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Banking Union: EU Council agrees position on amendments to BRRD and SRMR

The EU Council has agreed its [negotiating position](#) on the EU Commission's proposed directive on targeted amendments to the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR) regarding daisy chains.

The amendments form part of the EU Commission's crisis management and deposit insurance (CMDI) legislative package. They concern certain aspects of the minimum requirement for own funds and eligible liabilities (MREL) that are intended to improve the resolution framework for EU banks.

The Council's negotiating mandate adds further detail to the definition and scope of liquidation entities and to the conditions for the application of the consolidated treatment of internal MREL.

The approval of the mandate allows the Council Presidency to launch trilogue negotiations with the EU Parliament with a view to agreeing on a final text.

EU Parliament adopts CSDR Refit

The EU Parliament has adopted the [regulation](#) amending the Central Securities Depositories Regulation (CSDR Refit).

The EU Council and EU Parliament reached political agreement on the proposed regulation on 27 June 2023.

The updates made by the regulation are intended to reduce the financial and regulatory burden on central securities depositories (CSDs) and improve their ability to operate across borders while strengthening financial stability. They focus on five key areas including:

- the passporting regime;
- cooperation between supervisory authorities;
- banking-type ancillary services;
- settlement discipline; and
- the oversight of third country CSDs.

The Council must now formally adopt the regulation before it can be published in the Official Journal.

Payments: ECON Committee publishes draft reports on proposed PSD3 and PSR

The EU Parliament's Committee on Economic and Monetary Affairs (ECON Committee) has published its draft reports on the EU Commission's proposals for a new Payment Services Directive (PSD3) and Payment Services Regulation (PSR).

In June 2023, the EU Commission proposed to amend and modernise the current Payment Services Directive (PSD2), which will become PSD3 and be complemented by the new PSR.

The [draft report](#) on PSD3 tables a number of amendments on the following areas:

- authorisation and grandfathering;
- central contact points;
- access to cash; and
- opening of accounts by payment institutions.

The [draft report](#) on PSR proposes, among other things, to:

- improve transparency measures;
- strengthen the role of the European Banking Authority (EBA); and
- provide better consumer protection from fraud.

DORA: EU Commission consults on draft Delegated Regulations on critical ICT third-party service providers' criteria and fees

The EU Commission has published for [consultation](#) two draft Delegated Regulations setting out certain criteria and fees relating to critical ICT third-party service providers (CTPPs) under the Digital Operational Resilience Act (DORA).

The first Delegated Regulation specifies the criteria for the designation of ICT third-party service providers as critical, taking into account:

- the systemic impact that a failure or operational outage of the provider could have on the financial entities to which it provides ICT services;
- the number of global systemically important institutions or other systemically important institutions that rely on the provider;
- the importance of the functions supported by the ICT services provided by the provider; and
- how easy it would be change providers.

The second Delegated Regulation specifies the amount of the oversight fees that can be charged by the European Supervisory Authority that is acting as Lead Overseer to CTPPs and the way in which those fees are to be paid.

Comments are due by 14 December 2023.

CRR/Solvency II: ESAs publish draft ITS on mapping of ECAIs' credit assessments

The European Supervisory Authorities (ESAs) have [published](#) final reports setting out draft amending implementing technical standards (ITS) on the mapping of External Credit Assessment Institutions (ECAIs)' credit assessments.

Under Implementing Regulations (EU) 2016/1799 and 2016/1800, EU-based financial institutions and insurance undertakings can only use external credit assessments that have been issued or endorsed by recognised institutions (i.e. ECAIs) for the calculation of their capital requirements. The ESAs therefore developed an approach to map the credit assessments of the ECAIs to the credit quality steps (CQS) set out in the Capital Requirements Regulation (CRR) and Solvency II Directive.

In the draft ITS, the ESAs are proposing to change the CQS allocation for four ECAIs, and to introduce new or amended credit rating scales for seven ECAIs. The amended ITS also no longer contain mapping tables for the three ECAIs whose licences have been revoked since the previous amendment.

IMF launches CBDC Virtual Handbook

The International Monetary Fund (IMF) has published its [Central Bank Digital Currency \(CBDC\) Virtual Handbook](#), which is intended as a reference guide for policymakers and experts at central banks and ministries of finance. It will also serve as the basis for the IMF's engagement with country authorities and other stakeholders.

The handbook collects and shares knowledge, lessons, empirical findings, and frameworks to address policymakers' most frequently asked questions on CBDCs.

The initial five chapters of the handbook cover:

- how countries should explore CBDCs;
- how central banks can manage CBDC product development;
- whether CBDCs will affect monetary policy transmission;
- how capital flow management measures can be implemented with CBDCs; and
- whether a CBDC could help promote financial inclusion.

The IMF intends to add new chapters every year as its body of knowledge and analysis in this area grows, aiming to provide about twenty chapters by 2026. Chapters will also be periodically updated, reflecting evolving views.

IOSCO publishes final policy recommendations for crypto and digital asset markets

The International Organization of Securities Commissions (IOSCO) has published its [final policy recommendations](#) for crypto and digital asset (CDA) markets.

The recommendations are intended to address the key areas of harm identified in these markets, particularly in the areas of market integrity and investor protection, and to assist in the delivery of a coordinated global regulatory response. They standards establish an international regulatory

baseline intended to hold cryptoasset service providers to the same of business conduct that apply in traditional financial markets.

The recommendations cover the following key areas:

- conflicts of interest arising from vertical integration of activities and functions;
- market manipulation, insider trading and fraud;
- custody and client asset protection;
- cross-border risks and regulatory cooperation;
- operational and technological risk; and
- retail distribution.

IOSCO notes that its policy recommendations on decentralised finance (DeFi) will be finalised by the end of 2023, and will be published alongside a note on the interoperability between the DeFi and the CDA market recommendations.

BCBS publishes discussion paper on digital fraud

The Basel Committee on Banking Supervision (BCBS) has published a [discussion paper](#) on digital fraud and banking.

The discussion paper provides a high-level assessment of the supervisory and financial stability implications of digital fraud for the global banking system, including existing data availability and measures to mitigate such risks. The discussion paper is structured around three broad sets of questions:

- What is digital fraud? What are its main defining features? How does digital fraud affect banks and how should policymakers think about it?
- What are the supervisory and financial stability implications? How are supervision and financial stability affected by digital fraud? Why is digital fraud of relevance to the BCBS and its mandate? What empirical data are available to assess its magnitude and prevalence?
- What is being done to mitigate digital fraud risks within the banking sector? What initiatives have been pursued, or are planned, at the domestic, regional and global level?

Comments are due by 16 February 2024.

FSB releases plenary statement on global financial stability and emerging market and developing economies

The Financial Stability Board (FSB) Plenary has issued a [statement](#) following its regular meeting on 13-14 November, in which it discussed the outlook for global financial stability including issues of relevance to emerging market and developing economies (EMDEs).

The Plenary discussed, among other things:

- remaining banking-sector vulnerabilities, property markets and operational resilience and the finalisation of the FSB's policy recommendations to address structural vulnerabilities from liquidity mismatch in open-ended funds;
- issues arising from the so-called 'sovereign-bank nexus', which may lead to speedier transmission of shocks between sovereigns and banks, and

measures that could be taken to enhance the resilience of EMDEs against shocks;

- the implementation of resolution reforms, with focus on the FSB's work on insurance resolution;
- plans to promote the effective cross-border implementation of the FSB's recommendations for the regulation, supervision and oversight both of cryptoasset markets and activities and of global stablecoin arrangements including the experiences of, and challenges faced by, EMDEs in implementing these recommendations; and
- the FSB's work programme for 2024 under which it will continue to work on the lessons from the March 2023 turmoil and monitor macro-financial vulnerabilities in a higher interest rate environment.

Cabinet Office launches call for evidence on National Security and Investment Act 2021

The Cabinet Office has published a [call for evidence](#) on the National Security and Investment Act 2021 (NSIA).

Its aim is to ensure the NSIA regime continues to be effective and proportionate. The call for evidence sets out various areas where feedback from stakeholders is sought, including in relation to the scope of the activities in the 17 sensitive sectors and whether there should be some targeted exemptions from the mandatory notification regime.

In the case of exemptions, the Government is considering whether this may be appropriate where the acquisition tends to give either minimal levels of control to the acquirer or not present any change in control. Suggested exemptions include:

- an exemption in respect of internal reorganisations;
- an exemption in respect of the appointment of liquidators, official receivers and special administrators (this would also bring it more into line with the treatment of the appointment of administrators which is already exempt); and
- an exemption in respect of Scottish share security where legal title passes to the security taker (thus requiring notification under the NSIA regime on the taking and releasing of such security).

The Government notes that it is not currently expecting to exempt transfers of control under automatic enforcement provisions in secured lending arrangements, where voting rights are automatically transferred from the security provider to the security taker. This is because stakeholders have suggested the loan markets have adapted to the regime and the Government has received few notifications on it. However, the Government is still keen to receive further views from stakeholders on it.

Comments are due by 15 January 2024.

The Economic Crime and Corporate Transparency Act 2023 (Commencement No. 1) Regulations 2023 made

[The Economic Crime and Corporate Transparency Act 2023 \(Commencement No. 1\) Regulations 2023](#) have been made and laid before Parliament.

The Regulations are the first made under the Economic Crime and Corporate Transparency Act 2023. They bring into force provisions of the Act, including:

- section 214 which makes clear that the Treasury can impose monetary penalties under the Policing and Crime Act 2017 for breaches of provisions that are supplemental to financial sanctions;
- various provisions inserted into the Companies Act 2006 which establish national security-related defences, exemptions and exceptions to new requirements concerning company names, identity verification requirements and false statement offences;
- amendments to the Proceeds of Crime Act 2002;
- the provisions of section 187, which amends particular provisions of the Sanctions and Anti-Money Laundering Act 2018;
- provisions about disclosures of information between certain businesses for the purposes of preventing, detecting or investigating economic crime offences;
- amendments to the Criminal Justice Act 1987 which widen the pre-investigation powers of the Serious Fraud Office; and
- Schedule 11 to the Act, which lists 'economic crime offences'.

UK EMIR: Central Counterparties (Equivalence) (Singapore) (Monetary Authority of Singapore) Regulations 2023 made

[The Central Counterparties \(Equivalence\) \(Singapore\) \(Monetary Authority of Singapore\) Regulations 2023](#) (SI 2023/1198) have been made and published, together with an explanatory memorandum.

SI 2023/1198 sets out HM Treasury's (HMT) equivalence determination, under Article 25 of UK EMIR, in respect of the legal and supervisory frameworks that apply to certain central counterparties (CCPs) established in Singapore and authorised by the Monetary Authority of Singapore (MAS).

The equivalence determination fulfils one of the conditions for specified CCPs authorised by the MAS to receive recognition from the Bank of England (BoE). Overseas CCPs can provide clearing services to UK clearing members and trading venues once they have been recognised by the BoE.

The Regulations will come into force on 4 December 2023.

UK EMIR: HMT launches call for evidence on pension fund clearing exemption

HMT has launched a [call for evidence](#) on pension funds' exemption from the obligation to clear certain derivative contracts under UK EMIR.

The current exemption came into force in June 2023 and is due to expire in June 2025. HMT has launched its call for evidence in order to consider a longer-term policy approach to the treatment of pension funds' clearing obligations, with a view to avoiding further temporary extensions. In particular, it is seeking stakeholder input on:

- how pension funds currently hedge their risks and make use of the clearing exemption;

- how firms use bilateral or ‘uncleared’ markets and what potential benefits these markets provide compared to clearing;
- how pension funds can access clearing and how they can meet variation margin requirements;
- the extent to which the exemption impacted the liability-driven investment crisis of autumn 2022; and
- how pension funds and their asset managers would be impacted if the exemption expired in June 2025.

Comments are due by 5 January 2024.

PRA publishes policy statement on non-performing exposures capital deduction

The Prudential Regulation Authority (PRA) has published a [policy statement](#) (PS14/23) which provides feedback to the responses it received to its March 2023 consultation paper (CP6/23) on the non-performing exposures (NPEs) capital deduction. PS14/23 also contains the PRA’s final policy, in the form of amendments to the following Parts of the PRA Rulebook:

- Own Funds and Eligible Liabilities (CRR) Part;
- Disclosure (CRR) Part;
- Regulatory Reporting Part; and
- Reporting (CRR) Part.

In CP6/23, the PRA proposed to remove the CET1 deduction requirement for NPEs that are treated as insufficiently covered by firms’ accounting provisions and related reporting requirements for CRR firms. In particular, the PRA proposed to:

- remove the NPE deduction requirement by deleting CRR Article 36(1)(m) from Chapter 3 of the Own Funds and Eligible Liabilities (CRR) Part of the PRA Rulebook; and
- amend the associated reporting templates under the relevant appendices in Chapters 5 and 6 of the Reporting (CRR) Part and Regulatory Reporting Part of the PRA Rulebook that provide information specifically on the NPE deduction requirements.

The PRA received three responses to CP6/23. Respondents welcomed the proposals but suggested other changes to PRA rules and the UK CRR which are set out in Chapter 2 of PS14/23.

The PRA made three additional changes to the associated reporting and disclosure instructions to remove references to the deleted NPE deduction article. The changes include amendments to the reporting instructions in Annex II of the Reporting (CRR) Part of the PRA Rulebook and the Pillar 3 disclosure instructions for templates CR4 and CR5 under Annex XX of the Disclosure (CRR) Part of the PRA Rulebook.

The rule change to remove the NPE deduction requirement came into effect on 14 November 2023. The necessary modifications to reporting requirements are also effective from that date.

CSSF updates circulars on long form report and statutory audit mandate

The Luxembourg financial sector supervisory authority, the Commission de Surveillance du Secteur Financier (CSSF), has issued [Circular CSSF 23/845](#) updating Circular CSSF 22/821 on the long form report and Circular CSSF 22/826 on the statutory audit mandate.

The circular applies to all Luxembourg credit institutions and Luxembourg branches of non-EU credit institutions.

The circular amends Circular CSSF 22/821 by including the following five thematic sections in the revised self-assessment questionnaire (SAQ):

- credit and counterparty risk;
- interest rate risk in the banking book (IRRBB) and credit spread risk arising from non-trading book activities (CSRBB);
- liquidity risk;
- strong customer authentication and secure communication following Directive (EU) 2015/2366 on PSD2;
- climate-related and environmental risks.

The circular also introduces changes in relation to the reports to be established by the réviseurs d'entreprises agréés (approved statutory auditors or REAs). Whereas both the report on the protection of financial instruments and funds belonging to clients and the report on anti-money laundering and countering the financing of terrorism (AML/CFT) remain, it is no longer foreseen that Agreed Upon Procedure (AUP) reports are required from all banks on a recurring basis. While the CSSF might request such AUPs in the future on an *ad hoc* basis, no such AUPs are to be submitted with respect to financial year-end 2023 information.

The circular also amends Circular CSSF 22/826 by adapting the submission deadline for the management letter in order to ensure a better alignment with the submission deadline foreseen for the reports to be established by REAs pursuant to Circular CSSF 22/821, as amended.

The annexes to the circular provide details of the amendments to Circular CSSF 22/821 and Circular CSSF 22/826.

AFM publishes position paper on improving SFDR

The Netherlands Authority for the Financial Markets (AFM) has published a [position paper](#) proposing improvements to the Sustainable Finance Disclosure Regulation (SFDR) in light of the EU Commission's consultation on a review of the SFDR. The proposals are intended to make the framework more meaningful to investors and to facilitate the reorientation of capital towards investments with a sustainable impact.

The AFM's proposed changes seek to ensure that the legislative framework is better suited to supporting investors, especially retail investors, in their sustainable investment decision-making. To achieve this, the AFM has included the following key proposals:

- requiring minimum adverse impact disclosures for all financial products, regardless of their sustainable characteristics;

- introducing three sustainable product categories with labels that investors can understand, namely ‘transition’, ‘sustainable’ and ‘sustainable impact’;
- attaching specific minimum quality and disclosure requirements corresponding to each of these labels to mitigate the risks of greenwashing;
- introduce a fourth financial product category for products that do not meet the quality requirements for any of the three proposed sustainability labels and disclosing their ESG credentials with reduced disclosure requirements; and
- removing the prevailing categorisation of financial products in Article 8 and Article 9 of the SFDR in order to tackle current misuse of the sustainability labels in the market.

The proposed improvements are intended to create a disclosure regime with a level playing field for all financial products regardless of their sustainable characteristics, in order for investors to assess the most important negative impact.

The AFM has invited discussion on the content of its position paper.

Bank of Spain issues Circular 3/2023 amending earlier circulars in relation to supervision, solvency and reporting requirements of credit institutions

The Bank of Spain has issued [Circular 3/2023](#), of 31 October, amending Circular 2/2016, of 2 February, to credit entities, on supervision and solvency, which completes the adaptation of Spanish law to the Capital Requirements Directive (CRD4) and Regulation (CRR), and Circular 1/2022, of 24 January, to credit financial institutions, on liquidity, prudential rules and reporting obligations.

Circular 2/2016 is amended to align it with the amendments introduced in Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit entities by Law 18/2022, of 28 September, in connection with activities in Spain without a branch by non -EU entities.

Circular 2/2016 and Circular 1/2022 are amended to align the reporting obligations on remuneration for credit entities and credit financial institutions to adapt these reporting requirements to the latest guidelines published by the European Banking Authority (EBA).

The circular will enter into force twenty days after its publication in the Spanish Official Gazette.

China consults on amendments to FX regulations for QFIs

The People’s Bank of China (PBoC) and the State Administration of Foreign Exchange (SAFE) have released a [consultation draft](#) on proposed amendments to the Provisions on Cash Management for Domestic Securities and Futures Investment by Foreign Institutional Investors (2020). The proposed amendments are intended further to streamline the registration formalities of qualified foreign investors (QFIs) with SAFE and facilitate QFIs’ outward repatriation of earnings and foreign exchange (FX) risk management.

The key points of the proposed amendments once finalised are as follows:

- simplified registration formalities with SAFE – QFIs will no longer need to apply for business registration with SAFE. Instead, their main custodian shall register the QFI's relevant information via SAFE's online digital platform, and a QFI is only required to submit a copy of its QFI licence and an undertaking letter regarding compliance with PRC laws and regulations (General Undertaking Letter) to their main custodian for such purpose;
- fewer cash accounts – QFIs will no longer need to open two separate special RMB deposit accounts with their custodians respectively for securities trading and derivatives trading, and are permitted to open one cash account for trading both securities and derivatives;
- simplified procedure for repatriation – under the current rules, QFIs are required to submit an undertaking letter regarding payment of applicable tax in full each time they repatriate earnings, which will be replaced by the one-off General Undertaking Letter. Separately, the proposed amendments will allow QFIs who invest in the PRC market using foreign currency to repatriate earnings in RMB as long as there is no currency arbitrage; and
- more approaches for management of FX risks – in addition to custodians with which QFIs are currently permitted to trade FX spot and derivatives, the proposed amendments will allow QFIs to carry out such FX trades with other licenced PRC financial institutions or through access to China's interbank FX market.

Comments are due by 10 December 2023.

Moneylenders (Amendment) Bill moved for first reading in Singapore Parliament

The [Moneylenders \(Amendment\) Bill](#) has been moved for its first reading in the Singapore Parliament.

The Bill is intended to amend the [Moneylenders Act 2008 \(Act\)](#) mainly to:

- permit (but not require) a licensed moneylender (licensee) to request the designated credit bureau for a credit report in relation to a surety of an applicant for a loan without the surety's consent before deciding whether to grant a loan to the applicant;
- permit the designated credit bureau to prepare and deliver a business report to a licensee on the licensee's request;
- expand the list of persons to whom licensees can disclose borrower information and the circumstances under which the designated credit bureau may use and disclose borrower information;
- expand a licensee's duty to protect information in its possession or under its control;
- permit the Registrar of Moneylenders to share any borrower or loan information under the Registrar's control with any Singapore public sector agency in accordance with and to the extent permitted by a data sharing direction given to the Registrar;
- empower the Registrar to direct a person to dispose of a credit report, business report or loan information report wrongly delivered to the person;

- facilitate digitisation by licensees by permitting licensees to provide the 6-monthly statements of account to borrowers by any other method which both parties agree;
- require licensees to take additional measures in respect of record keeping requirements and security arrangements to protect information obtained or received under or for the purposes of the Act;
- enact a new offence if a licensee, without reasonable excuse, makes a wrongful demand of payment from a borrower;
- extend the time from 7 days to 7 business days for licensees and the designated credit bureau to notify the Registrar of certain events, or after licensees become aware of certain events; and
- to expand the functions of the designated credit bureau.

When passed, the Moneylenders (Amendment) Bill will come into operation on a date that the Minister appoints by notification in the Government's Gazette.

MAS, UNDP, and partners launch UTC initiative

The MAS, the United Nations Development Programme (UNDP), the Bank of Ghana (BoG), the Global Legal Entity Identifier Foundation (GLEIF), and the SME Finance Forum have [announced](#) the launch of Universal Trusted Credentials (UTC), which is an open global initiative aimed at improving micro, small and medium-sized enterprises (MSMEs) access to financing.

The UTC initiative proposes a framework for the creation of trusted credentials that would characterise an MSME's financing worthiness based on traditional and alternative data sets. It will focus on building the capacity of MSMEs and improving access to data and financing through collaborations in key emerging markets by focussing on:

- trusted data providers, wherein the MAS, the UNDP, and partners will extend their existing capacity building efforts to develop an ecosystem of suitable data source providers that would contribute towards the creation of alternative data sets for UTC;
- pilot testing, wherein the MAS, the UNDP, and partners will enhance the UTC platform, presently tested in Ghana, to cater for a wider set of alternative data. Further work will be conducted with central banks and financial institutions in other emerging markets to fine-tune and test the use of UTCs across borders; and
- standards development, wherein the MAS, the UNDP, and partners will collaborate with international partners including the private sector and the public sector, to develop a common UTC standard to ensure interoperability internationally and to cater for the evolving needs of the industry.

The UNDP has also published a [whitepaper](#) which outlines the transformative potential of UTCs and describes the UTC framework, potential use cases, coordination structures, recommended policies, and modes of engagement that stakeholders can engage in.

MAS announces initiatives on asset tokenisation and tokenised markets

The MAS has [announced](#) that it is working with the financial industry to expand asset tokenisation initiatives and develop foundational capabilities to scale tokenised markets.

The developments under Project Guardian are intended to catalyse the institutional adoption of digital assets, with the aim of freeing up liquidity, unlocking investment opportunities, and increasing the efficiency of financial markets.

In particular, the MAS has announced:

- five new industry pilots to test promising asset tokenisation use cases;
- a new fund workstream focused on the native issuance of Variable Capital Company (VCC) funds on digital asset networks. The MAS will collaborate with the Accounting and Corporate Regulatory Authority to better assess the opportunities and risks of adopting digitally native VCC fund shares;
- a new Global Layer One (GL1) initiative which will explore the design of an open, digital infrastructure that will host tokenised financial assets and applications. GL1 will aim to facilitate seamless cross-border transactions and enable tokenised assets to be traded across global liquidity pools, while meeting relevant regulatory requirements and guidelines; and
- the development of an Interlinked Network Model (INM) which will serve as a common framework for exchanging digital assets across independent networks. This is intended to enable FIs to transact with each other without the need for all of them to be on the same network. In connection with the INM, the MAS has also published a whitepaper titled 'Interlinking Networks', which details how the INM may be applied in practice and the design considerations for its implementation.

MAS partners industry to develop generative AI risk framework for financial sector

The MAS has [announced](#) the successful conclusion of phase one of Project MindForge, which is intended to develop a clear and concise risk framework for the responsible use of generative artificial intelligence (GenAI) for the financial sector.

In phase one, the MindForge consortium developed a comprehensive GenAI risk framework, with seven risk dimensions identified in the areas of accountability and governance, monitoring and stability, transparency and explainability, fairness and bias, legal and regulatory, ethics and impact, and cyber and data security. A platform-agnostic GenAI reference architecture was also developed, providing a list of the building blocks and components that organisations can use to create robust enterprise-level GenAI technology capabilities.

The consortium will look into developing strong industry use cases that will benefit from the application of GenAI and other AI technologies, including the use of GenAI in managing complex compliance tasks and identifying hidden, interconnected financial risks.

The MAS has indicated that a full whitepaper detailing the risk framework will be published in January 2024. Meanwhile, the MAS has released an executive summary of the whitepaper.

In the next phase, the consortium intends to expand its scope to involve financial institutions from the insurance and asset management industries. In this phase, the consortium will conduct experiments to explore the use of GenAI in areas such as anti-money laundering, sustainability, and cyber security.

FSOC publishes new analytic framework for financial stability risk identification, assessment, and response and updates guidance on nonbank financial company determinations

The Financial Stability Oversight Council (FSOC) has published a new [Analytic Framework for Financial Stability Risk Identification, Assessment, and Response](#), which describes the approach the FSOC expects to take in identifying, assessing, and responding to certain potential risks to US financial stability. The FSOC has also updated guidance on its nonbank financial company determinations process.

The Analytic Framework includes:

- a detailed public explanation of how the FSOC monitors, assesses, and responds to potential risks to financial stability, whether from widely conducted activities or from individual firms;
- an explanation of the vulnerabilities and transmission channels that most commonly contribute to risks to financial stability; and
- a detailed range of authorities FSOC may use to address any particular risk – including interagency coordination, recommendations to regulators, or the designation of certain entities.

The updated Guidance for Nonbank Financial Company Determinations sets out the FSOC's procedures for considering whether to designate a nonbank financial company for Federal Reserve supervision and prudential standards under section 113 of the Dodd-Frank Act.

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