

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



**SELL SIDE HORIZON SCANNER Q1 2024**  
JANUARY 2024

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## **INTRODUCTION**



# INTRODUCTION

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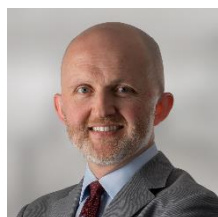
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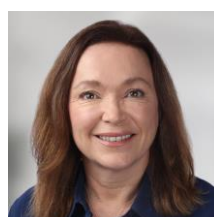
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# CONTACTS



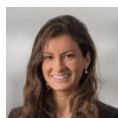
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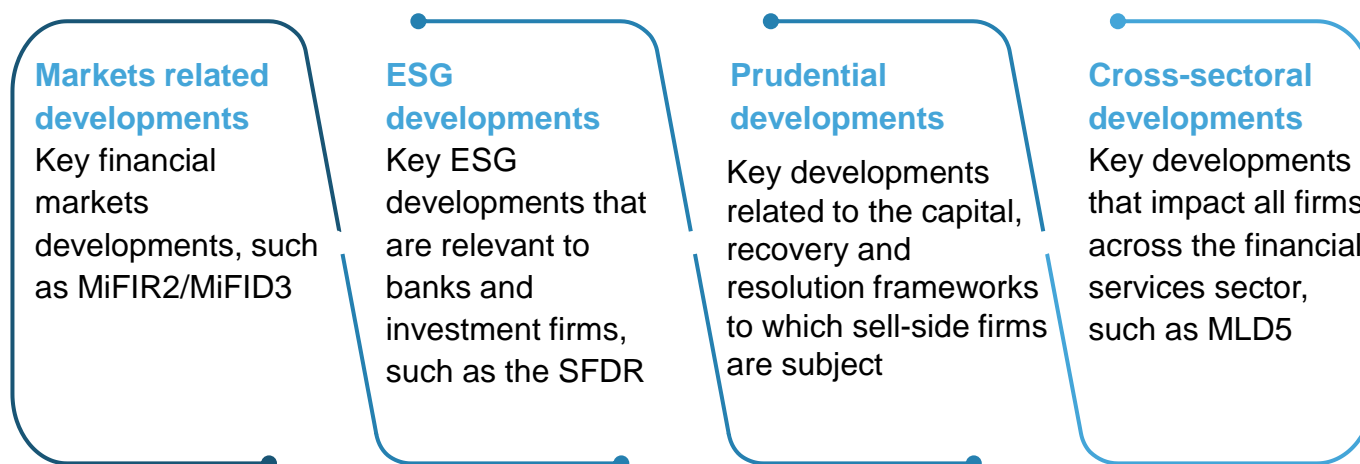
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# INTRODUCTION

## 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 January 2024. 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 2024, we are in final year of the five-year agenda for the EU agreed by the European Council in 2019. The Council expects to adopt its new strategic agenda for 2024-2029 in June, setting future priorities on security and defence, resilience and competitiveness, energy, migration, global engagement and EU enlargement. June 2024 will also see EU Parliamentary elections, followed by a new European Commission in the Autumn.

In 2024, we will see a continuation of the EU's programme of revisions to the EU Capital Markets Union and continued progress toward Banking Union, with the finalisation of the Commission's proposals for revisions to existing regimes, including the Listing, MiFID and EMIR regimes, and CMDI reform.

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 and legislation on supply chains and corporate disclosures.

Finally, 2023 saw 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 finalised as the package progresses through the EU legislative process in 2024.

# INTRODUCTION

## THE UK SELL-SIDE REGULATORY LANDSCAPE

### The UK angle...



In 2024 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 involves targeted amendments to existing legislation to ensure that it remains suitable for the evolving financial services industry. An example of such amendments is the expected finalisation of a programme of reforms to the UK's financial promotion (marketing) regime to ensure it reflects today's investors and investment products.

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 regulation of ESG data and ratings providers, and delivery of a regulatory framework for stablecoins and other cryptoassets, reflect the global direction of travel.

Finally, the third prong is to deliver a more fundamental restructuring of the UK's post-Brexit regulatory framework. In 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 2023 by further 'Mansion House' reforms). Together these will operate to deliver a 'Smarter Regulatory Framework' for the UK, involving the revocation of retained EU law, additional objectives for the UK's regulators and reform of many aspects of UK financial regulation. In 2024, we will continue to see an ambitious number of consultations and publications aiming to bring forward this post-Brexit reform.



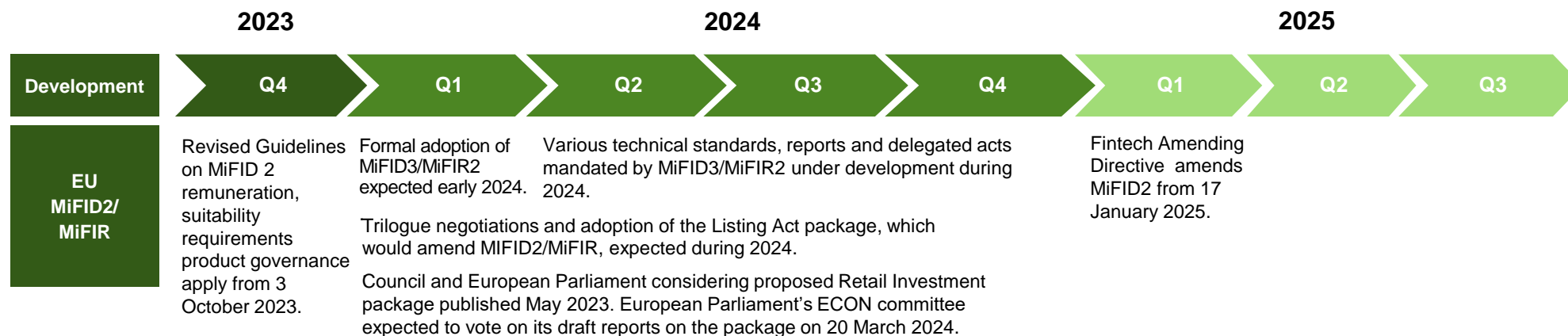


## HORIZON SCANNER A. EU DEVELOPMENTS

### 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.

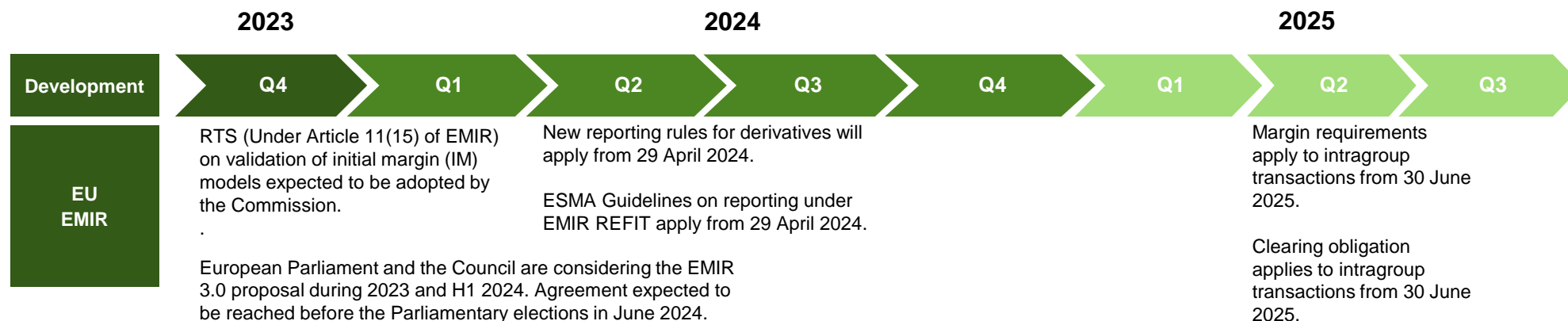
In addition, new legislative measures following a review of the framework (sometimes referred to as 'MiFID3/MiFIR2') are expected to be adopted in early 2024. MiFID2 will also see further changes due to initiatives being introduced under the Capital Markets Union (CMU) Action Plan.

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

## What's on the horizon?

- The Council and the European Parliament reached provisional political agreement on the MiFID3/MiFIR2 package on 29 June 2023. Final compromise texts on the package were published on 18 October 2023. The package will make changes to MiFID2 and MiFIR to improve market data access and transparency, including measures to facilitate the introduction of an EU consolidated tape. The package is expected to be formally adopted early in 2024 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.
- The incoming Fintech Amending Directive (see **Slide 18**) will strengthen operational resilience of MiFID firms by amending the MiFID2 Directive to apply the provisions of the DORA Regulation (see **Slide 35**).
- The Commission's proposal for a Retail Investment package published on 23 May 2023 sets out measures to increase consumer participation in capital markets (see **Slide 22**). 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. The European co-legislators will continue to consider the package during 2024.

# 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.

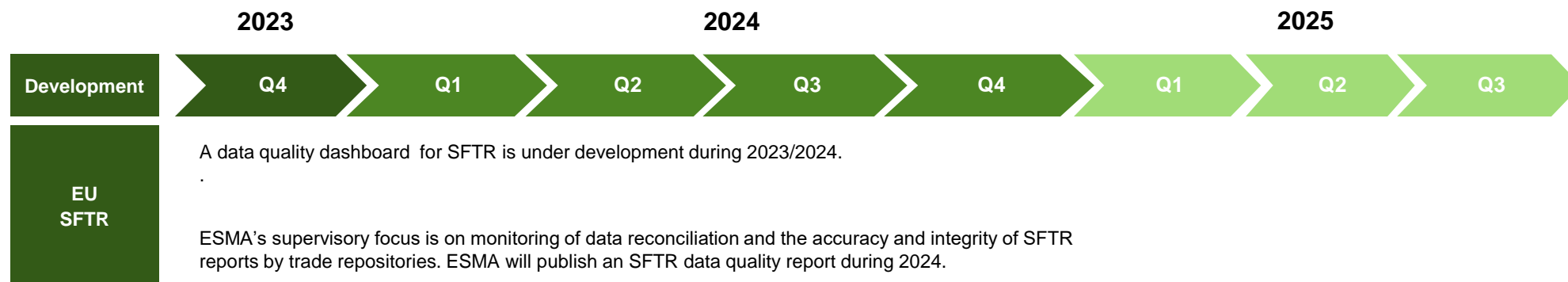
Recently adopted Level 2 measures have deferred the application of some of EMIR's requirements to intragroup transactions.

Listen to our panel discussion on this development [here](#) and read our briefings [here](#) and [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.
- Final draft RTS under Art 11(15) EMIR were published in July 2023 by the EBA, 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 and H1 2024. EU Member States are expected to implement the amendments set out in the proposed Directive 12 months after the date of the entry into force of the proposed Regulation.

# EU SFTR



## EU SFTR

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

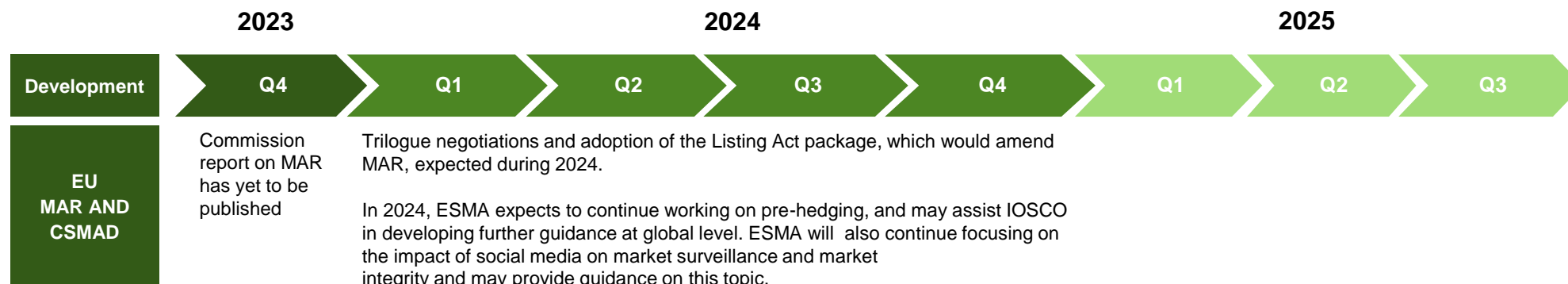
ESMA Guidelines for the transfer of data between trade repositories under EMIR and the SFTR were published in March 2022 and have applied since October 2022.

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

## What’s on the horizon?

- The key challenge with securities financing transactions (SFTs) is that, while many core regulatory and supervisory activities of the authorities rely on the data reported and disclosed by market participants, lack of reliable data can present difficulties in identifying property rights and counterparties and monitoring risk concentration.
- In April 2023, ESMA published its third SFTR data quality report. As regards EMIR and SFTR data quality, ESMA has been transitioning to a new approach to monitoring and engaging on data quality issues with member states’ national competent authorities (NCAs), which involves:
  - a data quality dashboard with indicators covering the most fundamental data quality aspects; and
  - a data sharing framework which engages relevant authorities to follow up with counterparties in their jurisdiction upon a detection of a significant data quality issue, such as a breach of predefined levels in the agreed set of indicators
- ESMA has already worked with NCAs on implementation of a data quality dashboard for EMIR, which has undergone gradual implementation since May 2022. ESMA is continuing in 2024 with work on an implementation of the data quality dashboard for SFTR.
- Similar to previous years, ESMA will publish an SFTR data quality report to show the effectiveness of the collective supervisory efforts of ESMA and the NCAs supervising reporting entities.
- During 2024, ESMA’s supervisory focus is on monitoring the correct reconciliation of data and the adequate verification of accuracy and integrity of SFTR reports by trade repositories.

# EU MAR AND CSMAD



## MAR and CSMAD

An EU-wide framework for tackling market abuse and market manipulation was first introduced in 2005. MAR and CSMAD aimed to update and strengthen this framework. From 2016, 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.

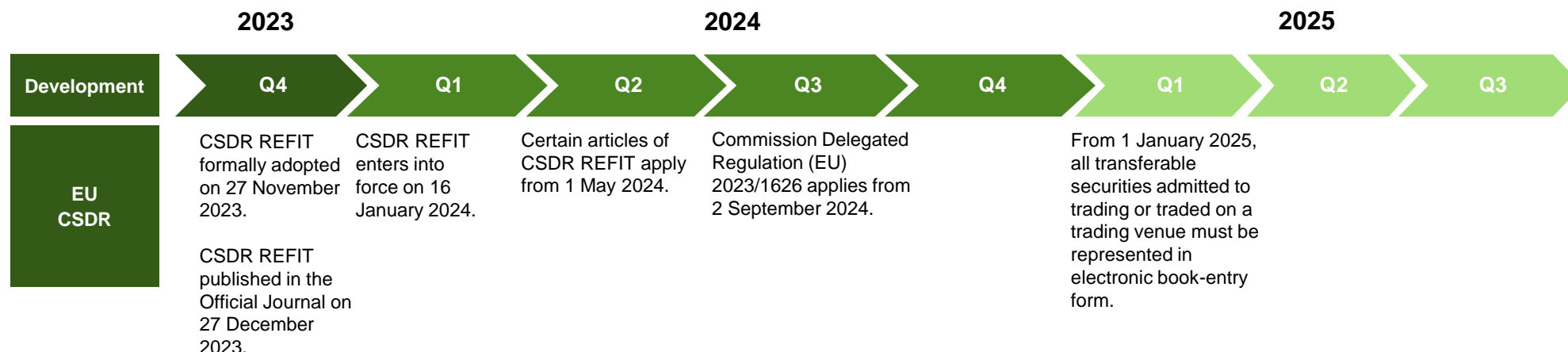
CSMAD sets minimum requirements for EU member states' criminal sanctions regimes for market abuse.

The first in-depth review of MAR since its implementation was carried out by ESMA, with the outcomes published in September 2020. ESMA's recommendations will feed into the European Commission's review of MAR.

## 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.
- Following its feedback report in July 2023, ESMA expects to continue working on pre-hedging in 2024 and may assist IOSCO in developing further guidance at global level. ESMA will also continue focusing on the impact of social media on market surveillance and market integrity and may provide guidance on this topic.

# EU CSDR



## EU CSDR

EU CSDR aims to harmonise certain aspects of securities settlement, such as the timing of settlement and the authorisation process for EEA CSDs. The next major phase of implementation, the introduction of a mandatory buy-in regime, was intended to come into effect on 1 February 2022, but has been suspended and will now take effect from 2 November 2025. In the meantime, the legislative REFIT proposal starts to apply from 1 May 2024, amending the CSDR to:

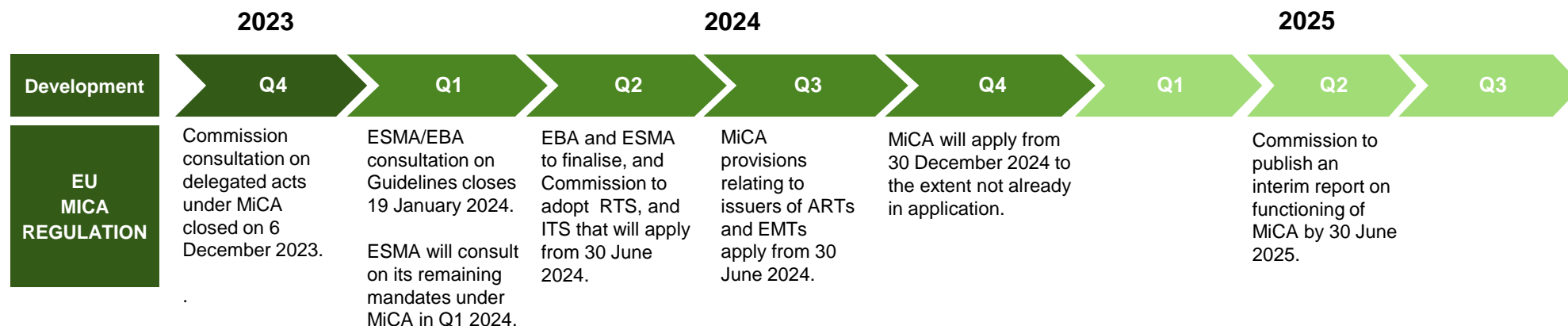
- Enhance supervisory co-operation;
- Simplify the CSDR passporting process;
- Facilitate CSDs' access to banking-type ancillary services;
- Clarify elements of the settlement discipline regime;
- Introduce an end-date for the grandfathering clause for EU and third-country CSDs and a notification requirement for third-country CSDs.

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

## What's on the horizon?

- From 1 January 2023, any EU issuer that issues transferable securities that are admitted to trading or traded on trading venues has been required to arrange for the securities to be represented in electronic book-entry form. From 1 January 2025, this requirement will apply to all remaining transferable securities that are admitted to trading or traded on trading venues.
- In November 2022, ESMA published a final report and draft RTS amending Article 19 of Commission Delegated Regulation (EU) 2018/1229. The RTS were adopted by the Commission as Commission Delegated Regulation (EU) 2023/1626 which entered into force on 31 August 2023. The amendments introduced by the Delegated Regulation apply from 2 September 2024 to remove the special distribution and collection process for cash penalties that applies to central counterparties (CCPs) and instead allocate responsibility for the collection and distribution of all cash penalties to central securities depositories (CSDs).
- On 27 November 2023, the Council formally adopted the CSDR REFIT regulation amending the CSDR, following adoption by the European Parliament on 10 November 2023. CSDR REFIT was published in the Official Journal of the European Union on 27 December 2023 and enters into force on 16 January 2024. Certain of its articles apply from 1 May 2024 and the remainder two years after entry into force.
- In 2024, ESMA intends to deliver a CSDR report on CSD settlement efficiency and internalised settlement, and to work on mandates under the CSDR REFIT.
- The CSDR's mandatory buy-in regime was intended to apply from 1 February 2022. The application of the relevant rules has been delayed until 2 November 2025.

# EU MiCA REGULATION



## MiCA Regulation

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

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').

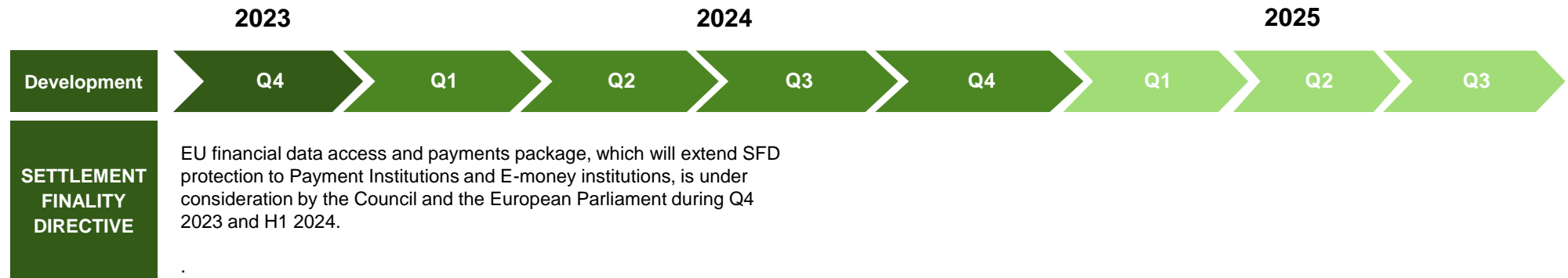
As well as placing obligations on those who issue or offer cryptoassets to the public, MiCA provides a framework for service providers ('CASPs'), which will bring in separate authorisation and ongoing requirements for activities such as trading and custody of this asset class. It will ensure among other 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 launched a consultation from 8 November 2023 to 6 December 2023 on four delegated acts, which it plans to adopt before the application of the relevant parts of MiCA on 30 June 2024.
  - In July, October, November and December 2023, the EBA launched a series of consultations on draft RTS, draft ITS and guidelines related to ART issuers. These RTS, ITS and guidelines also apply to issuers of significant EMTs by virtue of Article 58 of MiCA.
  - In July and October 2023, ESMA published two sets of consultations on eleven draft RTS and four draft ITS related to CASPs.
  - In October 2023, the EBA and ESMA jointly consulted on two sets of guidelines on suitability assessments of the management body and holders of qualifying holdings of issuers of ARTs or CASPs. The consultation closes on 19 January 2024.
  - ESMA plans to publish a third set of consultations on its remaining mandates under MiCA in Q1 2024.

# 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, particularly 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 proposing 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.

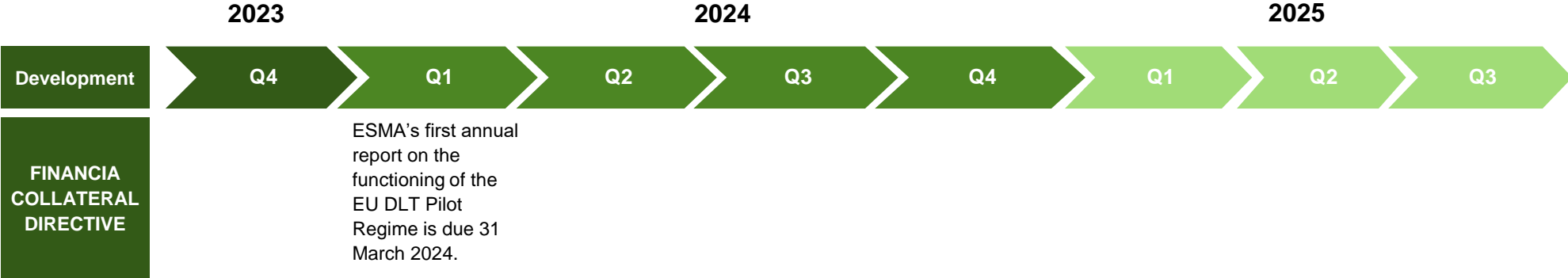
Read our in-depth briefing on this development [here](#)

## 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 concluded 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 to 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 form 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 netting provisions are enforceable in accordance with their terms.

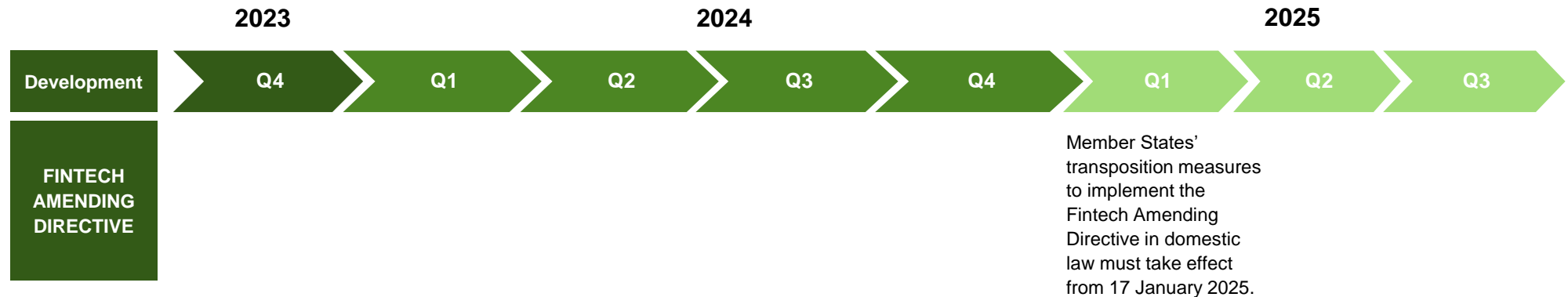
The Commission launched a consultation on the functioning of the FCD in February 2021, in parallel with a consultation on the functioning of the Settlement Finality Directive given that the two Directives are closely connected in the post-trade context.

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 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. ESMA is required to publish annual reports on the functioning of the EU DLT Pilot Regime, the first of which is due 31 March 2024.

# FINTECH AMENDING DIRECTIVE



## Fintech amending directive

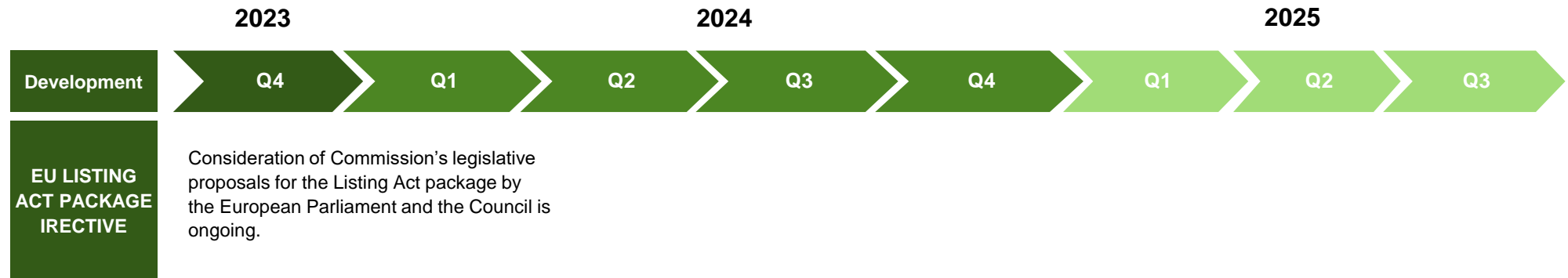
The Fintech Amending Directive (EU) 2022/2556 of 14 December 2022 was published in the Official Journal in December 2022 and entered into force on 16 January 2023. It supports the DORA Regulation (see **Slide 35**) as part of the EU's Digital Finance Strategy.

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 LISTING ACT PACKAGE



## EU Listing Act package

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

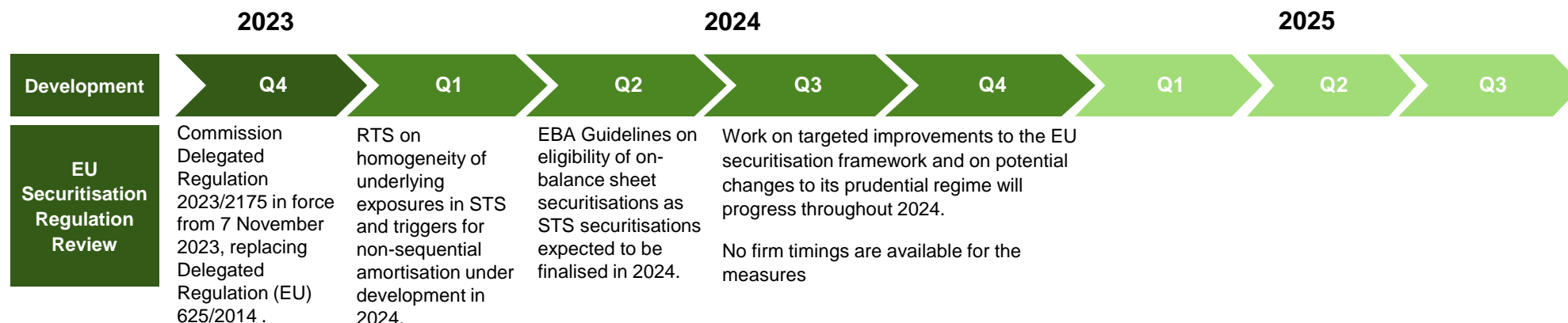
- (i) a proposed Directive to introduce targeted adjustments to MiFID2 to enhance visibility of listed companies, especially SMEs, and to introduce regulation for issuer-sponsored research (see **Slide 10** for other MiFID2 amendments), and to repeal the Listing Directive to enhance legal clarity;
-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

## What's on the horizon?

- The proposed measures will continue to be considered by the European Parliament and the Council during Q1 2024.
- The three legislative proposals will each enter into force on the 20th day following their publication in the Official Journal.
- Member States will need to create and publish national implementing measures by the expiry of 12 months following the entry of the Directives into force.
- The two Directives and the Regulation will each take effect 18 months after their entry into force.

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

# EU SECURITISATION REGULATION REVIEW



## Securitisation regulation review

As part of the capital markets union (CMU) action plan the Commission conducted a review of 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 a stocktake on the SR's functioning. The Commission highlighted some targeted improvements to the framework, which will be made without legislative revisions.

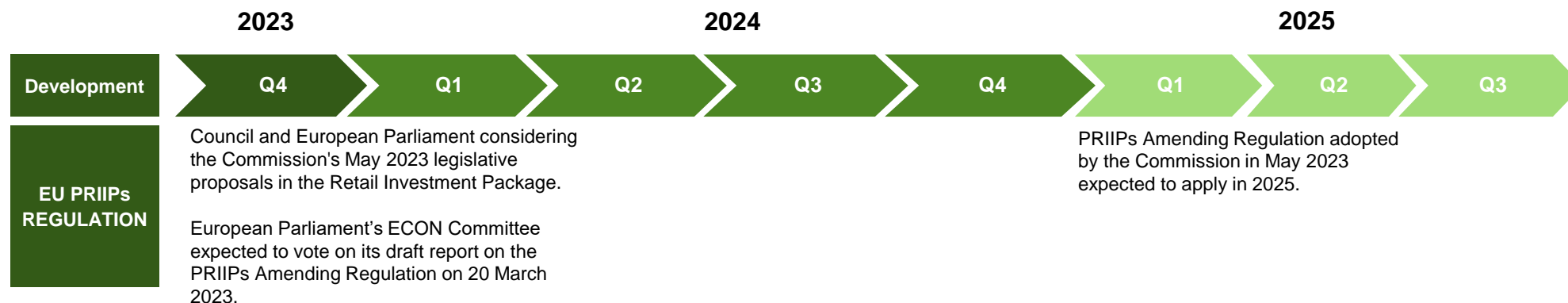
Separately, the Commission is mandated under Article 519a of the Capital Requirements Regulation (CRR) to review the securitisation capital and liquidity frameworks. The Commission is currently considering the advice of the European Supervisory Authorities' Joint Committee, which was published in a report 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 non-legislative improvements including:
  - ESMA should revisit the disclosure templates for the information to be made available under Article 7 of the SR, to reduce prescription and to simplify them where appropriate, and 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 decided against establishing a dedicated framework for green securitisation, and instead contributed 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.
  - The Commission is considering recommendations from the Joint Committee on the prudential treatment of securitisation, which may result in a relaxation of capital requirements in the significant risk transfer market and improve risk sensitivity in the framework.
- Commission Delegated Regulation (EU) 2023/2175 entered into force on 7 November 2023, setting out technical standards on the SR's risk retention requirements for originators, sponsors, original lenders and servicers. This delegated regulation has replaced Commission Delegated Regulation (EU) 625/2014.
- The EBA consulted between April and July 2023 on proposed guidelines on the criteria for on-balance-sheet securitisations to be eligible as STS securitisations. The guidelines are expected to be finalised in H1 2024.
- The Joint Committee is expected to report to the Commission in 2024 on the implementation and functioning of the SR under Article 44 of the SR, which among other things will advise on possible areas of future revision of the SR.

# EU PRIIPS REGULATION



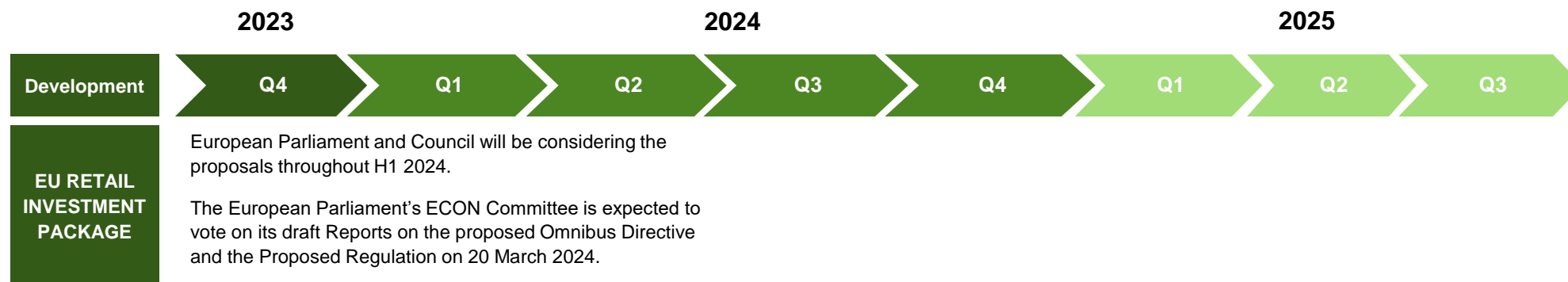
## PRIIPs Regulation

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

## What's on the horizon?

- Delegated Regulation (EU) 2021/2259 extended the exemption from PRIIPs requirements for UCITS until 31 December 2022. This exemption has expired with the result that from 1 January 2023 PRIIPs KID requirements have applied to UCITS. In a related measure, Directive (EU) 2021/2261 amended the UCITS package to provide, from 1 January 2023, that KIDs that comply with PRIIPs are considered to satisfy the requirements for Key Investor Information Documents (KIIDs) set out in the UCITS package. As a result, EU member states must now allow provision of the PRIIPs KID to satisfy the requirement to provide a UCITS KIID.
- Delegated Regulation (EU) 2021/2268 has amended certain requirements relating to the presentation and content of KIDs. It has applied from 1 January 2023.
- The Commission has been reviewing the PRIIPs Regulation as part of a wider assessment of the EU's retail investment strategy. The retail investment package was adopted in May 2023, comprising a Directive and a Regulation relating to retail investment reforms (see **Slide 22**). The package includes a legislative proposal to make targeted amendments to various aspects of the PRIIPs Regulation, including the KID (**PRIIPs Amending Regulation**). This amending Regulation is proceeding through the EU legislative process. Based on the current draft text, it will take effect 18 months after its entry into force.

# EU RETAIL INVESTMENT PACKAGE



## EU retail investment package

As part of the Capital Markets Union agenda, the Commission is focused on improving EU retail access to capital markets. In May 2021, the Commission published a consultation paper entitled 'A retail investment strategy for Europe'. This was followed by a second, targeted consultation in February 2022 on options to enhance product suitability and appropriateness assessments.

The Commission published the 'retail investments package' on 24 May 2023, comprising wide-ranging measures to:

- improve the information consumers receive about financial products;
- address conflicts of interest in the sales process;
- impose a ban on inducements for products sold without financial advice;
- enhance the "best interest" test for financial advisers;
- crack down on online "influencers"; and
- introduce "value for money" obligations for costs and performance.

## What's on the horizon?

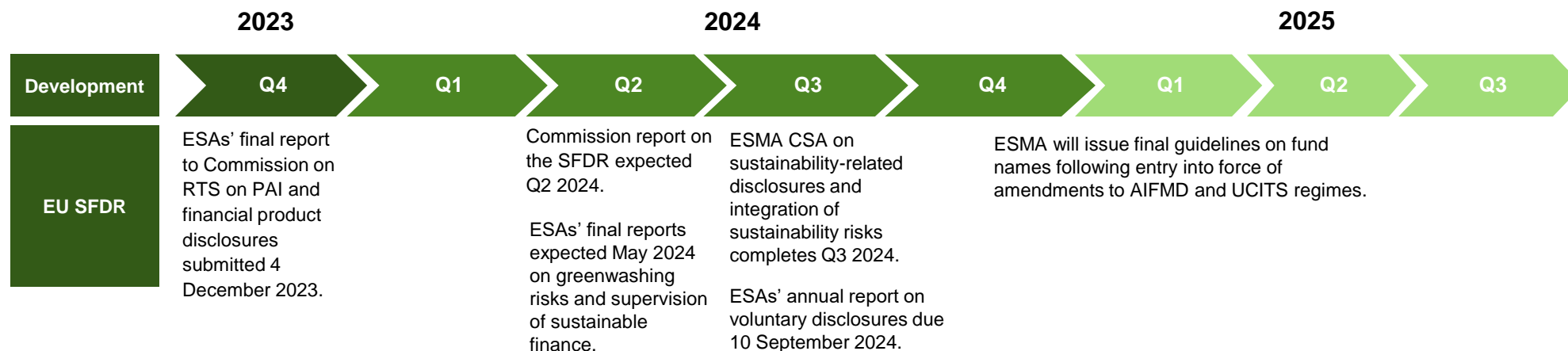
- The Commission's proposal for improving the retail investment framework was originally expected in H1 2022. The retail investment package eventually adopted in May 2023 consists of:
  - A proposal for an [Omnibus Directive](#) that will amend existing EU Directives (including MiFID2) as regards EU retail investor protection rules; and
  - A proposal for a [Regulation](#) amending the PRIIPs Regulation as regards the modernisation of the key information document.
- The European Parliament and Council are separately considering the proposals before entering into negotiations on the final texts.
- Once adopted, Member states will have twelve months from the entry into force date to transpose it and shall apply the proposed Directive's provisions from the date eighteen months after the entry into force date.



**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 continued long past this date.

The European has evaluated the SFDR and has proposed possible measures to improve the framework, which may result in changes to disclosure requirements and potentially a classification system for financial products.

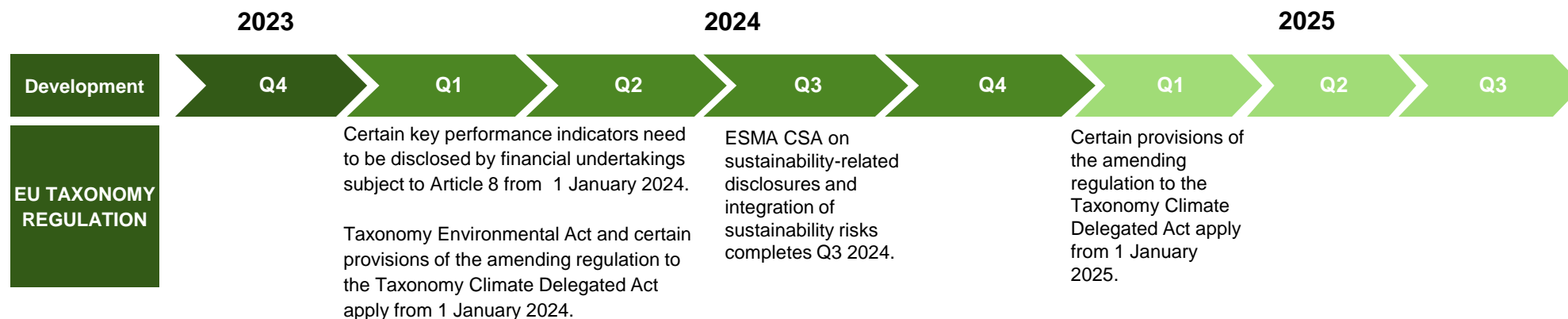
Read our in-depth briefings on this development [here](#) and [here](#).

## What's on the horizon?

- The ESAs submitted a final report to the Commission on 4 December 2023 on amendments to the RTS on content and presentation of principal adverse impact (PAI) and product disclosures. The Commission is expected to adopt the RTS in due course.
- In July 2023 ESMA launched a Common Supervisory Action (CSA) with National Supervisors to assess asset managers' compliance with sustainability-related disclosures in SFDR and the EU Taxonomy Regulation and provisions in UCITS and AIFMD on integration of sustainability risks. The CSA will run until Q3 2024.
- Between September and December 2023, the Commission consulted on SFDR implementation and on options to improve the framework. The focus is on assessing shortcomings in the SFDR to improve legal certainty, enhancing usability and improving the legislation's role in mitigating greenwashing. The Commission intends to adopt a report on the SFDR in Q2 2024.
- 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 2024.
- ESMA consulted between November 2022 and February 2023 on guidelines on funds' names using ESG or sustainability-related terms. In December 2023 ESMA confirmed it would postpone the issue final guidelines until after the entry into force of amendments to the AIFMD and UCITS regimes.



# 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’.

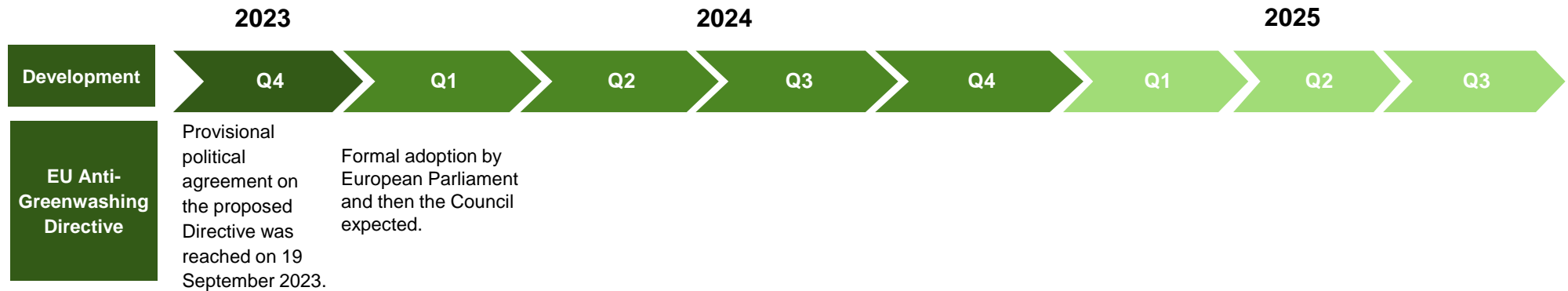
The six ‘environmental objectives’ are set out in the Taxonomy Regulation. The Taxonomy Regulation also creates disclosure obligations for certain products that are within the scope of the related Sustainable Finance Disclosure Regulation (SFDR).

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

## What’s on the horizon?

- Two delegated acts supplementing the Taxonomy Regulation were published in the Official Journal on 21 November 2023 and apply mainly from 1 January 2024:
  - A [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). Some provisions apply from 1 January 2024, with others applying from 1 January 2025.
- In July 2023 ESMA launched a Common Supervisory Action (CSA) with National Supervisors to assess asset managers’ compliance with sustainability-related disclosures in SFDR and the EU Taxonomy Regulation and provisions in UCITS and AIFMD on integration of sustainability risks. The CSA will run until Q3 2024.
- 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.

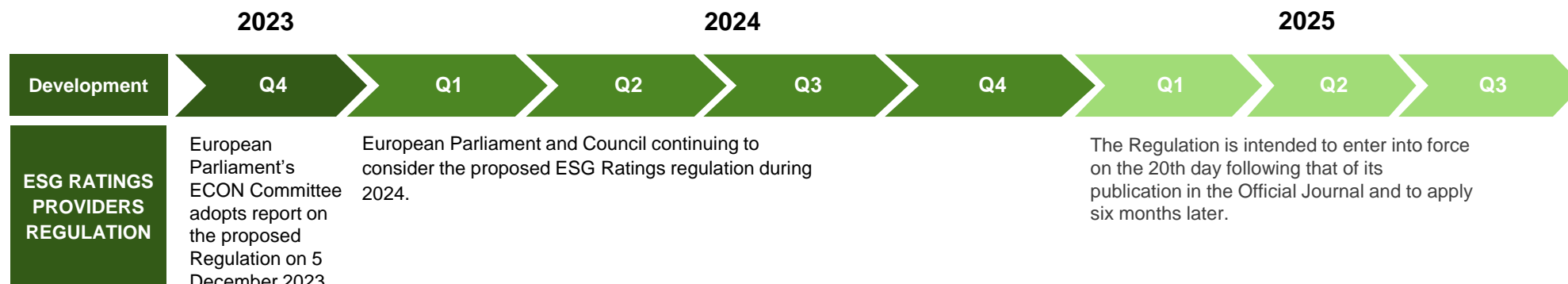
The Directive will amend the **Unfair Commercial Practices Directive (UCPD)** to:

- 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. Provisional political agreement on the proposed Directive was reached on 19 September 2023 and the final compromise text was agreed in October 2023. Formal adoption of the Directive is awaited.
- Once adopted the Directive will enter into force on the 20<sup>th</sup> day following its publication in the Official Journal. The final compromise texts proposal envisages a 24-month transposition period with the Directive applying 30 months after its entry into force.

# EU REGULATION OF ESG RATINGS PROVIDERS



## EU regulation of ESG ratings providers

ESG ratings providers offer products that opine on the ESG characteristics or exposure of products and firms. Provision of ESG ratings plays an important role in the ESG ecosystem but is not currently regulated at EU level.

Following a consultation and call for evidence in April 2022, in June 2023 the Commission published a legislative proposal for a Regulation on the transparency and integrity of ESG rating activities.

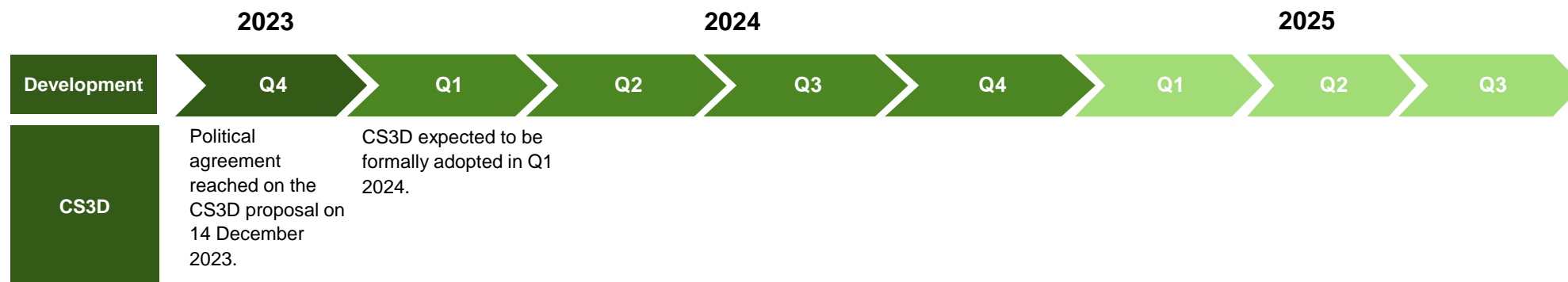
The proposal is intended to require ESG rating providers offering services to investors and companies in the EU to be authorised and supervised by ESMA.

The proposed regulation is intended to complement existing legislation such as the Sustainable Finance Disclosure Regulation (SFDR), the Taxonomy Regulation, the Corporate Sustainability Reporting Directive (CSRD) and the EU Green Bonds Regulation.

## 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 certain providers);
  - Introduce a regime for third country ESG ratings providers;
  - Set out transparency requirements and principles on the integrity and reliability of ESG rating activities;
  - Impose obligations relating to the independence and management of 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.

# CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (CS3D)



## Corporate Sustainability Due Diligence Directive (CS3D)

The Corporate Sustainability Due Diligence Directive (CS3D) sets out an EU legal framework on sustainable corporate governance, including cross-sector corporate due diligence along global value chains.

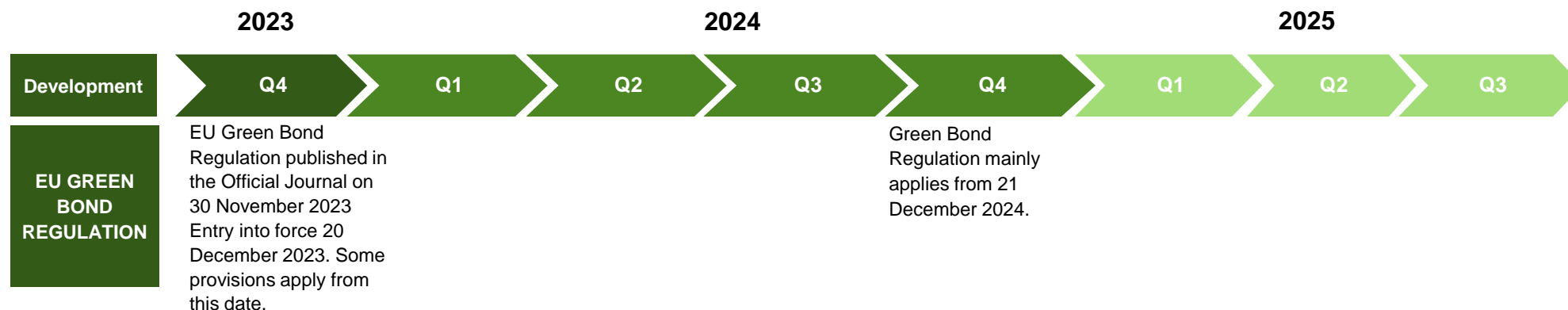
The main effect of the CS3D will be to introduce obligations on in-scope EU and non-EU companies to adopt and implement due diligence policies and processes to identify and address adverse human rights and environmental impacts (known as human rights and environmental due diligence, or "HREDD") with which the companies may be involved, either through their own operations, those of their subsidiaries or through business relationships in their value chain.

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

## What's on the horizon?

- Trilogue negotiations between the co-legislators began on 8 June 2023, and political agreement was reached on 14 December 2023. This "provisional agreement" is unlikely to change substantively between now and its final adoption by the Council and Parliament.
- CS3D will apply to large EU companies and large non-EU companies active in the EU.
  - "EU Companies" are defined as those with more than 500 employees and a net global turnover of more than EUR 150 million, or that operate in specific high-impact sectors with more than 250 employees and a net global turnover of EUR 40 million.
  - "High-impact sectors" are defined as the manufacture and wholesale trade of textiles, clothing and footwear, agriculture including forestry and fisheries, manufacture of food and trade of raw agricultural materials, extraction and wholesale trade of mineral resources or manufacture of related products and construction.
  - non-EU Companies are defined as those that have a EUR 300 million net turnover generated in the EU, with no requirement to meet an employee threshold.
- Most of the due diligence rules will not apply to financial institutions, including banks, insurers, institutional investors and asset managers. The agreed compromise will however impose some obligations on financial institutions. EU and non-EU financial institutions conducting enough business to fall within the scope of the CS3D will be required to conduct HREDD on the upstream elements of their value chain.
- Once CS3D is adopted, Member States will have two years to transpose the Directive into national law. Based on the compromise text, non-EU Companies will then have a further year to comply with the CS3D. It is also likely that smaller in-scope companies will have longer to comply with the Directive, though this is as yet unconfirmed.

# 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 Regulation was formally adopted in October 2023 and published in the Official Journal on 30 November 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 briefings on this development [here](#), [here](#) and [here](#).

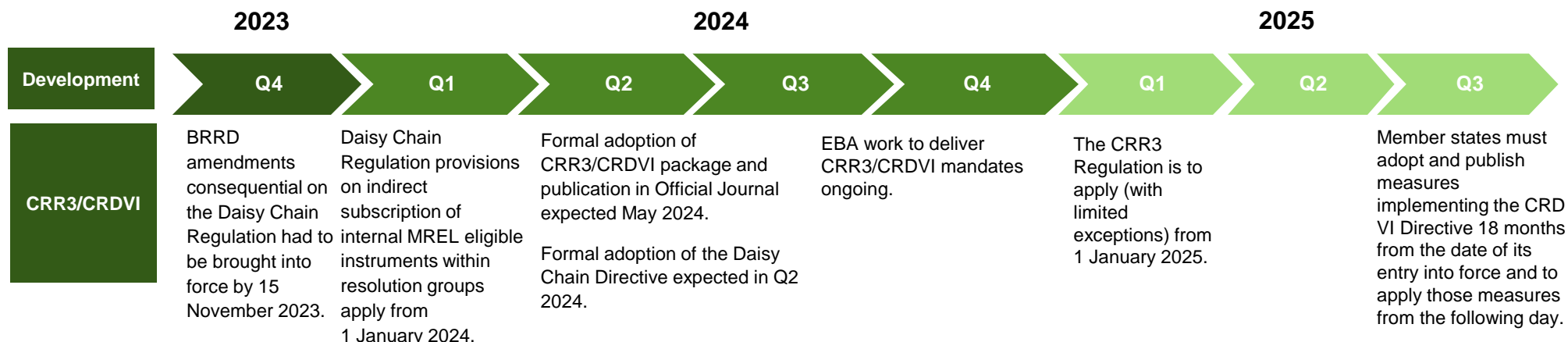
## What's on the horizon?

- The Green Bond Regulation is designed to deliver the commitment in the European Green Deal Investment Plan of 14 January 2020, which announced the establishment of a uniform standard for environmentally sustainable bonds to increase investment opportunities and facilitate the identification of environmentally sustainable investments through a clear label.
- 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.
- The Regulation was published in the Official Journal on 30 November 2023 as [Regulation \(EU\) 2023/2631](#). It entered into force on 20 December 2023 and mainly applies from 21 December 2024. However, by way of derogation, certain provisions apply from 20 December 2023 and others from 21 June 2026 (Article 72).

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 in green, blue, and white.

**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 prudential regime, and measures on supervisory powers (including authorisation and prudential supervision of third country branches).

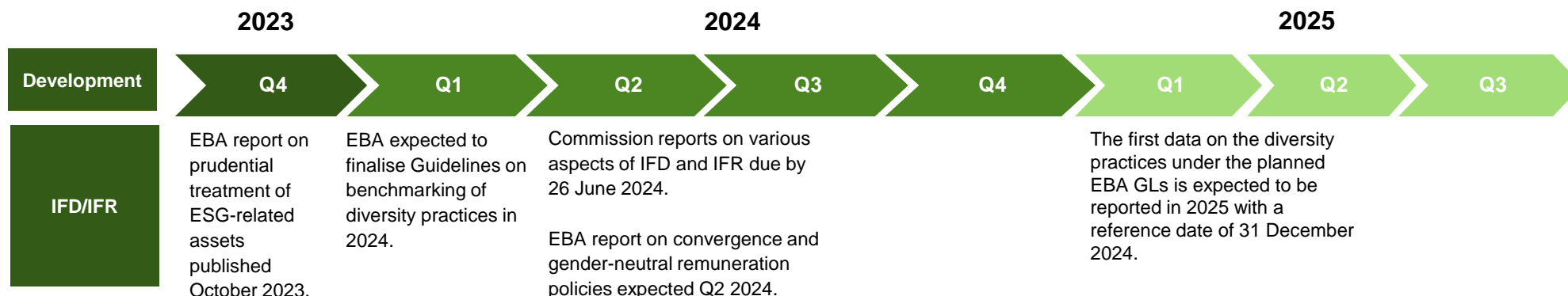
The so-called **Daisy Chain Regulation** has also made further revisions to the CRR to improve banks' resolvability, including clarifying the treatment of indirect subscription of internal MREL eligible instruments within a resolution group with a multiple point of entry resolution strategy. A further **Daisy Chain Directive** will be formally adopted in 2024.

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 were required to be brought into force by member states by 15 November 2023.
- Political agreement on a directive (Daisy Chain Directive) making further targeted amendments relating to MREL was reached on 6 December 2023. Formal adoption is expected in 2024.
- Provisional agreement on the draft texts of CRR3 and CRDVI was reached in June 2023. Following further technical trilogues the final compromise texts were released in December 2023. Formal adoption is expected in late April 2024 with publication in the Official Journal, and entry into force, expected in May 2024.
- The CRDVI includes provisions prohibiting certain activities from being conducted on a cross-border basis by non-EU ('third country') firms, requiring them to establish a branch in the EU and apply for authorisation unless they fall within an exemption. Third country branches will need to comply with prudential requirements including detailed reporting obligations.
- The EBA has developed a [roadmap](#) for delivery of its many mandates under CRR3/CRDVI.
- Under the agreed text, 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.

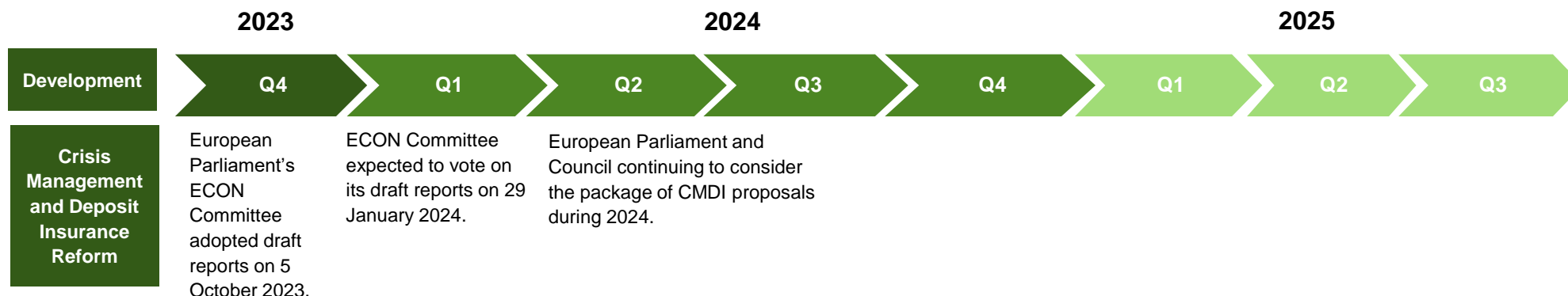
Read our in-depth briefings on this development [here](#) and [here](#).

## 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. Following a discussion paper in May 2022, In October 2023, the EBA published a [report](#) with short- and medium-term recommendations on integration of environmental and social risks in the prudential framework.
- The EBA consulted between April and July 2023 on draft Guidelines on the benchmarking of diversity practices including diversity policies and gender pay gap under on the IFR and IFD. Finalised guidelines are expected in due course. EBA plans that first data on the diversity practices under these guidelines should be reported in 2025 with a reference date of 31 December 2024,
- An EBA report on the application of gender-neutral remuneration policies by investment firms is expected in Q2 2024 (originally envisaged in 2023).
- An EBA report on the degree of convergence of the application of the Chapter 2 of the IFD (*Review process*) among member states was expected by the end of 2023. This has not yet been published.
- 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.

The background of the slide is a financial chart with a blue grid. It features candlestick bars in various colors (red, green, yellow, white) and several moving average lines in red, green, and blue. The chart shows a general upward trend in the upper portion and a downward trend in the lower portion.

**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.

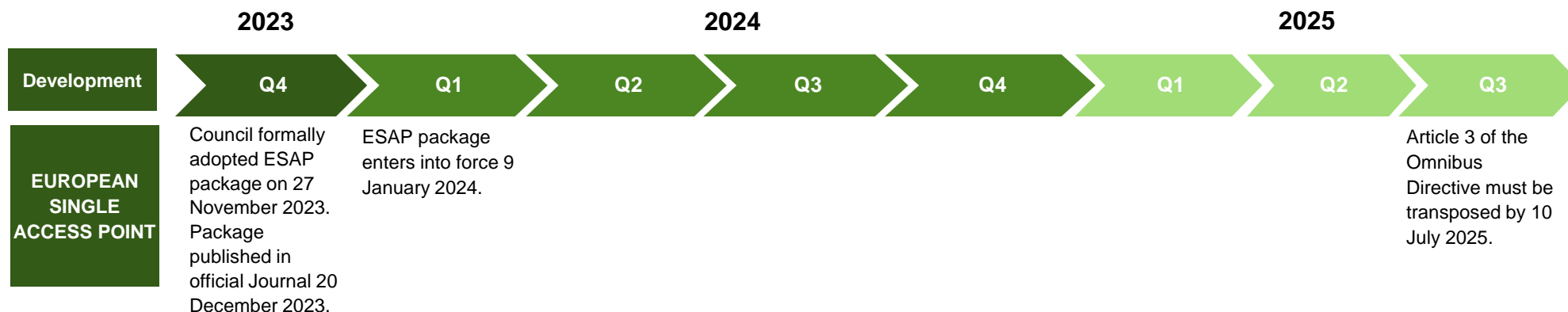
DORA will be supported by ‘Level 2’ technical standards and ‘Level 3’ guidelines, which are under development.

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 issued a 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 submitted their advice on 29 September 2023. The Commission is mandated to adopt the related delegated acts by 17 July 2024.
- The ESAs are mandated to develop, and submit to the Commission by January and July 2024, draft implementing and regulatory technical standards (ITS and RTS) and guidelines supporting various aspects of the DORA framework. The RTS, ITS relate to ICT risk management frameworks, the criteria for the classification of ICT related incidents, materiality thresholds for major incidents and significant cyber threats, digital operational resilience testing, ICT third-party arrangements management and the oversight framework.
  - 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 joint committee published a second set of consultation papers on 8 December, for responses by 4 March 2024, on RTS and ITS under Articles 20, 26, 30 and 41 of DORA, and guidelines under Articles 11(11) and 32(7) of DORA.

# EUROPEAN SINGLE ACCESS POINT (ESAP)



## European Single Access Point (ESAP)

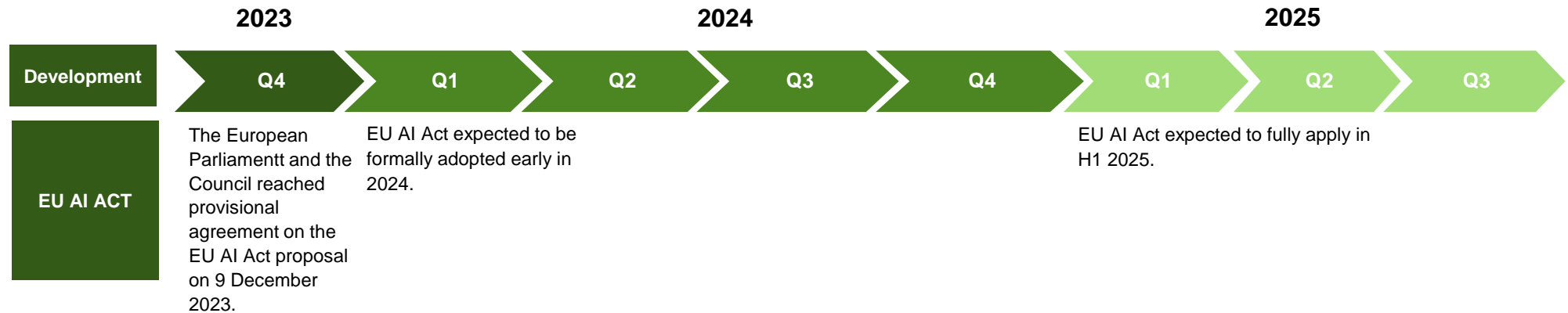
The Commission is proposing a new Regulation enabling ESMA to create and maintain a single access point to financial and non-financial company data for investors. This data is currently fragmented across EU member states, in many access points, in different languages and in various digital formats. The 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.
- The Council formally adopted the legislative package on 27 November 2023. The package was published in the Official Journal on 20 December 2023.
  - The ESAP Regulation, the Omnibus Regulation and the Omnibus Directive enter into force on 9 January 2024 (the 20th day following publication in the Official Journal).
  - Article 3 of the Omnibus Directive must be transposed by Member States by 10 July 2025. The remainder of the Directive must be transposed by 10 January 2026.
- 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.

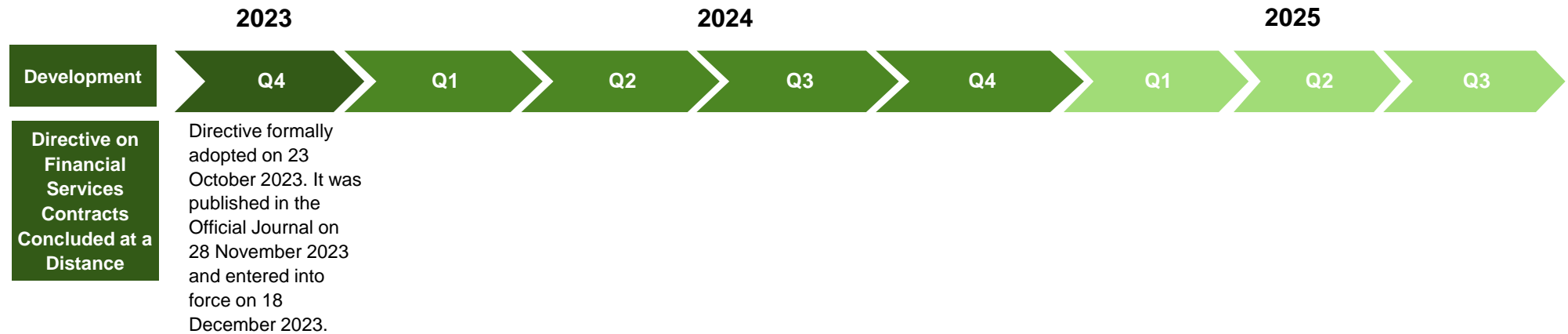
AI uses that are deemed to present unacceptable risk will be prohibited. High risk AI systems and their providers, users/deployers and other operators will be subject to detailed requirements (including conformity assessment, risk and quality management, data governance, documentation and record-keeping, 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 briefings on this proposal [here](#) and [here](#).

## What's on the horizon?

- The AI Act will apply to all sectors including financial services, except for 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 ("deployers") of AI systems located in the EU; (iii) providers and 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. A number of amendments were made during the passage of the legislation through the EU legislative process, for example new provisions have been introduced with respect to management of so-called foundation models.
- Financial institutions looking to launch or use AI will need to analyse the extent to which they qualify under the AI Act as providers or users of AI systems, or another 'operator' in the AI value chain and comply with the associated requirements according to the risk classification of the system.
- The Council and the European Parliament reached provisional agreement on the EU AI Act proposal on 9 December 2023. Formal adoption of the legislation and its publication in the Official Journal is expected to take place in early im 2024.
- It is expected that the adopted legislation will contain transitional periods of six months for prohibition requirements, 12 months for general purpose AI requirements and 24 months for everything else.
- Given the extreme speed of AI development, and that the legislative proposal is not expected to fully apply before 2025, the European Commission plans a temporary [voluntary AI Pact](#) with global technology companies which will operate prior to the application of the legislation.

# 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 Directive entered into force on 18 December 2023. The 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 are also 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 and the European Parliament reached provisional agreement on the proposed Directive on 21 June 2023. The Council formally adopted the Directive on 23 October 2023. It was published in the Official Journal on 28 November 2023 as [Directive \(EU\) 2023/2673](#) and entered into force on 18 December 2023.
- The Directive requires member states to transpose the rules into national law with 24 months, and to apply them six months later.
- The Directive will apply from 19 June 2026. The Distance Marketing Directive will be repealed on the same date.

# 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.

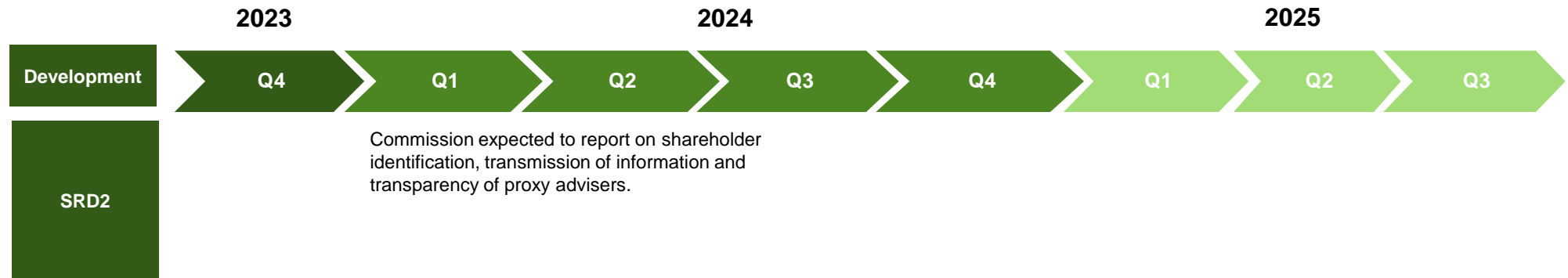
The proposal is expected to increase legal certainty and the efficiency and duration of insolvency proceedings as well as to improve value recovery.

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

## What's on the horizon?

- The European Parliament and the Council will continue to consider the proposed Directive during 2024. 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.
- The proposed Directive provides that 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

The original Shareholder Rights Directive (SRD) established rules promoting the exercise of shareholder rights at general meetings (GMs) of companies with offices in the EU and whose shares were admitted to trading on a regulated market within the EU.

The revised Shareholder Rights Directive (SRD2) introduced amendments to SRD to enable shareholders to exercise voting and information rights in EU companies traded on regulated markets across the EU.

Amendments to the SRD addressed 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.

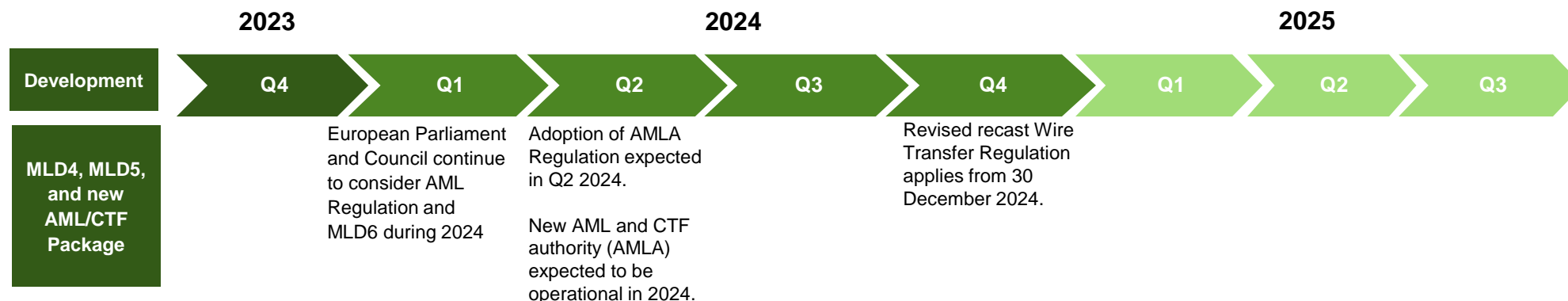
EU Member States were required to transpose SRD2's amendments to SRD by 10 June 2019. Review clauses in Articles 3f(2) and 3k(2) of the SRD require the Commission to report on aspects of the regime.

## 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 requested that both ESMA and the EBA be involved in the preparation of the input to be provided regarding Chapter Ia of the SRD2, in particular Articles 3a-3e, which regulate companies' and intermediaries' rights and obligations regarding 9 shareholder identification, transmission of information and the facilitation of the exercise of shareholder rights. ESMA was also asked to provide input on the implementation of Article 3j of the SRD2, which regulates the transparency of the proxy advisory industry.
- On 27 July 2023, ESMA and the EBA published a [report](#) on Implementation of SRD2 provisions on proxy advisors and the investment chain.
- The Commission's report is awaited.



# EU MLD4, MLD5 AND THE NEW AML AND CTF PACKAGE



## MLD4, MLD5 and the new AML and CTF package

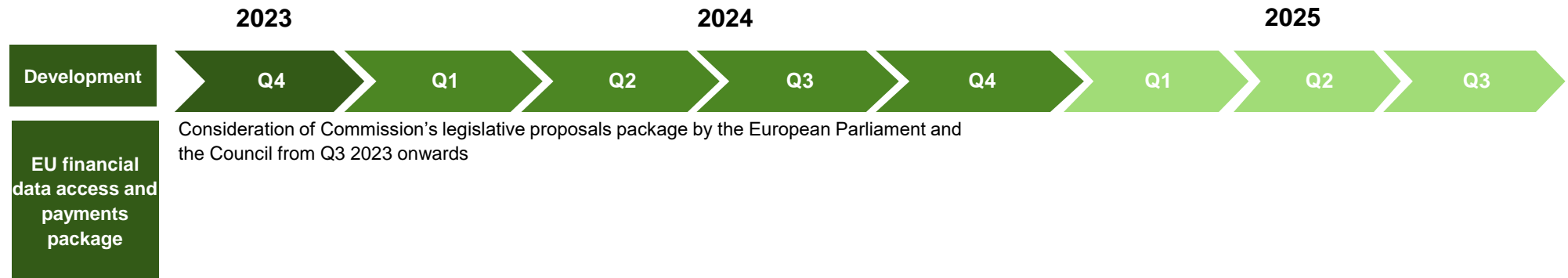
MLD4 contains the EU's anti-money laundering framework. MLD5 made targeted amendments to MLD4 to increase transparency around owners of companies and trusts through the establishment of public beneficial ownership registers, prevent risks associated with the use of virtual currencies for terrorist financing,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

In 2021, the Commission adopted an ambitious new package of legislative proposals, intended to further strengthen and update the AML and CTF framework.

## What's on the horizon?

- In July 2021, the Commission adopted a package of legislative proposals: (i) a regulation establishing a new EU AML and CTF authority (**AMLA Regulation**); (ii) a new regulation on AML and CTF (**AML Regulation**); (iii) a sixth directive on AML and CTF (**MLD6**); and (iv) a regulation on information accompanying transfers of funds and certain cryptoassets (**revised recast Wire Transfer Regulation**).
- The package continued its progress through the EU legislative process in 2022 and 2023, with the Council agreeing its general approach in June and December 2022 and the European Parliament agreeing its negotiating position in April 2023. The [revised recast Wire Transfer Regulation](#) was adopted in May 2023 and published in the Official Journal on 9 June 2023. It will apply from 30 December 2024.
- Trilogue negotiations with respect to the AML Regulation and MLD6 are ongoing. Political agreement has been reached on the AMLA Regulation, with adoption expected in Q2 2024.
- Following a consultation between December 2022 and February 2023, in March 2023 the EBA published new and revised guidelines on (i) policies and controls for the effective management of money laundering and terrorist financial risks when providing access to financial services; and (ii) customer due diligence.
- On 31 May 2023, EBA launched a consultation on proposals to change the scope of its guidelines on AML and CTF risk factors under MLD4 to include the specific features of cryptoassets and cryptoasset service providers (CASPs). The consultation closed on 31 August 2023 and revised guidelines will be published in due course.
- On 24 November 2023, EBA launched a consultation on new guidelines on preventing the abuse of funds and certain cryptoassets transfers for money laundering under the revised recast Wire Transfer Regulation. That consultation closes on 26 February 2024 and revised guidelines will be published in due course.

# 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 third-party provider (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 (apart from 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.

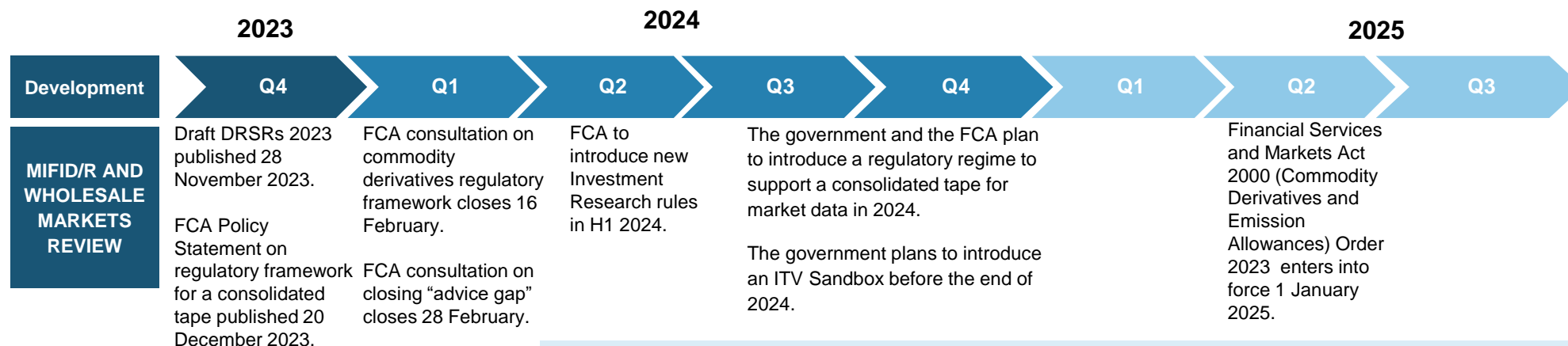


**HORIZON SCANNER**  
**B. UK DEVELOPMENTS**

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.

FSMA 2023 plays 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 Act.

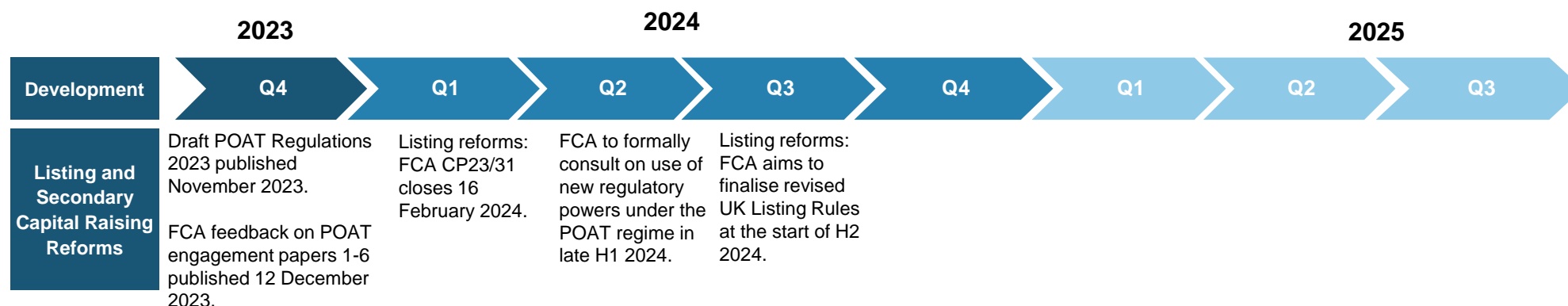
The package of **Edinburgh Reforms** published in December 2022 (supplemented by the **Mansion House Reforms** published in July 2023) build on the WMR by including MiFID/MiFIR in Tranches 1 and 2 of the government's repeal and reform programme, as well as including other measures to reform the UK wholesale market.

Read our in-depth briefings on this topic [here](#), [here](#), [here](#), [here](#) and [here](#), and our blogs [here](#), [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 Policy Statement on the framework was published on 20 December 2023. HM Treasury has published near final draft regulations (**DRSRs 2023**) to replace the Data Reporting Services Regulations 2017 and relevant retained EU law. The draft regulations require approval by both houses of Parliament before they can be made.
- 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 FCA is also consulting until 16 February 2024 on reforms to the commodity derivatives regulatory framework.
- The FCA plans to introduce rule changes in H1 2024 implementing the July 2023 recommendations of the Investment Research Review 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 (ITV). An ITV sandbox will be introduced by end-2024.
  - Outcome of government and FCA work on the boundary between regulated financial advice and financial guidance.
  - The outcomes of the Overseas Framework Review launched by HM Treasury in December 2020 which may include proposals on potential changes to the UK's regime for overseas firms and activities, with impact on wholesale market regulation.

# LISTING AND SECONDARY CAPITAL RAISING REFORMS



## Listing and secondary capital raising reforms

FSMA 2023 enables the government to reform the UK's prospectus regime, to implement recommendations from Lord Hill's UK Listing Review which aims to widen participation in the ownership of public companies, simplify the UK capital raising process, and make the UK a more attractive destination for initial public offerings.

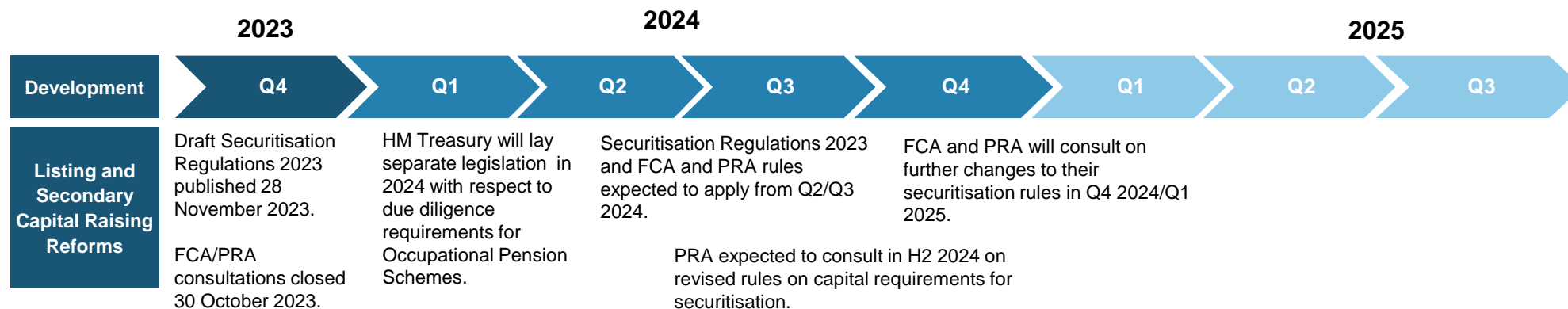
HM Treasury has also been working with the Department for Business, Energy & Industrial Strategy to deliver the recommendations made to government as part of the Secondary Capital Raising Review, and more broadly on reforms to corporate governance, aiming to further enhance the attractiveness of UK public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

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

## What's on the horizon?

- On implementing Lord Hill's recommendations on the proposed reform of the UK listing regime, the FCA is consulting in Primary Markets Effectiveness Review: Feedback to CP23/10 and detailed proposals for listing rules reforms ([CP23/31](#)) until mid-February on restructured Listing Rules, with the aim of finalising them in H2 2024.
- As part of the Edinburgh Reforms package, the retained EU Prospectus Regulation will be replaced by a new regulatory framework created under the Designated Activities Regime (DAR) introduced by FSMA 2023. Following an illustrative draft in December 2022 and a revised draft in July 2023, in late November 2023 HM Treasury published a near final draft of the [Financial Services and Markets Act 2000 \(Public Offers and Admissions to Trading\) Regulations 2023 \(POAT Regulations\)](#) on use of its powers in FSMA 2023 to amend the UK prospectus regime. The draft POAT Regulations require the approval of both Houses of Parliament before being made. Among other things the draft POAT Regulations would create a new prohibition on public offers of 'restricted securities' in the UK (subject to exemptions and exclusions). They would also:
  - establish a new regime for securities 'admitted to trading' on a regulated market or multilateral trading facility (MTF);
  - introduce a new regulated activity of operating an electronic system for public offers of relevant securities; and
  - give the FCA powers to specify the content requirements for a prospectus for admission to trading of 'transferable securities' on a UK regulated market or UK primary MTF.
- The FCA will need to consult on its proposed use of new powers. It plans to formally consult in late H1 2024. The FCA published 6 pre-consultation engagement papers in May and July 2023 on how it might use its new powers. It issued a [engagement feedback](#) on 12 December 2023 summarising the responses to the engagement papers.

# SECURITISATION REFORM



## Securitisation reform

FSMA 2023 enables the government to reform the UK’s securitisation regime and deliver the recommendations of the 2021 Securitisation Review with the aim of:

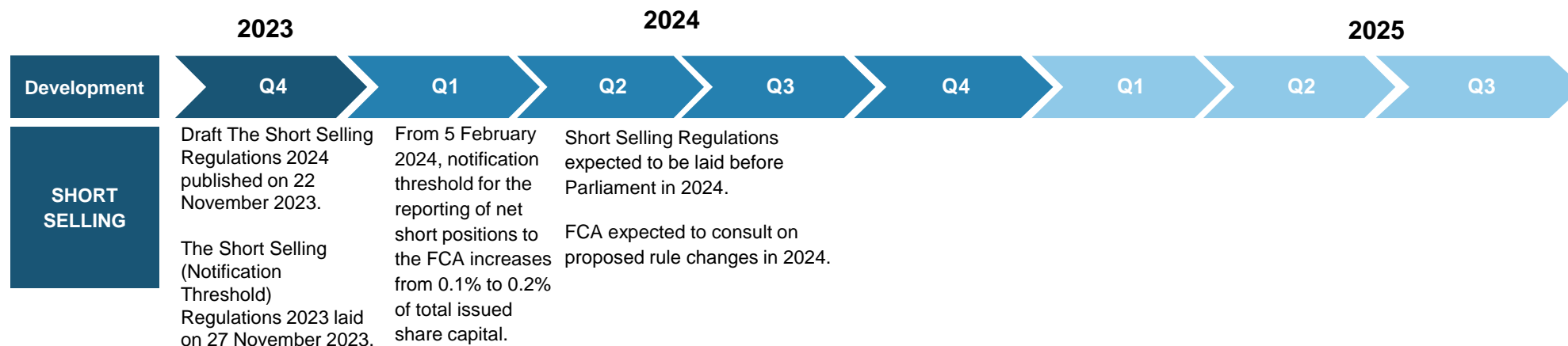
- (i) bolstering securitisation standards in the UK, in order to enhance investor protection and promote market transparency; and
- (ii) supporting and developing securitisation markets in the UK, including through the increased issuance of STS securitisations, in order to ultimately increase their contribution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

## What’s on the horizon?

- The UK Securitisation Regulation was allocated to Tranche 1 of the repeal and reform programme announced in December 2022 as part of the Edinburgh Reforms package.
- Following an illustrative draft in December 2022 and a revised draft in July 2023, in late November 2023 HM Treasury published a near final draft of the [Securitisation Regulations 2023](#). The draft Regulations require the approval of both Houses of Parliament before being made. Among other things the draft Securitisation Regulations 2023 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 securitisation” 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”.
- 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 consulted 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) and expect to issue Policy Statements in Q2 2024. Further consultations will also take place later in 2024/early 2025.

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

# SHORT SELLING



## Short selling

FSMA 2023 will repeal retained EU law on financial services and will give HM Treasury powers to amend, restate and replace that law.

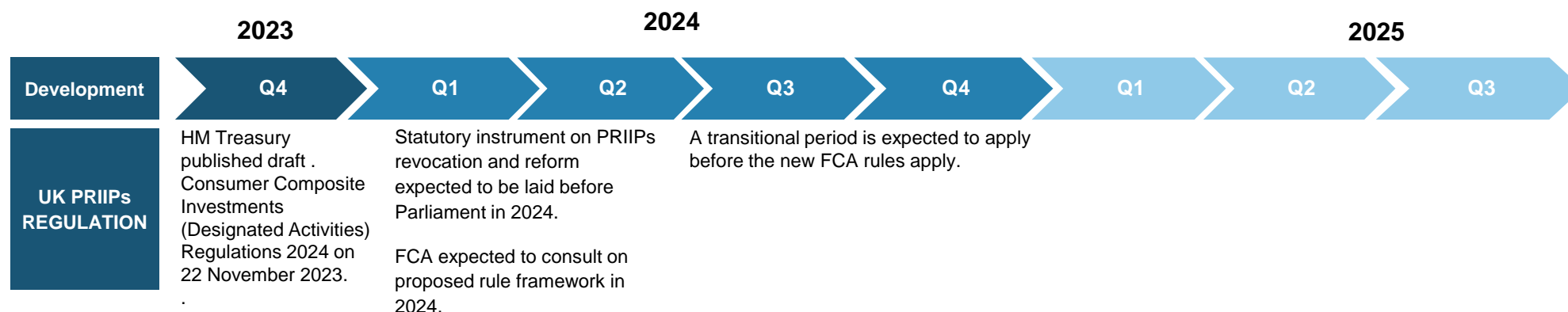
HM Treasury is working on the introduction of a new replacement UK short selling regime to enter into force on repeal of the UK short Selling Regulation (UK SSR).

HM Treasury has published its proposed policy and draft secondary legislation 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 was 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, summarising views provided in response to the call for evidence and requesting feedback by 7 August 2023. HM Treasury published its [response](#) to that further consultation on 22 November 2023. The response confirms removal of restrictions on uncovered short positions in UK sovereign debt and UK sovereign debt CDS, and amendments to other parts of the short selling regime where necessary.
- The reformed UK short selling regime will be implemented via the new Designated Activities Regime (DAR) introduced under FSMA 2023. HM Treasury published the draft [Short Selling Regulations 2024](#) on 22 November 2023, along with a [Policy Note](#). HM Treasury will lay the Regulations before Parliament in 2024.
- The [Short Selling \(Notification Threshold\) Regulations 2023](#) were laid before Parliament on 27 November 2023 and will, from 5 February 2024, increase notification threshold for the reporting of net short positions to the FCA from 0.1% to 0.2% of total issued share capital.
- The draft Regulations include empowerments for the FCA to specify firm-facing short selling requirements in its Handbook. The FCA is expected to consult on relevant rule changes in due course.

# UK RETAIL DISCLOSURE FRAMEWORK TO REPLACE 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. FSMA 2023 provides for the revocation of the UK PRIIPs regulation

In December 2022, the UK began the process of more holistic review of the regime for retail disclosure 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?

- As part of the Edinburgh Reforms announced December 2022, HM Treasury launched a consultation on its proposals 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.
- HM Treasury published a consultation response on 11 July 2023 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 Retail 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.
- HM Treasury published a near-final draft of the [Consumer Composite Investments \(Designated Activities\) Regulations 2024](#) on 22 November 2023, along with a [Policy Note](#) on the UK Retail Disclosure Framework.
- Separately, following review of responses to a December 2022 discussion paper, the FCA plans publish a feedback statement and to consult on proposed firm-facing rules in 2024. It is expected that a transitional period will apply before firms must comply with the new regime, to allow firms time to adapt.
- 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. From 1 January 2027, these funds will need to comply with the requirements of the Retail Disclosure Framework.

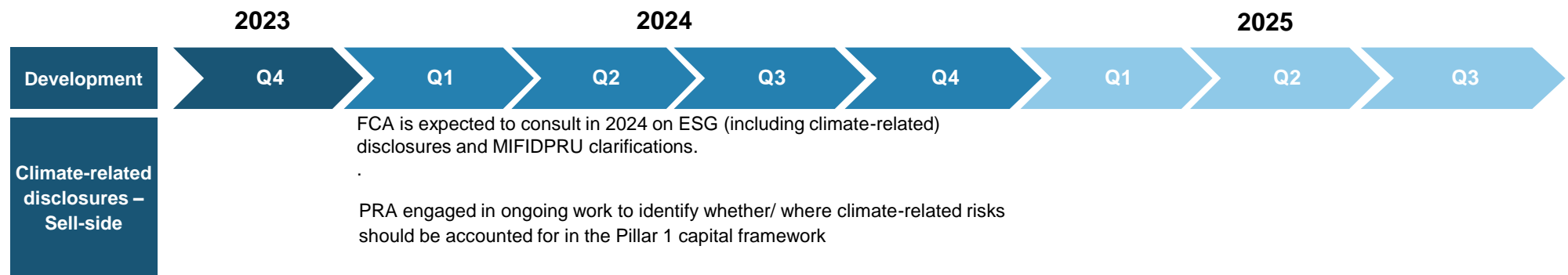




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II. ESG



# CLIMATE-RELATED DISCLOSURES – SELL-SIDE



## Climate related disclosures – sell-side

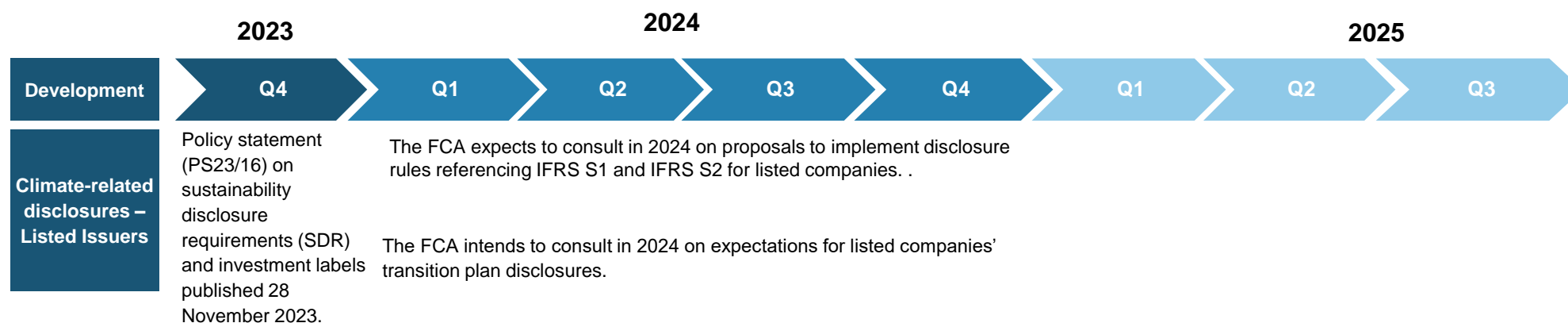
The UK formally committed in 2017 to using the recommended disclosures from the Task Force on Climate-related Financial Disclosures (TCFD) as a basis for mandatory climate related financial disclosures in the UK.

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 2024 on ESG (including climate-related) disclosures and MIFIDPRU clarifications

## What’s on the horizon?

- FCA is expected to consult during 2024 on ESG disclosures under the Investment Firms Prudential Regime (IFPR). This will affect firms subject to MIFIDPRU.
- The PRA is continuing in 2024 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).
- Developments arising from the UK’s revised Green Strategy published in March 2023 are likely to have a bearing on disclosure obligations, for example one impact of the 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.

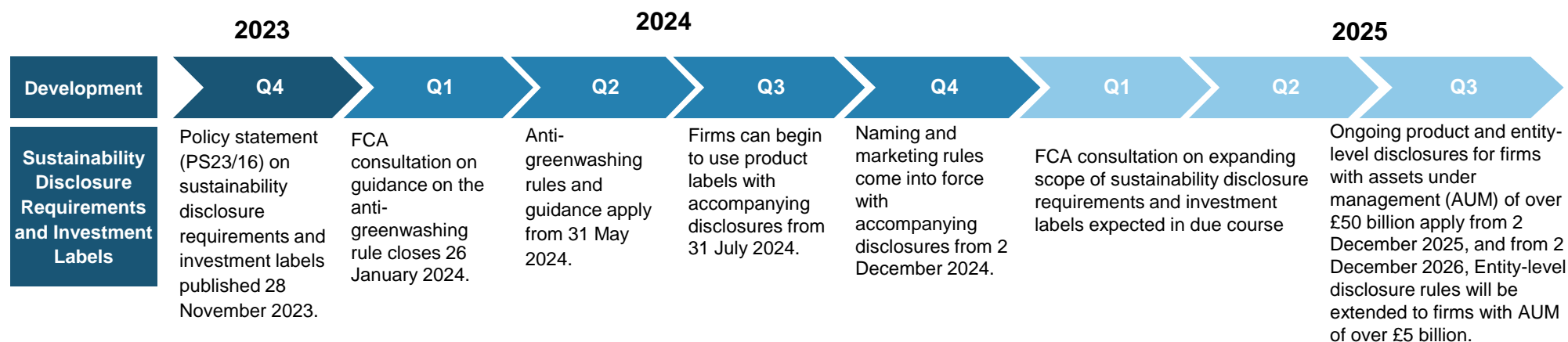
The FCA intends to consult in 2024 on updating its Taskforce on Climate-Related Financial Disclosures (TCFD) aligned disclosure rules for listed companies to reference the disclosure standards developed by the International Sustainability Standards Board (**ISSB standards**).

Read our in-depth briefings on this development [here](#), [here](#) and [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 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).
- The FCA has confirmed, most recently in its November 2023 policy statement ([PS 23/16](#)) on Sustainability Disclosure Requirements and investment labels (see **Slide 52**), that it intends to consult on adapting its current TCFD-aligned disclosure rules for listed issuers to reference the ISSB's standards, once finalised and made available for use in the UK. The FCA expects to consult in 2024 on proposals to implement disclosure rules referencing IFRS S1 and IFRS S2 for listed companies, taking into account inputs to the Government's endorsement process.
- At the same time, the FCA will consult on expectations for listed companies' transition plan disclosures, drawing on the outputs of the government's Transition Plan Taskforce (TPT). This is consistent with the UK Government's expectation that the ISSB standards will form the 'backbone' of the corporate reporting element of SDR regime.

# SUSTAINABILITY DISCLOSURES AND INVESTMENT LABELS



## Sustainability disclosure requirements and investment labels

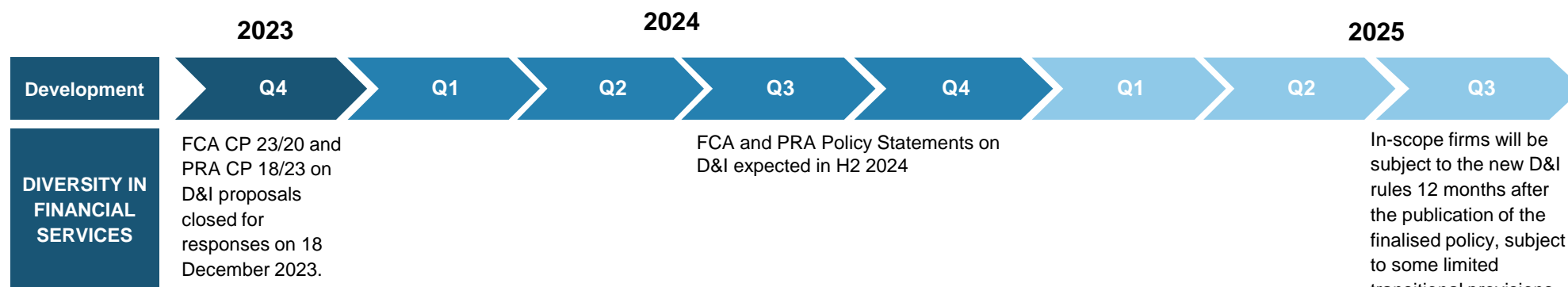
In November 2021, the FCA published a discussion paper (DP21/4) on sustainability disclosure requirements and investment product labels. In the discussion paper, the FCA sought views on the introduction of a standardised product classification and labelling system to help consumers understand the sustainability characteristics of different financial products. In October 2022, the FCA published its consultation paper on these requirements (CP22/20) and its finalised policy was published in November 2023 (PS23/16).

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

## What's on the horizon?

- The FCA published Policy Statement PS23/16 on 28 November 2023, setting out its final rules on sustainability disclosure requirements and investment labels. In summary, the finalised policy sets out:
  - An anti-greenwashing rule, requiring all FCA-authorized firms making sustainability-related claims about their products and services to ensure those claims are fair, clear, and not misleading, and consistent with the sustainability profile (the FCA is [consulting](#) until 26 January 2024 on guidance on the rule);
  - Product labels, disclosure, naming and marketing rules for asset managers; and
  - Targeted rules for distributors of investment products to retail investors in the UK
- The new requirements enter into force on a range of dates between 31 May 2024 and 2 December 2026.
- In its policy statement on sustainability disclosure requirements and investment labels, the FCA indicates that it intends in future to expand the scope of the regime to include portfolio management and financial advice, and to expand the scope of investment products captured under the regime to include, for example, overseas products, pensions and other investment products. The FCA also intends to build on its disclosure requirements over time in line with other UK and international developments. Consultation on expansion of the scope of the regime is expected in due course.

# 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 (D&I) in the financial services sector. The discussion paper sought views on how to accelerate the rate of change in D&I in the financial services sector. It set out the roles of the regulators in this context, steps that the regulators have taken to promote D&I, the regulators' existing requirements and expectations, and a series of questions intended to seek views on ways of improving D&I measures.

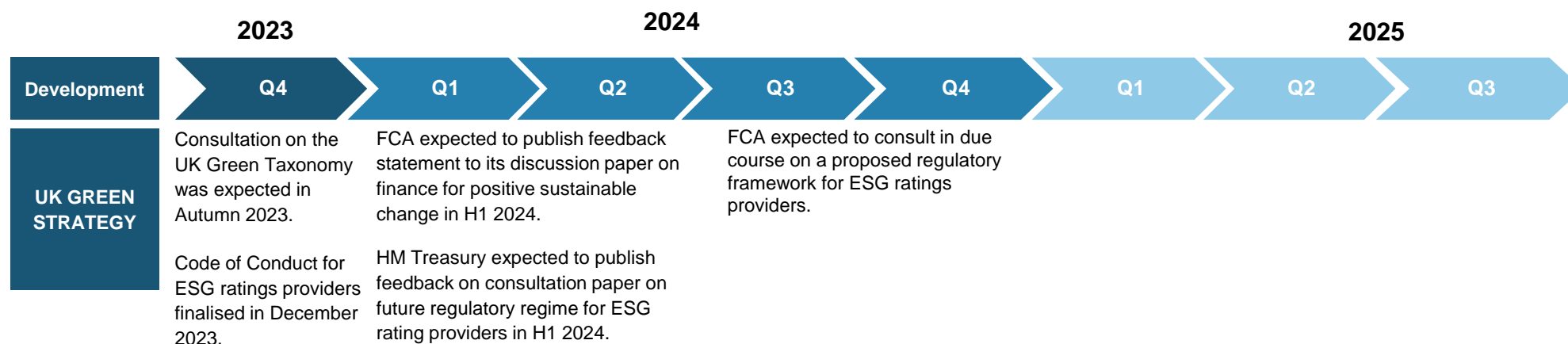
The discussion paper was followed by further consultations in September 2023, and finalised policy on supporting D&I in financial services is expected to be published in H2 2024.

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

## What's on the horizon?

- The FCA and PRA are continuing their focus on culture and D&I. For financial years starting on or after 1 April 2022, FCA rules for public company boards and executive committees have requires firms to meet 'comply or explain' targets on gender and ethnic diversity and make annual disclosures.
- As a follow-up to the 2021 joint FCA-PRA discussion paper, the FCA published feedback in December 2022 on its study of how financial services firms are designing and embedding D&I strategies.
- Originally expected in H1 2023, the regulators' consultations (PRA [CP 18/23](#) and FCA [CP 23/20](#)) on draft measures to support D&I in the financial sector were published on 25 September 2023 and closed for responses on 18 December 2023. The regulators have worked closely together to produce consistent and coordinated proposals for consultation. However, their respective proposals differ as they have been framed to meet their respective underlying statutory objectives. In broad terms, the regulators consultations' proposed measures across several policy areas: Non-financial misconduct, D&I Strategies, Data Reporting, D&I Disclosure obligations and setting D&I Targets.
- Firms will be subject to different proposals depending on the number of employees, their Senior Managers and Certification Regime (SM&CR) categorisation and whether they are dual-regulated. Smaller firms with fewer than 251 employees will be exempt from many of the requirements. In-scope firms will be subject to the new rules 12 months after the publication of the finalised policy, subject to some limited transitional provisions.
- 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 was accompanied by a [call for evidence](#) inviting responses by 8 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) 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 to modernise and improve UK financial services regulation. The Edinburgh Reforms were 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?

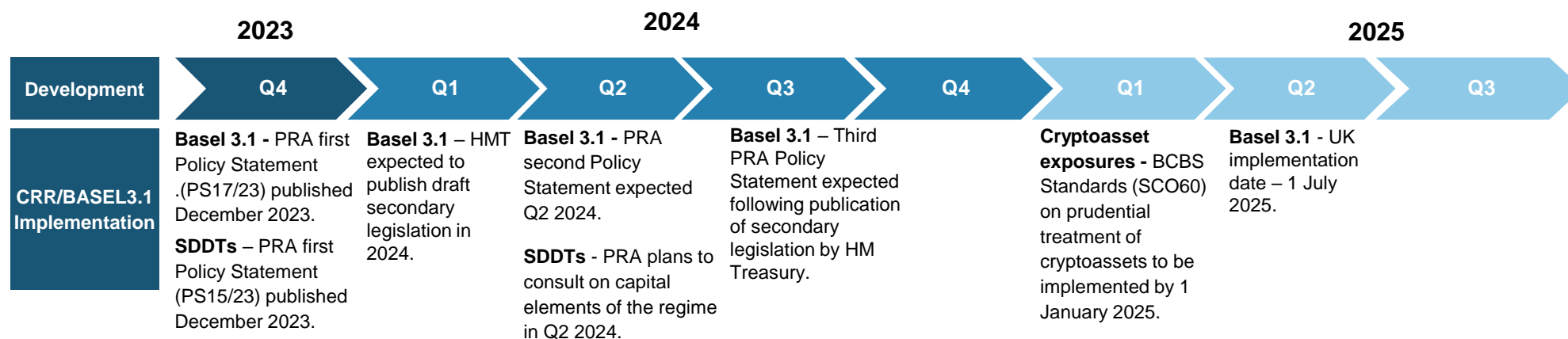
- In February 2023, the FCA published a discussion paper (DP23/1) on ‘Finance for positive sustainable change: governance, incentives and competence in regulated firms.’, to encourage dialogue on firms’ sustainability-related governance, incentives and competencies. FCA will use the to consider the direction for evolution of its future regulatory approach. DP23/1 closed for feedback in May 2023 and a feedback statement is expected in H1 2024.
- A consultation on the production of a UK Green Taxonomy was expected in Autumn 2023 but has not yet been published. The UK Green Taxonomy is expected to include nuclear energy.
- HM Treasury consulted between 30 March 2023 and 30 June 2023 on proposals for bringing ESG ratings providers within the scope of regulation and for the scope of a regulatory regime for ESG ratings providers. These proposals seek to improve transparency on providers’ methodologies and objectives and improve 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 H1 2024.
- Separately, the FCA has indicated (in [FS22/4](#)) that it supports regulatory oversight of these providers and an approach informed by IOSCO’s November 2021 [recommendations](#) on ESG data and ratings.
- A voluntary [Code of Conduct for ESG ratings and data products providers](#) was finalised on 14 December 2023. Although providers of pure ESG data products will not be subject to FCA regulation, they may choose to adopt this Code of Conduct.



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# 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**. This will form part of the government’s repeal and reform programme enabled by FSMA 2023 and outlined in the Edinburgh Reforms.

In November 2022, HM Treasury consulted on the repeal of provisions of the UK CRR, and since November 2022, the PRA has been consulting on the PRA rules that will replace UK CRR, to implement the Basel 3.1 standards with effect from 1 July 2025. These proposals will all be finalised in 2024.

The PRA also plans adapted application of Basel 3.1, a ‘**strong and simple**’ prudential framework, to non-systemically important or internationally active UK banks and building societies. Initial work is focused on small domestic deposit takers (**SDDTs**). This framework will take several years to establish.

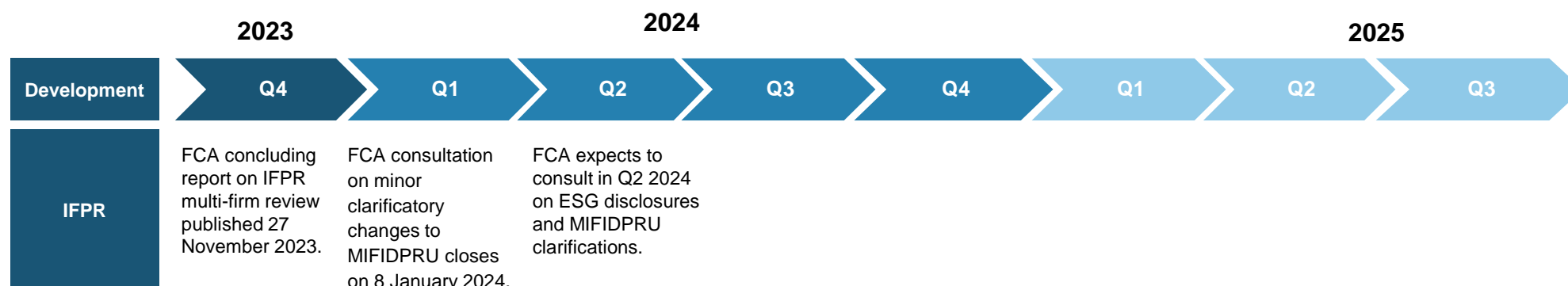
Read our in-depth briefing on this development [here](#).

## What’s on the horizon?

- Implementation of the Basel 3.1 standards in the UK is to take effect from 1 July 2025, with full implementation by 1 January 2030.
- In 2024, HM Treasury is expected to publish the draft secondary legislation to implement Basel 3.1.
- The PRA published its first Policy Statement (PS17/23) in December 2023 – near final rules on market risk, CVA risk, counterparty credit risk and operational risk.
- The PRA plans to publish a second Policy Statement in Q2 2024 – near final rules on credit risk, the output floor, reporting and disclosure requirements. The PRA also plans a third Policy Statement after the publication of the draft secondary legislation by HM Treasury
- With regard to SDDTs, the PRA published its first Policy Statement (PS15/23) in December 2023 – scope criteria, liquidity and disclosure requirements. The PRA plans to consult in Q2 2024 on the capital elements of the SDDT regime.
- 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. BCBS is [consulting](#) until 28 March 2024 on proposed amendments to SCO60.
- The Government has recognised that the planned repeals will still leave a complex prudential regulatory framework across legislation, PRA rules and remaining technical standards. Following Basel 3.1 implementation, HM Treasury and the PRA will work 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.

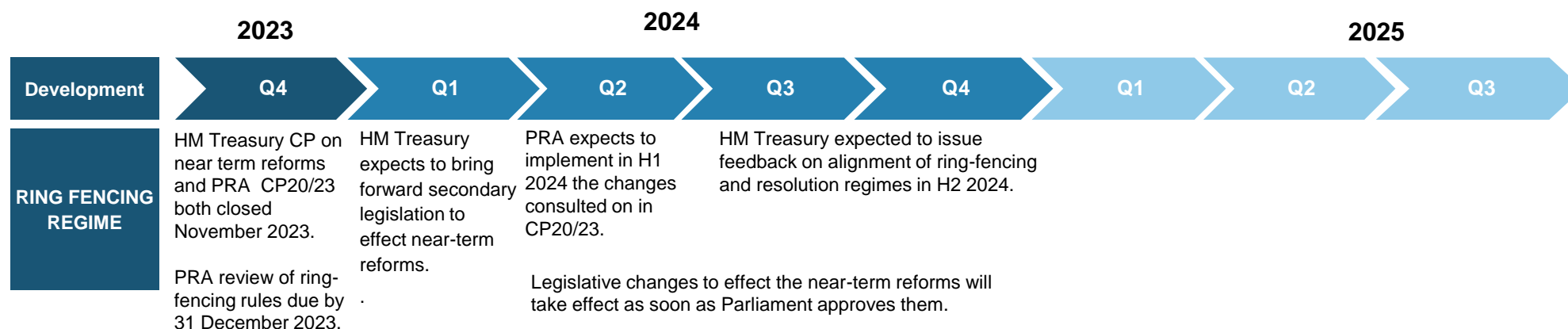
The IFPR is based on, but not identical to, the EU IFD and IFR package. It incorporates key concepts from that package, including the calculation of capital using the so-called 'K-factors', governance and risk management requirements and a new remuneration code.

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?

- IFPR applies to investment firms engaged in MiFID (Markets in Financial Instruments Directive) activities such as fund managers, asset managers, investment platforms, firms which deal on their own account, depositaries, and securities brokers. The majority of the FCA rules relating to the IFPR are located within the MIFIDPRU sourcebook.
- IFPR requires all in-scope firms to complete an Internal Capital Adequacy and Risk Assessment (ICARA) process, by which firms identify the risk of harm in their operations and assess appropriate resources to mitigate harm, whether as a going concern or when winding down.
- The FCA has undertaken a multi-firm review of how firms have been implementing requirements on the ICARA process and reporting under the IFPR. It published its [concluding report](#) on 27 November 2023, recommending that firms review the good and poor practices in the report and that they consider the applicability of the FCA's observations to their own processes.
- The FCA consulted in its Quarterly Consultation in December 2023 (CP23/25) on proposed minor amendments to MIFIDPRU to clarify its requirements. That consultation closes on 8 January 2024.
- The FCA indicated in the November 2023 edition of the Regulatory Initiatives Grid that it expects to issue a further consultation paper in Q2 2024 in relation to ESG disclosures and MIFIDPRU clarifications.

# 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. This threshold is set to rise from £25 billion to £35 billion.

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

## What's on the horizon?

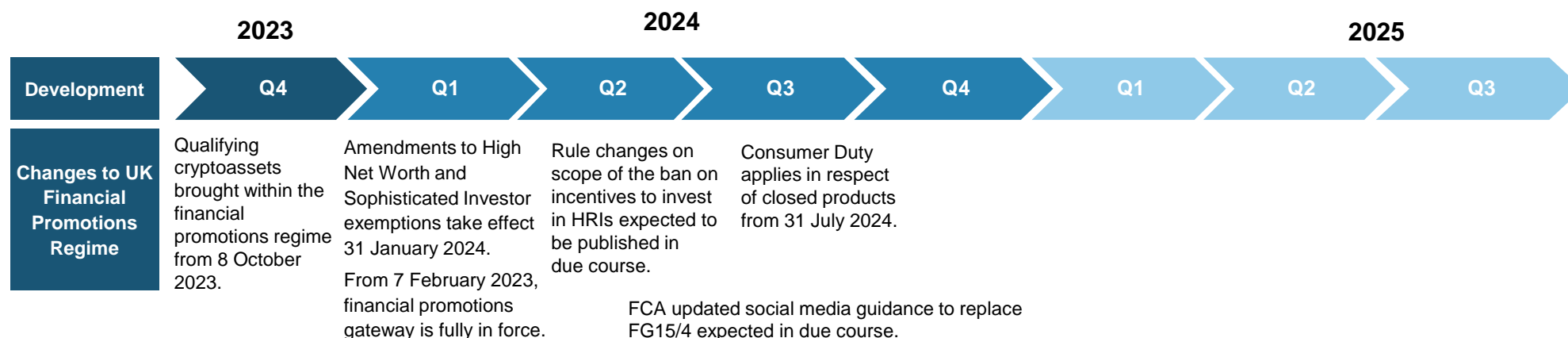
- HM Treasury published its response to the panel's recommendations in December 2022, committing to consult in 2023 on proposals for near-term reforms to the regime. HM Treasury published its [consultation](#) on near term reforms in September 2023. That consultation closed on 26 November 2023. HM Treasury expects to bring forward in Q1 2024 the secondary legislation (of which a [draft version](#) was made available with the consultation) that will amend the main statutory instruments relating to ring-fencing. These are:
  - the Financial Services and Markets Act 2000 (Ring-fenced Bodies and Core Activities) Order 2014 (SI 2014/1960),; and
  - the Financial Services and Markets Act 2000 (Excluded Activities and Prohibitions) Order 2014 (SI 2014/2080).
- The PRA consulted in September 2023 ([CP20/23](#)) on how ring-fenced banks (RFBs) should manage risks from third country subsidiaries and branches, reflecting HM Treasury's proposal to remove the legislative prohibition on RFBs having non-EEA branches and subsidiaries. That consultation closed on 27 November 2023. The PRA expects to implement the proposed changes in H1 2024.
- HM Treasury launched a [Call for Evidence](#) on alignment of the ring-fencing regime with the resolution regime 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 formal response in H2 2024.
- The PRA 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. The outcome of the review will feed into HMT and/or PRA work.



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# 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.

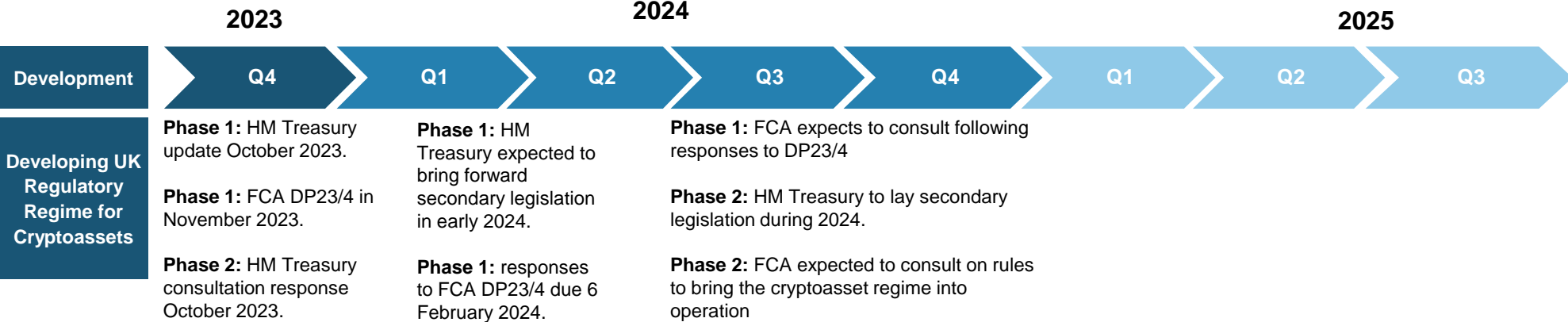
The Consumer Duty (see **Slide 62**) has also applied since 31 July 2023 to require firms to ensure among other things that their communications are compliant with the new Principle 12 of the FCA's Principles for Businesses where relevant.

Read our blogs on these topics [here](#) and [here](#).

## What's on the horizon?

- FCA's August 2022 policy statement (PS22/10) made amendments to the FCA's rules on financial promotions for high-risk investments (HRIs). Rule changes applying since 1 December 2022 and 1 February 2023 include requirements for risk warnings, risk statements and prohibitions on inducements to invest. FCA [consulted](#) between June and July 2023 on amendments clarifying the scope of the ban set out in PS22/10 on offering incentives to invest in HRIs. The changes will take effect in due course.
- Following consultation, in November 2023 HM Treasury [confirmed](#) it would amend the financial promotion exemptions for high-net-worth individuals and self-certified sophisticated investors to update them and minimise the extent to which they can be misused. The relevant secondary legislation was [made](#) on 19 December 2023 and enters into force on 31 January 2024.
- FSMA 2023 introduced a regulatory gateway through which a firm must pass before it is able to approve financial promotions issued by unauthorised firms. Following consultation on proposed rules to operationalise the gateway, the FCA published final rules in September 2023 ((PS23/13). Firms must apply to the gateway during the application window ending on 6 February 2024. From 7 February 2024, firms that have applied to the gateway can continue to approve promotions while their application is determined. Firms that did not apply to the gateway may no longer approve promotions unless an exemption applies.
- In June 2023, HM Treasury published the relevant secondary legislation to bring 'qualifying cryptoassets' within the UK financial promotions 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. The FCA has also published non-Handbook Guidance ([FG23/3](#)) on its expectations for cryptoasset promotions.
- The FCA consulted ([GC23/2](#)) in July 2023 on updating its social media guidance, to replace its existing guidance ([FG15/4](#)). Finalised guidance is awaited.

# DEVELOPING UK REGULATORY REGIME FOR CRYPTOASSETS



## Developing UK regulatory regime for cryptoassets

Proposals for a UK regulatory regime for cryptoassets have been under consideration for several years and substantial progress is expected to be made in 2024.

FSMA 2023 enables HM Treasury to expand the UK’s regulated activities framework and (if necessary) make use of the new designated activities regime (DAR) to provide for regulation of cryptoasset related activities. The government plans to introduce regulation in two phases:

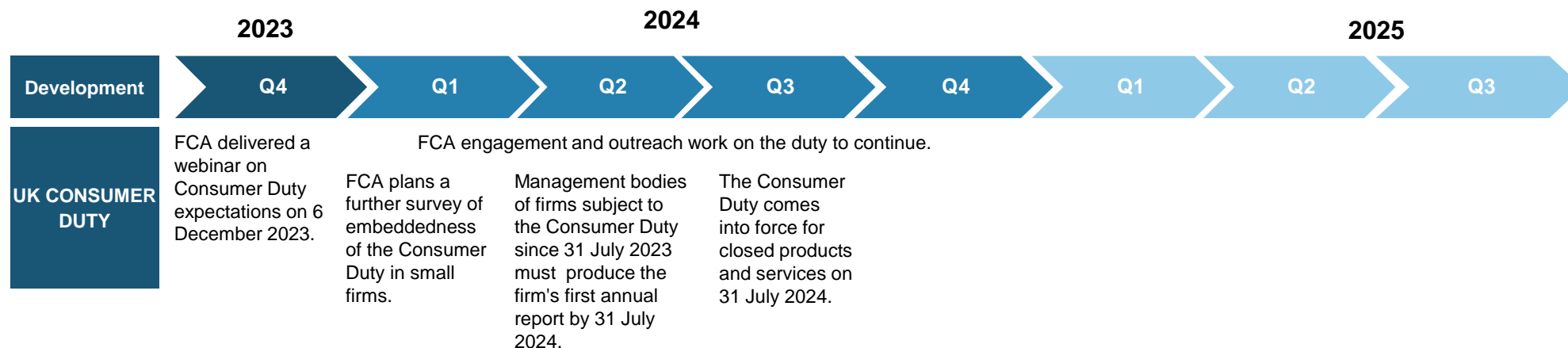
- **Phase 1:** fiat-backed stablecoins used as a means of payment; and
- **Phase 2:** other stablecoins and unbacked cryptoassets.

## What’s on the horizon?

- **Phase 1:** (fiat-backed stablecoins used for payments) - FSMA 2023 has introduced a flexible, amendable definition of ‘Digital Settlement Asset’ (DSA) that will initially capture fiat-backed stablecoins and has made the necessary amendments to other legislation to provide for regulation of payment systems using DSAs and their service providers. The FCA will have powers to regulate firms issuing or facilitating the use of DSAs, the BoE will have powers to supervise recognised systemic DSA payment systems and the PSR will have powers to regulate designated DSA payment systems and their participants. These changes will allow fiat-backed stablecoins used for payments to be brought within regulation.
  - HM Treasury provided an [update](#) in October 2023 on its proposals to establish an authorisation and supervision regime for the issue and use of DSAs. HM Treasury plans to bring forward the necessary legislation in early 2024 to bring issuance and custody of fiat-backed stablecoins within the regulatory perimeter.
  - The FCA issued a discussion paper ([DP23/4](#)) on its proposed approach in November 2023, inviting comments by 6 February 2024. This will be followed by a consultation on draft rules and guidance.
- **Phase 2:** (wider cryptoassets) – FSMA 2023 inserted a definition of ‘cryptoasset’ into s.417 of FSMA. Cryptoassets and related activities will be brought into regulation via amendments to the Regulated Activities Order and via the DAR.
  - HM Treasury consulted in February 2023 on its developing proposals and issued its [consultation response](#) in October 2023 confirming its proposals for new regulated activities, authorisation, territorial scope and market abuse provisions. HM Treasury will lay secondary legislation in 2024. FCA is expected to consult on draft rules.
- **Marketing:** Separate proposals have also been finalised to bring promotions of cryptoassets of all types within the scope of the UK financial promotions regime (see **Slide 60**).

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

# UK CONSUMER DUTY



## The Consumer Duty

The FCA has introduced the new 'Consumer Duty', the purpose of which is to create a higher level of consumer protection in retail financial markets. The Consumer Duty comprises a package of measures, comprised of a new Principle 12 (the 'Consumer Principle') of the FCA's Principles for Businesses, supported by detailed rules and guidance.

The Consumer Duty applies to products and services sold to retail clients and will extend to firms that are involved in the manufacture or supply of products and services to retail clients even if they do not have a direct relationship with the end retail customer where the firm's role in the manufacture and distribution chain of the product or service allows it to determine, or exercise a material influence over, retail customer outcomes.

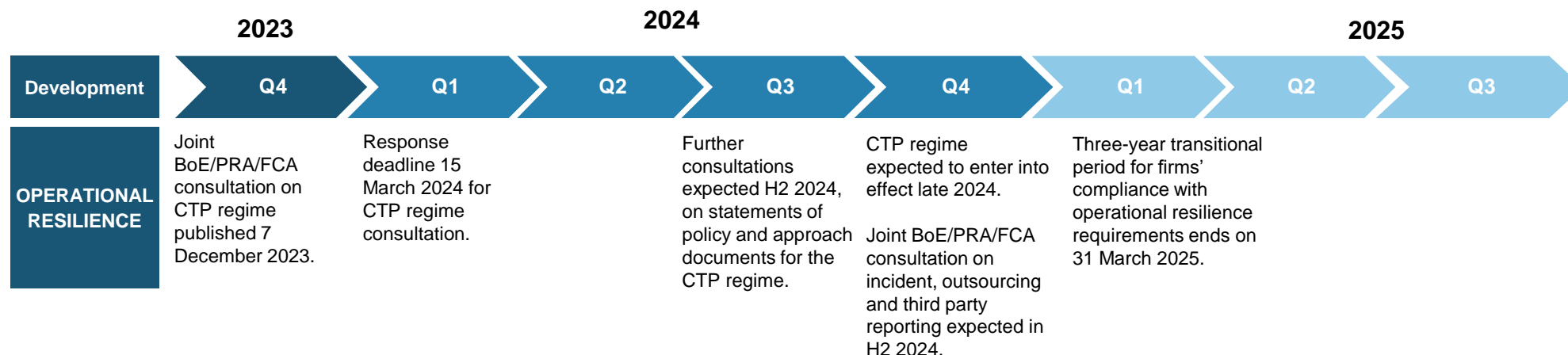
The Consumer Duty has applied to new and existing services since 31 July 2023. It enters fully into force on 31 July 2024 with the rollout of the duty to closed products and services.

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

## What's on the horizon?

- The Consumer Duty came into force for new and existing products and services on 31 July 2023. It comes into force for closed products and services on 31 July 2024.
- The FCA carried out a range of engagement and outreach work in advance of the entry into force of the Consumer Duty, to assist firms in achieving compliance. This includes a range of portfolio and sector letters addressed to different types of firm. Detailed information is available on the [FCA's website](#).
- The FCA continues to impress on firms in speeches and announcements that the Consumer Duty is not a 'once and done' project. Compliance with the Consumer Duty requires firms to ensure that customers' interests are central to their culture and purpose, and that this is embedded throughout the organisation in their strategy, governance, leadership and people policies.
- In December 2023, the FCA delivered a [webinar](#) to assist firms in understanding its expectations on compliance with the Consumer Duty and the FCA's supervisory approach and next steps.
- In 2023 the FCA conducted two surveys of small firms' embeddedness of the Consumer Duty. It plans to conduct a third survey in early 2024.
- Management bodies of firms that have been subject to the Consumer Duty since 31 July 2023 must produce the firm's first annual report on their compliance with the Consumer Duty by 31 July 2024.

# OPERATIONAL RESILIENCE



## Operational resilience

The FCA, PRA and BoE introduced a new operational resilience regime in 2021. The regime included an implementation period, under which firms and FMIs needed to complete certain actions before 31 March 2022.

The initial implementation deadline has been followed by a transitional period, ending on **31 March 2025**. Firms and FMIs should use this 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 of their important business services in the event of a severe but plausible disruption.

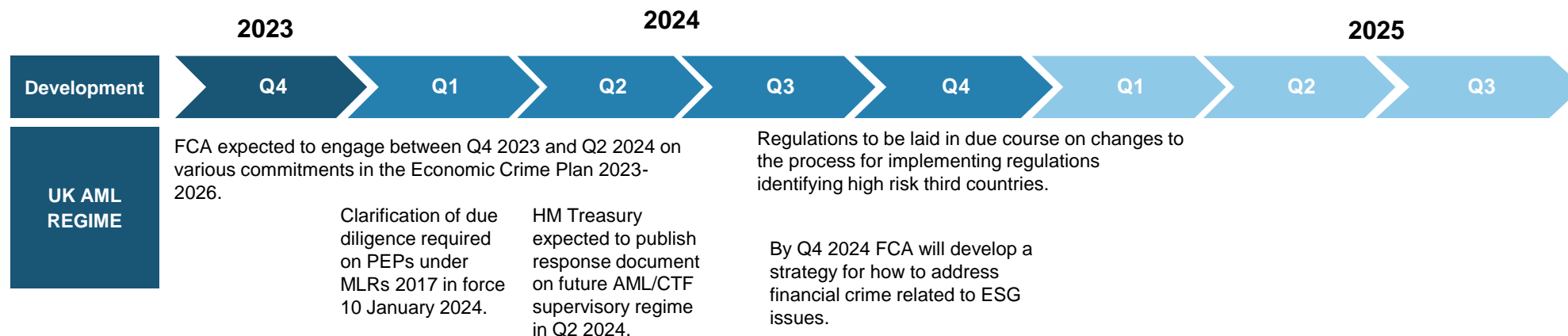
FSMA 2023 introduced the framework for a Critical Third Parties regime (**CTP regime**) for oversight of the resilience of cloud service providers and other designated 'critical third parties' providing services to UK regulated firms and FMIs. Work is underway for the introduction of the CTP regime in 2024.

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

## What's on the horizon?

- FSMA 2023 introduced (from 29 August 2023) a new Part 18 Chapter 3C into FSMA, to establish the **CTP regime**. The regime gives HM Treasury a power to designate third party providers of services to financial sector firms and FMIs as as critical third parties (**CTPs**) and gives a range of powers to the regulators with respect to CTPs. Between July and December 2022, the FCA, PRA and BoE sought feedback on a joint discussion paper (DP22/3) on the operational resilience of CTPs and on how the regulators might use their new powers. This was followed by a [joint consultation](#) on their developing proposals, closing 15 March 2023. The regulators also expect to consult further in H2 2024 on statements of policy and approach to CTP oversight. The regulators expect to finalise their rules with a view for the CTP regime becoming operational by end-2024.
- In H2 2024, the BoE, 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:
  - clarify what information firms should submit when operational incidents occur; and
  - 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.
- Firms and FMIs 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.

# 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 were all phased in by 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?

- Amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (**MLRs 2017**) enter into force on 10 January 2024, to clarify the application of the customer due diligence requirements in the MLRs 2017 with respect to PEPs.
- The FCA is exploring (in DP 23/4, published November 2023) how the UK's AML framework and the FCA's financial crime rules and guidance should apply to stablecoin issuers and custodians when Phase 1 of the UK's cryptoasset framework is implemented. See **Slide 61** for further details.
- 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 closed 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 engaging 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 engaging with cryptoasset businesses and monitoring their compliance with the "travel rule".





**GLOSSARY**

Current Spot  
Analyst Consensus

# 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	Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (DORA) entered into force on 16 January 2023 and will start to apply from 17 January 2025.

# 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
FIDA	Proposal for a Regulation on a framework for Financial Data Access and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010, (EU) No 1095/2010 and (EU) 2022/2554. Interinstitutional reference 2023/0205 (COD).
Financial Collateral Directive	Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements.
FSMA 2023	The Financial Services and Markets Act 2023, which was enacted on 29 June 2023.
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)

# GLOSSARY

## (CONTINUED)

Term	Definition
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).
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)
PSD3/PSR	Proposal for a Directive on payment services and electronic money services in the internal market amending Directive 98/26/EC and repealing Directives 2015/2366/EU and 2009/110/EC. Interinstitutional reference 2023/0209 (COD). Proposal for a Regulation on payment services in the internal market and amending Regulation (1093/2010). Interinstitutional reference 2023/0210 (COD).

# GLOSSARY

## (CONTINUED)

Term	Definition
REUL Act	Retained EU Law (Revocation and Reform) Act 2023
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)
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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