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EU Council adopts Corporate Sustainability Due Diligence Directive

The EU Council has [adopted](#) the Corporate Sustainability Due Diligence Directive (CSDDD/CS3D).

The Directive mandates firms and their partners in supply, production, and distribution to prevent, mitigate, or end their adverse impact on human rights

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and the environment. Such impact will include slavery, child labour, labour exploitation, biodiversity loss, pollution, or destruction of natural heritage.

Once the Directive has been signed by the Presidents of the EU Parliament and Council, it will be published in the Official Journal and enter into force on the twentieth day following its publication.

Member States will have two years to implement the regulations and administrative procedures to comply with the Directive. The timeline for the application of the Directive will depend on the size of the company:

- three years from the entry into force for companies with more than 5,000 employees and EUR 1,500 million turnover;
- four years from the entry into force for companies with more than 3,000 employees and EUR 900 million turnover; or
- five years from the entry into force for companies with more than 1,000 employees and EUR 450 million turnover.

EU Commission consults on macroprudential policies for non-bank financial intermediation

The EU Commission has published a [targeted consultation](#) on the adequacy of macroprudential policies for non-bank financial intermediation (NBFi).

The consultation, which follows the Commission's January 2024 report on the macroprudential review under the Capital Requirements Regulation (CRR), is intended to gather further information on:

- the key vulnerabilities and risks of NBFIs;
- the existing macroprudential framework;
- the current challenges to macroprudential supervision; and
- areas of further improvement.

Responses are intended to inform policy planning, which does not include an intention to revisit recently reviewed legislation such as Solvency II or EMIR 3.0.

CRR3: EBA consults on draft guidelines on acquisition, development and construction exposures to residential property

The European Banking Authority (EBA) has launched a [consultation](#) on draft guidelines on acquisition, development and construction (ADC) exposures to residential property under the revised CRR3.

The draft guidelines specify the credit risk-mitigating conditions introduced by CRR3, which allow institutions to assign a risk weight of 100% instead of 150% for ADC exposures to residential property. These are that:

- 50% of the pre-sale and pre-lease contracts have respectively a cash deposit equal to or higher than 10% of the sale price and equal to or higher than three times the monthly lease rate, or sale and lease contracts; and
- the obligor has substantial equity at risk, represented as an appropriate amount of obligor-contributed equity representing 35% of the residential property value upon completion.

The draft guidelines set out the metrics and thresholds associated with these two conditions. They also establish a specific discretionary framework for ADC projects related to public housing or not-for-profit entities across the EU.

The EBA notes that it intends to use the data collected as part of the Basel 3 monitoring quantitative impact study to further calibrate the proposed thresholds.

Comments are due by 19 August 2024.

ESMA publishes position paper on enhancing capital markets

The European Securities and Markets Authority (ESMA) has published a [position paper](#) on building more effective and attractive capital markets in the EU, which sets out 20 recommendations to enhance EU capital markets. The recommendations focus on three areas: citizens, companies, and the EU regulatory and supervisory framework.

Key proposals include:

- developing simple, cost-efficient investment options for citizens, including basic long-term investment products;
- fostering diverse and sustainable financing options for companies, especially SMEs, and pan-European markets; and
- modernising the EU's regulatory framework and ensuring supervisory consistency.

ESMA intends to continue engaging with stakeholders to implement these recommendations.

MiFIR Review: ESMA consults on draft RTS on non-equity trade transparency, reasonable commercial basis and reference data

ESMA has launched a [consultation](#) on three draft regulatory technical standards (RTS) on non-equity trade transparency, reasonable commercial basis and reference data under the MiFIR Review. ESMA's proposals are intended to enhance the information available to stakeholders by improving, simplifying and further harmonising transparency in capital markets.

In particular, ESMA is seeking input on:

- pre-and post-trade transparency requirements for non-equity instruments (bonds, structured finance products and emissions and allowances) that seek to balance real-time transparency and the ability to defer publication (RTS 2);
- the obligation to make pre-and post-trade data available on a reasonable commercial basis, which is intended to guarantee that market data is available to data users in an accessible, fair, and non-discriminatory manner; and
- the obligation to provide instrument reference data that is fit for both transaction reporting and transparency purposes (RTS 23).

Comments are due by 28 August 2024. ESMA intends to submit the final draft RTS to the EU Commission by the end of Q4 2024.

MiFIR Review: ESMA consults on technical standards related to consolidated tape providers and DRSPs

ESMA has launched a [consultation](#) on draft technical standards relating to consolidated tape providers (CTPs) and data reporting service providers (DRSPs) under the MiFIR Review.

In particular, the consultation paper includes ESMA's draft technical standards on the input and output data requirements of CTPs, the revenue redistribution scheme for the equity CTP, the synchronisation of business clocks, and the authorisation and organisational requirements for DRSPs. ESMA is also seeking feedback on its initial reflections on the specification of the assessment criteria for the CTP selection procedure.

Based on the responses received, ESMA will prepare the final report and intends to submit the final draft technical standards to the EU Commission by 29 December 2024. It will also publish a feedback statement on the specification of the assessment criteria for the CTP selection procedure by the end of 2024.

Comments are due by 28 August 2024.

MiFID Review: ESMA consults on commodity derivatives

ESMA has published a [consultation paper](#) on proposed changes to the rules for position management controls and position reporting under the MiFID Review.

The revised MiFID2 text extends the scope of the position management requirements from trading venues trading commodity derivatives to trading venues which trade derivatives on emission allowances. Under Article 57(8) of MiFID2, trading venues trading commodity derivatives and derivatives on emission allowances are required to apply position management controls.

ESMA is consulting on changes to the RTS on position management controls, the implementing technical standards (ITS) on position reporting, and Article 83 of Commission Delegated Regulation (EU) 2017/565 on position reporting. The changes include, among other things:

- the extension of position management controls to emission allowances derivatives;
- the exclusion of emission allowances from position reporting; and
- the introduction of one weekly position report (excluding options) in addition to the existing one (combining futures and options).

Comments are due by 21 August 2024.

FSB reports on vulnerabilities in short-term funding markets

The Financial Stability Board (FSB) has published a [report](#) analysing the functioning of and vulnerabilities in commercial paper (CP) and negotiable certificates of deposits (CD) markets.

The FSB has found that CP and CD markets, although subject to inefficiencies, tend to generally function well in normal times but are susceptible to illiquidity in times of stress. Vulnerabilities identified in the report include:

- the structure of CP and CD markets and the potential for stress in the markets to propagate across borders;
- investor and dealer concentration;
- limited secondary market activity due to the buy-and-hold nature of instruments;
- the opacity of the markets exacerbating liquidity due to information asymmetry amongst market participants; and
- the high interconnectedness of the markets resulting in stress being transmitted across a large part of the financial system and economy.

The report identifies potential market reforms covering market microstructure, transparency in regulatory reporting and public disclosures, and repo using CP and CD as collateral.

The report forms part of the FSB's work programme on enhancing the resilience of NBFIs and follows on from the FSB's 2021 report on policy proposals to enhance money market fund (MMF) resilience.

CPMI publishes work programme and strategic priorities for 2024-25

The Committee on Payments and Market Infrastructures (CPMI) has published its [work programme](#) for 2024-25, highlighting its strategic priorities for policy, standard-setting, implementation and analytical activities.

The work programme's key themes are:

- risk management of financial market infrastructures (FMIs);
- enhancement of cross-border payments;
- digital innovation in payments, clearing and settlement.

The CPMI conducts research and analysis on an ongoing basis to support the work of the key themes, including the annual collection and publication of the CPMI statistics on payments and FMIs, and the yearly BIS CBDC survey.

BoE issues policy on approach to statutory notice decisions for use of CSD and CCP requirements powers

The Bank of England (BoE) has published a [policy statement](#) setting out its approach to statutory notice decisions for use of its requirements powers under the Financial Services and Markets Act (FSMA) 2023.

FSMA 2023 granted the BoE power to issue requirements to recognised UK central securities depositories (CSDs), recognised UK central counterparties (CCPs) and systemic third-country CCPs. The policy statement is intended to clarify the BoE's policy with respect to the allocation of decision making regarding statutory notices, its approach to supervisory statutory notice decision-making and its approach to publication of supervisory statutory notice decisions.

The final policy entered into effect on 23 May 2024.

ACPR publishes instructions and forms for credit managers' authorisations

The Autorité de contrôle prudentiel et de résolution (ACPR) has [published](#) the instructions to be followed and the forms to be completed under Directive (EU)

2021/2167 on credit servicers and credit purchasers, which was transposed into French law in December 2023.

Credit servicers are required to be licensed by the ACPR for carrying out credit servicing activities (as defined in the Directive, as implemented in French law) in France. Credit servicers who already carried out these activities benefit from a six-month transition period until 29 June 2024 to comply with the applicable French provisions. Credit purchasers are also subject to reporting obligations to the ACPR.

The following ACPR instructions have been created or modified to take into account the new requirements:

- [Instruction 2024-I-03](#) relating to licence applications and statements of credit servicers;
- [Instruction 2024-I-04](#) relating to the appointment or renewal of an effective manager or a member of a supervisory body;
- [Instruction 2024-I-05](#) relating to licence withdrawal, authorisation or registration of financing companies, third-party financing companies, investment firms, payment institutions, account information service providers, e-money institutions or credit servicers; and
- [Instruction 2024-I-06](#) on new prudential reporting for credit servicers, credit institutions, branches of third country credit institutions, financing companies and credit purchasers.

Luxembourg bill implementing ELTIF 2, MiCA, Transfers of Funds 2 and European Green Bonds Regulation published

[Bill No. 8387](#), the main purpose of which is to implement the recent EU regulations concerning the regulation of cryptoassets, European long-term investment funds and European green bonds, has been lodged with the Luxembourg Parliament. To this end, the bill proposes to amend the law of 16 July 2019 on the operationalisation of EU regulations and of certain other financial sector laws.

Among these regulations, the bill is particularly intended to integrate into Luxembourg law the Markets in Cryptoassets Regulation (MiCA) and Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain cryptoassets, and to adapt Luxembourg law accordingly.

The Commission de Surveillance du Secteur Financier (CSSF) will be designated as the supervisory authority to ensure compliance with these regulations and will be vested with the necessary supervisory and investigation powers for its new role and with the power to issue sanctions in case of breaches of these regulations.

The entry into force of MiCA and the establishment of the European crypto-asset services provider (CASP) status thereunder trigger the repeal of the Luxembourg virtual asset services provider (VASP) regime. Consequently, the bill will repeal, effective from 30 December 2024, the provisions related to the registration currently provided for VASPs in the amended law of 12 November 2004 on the fight against money laundering and terrorism financing (AML/CTF Law). CASPs will become subject to the AML/CTF Law and the AML/CTF will be adapted to take account of MiCA and the amendments MiCA

has made to the fourth Anti-money Laundering Directive (EU) 2015/849 (AMLD 4).

Finally, Bill No. 8387 proposes minor technical amendments to the law of 7 December 2015 on the insurance sector.

The lodging of Bill No. 8387 with the Luxembourg Parliament constitutes the start of the legislative procedure.

CSSF Regulation relating to temporary adaptations of CSSF Regulation No. 20-08 published

The CSSF has issued [Regulation No. 24-04](#) relating to temporary adaptations of CSSF Regulation No. 20-08 of 3 December 2020 laying down conditions for the granting of loans relating to immovable property for residential use situated in the territory of Luxembourg.

The Regulation follows the Luxembourg Systemic Risk Committee's recommendation of 7 May 2024 (CRS/2024/003) and makes temporary adjustments to the measures introduced by CSSF Regulation No. 20-08 to take account of cyclical developments. In particular, banks granting loans for buy-to-let residential property may respect a loan-to-value (LTV) ratio of >80% up to 95% (thereby derogating from the up to 80% LTV ratio limit), provided the total of loans benefitting from this derogation is not higher than 10% of the total of such type of loans.

The Regulation entered into force on 22 May 2024, the day of its publication in the official journal, and will apply until 31 December 2024.

HKMA updates SPM module on competence and ethical behaviour

Following consultation with two industry associations, the Hong Kong Monetary Authority (HKMA) has [issued](#) an updated supervisory policy manual (SPM) module CG-6 on competence and ethical behaviour for implementation by all authorised institutions within 2024.

The updated SPM module is intended to provide further guidance on measures that authorised institutions are expected to adopt in assessing and maintaining the competence of their workforce. It incorporates the HKMA's supervisory expectations on talent development as set out in its circular of 7 September 2023 entitled 'Good Practices for Talent Development' covering manpower planning, upskilling and reskilling the workforce and recruiting talents.

Revised Financial Instruments and Exchange Act passed

The Revised Financial Instruments and Exchange Act (FIEA) has been [passed](#) by the National Diet of Japan. In particular, the amendments refine:

- the large shareholding reporting rules;
- the takeover bid rules; and
- the framework for sophisticated and diversified asset management businesses.

The amendments are intended to enhance transparency and strategic engagement opportunities for equity investors while offering asset management companies innovative business models and expanded investment options.

The specific rules associated with these amendments will be detailed in a Cabinet Office Ordinance in due course. The commencement date for the new voluntary registration regime and the eased registration requirement will be determined by a Cabinet Office Ordinance and shall occur within one year following the promulgation of the amendments. Similarly, the initiation of the revised large shareholding report rule and the updated tender offer bid rule will also be determined by a Cabinet Office Ordinance and shall be within two years of the promulgation of the FIEA amendment.

MAS revises notices and guidelines following re-issuance of Notice 637 on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore

Most of the final Basel III reforms will come into effect in Singapore from 1 July 2024. The requirements are set out in the [revised MAS Notice 637](#) on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore dated 20 September 2023. The current version of MAS Notice 637 dated 14 September 2012 and last revised on 28 July 2022 will be cancelled with effect from 1 July 2024.

The requirements in the revised MAS Notice 637 will come into effect as follows:

- for all standards other than the revised market risk and credit valuation adjustment (CVA) standards, to come into effect from 1 July 2024;
- for the revised market risk and CVA standards, to come into effect from 1 July 2024 for compliance with supervisory reporting requirements and from 1 January 2025 for compliance with capital adequacy and disclosure requirements; and
- for the output floor requirements, to commence at 50% from 1 July 2024 and reach full phase-in at 72.5% on 1 January 2029.

The Monetary Authority of Singapore (MAS) has revised the following notices and guidelines mainly in consequence to the cancellation of the previous version of MAS Notice 637 and re-issuance of the revised MAS Notice 637:

- [Notice 653 on Net Stable Funding Ratio Disclosure](#);
- [Notice FHC-N653 on Net Stable Funding Ratio Disclosure](#);
- [Notice 643A on Exposures and Credit Facilities to Related Concerns](#);
- [Notice FHC-N651 on Liquidity Coverage Ratio Disclosure](#);
- [Notice FHC-N637 on Risk Based Capital Adequacy Requirements](#);
- [Notice 651 on Liquidity Coverage Ratio Disclosure](#);
- [Notice 610 on Submission of Statistics and Returns](#);
- [Notice 648 on Issuance of Covered Bonds by Banks Incorporated in Singapore](#);
- [Notice 652 on Net Stable Funding Ratio](#);
- [Notice 649 on Minimum Liquid Assets and Liquidity Coverage Ratio](#);
- [Notice FHC-N652 on Net Stable Funding Ratio](#);
- [Notice 1015 on Minimum Liquid Assets and Liquidity Coverage Ratio](#);

- [Notice FHC-N649 on Minimum Liquid Assets and Liquidity Coverage Ratio;](#) and
- [Guidelines on the Application of Banking Regulations to Islamic Banking.](#)

Further, the [Notice 1003 on Submission of Statistics and Returns](#) has also been revised to implement a technical revision regarding selected statistics for a reporting period under Appendix J to the Notice.

The amendments reflected in the notices and guidelines are effective from 1 July 2024.

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

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