Proskauer

Regulation Round Up

Regulatory & Compliance on **February 2024**

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

Key developments in February 2024:

29 February

FCA Regulation Round-up: The UK Financial Conduct Authority ("**FCA**") published its regulation round-up for February 2024.

LIBOR: The FCA published a report containing the outcome of its review of the use of its power, under Article 23D of the UK Benchmarks Regulation ((EU) 2016/1011) ("**UK BMR**") for three-month synthetic sterling LIBOR.

27 February

Diversity & Inclusion: The House of Commons Treasury Committee published correspondence from the FCA (here) and HM Treasury (here) following up on certain matters discussed at the oral evidence session held on 17 January 2024 as part of its "Sexism in the City" inquiry.

ESG: The Financial Reporting Council ("**FRC**") published a policy update in relation to its review of the UK Stewardship Code.

Money Market Funds: The Financial Stability Board ("**FSB**") published a thematic peer review report on money market fund ("**MMF**") reforms.

26 February

FSMA: A draft version of the Financial Services and Markets Act 2000 (Disapplication or Modification of Financial Regulator Rules in Individual Cases) Regulations 2024 has been published on legislation.gov.uk, alongside an explanatory memorandum.

Artificial Intelligence: The European Central Bank ("**ECB**") published a blog post by Elizabeth McCaul, ECB Supervisory Board Member, on using AI to enhance supervision.

AIFMD II: The Council of the European Union adopted the proposed Directive amending the Alternative Investment Fund Managers Directive (2011/61/EU) ("**AIFMD**") and the UCITS Directive (2009/65/EC) relating to delegation arrangements, liquidity risk management, supervisory reporting, provision of depositary and custody services, and loan origination by alternative investment funds.

G20: The FSB published a letter (dated 20 February 2024) from Klaas Knot, FSB Chair, to G20 finance ministers and central bank governors ahead of their 28 and 29 February 2024 meeting in São Paolo.

23 February

ESG: The UK Government published its response to the House of Commons' Environmental Audit Committee's November 2023 report: "The financial sector and the UK's net zero transition."

22 February

Cryptoassets: The European Commission adopted four Delegated Regulations (here, here, here and here) supplementing the Regulation on markets in cryptoassets ((EU) 2023/1114) ("**MiCA**"). The Delegated Regulations specify certain criteria for classifying asset-referenced tokens and e-money tokens as significant, product intervention powers, supervisory fines and fees.

Cryptoassets: The Law Commission launched a consultation on a new short bill which recognises digital assets as property, following the recommendations in its June 2023 report. The short consultation closes on 22 March 2024.

PRA Rules: The Prudential Regulation Authority ("**PRA**") published a policy statement (PS4/24) on its approach to reviewing its rules, together with a statement on the review of rules.

20 February

Consumer Duty: The FCA published a speech by Sheldon Mills, FCA Executive Director, Consumers and Competition, on the consumer duty. It focuses on implementing the duty for closed products and services, and the progress firms have made to date regarding its implementation for open products and services.

Consumer Duty: The FCA published its findings following a review of firms' implementation of the consumer duty together with a summary of the key information it found. It highlights examples of good practice and areas for improvement. Please refer to our dedicated article on this topic here.

MiFIR / MiFID II: The Council of the EU published a press release announcing that it has adopted the proposed amendments to the Markets in Financial Instruments Regulation (600/2014) ("**MiFIR**") (2021/0385 (COD)) and the MiFID II Directive (2014/65/EU) ("**MiFID II**"), which were introduced primarily to improve access to market data and trade transparency.

AML: The Council of the EU published an information note (6713/24) that includes the final compromise text reflecting the political agreement it reached with the European Parliament in December 2023, on the proposed Regulation establishing the Anti-Money Laundering Authority (2021/0240(COD)).

16 February

Artificial Intelligence: The UK Government published correspondence about the approach to AI regulation from Michelle Donelan, Secretary of State for Science, Innovation and Technology, and Bim Afolami, Economic Secretary to the Treasury and City Minister. The correspondence includes a letter to the FCA and a letter to the Bank of England.

Securitisation: Commission Delegated Regulation (EU) 2024/584 amending regulatory technical standards laid down in Delegated Regulation (EU) 2019/1851 as regards the homogeneity of the underlying exposures in simple, transparent and standardised securitisations has been published in the Official Journal of the European Union.

14 February

AML: The Council of the EU published the texts (here and here) of the political agreement on the proposed AML Regulation (2021/0239(COD)) and the proposed Sixth Money Laundering Directive (MLD6) (2021/0250(COD)).

ESG: The Council of the EU published the text of the political agreement reached on the proposed Regulation on the transparency and integrity of environmental, social and governance ("**ESG**") rating activities (2023/0177(COD)).

Market Conduct and Reporting Issues: The FCA published issue 77 of Market Watch, its newsletter on market conduct and transaction reporting issues.

13 February

MiFID II: ESMA published a public statement on the deprioritisation of supervisory actions on the obligation to publish the best execution reports required under Commission Delegated Regulation (EU) 2017/576 (RTS 28 reports), which supplements the MiFID II Directive (2014/65/EU) in the light of the political agreement on the proposals relating to MiFID II market data access and transparency.

09 February

ESG: The European Parliament and the Council of the EU announced that they had reached a provisional agreement on the proposal to postpone by two years the deadline for adopting European Sustainability Reporting Standards for certain sectors and for certain third-country undertakings. During informal trialogue negotiations, the legal format of the proposal was changed from a Decision to a Directive.

08 February

AML: The FCA published a corporate document on reducing and preventing financial crime which, among other things, identifies four areas of focus for the coming year.

07 February

Artificial Intelligence: The Department for Science, Innovation and Technology published a response to the AI White Paper consultation, announcing AI investment and initiatives.

AIFMD II: The European Parliament adopted the proposed Directive amending the AIFMD and the UCITS Directive (2009/65/EC) relating to delegation arrangements, liquidity risk management, supervisory reporting, provision of depositary and custody services, and loan origination by alternative investment funds.

06 February

Market Abuse: ESMA published a warning raising awareness of some requirements established under the Market Abuse Regulation (596/2014) that apply to the posting of investment recommendations and of the risks of market manipulation when posting on social media.

Artificial Intelligence: The House of Lords published a report on large language models and generative AI which identifies ten priority actions, including support for innovation, better management of immediate risks and protection of copyright.

02 February

Data Reporting: ESMA updated its Q&As on data reporting under the Credit Rating Agencies Regulation (1060/2009), EMIR (648/2012), MiCA and MiFIR.

Reporting Requirements: The European Parliament published the report (2023/0363(COD)) of its Economic and Monetary Affairs Committee on the European Commission's legislative proposal for a regulation amending certain reporting requirements in the fields of financial services and investment support.

ESG: The FCA published a new webpage on its sustainability disclosure requirements and investment labelling regime.

01 February

Overseas Funds Regime: The Financial Services Act 2021 (Overseas Funds Regime and Recognition of Parts of Schemes) (Amendment and Modification) Regulations 2024 (SI 2024/114) have been published, together with an explanatory memorandum.

BigTech: The Joint Committee of the European Supervisory Authorities published a report (JC 2024 02) setting out the results of a stocktake of BigTech direct financial services provision in the EU.

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