

INTERNATIONAL REGULATORY UPDATE 8 – 12 JANUARY 2024

- European single access point: ESAs consult on draft ITS on tasks of collection bodies
- CRD5/CRR2: EBA publishes final RTS and ITS on supervisory colleges
- EBA amends FRTB reporting requirements for market risk
- MiFID2: ESMA announces common supervisory action on pre-trade controls
- HM Treasury publishes CCP special resolution code of practice
- HM Treasury consults on proposals to enhance special resolution regime for banks
- FSCS: FCA and PRA consult on management expenses levy limit for 2024/25
- FCA publishes Rule Review Framework
- PRA publishes Dear CEO letters on 2024 priorities for insurance firms, international banks and deposit takers
- German Investment Institutions Remuneration Ordinance published
- BaFin issues guidance notices on German transposition of NPL Directive
- CSSF issues circular on application of EBA guidelines relating to interest rates and to credit spread risks of institutions' non-trading book activities
- CSSF publishes document on enforcement of 2023 annual reports by issuers subject to Transparency Law
- CSSF sets out new ICT-related incident reporting requirements and procedure
- Moneylenders (Amendment) Act 2023 gazetted
- Prevention of Proliferation Financing and Other Matters Bill moved for first reading in Singapore Parliament
- Recent Clifford Chance briefings: The EU financial services legislative pipeline and impact of SEC conflicts of interest rule on CRT transactions. Follow this link to the briefings section.

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European single access point: ESAs consult on draft ITS on tasks of collection bodies

The European Supervisory Authorities (ESAs) have published a [consultation paper](#) on draft implementing technical standards (ITS) specifying certain tasks of the collection bodies and functionalities of the European single access point (ESAP).

The consultation seeks views on the proposed rules regarding the tasks of collection bodies, including:

- automated validations on information submitted by entities;
- the characteristics of the qualified electronic seal;
- open standard licenses;
- the characteristics of the data collection application programming interface (API);
- the characteristics of the metadata for the information;
- time limits for providing the information to the ESAP; and
- the indicative list of formats that are acceptable as data extractable and as machine readable.

It also seeks views on rules relating to the functionalities of the ESAP including:

- the characteristics of the data publication API;
- the legal entity identifier (LEI) to be used;
- the classification of the types of information;
- the categories for the size of the entities; and
- the characterisation of industry sectors to classify the information contained in the ESAP and allow users to search for it.

Comments are due by 8 March 2024.

CRD5/CRR2: EBA publishes final RTS and ITS on supervisory colleges

The European Banking Authority (EBA) has published its [final report](#) on regulatory technical standards (RTS) and ITS on supervisory colleges under the Capital Requirements Directive (CRD4).

The new RTS and ITS will repeal and replace the RTS contained in Commission Delegated Regulation (EU) 2016/98 and the ITS contained in Commission Implementing Regulation (EU) 2016/99. The new RTS and ITS reflect amendments made to CRD4 and the Capital Requirements Regulation (CRR) by CRD5 and CRR2 respectively, including the expansion of the framework for supervisory colleges to cover certain financial holding companies and third-country groups with two or more institutions in the EU. They also reflect observations from the EBA's monitoring of the performance of supervisory colleges and are intended to enhance co-operation and information exchange between supervisory colleges and the other colleges relevant to banking groups.

The final draft RTS and ITS will be submitted to the EU Commission for adoption.

EBA amends FRTB reporting requirements for market risk

The EBA has published a [final report](#) on ITS amending the ITS on supervisory reporting and repealing the ITS on specific reporting requirements on market risks set out in ITS on Fundamental Review of the Trading Book (FRTB) reporting.

The amending ITS complement the high-level information on the alternative standardised approach (ASA) that has been reported since 2021 and introduce a new template to capture information on the reclassification of instruments between banking and trading books of an institution. The revised reporting requirements (with the exception of reporting on reclassifications) are expected to apply to reporting as of the reference date of 31 March 2025.

The ITS on specific reporting requirements will be repealed so that all reporting requirements on market risk are set out in a single Regulation.

The final draft ITS will be submitted to the EU Commission for adoption.

MiFID2: ESMA announces common supervisory action on pre-trade controls

The European Securities and Markets Authority (ESMA) has [launched](#) a common supervisory action (CSA) with national competent authorities (NCAs) to assess the implementation of pre-trade controls (PTCs) by EU investment firms using algorithmic trading techniques.

The rules governing the use of PTCs are set out in MiFID2 and Commission Delegated Regulation (EU) 2017/589 (RTS 6), which specifies the organisational requirements of investment firms engaged in algorithmic trading. The CSA, alongside the related sharing of practices between NCAs, is intended to assist in the consistent application of these rules.

The CSA will cover:

- the implementation of PTCs, including their calibration methodology and the use of hard and soft blocks in their design;
- the establishment of credit and risk limits and their interaction with PTCs;
- monitoring and governance frameworks related to PTCs; and
- the implementation and monitoring of PTCs when trading activities are outsourced to third countries.

The CSA will be conducted over the course of 2024.

HM Treasury publishes CCP special resolution code of practice

HM Treasury (HMT) has published a [policy paper](#) setting out the central counterparties (CCP) special resolution regime code of practice.

The code of practice sets out the tools and powers available for resolving a CCP, as set out under the Financial Services and Markets Act 2023 (FSMA 2023). The regime provides the Bank of England (BoE) and HMT with powers and tools to protect financial stability by effectively resolving CCPs that are

facing financial difficulties and therefore failing or likely to fail. The code of practice is intended to support the legal framework of the resolution regime for CCPs and provides guidance as to how and in which circumstances the authorities will use the tools under the regime when conducting the resolution of a CCP.

HM Treasury consults on proposals to enhance special resolution regime for banks

HMT has launched a [consultation](#) on proposals to amend the UK's special resolution regime for banking institutions. In particular, HMT is seeking feedback on proposals intended to give the BoE greater flexibility to manage small bank failures effectively.

Under the proposals, a new mechanism would be introduced that could be used alongside the existing stabilisation powers to meet costs that might arise when smaller banks are placed into resolution. Specifically, the BoE would be permitted to use funds provided by the Financial Services Compensation Scheme (FSCS) as needed in the event of a failure, and subsequently by a levy on the banking sector, to cover costs associated with a resolution, including those resulting from the recapitalisation and operation of the failed bank.

The Government expects that this mechanism would be used primarily to resolve small banks, as larger banks are already required to hold a certain amount of their own equity and debt, which can be drawn on to recapitalise if they fail. The proposals are intended to mitigate the risk that taxpayer funds would be needed to cover costs of small bank failure.

Comments are due by 7 March 2024.

The BoE has published a [statement](#) alongside the consultation setting out its support of the proposals.

FSCS: FCA and PRA consult on management expenses levy limit for 2024/25

The Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and BoE have published a [consultation paper](#) (CP1/24) on the annual management expenses levy limit (MELL) for the FSCS for 2024/25. The MELL covers the FSCS's costs of operating the UK's statutory compensation scheme. CP1/24 is supported by the FSCS's publication of its budget update for 2024/25.

The consultation is relevant to all PRA and FCA authorised firms, who fund the FSCS through levies, but contains no material of direct relevance to retail financial services consumers of consumer groups upon which they might need to act. The proposed MELL for 2024/25 is GBP 108.1 million, consisting of a management expenses budget of GBP 103.1 million and an unlevied reserve of GBP 5 million. The proposed MELL would apply from 1 April 2024 to 31 March 2025 and is a reduction of GBP 1.7 million from the 2023/24 MELL of GBP 109.8 million.

The consultation closes on 12 February 2024.

FCA publishes Rule Review Framework

The FCA has finalised its [Rule Review Framework](#), setting out how it intends to monitor and review whether rules are meeting their intended outcomes.

The FCA has also published its response to feedback received to its consultation on the draft Framework, published in July 2023.

The Framework, which is in line with an obligation to review rules under the Financial Services and Markets Act 2000 (FSMA) (as amended by the FSMA 2023, applies to all FCA Handbook rules.

The Framework sets out three main types of rule review:

- evidence assessment for determining whether a rule is working as intended;
- post implementation review for establishing whether a rule or policy intervention has met its intended outcomes, which can be triggered by evidence assessment or planned in advance subject to suitability criteria; and
- impact evaluations for measuring the impact of policy or rule interventions on intended outcomes, focusing on causal methods and planned in advance, at policy development stage.

The Framework also covers the FCA's [approach](#) to reporting and Government-directed reviews.

PRA publishes Dear CEO letters on 2024 priorities for insurance firms, international banks and deposit takers

The PRA has written letters to chief executives setting out its 2024 priorities for [insurance firms](#), [international banks](#) and [UK deposit takers](#).

Among other things, the priorities for the PRA's supervision of insurance firms include:

- credit risk and liquidity risk;
- operational resilience, ease of exit and regulatory reform;
- expansion of the life insurance sector;
- general insurance sector reserving risk and model drift; and
- financial risks arising from climate change.

Among other things, the priorities for its supervision of international banks include:

- risk management and controls;
- financial resilience;
- operational resilience; and
- data risk.

Among other things, the priorities for its supervision of UK deposit takers include:

- credit risk;
- financial resilience;
- operational resilience;
- model risk;
- data risk;

- financial risks arising from climate change; and
- resolution and recovery.

German Investment Institutions Remuneration Ordinance published

The [Investment Institutions Remuneration Ordinance](#) (WpIVergV) has been published in the Federal Gazette (Bundesgesetzblatt) following a consultation on the draft ordinance by the German Federal Financial Supervisory Authority (BaFin). The WpIVergV enters into force on 12 January 2024.

The WpIVergV is based on section 46 para 3 of the German Investment Institutions Act (WpIG) and is intended to further implement the Investment Firms Directive (IFD) with regard to the specification of remuneration requirements, including on a group level, for 'medium-sized investment institutions' as defined in section 2 para 17 of the WpIG.

BaFin issues guidance notices on German transposition of NPL Directive

On 30 December 2023, [the Act on Secondary Credit Markets](#) (KrZwMG) entered into force. The KrZwMG transposes the Non-performing Loans (NPL) Directive ((EU) 2021/2167) framework for NPL selling credit institutions, credit purchasers and credit servicers. The German Federal Financial Supervisory Authority (BaFin) is the designated competent supervisory authority under the KrZwMG, in cooperation with Deutsche Bundesbank.

BaFin has updated its website with documentation (guidance notices, overviews, FAQs) relevant for credit servicers/credit services institutions and credit purchasers relating to:

- authorisation requirements;
- authorisation procedure;
- EU passporting;
- credit purchasers;
- borrower and consumer protection; and
- FAQs.

CSSF issues circular on application of EBA guidelines relating to interest rates and to credit spread risks of institutions' non-trading book activities

The Luxembourg financial sector supervisory authority, the Commission de Surveillance du Secteur Financier (CSSF), has published its [Circular 24/848](#) dated 29 December 2023 on the application of the EBA guidelines on the criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/14).

The circular informs the public that the CSSF has integrated the guidelines into its administrative practice and regulatory approach with a view to promoting supervisory convergence in this field at the EU level and has notified EBA accordingly.

The guidelines specify the criteria that institutions and competent authorities should apply in view of the sound and prudent management of interest rate risk for non-trading book activities (IRRBB) and credit spread risk for non-trading book activities (CSRBB) for non-trading book activities further to Article 53-20 of the Law of 5 April 1993 on the financial sector (LFS).

The guidelines repeal the previous guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02). Compared to EBA/GL/2018/02, the new guidelines mainly include the following changes:

- interest income, interest expenses and market value changes should be considered for the measurement of IRRBB and CSRBB under internal systems to ensure a comprehensive assessment of the impact of all interest-rate and credit-spread-sensitive items;
- more prudent behavioural assumptions on non-maturity deposits from non-financial counterparties and introducing a five-year cap on weighted average repricing maturity for certain retail and wholesale non-maturity deposits;
- minimum criteria that will be assessed by the CSSF to determine whether an institution's IRRBB internal systems are satisfactory. If internal systems are found to be non-satisfactory, the CSSF may require an institution to use the standardised approach as envisaged in Article 53-20(3) of the LFS;
- further details on the definition of CSRBB, which shall include assets recognised at fair value, but also any other assets, liabilities or off-balance sheet items that can be exposed to CSRBB; and
- the Guidelines also provide further details on the expected assessment and monitoring of CSRBB, adequate and proportionate governance arrangements on CSRBB and processes to identify, manage, monitor and report CSRBB as well as related internal control mechanisms.

The circular applies as of 31 December 2023 to all credit institutions designated as Less Significant Institutions under the Single Supervisory Mechanism and CRR investment firms incorporated under Luxembourg law and to the Luxembourg branches of credit institutions and CRR investment firms having their registered office in a third country.

CSSF publishes document on enforcement of 2023 annual reports by issuers subject to Transparency Law

The CSSF has [published](#) a document on the enforcement of the 2023 annual reports published by issuers subject to the Transparency Law, as well as a related communiqué.

Pursuant to Article 22 of the law of 11 January 2008 on transparency requirements for issuers (Transparency Law), the CSSF monitors whether financial and non-financial information published by issuers is drawn up in compliance with the applicable reporting frameworks.

As issuers are now preparing their reporting for the 2023 financial year, the CSSF wishes to draw the attention of those preparing their financial statements in accordance with IFRS and/or their non-financial report in accordance with the law of 23 July 2016 which transposes the Directive 2014/95/EU (NFRD), as well as of their auditors, to a number of topics and

issues that will be the subject of specific monitoring during the CSSF's enforcement campaign planned for 2024.

These topics and issues are set out in the document and derive from the European common enforcement priorities (ECEPs) identified, as in previous years, by ESMA, together with the European national accounting enforcers, including the CSSF. ESMA issued a public statement describing the 2023 ECEPs (ESMA32-193237008-1793) on 25 October 2023. The CSSF encourages issuers to consider the ECEPs in addition to its enforcement priorities outlined in the document as the latter are derived from the ECEPs.

The CSSF's priority topics and issues are explained in detail in the document and concern the following areas:

- as regards IFRS financial statements: the impact of climate related matters; the increase in interest rates and impact on (re)financing; fair-value measurement and disclosures;
- as regards non-financial statements: disclosures relating to Article 8 of the Taxonomy Regulation; the impact of climate related matters; and
- as regards alternative performance measures: the impact of Article 8 of the Taxonomy Regulation.

CSSF sets out new ICT-related incident reporting requirements and procedure

The CSSF has [published](#) two documents regarding the ICT-related incident reporting framework, in order to provide it with a better and more structured overview of the nature, frequency, significance and impact of ICT-related incidents, in light of the growing ICT and security risk in the context of a highly interconnected global financial system.

The first is CSSF Regulation No 24-01 of 5 January 2024 relating to the notification of incidents according to the Law of 28 May 2019 transposing Directive (EU) 2016/1148 on measures for a high common level of security of network and information systems across the European Union (the NIS Law).

The second is Circular CSSF 24/847 regarding the ICT-related incident reporting framework, replacing Circular 11/504 on fraud and incidents due to external computer attacks.

Both the CSSF Regulation and the circular will enter into force on 1 April 2024.

Article 2 of the CSSF Regulation informs operators of essential services (OES) and digital service providers (DSPs) subject to the NIS Law, and for which the NIS authority is the CSSF according to Article 3 of the NIS Law, of the incident classification and major incident notification requirements under the NIS Law. These have been further specified in the circular, in order to have one uniform document detailing the process for classification and reporting of ICT-related incidents for all entities under CSSF supervision in accordance with financial sector regulatory frameworks and/or with the NIS Law.

In its role as NIS authority, the CSSF already notified or informed the relevant supervised entities of their identification as OES, or of their consideration as DSPs, when the NIS Law entered into force. The CSSF will reconfirm the status of relevant supervised entities as OES or DSPs respectively by 1 March 2024 at the latest.

The circular introduces the following changes to the current incident reporting mechanism:

- an increase of the incident coverage, currently limited to fraud and incidents due to external computer attacks, by covering more broadly ICT operational and security incidents while avoiding double reporting for incidents to be notified under other incident notification frameworks;
- the introduction of reporting based on classification. Supervised entities will be required to classify ICT-related incidents based on the criteria indicated in the circular and to notify to the CSSF the cases where ICT-related incidents are classified as major or significant incidents;
- the introduction of a new incident reporting notification form for major or significant incidents; and
- the introduction of a specific chapter to cover in the same circular the incident notification requirements (previously communicated via bilateral communications to supervised entities that are within the scope of the NIS Law).

ICT-related incident notifications shall be submitted by considering the time limits and the data fields respectively laid down in the Annex I and II of the circular as of 1 April 2024 and 1 June 2024 respectively.

The CSSF has also announced that further guidance related to the submission channels and related submission procedure will be published at a later stage.

Moneylenders (Amendment) Act 2023 gazetted

The Singapore Government has gazetted the [Moneylenders \(Amendment\) Act 2023](#), which was passed by the Singapore Parliament on 22 November 2023, and assented to by the President on 14 December 2023.

Amongst other things, the Act:

- introduces a new Section 35(4A) to enact a new offence if a licensee, without reasonable excuse, makes a wrongful demand of payment from a borrower;
- introduces a new Section 66A which applies where a loan application is made to a licensee by an applicant with one or more sureties. The section sets out the duties of a licensee in relation to the grant of a loan to the applicant, such as requesting a credit report in relation to surety;
- amends Section 69 to expand the purposes for which a licensee may request borrower information from the designated credit bureau, and the purposes for which and list of persons to whom a licensee may disclose borrower information;
- amends Section 70 to expand a licensee's duty to protect any information in the licensee's possession or under the licensee's control that the licensee has obtained or received under or for the purposes of the Act by making reasonable security arrangements;
- introduces a new Section 74A which permits a designated credit bureau to prepare and deliver to the licensee a business report in relation to a licensee;
- introduces a new Section 77A on the power of the Registrar, if he or she is aware that a credit report, business report or loan information report has

been wrongly delivered to a person, to direct the person to dispose of the report delivered in error; and

- introduces a new Section 81A which permits the Registrar, to share information pursuant to a data sharing direction under the Public Sector (Governance) Act 2018.

The Act will come into operation on a date that the Minister appoints by notification in the Government Gazette.

Prevention of Proliferation Financing and Other Matters Bill moved for first reading in Singapore Parliament

[The Prevention of Proliferation Financing and Other Matters Bill](#) has been moved for its first reading in the Singapore Parliament, following the October 2020 Financial Action Task Force (FATF) announcement calling on member states and reporting entities to assess the risk of proliferation financing in relation to their business and to take measures to mitigate the assessed risk.

The Bill is intended to amend the Precious Stones and Precious Metals (Prevention of Money Laundering and Terrorism Financing) Act 2019, the Legal Profession Act 1966, the Moneylenders Act 2008 and the Pawnbrokers Act 2015 to provide for the prevention of the financing of proliferation of weapons of mass destruction. The Bill also makes other amendments to the Precious Stones and Precious Metals (Prevention of Money Laundering and Terrorism Financing) Act 2019, and consequential amendments to the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992.

Amongst other things, the Bill proposes to:

- amend the Precious Stones and Precious Metals (Prevention of Money Laundering and Terrorism Financing) Act 2019 to include the financing of proliferation of weapons of mass destruction in the long title and other provisions, as applicable; and introduce new Sections 9A on lapsing of registered dealer's registration, 36A on service of documents, and 36B on electronic service, respectively;
- amend the Legal Profession Act 1966 to amend Part 5A heading, and include the financing of proliferation of weapons of mass destruction in addition to money laundering and financing of terrorism under Section 70A as one of the areas towards which a legal practitioner or law practice must take preventive measures when preparing for or carrying out any transaction concerning a relevant matter;
- amend the Moneylenders Act 2008 to provide for new grounds on which the Registrar of Moneylenders may refuse to issue or renew a licence, refuse to grant approval for a person to take part in the management of the licensee's business of moneylending or become a director of the licensee, or refuse to grant approval for a person to become a substantial shareholder of a licensee; and
- amend the Pawnbrokers Act 2015 to impose additional requirements on a pawnbroker to manage the risks relating to the prevention of the financing of proliferation of weapons of mass destruction.

When passed, the Prevention of Proliferation Financing and Other Matters Act will come into operation on a date that the Minister appoints by notification in the Gazette.

Contributed by Clifford Chance Asia, a Formal Law Alliance in Singapore between Clifford Chance Pte Ltd and Cavenagh Law LLP.

RECENT CLIFFORD CHANCE BRIEFINGS

The EU financial services legislative pipeline

The EU legislators are working to agree the remaining proposals in the financial services legislative pipeline before the end of the current legislative cycle. So far, the 2019-24 Commission has proposed 63 legislative acts on financial services and cross-cutting issues particularly relevant to financial services, out of which the European Parliament and the Council have adopted 23 acts and agreed or provisionally agreed the text of 15 other acts.

Work on the outstanding proposals will intensify in the lead up to the Parliament elections in June 2024 and the next Commission taking office in October 2024 (although some proposals may be carried over to be agreed under the next Parliament and Commission). The Commission may still submit additional proposals as it continues to work on other delayed and future measures.

This briefing paper sets out a timeline showing the state of play on the legislative proposals in the pipeline and provides an inventory of pending proposals and adopted acts, as well as an indicative list of delayed and possible future legislative proposals.

<https://www.cliffordchance.com/briefings/2024/01/the-eu-financial-services-legislative-pipeline.html>

Impact of SEC conflicts of interest rule on CRT transactions

The US Securities and Exchange Commission (SEC) recently adopted a new Rule 192 under the Securities Act of 1933, as amended, to prohibit conflicts of interest in certain securitizations. While the SEC's original re-proposal of the rule in January 2023 raised a number of concerns for banks and other entities engaging in credit risk transfer transactions (CRT) for risk-management and capital relief purposes, the final rule includes important changes that limit the impact on such transactions. The compliance date for the final rule is 9 June 2025.

This briefing provides an overview of aspects of the final rule that are particularly important for banks and other entities participating in CRT transactions as they prepare for the compliance date.

<https://www.cliffordchance.com/briefings/2024/01/impact-of-sec-conflicts-of-interest-rule-on-crt-transactions.html>

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

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