

## INTERNATIONAL REGULATORY UPDATE 26 - 30 OCTOBER 2020

- **Sustainable Finance Disclosure Regulation: EU Commission delays RTS application date**
- **CRR: EU Commission consults on amendments to Liquidity Coverage Ratio Delegated Regulation**
- **CSDR: EU Commission endorses draft RTS postponing entry into force of settlement regime**
- **Coronavirus: ECON Committee adopts amendments to MiFID2 Quick Fix**
- **EBA consults on revised sound remuneration policy guidelines**
- **EBA issues monitoring report and recommendations on TLAC-MREL instruments**
- **ECB consults on new payment systems oversight framework**
- **Brexit: ESMA publishes statement on share trading obligation**
- **Brexit: ESMA confirms endorsement of UK-elaborated credit ratings after end of transition period**
- **EMIR: ESMA consults on draft guidelines on procedures and methodologies on supervisory review and evaluation process**
- **EMIR: ESMA postpones application of validation rules**
- **ESMA publishes common enforcement priorities for 2020 financial reports**
- **MAR: ESMA publishes final report and draft technical standards on SME growth markets**
- **MiFID2/MiFIR: ESMA adds UK to third-country trading venues lists**
- **ISDA launches IBOR fallbacks supplement and protocol**
- **BoE and PRA consult on resolution policy**
- **FCA extends implementation deadlines for Certification Regime and Conduct Rules**
- **BaFin consults on amendments to minimum requirements for risk management and IT supervisory requirements**
- **Coronavirus: CSSF issues communiqué calling on supervised entities to use teleworking in light of upsurge in cases**
- **FINMA completes preparations for implementation of Financial**

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### **Institutions Act and Financial Services Act**

- **ASX responds to consultation feedback on revised implementation timetable for replacement of clearing house electronic sub-register system\**
- **HKMA consults on proposed amendments to supervisory policy manual module on systemically important banks**
- **SFC consults on management and disclosure of climate-related risks by fund managers**
- **FSC introduces new rules on financial consumer protection**
- **Industry steering committee provides timeline and guidance to support transition to Singapore overnight rate average**
- **MAS consults on proposed amendments to capital requirements for locally incorporated recognised market operators**
- **Recent Clifford Chance briefings: UK market abuse regime and Singapore individual accountability guidance. Follow this link to the briefings section.**

### **Sustainable Finance Disclosure Regulation: EU Commission delays RTS application date**

The EU Commission has [written](#) to the European Supervisory Authorities (ESAs) regarding the application of the Sustainable Finance Disclosure Regulation (SFDR) and related regulatory technical standards (RTS).

In March 2019 the co-legislators agreed on a timeline to develop most of the RTS by 30 December 2020 and the application of the SFDR's provisions from 10 March 2021.

Owing to the economic and market stress caused by the COVID-19 pandemic the deadline for the public consultation on the draft RTS was extended. The RTS will specify detailed requirements on the content and presentation of disclosed information and transparency, regarding potential adverse impacts at entity level, the relevant mandate, in addition to the content and presentation of the disclosed information and foresee standards on the underpinning methodologies.

The letter notes that the application of the SFDR is not conditional on the formal adoption and entry into force or application of the RTS, and that there are no impediments to financial market participants and financial advisers complying with the Level 1 requirements without the full RTS. The Commission has therefore advised that all applications dates as laid down by the Regulation are being maintained with effect from 2021 but the RTS will become applicable at a later stage in order to provide participants and advisers adequate time for implementation and national competent authorities to prepare for orderly and effective supervision.

### **CRR: EU Commission consults on amendments to Liquidity Coverage Ratio Delegated Regulation**

The EU Commission has published a [draft delegated regulation](#) amending the Liquidity Coverage Ratio (LCR) Delegated Regulation.

The Covered Bond Directive (CBD), published in November 2019, introduced a liquidity buffer requirement for covered bonds issued in the EU. Under the LCR Delegated Regulation, all credit institutions, including those issuing covered bonds, are subject to the liquidity coverage requirement applicable for a period of 30 calendar days, during which a covered bond issuer must ensure it has sufficient liquid assets to cover the net liquidity outflows, including those stemming from the covered bond programme.

At the same time, the CBD requires credit institutions issuing covered bonds to maintain at all times a liquidity buffer composed of liquid assets available to cover the net liquidity outflows of their covered bonds programmes for a period of 180 days.

While there exists a waiver to allow Member States to address such overlap, the draft delegated regulation proposes to amend the LCR Delegated Regulation to permit credit institutions to treat liquid assets held as part of the cover pool liquidity buffer as unencumbered up to the amount of net liquidity outflows from the associated covered bond programme. The draft regulation also proposes additional amendments to clarify existing rules, which are unrelated to the CBD, which aim to achieve greater clarity of the provisions of the LCR Delegated Regulation.

Comments on the proposal are due by 24 November 2020.

### **CSDR: EU Commission endorses draft RTS postponing entry into force of settlement regime**

The EU Commission has endorsed [draft RTS](#) postponing the entry into force of the settlement discipline regime under the Central Securities Depositories Regulation (CSDR).

Commission Delegated Regulation (EU) 2018/1229, specifying settlement discipline measures, was published in the Official Journal in August 2020 and is scheduled to enter into force on 1 February 2021. On 26 August 2020, the European Securities and Markets Authority (ESMA) adopted a report recommending to the Commission that the date of entry into force of Delegated Regulation (EU) 2018/1229 should be postponed following input from stakeholders and pressure from the COVID-19 pandemic, which the Commission has now endorsed.

The draft RTS are subject to a three month non-objection period by the EU Council and the Parliament.

### **Coronavirus: ECON Committee adopts amendments to MiFID2 Quick Fix**

The EU Parliament's Economic and Monetary Affairs (ECON) Committee has adopted a [report](#) on 'quick fix' amendments to MiFID2 aimed at simplifying information requirements and supporting the growth of euro-denominated derivatives markets.

The amendments, which form part of the Capital Markets Recovery Package aimed at facilitating the EU's economic recovery from the COVID-19 pandemic, include:

- suspending information on costs and charges for professional clients (except for investment advice and portfolio management) and eligible counterparties;

- the supply of ex-post information on costs and charges without delay, which clients should be able to receive over the phone prior to concluding a transaction;
- providing retail clients with the option of receiving information in digital format;
- removal of certain product governance requirements applicable to corporate bonds with make-whole clauses; and
- changes to the commodity derivatives position limits regime.

The EU Council adopted its negotiating position on 21 October 2020.

The EU Parliament also requested that the EU Commission present a proposal relating to the MiFID2/MiFIR review by 31 July 2021.

### **EBA consults on revised sound remuneration policy guidelines**

The European Banking Authority (EBA) has launched a [consultation](#) on [proposed revisions](#) to its guidelines on sound remuneration policies. The revisions are intended to take into account the fifth Capital Requirements Directive (CRD5) requirement that remuneration policies be gender neutral.

The revised guidelines set out, among other points:

- requirements and waivers for the variable remuneration of staff whose professional activities have a material impact on institutions' risk profiles, based on institutions' total balance sheets;
- how the remuneration framework applies on a consolidated basis to investment firms and other financial institutions subject to a specific remuneration framework; and
- revisions regarding severance payments and retention bonuses in light of supervisory experience.

Comments on the consultation are due by 29 January 2021.

### **EBA issues monitoring report and recommendations on TLAC-MREL instruments**

The EBA has published its first monitoring [report](#) on minimum requirement for own funds and eligible liabilities (MREL) and total loss absorbing capacity (TLAC) instruments.

The report aims to inform stakeholders of the EBA's implementation review on TLAC/MREL instruments and present its views and current recommendations on specific features commonly seen in these instruments. It is based on the review of 27 transactions issued in fourteen jurisdictions for a total amount of EUR 22.75 billion, including EUR 21 billion of senior non-preferred issuances and EUR 1.75 billion of senior holding company issuances.

The report covers five main areas of assessment relevant to determine the quality of the TLAC/MREL instruments and includes recommendations across these areas, namely:

- availability;
- subordination;

- capacity for loss absorption;
- maturity and other aspects including governing law, tax and regulatory calls; and
- tax gross-up clauses.

The report stresses the areas where further EBA work is ongoing, in particular highlighting the importance of providing further guidance on the interaction between the clauses used for environmental, social and governance (ESG) capital issuances and the eligibility criteria for eligible liabilities instruments. The EBA will continue to monitor the quality of the TLAC/MREL instruments and exchange views with institutions and market participants on the results of this monitoring.

### **ECB consults on new payment systems oversight framework**

The European Central Bank (ECB) has published a [consultation](#) on the draft Eurosystem oversight framework for electronic payment instruments, schemes and arrangements (PISA).

Views are sought on the draft [framework](#), [assessment methodology](#) and [exemption policy](#) documents, which would replace the 2009 'harmonised oversight approach and oversight standards for payment instruments' and all related oversight frameworks for cards, direct debits, credit transfers and the security objectives for e-money.

Among other things, it seeks to extend the scope of the framework to representations of value backed by claims or assets denominated in euro or redeemable in euro (e.g. digital payment tokens).

The draft framework builds on reviews such as those carried out in relation to the revised Payment Services Directive (PSD2) and the Second Electronic Money Directive (EMD2), and is also aligned, where possible, with the CPSS-IOSCO Principles of financial market infrastructures (PFMIs) and the revised oversight framework for retail payment systems.

The consultation closes on 31 December 2020.

### **Brexit: ESMA publishes statement on share trading obligation**

ESMA has issued a public [statement](#) on the application of the EU trading obligation for shares (STO) at the end of the transition period on 31 December 2020.

The statement, which supplements ESMA's earlier guidance published on 29 May 2019 setting out that shares with an EEA ISIN will be subject to the EU STO, seeks to address the specific circumstances of trading of EEA ISIN shares on UK trading venues in British Pounds (GBP).

ESMA considers that as such trading occurs on a non-systemic, ad-hoc, irregular and infrequent basis, those trades will not be subject to the EU STO under Article 23 of MiFIR.

## **Brexit: ESMA confirms endorsement of UK-elaborated credit ratings after end of transition period**

ESMA has issued a public [statement](#) on the endorsement of credit ratings elaborated in the UK after the end of the transition period.

The statement confirms that EU credit rating agencies (CRAs) will be able to endorse credit ratings elaborated in the UK and sets out the basis for endorsement, as well as necessary conditions under the Credit Rating Agencies Regulation, among other points. It follows previous statements dated 9 November 2018 and 15 March 2019.

## **EMIR: ESMA consults on draft guidelines on procedures and methodologies on supervisory review and evaluation process**

ESMA has published for consultation its [draft guidelines](#) on common procedures and methodologies on supervisory review and evaluation processes under Article 21 of the European Market Infrastructure Regulation (EMIR).

Under Article 21, national competent authorities (NCAs) must review the arrangements, strategies, processes and mechanisms implemented by central counterparties (CCPs) and evaluate risks CCPs are or might be exposed to.

ESMA's draft guidelines aim to clarify the common procedures and methodologies for the supervisory review and evaluation process of CCPs and ensure consistency in the format, frequency and depth of the review carried out by NCAs.

Comments on the draft guidelines are due by 16 November 2020. ESMA plans to review feedback in Q4 2020 and publish its final report by Q1 2021.

## **EMIR: ESMA postpones application of validation rules**

ESMA has [postponed](#) the applicability date of the updated [EMIR validation rules](#) from 1 February 2021 to 8 March 2021.

The amended rules, published by ESMA on 10 September 2020, will apply five weeks later than originally planned due to technical issues related to their implementation in light of the UK's withdrawal from the EU.

## **ESMA publishes common enforcement priorities for 2020 financial reports**

ESMA has issued its annual [public statement](#) defining the European common enforcement priorities for 2020 annual financial reports of listed companies. ESMA has focused on the need to provide adequate transparency regarding the consequences of the COVID-19 pandemic which, due to its pervasive nature, are expected to affect several areas of the 2020 annual financial reports published by issuers.

The common enforcement priorities related to IFRS financial statements for the 2020 year-end relate to the application of the following standards:

- presentation of financial statements (IAS 1);
- impairment of assets (IAS 36);

- financial instruments (IFRS 9) and financial instruments: disclosures (IFRS 7); and
- leases (IFRS 16).

The common enforcement priorities related to non-financial statements for the 2020 year-end are:

- impact of the COVID-19 pandemic on non-financial matters;
- social and employee matters;
- business model and value creation; and
- risk relating to climate change.

The statement also sets out brief considerations on the application of the ESMA guidelines on alternative performance measures in relation to COVID-19.

### **MAR: ESMA publishes final report and draft technical standards on SME growth markets**

ESMA has published a [final report](#) and draft technical standards for the promotion of the use of SME growth markets under the revised Market Abuse Regulation (MAR) as amended by the SME Regulation ((EU) 2019/2115).

The final report sets out draft RTS on liquidity contracts and draft implementing technical standards (ITS) on insider lists for SME growth market issuers, both of which largely reflect the original proposals set out in the consultation paper.

The draft RTS set out the relevant requirements applying to liquidity contracts, while the contractual template, set out in Annex I, includes specific parameters and criteria. The draft ITS sets out a new template for insider lists to be used by SME growth market issuers.

The draft RTS and ITS have been submitted to the EU Commission for endorsement. ESMA notes that it is unlikely that they will be adopted and in force in time for the application of the SMR Regulation on 1 January 2021.

### **MiFID2/MiFIR: ESMA adds UK to third-country trading venues lists**

ESMA has updated its [lists](#) of third-country trading venues annexed to its opinions related to post-trade transparency and position limits under MiFID2 and MiFIR to include UK venues.

Following the positive assessment of UK venues against the criteria set out in the opinions, from 1 January 2021:

- EU investment firms will not be required to make transactions public in the EU via an EU approved publication arrangements (APA) if they are executed on one of the UK trading venues on the transparency list; and
- commodity derivative contracts traded on UK trading venues on the position limits list will not be considered as economically equivalent over-the-counter (EEOTC) contracts for the EU position limit regime.

ESMA has also updated its [guidance](#) on the transparency list to take into account feedback on the identification of bonds and US Treasuries, as well as on the treatment of venues without a market identifier code (MIC). To provide

market participants with enough time to implement the changes, the date of application of the transparency list is set on 10 November 2020.

## **ISDA launches IBOR fallbacks supplement and protocol**

The International Swaps and Derivatives Association (ISDA) has launched the [IBOR Fallbacks Supplement](#) and [IBOR Fallbacks Protocol](#).

The supplement amends ISDA's standard definitions for interest rate derivatives to incorporate fallbacks for derivatives linked to certain IBORs, with the changes coming into effect on 25 January 2021. From that date, all new cleared and non-cleared derivatives that reference the definitions will include the fallbacks.

The protocol enables market participants to incorporate revisions into their legacy non-cleared derivatives trades with other counterparties that choose to adhere to the protocol. The protocol is open for adherence from 23 October 2020, and will become effective on 25 January 2021.

The fallbacks for a particular currency will apply following a permanent cessation of the IBOR in that currency. For derivatives that reference LIBOR, the fallbacks in the relevant currency would also apply following a determination by the UK Financial Conduct Authority (FCA) that LIBOR in that currency is no longer representative of its underlying market. In each case, the fallbacks will be adjusted versions of the risk-free rates identified in each currency.

## **BoE and PRA consult on resolution policy**

The Bank of England (BoE) and the Prudential Regulation Authority (PRA) have published four consultation papers relating to the UK's resolution policy.

The PRA's consultation paper on BRRD2 ([CP18/20](#)) sets out proposals relating to contractual recognition of bail-in (CROB) and stay in resolution rules, which seek to support the UK's transposition of BRRD2, in particular the sunset process. The consultation closes on 30 November 2020.

The PRA's consultation paper on resolution assessment reporting and disclosure dates ([CP19/20](#)) proposes to move back, by one year, the dates by which firms are required to first submit a resolution assessment report and publish a summary of that report. The proposed amendments relate to the resolution measures announced in May 2020 aimed at alleviating operational burdens in response to COVID-19. The consultation closes on 31 January 2021.

The BoE and PRA are consulting in parallel on operational continuity in resolution (OCIR):

- the [BoE's consultation](#) proposes amendments to the statement of policy setting out its approach to assessing resolvability, including extending the scope of OCIR expectations to essential services, updates to how operational continuity arrangements are assessed and clarifying the BoE's approach to hosted material subsidiaries. It also proposes updates to reflect the extended deadlines set out in CP19/20; and
- the PRA's consultation ([CP20/20](#)) sets out proposed updates to its policy relating to operational, contractual and financial arrangements, continuity post-resolution, management and governance, and waivers and/or modifications.



Both OCIR consultations close on 31 January 2021.

## **FCA extends implementation deadlines for Certification Regime and Conduct Rules**

The FCA has published a [policy statement](#) (PS20/12) setting out its responses to feedback received and final rules following its consultation (CP20/10) on extending the implementation deadlines for the Certification Regime and Conduct Rules.

In September 2020, in recognition of the disruption caused by the coronavirus pandemic, the Treasury made a statutory instrument (The Bank of England and Financial Services Act 2016 (Commencement No. 6 and Transitional Provisions) (Amendment) Regulations 2020), which postponed the deadline by which FCA solo-regulated firms must have first assessed the fitness and propriety of their certified staff from 9 December 2020 to 31 March 2021. In CP20/10, the FCA proposed to give corresponding extensions to the deadlines for certification in the FCA Handbook, training staff in the Conduct Rules and reporting Directory Person data. The feedback received was generally supportive of the proposals and indicated that most firms will be able to meet the original deadline of 9 December 2020, and the FCA encourages firms to do so wherever possible. The FCA has therefore published its final rules as consulted upon.

## **BaFin consults on amendments to minimum requirements for risk management and IT supervisory requirements**

The German Federal Financial Supervisory Authority (BaFin) is consulting on updates to [Circular 09/2017](#) (BA) on the Minimum Requirements for Risk Management (MaRisk) and to [Circular 10/2017](#) on banking supervisory requirements for IT (BAIT).

The proposed MaRisk amendments implement the EBA guidelines on management of non-performing and forborne exposures (NPL Guidelines), on outsourcing arrangements (Outsourcing Guidelines) and on ICT and Security Risk Management (ICT Guidelines).

The BAIT amendments relate to the ICT Guidelines and include new priorities on operational information security, on customer relations of payment services and on the topic of emergency management.

BaFin has invited comments on the BAIT consultation by 23 November and on the MaRisk consultation by 4 December 2020.

## **Coronavirus: CSSF issues communiqué calling on supervised entities to use teleworking in light of upsurge in cases**

The Luxembourg financial sector supervisory authority (CSSF) has issued a [communiqué](#) to call on the entities under its supervision to use teleworking in the context of the upsurge in COVID-19 cases. The CSSF stresses that given the unprecedented upsurge in coronavirus infections, it is essential that the entities subject to its supervision contribute to preventing the spread of the virus while ensuring business continuity.

## **FINMA completes preparations for implementation of Financial Institutions Act and Financial Services Act**

The Swiss Financial Market Supervisory Authority (FINMA) has [licensed](#) a fifth supervisory organisation (SO) and authorised a third registration body for client advisers, which completes the conditions for the implementation of the Financial Institutions Act (FinIA) and Financial Services Act (FinSA).

FinIA and FinSA will change the supervision of portfolio managers and trustees and the registration of independent client advisers for the Swiss financial centre. Portfolio managers and trustees now require a licence from FINMA. The independent supervisory organisations will monitor compliance with obligations under FinIA and FinSA and in compliance with the AMLA. FINMA will license and supervise the supervisory organisations. FINMA is responsible for enforcing financial market law in the event of non-compliance (enforcement). Independent client advisers must now be registered with a registration body authorised by FINMA.

The deadlines for implementing FinIA and FinSA differ depending on the financial services provider's activity:

- portfolio managers and trustees – portfolio managers and trustees must apply for a licence from FINMA by the end of 2022, which includes proving that they are affiliated to an SO. They may continue to operate until a licensing decision has been made, provided they are also affiliated to a self-regulatory organisation. Portfolio managers and trustees who start operating in 2020 must register with FINMA without delay. They must be affiliated to an SO by 6 July 2021 and submit a licence application;
- client advisers – three registration bodies keep registers of advisers, in which client advisers of financial service providers which are not subject to prudential supervision must register by 20 January 2021; and
- prospectus review – the financial market participants have two reviewing bodies to choose from for the review of prospectuses prior to publication. From 2 December 2020, a prospectus must be published prior to making a public offer for the purchase of securities or to the admission of securities for trading on an exchange. The prospectus must have been approved by a reviewing body authorised by FINMA.

## **ASX responds to consultation feedback on revised implementation timetable for replacement of clearing house electronic sub-register system**

The Australian Securities Exchange (ASX) has published its [responses](#) to the feedback it received on the June 2020 [public consultation](#) on the Clearing House Electronic Subregister System (CHES) replacement revised implementation timetable.

The ASX's responses provide a summary of the participant feedback, the key factors driving the project extension and the confirmed implementation schedule for CHES replacement. In particular, with a view to providing a better customer experience throughout the implementation process, reducing delivery risk for all stakeholders (including ASX) and providing an enhanced CHES replacement solution on Day 1, the ASX has:

- adjusted the Day 1 scope and schedule for the replacement system to deliver more throughput capacity and scalability, more functionality, more

industry testing, and more time for the industry and the regulator to prepare;

- adjusted its implementation approach to support industry testing by opening an industry test environment (ITE) for CHES users at a later point when the system is functionally complete with higher processing capacity; and
- provided an enhanced customer development environment to enable continued development pre-ITE.

The ASX has confirmed the go-live for the CHES replacement system as April 2023, with increased project scope, in order to ensure it is delivered in a safe and timely manner. The regulator has also indicated that, prior to the implementation of the CHES replacement system, it will continue to invest in the current CHES system, including strengthening its resilience, capacity and processing efficiency.

### **HKMA consults on proposed amendments to supervisory policy manual module on systemically important banks**

The Hong Kong Monetary Authority (HKMA) has launched a public [consultation](#) on proposed [amendments](#) to the supervisory policy manual (SPM) module entitled 'CA-B-2: Systemically Important Banks'. The proposed amendments are mainly intended to improve the assessment of authorised institutions' (AIs') complexity in the domestic systemically important bank (D-SIB) identification process, and update various sections of the SPM module to reflect recent developments.

In particular, the HKMA proposes to replace the current qualitative assessment of the complexity factor in the D-SIB framework in Hong Kong by using a 10% weight in the framework's quantitative assessment, and to reduce the weight of the size factor from 50% to 40% correspondingly. The HKMA also proposes to update various sections of the SPM module CA-B-2 to reflect the following:

- completion of the phase-in of higher loss absorbency requirements under the D-SIB framework in Hong Kong in early 2019;
- reference to the general guidance for the application of the 'Principles for effective risk data aggregation and risk reporting' incorporated into the SPM module IC-1 on Risk Management Framework in 2017, and the expectation of the HKMA on D-SIBs' compliance with these principles;
- statutory recovery planning requirements as prescribed in the Banking Ordinance that came into operation in February 2018, and the subsequent revision to the SPM module RE-1 on Recovery Planning in June 2020;
- Code of Practice chapter RA-2 under the Financial Institutions (Resolution) Ordinance, which provides guidance on the HKMA's approach to resolution planning for AIs including assessment of resolvability, issued in July 2017;
- intention to take AIs' recovery plans and resolvability into consideration qualitatively in D-SIB assessment; and
- revision of the G-SIB framework in 2018 announced by the Basel Committee on Banking Supervision.

The HKMA has indicated that it plans to finalise the amendments to the SPM module CA-B-2 by December 2020.

Comments on the consultation are due by 10 December 2020.

## **SFC consults on management and disclosure of climate-related risks by fund managers**

The Securities and Futures Commission (SFC) has launched a public [consultation](#) on proposed requirements for fund managers to take climate-related risks into consideration in their investment and risk management processes and make appropriate disclosures to meet investors' growing demands for climate risk information and combat 'greenwashing'.

The proposed requirements are intended to ensure that fund managers properly handle climate-related risks and promote clear, comparable and high-quality disclosures to help investors make more informed decisions. The SFC has clarified that, although the proposed requirements focus on climate-related risks, fund managers are welcome to consider a broader spectrum of sustainability risks.

Under the proposals, the Fund Manager Code of Conduct (FMCC) will be amended, and the SFC will set out expected baseline requirements and standards to facilitate fund managers' compliance by issuing a circular in this regard. The proposed requirements will cover four key elements: governance, investment management, risk management and disclosure, and will be applicable to fund managers which manage collective investment schemes. For fund managers which manage discretionary accounts, compliance with the proposed requirements in the FMCC (as well as the baseline requirements and enhanced standards) will not be mandatory in respect of climate-related risks at this stage.

Comments on the consultation are due by 15 January 2021.

## **FSC introduces new rules on financial consumer protection**

The Financial Services Commission (FSC) has [introduced](#) a proposal for an enforcement decree to provide details of the newly enacted legislation on financial consumer protection (the Act), which is scheduled to go into effect on 25 March 2021. The key measures under the proposal are intended to:

- clarify that (apart from financial products offered by banks, insurance companies, financial investment firms, specialised credit finance companies and savings banks) financial products offered by a credit union, peer-to-peer lending firms and registered private lenders will also be subject to the Act;
- establish business registration requirements for both loan sales agents and independent advisory service providers, as well as obliging online service providers, for both categories, to install an algorithmic program designed to prevent conflicts of interest for consumers;
- oblige all financial service providers to have internal control standards on financial consumer protection with the exception of small firms with less than five regular employees, and to regularly improve these standards if and when indicated by the regulators;
- specify rules improvements and introduce additional provisions that are necessary for the implementation of the six major sales regulatory principles under the Act;

- clarify that the right to withdraw subscriptions by consumers under the Act will be applicable to all loan and guarantee products in principle and investment products, such as non-money trust contracts, highly complex funds, highly complex money trust contracts and highly complex investment entrustment contracts, with the exception of cases where the application of consumer rights may be difficult due to peculiarities of particular products or investor preference;
- introduce improvements to the conflict resolution procedures to enhance the accountability of the process;
- establish a comprehensive legal ground that allows the FSC to deal with different situations on a case-by-case basis in order to prevent significant damage to consumers; and
- introduce specific standards for calculating fines in a way that is designed to impose heavier penalties for greater amounts of unfair profit transactions made from bypassing the major sales principles under the Act.

Comments on the proposal are due by 6 December 2020.

### **Industry steering committee provides timeline and guidance to support transition to Singapore overnight rate average**

The Steering Committee for swap offer rate (SOR) Transition to Singapore overnight rate average (SORA) has [announced](#) industry timelines intended steadily to reduce exposures to SGD SOR before the end of 2021, in preparation for USD LIBOR and SOR discontinuation, while ensuring that products based on the SORA are available to meet the financing needs of customers. After the end of April 2021, SORA has been identified to be the de facto floating rate benchmark for all institutional SGD financing activity.

The timelines mirror guidance by the Financial Stability Board and national working groups in other key jurisdictions globally for the transition away from LIBOR. The key timelines set out that:

- by the end of April 2021, all lenders and borrowers will be required to cease issuance of SOR-linked loans and securities that mature after end-2021;
- all domestic systemically important banks (D-SIBs) must be ready to offer a full-suite of SORA-based products to their customers by the end of February 2021 and all non-DSIB banks must be ready to offer new SORA-based products by the end of April 2021; and
- by the end of September 2021, all banks need substantially to reduce gross exposures to SOR derivatives, including centrally cleared interbank transactions.

The Committee has also published a set of market guides to support the industry-wide transition to SORA across a range of financial products, which includes:

- a report on customer segments and preferences, which sets out how SORA can be used in loans, to meet the various needs of financial firms, large corporates, small and medium-sized enterprises, and retail customers;

- a SORA market compendium, which provides market participants with a comprehensive overview of SORA market conventions across derivatives, floating rate notes, business and retail loans, and outlines considerations for contractual and technical specifications of SORA products and contractual fallbacks for relevant SOR contracts; and
- an end-user checklist that provides nonfinancial corporates, investment firms, insurers and other buy-side participants with a list of key steps needed to implement the transition from SOR to SORA and from LIBOR to alternative reference rates effectively.

The Committee also intends to publish a SORA guide targeted at corporate users and a pamphlet for retail customers to bring together the key points from the three market guides, along with links to relevant other information for these user groups.

### **MAS consults on proposed amendments to capital requirements for locally incorporated recognised market operators**

The Monetary Authority of Singapore (MAS) has launched a public [consultation](#) on the proposed capital requirements to be imposed on locally incorporated recognised market operators (RMOs). The main objective of imposing capital requirements on RMOs is to provide sufficient resources for the RMO to wind down its operations in an orderly fashion and provide time for participants to switch to alternative trading platforms.

Currently, there are no direct liquidity requirements imposed on RMOs. While liquidity risk is addressed indirectly in the current capital requirements through the deduction from financial resources of assets not convertible to cash within 30 days, financial resources could still include components that are not available for immediate use to sustain their operations. In this regard, the MAS proposes to introduce a direct liquidity requirement, which requires RMOs to hold cash and cash equivalents of at least 25% of their annual operating costs for approximately three months, in order to provide time for participants to source for and switch to alternative trading platforms.

The MAS also believes that, although RMOs pose little financial risks to their participants, a baseline solvency requirement is still necessary as a hygiene factor as market participants would generally want to deal with solvent (rather than insolvent) entities. Therefore, the MAS proposes a revised solvency requirement for RMOs to hold eligible capital of at least the higher of (i) 25% of their annual operating costs or (ii) SGD 250,000.

Further, to improve the transparency of the capital requirements for current and future entrants, the MAS proposes to issue a notice setting out details of the new capital requirements for RMOs instead of the current approach of imposing capital requirements via recognition conditions.

Comments on the consultation are due by 4 December 2020.

## **RECENT CLIFFORD CHANCE BRIEFINGS**

### **Changes to timescale for notification by issuers of PDMR dealings**

On Wednesday 21 October, the Financial Services Bill 2019-21 was published and had its first reading in the House of Commons. The Bill is intended to ensure the UK's financial services regulatory framework continues to function effectively after the UK leaves the EU. Alongside a host of provisions relating to prudential standards and benchmark indices, the Bill contains a number of measures relating to PDMR dealings, insider lists and market abuse. The precise timing of when the Bill will become law is uncertain.

This briefing discusses the measures relating to PDMR dealings, insider lists and market abuse in the Bill.

<https://www.cliffordchance.com/briefings/2020/10/changes-to-timescale-for-notification-by-issuers-of-pdmr-dealing.html>

### **MAS Guidelines (individual accountability)**

Regulators around the world have been looking to the board and senior management of financial institutions to ensure a strong culture of responsibility and ethical conduct within their organisations. Singapore is no exception. With the recent issuance of the guidelines on individual accountability and conduct, the MAS aims to strengthen the individual accountability of senior managers in financial institutions.

This briefing discusses the guidelines.

<https://www.cliffordchance.com/briefings/2020/10/mas-guidelines-individual-accountability.html>

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

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