Proskauer

Regulation Round Up

Regulatory & Compliance on **June 2023**

Welcome to the UK Regulation Round Up, a regular bulletin highlighting the latest developments in UK and EU financial services regulation.

Key developments in June 2023:

30 June

MiFIR / MiFID II: The European Parliament published a press release announcing it has reached provisional political agreement with the Council of the EU on the proposed amendments to the Markets in Financial Instruments Regulation (EU/600/2014) ("**MiFIR**") and the MiFID II Directive (EU/2014/65) ("**MiFID II**"), which were introduced to improve access to market data and trade transparency. The European Council also published a press release.

AML: HM Treasury published a consultation on reform of the anti-money laundering ("**AML**") and counter-terrorism financing ("**CTF**") supervisory system, in line with a commitment in the Economic Crime Plan 2023-6.

FCA Handbook: The Financial Conduct Authority ("**FCA**") published Handbook Notice 110, which sets out changes to the FCA Handbook made by the FCA board on

PRA Rulemaking: The Prudential Regulation Authority ("**PRA**") published a consultation paper on its approach to reviewing rules and supervisory statements (referred to as a "rule review") (CP11/23). Appendices have been published separately.

29 June

Financial Services and Markets Bill: The Financial Services and Markets Bill ("**FMSB**"), which makes extensive reforms to the UK's post-Brexit regulatory framework, received Royal Assent.

ESG: The FCA published a letter it has sent to the heads of ESG or sustainable finance at firms involved in the sustainability-linked loans (**"SLLs"**) market, together with a related press release.

International Competitiveness / Growth: The FCA published a speech by Sheldon Mills, FCA Executive Director, Consumers and Competition, on how innovation and regulation in financial services can drive the UK's economic growth in the context of the new secondary objective for the FCA and PRA related to international competitiveness and growth.

Long-Term Asset Funds: The FCA published a policy statement on broadening retail access to the long-term asset fund (**"LTAF"**) (PS23/7), setting out final rules to give retail investors and more defined contribution pension schemes access to LTAFs.

28 June

Cryptoassets: The Law Commission published its final report (accompanied by a summary) setting out its recommendations on changes to the law to ensure it better recognises and protects digital assets (in particular crypto-tokens and cryptoassets).

Consumer Duty: The FCA published a press release highlighting ten questions for firms to ask to help identify and remedy gaps or areas for improvement in their implementation of the consumer duty, which comes into force on 31 July 2023 for new and existing products and services that are open for sale or renewal. The FCA also published the results of a survey sent to some firms relating to their preparedness for the duty.

Exit Planning: The PRA published a consultation paper (CP10/23) on solvent exit planning for non-systemic banks and building societies.

27 June

UK / EU Co-operation: HM Treasury published a press release announcing that the Chancellor of the Exchequer is expected to sign the memorandum of understanding (MoU) on UK-EU regulatory co-operation in financial services at a meeting with Mairead McGuinness, European Commissioner for Financial Services, Financial Stability and CMU.

AML: Commission Delegated Regulation (EU) 2023/1219, which amends Delegated Regulation (EU) 2016/1675 on the list of high-risk third countries with strategic AML and CTF deficiencies produced under Article 9(2) of the Fourth Money Laundering Directive ((EU) 2015/849) (**"MLD4"**), was published in the Official Journal of the European Union.

CRR III / CRD VI: The Council of the EU published a press release announcing that it has reached provisional political agreement with the European Parliament on the proposed Directive amending the CRD IV Directive (2013/36/EU) as regards supervisory powers, sanctions, third-country branches and ESG risks (2021/0341(COD)) ("**CRD VI**") and the proposed Regulation amending the Capital Requirements Regulation (575/2013) as regards requirements for credit risk, credit valuation adjustment (CVA) risk, operational risk, market risk and the output floor ("**CRR III**") (2021/0342(COD)).

CSDR: The Council of the EU published a press release announcing that it has reached provisional political agreement with the European Parliament on the proposed Regulation amending the Central Securities Depositories Regulation (*909/2014*) ("**CSDR**") (2022/0074(COD)).

26 June

ESG: The International Sustainability Standards Board (ISSB) issued the first two IFRS Sustainability Disclosure Standards: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.

AML: HM Treasury updated its Money Laundering Advisory Notice: High Risk Third Countries. The Advisory Notice includes changes made by the Money Laundering and Terrorist Financing (High-Risk Countries) (Amendment) Regulations 2023.

22 June

FCA / SFO Co-operation: The Serious Fraud Office ("**SFO**") published a memorandum of understanding (MoU) that it has entered into with the FCA. This document replaces the Joint Protocol entered into by the FCA and SFO in May 2014.

Digital Currency: The Payment Systems Regulator published its response to the joint consultation paper of BoE and HM Treasury that sets out their assessment of the case for a retail central bank digital currency (a so-called "digital pound").

Digital Financial Markets: The European Securities and Markets Authority ("**ESMA**") published a speech by Verena Ross, ESMA Chair, on the need for a collective effort in building safe digital financial markets.

Single Supervisory Mechanism: The ECB published for consultation a revised version of its guide to internal models under the Single Supervisory Mechanism. The ECB has also published FAQs on the consultation and a press release.

21 June

EMIR 3: The Council of the EU published a progress report (10383/23) to update the Permanent Representatives Council about the Presidency's work on the European Commission's legislative proposals amending a number of aspects of the regulatory framework relating to the European Market Infrastructure Regulation (648/2012) ("**EMIR 3**").

16 June

MiFID II: ESMA published a call for evidence on the integration of sustainability preferences in the suitability assessment and product governance arrangements under the MiFID II.

Eligible Assets Directive: ESMA published a letter (dated 6 June 2023) sent by the European Commission making a formal request to ESMA for technical advice on the review of the Eligible Assets Directive (2007/16/EC).

Financial Resilience: The Bank of England published a speech given by Sarah Breeden, Executive Director, Financial Stability Strategy and Risk, that considers how resilience can be enhanced in non-banks.

14 June

UCITS Directive: ESMA published an updated version of its Q&As (ESMA34-43-392) on the application of the UCITS Directive (2009/65/EC).

AIFMD: ESMA published an updated version of its Q&A (ESMA34-32-352) relating to the application of the AIFMD.

13 June

ESG: The European Commission published a legislative proposal that it has adopted for a Regulation on the transparency and integrity of ESG rating activities (COM(2023)314), together with the Annexes.

ESG: The European Commission approved in principle two draft Delegated Regulations: (i) a draft Taxonomy Environmental Delegated Act, which will set technical screening criteria for economic activities making a substantial contribution to one or more of the non-climate environmental objectives and (ii) a draft Delegated Act which will add further economic activities contributing to climate change mitigation and adaptation to the EU Taxonomy Climate Delegated Act ((EU) 2021/2139).

ESG: The European Commission published a package of measures to build on and strengthen the EU sustainable finance framework.

12 June

CCPs Risk: The European Parliament's Economic and Monetary Affairs Committee published its draft report (PE749.905v01-00) on the European Commission's legislative proposal for a proposed Directive on the treatment of concentration risk towards central counterparties ("**CCPs**") and the counterparty risk on centrally cleared derivative transactions (2022/0404(COD)).

Cryptoassets: Regulation (EU) 2023/1114 on markets in cryptoassets ("**MiCA**") and Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain cryptoassets have been published in the Official Journal of the European Union.

8 June

Cryptoassets: The FCA published a policy statement containing near-final financial promotion rules for cryptoassets (PS23/6) and a guidance consultation on cryptoasset financial promotions (GC23/1).

MiFID II: The Association for Financial Markets in Europe ("**AFME**") published an updated paper setting out its approach to the EU MiFID II product governance and PRIIPs regimes, for equity-linked markets.

Investments Firm Directive: An Implementing Regulation (here) and two Delegated Regulations (here and here) supplementing the Investment Firms Directive ((EU) 2019/2034) (IFD) containing technical standards on colleges of supervisors for investment firm groups and information exchange between competent authorities have been published in the Official Journal of the European Union.

7 June

Cryptoassets: The Financial Services and Markets Act 2000 (Financial Promotion) (Amendment) Order 2023 (SI 2023/612) was published on legislation.gov.uk, with an explanatory memorandum. This relates to the regulation of certain cryptoasset financial promotions.

SFTR: ESMA published an updated version of its Q&As (ESMA74-362-893) on complying with reporting requirements under the Regulation on reporting and transparency of securities financing transactions (*(EU) 2015/2365*) ("**SFTR**").

6 June

ETFs and UCITS: ESMA published a follow-up report (ESMA42-111-7570) to its final report about its peer review on the guidelines on exchange traded funds ("**ETFs**") and other UCITS issues.

2 June

MiFIR: ESMA published a letter it has sent to the European Commission on the transparency regime for single name-credit default swaps and standardised OTC-derivatives under MiFIR.

DLT Pilot Regime Regulation: ESMA published an updated version of its Q&As (ESMA70-460-189) relating to the implementation of the Regulation on a pilot regime for market infrastructures based on distributed ledger technology ((EU) 2022/858) ("**DLT Pilot Regime Regulation**").

FCA Quarterly Consultation: The FCA published its 40th quarterly consultation paper (CP23/14).

1 June

CCPs: ESMA published a final report (ESMA91-372-2557) setting out the framework for its fifth EU-wide stress test exercise for CCPs.

ESG: ESMA published its progress report (ESMA30-1668416927-2498) on greenwashing.

Related Professionals

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