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INTERNATIONAL REGULATORY UPDATE 30 SEPTEMBER – 4 OCTOBER 2024

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Daisy Chain Act: SRB publishes changes to MREL policy

The Single Resolution Board (SRB) has published a [communication](#) announcing updates to its MREL policy to reflect amendments to the Single Resolution Mechanism Regulation (SRMR) made by the Daisy Chains Act. The Daisy Chains Act grants resolution authorities greater flexibility in determining internal minimum requirements for own funds and eligible liabilities (MREL) within banking groups. It also streamlines MREL treatment for liquidation entities and associated prior permissions.

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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

Under amendments to Article 12d SRMR introduced by Article 2 of the Daisy Chains Act, which will take effect from 14 November 2024:

- the SRB shall not determine the MREL for liquidation entities unless it considers justified to determine the said requirement in an amount exceeding the amount sufficient to absorb losses;
- Article 77(2) and Article 78a of the Capital Requirements Regulation (CRR) shall not apply to liquidation entities for which the SRB has not determined the MREL.

Consequently, during the 2024 resolution planning cycle, the SRB will direct national resolution authorities to repeal MREL for liquidation entities previously assigned MREL equal to the loss absorption amount.

EBA publishes 2025 work programme

The European Banking Authority (EBA) has published its [work programme](#) for 2025, setting out the key strategic areas for the EBA to work on in the coming year, as well as related activities and tasks.

The work programme provides a brief overview of the priorities for 2025-2027, followed by a more detailed presentation of priorities for 2025. In particular, the EBA intends to focus on:

- implementing the EU banking package and enhancing the Single Rulebook;
- enhancing risk-based and forward-looking financial stability for a sustainable economy;
- enhancing data infrastructure and launching the data portal;
- starting oversight and supervisory activities for the Digital Operational Resilience Act (DORA) and Markets in Cryptoassets Regulation (MiCA); and
- developing consumer-oriented mandates and ensuring a smooth transition to the new AML/CFT framework.

MiFIR Review: ESMA consults on changes to RTS on transaction data reporting and order book data

The European Securities and Markets Authority (ESMA) has launched two [consultations](#) on regulatory technical standards (RTS) on transaction reporting and on order book data under the MiFIR Review.

ESMA is seeking input on amendments to RTS 22 on the reporting of transactions and to RTS 24 on the maintenance of data relating to orders in financial instruments. The revised RTS are intended to enhance the information available to stakeholders by improving, simplifying, and further harmonising data reporting requirements. The implementation of the revised standards is also intended to result in an overall reduction of the reporting burden for market participants that are subject to different reporting regimes.

Comments are due by 3 January 2025. ESMA intends to publish its final report and submit the draft technical standards to the EU Commission by the end of Q2 2025.

MiCA: EU Commission adopts RTS on handling of complaints by CASPs and on handling of complaints relating to ARTs

The EU Commission has adopted Delegated Regulations under MiCA setting out RTS specifying:

- [the requirements, templates and procedures for the handling of complaints by cryptoasset service providers \(CASPs\)](#); and
- [the requirements, templates and procedures for the handling of complaints relating to asset-referenced tokens \(ARTs\)](#).

BoE, FCA and Working Group on Sterling Risk-Free Reference Rates publish joint statement on the end of LIBOR

The Bank of England (BoE), Financial Conduct Authority (FCA) and Working Group on Sterling Risk-Free Reference Rates have published a [joint statement](#) on the end of LIBOR.

On 30 September 2024, the remaining synthetic LIBOR settings were published for the last time. All 35 LIBOR settings have permanently ceased.

The Working Group will be wound down effective as of 1 October 2024.

The BoE, FCA and Working Group are encouraging market participants to continue to ensure that they use the most robust rates for the relevant currency, such as SONIA for GBP and SOFR for USD, and that their use of term risk-free reference rates, such as term SONIA and term SOFR, is limited and remains consistent with the relevant guidance on best practice on the scope of use.

With the transition away from LIBOR completed, the BoE, FCA and Working Group have reminded market participants that credit sensitive rates (CSRs) should not emerge as successor rates, supported by the Financial Policy Committee's (FPC) view that these rates are not robust or suitable for widespread use as a benchmark. In particular, the FCA and FPC have communicated to the market that USD CSRs have the potential to reintroduce many of the financial stability risks associated with LIBOR.

BoE and FCA launch Digital Securities Sandbox

The BoE and FCA have published a joint policy statement ([PS24/12](#)), [guidance](#) and [other documents](#) regarding the launch of the Digital Securities Sandbox (DSS).

The purpose of the DSS is to enable market participants to use new technologies, such as distributed ledger technology (DLT), in the trading and settlement of digital securities. The DSS is the first Financial Market Infrastructure (FMI) sandbox created under the powers conferred on HM Treasury by the Financial Services and Markets Act 2023.

Following feedback received to CP24/5, which closed in May 2024, the BoE and FCA made changes to the proposed policy, including to the Bank DSS Rules. PS24/12 provides a summary of the feedback received and the resulting changes, as well as setting out the:

- approach to regulating DSS firms;
- scope of the DSS;
- settlement of the payment leg;

- operation of the DSS;
- Gate 2 and end-state rules; and
- supervision of the DSS.

In addition to PS24/12, the BoE and FCA have also published the:

- joint application form for Gate 1 (entry into the DSS);
- draft Gate 2 application form for firms seeking to be approved as digital securities depositories (DSDs);
- guidance on the operation of the DSS; and
- [Bank of England Digital Securities Sandbox Rules Instrument 2024](#), which sets out the rules that will apply to DSDs at the go-live stage of the DSS.

Payment Services (Amendment) Regulations 2024 published

HM Treasury has published the [final draft](#) of the Payment Services (Amendment) Regulations, which are intended to support efforts to tackle authorised push payment (APP) fraud.

In particular, the draft statutory instrument (SI) amends the Payment Services Regulations 2017 (SI 2017/752) to allow a payer's payment service provider (PSP) with reasonable grounds to suspect fraud or dishonesty to delay executing payment transactions by an additional 72 hours for the purpose of establishing whether the payment order should be executed.

The draft SI also sets out how and when a PSP exercising the ability to delay should notify the payer, as well as a PSP's liability to its payment service user for any charges and interest as a consequence of the delay.

PSR publishes policy on APP scam reimbursement requirement

The Payment Systems Regulator (PSR) has published a policy statement ([PS24/7](#)) on the Faster Payments APP scams reimbursement requirement.

PS24/7 sets out the full policy on the reimbursement requirement, including the maximum level that PSPs will have to reimburse victims of Faster Payments APP scams of GBP 85,000 per claim from 7 October 2024.

The PSR intends to keep the level under review and consider it as part of its 12-month evaluation of the reimbursement policy. While the confirmed maximum level is in line with the current Financial Services Compensation Scheme (FSCS) deposit limit, it will not automatically track any changes to the FSCS limit going forward, but it will be taken into account as part of the review of the maximum level. The Bank of England, as the operator of CHAPS, has also decided to set the maximum level for CHAPS APP scams at GBP 85,000 per claim.

The PSR has reminded payment service providers to prepare and ensure they are ready to implement the requirements.

BaFin updates circular on MaComp

The German Federal Financial Supervisory Authority (BaFin) has published an [updated version](#) of Circular 05/2018 (WA) - Minimum Requirements for the Compliance Function and Additional Requirements Governing Rules of Conduct, Organisation and Transparency (MaComp).

The update follows the publication of the new versions of the ESMA guidelines on MiFID2 product governance requirements and on certain aspects of the MiFID2 suitability requirements. BaFin has incorporated these into Special Part (BT) 5 and (BT) 7.1 of MaComp.

The ESMA guidelines, which have been adopted unchanged in MaComp, contain specifications on product governance requirements and on the suitability test. They seek to prevent conflicts of interest and ensure compliance with the rules on conduct of business. Amongst other things, the changes relate to the collection of information from clients on their sustainability preferences. The new ESMA guidelines have replaced the previous guidelines on MiFID2 product governance requirements and on certain aspects of the MiFID2 suitability requirements.

CSSF publishes communiqué on final CEAOB guidelines on limited assurance on sustainability reporting

The Luxembourg financial sector supervisory authority, the Commission de Surveillance du Secteur Financier (CSSF), has issued a [communiqué](#) on the publication of the final Committee of European Auditing Oversight Bodies (CEAOB) guidelines on limited assurance on sustainability reporting.

The guidelines have been developed by the CEAOB at the request of the EU Commission to help statutory auditors and other assurance service providers in charge of limited assurance engagements introduced by Corporate Sustainability Reporting Directive (CSRD).

Pending the adoption of a standard covering the limited assurance engagement by the EU Commission, the CSSF recommends the use of the guidelines in Luxembourg.

National Working Group on Benchmark Reform launches further consultations on selection of successor to WIBOR

The Steering Committee of the National Working Group on Benchmark Reform (KS NGR) has [decided](#) that a second round of public consultations on the selection of the successor to WIBOR will be held. The consultations are to last until the end of October.

WIRON, WIRON+ and WRR will not be taken into account during the consultations. Instead, the WIRF and WIRF+² indices will be analysed and WIRF- and WIRF+/- have been added.

New public fund depositaries regime comes into effect in Hong Kong

The Securities and Futures Commission (SFC) has [published](#) updated codes, guidelines, forms and checklists as well as new frequently asked questions for implementing the new Type 13 regulated activity (RA 13) regime governing public fund depositaries. Under the new regime, depositaries of SFC-authorized collective investment schemes operating in Hong Kong are required to be licensed by or registered with the SFC to conduct RA 13.

The following updated publications took effect from 2 October 2024:

- codes – (a) Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission; (b) Fund Manager Code of Conduct; (c) Code on Unit Trusts and Mutual Funds as set out in Section II of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products; (d)

Code on Pooled Retirement Funds; and (e) Code on Real Estate Investment Trusts;

- guidelines – Guidelines on Competence;
- forms and checklist – (a) Information Checklist for Application for Authorisation of Unit Trusts and Mutual Funds under the Revamped Process; (b) Confirmation of fulfilment of approval/authorisation conditions; (c) List of Confirmations of Compliance related to Application for Approval of Scheme Change(s) pursuant to 11.1 of the Code on Unit Trusts and Mutual Funds; (d) Compliance Checklist for Application of Pooled Retirement Funds; (e) Checklist for Application for Authorisation of Real Estate Investment Trusts; and
- Guide on Practices and Procedures for Application for Authorisation of Unit Trusts and Mutual Funds.

To facilitate the transition for existing practitioners, the SFC has processed their applications and will grant RA 13 licences or registrations to 19 depositaries under major banking or insurance groups operating in Hong Kong and over 300 of their staff members on the launch date.

The SFC has reminded depositaries licensed or registered for RA 13 that they are required to comply with applicable conduct and regulatory requirements, similar to licensed corporations or registered institutions for other regulated activities.

HKMA concludes consultation on information sharing among authorised institutions to aid in prevention or detection of crime

The Hong Kong Monetary Authority (HKMA) has published the [conclusions](#) of its January 2024 public consultation on proposals for information sharing among authorised Institutions (AIs) on customer accounts to aid in the prevention or detection of financial crime. The proposals are intended to help protect bank customers and the banking system against abuse for fraud, money laundering and terrorist financing (ML/TF). The key points from the conclusions include the following:

- scope – in response to a respondent suggesting the scope of information sharing be extended to proliferation financing (PF) in addition to fraud, ML/TF, the HKMA confirmed that whilst PF cases are relatively rare, it will expand the scope to cover PF;
- voluntary sharing – HKMA confirms sharing to be voluntary, but will consider issuing guidance on when information sharing is appropriate and encourages participation;
- types of information to be shared – there will be flexibility on the types of information to be shared, but it must be limited to what is relevant and necessary to prevent and detect crime. This will be covered in the legislation and guidance;
- tipping off – the legislation will provide that information sharing does not constitute tipping off;
- safeguards – a positive obligation will be introduced to maintain confidentiality of shared information (including adequate systems and controls) together with accompanying enforcement provisions, but other safeguards suggested such as maximum retention periods, and treatment of false positives and victim data are to be further considered;

- **FINEST platform** – both the HKMA and police will continue to have access to this platform. The HKMA's access is for analytics and any necessary supervisory action;
- **technical matters** – the HKMA is reviewing various technical and operational suggestions, including leveraging data from credit reference agencies and restricting data access within AIs and whether to include such suggestions in legislation or guidance; and
- **timeline** – the preparation of the necessary legislative amendments will form part of the overall review of Banking Ordinance which will tentatively be introduced in the Legislative Council in 2025.

HKMA implements first phase of enhancement measures for deposit protection scheme

The HKMA has [announced](#) that the first phase of the enhancement measures for the Deposit Protection Scheme (DPS) came into effect 1 October 2024, following the gazettal of the DPS (Amendment) Ordinance 2024 on 12 July 2024. The enhancement measures include the following:

- raising the deposit protection limit from HKD 500,000 to HKD 800,000 per depositor per bank;
- refining the levy system to enable the DPS fund underpinning the DPS to reach the target fund size within a reasonable timeframe under the increased protection limit; and
- streamlining the negative disclosure requirement on non-protected deposit transactions for private banking customers.

The HKMA has indicated that the second phase of the enhancement measures will come into effect on 1 January 2025. The measures include providing enhanced coverage to affected depositors upon a bank merger or acquisition and requiring scheme members to display the DPS membership sign on their electronic banking platforms.

HKMA issues circular regarding risk associated with third-party IT solutions

The HKMA has issued a [circular](#) on the risk associated with third-party IT solutions and reminded authorised institutions (AIs) to ensure that adequate measures are put in place to effectively manage third-party dependencies and enhance operational resilience against the failure of third-party IT solutions.

In addition to the principles and guidance provided in the HKMA's supervisory policy manual modules, cyber risk assessment framework, and circulars on third-party risk management, the HKMA expects the senior management of AIs to ensure that their institutions take into account certain good industry practices when reviewing and enhancing their risk management controls. The good practices cover the following subject areas:

- reviewing and enhancing third-party risk assessment processes;
- evaluating software update scheduling and monitoring processes;
- implementing testing and rollback procedures;
- adopting gradual deployment strategies;
- managing privileged access;

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- defining communication and escalating protocol for large scale outage of common IT infrastructure;
- identifying critical interdependencies; and
- enhancing the robustness of system backups.