

C L I F F O R D
C H A N C E



SELL SIDE HORIZON SCANNER Q3 2023
JULY 2023

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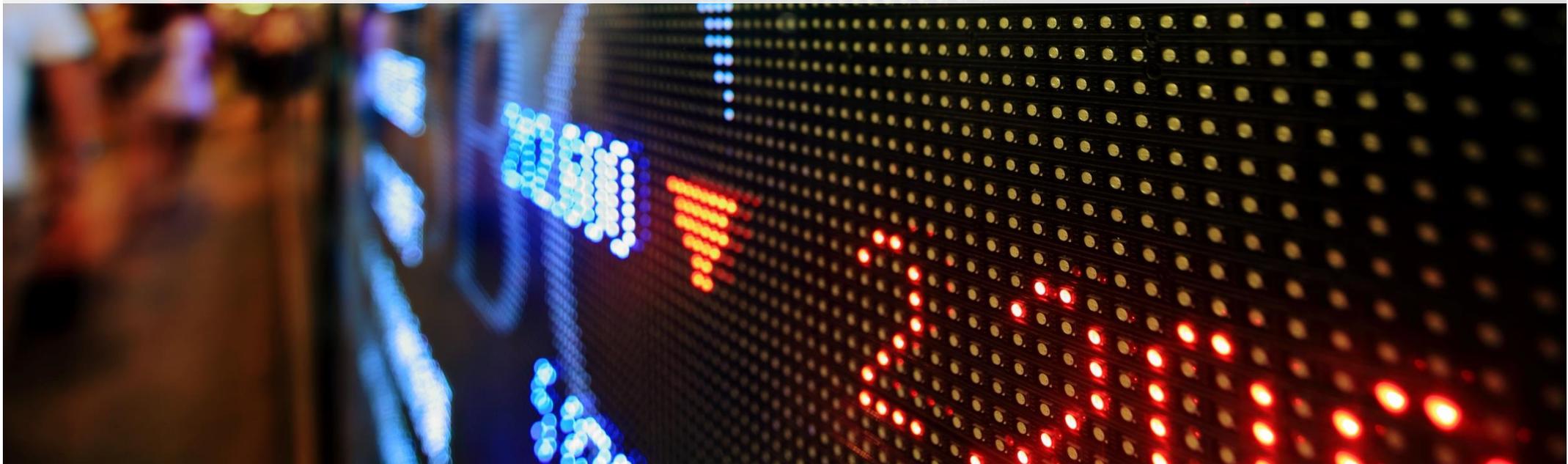
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INTRODUCTION



INTRODUCTION

KEY CONTACTS AND FURTHER RESOURCES

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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.

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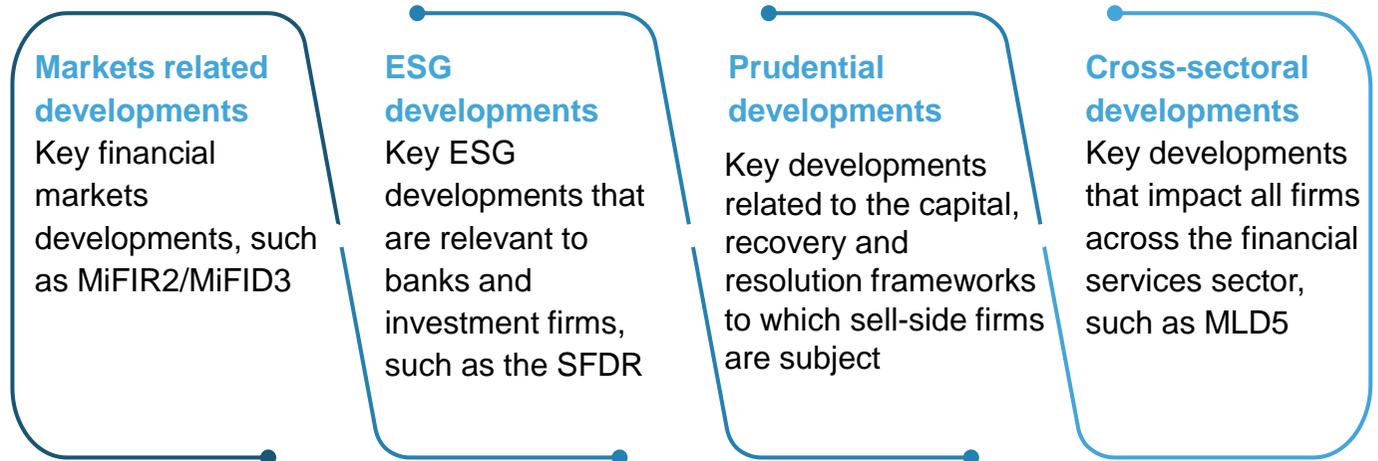
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INTRODUCTION

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:



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 [Financial Markets Toolkit](#).

This horizon scanner has been prepared as of July 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

The EU angle...



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 is 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, and CMDI reform, are continuing through the EU legislative process.

At the same time, the EU continues 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 has seen the unveiling of the EU's retail investment package. 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

The UK angle...



In 2023 we are seeing 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 H1 2023 we saw the enactment of the Financial Services and Markets Act 2023, the Retained EU Law (Revocation and Reform) Act 2023 and the progress of the so-called Edinburgh reforms (supplemented in early July by further 'Mansion House' reforms). Together these will make significant changes to the legislative framework, including enabling the revocation of retained EU law, providing the UK's regulators with additional objectives and reforming many aspects of UK financial regulation. In H2 2023, we will continue to see an ambitious number of consultations and publications aiming to bring forward this post-Brexit reform.

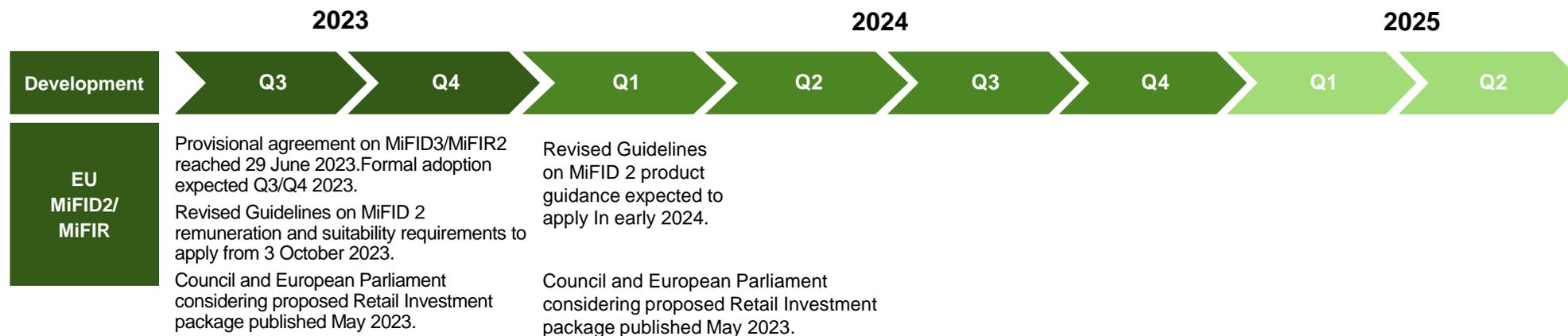


HORIZON SCANNER A. EU DEVELOPMENTS

I. MARKETS



EU MiFID2/MiFIR



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.

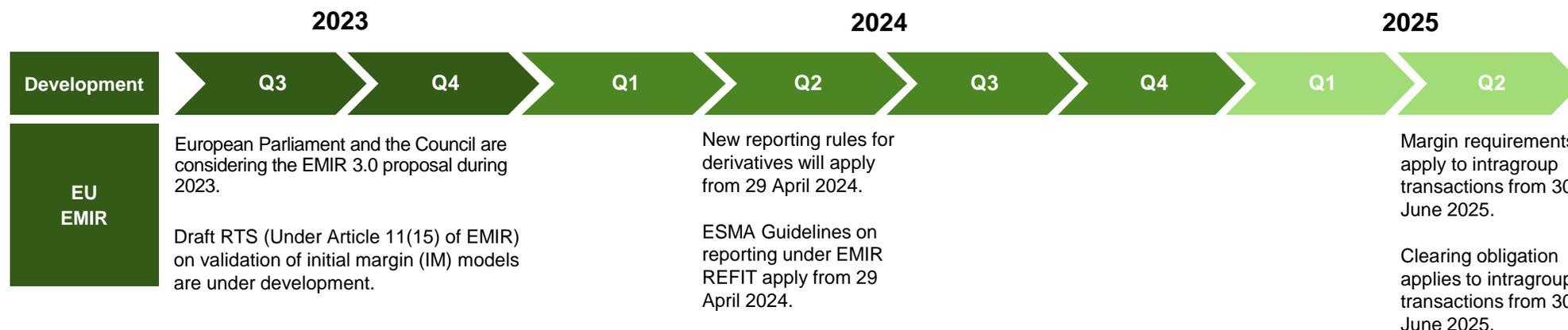
In addition, new legislative measures following a review of the framework (sometimes referred to as 'MiFID3/MiFIR2') are expected to be finalised during 2023. MiFID2 will also see further changes due to initiatives being introduced under the Capital Markets Union (CMU) Action Plan.

Read our in-depth briefings on these developments [here](#), [here](#) and [here](#).

What's on the horizon?

- The MiFID2 'Quick Fix' measures suspended best execution periodic reporting under Article 27(3) of the MiFID2 Directive until 28 February 2023. Given that the incoming MiFID3/MiFIR2 package will remove the Article 27(3), 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**).
- Following trilogue negotiations, the Council and the European Parliament reached provisional political agreement on the MiFID3/MiFIR2 package on 29 June 2023. The package will make changes to MiFID2 and MiFIR to improve market data access and transparency. It is expected to be formally adopted later in 2023 and to apply 20 days after publication in the Official Journal of the European Union..
- An incoming CMU initiative to support access to public markets (known as the Listing Act package) (see **slide 19**), will among other things amend MiFID 2's provisions on research unbundling and SME growth markets, to stimulate investment in SMEs.
- During 2023-2024, the Council and the European Parliament will be considering the Commission's proposal for a Retail Investment package which sets out measures to increase consumer participation in capital markets (see **slide 22**) published on 23 May 2023. The package includes proposed amendments to MiFID2 (and other sectoral legislation) to introduce simplified/improved disclosures on products, new provisions relating to sophisticated retail investors and harmonisation of professional standards for advisers.
- Updated Guidelines on aspects of the MiFID2 remuneration and suitability requirements will apply from 3 October 2023, and revised Guidelines on MiFID 2 product governance will apply two months after translation into the official EU languages.

EU EMIR



EU 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.

Adopted in December 2022, proposals for the **EMIR 3.0** package, comprising a proposed Regulation and Directive are passing through the legislative process. 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.

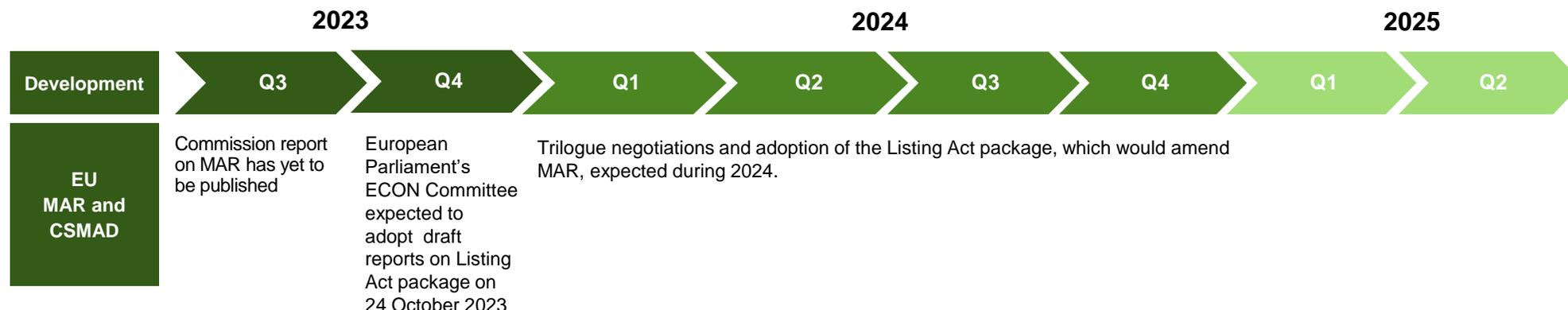
Recently adopted Level 2 measures have deferred the application of some of EMIR's requirements to intragroup transactions.

Listen to our panel discussion on this development [here](#) and read our latest briefing [here](#).

What's on the horizon?

- 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 will enter into force on publication, and the RTS on the DTO will enter into force on application of the MiFID3/MiFIR2 package.
- Draft RTS under Art 11(15) EMIR are in 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 MAR AND CSMAD



MAR and CSMAD

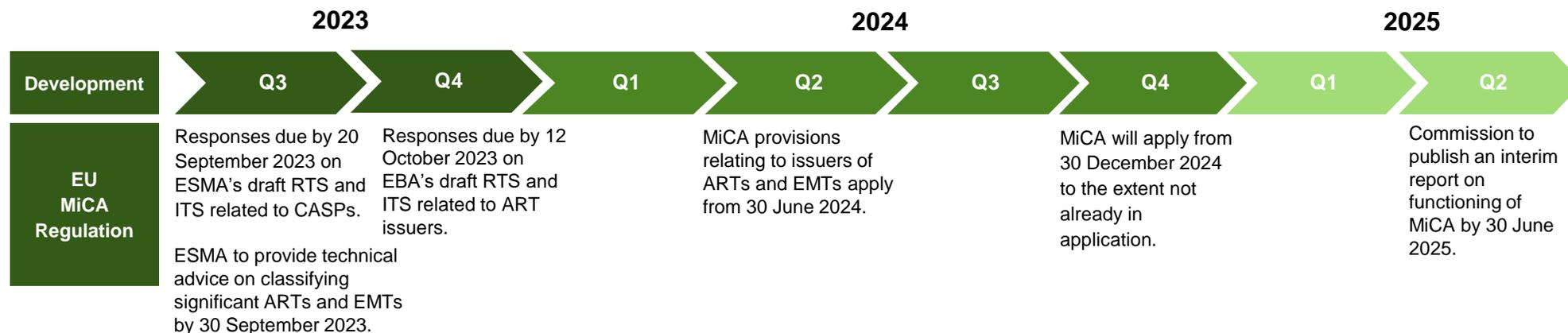
An EU-wide framework for tackling market abuse and market manipulation was first introduced in 2005. MAR and CSMAD aimed to update and strengthen this framework. MAR extended the scope of the market abuse regime and introduced new requirements including in relation to insider lists, disclosure of inside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

CSMAD sets minimum requirements for EU member states' criminal sanctions regimes for market abuse.

What's on the horizon?

- 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**). A measure supporting the EU's Capital Markets Union agenda, this will, among 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 are continuing through the EU legislative process.
- The European Parliament's ECON committee is expected to vote on its draft reports on the Listing Act package on 24 October 2023. Third drafts of the reports were published in June 2023.

EU MiCA REGULATION



MiCA regulation

The Markets in Cryptoassets Regulation (MiCA) aims to harmonise cryptoasset regulation across the EU.

MiCA applies with respect to cryptoassets that do not qualify as MiFID financial instruments, deposits or structured deposits or traditional e-money under existing EU financial services legislation. In-scope cryptoassets are stablecoins ('Asset Referenced Tokens' (ARTs) and 'e-money Tokens' (EMTs)) and utility tokens ('other cryptoassets').

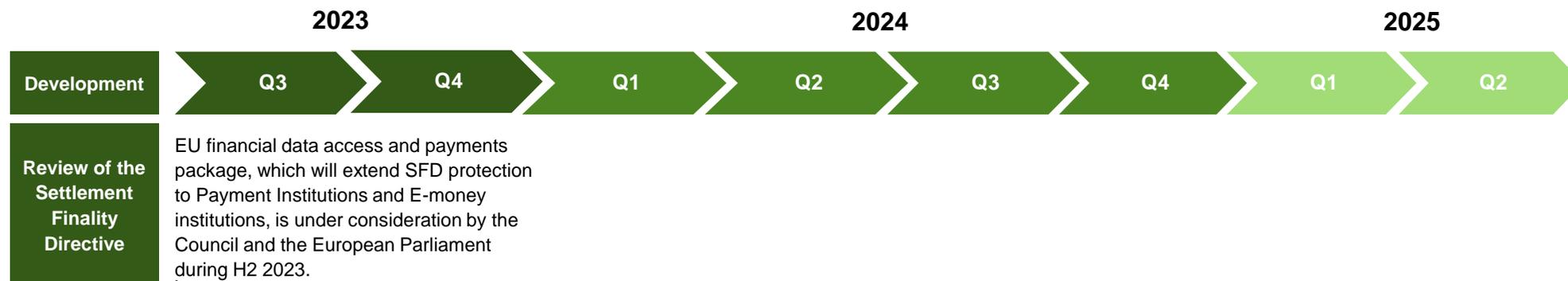
As well as placing obligations on those who issue or offer cryptoassets to the public, MiCA provides a framework for service providers ('CASPs'), which will bring in separate authorisation and ongoing requirements for activities such as trading and custody of this asset class. It will ensure among other 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 [here](#), [here](#), [here](#) and [here](#).

What's on the horizon?

- MiCA was published in the Official Journal on 9 June 2023 and entered into force on 29 June 2023.
- MiCA's provisions related to stablecoins (Asset Referenced Tokens and E-Money Tokens) apply from 30 June 2024, with the remainder of its provisions applying from 30 December 2024.
- MiCA will be supported by further 'Level 2' delegated acts, regulatory technical standards (RTS) and implementing technical standards (ITS), and 'Level 3' guidelines:
 - The Commission issued a provisional call for evidence to ESMA in January 2023, requesting technical advice by 30 September 2023 to inform a future Delegated Act on classification of asset-reference tokens and e-money tokens as significant.
 - In July 2023, the EBA launched consultations on draft RTS on changes in control of ART issuers and ART issuers' complaints-handling, and draft RTS and ITS on ART issuer authorisation, for responses by 12 October 2023.
 - In July 2023, ESMA published consultations on draft RTS and ITS related to CASPs' notification and authorisation requirements, conflicts management, complaints handling and change in control, for responses by 20 September 2023.

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. The SFD seeks to reduce the systemic risk associated with participation in payment and securities settlement systems and, in particular, the risk linked to the insolvency of a participant in such a system. 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 due to have produced a report by 28 June 2021, including proposed legislative amendments where appropriate.

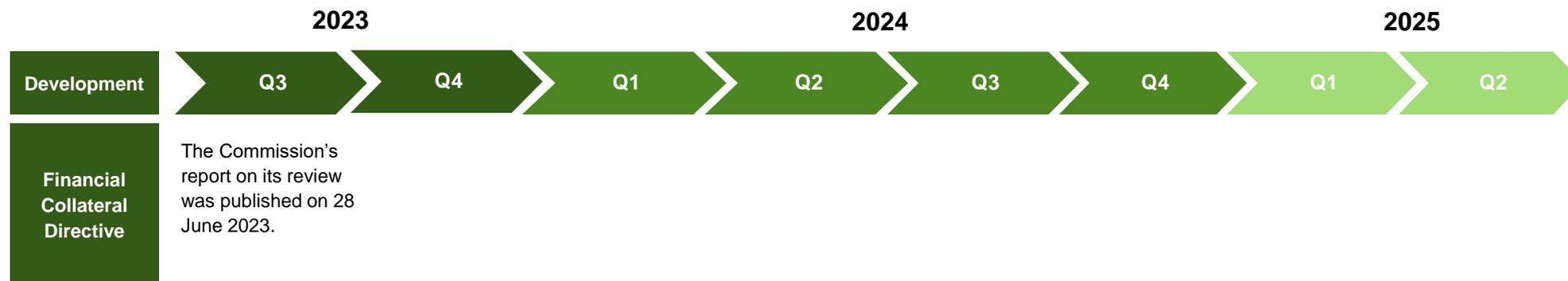
Due to the close post-trade interconnection of the SFD with the Financial Collateral Directive (FCD), the Commission launched parallel consultations on the two Directives in February 2021.

Read our in-depth briefing on this development [here](#)

What's on the horizon?

- The Commission consultation closed on 7 May 2021 and the Commission published a [report](#) on its review on 28 June 2023.
- The Commission concludes that, as with the related Financial Collateral Directive (FCD), no major overhaul of the SFD is required. However the Commission highlighted that:
 - The SFD does not apply to third country settlement systems but national authorities can exercise discretion to extend SFD protections to domestic institutions' participation in third country settlement systems. While the review found a lack of harmonisation in member states' exercise of the discretion, any future proposals to change the SFD to require further harmonisation need to be carefully weighed in terms of costs and benefits.
 - There was support for Payment Institutions (PIs) and Electronic Money institutions (EMIs) to be added to the list of eligible direct participants in settlement systems. The EU financial data access and payments package adopted in June 2023 (**see slide 42**) will make a targeted amendment to the SFD add PIs to the list of institutions which have the possibility to participate directly in payment systems designated by a Member State pursuant to the SFD (but not to designated securities settlement systems).
 - Consideration of applying SFD to DLT-based systems should await insights from the EU Digital Pilot Regime on the risks and benefits of DLT in trading and settlement.

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

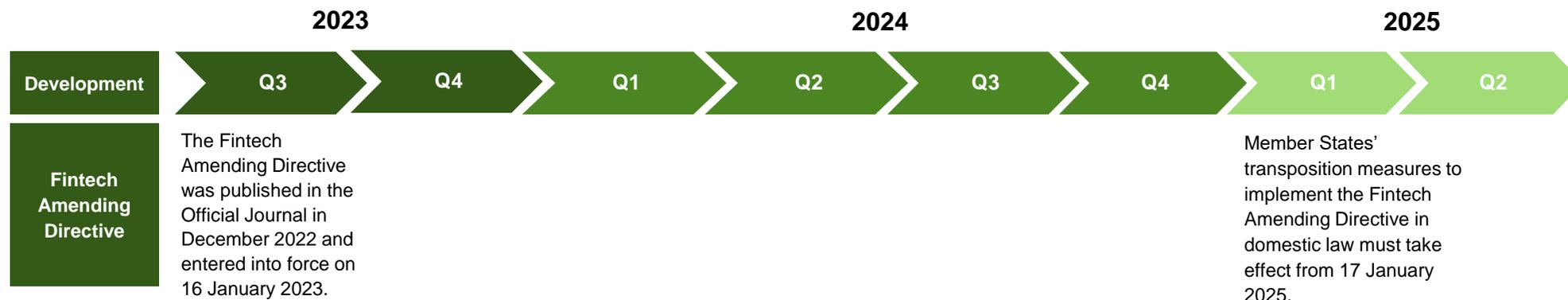
The Commission launched a consultation on the functioning of the FCD in February 2021, in parallel with a consultation on the functioning of the Settlement Finality Directive given that the two Directives are closely connected in the post-trade context.

What's on the horizon?

- The Commission consultation closed on 7 May 2021 and the Commission published a [report](#) on its review on 28 June 2023. The Commission concluded that the FCD has worked well and needs no major revisions. However, the Commission highlighted that :
 - Extending the scope of the FCD to additional market participants such as Payment Institutions and Electronic Money Institutions warrants further consideration and monitoring;
 - To keep up with market and regulatory developments, the current list of eligible financial collateral under the FCD (i.e., cash, financial instruments and credit claims) could be reviewed to consider whether its scope should be extended, but noting that and such extension would have to meet the requirements under FCD, including key concepts such as 'possession' and 'control' of the financial collateral to ensure, for example, that the collateral provider is prevented from disposing of the collateral; and
 - The FCD can apply to DLT based collateral provided that the collateral complies with the conditions set out in the FCD. However, for cryptoassets to qualify as financial instruments, the ownership provision, possession and control requirements of the FCD, might potentially raise issues and the results of the EU DLT Pilot Regime (a related provision under the EU's Digital Finance Strategy) might provide further insights on how these issues might be addressed.

Read our in-depth briefing on this development [here](#)

FINTECH AMENDING DIRECTIVE



Fintech amending directive

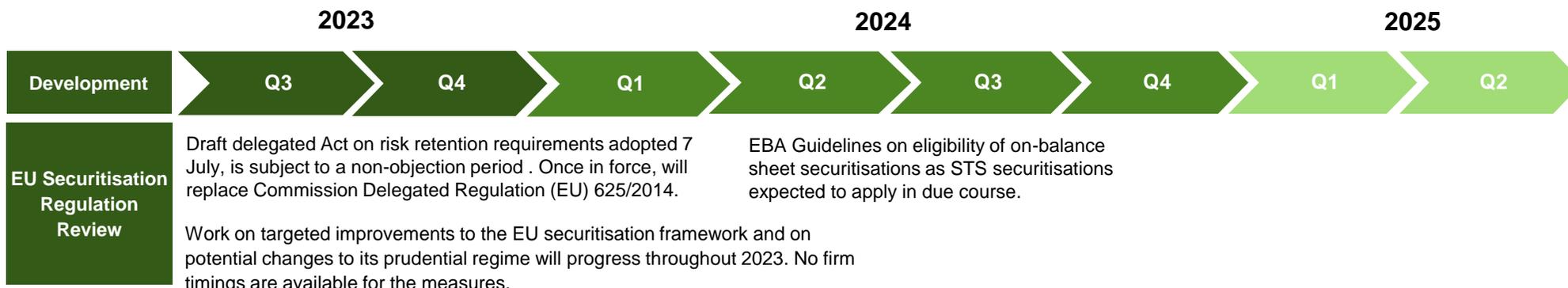
The Fintech Amending Directive (EU) 2022/2556 of 14 December 2022 supports the DORA Regulation (see **slide 35**) as part of the EU's Digital Finance Strategy.

The Fintech 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.

What's on the horizon?

- Member States must amend their national law implementing the following Directives to transpose the provisions of the Fintech 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.

EU 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 [here](#) and [here](#)

What's on the horizon?

- 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.
 - 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.
 - 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.
- The Commission adopted a draft delegated act on 7 July 2023, which sets out further detail on the SR's risk retention requirements for originators, sponsors, original lenders and servicers. Once in force, this delegated regulation will replace Commission Delegated Regulation (EU) 625/2014.
- The EBA ran a consultation between 21 April 2023 and 7 July 2023 on guidelines on the criteria for on-balance-sheet securitisations to be eligible as STS securitisations. As yet, there is no indication of when the guidelines may enter into application.



HORIZON SCANNER
A. EU DEVELOPMENTS
II. ESG



EU SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)



SFDR

The Sustainable Finance Disclosure Regulation (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.

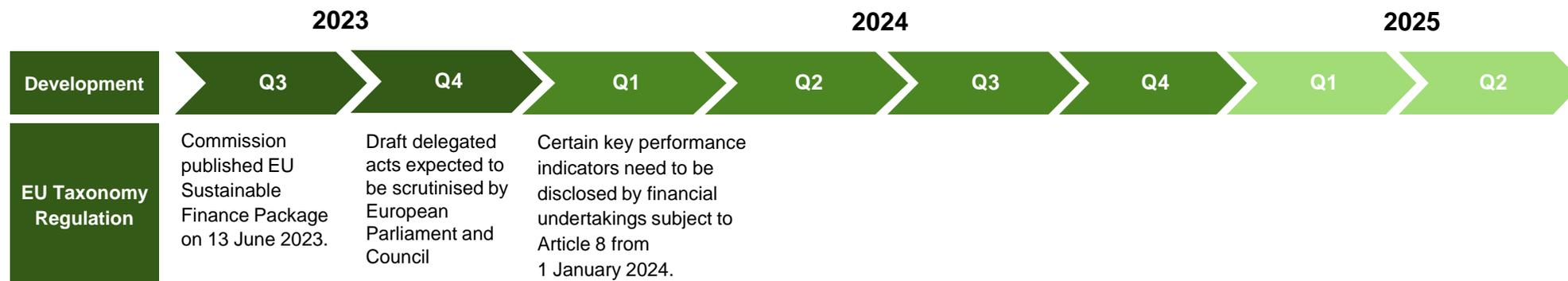
Whilst many of SFDR's provisions began to apply in 2021, staggered implementation deadlines and the development of underlying technical standards have meant that firms' implementation projects have continued long past this date.

Read our in-depth briefings on this development [here](#) and [here](#).

What's on the horizon?

- A delegated regulation incorporating nuclear and gas disclosures into SFDR disclosures has applied from 20 February 2023.
- In April 2023, the ESAs launched a consultation on amendments to the RTS on content and presentation of principal adverse impact (PAI) and product disclosures. The consultation closed on 4 July 2023 and the ESAs are expected to report to the Commission by 28 November 2023.
- The Joint Committee of the ESAs published a consolidated set of Q&As on the SFDR and SFDR RTS on 18 May 2023.
- The Commission was due to evaluate the SFDR by 30 December 2022. In June 2023, the Commission announced, as part of its [Sustainable Finance Package](#), that a consultation on assessing the SFDR will be launched in Autumn 2023. The focus will be on assessing shortcomings in the SFDR to improve legal certainty, enhancing usability and improving the legislation's role in mitigating greenwashing
- In November 2022, the ESAs launched a Call for Evidence on greenwashing. Each of the ESAs delivered a progress report on 1 June 2023, with final reports to be delivered in May 2024.
- 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.
- EMSA ran a consultation between November 2022 and February 2023 on guidelines on funds' names using ESG or sustainability-related terms. It expects to issue final guidelines in Q3 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’.

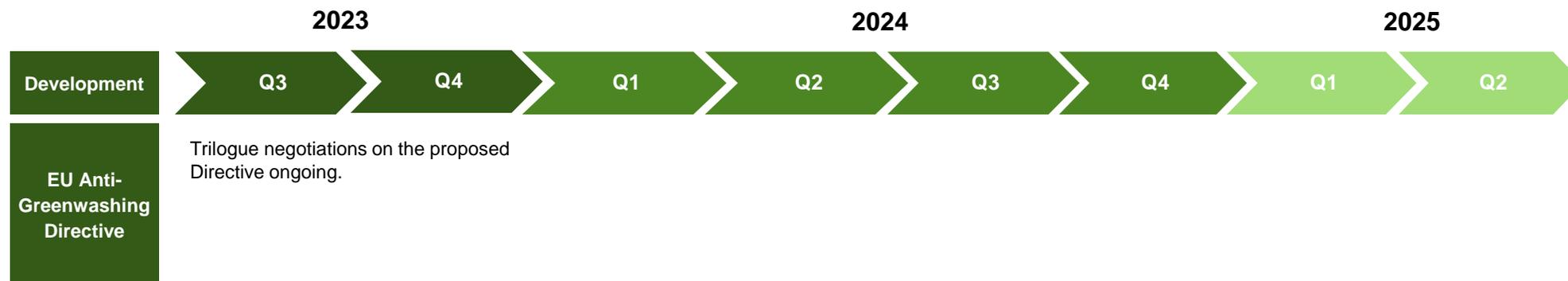
The six ‘environmental objectives’ are set out in the Taxonomy Regulation. The Taxonomy Regulation also creates disclosure obligations for certain products that are within the scope of the related Sustainable Finance Disclosure Regulation (SFDR).

Read our in-depth briefing on this development [here](#).

What’s on the horizon?

- In December 2022, the European Commissioner for financial services, financial stability and Capital Markets Union stated that the Commission intended to publish FAQs on the Taxonomy Regulation. These [FAQs](#) were published on 16 June 2023 as part of its Sustainable Finance Package.
- Among other measures, Sustainable Finance Package also included two draft delegated acts which will be subject to a four-month scrutiny period by the European Parliament and Council:
 - A [draft taxonomy environmental act](#) – setting out technical screening criteria for economic activities that make a substantial contribution to one or more of the non-climate environmental objectives (circular economy; biodiversity; pollution; and water); and
 - An [amending regulation](#) which will add additional activities that are not currently included in the existing Taxonomy Climate Delegated Act (which sets out technical screening criteria for economic activities that make a substantial contribution to climate change mitigation or climate change adaptation).
- 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.

EU 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.

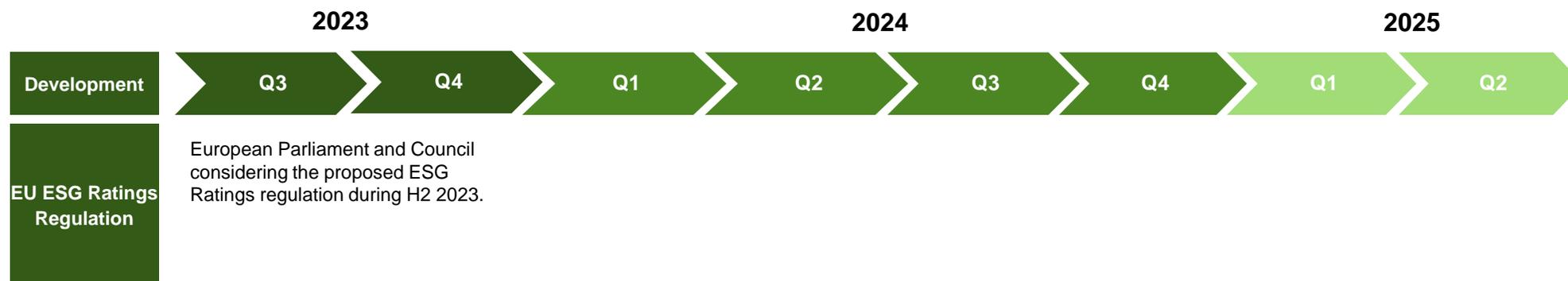
The Directive will amend the **Unfair Commercial Practices Directive (UCPD)** to:

- 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.

What's on the horizon?

- 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 Council adopted its negotiating mandate on the proposed Directive on 3 May 2023. The European Parliament adopted its position at its plenary meeting of 11 May 2023. The proposed Directive will be adopted following the conclusion of inter-institutional negotiations.
- 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

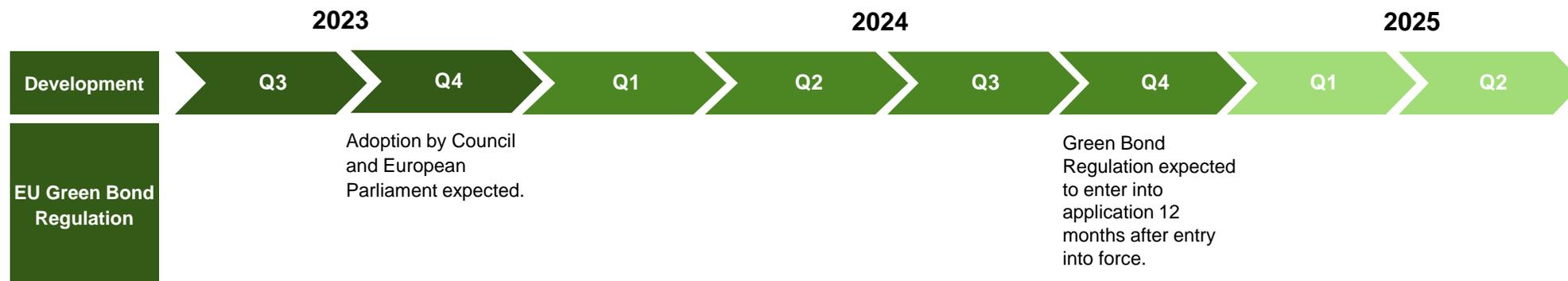
Provision ESG ratings is not currently regulated at EU level.

In April 2022, the Commission confirmed that it was 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. This was followed in June 2023 by a legislative proposal for a Regulation on the transparency and integrity of ESG rating activities.

What's on the horizon?

- The Commission's June 2023 legislative proposal for a Regulation is aimed at addressing deficiencies in ESG ratings provision, including: (i) lack of transparency on the characteristics of ESG ratings, their methodologies and their data sources; (ii) the lack of clarity on how ESG rating providers operate; and (iii) conflicts of interest at ESG rating providers' level. The Regulation sets out provisions to:
 - Appoint ESMA as supervisor of ESG ratings providers and impose an authorisation requirement on ESG ratings providers (subject to a transitional period for small and medium-sized ESG rating providers providing their services prior to the entry into force of the Regulation);
 - Introduce a regime for third country ESG ratings providers;
 - Set out principles on the integrity and reliability of ESG rating activities;
 - Set out transparency requirements for ESG ratings' activities; and
 - Impose obligations relating to the independence and conflict of interests of ESG rating providers.
- The scope of the Regulation will not extend to: internal or private ESG ratings that are not intended for public disclosure or distribution; raw ESG data; or credit ratings.
- The Council and the European Parliament are currently considering the legislative proposal with a view to reaching their negotiating positions. Once adopted the Regulation will enter into force 20 days after its publication in the Official Journal of the European Union and apply six months later.

EU GREEN BOND REGULATION



EU 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 EU 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](#)

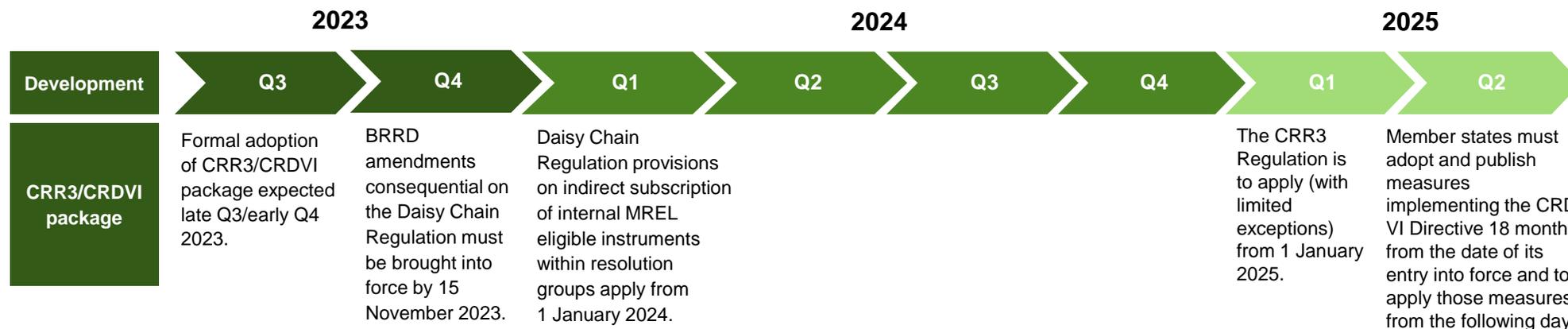
What's on the horizon?

- 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 co-legislators reached provisional agreement on the text of the Regulation on 10 May 2023. The European Parliament plenary vote is scheduled for its October 2023 plenary session.
- Key elements of the new Regulation are:
 - Compliant bonds will have the 'European Green Bond' or 'EuGB' designation. Issuers' home state National Competent Authorities will supervise issuers' compliance with the standard. There will be a registration and supervisory framework for reviewers of European Green Bonds.
 - 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).
 - Provisions allowing some voluntary disclosure requirements for other environmentally sustainable and sustainability-linked bonds issued in the EU, such as those issued under the ICMA principles.
- Once adopted by the co-legislators, the Regulation will start to apply 12 months after its entry into force.

The background of the slide features a complex financial market visualization. On the left, there is a candlestick chart with green and red bars. On the right, there are several line charts in blue, green, and white. A large white arrow points upwards and to the right, indicating a positive trend. The overall color scheme is dark with vibrant highlights from the charts.

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).

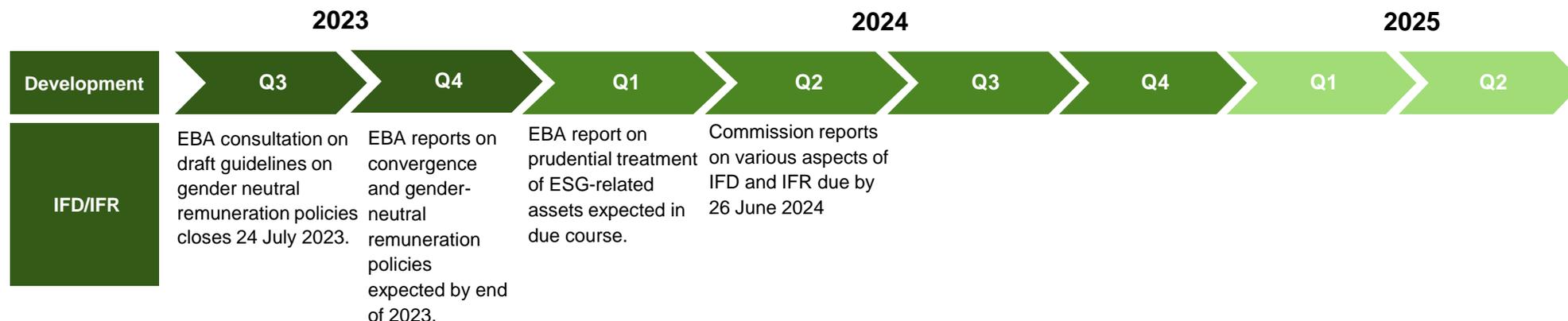
The so-called Daisy Chain Regulation has also made further revisions to the CRR to improve banks' resolvability, including clarifying the treatment of indirect subscription of internal MREL eligible instruments within a resolution group with a multiple point of entry resolution strategy.

Read our in-depth briefing on the CRR3/CRDVI package [here](#)

What's on the horizon?

- 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.
- Provisional agreement on the draft texts of CRR3 and CRDVI was reached in June 2023.
- The provisional agreement for the CRDVI proposal includes agreement that third country credit institutions will be required establish a branch in the EU and apply for authorisation unless they fall within an exemption. The scope of the exemptions from this requirement and any transitional arrangements will not be known until the final text is made available publicly.
- 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 Investment Firms Directive (IFD) and Investment Firms Regulation (IFR) created a new harmonised prudential regime for EU investment firms, replacing the application of the CRDIV prudential regime.

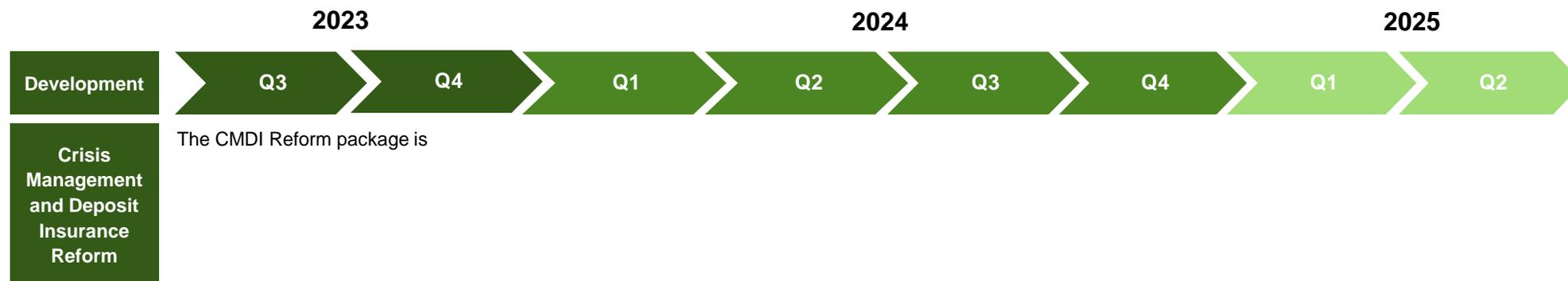
While certain larger investment firms remain treated as credit institutions and subject to the capital regime under CRDIV, firms that are not subject to CRDIV are subject to the new IFD and IFR prudential regime. The IFD/IFR regime includes requirements on capital, consolidation, reporting, governance and remuneration. The IFD and IFR are supported by a number of 'Level 2' implementing and regulatory technical standards (ITS and RTS) and 'Level 3' guidelines, not all of which have been finalised.

Read our in-depth briefings on this development [here](#) and [here](#).

What's on the horizon?

- An EBA report on the application of gender-neutral remuneration policies is expected in Q4 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.
- The EBA consulted in April 2023 on draft Guidelines on the benchmarking of diversity practices including diversity policies and gender pay gap under on the IFR and IFD. The consultation closes on 24 July 2023 and finalised guidelines are 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 has reviewed 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.

Read our in-depth briefing on this development [here](#).

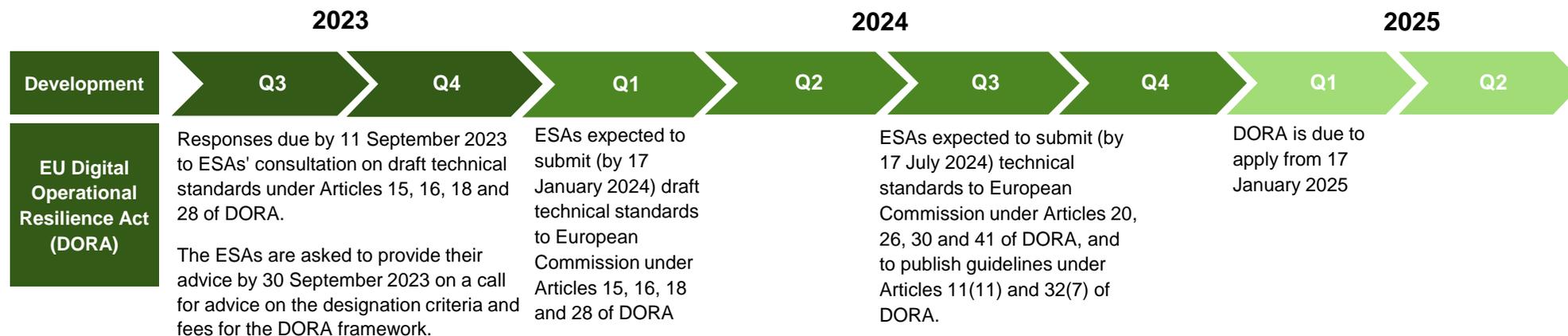
What's on the horizon?

- The current EU CMDI framework is set out in the Bank Recovery and Resolution Directive (BRRD) and Deposit Guarantee Scheme Directive (DGSD) adopted in 2014. For eurozone and other banks subject to the SSM in the Banking Union, this framework is supplemented by the Single Resolution Mechanism Regulation (SRMR) which created a single resolution mechanism (SRM) in which the Single Resolution Board (SRB) acts as the resolution authority for significant and cross-border banks and the Single Resolution Fund (SRF) provides pre-funded resolution financing arrangements.
- Following consultations in early 2021 on general and technical issues in the CMDI framework the European Commission published legislative proposals for revisions to the CMDI framework in April 2023.
- The legislative package will make significant amendments to the BRRD, the SRMR and the DGSD. It comprises the following legislative proposals:
 - a Directive amending the BRRD (BRRD3);
 - a Regulation amending the SRMR (SRMR3);
 - a Directive amending the DGSD (DGSD2);
 - a Directive amending the BRRD and SRMR on the methods for the indirect subscription of instruments eligible for meeting a bank's loss absorbency requirements (the daisy chain amendments).
- The European Parliament and Council are considering the package. Once adopted and in force, most of the measures will apply 18 months later.



HORIZON SCANNER
A. EU DEVELOPMENTS
III. CROSS-SECTORAL

EU DORA



EU Digital Operational Resilience Act (DORA)

Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (**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.

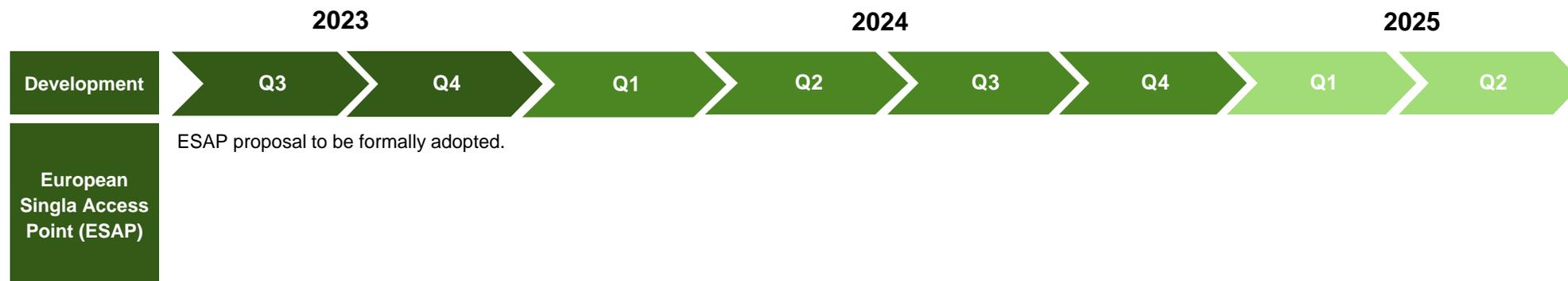
DORA will be supported by ‘Level 2’ technical standards and ‘Level 3’ guidelines, which are under development.

Read our in-depth briefings on this development [here](#) and [here](#).

What’s on the horizon?

- 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.
- The ESAs are mandated to develop draft implementing and regulatory technical standards (ITS and RTS), which will set out detail supporting various aspects of the DORA framework. Draft technical standards are due to be submitted to the European Commission by January and July 2024.
 - The joint committee of the ESA’s published consultation papers on draft ITS and RTS under Articles 15, 16, 18 and 28 of DORA on 19 June 2023, for responses by 11 September 2023. The RTS relate to ICT risk management frameworks, the criteria for the classification of ICT related incidents, materiality thresholds for major incidents and significant cyber threats, and ICT third-party arrangements management.

EUROPEAN SINGLE ACCESS POINT (ESAP)



European Single Access Point (ESAP)

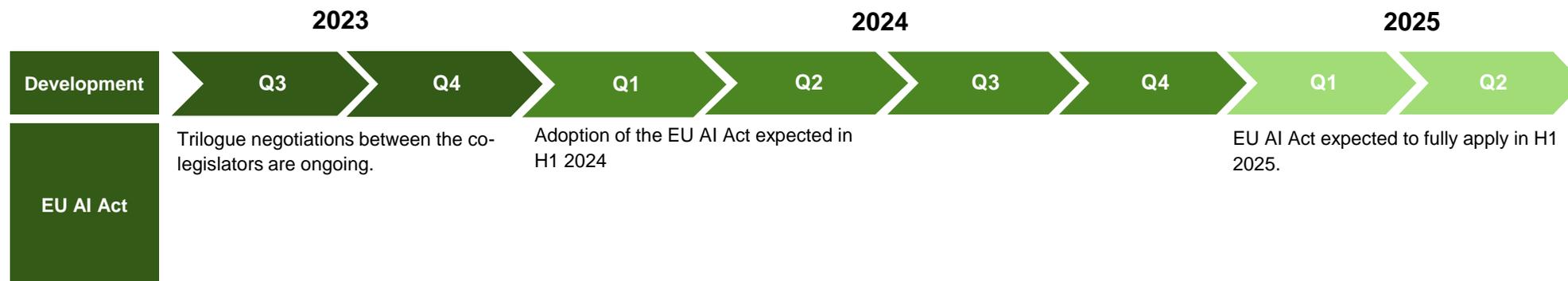
The Commission is proposing a new Regulation enabling ESMA to create and maintain a single access point to financial and non-financial company data for investors. This data is currently fragmented across EU member states, in many access points, in different languages and in various digital formats. The 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.

What's on the horizon?

- 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.
- Inter-institutional negotiations on the ESAP proposal have taken place and a draft overall compromise package was agreed on 28 June 2023. The European Parliament is scheduled to vote on the proposal at a future plenary session, following which the ESAP proposal can be formally adopted.
- From a timing perspective, under the provisional agreement, the ESAP platform is expected to be available from summer 2027 and gradually phased in.
 - Phase I will include in ESAP's scope information relating to the Short Selling Regulation, Prospectus Regulation and Transparency Directive.
 - Six months after the ESAP has been made public (i.e., 48 months after its entry into force), Phase II will begin – scope will include among other things information relating to SFDR, Credit Rating Agencies Regulation and the EU Benchmarks Regulation.
 - Phase III (the final phase) will include relevant information from around 20 additional pieces of legislation, including MiFIR, CRR and the EU Green Bonds Regulation.

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 according to level or risk.

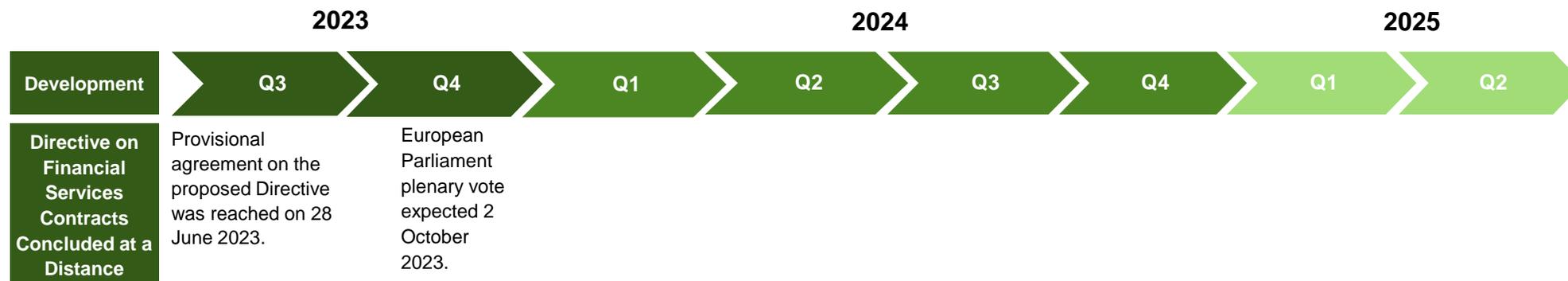
AI uses that are deemed to present unacceptable risk will be prohibited. High risk AI systems and their providers, users/deployers and other operators will be subject to detailed requirements (including conformity assessment, risk and quality management, data governance, documentation and record-keeping, registration, transparency, human oversight, accuracy, robustness and cyber security). Certain other AI systems will be subject to transparency requirements. Both the European Parliament and Council have introduced further obligations that may be agreed on in the finalised text of the Act.

Read our in-depth briefing on this proposal [here](#)

What's on the horizon?

- The AI Act will apply to all sectors including financial services, with the exception of private, non-professional use of AI. The measures in the proposed Regulation will extend to (i) providers placing on the market or putting into service AI systems in the EU; and (ii) users (or 'deployers' under the Parliament text) of AI systems located in the EU; (iii) providers and users/deployers based outside the EU to the extent the output produced by the AI system is used in the EU; and (iv) other actors in the AI value chain such as importers and distributors of AI systems.
- 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/deployers of AI systems, or another 'operator' in the AI value chain 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. The European Parliament adopted its negotiating position on 14 June 2023.
- Trilogue discussions between the Council, the Parliament and the Commission have now commenced. There is pressure on the EU institutions to reach agreement, and the European Parliament elections of June 2024 may act as a natural deadline.
- Parliament and Commission both propose a transition period of two years, following the entry into force of the AI Act, before the majority of its provisions would apply (and the Council has proposed to extend this to three years).
- Given the extreme speed of AI development, and that the legislative proposal is not likely to be agreed before the end of 2023, the European Commission plans a temporary voluntary AI Pact with global technology companies while the EU AI Act progresses through the legislative process.

DISTANCE MARKETING OF FINANCIAL SERVICES



Directive on Financial Services Contracts Concluded at a Distance

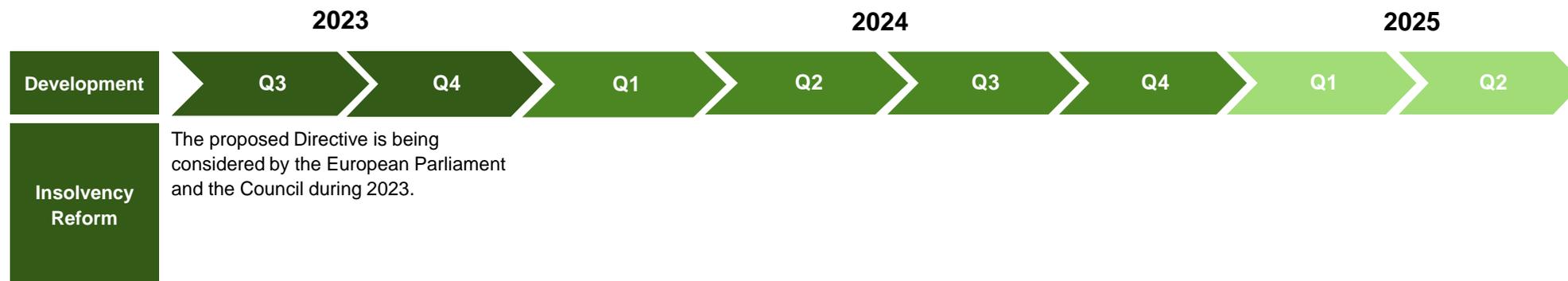
Following a regulatory fitness (REFIT) evaluation, the Commission found that the protections of the Distance Marketing Directive (DMD) remain useful as a horizontal safety net where more recent sector-specific legislation has not been enacted, but that the DMD's protections need to be updated to account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

What's on the horizon?

- 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 and inter-institutional negotiations took place following the adoption on 28 March 2023 of the Report of European Parliament's Internal Market and Consumer Protection (IMCO) committee. Provisional agreement on the proposed Directive was reached on 21 June 2023.
- The European Parliament is expected to vote on the proposal at its plenary session on 2 October 2023, following which the proposed Directive is expected to be formally 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 [harmonising certain aspects of insolvency law](#) 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.

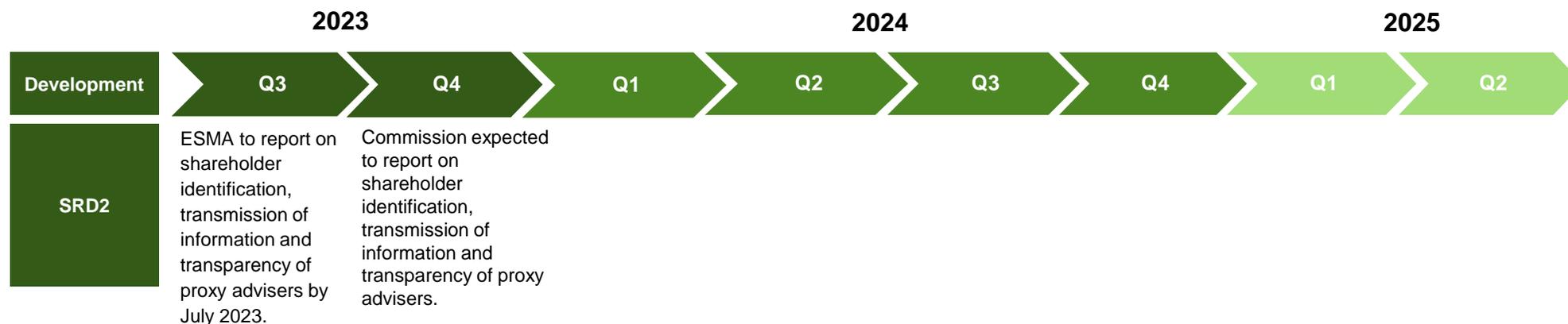
The proposal is expected to increase legal certainty and the efficiency and duration of insolvency proceedings as well as to improve value recovery.

Read our in-depth briefing on this development [here](#) and on CMU [here](#)

What's on the horizon?

- The Commission's proposal is being considered by the European Parliament and the Council during 2023. The proposal covers the key elements set out below.
 - EU measures proposed to harmonise insolvency laws;
 - New pre-pack insolvency processes;
 - Measures for simplified liquidation;
 - A standardising mandatory duty for directors to file for insolvency;
 - Measures standardising claw back action;
 - 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.

SRD2



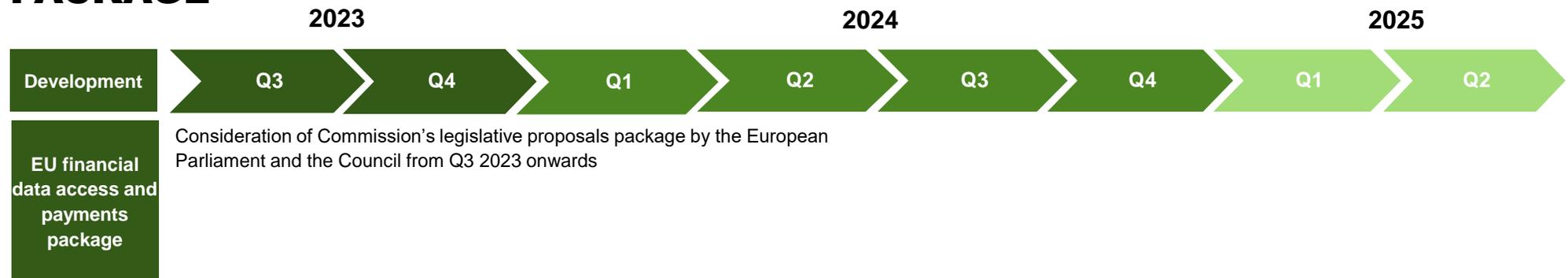
SRD2

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?

- By 10 June 2023, the Commission was 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
 - Implementation of the provisions on the transparency of proxy advisers.
 - The Commission reports are still expected.
- ESMA published a call for evidence on these topics in October 2022 with the aim of providing the Commission with input for its report. The call for evidence closed on 28 November 2022. ESMA has confirmed that it intends to report on these topics by July 2023.

PSD3 AND OPEN FINANCE: EU FINANCIAL DATA ACCESS AND PAYMENTS PACKAGE



EU financial data access and payments package

The European Commission has put forward a financial data access and payments package, which comprises:

- proposals for a new Payment Services Directive (PSD3);
- a Payment Services Regulation (PSR); and
- a Regulation on a framework for financial data access (FIDA).

The current Payment Services Directive (PSD2), and second e-money Directive, will be repealed and together become PSD3 and be complemented by the new PSR.

Measures include proposals to further level the playing field between banks and non-banks, improve the functioning of open banking, combat fraud and improve consumer rights.

The financial data access regulation will promote open finance, by establishing a framework of clear rights and obligations to manage customer data sharing in the financial sector beyond payment accounts. The proposals will now be considered by the European Parliament and the Council.

Read our in-depth briefing on this development [here](#).

What's on the horizon?

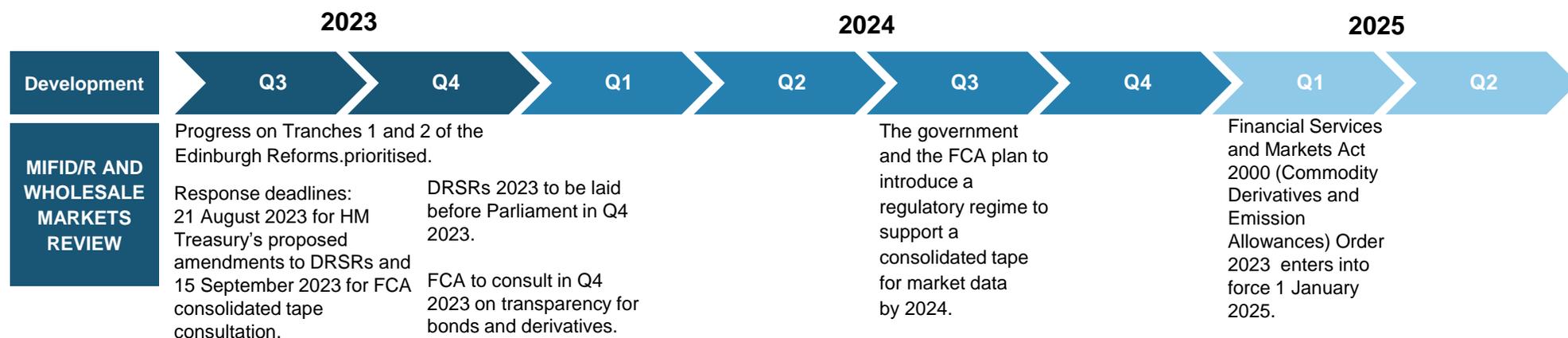
- The PSD3 and PSR proposals combine the existing payment services and electronic money regimes into a single set of proposals. PSD3, which will need to be transposed into national law by EU member states, covers the authorisation and supervision of payment institutions and e-money issuers. The PSR sets out conduct of business requirements for payment services including the rights and obligations of the parties involved.
- The FIDA builds upon and expands the scope of the existing TPP access provisions in the PSR, extending the open banking principle to other types of accounts and financial products under a broader "open finance" initiative. It introduces financial sector-specific rules as envisaged by Chapter III of the proposed EU Data Act.
- While PSD3 and PSR do not materially change the current list of regulated payment services, firms' existing licenses will only remain valid for 30 months after PSD3 enters into force. This means that existing payment institutions and e-money institutions will be required to reapply for a licence under the new regime within 24 months of PSD3 coming into force.
- The PSD3 proposal requires Member States to transpose and apply implementing legislation from 18 months after entry into force (with the exception of certain amendments which are to apply from 6 months after entry into force).
- The PSR proposal states that it will apply from 18 months after entry into force.
- Rules on financial data sharing schemes and authorisation of financial information service providers under FIDA are also due to apply from 18 months after entry into force, with other provisions applying from 24 months after entry into force.



HORIZON SCANNER
B. UK DEVELOPMENTS
I. MARKETS



MIFID/R AND WHOLESALE MARKETS REVIEW



MiFID/R and WMR

The Wholesale Markets Review (**WMR**) identified areas of reform to better calibrate the post-Brexit regulatory framework to the UK's secondary markets.

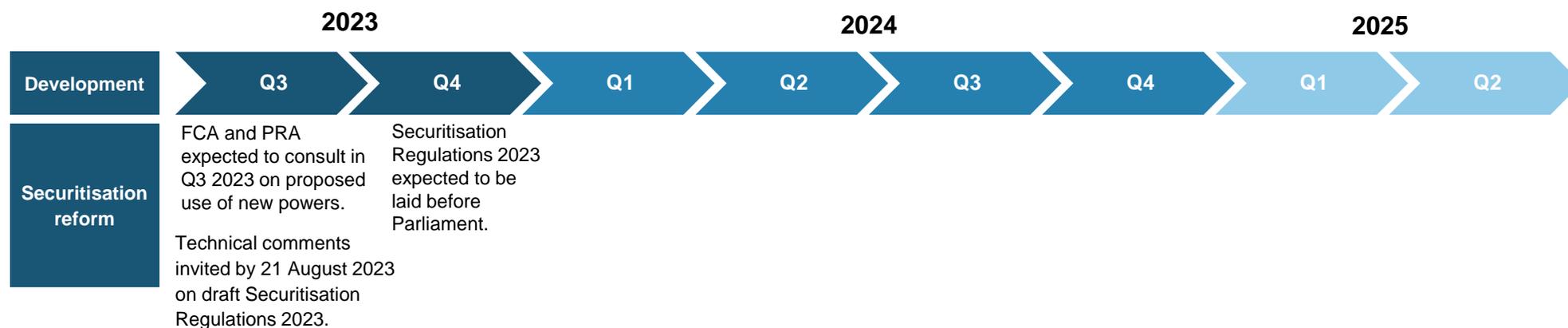
The Financial Services and Markets Act 2023 (**FSMA 2023**), enacted on 29 June 2023, will play a key role in delivering the outcomes of the WMR by: (i) making immediate changes to retained EU law (including UK MiFIR) to deliver the WMR proposals considered highest priority; and (ii) delivering other 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 (supplemented by the **Mansion House Reforms** published in July 2023) 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 [here](#), [here](#), and [here](#) and our blogs [here](#) and [here](#).

What's on the horizon?

- 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. FCA's consultation on its proposals runs until 15 September 2023. HM Treasury has published draft regulations (DRSRs 2023) to amend the Data Reporting Services Regulations 2017 and relevant retained EU law, inviting feedback by 21 August 2023. The DRSRs 2023 are expected to be laid before Parliament in Q4 2023.
- As envisaged by the WMR, the Financial Services and Markets Act 2000 (Commodity Derivatives and Emission Allowances) Order 2023 adopted in May 2023 will come into force on 1 January 2025, removing burdens from firms trading commodities derivatives as an ancillary activity.
- The independent Investment Research Review published its report on 10 July 2023 with seven key short and medium-term recommendations to improve levels of investment research on UK companies.
- Specific timing not yet announced
 - Outcome of joint work by government, the regulators and market participants to trial a new wholesale intermittent trading venue.
 - Outcome of government and FCA work on the boundary between regulated financial advice and financial guidance.
 - The outcomes of the Overseas Framework Review which was launched by HM Treasury in December 2020 may include proposals on potential changes to the UK's regime for overseas firms and activities, which may impact wholesale market regulation.

SECURITISATION REFORM



Securitisation reform

The Financial Services and Markets Act 2023 (**FSMA 2023**), enacted on 29 June 2023, enables the government to reform the UK’s securitisation regime and deliver the recommendations of the 2021 Securitisation Review with the aim of:

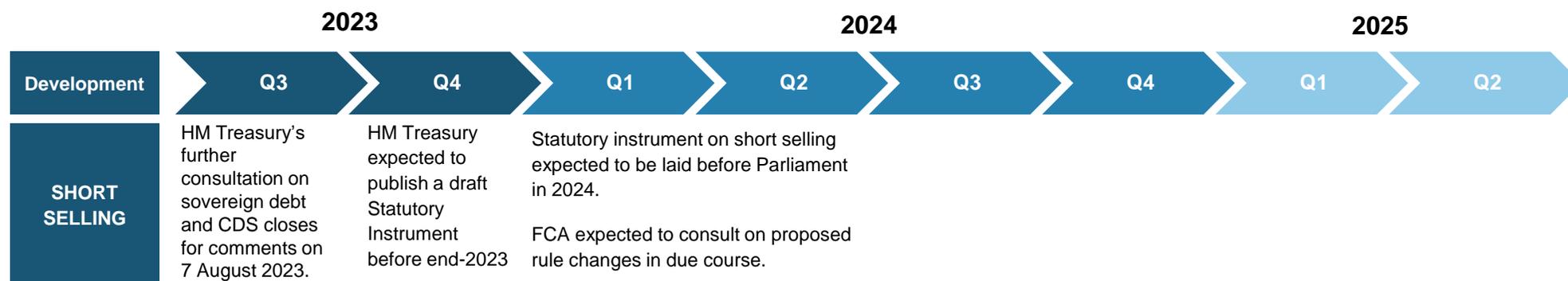
- (i) bolstering securitisation standards in the UK, in order to enhance investor protection and promote market transparency; and
- (ii) supporting and developing securitisation markets in the UK, including through the increased issuance of STS securitisations, in order to ultimately increase their contribution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

Read our in-depth briefing on this development [here](#).

What’s on the horizon?

- 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 on use of its powers in FSMA 2023 to amend the UK securitisation regime. This was followed by a revised draft in July 2023 on which technical comments are invited by 21 August 2023. Among other things the draft SI would:
 - grant powers to the FCA and PRA to make securitisation-related rules – including by designating certain sell-side activities for regulation under the Designated Activities Regime introduced by FSMA 2023;
 - 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;
 - 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”.
- HM Treasury expects to lay the Securitisation Regulations 2023 before Parliament before the end of 2023.
- 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 are expected to consult in Q3 2023 on their proposed use of new powers to make rules to replace the relevant firm-facing provisions in the Securitisation Regulation (and related technical standards).

SHORT SELLING



Short selling

The Financial Services and Markets Act 2023 (**FSMA 2023**), enacted on 29 June 2023, will repeal retained EU law on financial services and will give HM Treasury powers to amend, restate and replace that law.

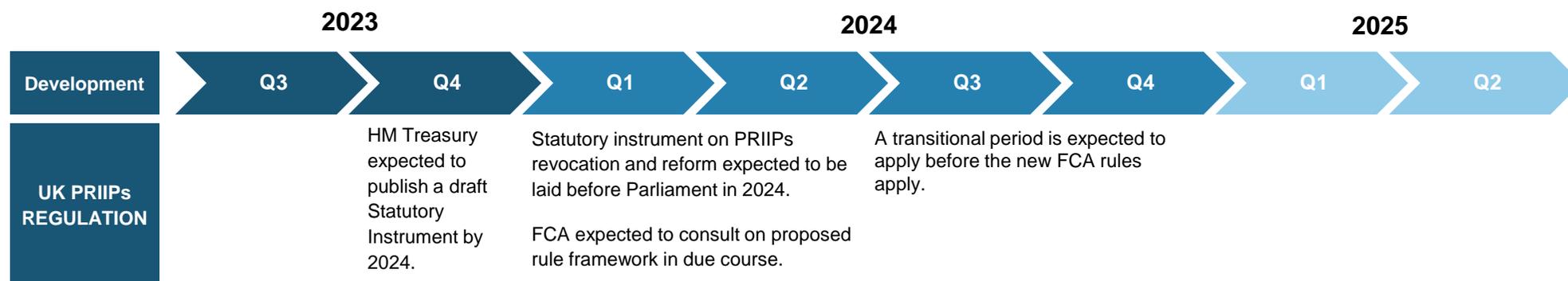
HM Treasury is exploring how, on repeal of the UK short Selling Regulation (UK SSR) the UK short selling regime could be reformed to make it work better for UK markets.

In December 2022, HM Treasury published a call for evidence on replacement of the 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.

What's on the horizon?

- Reform of the UK SSR 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 UK SSR closed on 5 March 2023. Responses will inform considerations as to the appropriate framework for the regulation of short selling. HM Treasury published a response document on 11 July 2023 summarising the feedback received.
- The call for evidence did not explore other specific provisions in the UK SSR including the short selling regime for UK sovereign debt and UK sovereign credit default swaps. On 11 July 2023, HM Treasury published a separate consultation document on sovereign debt and CDS aspects of the regime, which summarises views provided in response to the call for evidence. HM Treasury proposes to remove restrictions on uncovered short positions in UK sovereign debt and UK sovereign debt CDS, remove reporting requirements and amend other parts of the short selling regime where necessary, such as the market maker and authorised primary dealer exemptions. The further consultation is open for feedback until 7 August 2023.
- HM Treasury expects to lay a draft statutory instrument (SI) on the replacement short selling regime by the end of 2023, with a view to laying the finalised SI before Parliament in 2024.
- The FCA is expected to consult on relevant rule changes to reflect the new short selling regime in due course.

UK PRIIPS REGULATION



UK PRIIPs regulation

On UK withdrawal from the EU, the UK onshored the EU PRIIPs Regulation and subsequently made a series of targeted amendments to the UK 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 UK PRIIPs regime.

Read our in-depth briefings on this development [here](#), [here](#) and [here](#).

What's on the horizon?

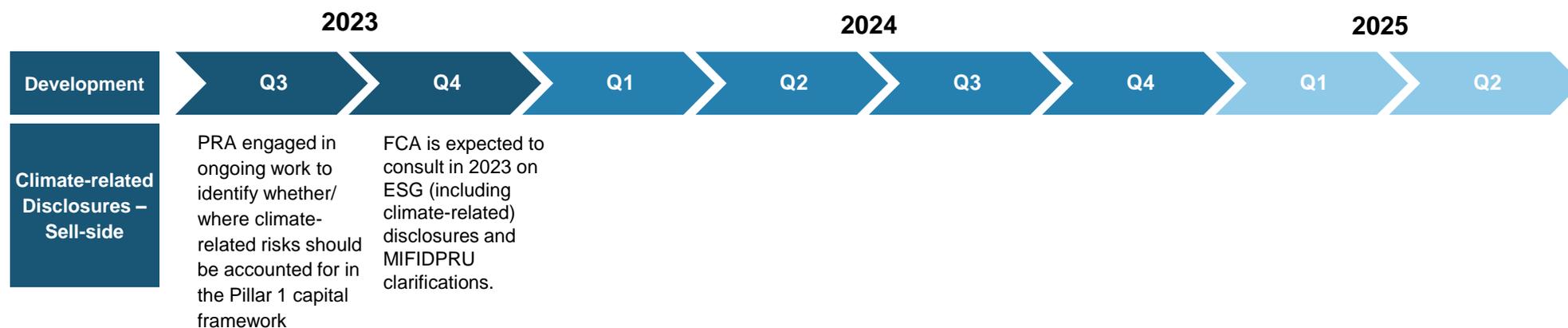
- The UK government announced in June 2020 that it intended to conduct a holistic review of the disclosure regime for UK retail investors. In the Edinburgh Reforms announced December 2022, the government confirmed it intends to repeal the UK PRIIPs regulation, replacing it with a more flexible regime for PRIIPs and UCITS disclosures, to be set out in the FCA Handbook. The announcement was accompanied by an HM Treasury consultation paper setting out this proposal in more detail. HM Treasury's consultation was followed by an FCA discussion paper on designing and implementing the new retail disclosure regime. Both papers closed for feedback in March 2023.
- HM Treasury published a consultation response on 11 July 2023, setting out feedback from respondents and confirming, among other things, that it will entirely remove all PRIIPs firm-facing retail disclosure requirements from legislation, and that UCITS vehicles will be brought into scope of the new retail disclosure regime. HM Treasury also set out its vision for the future disclosure framework, including some additional tailored powers for the FCA so that it can deliver the regime in respect of certain unauthorised firms and overseas funds.
- FCA is considering responses to its discussion paper and is expected to consult on proposed rules in due course. It is expected there will be a transition period to allow firms to prepare to comply with new FCA disclosure rules.
- 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.



HORIZON SCANNER
B. UK DEVELOPMENTS
II. ESG



CLIMATE-RELATED DISCLOSURES – SELL-SIDE



Climate related disclosures – sell-side

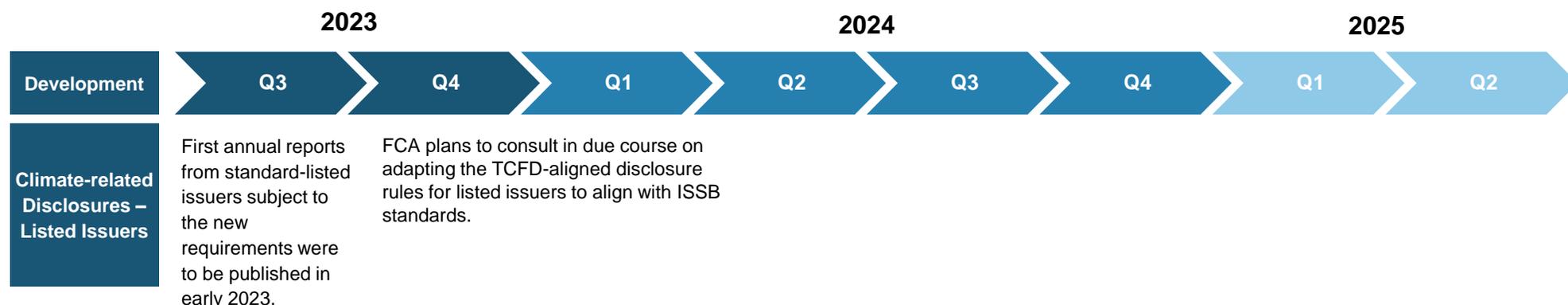
The UK formally committed in 2017 to using the recommended disclosures from the Task Force on Climate-related Financial Disclosures (TCFD) as a basis for mandatory climate related financial disclosures in the UK.

Sell side firms are subject to an expanding range of climate-related 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 climate-related) disclosures and MIFIDPRU clarifications.

What's on the horizon?

- 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 ISSB issued its first IFRS Sustainability Disclosure Standards in June 2023: (i) IFRS S1 (General requirements for disclosure of sustainability related financial information); and (ii) IFRS S2 (Climate related disclosures).
- 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 (**see Slide 54**) 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

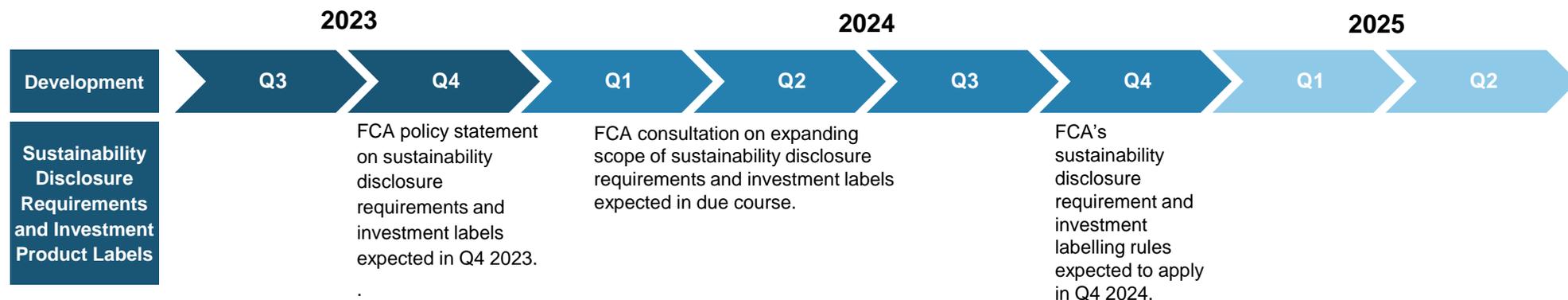
On 17 December 2021, the FCA published its final rules on extending the application of its climate-related disclosure requirements from equity issuers with a premium listing to issuers of standard listed shares and standard listed issuers of (GDRs), in each case excluding standard listed investment entities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

Read our in-depth briefing on this development [here](#).

What's on the horizon?

- In line with the UK Government's commitment to introduce mandatory TCFD-aligned disclosure requirements across the UK economy by 2025, the FCA first introduced climate-related disclosure rules for listed issuers with a premium listing in 2020, followed by extension of the requirement to standard listed issuers in 2021.
- For issuers with a premium listing, the new rules took effect for accounting periods beginning on or after 1 January 2021, with the result that the first annual financial reports subject to the new rule were to be published in early 2022.
- For issuers with a standard listing, 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 were to be published in early 2023.
- The International Sustainability Standards Board (ISSB) launched the first of its IFRS Sustainability Disclosure Standards in June 2023: (i) IFRS S1 (General requirements for disclosure of sustainability related financial information); and (ii) IFRS S2 (Climate related disclosures).
- In its [response](#) to exposure drafts of IFRS S1 and IFRS S2, and again in its October 2022 consultation on the UK's future Sustainability Disclosure Reporting (SDR) Framework ([CP22/20](#)), the FCA confirmed that it intends to consult on adapting the TCFD-aligned disclosure rules for listed issuers to reference the ISSB's standards, once finalised and made available for use in the UK. This is consistent with the UK Government's expectation that the ISSB standards will form the 'backbone' of the corporate reporting element of SDR.

SUSTAINABILITY DISCLOSURES AND INVESTMENT PRODUCT LABELS



Sustainability disclosure requirements and investment labels

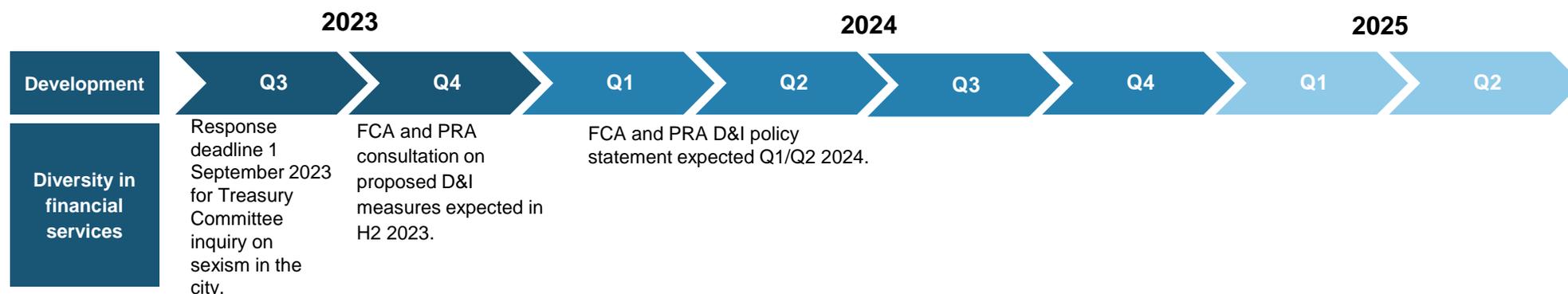
In November 2021, the FCA published a discussion paper (DP21/4) on sustainability disclosure requirements and investment product labels. In the discussion paper, the FCA sought views on the introduction of a standardised product classification and labelling system to help consumers understand the sustainability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

Read our in-depth briefing on this development [here](#).

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 Q4 2023. The FCA is currently proposing that a new anti-greenwashing rule would come into effect immediately upon publication of this policy statement.
- In its consultation paper on sustainability disclosure requirements and investment labels (CP22/20), the FCA indicates that it intends in 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 Q4 2024).

DIVERSITY IN FINANCIAL SERVICES



Diversity in financial services

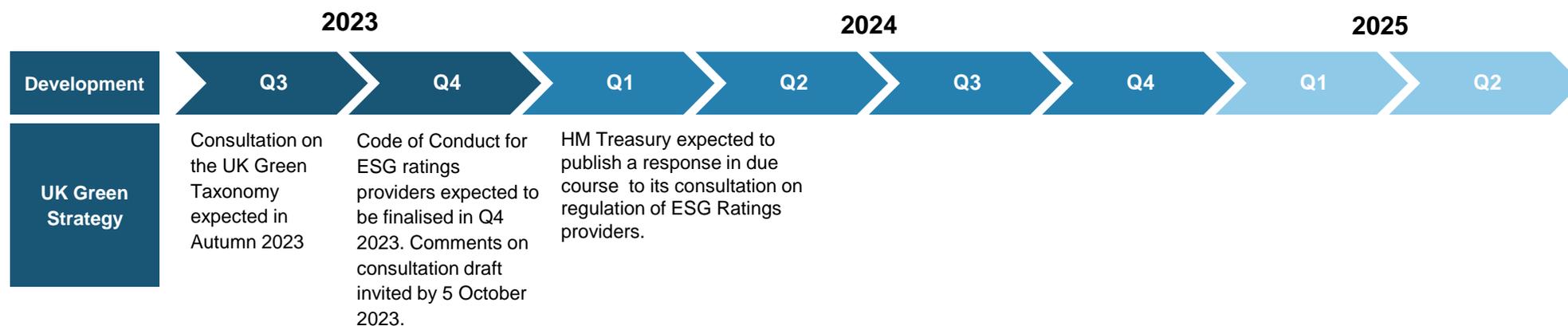
On 7 July 2021, the FCA, PRA and Bank of England published a joint discussion paper (DP21/2) on diversity and inclusion in the financial services sector. The discussion paper sought views on how to accelerate the rate of change in diversity and inclusion in the financial services sector. It set out the 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.

Read our in-depth briefing on this development [here](#).

What's on the horizon?

- The FCA and PRA are continuing their focus on culture and diversity & inclusion (D&I). For financial years starting on or after 1 April 2022, FCA rules for public company boards and executive committees require firms to meet 'comply or explain' targets on gender and ethnic diversity and make annual disclosures.
- As a follow-up to the 2021 joint discussion paper, a joint FCA-PRA consultation on draft measures to support diversity and inclusion in the financial sector was expected in H1 2023, with a Policy Statement to follow in Q4 2023/Q1 2024. This follows the FCA's publication of feedback in December 2022 on its study of how financial services firms are designing and embedding D&I strategies. The joint consultation was not published in H1 2023 and is now expected in H2 2023.
- Measures to drive change that the regulators may include in the forthcoming joint D&I consultation include: greater collection and monitoring of D&I data; making senior leaders directly accountable for D&I in their firms; linking remuneration to D&I metrics; measures to achieve diversity at board level; and embedding non-financial misconduct into fitness and propriety assessments to support an inclusive culture across the sector.
- In July 2023 the House of Commons Treasury Committee launched an inquiry into Sexism in the City, looking at the barriers faced by women in finance. The Inquiry is accompanied by a [call for evidence](#) inviting responses by 1 September 2023.

UK GREEN STRATEGY



UK Green Strategy

The UK is reforming its financial services regulation outside the EU and working towards a 'Smarter Regulatory Framework' for UK financial services.

The three key elements for the reforms are: (i) the Financial Services and Markets Act 2023 (**FSMA 2023**), which will revoke EU-derived financial services and markets legislation; (ii) the Retained EU Law (Revocation and Reform) Act 2023, which will revoke other EU-derived legislation; and (iii) the December 2022 Edinburgh reforms, a package of reforms that aim to modernise and improve UK financial services regulation. The Edinburgh Reforms have been further supplemented by the Mansion House Reforms published in July 2023.

This slide tracks the key ESG-related developments that form part of these workstreams.

Read our in-depth briefing on this development [here](#).

What's on the horizon?

- In February 2023, the FCA published a discussion paper (DP23/1) on 'Finance for positive sustainable change: governance, incentives and competence in regulated firms'. DP23/1 aims to encourage dialogue on firms' sustainability-related governance, incentives and competencies. The feedback will be used by the FCA to consider the direction for evolution of its future regulatory approach. DP23/1 closed for feedback in May 2023.
- The government published a revised UK Green Finance Strategy on 30 March 2023, which included an update on the production of a UK Green Taxonomy. A consultation will be launched in Autumn 2023. As announced in the UK Spring Budget, the UK green taxonomy is expected to include nuclear energy.
- HM Treasury 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 introduced under FSMA 2023. The consultation closed on 30 June 2023 and HM Treasury is expected to provide feedback in due course.
- A draft Code of Conduct for ESG ratings providers was [published for consultation](#) in July 2023. Responses are invited by 5 October 2023, with the aim of finalising the Code of Conduct to be finalised in Q4 2023.

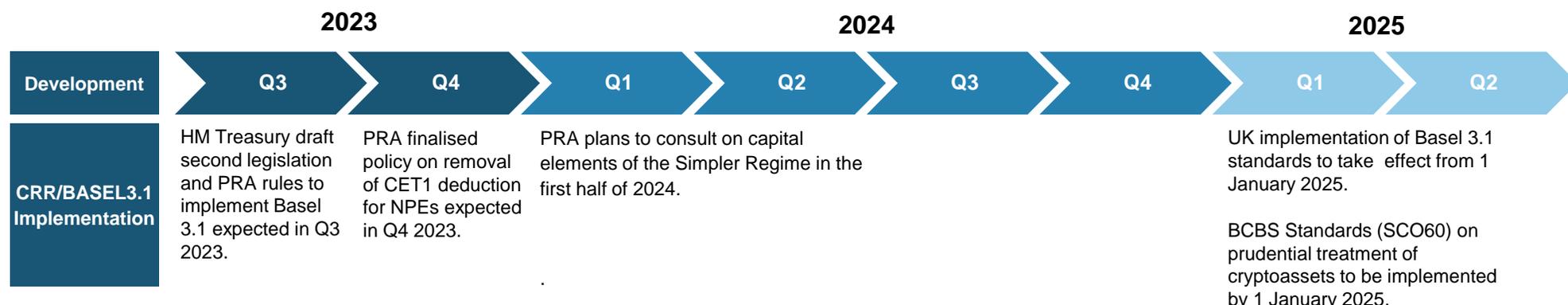


HORIZON SCANNER
B. UK DEVELOPMENTS

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) requires 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**.

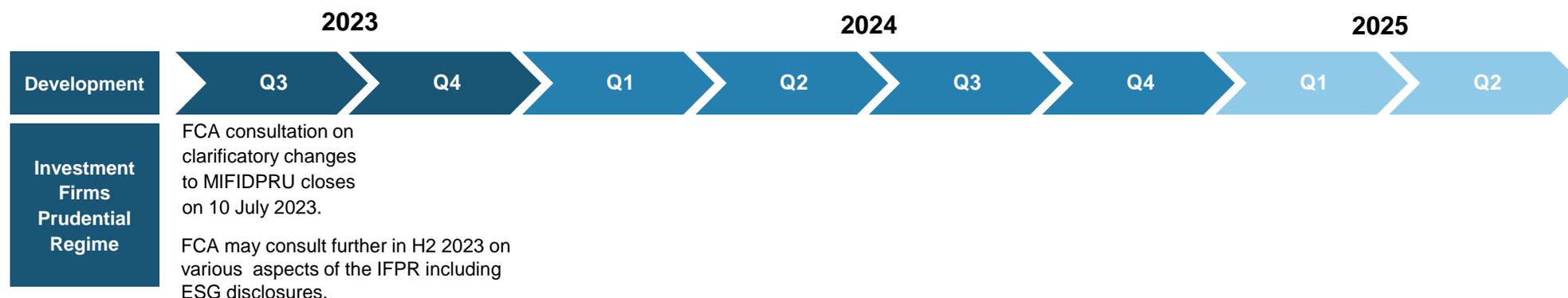
In November 2022, HM Treasury and the PRA consulted on the repeal of provisions of the UK CRR needed to allow the PRA to make rules implementing the Basel 3.1 standards with effect from 1 January 2025. This will form part of Tranche 2 of the government's repeal and reform programme enabled by the Financial Services and Markets Act 2023 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.

What's on the horizon?

- HM Treasury consultation and PRA consultations on Basel 3.1 implementation closed on 31 March 2023. HM Treasury and the PRA are expected to publish in Q3 2023 the draft versions of secondary legislation and the PRA rules required to implement Basel 3.1.
- The PRA consulted 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 in H1 2024 on the capital elements of the Simpler Regime.
- Implementation of the Basel 3.1 standards in the UK is to take effect from 1 January 2025.
- The Basel Committee on Banking Supervision (BCBS) expects member jurisdictions to implement by 1 January 2025 its standards (SCO60) on prudential treatment of banks' cryptoasset exposures.
- 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 (IFPR)

The UK introduced the IFPR, a revised prudential regime for FCA-authorized investment firms, on 1 January 2022.

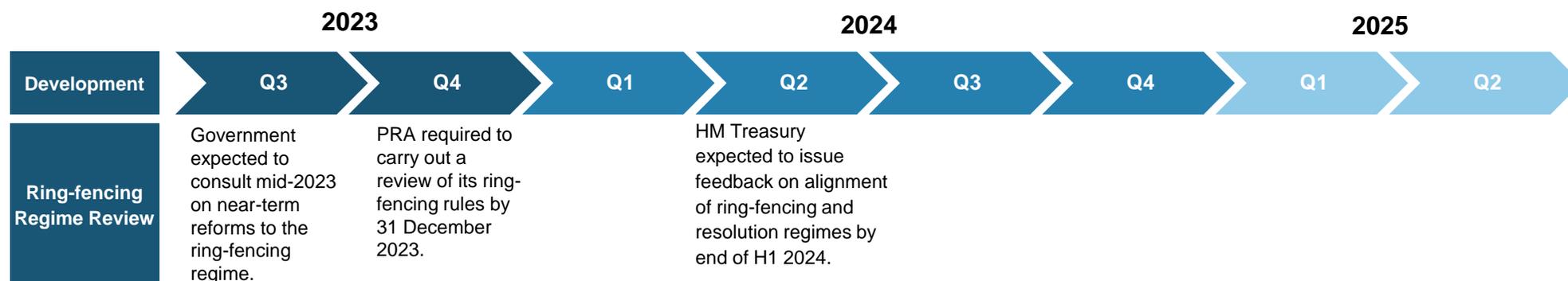
The IFPR is based on, but not identical to, the EU IFD and IFR package. It incorporates key concepts from that package, including the calculation of capital using the so-called 'K-factors', governance and risk management requirements and a new remuneration code.

The IFPR applies to a significant number of FCA-authorized 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 majority of the FCA rules relating to the IFPR are located within the MIFIDPRU sourcebook.
- The FCA consulted in June 2023 on proposed amendments to MIFIDPRU to clarify its requirements. That consultation closed on 10 July 2023.
- The FCA indicated in the February 2023 edition of the Regulatory Initiatives Grid that it expects to issue a further consultation paper in relation to the IFPR, covering: ESG disclosures; own funds CRR copy-out and integration into MIFIDPRU; and MIFIDPRU clarifications. No firm timings have been given but his consultation may be published in 2023.

RING FENCING REGIME



Ring-fencing regime 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, noting 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.

What's on the horizon?

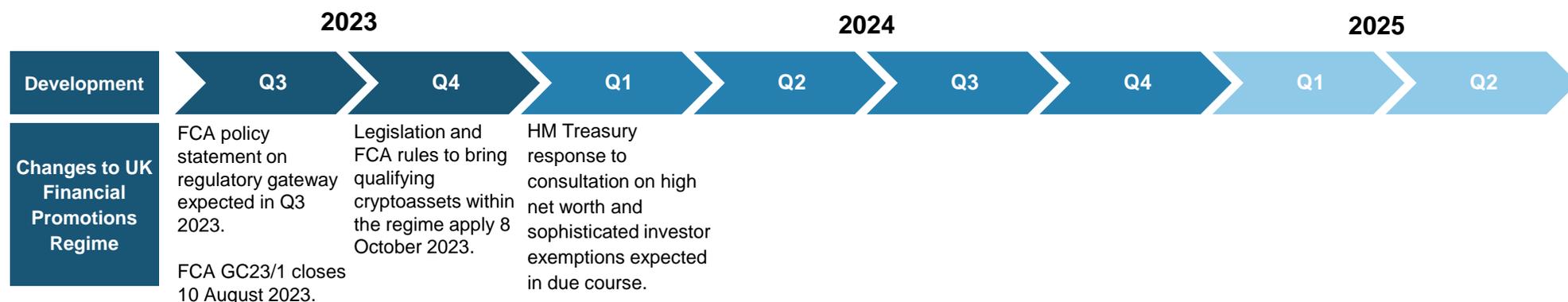
- No firm timings have yet been given for when reforms of the ring-fencing regime may be implemented.
- HM Treasury launched a Call for Evidence on alignment of the ring-fencing regime with the resolution in March 2023, focused on the practical challenge of how the two regimes might be better aligned with each other and the wider regulatory framework. The Call for Evidence closed on 7 May 2023 and HM Treasury is expected to issue its feedback statement by the first half of 2024.
- HM Treasury published its response to the panel's recommendations in December 2022, committing to consult in mid-2023 on near-term reforms to the regime to:
 - take banking groups without major investment banking operations out of the regime;
 - update the definition of Relevant Financial Institution;
 - remove blanket geographical restrictions on ring-fenced banks operating subsidiaries or servicing clients outside the EEA;
 - 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.
- Additionally, the PRA explained in its 2023/2024 business plan that it is required under FSMA to carry out its next review of its ring-fencing rules by 31 December 2023, to report to HM Treasury on that review and to publish the report.



HORIZON SCANNER
B. UK DEVELOPMENTS
IV. CROSS SECTORAL



CHANGES TO UK FINANCIAL PROMOTIONS REGIME



Changes to UK financial promotions regime

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

- (i) an HM Treasury consultation on amending the financial promotion exemptions for high net worth and sophisticated investors;
- (ii) changes to the FCA's financial promotion rules for high-risk investments;
- (iii) 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.
- (iv) an expansion of the financial promotion regime to include unregulated cryptoassets.

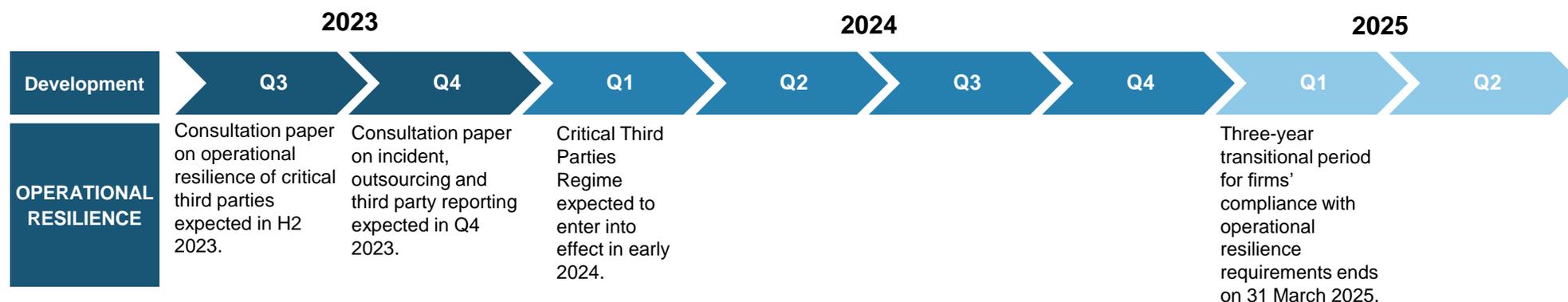
The Consumer Duty (see **slide 62**) will also apply from 31 July 2023 to require firms to ensure among other things that their communications are compliant with the new Principle 12 of the FCA's Principles for Businesses where relevant.

Read our blog on this topic [here](#).

What's on the horizon?

- 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 (HRIs). Changes include requirements for risk warnings, risk statements and prohibitions on inducements to invest. Changes set out in PSS22/10 have applied from 1 December 2022 and 1 February 2023. FCA is carrying out a further phase of work on HRIs during 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 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 Financial Services and Markets Act 2023, which received Royal Assent on 29 June 2023, introduces a regulatory gateway through which a firm must pass before it is able to approve financial promotions issued by unauthorised firms.
- 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 is expected to finalise its rules in Q3 2023.
- In January 2022 HM Treasury announced plans to bring unregulated cryptoassets within the scope of the UK's financial promotion regime. In June 2023, HM Treasury published the relevant secondary legislation to bring 'qualifying cryptoassets' within the regime from 8 October 2023 ([SI 2023/612](#)). The FCA has published policy statement [PS23/6](#) setting the near-final rules for cryptoassets financial promotions. An accompanying guidance consultation ([GC23/1](#)) on cryptoasset promotions closes for comments on 10 August 2023.

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.

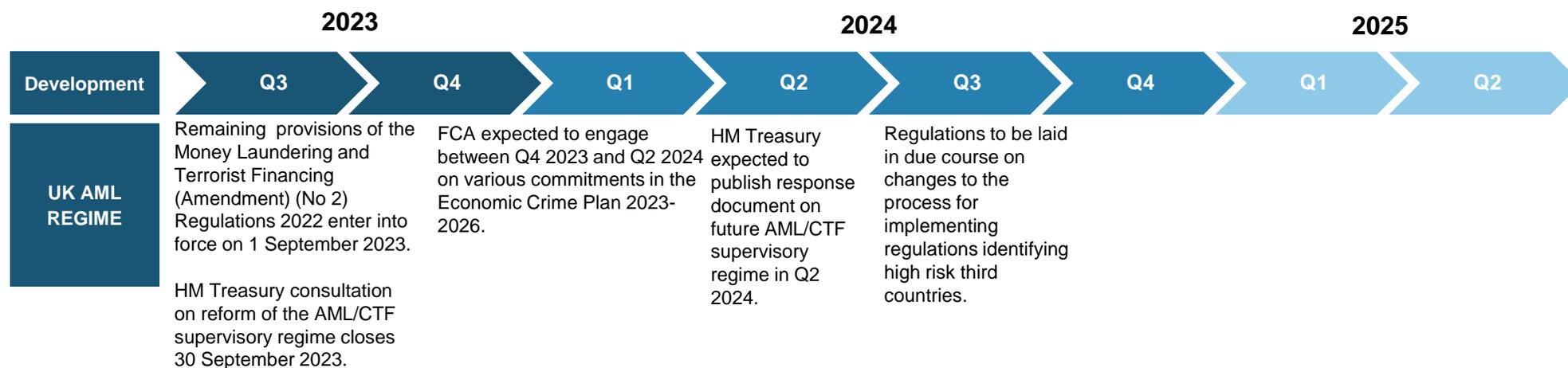
What's on the horizon?

- The Financial Services and Markets Act 2023 (FSMA 2023) received Royal Assent on 29 June 2023. FSMA 2023 includes proposals to regulate cloud service providers and other designated 'critical third parties' providing services to UK regulated firms.
- 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 FSMA 2023. 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 [here](#) and [here](#).



UK AML REGIME



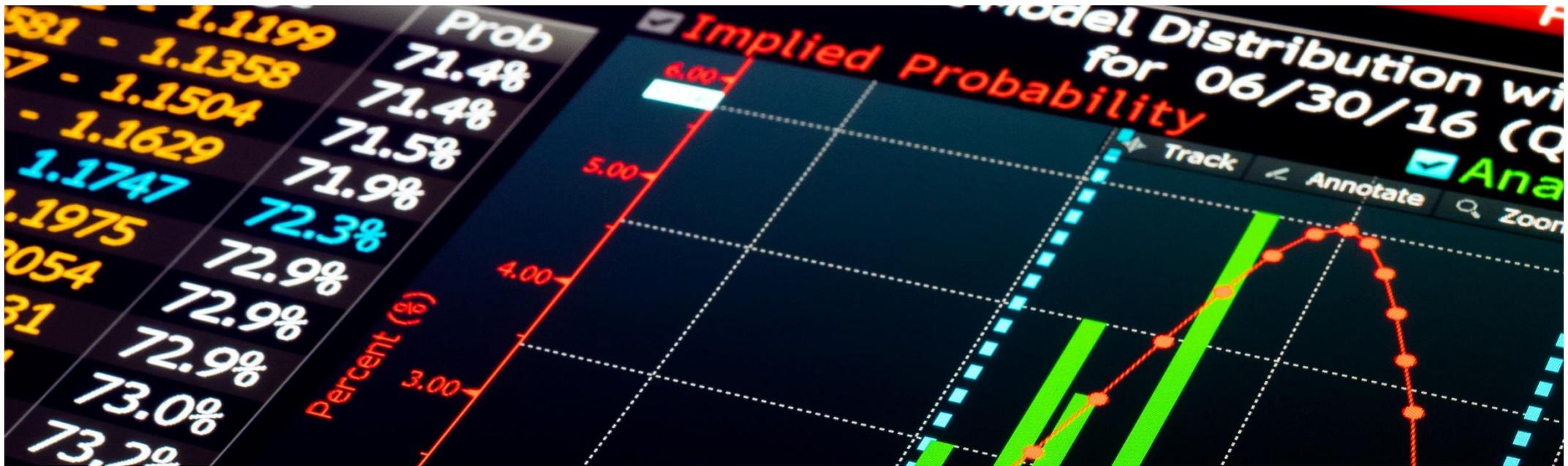
UK AML Regime

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 have now largely been phased in, with the remaining provisions taking effect on 1 September 2023.

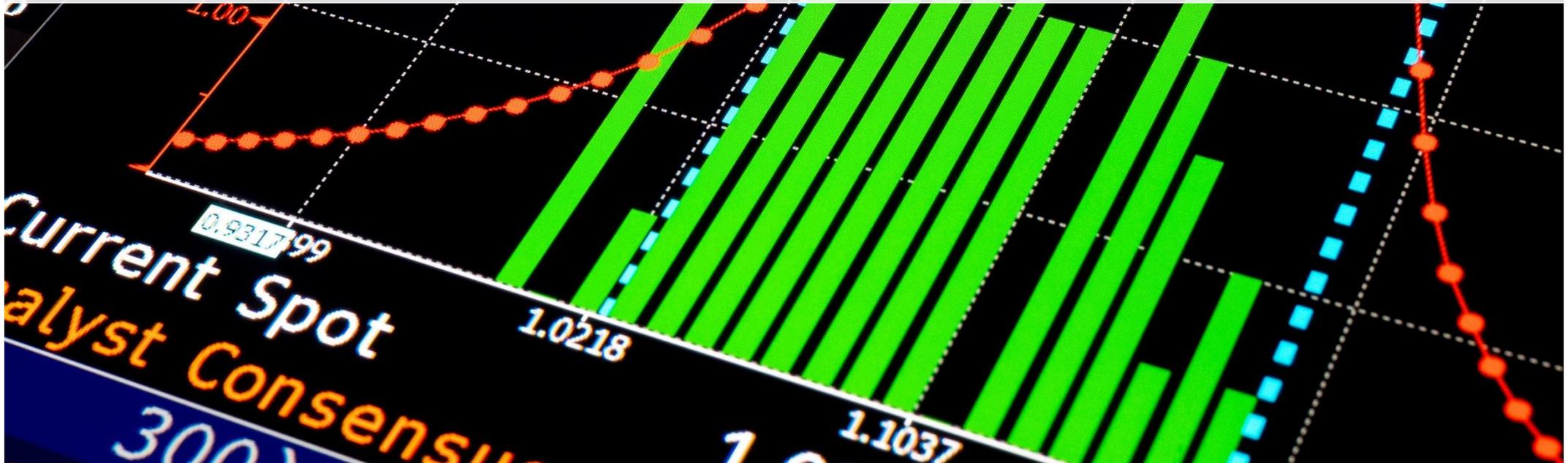
Alongside the consideration of these specific amendments, the UK has been conducting a wider review of its AML regime. A report on this review was published on 24 June 2022. This indicated that further reform to the UK's AML regime is needed and, therefore, further consultations and amendments to the regime should be expected. In March 2023, the Government published its second Economic Crime Plan, covering the period 2023-2026, outlining an ambition for an improved end-to-end response to tackling money laundering, which will require further targeted consultations.

What's on the horizon?

- 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 cryptoasset businesses and cryptoasset transfers. Most of the requirements entered into force on 11 August 2022, 1 September 2022 and 1 April 2023. The remaining provisions relate to [crypto] will enter into force on 1 September 2023.
- On 30 June 2023, HM Treasury published a consultation on reform of the anti-money laundering and counter-terrorism financing supervisory regime, which set out four possible models for a future AML/CTF supervisory system. The consultation closes for comments on 30 September 2023, with HM Treasury planning to issue a response document in Q2 2024.
- On 20 June 2023, the government published an impact assessment on proposals for a change in the process by which regulations identifying high-risk third countries for money laundering purposes are implemented. Regulations will be laid in due course laid to make the proposed legislative amendments.
- The [Economic Crime Plan 2023-2026](#) sets out a range of commitments aimed at combatting the criminal abuse of cryptoassets. The FCA is expected to engage between Q4 2023 and Q2 2024 on various commitments, including: delivering training to law enforcement and partner agencies to improve understanding of the UK cryptoasset regime; updating its cryptoasset business registration webpages and providing tailored communications where necessary to improve understanding of cryptoasset regulation; and engage with cryptotasset businesses and monitoring their compliance with the "travel rule".



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.
CCP	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 depository
CSDR	Central Securities Depositories 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

GLOSSARY

(CONTINUED)

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	<p>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).</p> <p>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).</p>
ESAP	European Single Access Point
ESAs	European Supervisory Authorities
ESG	Environmental, social and governance
ESMA	European Securities and Markets Authority

GLOSSARY

(CONTINUED)

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).

GLOSSARY

(CONTINUED)

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)

GLOSSARY

(CONTINUED)

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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