutions; improve depositor communications; and ensure local and public authorities benefit from DGS protection. The Commission may also introduce measures on the funding of DGS and the sequence of use of DGS funding sources.
 - the Commission's proposed European Deposit Insurance Scheme (EDIS) Regulation, progress on which had stalled, has been included as a priority measure within the Commission's 2023 Work Programme.



HORIZON SCANNER A. EU DEVELOPMENTS III. CROSS-SECTORAL



DORA



EU Digital Operational Resilience Act (DORA)

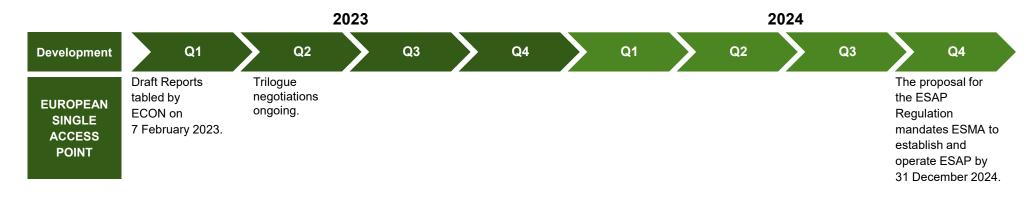
Regulation (EU) 2022/2554 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (**DORA**) was published in the Official Journal of the European Union in December 2022 and entered into force on 16 January 2023.

DORA puts in place a detailed and comprehensive framework on digital operational resilience for EU financial entities. EU entities must ensure they have the capacity to build, assure and review their operational integrity to ensure that they can withstand all types of disruptions and threats relating to information and communication technologies (ICT). DORA introduces an EU-level oversight framework to identify and oversee ICT third party service providers deemed "critical" for financial entities.

Read our in-depth briefings on this development <u>here</u> and <u>here</u>.

- DORA will apply from 17 January 2025.
- The DORA package includes the Fintech Amending Directive (see slide 18), which amends operational resilience requirements in a number of existing EU directives, including the UCITS Directive, the AIFMD and MiFID II.
- The European Commission has issued a provisional call for advice to the ESAs on the designation criteria (under which a third-party ICT service provider is designated as 'critical') and fees for the DORA oversight framework. The ESAs are asked to provide their advice by 30 September 2023.

EUROPEAN SINGLE ACCESS POINT



European Single Access Point (ESAP)

The Commission is proposing a new Regulation enabling ESMA to create and maintain a single access point to financial and non-financial company data for investors. This data is currently fragmented across EU member states, in many access points, in different languages and in various digital formats. The ESAP will instead provide free and non-discriminatory information about EU companies and investment products, regardless of where in the EU they are located or originated.

The ESAP is part of the Commission's second Action Plan on Capital Markets Union (CMU). It is designed to facilitate access to funding for EU companies and contribute to achieving the CMU objective of making it easier and safer for citizens to invest.

- The ESAP Regulation is accompanied by an Omnibus Directive and an Omnibus Regulation, which amend a range of the relevant EU legislation to specify the information to be made accessible in the ESAP, as well as certain characteristics of that information in relation to formats.
- The Council agreed its general approach on the three pieces of legislation on 29 June 2022, proposing a phasing-in of the ESAP to ensure that EU regulations and directives will in accordance with their priority be brought within the scope of ESAP between 2026 and 2030. This is to ensure that sufficient time is available to define and implement the required technical aspects of the project.
- In the European Parliament, the lead committee is the ECON Committee. ECON published its draft Reports on the three initiatives in September 2022 and voted on its Reports on 31 January 2023. The Reports were tabled on 7 February 2023 for consideration by the European Parliament in a future plenary session. The European Parliament has entered into trilogue negotiations under rule 71 of its Rules of Procedure.

EU AI ACT



EU AI Act

The Commission published a proposal for a Regulation on artificial intelligence (AI) in April 2021. The proposed 'AI Act' sets out rules relating to the placing on the market, putting into service and use of AI systems in the EU, as well as transparency requirements and rules on market monitoring and surveillance.

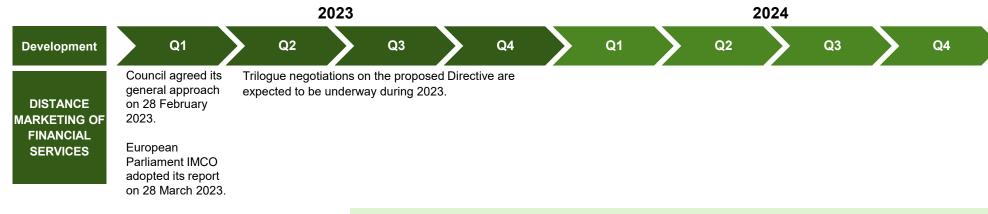
The rules will apply proportionately on the basis of four different risk levels: unacceptable risk, high risk, limited risk, and minimal risk.

Al uses that are deemed to present unacceptable risk will be prohibited. High risk systems and their operators will be subject to the detailed requirements in Chapter 2 of Title III of the proposed Regulation. Limited risk systems will be subject to transparency requirements. Minimal risk systems will be dealt with by development of and adherence to voluntary codes of conduct.

Read our in-depth briefing on this proposal <u>here</u>

- It is intended that the AI Act will not apply to private, non-professional use of AI. Otherwise, it will apply to
 all sectors including financial services. The measures in the proposed Regulation will extend to providers
 and users of AI systems located in the EU as well as those based outside the EU to the extent the output
 produced by the system is used in the EU.
- Financial institutions looking to launch or use AI will need to analyse the extent to which they qualify under the AI Act as providers or users of AI systems and comply with the associated requirements according to the risk classification of the system.
- The Council agreed its general approach on the proposal on 6 December 2022 and is ready to begin negotiations with the European Parliament.
- The proposal is being considered by two committees of the European Parliament. A draft Report was published in April 2022 and has gone through a number of amendments in Committee. This legislative proposal has attracted feedback from a wide variety of stakeholders. A vote on the Report is yet to be scheduled.

DISTANCE MARKETING OF FINANCIAL SERVICES



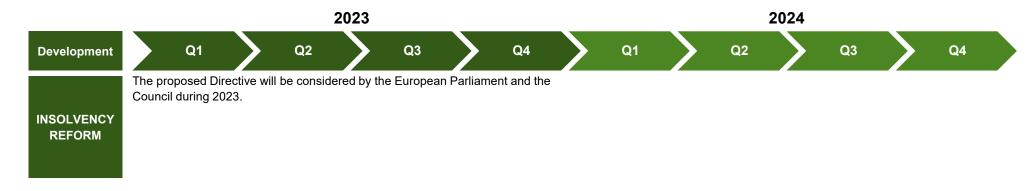
Directive on Financial Services Contracts Concluded at a Distance

Following a regulatory fitness (REFIT) evaluation, the Commission found that the protections of the Distance Marketing Directive (DMD) remain useful as a horizontal safety net where more recent sector-specific legislation has not been enacted, but that the DMD's protections need to be updated to account for technology developments since its adoption.

The Commission adopted a legislative proposal in May 2022 for a Directive on financial services contracts concluded at a distance. The proposed Directive will repeal the DMD and transfer its contents to a new chapter within the Consumer Rights Directive (CRD) and extend certain CRD rules to financial services contracts concluded at a distance. Existing DMD protections will also be modernised.

- National implementing measures will need to include targeted amendments to the framework of
 protections in relation to pre-contractual information, the consumer right to withdrawal, and adequate
 explanations of proposed financial services contracts, to include a right to the customer to request human
 intervention where online services (for example chatbots) are used. A new protection will also be included
 regarding online interfaces.
- The Council agreed its general approach on the Directive on 28 February 2023.
- The European Parliament's Internal Market and Consumer Protection (IMCO) committee issued its draft Report in November 2022. IMCO voted on its Report on 28 March 2023, and inter-institutional negotiations will be opened the basis of the report adopted.
- The Commission proposal requires member states to transpose the new Directive within 24 months from the date of its adoption. That date is also the date by which national implementing measures should apply and the date on which the DMD will be repealed.

INSOLVENCY REFORM



Directive harmonising certain aspects of insolvency law

Divergence between EU member states' national insolvency regimes has long been a structural barrier to cross-border investment.

The Commission adopted a legislative proposal on 7 December 2022 aimed at harmonising certain aspects of insolvency law. The proposal meets Action 11 of the

Capital Markets Union (CMU) Action Plan, which is to introduce minimum harmonisation or increased convergence in targeted areas of non-bank insolvency law. This proposal focuses on formal insolvency, complementing the EU Restructuring framework introduced in 2019 which covered pre-insolvency/ rescue measures.

The proposal is expected to increase legal certainty and the efficiency and duration of insolvency proceedings as well as to improve value recovery.

Read our in-depth briefing on this development <u>here</u> and on CMU <u>here</u>

- The Commission's proposal will be considered by the European Parliament and the Council during 2023. The proposal covers the key elements set out below.
 - o EU measures proposed to harmonise insolvency laws;
 - New pre-pack insolvency processes;
 - Measures for simplified liquidation;
 - o A standardising mandatory duty for directors to file for insolvency;
 - Measures standardising claw back action;
 - \circ $\,$ Measures on availability of asset tracing registers and online auctions; and
 - Measures to mandate fact sheets on different insolvency laws.
- Under the Commission's proposal, the Directive will enter into force the day following its publication in the Official Journal.
- Member States must transpose the provisions into their national law within 2 years. A Commission review of the Directive's application and impact is envisaged 5 years after its entry into force.

EU SRD2



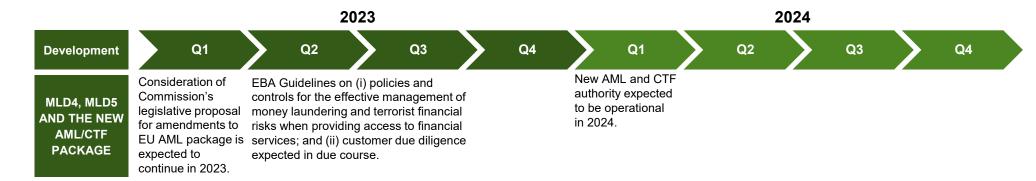
SRD2

SRD2 seeks to enable shareholders to exercise voting and information rights in EU companies traded on regulated markets across the EU. Amendments to the SRD address perceived shortcomings relating to transparency and a lack of shareholder engagement. The amendments relate to the link between directors' pay and performance, related party transactions, advice given by proxy advisers and facilitation of the cross-border exercise of voting and information rights.

What's on the horizon?

 The Commission is due to report on and, if appropriate, propose amendments to provisions on shareholder identification, transmission of information and facilitation of exercise of shareholder rights and transparency of proxy advisers by 10 June 2023. In October 2022, ESMA published a call for evidence on these topics with the aim of providing the Commission with input for its report. ESMA has confirmed that it intends to report on these topics in 2023.

EU MLD4, MLD5 AND THE NEW AML AND CTF PACKAGE



MLD4, MLD5 and the new AML and CTF package

MLD4 contains the EU's anti-money laundering framework. MLD5 made targeted amendments to MLD4 to increase transparency around owners of companies and trusts through the establishment of public beneficial ownership registers, prevent risks associated with the use of virtual currencies for terrorist financing, restrict the anonymous use of pre-paid cards, improve the safeguards for financial transactions to and from high-risk third countries and enhance Financial Intelligence Units' access to information. In 2021, the Commission adopted an ambitious new package of legislative proposals, intended to further strengthen the AML and CTF framework.

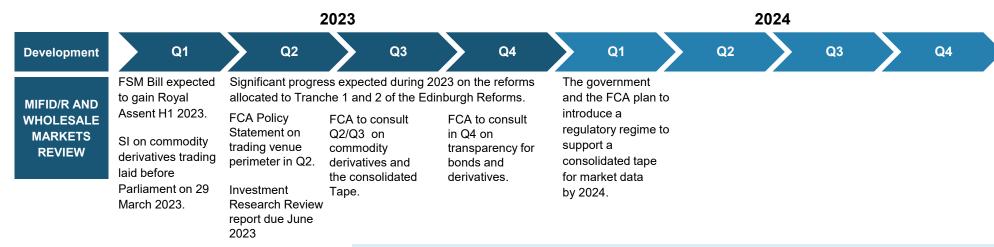
- In July 2021, the Commission adopted a package of legislative proposals including a regulation establishing a new EU AML and CTF authority, a new regulation on AML and CTF, a regulation on information accompanying transfers of funds and certain cryptoassets and a sixth directive on AML and CTF. The package continued its progress through the EU legislative process in 2022, with different elements of the package progressing at different speeds. In October 2022, the Council of the EU confirmed that a compromise agreement had been reached on the regulation on information accompanying transfers of funds and certain cryptoassets. In December 2022, the Council of the EU adopted its position on the new regulation on AML and CTF and the sixth directive on AML and CTF. It is currently expected that the package of proposals will be finalised in 2023.
- In December 2022, the EBA published a consultation paper on producing draft guidelines on policies and controls for the effective management of money laundering and terrorist financing risks when providing access to financial services. The consultation paper also consulted on revising existing guidelines on customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions. The consultation closed in February 2023 and the EBA's report and finalised guidance are expected in due course.
- It was originally expected that the new AML and CTF authority, created under the new AML package, would be operational in early 2024 but this timeline may be extended.



HORIZON SCANNER B. UK DEVELOPMENTS I. MARKETS



MIFID/R AND WHOLESALE MARKETS REVIEW



MiFID/R and wholesale markets review

The Wholesale Markets Review (**WMR**) identified areas of reform to better calibrate the post-Brexit regulatory framework to the UK's secondary markets. The Financial Services and Markets Bill (**FSM Bill**) will play a key role in delivering the outcomes of the WMR by: (i) making immediate changes to retained EU law (including UK MiFIR) to deliver the WMR proposals considered highest priority; and (ii) delivering other proposals through the planned repeal and revocation framework for retained EU law which is set out in the Bill.

The package of Edinburgh Reforms published in December 2022 build on the WMR by including MiFID/MiFIR in Tranches 1 and 2 of the government's repeal and reform programme, as well as including other measures to reform UK wholesale market.

Read our in-depth briefings on this topic <u>here</u> and here.

- Delivering on a WMR recommendation, the government and the FCA plan to introduce a regulatory regime to support a consolidated tape for market data by 2024.
- As envisaged by the WMR, on 29 March 2023, the government laid before Parliament the draft Financial Services and Markets Act 2000 (Commodity Derivatives and Emission Allowances) Order 2023, to remove burdens from firms trading commodities derivatives as an ancillary activity. The Order will come into force on 1 January 2025.
- The independent Investment Research Review was launched on 9 March 2023 and is due to report by 13 June 2023.
- Timing not yet announced
 - the government will work with the regulators and market participants to trial a new class of wholesale market venue which would operate on an intermittent trading basis
 - the government has committed to work with the FCA to examine the boundary between regulated financial advice and financial guidance
 - regulation of the wholesale markets is also likely to be impacted by the outcomes of the Overseas Framework Review which was launched by HM Treasury in December 2020. The government is considering the impact of potential reforms before bringing forward concrete proposals on potential changes to the UK's regime for overseas firms and activities.

LISTING AND SECONDARY CAPITAL RAISING REVIEWS



Listing and secondary capital raising reviews

The Financial Services and Markets Bill (**FSM Bill**), which is expected to receive Royal Assent in H1 2023, will enable the government to reform the UK's prospectus regime, to implement recommendations from Lord Hill's UK Listing Review which aims to widen participation in the ownership of public companies, simplify the UK capital raising process, and make the UK a more attractive destination for initial public offerings.

HM Treasury is also working with the Department for Business, Energy & Industrial Strategy to deliver the recommendations made to government as part of the Secondary Capital Raising Review, and more broadly on reforms to corporate governance, aiming to further enhance the attractiveness of UK public markets.

- The UK Prospectus Regulation has been allocated to Tranche 1 of the repeal and reform programme announced in December 2022 as part of the Edinburgh Reforms package.
- HM Treasury published an illustrative draft of the Financial Services and Markets Act 2000 (Public Offers and Admissions to Trading) Regulations 2023 to indicate how it may use its powers in the FSM Bill to amend the UK prospectus regime. Among other things the illustrative draft would:
 - create a new prohibition on public offers of 'restricted securities' in the UK (subject to exemptions and exclusions); and
 - give the FCA powers to specify the content requirements for a prospectus for admission to trading of 'transferable securities' on a UK regulated market or UK primary multilateral trading facility.
- No definitive timing has been given for the publication of a finalised version of the illustrative draft. The FCA will need to consult on its proposed use of new powers.

SECURITISATION REFORM



Securitisation reform

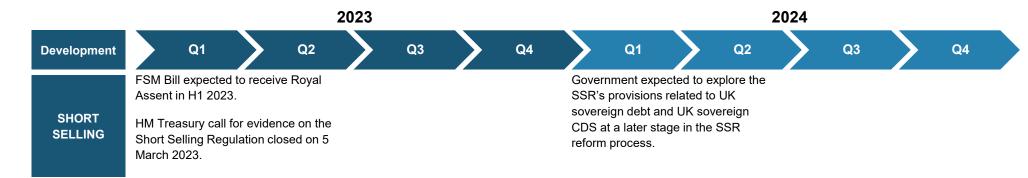
The Financial Services and Markets Bill (**FSM Bill**), which is expected to receive Royal Assent in H1 2023, will enable the government to reform the UK's securitisation regime and deliver the recommendations of the Securitisation Review with the aim of:

- bolstering securitisation standards in the UK, in order to enhance investor protection and promote market transparency; and
- supporting and develop securitisation markets in the UK, including through the increased issuance of STS securitisations, in order to ultimately increase their contribution to the real economy.

Read our in-depth briefing on this development <u>here</u>.

- The UK Securitisation Regulation has been allocated to Tranche 1 of the repeal and reform programme announced in December 2022 as part of the Edinburgh Reforms package.
- HM Treasury published an illustrative draft of the Securitisation Regulations 2023, to indicate how it may use its powers to amend the UK securitisation regime. Among other things the FSM Bill and the draft Regulations will:
 - grant powers to the FCA and PRA to make securitisation-related rules including by making certain sell-side activities in securitisation "designated activities";
 - give directions to the FCA and PRA about how to regulate securitisation (including both firm and systemic financial stability considerations) and instruct them to have regard to the "coherence of the overall framework for the regulation of securitization" when making rules applicable to firms;
 - o grant powers to the FCA to dispense with its rules in some circumstances; and
 - provide detail on the equivalence regime for allowing UK institutional investors to treat non-UK securitisations as simple, transparent and standardised, or "STS".
- No definitive timing has been given for the publication of a finalised version of the illustrative draft. The
 PRA (in respect of credit institutions and large investment firms) and FCA (in respect of other firms) will
 write the rules for sell-side firms by moving the relevant rules to the Rulebooks. The FCA and PRA will
 need to consult on their proposed use of new powers.

SHORT SELLING



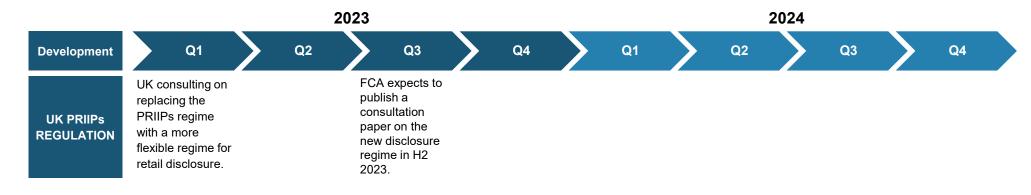
Short selling

The Financial Services and Markets Bill (**FSM Bill**) will repeal retained EU law on financial services and will give HM Treasury powers to amend, restate and replace that law.

HM Treasury has published a call for evidence launching a review of the UK Short Selling Regulation (UK SSR) with the aim of ensuring that the UK's approach to regulating the short selling of shares admitted to trading reflects the specificities of UK markets, continuing to facilitate the benefits of short selling, whilst also protecting market participants and supporting market integrity.

- Reform of the UK Short Selling Regulation has been allocated to Tranche 2 of the repeal and reform programme outlined in the Edinburgh Reform package published on 9 December 2022.
- HM Treasury's call for evidence on the Short Selling Regulation closed on 5 March 2023. Responses will inform considerations as to the appropriate framework for the regulation of short selling.
- The call for evidence does not explore other specific provisions in the UK SSR including the short selling regime for UK sovereign debt and UK sovereign credit default swaps. The government plans to consider the treatment of these instruments later as part of the process to repeal retained EU law in this area and replace it with a regulatory framework tailored to the UK.

UK PRIIPS REGULATION



UK PRIIPs regulation

The UK onshored the EU PRIIPs Regulation into the UK. It subsequently made a series of targeted amendments to the PRIIPs regime, including extending the exemption from PRIIPs requirements for UCITS until the end of 2026. It has also been known for a number of years that the UK intended to conduct a more holistic review of the regime for retail disclosures. In December 2022, the UK began this process by publishing consultation and discussion papers on repealing and replacing the PRIIPs regime.

What's on the horizon?

- The UK government announced in June 2020 that it intended to conduct a holistic review of the disclosure regime for UK retail investors. A December 2021 report from the FCA stated that recent discussions between the FCA and HM Treasury indicated that this review would be confined in scope to solely the UK PRIIPs regime. In December 2022, the UK confirmed that it intends to repeal the UK's onshored version of the PRIIPs regulation, replacing it with a more flexible regime for PRIIPs and UCITS disclosures. The new regime would be contained in the FCA Handbook. The announcement was accompanied by the publication of an HM Treasury consultation paper setting out this proposal in more detail. It was shortly followed by the publication of an FCA discussion paper on designing and implementing the new retail disclosure regime. Both papers closed for feedback in March 2023.
- The FCA expects to publish a consultation paper on the new disclosure regime in H2 2023.
- The UK has extended the exemption for UCITS funds from the requirements of the UK PRIIPs regime until 31 December 2026. The FCA has similarly extended the ability for the manager of a NURS to choose whether to provide a PRIIPs KID or a NURS-KII until 31 December 2026.

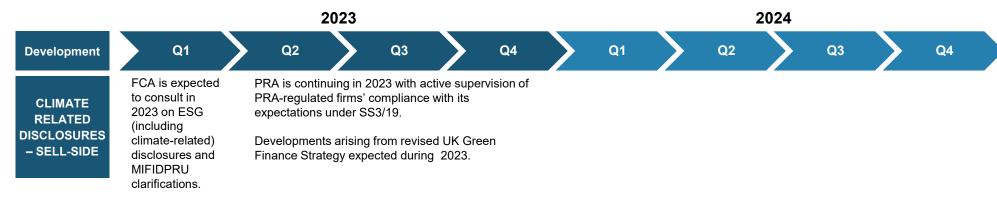
Read our in-depth briefing on this development here, here and here.

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8,427.14	31,246.04 (+270.78)	24,413.84 (-21.87)	26,275.30 (+7.62)	30,463.58 (+15.94)	1,014.12
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HORIZON SCANNER B. UK DEVELOPMENTS II. ESG



CLIMATE RELATED DISCLOSURES – SELL-SIDE



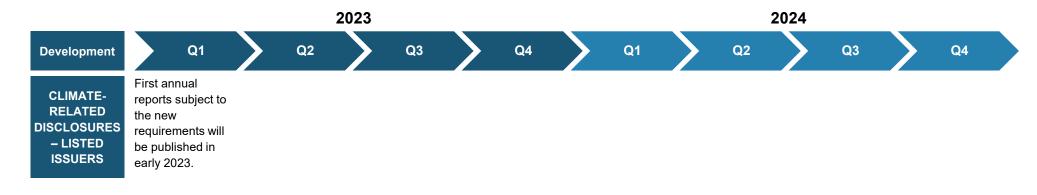
Climate related disclosures – sell-side

The UK formally committed in 2017 to using the recommended disclosures from the Task Force on Climate-related Financial Disclosures (TCFD) as a basis for mandatory climate related financial disclosures in the UK.

Sell side firms are subject to an expanding range of climaterelated disclosures obligations. For banks and PRA regulated investment firms, this includes Pillar III disclosures under the prudential framework, obligations arising under the PRA's expectations as set out in SS3/19, the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and the Listing Rules. FCA-only regulated MiFID investment firms are not currently required to make specific disclosures under the FCA's MIFIDPRU rules, but the FCA is expected to consult in 2023 on ESG (including climaterelated) disclosures and MIFIDPRU clarifications.

- FCA is expected to consult during 2023 on ESG disclosures under the Investment Firms Prudential Regime (IFPR). This will affect firms subject to MIFIDPRU.
- The PRA is continuing in 2023 with active supervision of PRA-regulated firms' compliance with its expectations under SS3/19, including its to expectations for disclosures (qualitative and quantitative) against the TCFD framework. The PRA will continue to support international and domestic efforts to promote the implementation of consistent and comparable disclosure standards for climate risks, including by the International Sustainability Standards Board (ISSB).
- The UK's revised Green Finance Strategy was published on 30 March 2023. Developments arising from the UK's Green Strategy are likely to have a bearing on disclosure obligations, for example one impact of the proposed code of practice for ESG data and ratings providers is that it may help address some of the data gaps which impair firms' ability to make quantitative disclosures.
- In a March 2023 report on climate related risks and the regulatory capital framework, the PRA explained it is engaged in ongoing work to establish if there are 'regime gaps' in the capital framework, including with the Basel Committee on Banking Supervision (BCBS) to establish whether climate related risks should be accounted for in banks' Pillar 1 capital framework.

CLIMATE-RELATED DISCLOSURES – LISTED ISSUERS



Climate-related disclosures – listed issuers

On 17 December 2021, the FCA published its final rules on extending the application of its climate-related disclosure requirements from equity issuers with a premium listing to issuers of standard listed shares and standard listed issuers of (GDRs), in each case excluding standard listed investment entities and shell companies.

What's on the horizon?

• The new rules took effect for accounting periods beginning on or after 1 January 2022, with the result that the first annual financial reports subject to the new rule will be published in early 2023.

Read our in-depth briefing on this development here.

SUSTAINABILITY DISCLOSURE REQUIREMENTS AND INVESTMENT PRODUCT LABELS

			2023								2024			
Development	Q1	Q2		Q3		Q4		Q1		Q2		Q3	Q4	
SUSTAINABILITY DISCLOSURE REQUIREMENT AND INVESTMENT PRODUCT LABELS			on su discle requi inves	policy state ustainability osure rements ar stment labe cted in Q3	/ nd els		on exp scope sustair disclos require	nability sure ements and ment labels ted in	disclo requir invest rules	ement and ment labell expected to by the end	ing			

Sustainability disclosure requirements and investment labels

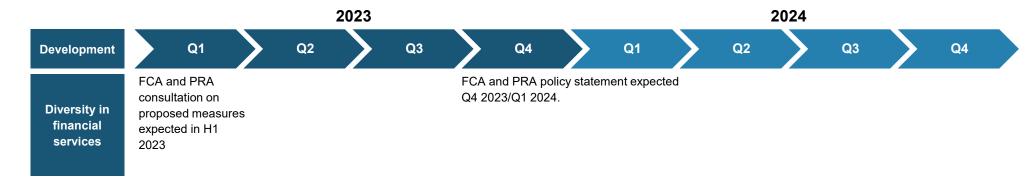
In November 2021, the FCA published a discussion paper (DP21/4) on sustainability disclosure requirements and investment product labels. The discussion paper sought views on the introduction of a standardised product classification and labelling system to help consumers to understand the sustainability characteristics of different financial products. In October 2022, of the FCA's published its consultation paper on these requirements (CP22/20).

What's on the horizon?

- The FCA has indicated that it expects to publish its policy statement, containing its final rules on sustainability disclosure requirements and investment labels, in Q3 2023. The FCA is currently proposing that a new anti-greenwashing rule would come into effect immediately upon publication of this policy statement.
- The FCA's consultation paper on sustainability disclosure requirements and investment labels (CP22/20) indicates that the FCA intends in the future to expand the scope of investment products captured under the regime to include, for example, overseas products. Consultation on this expansion is expected in due course.
- The FCA has indicated that rules for labelling, consumer-facing disclosures, pre-contractual disclosures and naming and marketing rules would apply one year after publication of the policy statement referred to in the bullet point above (i.e., by the end of H1 2024).

Read our in-depth briefing on this development here.

DIVERSITY IN FINANCIAL SERVICES



Diversity in financial services

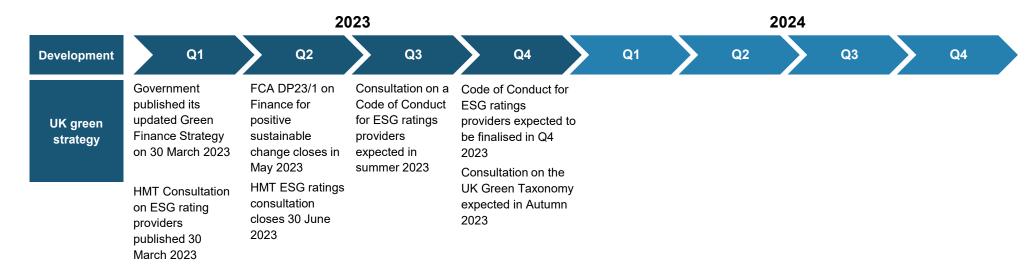
On 7 July 2021, the FCA, PRA and Bank of England published a joint discussion paper (DP21/2) on diversity and inclusion in the financial services sector. The discussion paper sought views on how to accelerate the rate of change in diversity and inclusion in the financial services sector. It set out the roles of the regulators in this context, steps that the regulators have taken to promote diversity and inclusion, the regulators' existing requirements and expectations, and a series of questions intended to seek views on ways of improving diversity and inclusion measures.

What's on the horizon?

- A joint FCA-PRA consultation on draft measures to support diversity and inclusion in the financial sector is expected in H1 2023. This follows a December 2022 publication of feedback on the FCA's study of how financial services firms are designing and embedding diversity and inclusion (D&I) strategies.
- A policy statement following the consultation is expected in Q4 2023/Q1 2024.

Read our in-depth briefing on this development <u>here</u>.

UK GREEN STRATEGY



UK green strategy

The UK is reforming its financial services regulation in the wake of Brexit. Currently, the three key elements of this process are: (i) the Financial Services and Markets Bill (**FSM Bill**), which would revoke EU-derived financial services and markets legislation; (ii) the Retained EU Law (Revocation and Reform) Bill, which would revoke other EU-derived legislation; and (iii) the Edinburgh reforms, a package of reforms that aim to modernise and improve UK financial services regulation. This slide tracks the key ESG-related developments that form part of these workstreams.

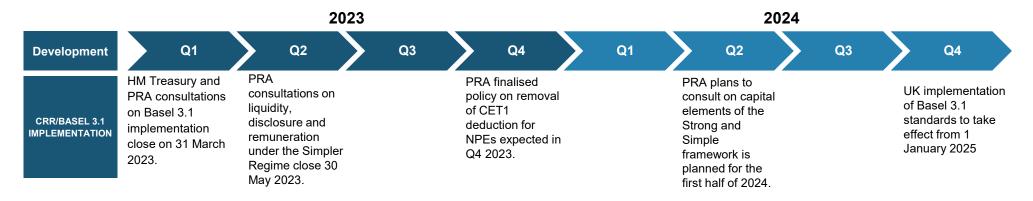
- The government published a revised UK Green Finance Strategy on 30 March 2023, which includes an update on the production of a UK Green Taxonomy.
- The government launched a consultation on 30 March 2023 on bringing ESG ratings providers within the scope of regulation. The consultation sets out proposals for the scope of a regulatory regime for ESG ratings providers with the aim of improving transparency on providers' methodologies and objectives and improving conduct in the ESG market. This is likely to need changes to the Regulated Activities Order and for a subset of firms legislation under the Designated Activities Regime to be introduced under the FSM Bill. It closes on 30 June 2023.
- A consultation on a draft Code of Conduct for ESG ratings providers is expected to be published in summer 2023, with the Code of Conduct to be finalised in Q4 2023.
- In February 2023, the FCA published a (DP23/1) on 'Finance for positive sustainable change: governance, incentives and competence in regulated firms'. The discussion paper aims to encourage dialogue on firms' sustainability-related governance, incentives and competencies. The feedback will be used by the FCA to consider the direction in which its future regulatory approach should evolve. The discussion paper closes for feedback in May 2023.



HORIZON SCANNER B. UK DEVELOPMENTS III. PRUDENTIAL



CRR/BASEL 3.1 IMPLEMENTATION



CRR/Basel 3.1 implementation

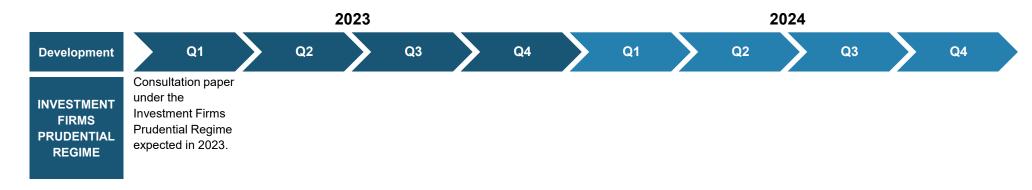
UK implementation of the final revisions to the Basel III framework agreed in December 2017 (referred to as Basel 3.1)will involve a combination of legislation (revocation of parts of the retained Capital Requirements Regulation (575/2013) (**UK CRR**)) and revisions to **PRA rules and supervisory materials**.

In November 2022, HM Treasury and the PRA consulted on the repeal of provisions of the UK CRR needed to allow the PRA to make rules implementing the Basel 3.1 standards with effect from 1 January 2025. This will form part of Tranche 2 of the government's repeal and reform programme enabled by the Financial Services and Markets Bill and outlined in the Edinburgh Reforms.

The PRA also plans to introduce a 'Strong and Simple' prudential framework for non-systemic banks and building societies (the **Simpler Regime**) and plans further engagement, consultations and policy development during 2023.

- HM Treasury consultation and PRA consultations on Basel 3.1 implementation close on 31 March 2023.
- Comments on the PRA's Consultation Papers CP4/23 on liquidity and Disclosure aspects of the Simpler Regime and CP 5/23 on proportionate remuneration requirements are invited by 30 May 2023. PRA Engagement meetings with larger non-systemic domestic firms are also planned during H1 2023
- The PRA is consulting until 14 June 2023 on removing rules (forming part of the onshored CRR) for the capital deduction of certain non-performing exposures (NPEs) held by banks to simplify the rulebook and allow the PRA to apply a more judgement-led approach. The PRA proposes the Common Equity Tier 1 (CET1) deduction requirement in its rulebook regarding NPEs that are treated as insufficiently provided for by firms. Final policy is expected in Q4 2023.
- PRA plans to consult on capital elements of the Simpler Regime is planned for the first half of 2024.
- Implementation of the Basel 3.1 standards in the UK is to take effect from 1 January 2025.
- The Government has recognised that the planned repeals will still leave a complex prudential
 regulatory framework across legislation, PRA rules and remaining technical standards. The
 government has stated that, following the implementation of Basel 3.1, HM Treasury and the PRA
 will endeavour to complete the repeal and replacement of the remainder of the prudential
 legislative framework as soon as possible.

INVESTMENT FIRMS PRUDENTIAL REGIME (IFPR)



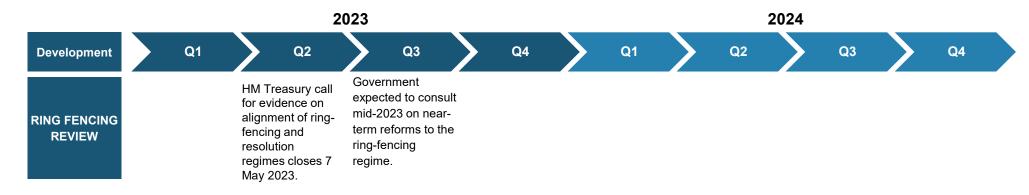
Investment Firms Prudential Regime

The UK introduced a revised prudential regime for FCA-authorised investment firms on 1 January 2022. The regime is based on, but not identical to, the EU IFD and IFR package. It incorporates key concepts from that package, including the calculation of capital using the so-called 'K-factors', governance and risk management requirements and a new remuneration code. The UK regime applies to a significant number of FCA-authorised firms including, in addition to MiFID investment firms, collective portfolio management investment firms (so-called 'CPMI firms'), i.e., UCITS managers and AIFMs that, in either case, have MiFID top-up permissions.

What's on the horizon?

• The FCA indicated that in Q4 2022 it expected to issue a further consultation paper in relation to the Investment Firms Prudential Regime, covering: ESG disclosures; own funds CRR copy-out and integration into the MIFIDPRU sourcebook; and MIFIDPRU clarifications. This consultation paper was not published in 2022 and is now expected in 2023.

RING-FENCING REVIEW



Ring-fencing review

The UK's ring-fencing regime requires banking groups within the scope of the ring-fencing requirements (those with more than £25 billion of core retail deposits) to split out their retail banking activities from their investment banking activities.

HM Treasury was required to appoint an independent panel before 1 January 2021 to review the operation of the regime. The panel, led by Keith Skeoch, published its report in March 2022. The panel noted that the regime has been beneficial for financial stability and should be retained, but that its benefit is likely to reduce with time once the UK's resolution regime is fully embedded. The panel made some recommendations for reforms to the scope of the regime, the scope of excluded activities, the restrictions on servicing relevant financial institutions and the ability of firms to establish operations or service customers outside the EEA.

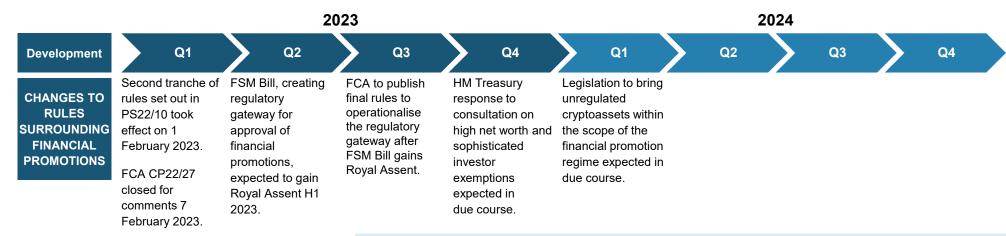
- HM Treasury launched a Call for Evidence on alignment of the ring-fencing regime with the resolution regime on 2 March 2023, focuses on the practical challenge of how the two regimes might be better aligned with each other and the wider regulatory framework. The Call for Evidence closes on 7 May 2023.
- HM Treasury published its response to the panel's recommendations in December 2022, committing to consult in mid-2023 on near-term reforms to:
 - o take banking groups without major investment banking operations out of the regime;
 - o update the definition of Relevant Financial Institution;
 - remove blanket geographical restrictions on ring-fenced banks operating subsidiaries or servicing clients outside the EEA;
 - o take forward technical amendments outlined in the review to improve the functioning of the regime; and
 - review and update the list of activities which ring-fenced banks are restricted from carrying out, , to assess whether certain activities could in future be undertaken safely by ring-fenced banks in order to improve the supply of financial services to consumers and businesses.



HORIZON SCANNER B. UK DEVELOPMENTS IV. CROSS SECTORAL



CHANGES TO RULES SURROUNDING FINANCIAL PROMOTIONS



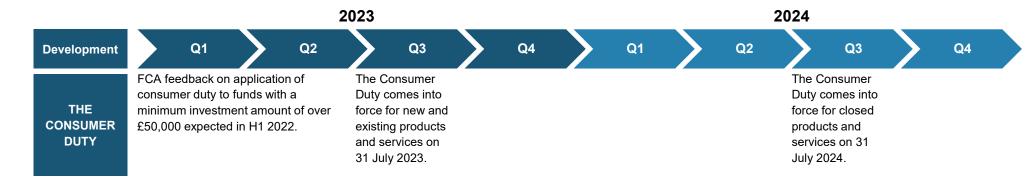
Changes to rules surrounding financial promotions

There are currently four key regulatory initiatives relating to financial promotions. These are:

- changes to the FCA's financial promotion rules for high-risk investments;
- (ii) an HM Treasury consultation on amending the financial promotion exemptions for high net worth and sophisticated investors;
- (iii) an expansion of the financial promotion regime to include unregulated cryptoassets; and
- (iv) the introduction of a regulatory 'gateway' through which an authorised firm must pass in order to be able to approve the financial promotion of an unauthorised firm.

- FCA's August 2022 policy statement (PS22/10) contained a package of amendments to the FCA's rules on financial promotions for high-risk investments (including collective investment schemes). Changes include requirements for risk warnings, risk statements and prohibitions on inducements to invest. The first tranche of changes set out in that policy statement applied from 1 December 2022. The remaining changes have applied from 1 February 2023.
- In December 2021, HM Treasury published a consultation paper proposing amendments to the current financial promotion exemptions for high net worth individuals and sophisticated investors. HM Treasury proposed amendments to these exemptions to reflect economic, social and technological developments since their introduction and to ensure that the exemptions cannot be misused. The consultation closed in March 2022 and an HM Treasury response document has yet to be published.
- The UK government intends to implement a regulatory gateway through which a firm must pass before it is able to approval financial promotions issued by unauthorised firms. The Financial Services and Markets Bill (**FSM Bill**) contains the draft legislative provisions creating this regulatory gateway.
- The FCA consulted in December 2022 (CP22/27) on proposed rules to operationalise the regulatory gateway for financial promotions approvals. CP 22/27 closed on 7 February 2023 and FCA will finalise its rules after the FSM Bill gains Royal Assent.
- In January 2022, HM Treasury confirmed that the UK government intends to bring unregulated cryptoassets within the scope of the UK's financial promotion regime. Legislation is expected in due course.

THE CONSUMER DUTY



The Consumer Duty

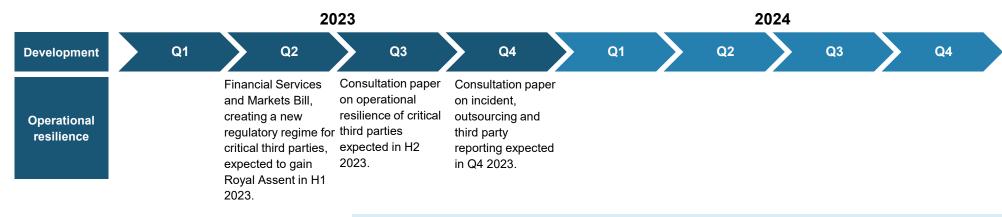
The FCA is introducing a new 'Consumer Duty', the purpose of which is to create a higher level of consumer protection in retail financial markets. The Consumer Duty consists of a package of measures, comprised of a new 'Consumer Principle' supported by detailed rules and guidance. The Consumer Duty will apply to products and services sold to retail clients and would extend to firms that are involved in the manufacture or supply of products and services to retail clients even if they do not have a direct relationship with the end retail customer where the firm's role in the manufacture and distribution chain of the product or service allow it to exercise a material influence over, or determine, retail customer outcomes.

What's on the horizon?

- In December 2022, the FCA consulted (in CP22/26) on amending the application of the consumer duty in the context of collective investment scheme and AIFs. Currently, activities are excluded from the scope of the consumer duty regime if they relate to non-retail financial instruments. A non-financial instrument is, in summary, an instrument with a minimum denomination of £50,000. Under the FCA's December 2022 consultation, the FCA proposes to carve units or shares in collective investment schemes or AIFs out of this exemption. The result would be that certain activities, such as management activities, relating to units or shares in collective investment schemes or AIFs would be within the scope of the consumer duty even if those units or shares have a minimum investment of £50,000. Feedback on this consultation is expected before the consumer duty comes into force.
- The Consumer Duty comes into force for new and existing products and services on 31 July 2023.
- The Consumer Duty comes into force for closed products and services on 31 July 2024.

Read our in-depth briefing on this development <u>here</u>.

OPERATIONAL RESILIENCE



Operational resilience

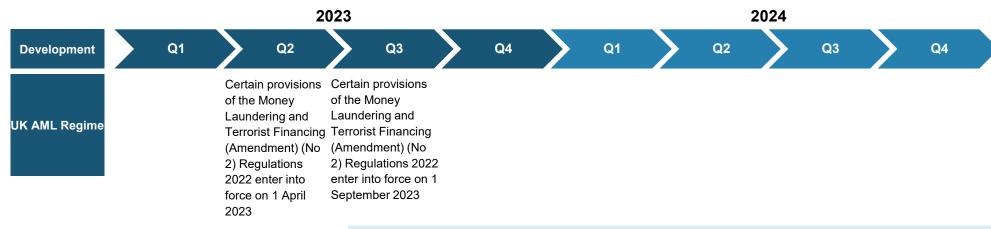
The FCA and PRA introduced a new operational resilience regime in 2021. The regime included an implementation period, under which firms needed to complete certain actions before 31 March 2022. The implementation period is now followed by a transitional period, ending on 31 March 2025. Firms should use the transitional period to implement strategies, processes and systems that enable them to address risks to their ability to remain within their impact tolerance for each important business service in the event of a severe but plausible disruption.

What's on the horizon?

- The Financial Services and Markets Bill (FSM Bill) which includes proposals to regulate cloud service providers and other designated critical third parties providing services to UK regulated firms, is expected to gain Royal Assent in H1 2023.
- In July 2022, the FCA, PRA and Bank of England published a joint discussion paper (DP22/3) on the operational resilience of critical third parties and how the regulators could use their new powers under the Financial Services and Markets Bill. The consultation closed in December 2022 and feedback and a consultation paper are expected in H2 2023.
- Firms have until 31 March 2025 to implement strategies, processes, and systems that enable them to address risks to their ability to remain within their impact tolerance for each important business service in the event of a severe but plausible disruption.
- In Q4 2023, the Bank of England, PRA and FCA expect to publish a joint consultation paper on incident, outsourcing and third party reporting. The purpose of this initiative would be to: (i) introduce clarity regarding the information that firms should submit when operational incidents occur; and (ii) collect certain information on firms' outsourcing and third party arrangements in order to manage the risks that they may present to the FCA's and PRA's objectives, including resilience, concentration and competition risks.

Read our in-depth briefings on this development <u>here</u> and <u>here</u>.

UK AML REGIME



UK AML Regime

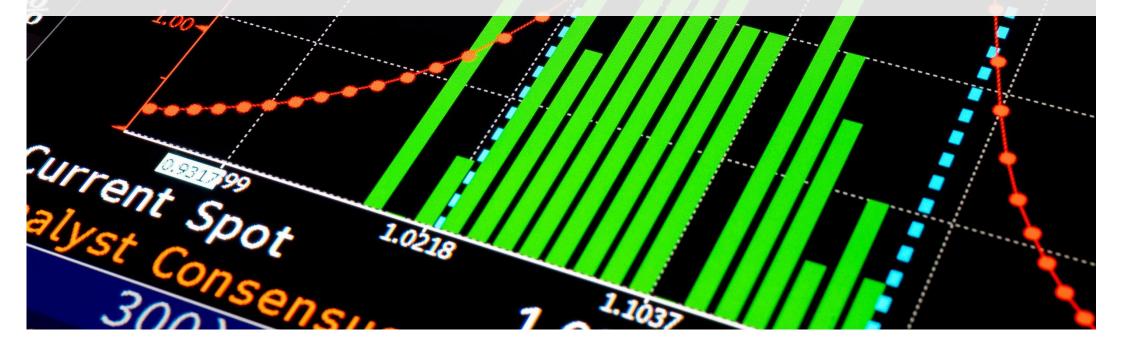
On 21 July 2022, the UK's Money Laundering and Terrorist Financing (Amendment) (No 2) Regulations 2022 were passed. These set out specific amendments to the UK's AML regime, which are being phased in, culminating on 1 September 2023.

Alongside the consideration of these specific amendments, the UK has been conducting a wider review of its AML regime. A report on this review was published on 24 June 2022. This indicated that further reform to the UK's AML regime is needed and, therefore, further consultations and amendments to the regime are expected.

- The Money Laundering and Terrorist Financing (Amendment) (No 2) Regulations 2022 were made on 21 July 2022. They make various targeted amendments to the UK's Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, including in relation to the reporting of discrepancies and requirements relating to crytpoasset businesses and cryptoasset transfers. Most of the requirements entered into force on 11 August 2022 and 1 September 2022. Remaining provisions will enter into force on 1 April 2023 and 1 September 2023.
- The UK's list of high risk third countries is updated periodically to reflect the Financial Action Task Force's standards. Future updates may be made following the next Financial Action Task Force plenaries, in March and July 2023.



GLOSSARY



GLOSSARY

Term	Definition
AI	Artificial Intelligence
AML	Anti-money laundering
Basel 3.1	The final Basel III standards agreed by the Basel Committee on Banking Supervision (BCBS) in December 2017, comprising further revisions to the Basel III framework designed to reduce excessive variability in the calculation by banks of their risk weighted assets (RWA) for regulatory capital purposes.
ССР	Central counterparty
Commission	The European Commission
CMDI	Crisis Management and Depositor Insurance
CRDVI proposal	Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending Directive 2014/59/EU. Interinstitutional reference 2021/0341(COD).
CRR3 proposal	Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor. Interinstitutional reference 2021/0342(COD).
CSD	Central securities depositary
CSDR	Central Securities Depositaries Regulation (Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012)
CSMAD	Criminal Sanctions for Market Abuse Directive (Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse)
CTF	Counter-terrorist financing
DORA	The EU's proposed Digital Operational Resilience Act

Term	Definition
EBA	European Banking Authority
EMIR	European Market Infrastructure Regulation (Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories)
EMIR 2.2	Regulation (EU) 2019/2099 of the European Parliament and of the Council of 23 October 2019 amending Regulation (EU) No 648/2012 as regards the procedures and authorities involved for the authorisation of CCPs and requirements for the recognition of third-country CCPs
EMIR Refit Regulation	Regulation (EU) 2019/834 of the European parliament and of the Council of 20 May 2019 amending regulation (EU) No 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivate contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories
EMIR 3.0 proposal	Proposal for a Regulation amending EMIR, the Capital Requirements Regulation (575/2013) (CRR) and the Regulation on Money Market Funds ((EU) 2017/1131) (MMF Regulation) as regards measures to mitigate excessive exposures to third-country CCPs and improve the efficiency of Union clearing markets (COM(2022) 697). Interinstitutional reference 2022/0403(COD). Proposal for a Directive amending the UCITS Directive (2009/65/EC) the CRD IV Directive (2013/36/EU) and the Investment Firms Directive ((EU) 2019/2034) (IFD) as regards the treatment of concentration risk towards central counterparties and the counterparty risk on centrally cleared derivative transactions (COM(2022) 698). Interinstitutional reference 2022/0404(COD).
ESAP	European Single Access Point
ESAs	European Supervisory Authorities
ESG	Environmental, social and governance
ESMA	European Securities and Markets Authority

Term	Definition
FCA	The UK's Financial Conduct Authority
Financial Collateral Directive	Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements.
FSM Bill	Financial Services and Markets Bill
Green Bond Regulation proposal	Proposal for a Regulation of the European Parliament and of the Council on European green bonds. Interinstitutional reference 2021/0191(COD).
IFD	Investment Firms Directive (Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU)
IFR	Investment Firms Regulation (Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014)
ITS	Implementing Technical Standards
MAR	Market Abuse Regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC)
MiCA	The EU's proposed Markets in Cryptoassets Regulation
MiFID 2	Second Markets in Financial Instruments Directive (Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU)
MiFID 3 proposal	Proposal for a Directive of the European Parliament and of the Council amending Directive 2014/65/EU on markets in financial instruments. Interinstitutional reference 2021/0384(COD).

Term	Definition
MiFIR 2 proposal	Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 600/2014 as regards enhancing market data transparency, removing obstacles to the emergence of a consolidated tape, optimizing the trading obligations and prohibiting receiving payments for forwarding client orders. Interinstitutional reference 2021/0385(COD)
MLD4	Fourth Money Laundering Directive (Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC)
MLD5	Fifth Money Laundering Directive (Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU)
PRA	The UK's Prudential Regulation Authority
PRIIPs	Packaged retail and insurance-based investment products
PRIIPs Regulation	The Packaged Retail and Insurance-based Investment Products Regulation (Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products)
REUL Bill	Retained EU Law (Revocation and Reform) Bill
RTS	Regulatory Technical Standards
Settlement Finality Directive	Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems
SFDR	Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector)

Term	Definition
SFTR	Securities Financing Transactions Regulation (Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012)
SRD2	Second Shareholder Rights Directive (Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement)
Taxonomy Regulation	Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088)
TCFD	Task Force on Climate-Related Financial Disclosures



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