



# FIG Bulletin

Recent developments  
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# General

## Financial Services Act 2021 (Commencement No 1) Regulations 2021

The Financial Services Act 2021 (Commencement No 1) Regulations 2021 ([SI 2021/671](#)) have been published. SI 2021/671 is a commencement regulation made under the Financial Services Act 2021 and sets out the following commencement dates for provisions concerning the prudential regulation of investment firms and credit institutions:

- sections 3, 4 and 5 and Schedule 3 of the Act come into force on 9 June 2021. These provisions give HM Treasury the power to make regulations to revoke existing prudential regulation contained in the UK Capital Requirements Regulation (UK CRR) and set out the framework for the Prudential Regulation Authority (PRA) to make rules relating to CRR Basel standards. This includes the introduction of new Part 9D of the Financial Services and Markets Act 2000 (FSMA) on the prudential regulation of credit institutions;
- section 7 and paragraph 12 of Schedule 4 of the Act come into force on 26 June 2021 for the purpose of amending Article 500d of the UK CRR;
- section 2 and Schedule 2 of the Act come into force on 1 July 2021. These provisions set out the legislative framework for the prudential regulation of investment firms, including new Part 9C to FSMA. The Finance Conduct Authority (FCA) and HM Treasury will use this framework to establish the Investment Firms Prudential Regime (IFPR) for FCA investment firms; and
- section 1, Schedule 1 and the remainder of Schedule 4 of the Act come into force on 1 January 2022. These provisions amend the UK CRR to end its application to investment firms, other than PRA-designated firms and to reflect amendments to the EU CRR made by CRR II that the UK intends to implement in the UK CRR rather than through Prudential Regulation Authority (PRA) rules.

## UK taxonomy: HM Treasury establishes Green Technical Advisory Group

HM Treasury has [announced](#) the appointment of the Green Technical Advisory Group (GTAG), an expert group which will provide independent advice to the government on the development and implementation of a UK green taxonomy. It has also published the [terms of reference](#) and a [membership list](#) for the GTAG.

The GTAG will produce a series of issues papers to be delivered according to an indicative timetable agreed after the inaugural meeting of the group in June 2021. It will provide initial recommendations to the government in September 2021.

HM Treasury expects the GTAG to be convened initially for two years, after which its remit and membership will be reviewed. During the first year, the GTAG will meet on a quarterly basis.

## Taskforce on Innovation, Growth and Regulatory Reform report

The Taskforce on Innovation, Growth and Regulatory Reform (TIGRR), which was commissioned by the UK government to identify post-Brexit regulatory reforms, has produced its [report](#). Among other things, the report contains recommendations relating to financial regulation relating to:

- **Encouraging investment by insurers:** the TIGRR recommends amendments to the matching adjustment and risk margins in the UK Solvency II framework, with the aim of releasing capital for investment.

- **Restoring a common law principles-based approach to regulation:** the UK should move away from the highly restrictive EU codified system of rulemaking. By way of example, TIGRR recommends amending the position limits derived from the Markets in Financial Instruments Directive (MiFID) to introduce greater flexibility while preserving protections on critical contracts. It also recommends introducing a more discretionary and judgement-based approach to calculating central counterparty (CCP) margins. As general principles, regulators should scale their support and requirements appropriately to risk and the size of firms, introduce "scaleboxes", put the proportionality principle at the heart of all UK regulation, and build technology-neutral regulatory regimes which focus on goals and outcomes rather than inputs.
- **Supporting FinTech and digitalisation of financial services infrastructure:** among other things, the TIGRR recommends mandating the expansion of Open Banking to Open Finance quickly and taking a more market-led, Australian-style approach; increasing competition in the banking sector by adopting a graduated regulatory approach for challenger banks; reducing anti-money laundering (AML) requirements for new Open Banking or Fintech services; and accelerating plans to develop a central bank digital currency (CBDC), with the launch of a pilot within 12 to 18 months.
- **Amending disclosure and transparency requirements for financial services products:** For example, the TIGRR recommends removing the MiFID-derived requirement to provide costs and charges reports to professional investors and eligible counterparties (ECPs); removing the investment recommendation disclosure requirements from the UK Market Abuse Regulation (UK MAR) for wholesale clients; and restricting the key information document disclosure requirement in the UK PRIIPs Regulation to genuinely complex packaged products; and consider a more proportionate approach to a range of other disclosure and reporting requirements, including under requirements derived from the Cross-border Payments Regulation, the Deposit Guarantee Scheme Directive, the Mortgage Credit Directive and the Payment Accounts Directive.
- **Replace the General Data Protection Regulation with a new UK framework for data protection:** For example, this could include a UK Framework of Citizen Data Rights and amendments to account for the use of AI.

In a [letter](#) to the TIGRR in response to the report, the Prime Minister states that the government will publish a formal response to the report as soon as practicable.

## Tackling financial exclusion: government response to House of Lords Liaison Committee follow-up report

The government has published its [response](#) to the House of Lords Liaison Committee's [third follow-up report](#) on tackling financial exclusion, which was published in April 2021. In the response, the government states that it is committed to tackling financial exclusion and that this remains high up on its agenda, particularly given the impact of COVID-19 on people's personal finances. It has responded to each of the committee's conclusions and recommendations.

## Sam Woods reappointed as PRA Chief Executive and BoE Deputy Governor for Prudential Regulation

HM Treasury has [announced](#) that Sam Woods has been reappointed as the PRA Chief Executive and Bank of England (BoE) Deputy Governor for Prudential Regulation. Mr Woods will serve a second term of five years, from 1 July 2021 to 30 June 2026.

## Digital money: BoE discussion paper and summary of responses to CBDC discussion paper

The BoE has published a [discussion paper](#) on new forms of digital money. It has also published a [summary of responses](#) to its [March 2020 discussion paper](#) on central bank digital currencies.

The discussion paper on new forms of digital money is based on a number of assumptions, such as that new forms of digital money are stable in value, with a retail focus, and are denominated in sterling. It considers the role of money in the economy; public policy objectives; an illustrative example; implications for macroeconomic stability; and the regulatory environment.

Comments can be made on the discussion paper until 7 September 2021. Responses will help inform the BoE's thinking on digital money and support the ongoing work of the recently announced central bank digital currency (CBDC) taskforce, engagement and technology forums.

In its separate [summary](#) of responses to the discussion paper on CBDC, the BoE explains that respondents showed strong agreement that the BoE should, at the very least, be carefully studying CBDC. However, there was a range of views on whether one was ultimately likely to be needed or desirable.

The BoE has identified five core principles from the responses that will guide its future exploration of CBDC. These include financial inclusion being a prominent consideration in the design of any CBDC and, when assessing the case for CBDC, the BoE should assess whether non-CBDC payment innovations could deliver the same benefits.

## BoE and BIS launch Innovation Hub London Centre

The BoE and Bank for International Settlements (BIS) have [announced](#) the launch of a BIS Innovation Hub London Centre, to foster international collaboration on innovative FinTech within the central banking community. The London centre will help advance the Innovation Hub's work on priority themes, which currently focus on six areas:

- use of technological innovation in supervision and regulation (SupTech and RegTech);
- next generation financial market infrastructures;
- CBDCs;
- Open Finance;
- cyber security; and
- green finance.

This is the fourth new innovation hub centre to be opened in the past two years, with existing hubs already established in Basel, Hong Kong and Singapore. BIS also plans to open further new centres in due course including in Toronto, Frankfurt and Paris, and Stockholm.

## Tackling climate change: BoE speech

The Bank of England (BoE) has published a [speech](#) by Andrew Bailey, BoE Governor, about tackling climate change. In the speech, Mr Bailey reflects on central banks' climate-related work to date and considers how it will need to evolve if banks are going to continue to meet their remit.



## **PRA temporary permissions regime: PRA approach to authorising firms**

The PRA has published a [statement](#) providing an update on its approach to authorising firms within the temporary permissions regime (TPR). The PRA explains that it has an extended period to process authorisation applications from EEA banks and insurers in the TPR (currently up to the end of 2023). It has received a considerable volume of applications of varying scale and complexity across a range of different business models, and some firms in the TPR may choose not to apply for authorisation until the end of 2022 (or otherwise as the PRA may direct).

In view of this, the PRA expects to take authorisation decisions on a case-by-case basis, dependent on its resourcing and governance processes. This approach may also result in the PRA taking multiple decisions on the same date. While this means that some firms may receive an authorisation application outcome ahead of others, it states that the timing of authorisation should not be taken as an indication of its view of risks at individual institutions.

The PRA's dedicated [webpage](#) on the TPR contains further information on its approach.

## **FCA quarterly consultation 32**

The FCA has published Quarterly Consultation Paper No. 32, [CP21/16](#), in which it invites comments on proposed miscellaneous amendments to the FCA Handbook in the following sections:

- CONC 6.7.4R to enable firms providing credit cards to offer instalment plans to customers without requiring a rule modification. Comments can be made on these proposals until 2 August 2021;
- CONC to make minor consequential changes arising from the FCA's recent update to the statutory information sheets sent to customers in arrears and default under the Consumer Credit Act 1974. Comments can be made on these proposals until 5 July 2021;
- the Mortgage Lenders and Administrators Return (MLAR) reporting instructions due to the cessation of LIBOR. Comments can be made on these proposals until 2 August 2021; and
- DEPP and FEES as a result of a new power given in the Financial Services Act 2021 to the FCA to cancel or vary FCA-authorised firms' Part 4A permissions. Comments can be made on these proposals until 5 July 2021.

## **FCA regulatory sandbox: successful applicants to seventh cohort**

The FCA has published a [new webpage](#) providing details of the 13 firms that were successful in applying to begin testing in the seventh cohort of the regulatory sandbox.

Although the regulatory sandbox is currently run on a cohort basis, with application windows opened periodically throughout the year, the FCA says that it intends to move to "Always Open" later in 2021 to make the regulatory sandbox available throughout the year. It will also expand and clarify the scope of qualifying propositions. The FCA will make further announcements about these changes.

## **FCA policy development update**

The FCA has updated its policy development update [webpage](#) for June 2021, setting out information on recent and future FCA publications.



## **Pensions consumer journey call for input: FCA and TPR extend deadline for responses**

The FCA has [announced](#) that the deadline for responding to the [call for input](#) it published jointly with The Pensions Regulator (TPR) on the behaviour of consumers at key points in the pension saving journey has been extended by four weeks, to 30 July 2021.

## **MaPS releases Beta MoneyHelper site**

The Money and Pensions Service (MaPS) has [announced](#) that it has released a Beta version of the MoneyHelper consumer [website](#) to share with stakeholders and partners. MoneyHelper is a single access service for people needing pensions and money guidance. It replaces and consolidates the MaPS' legacy brands (Money Advice Service, The Pensions Advisory Service and Pension Wise). Pension Wise will continue to operate as a named service provided by MoneyHelper.

The release of the Beta MoneyHelper site is to allow MaPS to continue testing and to gather feedback ahead of the full consumer launch. MaPS has set a working date of 30 June 2021 for this.

While the Beta MoneyHelper site is live, MaPS will not be promoting it to consumers, and no webpages beyond the homepage will show up on search results. MaPS' legacy brand websites and services will continue to operate during the transition period.

## **Accelerating the S in ESG: IRSG report**

The International Regulatory Strategy Group (IRSG) has published a [report](#) on "Accelerating the S in ESG – a roadmap for global progress on social standards".

Among other things, the report sets out recommendations for how public policy, companies and financial markets participants can drive more socially sustainable investment. These include pursuing global consensus on social principles, developing minimum standards for social issues, choosing a single social principle (such as modern slavery) to drive momentum, and using legislation to drive socially sustainable finance. Specifically, financial institutions should act as a catalyst of change by applying consistent standards across all jurisdictions they operate in to raise social standards. They should "use the levers available to them to engage and promote best practice across their own activities, their supply chains and in the business they facilitate".

## **Taxonomy Regulation: European Commission adopts Taxonomy Climate Delegated Act**

The European Commission has updated a [webpage](#) to confirm it has adopted Commission Delegated Regulation supplementing the Taxonomy Regulation relating to climate change mitigation and adaptation (known as the Taxonomy Climate Delegated Act).

The [text](#) of the adopted Taxonomy Climate Delegated Act has also been published (along with [Annex 1](#) and [Annex 2](#) to it). The legislation contains a set of technical screening criteria that define which activities contribute to environmental objectives contained in the Taxonomy Regulation (climate change adaptation and climate change mitigation).

The Taxonomy Climate Delegated Act will enter into force 20 days after it has been published in the Official Journal of the European Union (OJ). It will apply from 1 January 2022.

## Taxonomy Regulation: European Commission publishes EU Taxonomy Compass

The European Commission has [announced](#) the publication of its [EU Taxonomy Compass](#), which provides a visual representation of the content of the EU Taxonomy, starting with the Taxonomy Climate Delegated Act.

The EU Taxonomy Compass provides a visual representation of the contents of the EU Taxonomy. It aims to enable a variety of users to access the contents of the EU Taxonomy more easily, by allowing them to check which activities are included in the EU Taxonomy (taxonomy-eligible activities), which objectives they substantially contribute to and what criteria they have to meet. It also aims to make it easier to integrate the criteria into business databases and other IT systems by including a number of download options.

The Commission explains that, to start with, the EU Taxonomy Compass covers the Taxonomy Climate Delegated Act (see report above), which was adopted on 4 June 2021 but has not yet entered into force. However, it plans to update the Compass over time to include future delegated acts specifying technical screening criteria for additional economic activities substantially contributing to the climate objectives and the other environmental objectives of the Taxonomy Regulation. It will also reflect any future reviews of the delegated acts.

## DORA: ECB opinion on proposed Regulation and Directive

The European Central Bank (ECB) has published an [opinion](#) on the proposal for a Regulation on digital operational resilience for the financial sector (DORA) and the related proposal for a Directive that clarifies and amends certain existing EU financial services Directives to align them with the proposed Regulation. Points of interest in the opinion include the following:

- the ECB welcomes the proposed Regulation. In particular, it welcomes the aim of the proposed Regulation to remove obstacles to, and improve the establishment and functioning of, the internal market for financial services by harmonising the rules applicable in the area of information and communication technology (ICT) risk management, reporting, testing and ICT third-party risk;
- the ECB suggests that the EU legislative bodies reflect further on potential inconsistencies between the proposed Regulation and the Network and Information Security Directive (NIS Directive) that may hamper the harmonisation and reduction of overlapping and conflicting requirements for financial entities. It also suggests that there should be greater coordination between the proposed Regulation and the proposed NIS2 Directive to clarify the exact scope of reporting to which any given financial entity may be subject.
- the ECB states that further clarification and reflection by the EU legislative bodies is warranted on the interplay between the proposed Regulation and the regulatory technical standards supplementing the Central Securities Depositories Regulation (CSDR) to avert the risk of conflicting requirements. Also, it should be clarified that exemptions granted to CSDs operated by certain public entities under the CSDR are extended under the proposed Regulation; and
- the requirements related to ICT risk for the financial sector are currently spread over a number of pieces of EU legislation and soft law instruments (such as European Banking Authority guidelines) and are diverse and occasionally incomplete. In some cases, ICT risk has only been implicitly addressed as part of operational risk, whereas in others it has not been addressed at all. This should be remedied by aligning the proposed Regulation and relevant legislation.

Where the ECB recommends that the proposed Regulation is amended, it has set out specific drafting proposals in a technical working document (at the end of the opinion) accompanied by explanatory text.

## **CRR and Solvency II: Joint Committee of ESAs final reports on amending ITS on mapping credit assessments of ECAIs**

The Joint Committee of the European Supervisory Authorities (ESAs) has published the following final reports on the mapping of external credit assessment institutions' (ECAIs) credit assessments:

- a [final report](#) on draft implementing technical standards (ITS) amending Implementing Regulation (EU) 2016/1799 on the mapping of ECAIs' credit assessments under Article 136(1) and (3) of the Capital Requirements Regulation (CRR). The ITS reflect a mandate in Article 136(1) of the CRR; and
- a [final report](#) on draft ITS amending Implementing Regulation (EU) 2016/1800 on the allocation of credit assessments of ECAIs to an objective scale of credit quality steps in accordance with the Solvency II Directive. These ITS reflect a mandate in Article 109a(1) of the Solvency II Directive.

The ITS have been amended following the recognition of two new credit rating agencies (CRAs) and the de-registration of a number of CRAs. The amendments reflect the allocation of appropriate risk weights to the newly established ECAIs, and remove reference to the de-registered CRAs. They also reflect the outcome of a monitoring exercise on the existing mappings, based on the additional quantitative and qualitative information collected after the original Implementing Regulation entered into force. In particular, the ESAs propose to change the credit quality step allocation for two ECAIs, and to introduce new credit rating scales for nine ECAIs.

The ESAs have also published individual draft [mapping reports](#) showing how the methodology was applied to produce the amended mappings.

The ITS will be submitted to the European Commission for endorsement, following which they will be published in the OJ. The ITS will apply 20 days following their publication in the OJ.

## **CRD: EBA consults on threshold for reclassification of investment firms as credit institutions**

The European Banking Authority (EBA) has published a [consultation paper](#) on regulatory technical standards (RTS) on the reclassification of investment firms as credit institutions.

Article 8a of the Capital Requirements Directive (CRD), which was introduced by the Investment Firms Directive (IFD), specifies the triggers for when a systemically important investment firm must seek authorisation as a credit institution. Broadly, the trigger is that the average of the firm's monthly total assets, calculated over a period of 12 consecutive months on a solo consolidated basis, is equal to or exceeds EUR30 billion. Article 8a(6)(b) mandates the EBA to produce RTS on the calculation of the EUR30 billion threshold.

In the draft RTS, the EBA sets out provisions on calculation of the value of assets for determining the threshold. The RTS cover issues including the concept of consolidated assets, the accounting standards for determining asset values, the procedure to calculate the total assets on a monthly basis and the treatment of assets of branches of third country groups.

The deadline for responses is 17 July 2021. The EBA intends to finalise the RTS and submit them to the European Commission in early Q4 2021. This is the second consultation on these RTS.

## **G7 finance ministers and central bank governors communique**

The G7 finance ministers and central bank governors have issued a [communique](#) following their June 2021 meeting in London. In the communique, among other things, the ministers and governors:

- commit to properly embed climate change and biodiversity loss considerations into economic and financial decision-making, including addressing the macroeconomic impacts and the optimal use of the range of policy levers to price carbon;
- emphasise the need to green the global financial system so that financial decisions take climate considerations into account. They support moving towards mandatory climate-related financial disclosures that provide information for market participants, which are based on the Task Force on Climate-related Financial Disclosures (TCFD) framework, and agree on the need for a baseline global reporting standard for sustainability;
- recognise that climate change poses increasing physical and transition risks to regulated financial institutions and to financial stability, and that these risks have distinct characteristics. G7 authorities consider it important for financial firms to manage the financial risks of climate change using the same risk management standards as applied to other financial risks. G7 central banks will consider using scenarios published by the Network for Greening the Financial System (NGFS). The work of the Financial Stability Board (FSB) and the G20 Sustainable Finance Working Group (SFWG) is supported;
- commit to work together to consider the wider policy implications of CBDCs. CBDCs should be resilient and energy-efficient, support innovation, competition, inclusion, and could enhance cross-border payments. Conclusions on common principles are due to be published later in 2021; and
- reiterate that no global stablecoin project should begin operation until it adequately addresses relevant legal, regulatory, and oversight requirements through appropriate design and by adhering to applicable standards.

## **Climate-related metrics, financial impacts, targets and transition plans: TCFD consults on guidance**

The TCFD has published a [consultation](#) on its [Proposed Guidance on Climate-related Metrics, Targets, and Transition Plans](#) and published [Measuring Portfolio Alignment: Technical Supplement](#).

The consultation closes on 7 July 2021 and the TCFD aims to finalise the guidance in autumn 2021.

## **Climate scenarios for climate risk assessments: NGFS updates**

The NGFS has published:

- a new [set of climate scenarios](#). This second set builds on the first set (which were published in June 2020) by incorporating countries' commitments to reach net-zero emissions and by covering more macroeconomic variables. The six climate scenarios aim to explore the impacts of climate change and climate policy and provide a common reference framework. Each NGFS scenario explores a different set of assumptions for how climate policy, emissions, and temperatures evolve, and are characterised by their overall level of physical and transition risk; and

- a [website](#), which aims to act as a portal to NGFS scenarios. The website also hosts related NGFS publications and data (including physical risk data).

Although the climate scenarios have been primarily developed for central banks and supervisors, they can also be used by financial institutions. A related [press release](#) explains the scenarios and highlights some key themes which can be used to help set more granular targets, enhance strategic thinking, and form a part of climate-related financial disclosures.

The NGFS plans to continue developing the scenarios and is due to work with industry ahead of COP26 in November 2021 to ensure the scenarios are suitable for wider use.

## **Developing climate finance taxonomies: GFMA guiding principles**

The Global Financial Markets Association (GFMA) has published a [paper](#) containing global guiding principles for developing climate finance taxonomies. The GFMA calls on global policymakers, standard setters, and market participants to agree on a minimum set of global guiding principles and definitions to underpin all existing and new taxonomies across regions and to align their taxonomies to globally consistent definitions to promote this common understanding.

## **Outsourcing and third-party relationships: FSB overview of responses to discussion paper**

The Financial Stability Board (FSB) has published a [note](#) providing an overview of the responses it received to its November 2020 [discussion paper](#) on regulatory and supervisory issues relating to outsourcing and third-party relationships. Respondents generally welcomed the discussion paper and agreed with the challenges and issues it identified. They suggested the following measures to address these challenges and issues:

- the development of global standards (which could include both regulatory and industry standards) on outsourcing and third-party risk management. These standards should be proportionate to the complexity, size, nature and risk profile of different financial institutions and they should be principles-based, outcomes-focused and proportionate to the criticality of the functions, services or technologies provided or supported by third parties;
- the adoption of consistent definitions for terms such as "outsourcing" and "third-party relationships", so it is clear what activities are in scope of regulation;
- the use of pooled audits (that is, collaborative assessments of common third-parties carried out by groups of financial institutions or experts appointed on their behalf) as an effective form of third-party risk management that can help to reduce the burden on the relevant stakeholders;
- the use of certificates and reports provided by third-party service providers evidencing compliance with internationally-recognised standards as a way to promote a consistent approach to financial institutions' oversight of third-parties;
- the establishment by financial institutions of an inventory of services and technologies provided by third parties (including key entities involved in their supply chains) to map their dependency on third parties, and the enhancement of supervisory authorities' oversight of third-party service providers; and
- the creation of a regular international forum (or public-private global working group) to exchange views and best practices on cross-border issues associated with outsourcing and third-party relationships.

# Banking and Finance

## Draft Bank of England Act 1998 (Macro-prudential Measures) (Amendment) Order 2021 published

A [draft version](#) of the Bank of England Act 1998 (Macro-prudential Measures) (Amendment) Order 2021 has been published, together with a draft [explanatory memorandum](#). The draft Order sets out amendments to the statutory instruments that give the Financial Policy Committee (FPC) the power to direct the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) to take action with respect to specified prudential measures. The intention of these amendments is to ensure that those statutory instruments appropriately track the PRA's new powers that are being introduced under the Financial Services Act 2021 in relation to sectoral capital requirements, mortgage lending and the leverage ratio.

### Overseas IRB models for credit risk: PRA PS13/21

Following its consultation in CP16/20, the Prudential Regulation Authority (PRA) has published a policy statement, [PS13/21](#), on its approach to overseas internal ratings based (IRB) models for credit risk. PS13/21 also contains the PRA's final policy in the form of an updated supervisory statement, [SS11/13](#), on IRB approaches, which is effective from 1 July 2021.

Three changes have been made to the draft amendments to SS11/13 in light of the responses the PRA received to consultation. These are:

- the aggregate amount of credit risk risk-weighted assets (RWAs) derived using overseas models, and aggregate amount of exposure value allowed on the OMA, has been increased from 5% to 7.5%;
- the scope of asset classes eligible for the overseas model approach (OMA) has been expanded to include corporate small and medium-sized enterprises (SMEs); and
- a definition of the overseas models' exposure value measure has been introduced.

In light of PS13/21, for existing overseas IRB models built to non-UK requirements that are not currently used for UK consolidated capital requirements, there are two options:

- firms that wish to use the OMA can now submit applications using the [updated pro forma](#) on the PRA's website. The implementation date for the changes is 1 July 2021; and
- firms that do not wish to use the OMA can continue not to use it for UK consolidated capital requirements.

For existing overseas IRB models built to non-UK requirements that are already used for UK consolidated capital requirements, there are three options:

- if these models meet the new OMA criteria, they can continue to be used for UK consolidated capital requirements. Firms should submit a self-attestation that the criteria are met;
- if these models do not meet the OMA criteria from 1 July 2021, firms may need to remediate these models to meet UK IRB requirements or the criteria for the OMA. The PRA expects those models that do not meet the criteria to be remediated by 1 January 2023; and
- if firms do not wish to use these models on the OMA, they will need to develop models that meet UK IRB requirements and to discuss this with their supervisor.



## RFRWG Best Practice Guide for GBP Loans and GBP Loan Market Q&A updates

The Working Group on Sterling Risk-Free Reference Rates (RFRWG) published a revised version of its [Best Practice Guide for GBP Loans](#). The guide addresses conventions for new sterling SONIA-referencing loans (including refinancing and renewals) and for transitioning legacy sterling LIBOR-referencing loans. This update deals with calculating SONIA-based cost of carry for loans traded on the secondary market.

The RFRWG has also updated its [GBP Loan Market Q&A for the Working Group's end-Q1 2021 recommended milestone](#) to include a new question 8 about how the milestone affects existing facilities with extension options.

## Access to Banking Standard review: LSB consultation

The Lending Standards Board (LSB) has published a [consultation paper](#) on its review of the Access to Banking Standard. The Standard is an industry agreement with 12 banks signed up to it. The Standard is intended to ensure that customers are well-informed about branch closures and the options they have to access banking services. The LSB is responsible for monitoring the application of the Standard by firms. As the Standard has now been in place for four years, the LSB considers it appropriate to conduct a review to understand its effectiveness, take into account recent developments and consider whether any changes to the Standard are required.

In the consultation, the LSB seeks views on:

- implementation of the Standard;
- changes in the provision and use of banking services; and
- changes to the regulatory environment.

The consultation closes on 4 August 2021. The LSB intends to publish a final report with recommendations to UK Finance (which is responsible for the content of the Standard), firms signed up to the Standard, and, if appropriate, to the LSB itself and other relevant stakeholders.

## CRR: Delegated Regulation with RTS on standardised approach for counterparty credit risk

[Delegated Regulation \(EU\) 2021/931](#) supplementing the EU Capital Requirements Regulation (CRR) with regard to regulatory technical standards (RTS) on the standardised approach for counterparty credit risk has been published in the Official Journal of the EU (OJ). The RTS specify the method for identifying the material risk drivers of derivative transactions on the basis of which the mapping to one or more of the risk categories set out in Article 277 of the CRR is to be done.

The Delegated Regulation will enter into force on 30 June 2021.

## CRR: Delegated Regulation with RTS relating to economic downturn

[Commission Delegated Regulation \(EU\) 2021/930](#) supplementing the CRR with regard to RTS specifying the nature, severity and duration of an economic downturn referred to in Article 181(1), point (b), and Article 182(1), point (b), of the CRR has been published in the OJ.

Articles 181(3)(a) and 182(4)(a) of the CRR empower the European Commission to adopt delegated acts specifying the nature, severity and duration of an economic downturn to be taken into account for the estimation of loss given default (LGD) and conversion factors (CFs)

appropriate for an economic downturn, where LGD and CFs are estimated under the internal ratings based (IRB) approach.

The Delegated Regulation will enter into force on 30 June 2021. It will apply from 1 January 2021.

### **CRD: Delegated Regulation with RTS on criteria to identify material risk takers for remuneration purposes**

[Commission Delegated Regulation \(EU\) 2021/923](#), which contains RTS supplementing the remuneration provisions in the Capital Requirements Directive (CRD) has been published in the OJ.

Article 94(2) of the CRD was amended by CRD V to require the European Banking Authority (EBA) to develop RTS specifying the criteria for identifying staff members whose professional activities have a material impact on an institution's risk profile (material risk takers).

Accordingly, the Delegated Regulation sets out provisions on:

- the criteria for determining whether the professional activities of staff members have a significant impact on the relevant material business unit's risk profile;
- staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as senior management and staff entitled to significant remuneration;
- quantitative and qualitative criteria for determining whether staff members have a material impact on an institution's risk profile; and
- calculation of the average total remuneration for members of the management body and senior management and of variable remuneration awarded.

The Delegated Regulation repeals and replaces Delegated Regulation (EU) 604/2014, which contains RTS on the same issue. The Delegated Regulation entered into force and applied from 14 June 2021. Delegated Regulation (EU) 604/2014 will continue to apply to investment firms until 26 June 2021.

### **SSM: ECB Regulation amending Regulation on reporting of supervisory financial information**

European Central Bank (ECB) [Regulation \(EU\) 2021/943](#) (the Amending Regulation) has been published in the OJ. The Amending Regulation amends ECB Regulation (EU) 2015/534 on the reporting of supervisory financial information (Financial Reporting Regulation) to:

- reflect the repeal and replacement of Commission Implementing Regulation (EU) 680/2014 by Commission Implementing Regulation (EU) 2021/451, with effect from 28 June 2021; and
- update cross-references to refer to Commission Implementing Regulation (EU) 2021/451.

The Amending Regulation enters into force on 19 June 2021 and applies from 28 June 2021.

### **SSM: ECB consults on revised fit and proper guide and questionnaire**

The ECB is [consulting](#) on revisions to its [guide to fit and proper assessments](#) and a [fit and proper questionnaire](#) for members of the management bodies of significant credit institutions under the Single Supervisory Mechanism (SSM).

The aim of the revisions is to "raise the bar, increase transparency and improve the quality and efficiency of fit and proper assessments and processes". They also introduce supervisory expectations on climate-related and environmental risks and explain the ECB's approach to diversity (the ECB has published a [blog post](#) on why it is seeking greater diversity in banks).

The deadline for comments is 2 August 2021.

## **Secondary markets for NPLs: European Commission consults on improving transparency and efficiency**

The European Commission has published a [targeted consultation](#) on improving transparency and efficiency in secondary markets for non-performing loans (NPLs). The consultation is in two main sections, focussing on:

- establishing a data hub at European level; and
- reviewing Pillar 3 disclosures.

Stakeholders are also invited to highlight to the Commission any other regulatory impediments that could be addressed through this initiative.

The consultation closes on 8 September 2021.

## **BRRD II and CRD V transposition infringement proceedings**

The European Commission has announced that due to the lack, or delay, of the notification of national transposition measures, or their incompleteness, relating to the amended Bank Recovery and Resolution Directive (BRRD II) and the updated Capital Requirements Directive (CRD V), infringement proceedings for non-communication of national transposition measures are pending against various EU member states. The amendments to the Directives had to be transposed by member states by 28 December 2020.

The member states are listed on webpages setting out the transposition status for [BRRD II](#) and [CRD V](#). Infringement proceedings are pending against 21 member states in respect of BRRD II and 20 member states in respect of CRD V.

## **Cost of complying with supervisory reporting requirements: EBA report**

The EBA has published a [report](#) following a study of the cost of compliance with supervisory reporting requirements.

This report (prepared on the basis of Article 430(8) of the CRR) analyses EEA credit institutions' experience with the EBA supervisory reporting requirements and process. It focuses on the costs and challenges they face in that process. In the report, the EBA sets out 25 recommendations to further improve the supervisory reporting process. It states that the combined effect of the identified recommendations could reduce the reporting costs faced by firms by up to 15-24%.

The study also identified the need to remove barriers to the wider adoption by institutions of FinTech and RegTech solutions as well as to promote better digitalisation of the institutions' internal documents and contracts.

The report focuses on identifying savings in reporting costs for small and non-complex institutions. However, the recommendations will improve reporting requirements and processes for all institutions. The EBA also considered the needs of the supervisory users of reporting throughout.

The recommendations will be incorporated into the EBA's work programme to be implemented as part of its ongoing work. Figure 29 in the report sets out a tentative calendar for implementing the recommendations.

Certain recommendations would lead to specific policy products, such as amendments to the implementing technical standards on supervisory reporting, or guidelines and recommendations for the resubmission policies. Any changes to these will follow the usual policy development process.

## **EBA methodological guide on risk indicators and detailed risk analysis tools updated**

The EBA has published an [updated version](#) of its methodological guide on risk indicators and detailed risk analysis tools (DRATs). It has updated the guide to include additional indicators about the COVID-19 pandemic, funding plans, resolution, and remuneration. It has also updated indicators on profitability, exposures to sovereign counterparties and own funds requirements for operational risk.

The updated guide is based on the EBA reporting framework version 2.10.

The main purpose of the guide is to serve EBA compilers of risk indicators and internal users presenting risk indicators and DRATs. To this end, the EBA has also published an [updated list](#) of EBA risk indicators and DRATs.

In addition, it provides guidance on indicators' concepts, data sources (that is, precise implementing technical standards (ITS) data points involved in their calculation), techniques on which they are computed, and clarity on methodological issues that may assist in their accurate interpretation and use.

The guide is not intended to bind competent authorities and, therefore, it is not mandatory, but only aims at supporting computation of indicators, consistent with EBA publications. It is a living document, which may evolve periodically, reflecting new experiences and user needs or changes in EU supervisory reporting (that is, ITS on supervisory reporting).

## **Crowdfunding Regulation: EBA consults on draft RTS on individual portfolio management loans**

The EBA is [consulting](#) on draft RTS under the Regulation on European crowdfunding service providers for business (Crowdfunding Regulation). Among other things, the draft RTS specify the information that crowdfunding service providers offering individual portfolio management of loans must provide to investors in relation to the method to assess credit risk and on each individual portfolio.

The consultation closes on 4 September 2021. The EBA intends to submit the final draft RTS to the European Commission in October 2021.

## **Prudential treatment of cryptoasset exposures: BCBS consultation**

The Basel Committee on Banking Supervision (BCBS) has published a [consultative document](#) on the prudential treatment of banks' cryptoasset exposures. The consultation paper builds on the BCBS's December 2019 discussion paper and the responses it received.

The BCBS explains that its proposed prudential treatment of cryptoassets is guided by the following general principles:

- same risk, same activity, same treatment;
- simplicity; and
- minimum standards.

In the consultation paper, the BCBS divides cryptoassets into two groups. In the first group are those eligible for treatment under the existing Basel framework (with some modifications), such as stablecoins. The second group comprise those, such as bitcoin, that are not eligible and would therefore be subject to a new conservative prudential treatment.

The paper is organised as follows:

- section 1 sets out a general approach for determining minimum risk-based capital requirements, where cryptoassets are screened and classified into the two groups;
- section 2 sets out the capital requirements for those cryptoassets that meet all of these classification conditions, termed Group 1 cryptoassets;
- the minimum risk-based capital requirements for cryptoassets that do not meet any of the classification conditions (termed Group 2 cryptoassets) are outlined in section 3;
- section 4 sets out other regulatory requirements (i.e. leverage ratio, large exposures, liquidity ratios) for all cryptoassets;
- section 5 sets out the responsibilities of banks and supervisors for the supervisory review; and
- section 6 sets out disclosure requirements for all cryptoassets.

Responses are requested by 10 September 2021. The BCBS is of the view that policy development for cryptoasset exposures is likely to be an iterative process, involving more than one consultation.

# Payments

## Hogan Lovells Global Payments Newsletter: June 2021

We have published our latest [Global Payments Newsletter](#) which reports on key developments of interest to the payments sector over the last month, including:

- Hong Kong: FSTB publishes consultation conclusions on virtual asset services providers licensing regime;
- Europe: European Commission publishes proposal for Regulation establishing European Digital Identity framework; and
- India: Reserve bank confirms that cryptocurrencies are not outlawed in India for the moment.

### PSR consults on strategy for next five years

The Payments Systems Regulator (PSR) has published a consultation paper, [CP21/7](#), setting out its proposed strategy. In its consultation, the PSR identifies four strategic outcomes that it wants to achieve in the next five years and proposes four corresponding strategic priorities to enable it to deliver against those outcomes.

Its proposed outcomes are that:

- all users have access to payment services that meet their needs in terms of functions, quality, cost and other relevant factors;
- users' interests are adequately protected when using payment systems so that they can use systems and services with confidence;
- payment systems are designed and operated to enable effective competition in the provision of payment services; and
- payment systems are efficient and commercially sustainable.

Its proposed priorities are to:

- ensure users have continued access to payment services they rely upon and to support effective choice of alternative payment options;
- ensure users are sufficiently protected when using the UK's payment systems now and in the future;
- promote competition in markets and protect users where that competition is insufficient, including between payment systems within the UK and in the markets supported by them; and
- ensure the renewal and future governance of the UK's interbank payment systems supports innovation and competition in payments.

The consultation closes on 10 September 2021. The PSR aims to publish the final version of its strategy before the end of 2021.

### CRM code for APP scams: results of LSB follow-up review of firms' approach to reimbursement of customers

The Lending Standards Board (LSB) has published a [summary report](#) on its follow-up review of firms' approach to reimbursement of customers under provision R2(1)(c) of the contingent reimbursement model code for authorised push payment (APP) scams (CRM code).



The LSB committed to carry out the follow-up review after undertaking an [initial review](#) of this area in 2019. The follow-up review was due to be completed in summer 2020 but was delayed due to the impact of COVID-19. The aim of the follow-up review was to assess individual firms' progress in implementing and embedding required actions from the initial review.

In its follow-up review, the LSB found that there have been varying degrees of progress made with respect to individual firm action plans from the initial review, and as a result, many actions remain open. From a total of 86 actions across all firms, there remain 46 still open. The LSB states that this is not the level of progress in implementing actions that it expected. Overall, it states that there appears to be a significant disconnect between the actions firms purport to have taken and the results of its validation exercise.

In addition to key themes from the initial review not being fully remediated, the LSB has identified other areas of concern during this follow-up review which are detailed in the report. The LSB emphasises that it is concerned that these combined findings are likely to cause failures in the ability of firms to provide good outcomes for customer. As such, it has issued individual report letters to each firm and written to their Chief Executive clearly setting out its expectations of each firm's compliance with the LSB's requirements and deadlines for remediation.

### **Proposed codified EU Regulation on cross-border payments: JURI report**

The European Parliament's Legal Affairs Committee (JURI) has published a [report](#) on the European Commission's legislative proposal for a Regulation on cross-border payments in the EU, codifying and replacing the existing Regulation on cross-border payments.

The report, which was prepared by Rapporteur Karen Melchior, states that the European Parliament should adopt the European Commission's legislative proposal for the proposed Regulation as its own position at first reading, as adapted to the recommendations of the Consultative Working Party of the legal services of the European Parliament, the Council and the Commission (as set out in the Annex to the draft report). The report contains a draft European Parliament legislative resolution setting out this position.

The European Parliament's [procedure file](#) for the proposed Regulation indicates that it will be considered in plenary on 23 June 2021.

### **PSD2: EBA final report and revised guidelines on major incident reporting**

Following its October 2020 consultation, the European Banking Authority (EBA) has published its [final report](#) containing revised guidelines on major incident reporting under the revised Payment Services Directive (PSD2). The report includes a summary of the feedback received in response to the consultation, together with the EBA's response. In the light of the comments received, the EBA has introduced some changes to the guidelines.

The guidelines apply to the classification and reporting of major operational or security incidents in accordance with Article 96 of PSD2. They optimise and simplify the reporting process and templates, focus on incidents with significant impact on payment service providers (PSPs), and improve the meaningfulness of the information to be reported. The revised guidelines are also estimated to reduce the reporting burden for PSPs.

The guidelines will be translated into the official EU languages and published on the EBA website. They will apply from 1 January 2022.

## SCA for e-commerce card-based payments transactions: EBA report

The EBA has published a [report](#) on data provided by PSPs to national competent authorities (NCAs) on their readiness to apply strong customer authentication (SCA) for the subset of payment transactions that are e-commerce card-based payment transactions under PSD2. The EBA and NCAs assessed the data received from PSPs across the EU for the reporting periods in 2020 and an additional reporting period in April 2021 and developed this report.

The report covers the readiness of the industry to apply SCA for e-commerce card-based payment transactions from the perspective of issuing and acquiring PSPs (including merchants) and the impact of the SCA migration on fraud rates.

Overall, the EBA reports that, based on the date reported, large sections of the industry appear to be prepared for the application of SCA to e-commerce card-based transactions. However, PSPs in some jurisdictions are lagging behind others in enabling SCA on their payment cards and enrolling payment service users to SCA-compliant authentication solutions or initiating SCA-compliant transactions. Also, while the SCA non-compliant transactions have decreased significantly, their levels in some jurisdictions remain relatively high.

# Securities and Markets

## CMU: European Commission toolkit of indicators for monitoring progress

The European Commission has published a [staff working document](#) containing a toolkit of indicators for monitoring progress on the Capital Markets Union (CMU). The purpose of the indicators is to monitor progress towards the CMU objectives, to provide a framework for the analysis of capital market developments and to identify areas where existing policies may need to be adjusted or new policies may need to be developed.

The Commission intends to revise the toolkit annually. Its aim is for the toolkit to be a dynamic document, with new indicators added or existing indicators replaced with more suitable ones if more or better data become available.

## EMIR: Delegated Regulation extends clearing obligation exemption for pension scheme arrangements for further year

[Commission Delegated Regulation \(EU\) 2021/962](#) extending the transitional period under Article 89(1) of the European Market Infrastructure Regulation (EMIR) has been published in the Official Journal of the EU (OJ). The Delegated Regulation extends the central clearing exemption for pension scheme arrangements by a further year until 18 June 2022.

It entered into force on 17 June 2021.

## EMIR: ESMA statement on FRANDT commercial terms for clearing services

The European Securities and Markets Authority (ESMA) has published a [statement](#) on the requirement to provide clearing services for OTC derivatives on terms that are to be considered to be fair, reasonable, non-discriminatory and transparent (FRANDT).

The EMIR Refit Regulation inserted Article 4(3a) into EMIR, introducing an obligation on clearing members and clients providing clearing services to provide those services under FRANDT commercial terms. The deadline for complying with this obligation was 18 June 2021.

ESMA refers to the [Delegated Regulation](#) adopted by the European Commission on 2 June 2021, specifying the conditions under which the commercial terms are to be considered to be FRANDT, and acknowledges that, although it cannot be known when the Delegated Regulation will start to apply, this will likely happen after 18 June 2021. This could cause a timing gap during which clearing members and clients would need to provide clearing services in accordance with FRANDT commercial terms before the Delegated Regulation specifying the conditions under which the commercial terms are to be considered to be FRANDT has entered into force.

Neither ESMA nor competent authorities possess any legal power to disapply the legislation or to delay the start of the obligations. Any change to the application of the rules would need to be implemented through EU legislative process.

Accordingly, ESMA encourages market participants to prepare to comply with the upcoming regulatory obligations set out in Article 4(3a) of EMIR. However, ESMA also acknowledges the challenges that certain clearing members and clients may face in doing this before the Delegated Regulation has entered into force. ESMA therefore states that it expects competent authorities not to prioritise their supervisory actions towards clearing members and clients expected to provide clearing services in accordance with FRANDT commercial terms before the date the Delegated Regulation will apply, and to carry out their risk-based supervisory powers in their day-to-day enforcement of applicable legislation in this area in a proportionate manner.

## EMIR: ESMA launches 2021 CCPs stress test

ESMA has published a [final report](#) containing the framework for the 2021 EU-wide stress test exercise for central counterparties (CCPs). The framework document explains the design of the new stress test exercise, including its scope, methodology, expected deliverables and the implementation plan.

The 2021 stress test addresses credit and concentration risks, and uses improved methodologies, including lessons learned from previous exercises, such as assessing the combination of concentration costs and credit losses when liquidating defaulting portfolios or including an intraday exercise for credit. For the first time, the exercise also covers operational risk.

The exercise will cover the 13 CCPs authorised in the EU and the two UK CCPs classified as Tier 2 third country CCPs (LCH Ltd and ICE Clear Europe Ltd). Publication of the final report and results is scheduled to take place in the second half of 2022.

## Fallbacks for LIBOR ICE Swap Rates: ISDA consultation

ISDA has launched a [consultation](#) on how to implement fallbacks for GBP LIBOR ICE Swap Rate (GBP LIBOR ISR) and USD LIBOR ICE Swap Rate (USD LIBOR ISR). Both rates are published by ICE Benchmark Administration (IBA).

Following the Financial Conduct Authority's (FCA's) announcement, in March 2021, on the future cessation and/or loss of representativeness of LIBOR, IBA consulted on its decision to stop publishing GBP LIBOR ISR at the end of 2021. Although IBA's consultation did not cover USD LIBOR ISR, ISDA expects the FCA's announcement to have implications for that rate as well.

Accordingly, ISDA is now consulting on the implementation of fallback rates for both swap rates. The proposed fallbacks on which ISDA is consulting are:

- in relation to GBP LIBOR ISR, a SONIA ISR, as suggested in February 2021 by the Working Group on Sterling Risk-Free Reference Rates;
- in relation to USD LIBOR ISR, a spread-adjusted Secured Overnight Financing Rate (SOFR) Swap Rate, as suggested in March 2021 by the Alternative Reference Rate Committee.

Feedback is requested on the consultation by 21 July 2021.

# Insurance

## UK Solvency II review: PRA information on quantitative impact study

The Prudential Regulation Authority (PRA) has published a [webpage](#) setting out information about its forthcoming quantitative impact study (QIS), which will support HM Treasury's review of the UK Solvency II regime.

The QIS is a data collection exercise, which will assist the PRA's analysis of potential reform options. The QIS will cover three main areas:

- the calculation of the matching adjustment (MA); and
- risk margin; and
- the transitional measure on technical provisions (TMTPs).

It will also contain qualitative questions to gather information to support the development of some areas of Solvency II reform that are less straightforward to assess quantitatively.

The PRA explains that the QIS is relevant to all PRA-regulated insurance firms and it will be launched in summer 2021. The PRA will confirm the exact launch date and it will ask firms to respond to the QIS within three months.

While participation in the QIS is voluntary, the PRA strongly encourages UK insurance firms from all sectors to take part given the importance of the Solvency II review.

Anna Sweeney, PRA Executive Director, Insurance, also discussed the proposed QIS in a [speech](#) given on 15 June 2021.

## PEPP Regulation: Delegated Regulations on supervisory reporting and product intervention

The following Delegated Regulations made under the Regulation on a pan-European personal pension product (PEPP) (PEPP Regulation) have been published in the Official Journal of the EU:

- [Commission Delegated Regulation 2021/895](#) supplementing the PEPP Regulation with regard to product intervention;
- [Commission Delegated Regulation 2021/896](#) supplementing the PEPP Regulation with regard to additional information for the purposes of the convergence of supervisory reporting; and
- [Commission Delegated Regulation 2021/897](#) laying down implementing technical standards (ITS) for the application of the PEPP Regulation with regard to the format of supervisory reporting to the competent authorities and the cooperation and exchange of information between competent authorities and with the European Insurance and Occupational Pension Authority (EIOPA).

The Delegated Regulations will enter into force on 24 June 2021.

## PEPP Regulation: EIOPA guidelines on supervisory reporting

EIOPA has published [guidelines](#) on supervisory reporting for the PEPP under the PEPP Regulation. The aim of the guidelines is to ensure the common, uniform and consistent application of PEPP supervisory reporting requirements regarding the details of the nature,

scope and format of the information to be submitted by PEPP providers to competent authorities at predefined intervals and on occurrence of predefined events.

The guidelines complement Delegated Regulation 2021/895, Delegated Regulation 2021/896 and Delegated Regulation 2021/897 (see report above).

The guidelines are addressed to competent authorities and financial institutions that are PEPP providers. They will apply from 22 March 2022.

### **AI governance principles: EIOPA report**

EIOPA has published a [report](#) from its Consultative Expert Group on Digital Ethics (the Expert Group), setting out artificial intelligence (AI) governance principles towards ethical and trustworthy AI in the EU insurance sector.

The report sets out six governance principles that have been developed by the Expert Group to promote ethical and trustworthy AI in the EU insurance sector. The principles cover proportionality; fairness and non-discrimination; transparency and explainability; human oversight; data governance of recordkeeping; and robustness and performance. They are accompanied by non-binding guidance for insurance firms on how to implement the principles in practice throughout the AI system's lifecycle when putting in place risk-based and proportionate measures.

The Expert Group acknowledges that AI is an evolving technology and, therefore, the recommendations in the report may need to be revised in due course.

### **IAIS Holistic Framework Baseline Assessment: aggregate report**

The International Association of Insurance Supervisors (IAIS) has published an [aggregate report](#) giving the results and observations from the baseline assessment (BLA) of the implementation of supervisory material related to the IAIS Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector (Holistic Framework).

The Holistic Framework includes an enhanced set of supervisory policy measures for macroprudential purposes, designed to increase the overall resilience of the insurance sector and help prevent insurance sector vulnerabilities and exposures from developing into systemic risk. The BLA is the starting point for the implementation assessment of the Holistic Framework supervisory material.



# Funds and Asset Management

## Regulation on cross-border distribution of investment funds: Commission Implementing Regulation laying down ITS

[Commission Implementing Regulation \(EU\) 2021/955](#) laying down implementing technical standards (ITS) produced under Articles 5(3), 10(3) and 13(3) of the Regulation on the cross-border distribution of investment funds ((EU) 2019/1156) has been published in the Official Journal of the European Union (OJ).

The ITS relate to the publication of information by national competent authorities (NCAs) on their websites regarding the national rules governing marketing requirements for funds, and the regulatory fees and charges levied by NCAs relating to fund managers' cross-border activities. They also cover the notification of information by NCAs to the European Securities and Markets Authority (ESMA) for developing and maintaining a central database listing UCITS and alternative investment funds (AIFs) marketed cross-border on ESMA's website.

The Implementing Regulation will enter into force on 5 July 2021. It states that it will apply from the date of entry into force, with some exceptions. Articles 1 and 3(1) apply from 2 August 2021, and Article 5 applies from 2 February 2022.

## MMF Regulation: European Commission adopts amendments to Delegated Regulation on investment requirements

The European Commission has adopted a [Delegated Regulation](#) (the Amending Regulation) amending Commission Delegated Regulation (EU) 2018/990, which supplements the EU Regulation on money market funds (MMFs) (MMF Regulation), in respect of requirements for assets received by MMFs as part of reverse repurchase agreements.

Under Article 2 of Delegated Regulation (EU) 2018/990, eligible investments in reverse repurchase agreements by managers of MMFs are subject to supplementary qualitative and quantitative requirements. These requirements do not apply to transactions entered into with credit institutions, investment firms and insurance undertakings that are established in the EU or that are covered by an equivalence decision.

The Amending Regulation revises Article 2(6) of Delegated Regulation (EU) 2018/990 to specify the relevant provisions in the Capital Requirements Regulation, the Markets in Financial Instruments Directive and the Solvency II Directive on which equivalence decisions should be adopted for the exemption to be applied in relation to these entities.

The Commission states that it adopted the Amending Regulation following a request by ESMA to clarify the legal bases for the references to equivalence in Article 2(6).

The next step will be for the Council of the EU and the European Parliament to consider the Amending Regulation. If neither the Council nor the Parliament object, it will be published in the Official Journal of the European Union and will enter into force 20 days after its publication.

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