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If you would like to know more about the subjects covered in this publication or our services, please contact:

International Regulatory Group Contacts

[Marc Benzler](#) +49 69 7199 3304

[Caroline Dawson](#) +44 207006 4355

[Steven Gatti](#) +1 202 912 5095

[Rocky Mui](#) +852 2826 3481

[Lena Ng](#) +65 6410 2215

[Gareth Old](#) +1 212 878 8539

[Donna Wacker](#) +852 2826 3478

International Regulatory Update
Editor

[Joachim Richter](#) +44 (0)20 7006 2503

To email one of the above, please use firstname.lastname@cliffordchance.com

Clifford Chance LLP,
10 Upper Bank Street,
London, E14 5JJ, UK
www.cliffordchance.com

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AML/CFT package published in Official Journal

The legislation forming the EU Commission's July 2021 anti-money laundering and counter terrorist financing (AML/CTF) package has been published in the Official Journal. The package includes:

- [Regulation \(EU\) 2024/1624](#), the EU 'Single Rulebook' Regulation or Anti-Money Laundering Regulation (AMLR1);
- [Directive \(EU\) 2024/1640](#), the sixth Anti-Money Laundering Directive (AMLD6);
- [Regulation \(EU\) 2024/1620](#) establishing the European Anti-Money Laundering Authority (AMLA); and
- [Directive \(EU\) 2024/1654](#) as regards access to centralised bank account registries.

The key aims of the package are to establish a directly applicable single rulebook to harmonise AML/CTF rules across the EU, expand the scope of the rules to address new technologies, such as cryptoassets, and establish a centralised authority (AMLA) with supervisory and investigative powers to ensure compliance with the rules. The AMLA will be based in Frankfurt and start operations in mid-2025.

AMLR1 will enter into force on 9 July 2024 and apply from 10 July 2027, except in relation to some obliged entities to which it will apply from 10 July 2029.

AMLD6 will enter into force on 9 July 2024. Member States will have two years to transpose some parts of the AMLD6 and three years for others.

The AMLA Regulation will enter into force on 26 June 2024 and will largely apply from 1 July 2025.

Directive (EU) 2024/1654 will enter into force on 9 July 2024. Member States will have until 10 July 2027 to transpose certain parts of the Directive and until 10 July 2029 for others.

Banking package: CRR3 and CRD6 published in Official Journal

The EU Commission's banking package has been published in the Official Journal. The package comprises:

- [Directive \(EU\) 2024/1619](#) amending the Capital Requirements Directive (CRD4) as regards supervisory powers, sanctions, third-country branches and ESG risk (CRD6); and
- [Regulation \(EU\) 2024/1623](#) amending the Capital Requirements Regulation (CRR) as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (CRR3).

CRR3 and CRD6 implement the international Basel III standards while taking into account specificities of the EU economy. They also set out a transitional prudential regime for cryptoassets and introduce provisions on the management, reporting, disclosure, governance and supervisory review of the environmental, social and governance (ESG) risks of EU banks.

CRD6 will enter into force on 9 July 2024 and Member States will have 18 months to transpose it into national law.

CRR3 will enter into force on 9 July 2014 and will apply from 1 January 2025. However, EU Commissioner Mairead McGuinness has [indicated](#) that the Commission intends to postpone the date of application of the provisions on the Fundamental Review of the Trading Book (FRTB) by one year until 1 January 2026.

EU Commissioner McGuinness delivers speech on Capital Markets Union and Banking Union

Mairead McGuinness, the EU Commissioner for Financial Services, Financial Stability and the Capital Markets Union (CMU), has given the [keynote speech](#) at the European Financial Integration 2024 joint conference of the Commission and the European Central Bank.

Amongst other things, McGuinness indicated that the Commission intends to postpone the date of application of the provisions of CRR3 on the FRTB by one year, until 1 January 2026.

She also discussed the Commission's future plans on the CMU, including:

- making progress on agreeing the directive on the harmonisation of aspects of insolvency law proposed in 2022;
- making progress on the retail investment strategy package proposed in 2023;
- a public consultation in the autumn on reviving the European securitisation market;
- exploring a pan-European savings product and learning from the lack of success of the pan-European pensions product;

- moving towards single supervision of companies operating in several Member States;
- looking at an opt-in regime or joint supervision for groups or market infrastructures that provide services across the whole of the single market; and
- a study on the consolidation of investment funds, trading, and post-market infrastructures.

On Banking Union, the Commissioner urged Member States to make progress with agreeing the crisis management and deposit insurance package proposed in 2023. The Commissioner also welcomed the EU Parliament's ECON Committee report on the European Deposit Insurance Scheme (EDIS), which was first proposed in 2015.

Delegated Regulations on ESMA's supervisory fees published in Official Journal

Five Delegated Regulations on the harmonisation of certain aspects linked to fees charged by the European Securities and Markets Authority (ESMA) have been published in the Official Journal.

The Regulations include:

- [Commission Delegated Regulation \(EU\) 2024/1702](#) relating to fees charged to trade repositories under the European Market Infrastructure Regulation (EMIR);
- [Commission Delegated Regulation \(EU\) 2024/1703](#) relating to fees charged to securitisation repositories under the Securitisation Regulation;
- [Commission Delegated Regulation \(EU\) 2024/1704](#) relating to fees charged to trade repositories under the Securities Financing Transactions Regulation (SFTR);
- [Commission Delegated Regulation \(EU\) 2024/1705](#) relating to fees charged to certain benchmark administrators under the Benchmarks Regulation; and
- [Commission Delegated Regulation \(EU\) 2024/1706](#) relating to fees charged to credit rating agencies (CRA) under the CRA Regulation.

The Delegated Regulations will enter into force on 8 July 2024 and will apply from 1 January 2025.

Securitisation Regulation: RTS on sustainability disclosures for STS securitisations published in Official Journal

[Commission Delegated Regulation \(EU\) 2024/1700](#), which supplements the Securitisation Regulation with regulatory technical standards (RTS) specifying, for simple, transparent and standardised (STS) non-ABCP traditional securitisation and for STS on-balance-sheet securitisation, the content, methodologies and presentation of information related to the principal adverse impacts of the assets financed by the underlying exposures on sustainability factors, has been published in the Official Journal.

The second sub-paragraphs of Articles 22(4) and 26d(4) of the Securitisation Regulation, as amended by the Capital Markets Recovery Package

Regulation, provide originators of STS securitisations with the option to disclose available information related to the principal adverse impacts on sustainability factors of the assets financed by residential loans, auto loans or leases. This disclosure would be voluntary.

The Delegated Regulation lays down the content, methodologies, and presentation of information on principal adverse impacts on sustainability factors of the assets financed by residential loans, auto loans or leases for non-ABCP traditional securitisations and on-balance-sheet STS securitisations. It seeks to ensure as much consistency as possible with the Sustainable Finance Disclosure Regulation (SFDR), which sets out sustainability-related disclosure requirements in financial services.

The Delegated Regulation will enter into force on 8 July 2024.

Banking Union: EU Council agrees negotiating mandate on CMDI proposals

The EU Council has [agreed](#) on its negotiating mandate on the review of the EU bank crisis CMDI framework, comprising proposals for:

- a Directive amending the Bank Recovery and Resolution Directive (BRRD) as regards early intervention measures, conditions for resolution and financing of resolution action (BRRD3);
- a Regulation amending the Single Resolution Mechanism (SRM) Regulation as regards early intervention measures, conditions for resolution and funding of resolution action (SRMR3); and
- a Directive amending the Deposit Guarantee Schemes Directive (DGSD) as regards the scope of deposit protection, use of deposit guarantee schemes funds, cross-border co-operation, and transparency (DGSD2).

The EU Parliament adopted its position at first reading on 24 April 2024. Now that the Council has agreed its negotiating mandate, interinstitutional negotiations can begin, with a view to reaching an agreement in early second reading.

EU Council agrees negotiating mandate on proposed Regulation on reporting requirements in financial services and investment support

The EU Council has [agreed](#) on its negotiating mandate on the proposed Regulation amending Regulations (EU) No 1092/2010, (EU) No 1093/2010, (EU) No 1094/2010, (EU) No 1095/2010 and (EU) 2021/523 as regards certain reporting requirements in the fields of financial services and investment support. The proposal updates existing rules on data sharing between the European Supervisory Authorities (ESAs) and other financial sector authorities with the aim of reducing the administrative burden for authorities in the financial sector.

The EU Commission published its legislative proposal in October 2023 as part of its 2024 work programme and its commitment to reduce burdens associated with reporting requirements by 25%. The EU Parliament adopted its position at first reading on 12 March 2024. Now that the Council has agreed its negotiating mandate, interinstitutional negotiations can begin with a view to reaching an agreement on the final text.

MAR: EU Commission publishes report on delegation of power to adopt delegated acts

The EU Commission has published a [report](#) on the delegation of power to adopt delegated acts conferred on the Commission pursuant to the Market Abuse Regulation (EU) 596/2014 (MAR).

Under Article 35 of MAR, the Commission is empowered to adopt delegated acts. Article 35(2) of MAR (as amended by Regulation (EU) 2019/2115) further provides that the power to adopt delegated acts is conferred on the Commission for a five-year period, which can be tacitly extended for further periods of identical duration unless the EU Parliament or the Council opposes it no later than three months before the end of each period.

The five-year period initially ran from 31 December 2019 until 31 December 2024. Pursuant to Article 35(2) of MAR, the Commission is required to prepare a report in respect of the delegation of power no later than nine months before the end of the five-year period. The Commission's report is intended to fulfil that requirement. It sets out the delegated acts the Commission has adopted under MAR and the empowerments that the Commission has not used to date. It concludes that there is a clear need for a tacit extension of the delegation of power for a further period of five years.

EU Commission launches targeted consultation on use of AI in finance

The EU Commission has launched a [targeted consultation](#) and a workshop series to seek input from stakeholders on the use of artificial intelligence (AI) in finance. The initiatives cover use cases, benefits, barriers, risks and stakeholder needs.

The consultation and workshops are targeted at all financial stakeholders and are intended to enable the Commission to provide guidance to the financial sector on the implementation of the AI Act in their specific market areas.

Comments on the consultation are due by 13 September 2024.

The workshops will be co-hosted with the ESAs and national supervisors and are intended to give stakeholders the opportunity to present projects and discuss the latest developments. Registration for the workshops, which will take place in autumn, is open until 26 July 2024.

ESAs propose improvements to SFDR

The ESAs published a [joint opinion](#) on the assessment of the SFDR, in which they call for a coherent sustainable finance framework that caters for both green transition and enhanced consumer protection.

In particular, the ESAs call for two simplified, voluntary categories for financial products – 'sustainable' and 'transition' – that financial market participants should use to ensure consumers understand the purpose of the products.

The ESAs recommend that the EU Commission consider the introduction of a sustainability indicator that would grade financial products such as investment funds, life insurance and pension products.

In addition, the opinion also covers the following areas:

- appropriate disclosures for products outside the two categories to reduce greenwashing;

- improvements to the definition of sustainable investments;
- simplification to the way disclosures are presented to investors;
- other technical suggestions including which products should fall under the scope of SFDR and how to improve disclosures regarding the negative impact of investments on people and the environment; and
- the need to conduct consumer testing before putting forward any policy proposals to review the SFDR, such as introducing a categorisation system and/or an indicator.

CRR: RTS on identifying groups of connected clients published in Official Journal

[Commission Delegated Regulation \(EU\) 2024/1728](#), which sets out RTS specifying in which circumstances the conditions for identifying groups of connected clients are met under the CRR, has been published in the Official Journal.

The RTS, in conjunction with the European Banking Authority (EBA)'s guidelines on connected clients, provide the complete framework for the identification of two or more natural or legal persons who are so closely linked by idiosyncratic risk factors that it is prudent to treat them as a single risk.

In particular, the following conditions lead to the identification of two or more legal persons as connected:

- if they are part of the same consolidated financial statements, even in the absence of exposures towards the natural or legal person that controls the group. The RTS also provide a non-exhaustive list of circumstances of control criteria and control indicators to assess if there is a parent-subsidiary-similar relationship among natural and/or legal persons;
- if it is likely that the financial difficulties of one natural or legal person would spread to other(s) impacting full and timely repayment of liabilities;
- in case control and economic dependencies co-exist within group of connected clients in such a way that all relevant natural and/or legal persons constitute a single risk.

The Delegated Regulation will enter into force on 8 July 2024.

CRR: RTS on assessments of internal models for market risk published in Official Journal

[Commission Delegated Regulation \(EU\) 2024/1085](#) containing RTS on the assessment methodology under which competent authorities verify an institution's compliance with the requirements to use an internal model approach (IMA) for market risk under the CRR has been published in the Official Journal.

The RTS identify elements to be assessed by a competent authority when granting approval to use an IMA to compute the own funds requirements for market risk, including the assessment of:

- qualitative requirements;
- the internal risk-measurement model used to compute the expected shortfall measure and the stress scenario risk measure; and

- the internal default risk model used to compute the additional own funds requirement for default risk.

The Delegated Regulation will enter into force on 7 July 2024, with the exception of some Articles which will apply from 1 January 2025 and 1 January 2026.

CRR: EBA publishes draft ITS finalising implementation of Basel III Pillar 3 framework

The EBA has published its [final draft implementing technical standards](#) (ITS) on public disclosures by institutions in line with changes introduced by the CRR3 in the Pillar 3 disclosure framework.

The ITS are intended to provide market participants with sufficient comparable information to assess the risk profiles of institutions and understand compliance with CRR 3 requirements. The ITS implement the CRR3 prudential disclosures by including new requirements on output floor, credit risk, market risk, CVA risk, operational risk, and a transitional disclosure on exposures to cryptoassets.

The ITS are the first Pillar 3 deliverable included in the EBA Roadmap on strengthening the prudential framework published in December 2023. Later in 2024, the EBA will supplement these ITS with the CRR3 disclosure requirements that are not directly linked to Basel III implementation. This includes the extension of the disclosure requirements on ESG risks to all institutions in accordance with the proportionality principle, and new disclosure requirements on shadow banking.

CRR: EBA publishes draft RTS on assessing materiality of extensions and changes to new market risk internal models under FRTB

The EBA has published its [final report](#) on draft RTS on the conditions for assessing the materiality of model extensions and changes, as well as changes to the subset of modellable risk factors, applicable under the FRTB.

The RTS follow the CRR by distinguishing between material and non-material extensions and changes, with the former requiring approval by and the latter notification to authorities. The latter is further divided into two sub-categories: extensions and changes notified with additional information, and extensions and changes with basic information.

The EBA consulted on the draft RTS in November 2023 and received one response. The RTS will now be submitted to the EU Commission for endorsement.

MiCA: EBA publishes draft technical standards and guidelines on reporting, liquidity stress testing and supervisory colleges

The EBA has [published](#) three draft technical standards and guidelines under the Markets in Cryptoassets Regulation (MiCA). The package comprises:

- final draft RTS specifying the methodology to be applied by issuers of asset-referenced tokens (ARTs) and electronic money tokens (EMTs) denominated in a non-EU currency for estimating the number and value of transactions associated with uses of these tokens as a means of exchange;

- final draft ITS on the reporting obligations of issuers of ARTs and EMTs denominated in a non-EU currency, and of cryptoasset service providers (CASPs), which, among other things, include specific templates and instructions to comply with reporting obligations and specify reporting frequency, and related reference and remittance dates;
- guidelines laying out the risks to be covered in liquidity stress testing and identifying the common reference parameters of the stress test scenarios to be included in the liquidity stress testing to be applied; and
- final draft RTS on supervisory colleges specifying the conditions under which certain entities are deemed to be 'the most relevant' in their category and the conditions under which a significant ART or EMT is deemed to be 'used at large scale' for the purpose of determining the composition of a supervisory college under MiCA.

This package completes the delivery of EBA technical standards under MiCA.

SRB announces forthcoming update to and consultation on valuation capabilities expectations

The Single Resolution Board (SRB) has published a [press release](#) announcing that it is developing and updating its expectations for banks on valuation capabilities.

The updated expectations will include:

- permanent valuation data repositories to be set up by banks;
- an enhanced and streamlined SRB valuation data set; and
- valuation playbooks.

The SRB intends to collect feedback on current practices for virtual data rooms, and to carry out a specific consultation on its approach to the expectations in 2025.

Law to increase financing of businesses and attractiveness of France published

[Law No. 2024-537](#) on increasing the financing of businesses and the attractiveness of France has been published in the Official Journal.

The Law includes three series of provisions: the first (Title I) relates specifically to business financing by the market, the other two relate to the dematerialisation of transferable securities (Title II) and to the attractiveness of the law for the French economy (Title III).

The Law provides for the facilitation of initial public offerings of companies by promoting the development of shares with multiple voting rights. In addition, retail private equity investment funds (FCPR) will be able to support listed companies up to a market capitalisation of EUR 500 million (instead of EUR 150 million). The lock-up period for FCPR unit holders has also been extended to 15 years, from the current 10.

The text also includes other measures, in particular to:

- ease the rules governing the eligibility of company shares for the PEA-PME equity savings plan designed to finance small and medium-sized companies;

- ease the investment rules for employee investment undertakings (FCPE);
- dematerialising transferable securities, such as bills of exchange and promissory notes, etc.;
- encourage remote consultation and meetings at shareholders' general meetings;
- empower the Government to adopt by ordinance measures relating to collective investment undertakings, in particular to harmonise and simplify provisions relating to their corporate life and to modernise the governance of certain collective investment undertakings; and
- include in the Code of Judicial Organisation the specialisation of the Paris Court of Appeal in international commercial arbitration.

The Law came into force the day after its publication in the Official Journal, i.e. on 15 June 2024, except for certain provisions for which a different date of entry into force is specified.

BaFin publishes FAQs on Remuneration Ordinance for Institutions

The German Federal Financial Supervisory Authority (BaFin) has published [frequently asked questions](#) (FAQs) on the German Remuneration Ordinance for Institutions (Institutsvergütungsverordnung – InstitutsVergV) which take into account the EBA guidelines on sound remuneration policies under the CRD4 (EBA/GL/2021/04).

The FAQs replace BaFin's previous interpretation guideline on the InstitutsVergV dated 16 February 2018. Among other things, supervised institutions must directly apply the EBA guidelines on sound remuneration policies under CRD 4. The FAQs also address cases that are not covered by the EBA guidelines or where the application of proportionality aspects appears necessary.

The FAQs cover various aspects of remuneration regulation under the InstitutsVergV in the version that entered into force on 14 February 2023, including the exclusion of certain benefits, the valuation of retirement benefits, the permissibility of 'group bonuses', the treatment of severance payments and the consideration of ESG risks in the context of remuneration systems.

Where the FAQs provide for easing of requirements, institutions may apply these immediately. Should it be necessary to amend the remuneration systems due to the FAQs, a transitional period until 1 January 2025 applies for the implementation of the respective changes.

Financial Stability Committee issues communication on countercyclical buffer

The Financial Stability Committee (KSF) has [adopted](#) a resolution on the recommendation to set the countercyclical buffer rate.

The KSF's recommendation is based on the strategy for the application of the countercyclical buffer in Poland adopted in March 2024. The KSF considered it advisable to set a neutral level of the countercyclical buffer (nBA), which is prudential in nature and will also apply to banks at standard risk levels, i.e. for most of the financial cycle.

The buffer rate is to be set at 1% after 12 months and 2% after 24 months after the Minister of Finance has promulgated a regulation to that effect.

The Minister of Finance is to issue the regulation, and his representative at the KSF meeting accepted this recommendation and declared that appropriate legislative action would be taken.

FINMA issues guidance on operational risk management by fund management companies

The Swiss Financial Market Supervisory Authority FINMA has [published](#) guidance on the management of operational risks by fund management companies and managers of collective assets.

In its ongoing supervision, FINMA has determined that operational risks at supervised institutions are increasing due to digitalisation. At the same time, FINMA has increasingly noticed weaknesses in operational risk management by fund management companies and managers of collective assets.

Against this background, FINMA is issuing the guidance to make fund management companies and managers of collective assets aware of the importance of appropriate operational risk management. In particular, the guidance:

- lists the general principles of appropriate risk management, which also apply to the management of operational risks; and
- describes measures to ensure appropriate management of risks in the areas of information and communication technology, data, cyber, business continuity, legal and compliance as well as outsourcing.

Australian Government publishes Sustainable Finance Roadmap

The Australian Government has published a [Sustainable Finance Roadmap](#), setting out its vision for the implementation of key sustainable finance reforms and related measures.

Developed in response to a consultation on the Sustainable Finance Strategy in November 2023, the Roadmap highlights the following pillars and priority areas along with relevant timelines:

- Pillar 1 on improving transparency on climate and sustainability, where the Government aims to prioritise implementing climate-related financial disclosures; developing the Australian Sustainable Finance Taxonomy; supporting credible net zero transition planning; developing sustainable investment product labels; and
- Pillar 2 on financial system capabilities, where it aims to prioritise enhancing market supervision and enforcement; identifying and responding to systemic financial risks; addressing data and analytical challenges; and ensuring fit for purpose regulatory frameworks; and
- Pillar 3 on Government's leadership and engagement, where it aims to prioritise issuing Australian sovereign green bonds; and stepping up Australia's international engagement.

The Government intends to continue to engage with stakeholders to inform ongoing policy development.

HKEX consults on proposed enhancements to Corporate Governance Code and related Listing Rules

The Stock Exchange of Hong Kong Limited (SEHK), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEX), has published a [consultation paper](#) outlining its proposed enhancements to the Corporate Governance Code and related Listing Rules.

The key proposals include the following:

- with respect to board effectiveness improvements: the designation of a lead independent non-executive director (INED) where the board chair is not independent; annual director training on specific topics, with a minimum of 24 hours of training for first-time directors within the first 18 months of appointment; regular board performance reviews and the disclosure of a board skills matrix; and capping ‘overboarding’ INEDs so they do not hold more than six Hong Kong-listed issuer directorships simultaneously;
- with respect to strengthening board independence, INEDs serving more than nine years (Long Serving INED) will no longer be considered independent;
- with respect to promoting diversity, to require the nomination committee to comprise directors of different genders; annual reviews of board diversity policy; and a workforce diversity policy;
- with respect to enhancing risk management and internal controls, to require (at least) an annual review of these systems and enhanced disclosures of the review and findings; and
- with respect to better capital management, to require enhanced disclosures of an issuer’s dividend policy and its board’s dividend decisions.

The proposed amendments will apply to corporate governance reports for financial years commencing on or after 1 January 2025, with a three-year transition period for the proposals on overboarding and Long Serving INEDs.

Comments on the consultation are due by 16 August 2024.

HKEX to implement severe weather trading in securities and derivatives markets

HKEX has [announced](#) the finalisation of its operational model and arrangements to allow Hong Kong’s securities and derivatives markets to remain open during severe weather conditions.

The final model follows the HKEX’s November 2023 consultation setting out the proposed operational arrangements for severe weather trading (SWT). The HKEX has concluded that it will proceed with the proposals to maintain trading, post-trade and listing arrangements in its securities and derivatives markets, including Stock Connect, derivatives holiday trading, and after-hours trading, during a severe weather event. In consultation with the HKSAR Government, the HKEX has recommended best practices on severe weather work arrangements for employers and their employees. Certain clarifications have been made in the response paper in relation to market operations such as listing, trading, clearing and settlement arrangements during a SWT day.

To allow small-and-medium-sized brokers adequate preparation time, the HKEX plans to offer special arrangements to eligible participants requiring assistance, for example by temporarily fulfilling margin payment or settlement obligations for these participants on a SWT day. These participants will be subject to trading restrictions on the SWT day and will need to complete their unfulfilled obligations after the severe weather signals are lowered.

SWT will take effect from 23 September 2024, with special arrangements to be offered to participants requiring assistance until the end of 2024. More information and application details of the programme will be announced in due course.

HKMA issues circular to authorised institutions on severe weather trading implementation

The Hong Kong Monetary Authority (HKMA) has issued a [circular](#) to authorised institutions (AIs) in light of the HKEX's recently announced operational model and arrangements related to severe weather trading (SWT) that will take effect from 23 September 2024.

The HKMA expects AIs to support the implementation of SWT through continuous banking and payment services. In view of the importance of personnel and customer safety, the following arrangements related to banking operation will apply upon the implementation of SWT:

- bank branches will be closed as is the case presently under inclement weather, and banking services will be provided only through electronic channels; and
- no paper cheques will be collected, but cheques collected prior to a severe weather day will continue to be cleared and settled.

The HKMA has also reminded AIs to pay attention to the following, amongst others:

- AIs are expected to finalise their remote working and other operational arrangement ahead of the launch of SWT;
- with respect to services to securities brokers, AIs are reminded to provide appropriate assistance to securities brokers to facilitate their implementation of SWT. AIs should consider providing flexibility and adjustments of funds transfer limits to support SWT based on individual brokers' circumstances; and
- with respect to services to bank customers to support SWT and customer education, AIs are reminded to allocate adequate resources to ensure continuous operation of internet banking and phone banking services, as well as customer service hotlines, during severe weather days. AIs should proactively communicate to customers what additional services or service channels will be made available upon the implementation of SWT.

The HKMA has also reminded registered institutions to observe the relevant requirements promulgated by the Securities and Futures Commission (SFC) on SWT.

SFC welcomes progress on implementation of Mainland-Hong Kong Mutual Recognition of Funds enhancements

The SFC has [welcomed](#) the public consultation paper published by the China Securities Regulatory Commission (CSRC) on proposed rule amendments for implementing the enhancements of the Mainland China-Hong Kong mutual recognition of funds (MRF) scheme.

The draft proposals in the CSRC's consultation paper include relaxing the sales restrictions for recognised Hong Kong funds in Mainland China and allowing the delegation of investment management functions of recognised Hong Kong funds to overseas asset management companies within the same group. Based on the principle of reciprocity, the SFC will also relax the relevant restrictions on recognised Mainland funds accordingly.

Enhancing the MRF scheme is one of the five measures announced earlier by the CSRC on Mainland China's capital market cooperation with Hong Kong. The SFC notes that it will continue to work closely with the CSRC to formulate and implement the measures. Details and the launch date of the enhancements will be announced in due course.

HKEX cooperates with SZSE to support integrated funds platform

HKEX has [signed](#) a cooperation agreement with a unit of Shenzhen Stock Exchange (SZSE) to support the development of HKEX's Integrated Fund Platform (IFP). The cooperation will see Shenzhen Securities Communication Co. Ltd establish the Financial Data Exchange Platform Network in Hong Kong. The network is intended to serve as a foundation for the IFP's communications network, which will allow users of the IFP to communicate and support key processes such as subscriptions, redemptions and notifications.

The IFP under development is a platform that is intended to support the entire fund value chain and overall ecosystem in Hong Kong, to reduce barriers of entry to the industry and enable market participants to more effectively distribute fund products to their clients. It is also intended to help expand Hong Kong's fund distribution network, enhance market efficiency and lower transaction costs. HKEX will share further details on the platform's development in due course.

SFC issues circulars on severe weather trading

The SFC has issued two circulars in light of the HKEX's recently announced operational model and arrangements pertaining to SWT that will take effect on 23 September 2024.

In its [circular to intermediaries](#), the SFC has set out the standards of conduct and internal controls it expects of intermediaries who provide dealing, clearing and settlement services covering the Hong Kong securities and derivatives markets on an SWT day. Amongst others, the intermediaries are expected to:

- make adequate preparations and implement appropriate measures for conducting business activities on an SWT day, including adopting remote operations and electronic fund transfers;

- communicate with clients clearly and in advance about their SWT policies and arrangements as well as any changes to client agreements as a result of SWT, and encourage clients to transfer funds electronically;
- develop robust arrangements allowing timely and reliable access to funding on an SWT day, exercise prudent risk management to ensure financial resilience, and maintain effective controls to protect client assets; and
- promptly notify the SFC of incidents which may materially affect clients' interests or their ability to maintain business operations on an SWT day.

In its [second circular](#), the SFC reminds management companies of SFC-authorized investment products listed on the SEHK to consider the potential implications of the implementation of trading of Hong Kong securities and derivatives under SWT on their listed SFC-authorized investment products and make appropriate arrangements. In particular, SFC has reminded management companies to:

- carefully assess the potential implications of SWT on listed SFC-authorized investment products managed by them. Taking into account the operations of, and services provided by, relevant service providers and counterparties on an SWT day, management companies are expected to take appropriate measures to ensure normal operations as far as possible;
- closely monitor the operations and activities of the products during an SWT day;
- assess whether any amendments to the offering documents and/or constitutive documents of the products are required to reflect the operational changes arising from SWT or otherwise; and
- keep investors informed of any material information concerning the products as a result of SWT and make appropriate arrangements to ensure proper investor communication on an SWT day, including publication of relevant announcements on the HKEX's website.

Singapore Government gazettes Securities and Futures (Licensing and Conduct of Business) (Amendment) Regulations 2024

[The Securities and Futures \(Licensing and Conduct of Business\) \(Amendment\) Regulations 2024](#) have been gazetted.

Amongst other things, the Amendment Regulations amend regulation 14(8) of the Securities and Futures (Licensing and Conduct of Business) Regulations to streamline the fund eligibility criteria for venture capital fund managers (VCFMs) and remove the requirement for eligible funds to apply at least 80% of the committed capital towards the acquisition of specified products issued by entities formed 10 years or less before the date of the initial acquisition.

The Monetary Authority of Singapore (MAS) has published revised guidelines and FAQs on the licensing, registration and conduct of business for fund management companies mainly to clarify the fund eligibility criteria for VCFMs. Under the revised guidelines and FAQs, the MAS has clarified that VCFMs may only manage funds that meet the following criteria:

- no more than 20% of each fund's committed capital (excluding fees and expenses) can be invested in unlisted business ventures that have been

incorporated for more than ten years at the time of the initial investment, and/or the investment is made through acquisitions from other investors in the secondary market (non-qualifying investments); and

- other than non-qualifying investments of no more than 20% of each fund's committed capital, any investments from the remaining committed capital (excluding fees and expenses) must be in specified products that are directly issued by unlisted business ventures that have been incorporated for no more than ten years at the time of initial investment (qualifying investments). Any follow-on investment in such qualifying investments will remain as qualifying, even if the portfolio company no longer meets the under-10 year vintage at the point of the follow-on investment.

The previous version of the guidelines, which was last revised in February 2024, has been cancelled. The Amendment Regulations are effective from 7 June 2024.

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Clifford Chance, 10 Upper Bank Street,
London, E14 5JJ

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