

C L I F F O R D
C H A N C E



BUY-SIDE REGULATORY HORIZON SCANNER
JANUARY 2024

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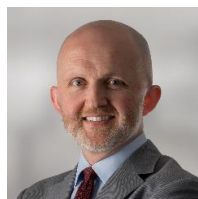
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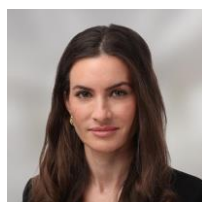
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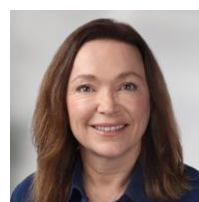
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Our buy-side regulation practice

The investment management industry continues to face unprecedented regulatory change on a global basis. No other law firm is better placed to address these challenges for banking and investment firm clients than Clifford Chance.

Our understanding of each part of the sector, coupled with the reach of our global network of expertise, allows us to tailor our advice to a client's exact needs while accessing the very latest market thinking and advice from around the world, whether in relation to MiFID or EMIR or under Dodd-Frank.

Our clients include the world's leading asset management companies, insurance companies and private banking businesses. They range in size from household names with a five-continent footprint to start-up or spin-off funds.

Further Clifford Chance resources

The Financial Markets Toolkit

A "one-stop shop" for practical, user-friendly resources on an expansive range of topics, from regulatory developments to transactional matters. Resources include web-based videos, short, practical briefings on regulatory developments and longer, thought leadership pieces on industry and legal trends and issues. You can access the Toolkit [here](#).

Alerter: Finance Industry

Our daily 'Alerter: Finance Industry' email and our weekly 'International Regulatory Update' email provide you with comprehensive, up-to-the-minute summaries of regulatory and legal developments from around the world as well as links to relevant Clifford Chance publications and contacts.

Training and events

Our London Perspective series offers a seasonal series of talks on a wide range of topical issues for financial institutions, from corporate and employment issues to tax and regulatory developments. Our Insights for Asset Managers series is a programme of frequent, short calls on which we share our practical insights on topical developments, from the CBDF to AIFMD2.

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INTRODUCTION

THE BUY-SIDE REGULATORY HORIZON SCANNER

This buy-side regulatory horizon scanner provides a high-level overview of key ongoing and expected EU and UK regulatory developments relevant to investment managers.

The tracker identifies and summarises key legislative and non-legislative developments that are likely to have an impact on investment managers providing services in the EU and UK. Developments are grouped firstly according to whether they are EU or UK developments and, within those categories, into the following three topics:

Asset management developments

Key asset management developments, such as AIFMD2.

ESG developments

Key ESG developments that are relevant to investment managers, such as the SFDR.

Cross-sectoral developments

Key developments that are not specific to asset managers but nonetheless affect asset managers, such as MLD5.

The horizon scanner also sets out projected timelines for the finalisation and implementation of the relevant developments, covering approximately the next two years.

Further background information and commentary on many of these developments, as well as an overview of the EU legislative process, is available on the [Financial Markets Toolkit](#).

This horizon scanner has been prepared as of January 2024. It does not constitute legal advice and is not intended to provide an exhaustive list of all provisions or requirements applicable to firms during this period.

INTRODUCTION

THE EU BUY-SIDE REGULATORY LANDSCAPE

The EU angle...



In 2024, we are in final year of the five-year agenda for the EU agreed by the European Council in 2019. The Council expects to adopt its new strategic agenda for 2024-2029 in June, setting future priorities on security and defence, resilience and competitiveness, energy, migration, global engagement and EU enlargement. June 2024 will also see EU Parliamentary elections, followed by a new European Commission in the Autumn.

In 2024, we will see a continuation of the EU's programme of revisions to the EU Capital Markets Union and continued progress toward Banking Union, with the finalisation of the Commission's proposals for revisions to existing regimes, including the Listing, MiFID and EMIR regimes.

At the same time, the EU continues to progress its digital-related initiatives, including legislation on digital operational resilience, DORA, and on markets in cryptoassets, MiCA, and its ESG-related initiatives, including further developments to the SFDR and Taxonomy Regulation and legislation on supply chains and corporate disclosures.

Finally, 2023 saw the unveiling of the EU's retail investment package. Firms and investors alike will be interested to see the nature and scope of changes that are finalised as the package progresses through the EU legislative process in 2024.

INTRODUCTION

THE UK BUY-SIDE REGULATORY LANDSCAPE

The UK angle...



In 2024 we are seeing a continuation of the three-pronged approach to regulatory reform that has typified the UK's post-Brexit years.

The first prong involves targeted amendments to existing legislation to ensure that it remains suitable for the evolving financial services industry. An example of such amendments is the expected finalisation of a programme of reforms to the UK's financial promotion (marketing) regime to ensure it reflects today's investors and investment products.

The second prong consists of the development of new, post-Brexit initiatives. Some, such as the UK's new Consumer Duty, reflect domestically-driven initiatives. Others, such as the UK's proposals for regulation of ESG data and ratings providers, and delivery of a regulatory framework for stablecoins and other cryptoassets, reflect the global direction of travel.

Finally, the third prong is to deliver a more fundamental restructuring of the UK's post-Brexit regulatory framework. In 2023 we saw the enactment of the Financial Services and Markets Act 2023, the Retained EU Law (Revocation and Reform) Act 2023 and the progress of the so-called Edinburgh reforms (supplemented in early July 2023 by further 'Mansion House' reforms). Together these will operate to deliver a 'Smarter Regulatory Framework' for the UK, involving the reform of many aspects of UK financial regulation. In 2024, we will continue to see an ambitious number of consultations and publications aiming to bring forward this post-Brexit reform. These will include progress from the Financial Conduct Authority on work to update and improve the UK regime for asset management.



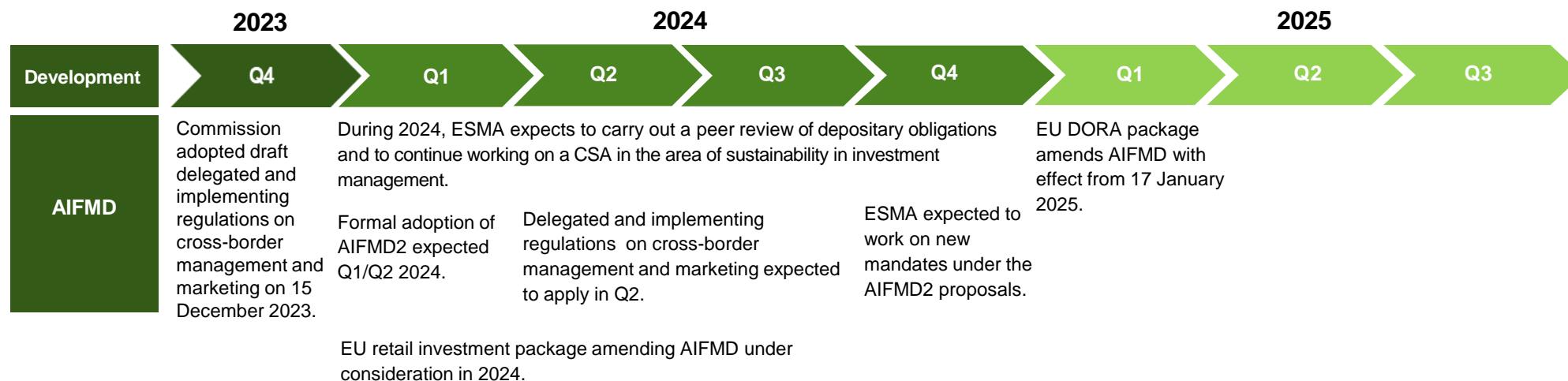
HORIZON SCANNER

A. EU DEVELOPMENTS

I. ASSET MANAGEMENT DEVELOPMENTS



EU AIFMD AND AIFMD2



AIFMD

The AIFMD regulates the management, administration and marketing of alternative investment funds in the EU. Key issues covered by the AIFMD include authorisation and operating conditions for AIFMs, remuneration, conduct of business and valuation requirements, transparency and marketing. It also includes requirements for firms acting as a depositary of an AIF.

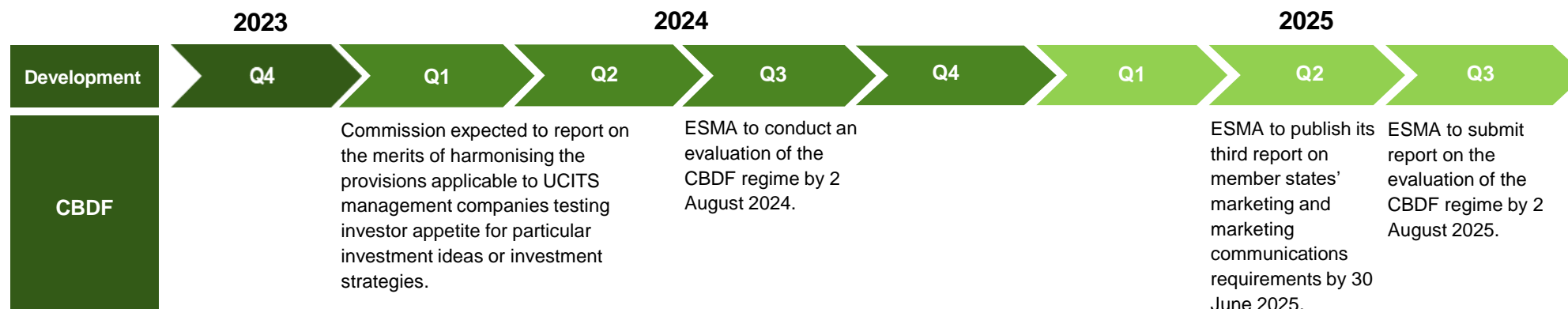
In 2024 the AIFMD will be impacted by several ongoing EU initiatives, including the so-called 'AIFMD2' proposal, each of which will supplement or make changes to the Directive.

Read our in-depth briefings on each step of the AIFMD2 review, including the Commission's ultimate legislative proposal, [here](#), [here](#), [here](#), [here](#) and [here](#).

What's on the horizon?

- On 15 December 2023, the Commission adopted draft delegated and implementing regulations with technical standards on the notifications for cross-border marketing and cross-border management of AIFs and UCITS. Subject to non-objection by the European Parliament and the Council, the technical standards will take effect in Q2 2024.
- The Commission has undertaken a review of the AIFMD and adopted a legislative proposal in November 2021 for a directive that would amend both the AIFMD (resulting in the so-called '**AIFMD2**') and the UCITS Directive. Political agreement was reached on the proposal in July 2023. Formal adoption and publication in the Official Journal is expected late Q1/early Q2 2024. ESMA is also expected to work on new mandates under the proposals.
- In its work programme for 2024-2025, ESMA confirmed that it will continue working on a Common Supervisory Action (CSA) in the area of sustainability in investment management during 2024.
- ESMA announced that it expected to undertake a peer review into depositary obligations under the AIFMD and UCITS Directive in 2022. It has subsequently confirmed that this is expected to be carried out in 2024.
- The EU retail investment package (see **Slide 18**) includes provisions amending the AIFMD and UCITS Directive with respect to investor protection rules. The package is under consideration during 2024.
- The EU's DORA package (see **Slide 35**) amends the AIFMD to introduce digital operational resilience requirements for AIFMs. These apply from 17 January 2025.

CBDF



CBDF

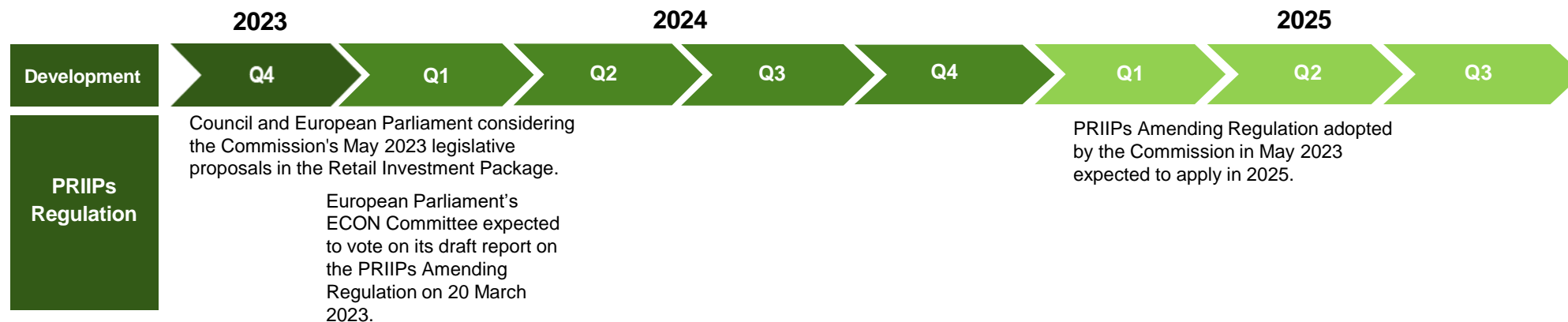
The CBDF amends the UCITS Directive, AIFMD, EuVECA Regulation, EuSEF Regulation and PRIIPs Regulation with regards to fund marketing. It aims to improve transparency by aligning national marketing and pre-marketing requirements, amongst other measures. The majority of the CBDF's provisions came into force on 1 August 2019 and 1 August 2021.

We have produced a comprehensive, multi-jurisdictional guide to the CBDF in conjunction with AIMA and KPMG. Please contact us for further details.

What's on the horizon?

- Under the CBDF package, the Commission was required to publish a report on reverse solicitation, specifying the extent of reverse solicitation, its geographical distribution including in third countries and its impact on the passporting regime. This report has yet to be published.
- In connection with this report, in September 2021 the Commission sent a letter to ESMA requesting that ESMA gathered information from EU national competent authorities on the use of reverse solicitation by asset managers and the impact of reverse solicitation on passporting activities. ESMA's response, dated 17 December 2021, stated (among other things) that almost all national competent authorities had no readily available information on the use of reverse solicitation by asset managers and were not in a position to estimate the share of reverse solicitation as compared to marketing.
- ESMA published its second report on member states' marketing and marketing communications requirements in July 2023. Article 8(1) of the CBDF Regulation requires ESMA to report on this topic once every two years.
- The Commission was required to report by 2 August 2023 on the merits of harmonising the provisions applicable to UCITS management companies testing investor appetite for particular investment ideas or investment strategies. This report has yet to be delivered.
- The Commission is also required to conduct an evaluation of the application of the CBDF by 2 August 2024.

EU PRIIPS REGULATION



PRIIPs Regulation

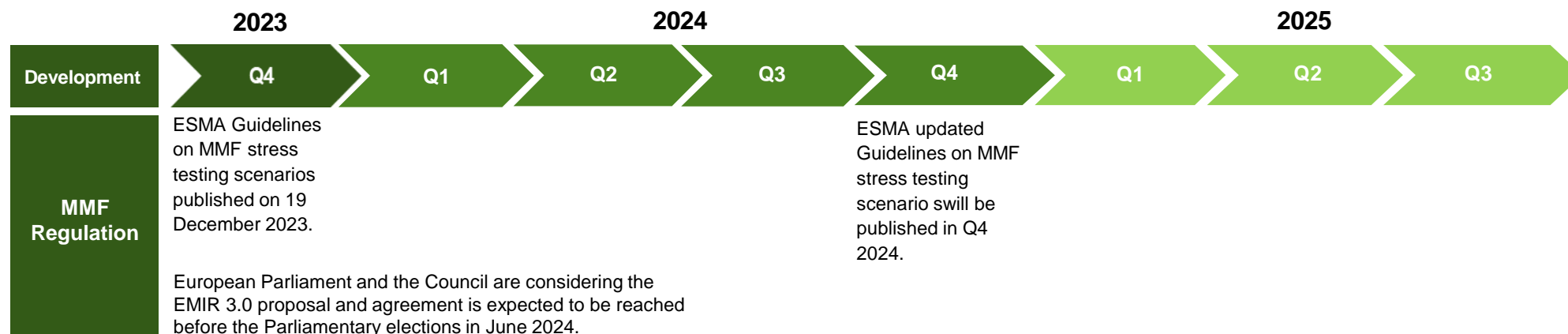
The PRIIPs Regulation obliges manufacturers of PRIIPs to produce a concise pre-contractual disclosure document, the KID, where such products are made available to retail investors. It also obliges persons who advise upon or sell PRIIPs to provide investors with the KID. It sets out rules on the content and format of the KID, as well as guidance for its review and timing of delivery.

Independent post-Brexit amendments to both the EU and UK PRIIPs regimes mean that there is now divergence between requirements. Further proposals to extensively amend the UK PRIIPs regime are covered on **Slide 39**.

What's on the horizon?

- Delegated Regulation (EU) 2021/2259 extended the exemption from PRIIPs requirements for UCITS until 31 December 2022. This exemption has expired with the result that from 1 January 2023 PRIIPs KID requirements have applied to UCITS. In a related measure, Directive (EU) 2021/2261 amended the UCITS package to provide, from 1 January 2023, that KIDs that comply with PRIIPs are considered to satisfy the requirements for Key Investor Information Documents (KIIDs) set out in the UCITS package. As a result, EU member states must now allow provision of the PRIIPs KID to satisfy the requirement to provide a UCITS KIID.
- Delegated Regulation (EU) 2021/2268 has amended certain requirements relating to the presentation and content of KIDs. It has applied from 1 January 2023.
- The Commission has been reviewing the PRIIPs Regulation as part of a wider assessment of the EU's retail investment strategy. The retail investment package was adopted in May 2023, comprising a Directive and a Regulation relating to retail investment reforms (**see Slide 18**) The package includes a legislative proposal to make targeted amendments to various aspects of the PRIIPs Regulation, including the KID (**PRIIPs Amending Regulation**). This amending Regulation is proceeding through the EU legislative process. Based on the current draft text, it will take effect 18 months after its entry into force.

EU MMF REGULATION



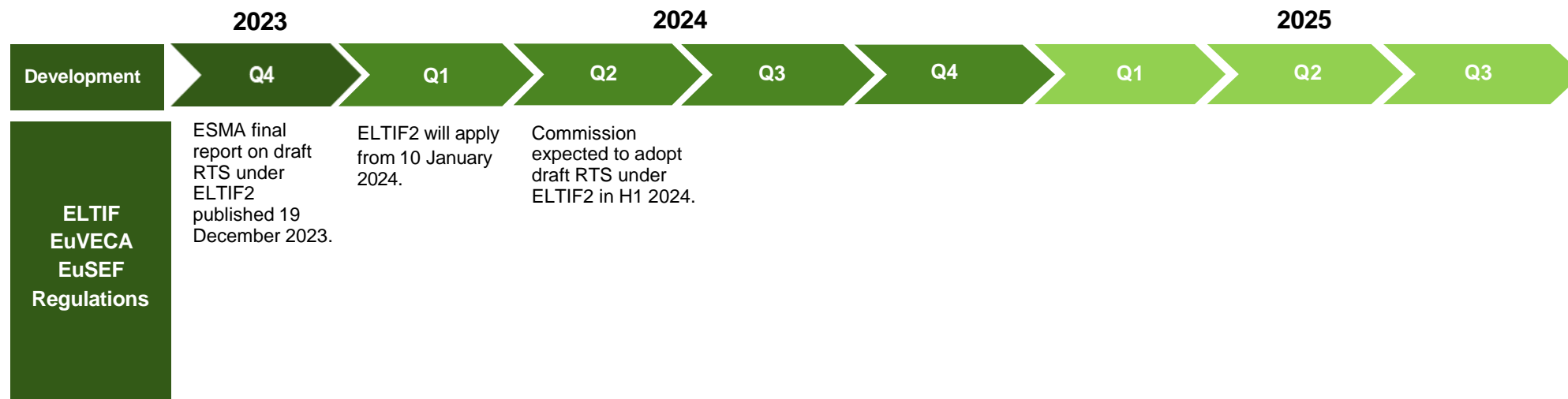
MMF Regulation

The Money Market Funds (MMF) Regulation introduces a regulatory framework that aims to enhance the liquidity and stability of MMFs. It requires funds that meet the definition of an MMF to comply with rules relating to investment policies, internal credit quality assessments, risk management, valuation and transparency requirements. It also grants EU regulators powers to supervise MMFs and their managers on an ongoing basis.

What's on the horizon?

- The MMF Regulation required the Commission to review the MMF Regulation by 21 July 2022 and to propose amendments to the MMF Regulation if appropriate. The MMF Regulation also required the Commission to present a report on the feasibility of establishing an 80% EU public debt quota by 21 July 2022. Following a public consultation on the MMF Regulation in April 2022, the Commission published its [final report](#) in July 2023 confirming that it does not propose revisions to the MMF Regulation at present. The Commission also explained in its report that the merits of establishing an 80% EU public debt quota were questionable.
- In January 2022, the ESRB announced the publication of a recommendation (ESRB/2021/9) to the Commission regarding reforms to MMFs. The ESRB made a number of recommendations, including that the Commission should make legislative amendments to enhance the monitoring and stress-testing frameworks and to provide that the constitutional documents of MMFs should contain at least one of three liquidity management tools. The Commission's response to the ESRB's recommendations formed part of its July 2023 report.
- The so-called EMIR 3.0 proposals adopted by the Commission in December 2022 would make amendments to the MMF Regulation. The Council of the EU and European Parliament are currently considering the legislative proposals. Agreement on EMIR 3.0 is expected to be reached in H1 2024.
- ESMA publishes annual guidelines on MMF stress testing. ESMA published its [final guidelines](#) on stress test scenarios on 19 December 2023. The 2024 MMF stress testing guidelines will be published in Q4 2024.

EU ELTIF, EUVECA AND EUSEF REGULATIONS



ELTIF, EuVECA and EuSEF Regulations

The ELTIF, EuVECA and EuSEF Regulations each create a regulatory category of funds with specific features.

ELTIFs, created by the ELTIF Regulation, are intended to invest in assets that require long-term capital.

EuVECAs, created by the EuVECA Regulation, are intended to invest in small and medium-sized businesses.

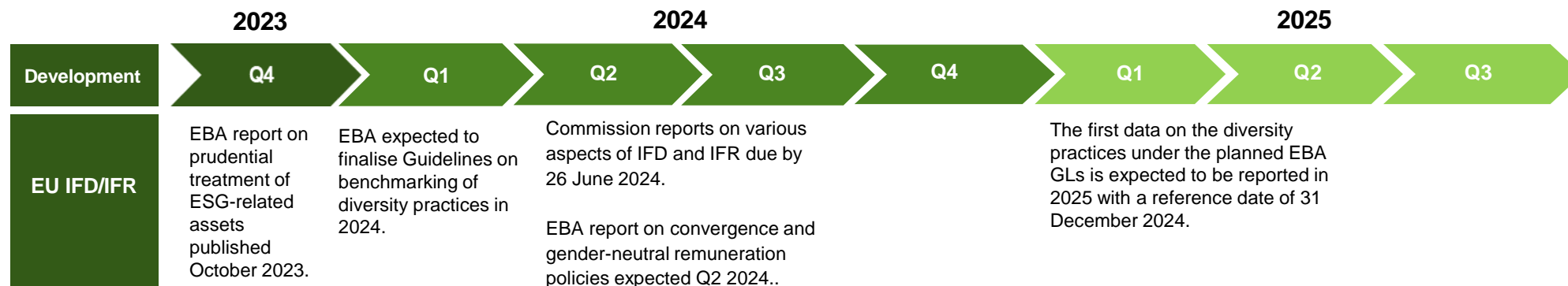
Finally, EuSEFs, created by the EuSEF Regulation, are intended to invest in assets which aim to achieve positive social impacts.

Read our briefing on [ELTIF2 here](#).

What's on the horizon?

- The EuSEF and EuVECA Regulations each required the Commission to complete a review of those regulations by 2 March 2022 and to propose amendments to those regulations, if appropriate. These reviews have not yet been published.
- The EU has completed a review of the ELTIF Regulation. Revisions to the ELTIF Regulation which stem from that review have been finalised and are contained in the so-called ELTIF2. ELTIF2 entered into force on 9 April 2023 and will start to apply from 10 January 2024.
- ESMA has been working on mandates under the ELTIF2 Regulation and published its [final report](#) on 19 December 2023 on draft RTS under Regulations 9(3), 18(6), 19(5), 21(3) and 25(3) of the ELTIF Regulation. The Commission is expected to adopt the draft RTS in H1 2024.

EU IFD/IFR



IFD/IFR

The Investment Firms Directive (IFD) and Investment Firms Regulation (IFR) created a new harmonised prudential regime for EU investment firms, replacing the application of the CRDIV prudential regime.

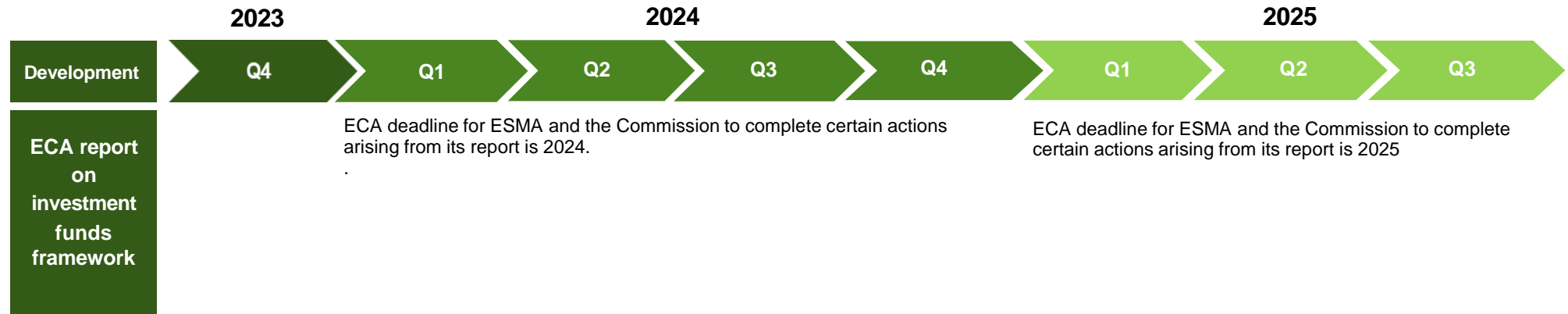
While certain larger investment firms remain treated as credit institutions and subject to the capital regime under CRDIV, firms that are not subject to CRDIV are subject to the new IFD and IFR prudential regime. The IFD/IFR regime includes requirements on capital, consolidation, reporting, governance and remuneration. The IFD and IFR are supported by a number of 'Level 2' implementing and regulatory technical standards (ITS and RTS) and 'Level 3' guidelines, not all of which have been finalised.

Read our in-depth briefings on this development [here](#) and [here](#).

What's on the horizon?

- An EBA report on the application of gender-neutral remuneration policies is expected in Q4 2023.
- The EBA was required to report by 26 December 2021 on whether dedicated prudential treatment of assets exposed to activities associated substantially with environmental or social objectives, in the form of adjusted K-factors or adjusted K-factor coefficients, would be justified from a prudential perspective. Following a discussion paper in May 2022, In October 2023, the EBA published a [report](#) with short- and medium-term recommendations on integration of environmental and social risks in the prudential framework.
- The EBA consulted between April and July 2023 on draft Guidelines on the benchmarking of diversity practices including diversity policies and gender pay gap under on the IFR and IFD. Finalised guidelines are expected in due course. EBA plans that first data on the diversity practices under these guidelines should be reported in 2025 with a reference date of 31 December 2024,
- An EBA report on the application of gender-neutral remuneration policies by investment firms is expected in Q2 2024 (originally envisaged in 2023).
- An EBA report on the degree of convergence of the application of the Chapter 2 of the IFD (*Review process*) among member states was expected by the end of 2023. This has not yet been published..
- The Commission is required to report on the IFD and IFR, with legislative proposals to amend the package if it considers this to be necessary, by 26 June 2024.

EUROPEAN COURT OF AUDITORS' REPORT ON INVESTMENT FUNDS



ECA report on investment funds framework

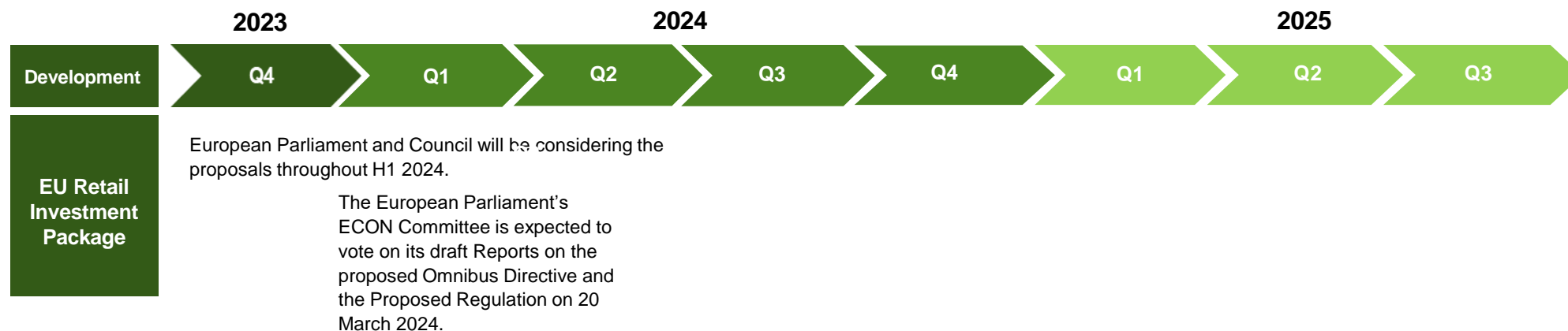
In February 2022, the European Court of Auditors (ECA) published a special report on the EU's investment funds framework, entitled 'Investment funds – EU actions have not yet created a true single market benefiting investors'.

The report focused on whether a single market for investment funds that ensures investor protection and financial stability has been established. The report's overall conclusion was that 'although EU actions have enabled a single market for investment funds to be established, they have not yet achieved the desired outcomes, as true cross-border activities and benefits for investors remain limited'.

What's on the horizon?

- The report contains a number of recommended actions for ESMA and the Commission, which the ECA states should be completed by 2024 and 2025. These are:
 - Recommendation 1 – Assess the suitability of the existing framework to achieve the desired objectives. Actions to be completed by the Commission by 2024.
 - Recommendation 2 – Enhance the effectiveness of ESMA's convergence work. Actions to be completed by ESMA and the Commission by 2024.
 - Recommendation 3 – Protect investors better against undue costs and misleading information. Actions to be completed by ESMA and the Commission by 2024.
 - Recommendation 4 – Improve the identification of systemic risk. Actions to be completed by ESMA by 2025.
 - Recommendation 5 – Streamline data collection and update reporting regimes. Actions to be completed by the Commission by 2024.

EU RETAIL INVESTMENT PACKAGE



EU retail investment package

As part of the Capital Markets Union agenda, the Commission is focused on improving EU retail access to capital markets. In May 2021, the Commission published a consultation paper entitled 'A retail investment strategy for Europe'. This was followed by a second, targeted consultation in February 2022 on options to enhance product suitability and appropriateness assessments.

The Commission published the 'retail investments package' on 24 May 2023, comprising wide-ranging measures to:

- improve the information consumers receive about financial products;
- address conflicts of interest in the sales process;
- impose a ban on inducements for products sold without financial advice;
- enhance the "best interest" test for financial advisers;
- crack down on online "influencers"; and
- introduce "value for money" obligations for costs and performance.

What's on the horizon?

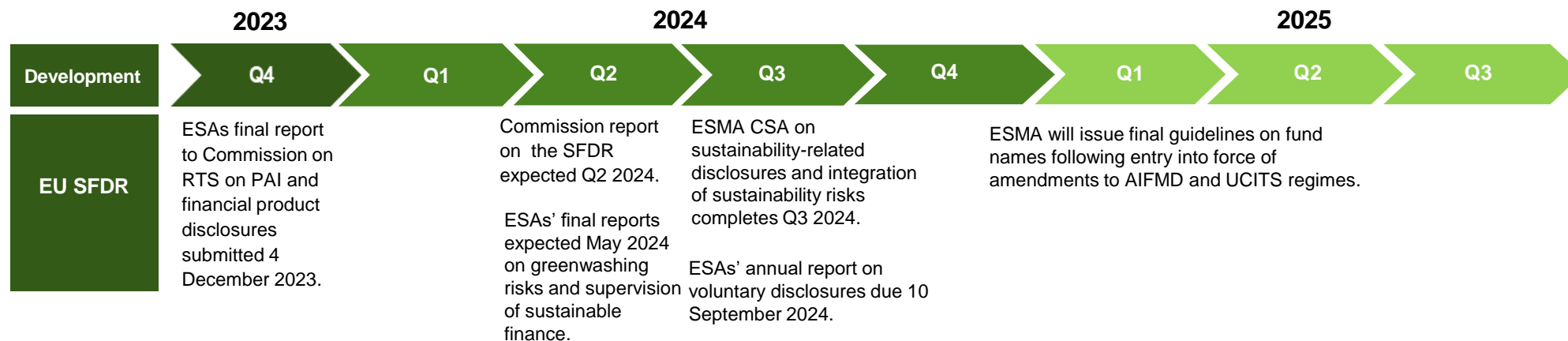
- The Commission's proposal for improving the retail investment framework was originally expected in H1 2022. The retail investment package eventually adopted in May 2023 consists of:
 - A proposal for an [Omnibus Directive](#) that will amend existing EU Directives (including MiFID2, UCITS and AIFMD) as regards EU retail investor protection rules; and
 - A proposal for a [Regulation](#) amending the PRIIPs Regulation as regards the modernisation of the key information document.
- The European Parliament and Council are separately considering the proposals before entering into negotiations on the final texts.
- Once adopted, Member states will have twelve months from the entry into force date to transpose it and must apply the proposed Directive's provisions from the date eighteen months after the entry into force date.



HORIZON SCANNER
A. EU DEVELOPMENTS
II. ESG DEVELOPMENTS



EU SFDR



SFDR

The Sustainable Finance Disclosure Regulation (SFDR) sets out harmonised rules on disclosures to investors regarding the integration of sustainability risks and the consideration of adverse sustainability impacts in investment decision-making and investment advice.

Whilst many of SFDR's provisions began to apply in 2021, staggered implementation deadlines and the development of underlying technical standards have meant that firms' implementation projects continued long past this date.

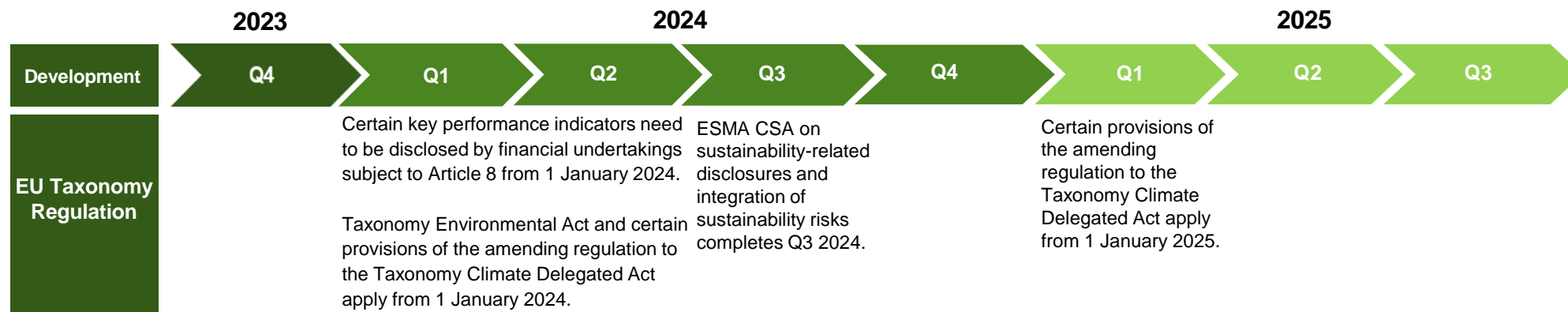
The European has evaluated the SFDR and has proposed possible measures to improve the framework, which may result in changes to disclosure requirements and potentially a classification system for financial products.

Read our in-depth briefing on this development [here](#) and [here](#).

What's on the horizon?

- The ESAs submitted a final report to the Commission on 4 December 2023 on amendments to the RTS on content and presentation of principal adverse impact (PAI) and product disclosures. The Commission is expected to adopt the RTS in due course.
- In July 2023 ESMA launched a Common Supervisory Action (CSA) with National Supervisors to assess asset managers' compliance with sustainability-related disclosures in SFDR and the EU Taxonomy Regulation and provisions in UCITS and AIFMD on integration of sustainability risks. The CSA will run until Q3 2024.
- Between September and December 2023, the Commission consulted on SFDR implementation and on options to improve the framework. The focus is on assessing shortcomings in the SFDR to improve legal certainty, enhancing usability and improving the legislation's role in mitigating greenwashing. The Commission intends to adopt a report on the SFDR in Q2 2024.
- In November 2022, the ESAs launched a Call for Evidence on greenwashing. Each of the ESAs delivered a progress report on 1 June 2023, with final reports to be delivered in May 2024.
- The ESAs are due to report to the Commission on best practices relating to voluntary disclosures annually, by 10 September of each year. The next report is due by 10 September 2024.
- ESMA consulted between November 2022 and February 2023 on guidelines on funds' names using ESG or sustainability-related terms. In December 2023 ESMA confirmed it would postpone the issue final guidelines until after the entry into force of amendments to the AIFMD and UCITS regimes.

EU TAXONOMY REGULATION



Taxonomy regulation

The Taxonomy Regulation sets out criteria that an activity must satisfy to be referred to as ‘environmentally sustainable’. Two such criteria are that the activity must contribute substantially to at least one ‘environmental objective’ and that the activity must not significantly harm an ‘environmental objective’.

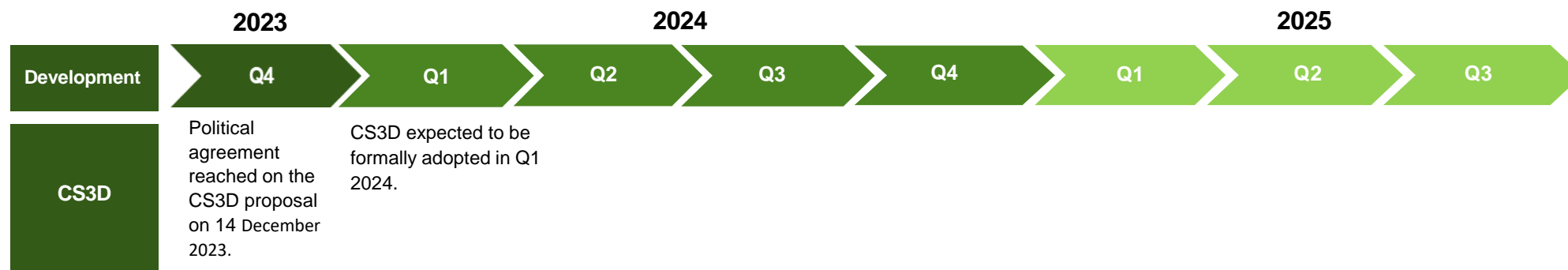
The six ‘environmental objectives’ are set out in the Taxonomy Regulation. The Taxonomy Regulation also creates disclosure obligations for certain products that are within the scope of the related Sustainable Finance Disclosure Regulation (SFDR).

Read our in-depth briefing on this development [here](#).

What’s on the horizon?

- Two delegated acts supplementing the Taxonomy Regulation were published in the Official Journal on 21 November 2023 and apply mainly from 1 January 2024:
 - A [taxonomy environmental act](#) – setting out technical screening criteria for economic activities that make a substantial contribution to one or more of the non-climate environmental objectives (circular economy; biodiversity; pollution; and water); and
 - An [amending regulation](#) which will add additional activities that are not currently included in the existing Taxonomy Climate Delegated Act (which sets out technical screening criteria for economic activities that make a substantial contribution to climate change mitigation or climate change adaptation). Some provisions apply from 1 January 2024, with others applying from 1 January 2025.
- In July 2023 ESMA launched a Common Supervisory Action (CSA) with National Supervisors to assess asset managers’ compliance with sustainability-related disclosures in SFDR and the EU Taxonomy Regulation and provisions in UCITS and AIFMD on integration of sustainability risks. The CSA will run until Q3 2024.
- Under Article 8 of the Taxonomy Regulation, undertakings that are required to publish non-financial information under Articles 19a or 29a of the Non-Financial Reporting Directive must include sustainability information in their non-financial disclosures. Under Commission Delegated Regulation 2021/2178, which supplements Article 8 of the Taxonomy Regulation, financial undertakings will need to disclose certain key performance indicators from 1 January 2024.
- A number of reports under the Taxonomy Regulation remain outstanding with no confirmed dates for publication.

CS3D



Corporate Sustainability Due Diligence Directive (CS3D)

The Corporate Sustainability Due Diligence Directive (CS3D) sets out an EU legal framework on sustainable corporate governance, including cross-sector corporate due diligence along global value chains.

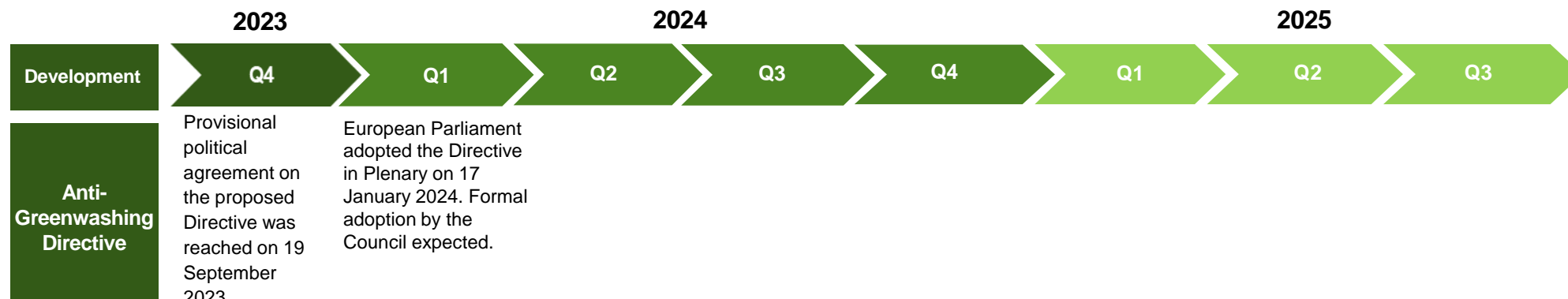
The main effect of the CS3D will be to introduce obligations on in-scope EU and non-EU companies to adopt and implement due diligence policies and processes to identify and address adverse human rights and environmental impacts (known as human rights and environmental due diligence, or "HREDD") with which the companies may be involved, either through their own operations, those of their subsidiaries or through business relationships in their value chain.

Read our in-depth briefings on this development [here](#) and [here](#).

What's on the horizon?

- Trilogue negotiations between the co-legislators began on 8 June 2023, and political agreement was reached on 14 December 2023. This "provisional agreement" is unlikely to change substantively between now and its final adoption by the Council and Parliament.
- CS3D will apply to large EU companies and large non-EU companies active in the EU.
 - "EU Companies" are defined as those with more than 500 employees and a net global turnover of more than EUR 150 million, or that operate in specific high-impact sectors with more than 250 employees and a net global turnover of EUR 40 million.
 - "High-impact sectors" are defined as the manufacture and wholesale trade of textiles, clothing and footwear, agriculture including forestry and fisheries, manufacture of food and trade of raw agricultural materials, extraction and wholesale trade of mineral resources or manufacture of related products and construction.
 - non-EU Companies are defined as those that have a EUR 300 million net turnover generated in the EU, with no requirement to meet an employee threshold.
- Most of the due diligence rules will not apply to financial institutions, including banks, insurers, institutional investors and asset managers. The agreed compromise will however impose some obligations on financial institutions. EU and non-EU financial institutions conducting enough business to fall within the scope of the CS3D will be required to conduct HREDD on the upstream elements of their value chain.
- Once CS3D is adopted, Member States will have two years to transpose the Directive into national law. Based on the compromise text, non-EU Companies will then have a further year to comply with the CS3D. It is also likely that smaller in-scope companies will have longer to comply with the Directive, though this is as yet unconfirmed.

ANTI-GREENWASHING DIRECTIVE



Anti-Greenwashing Directive

A priority measure in the Commission’s 2023 Work Programme, the proposed **Directive on Empowering Consumers for Green Transition** (referred to as the Anti-Greenwashing Directive) is proceeding through the EU legislative process. The new Directive aims to strengthen consumer rights and protections with respect to commercial practices, including greenwashing, that prevent sustainable purchases.

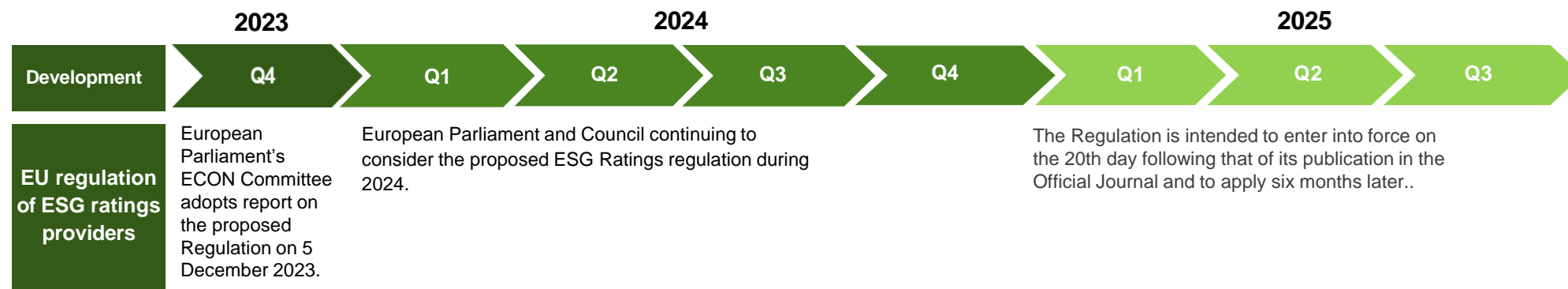
The Directive will amend the **Unfair Commercial Practices Directive (UCPD)** to:

- extend the list of product characteristics about which a trader cannot mislead consumers to cover the environmental or social impact;
- extend the list of actions which are to be considered misleading if they cause or are likely to cause the average consumers to take a transactional decision that they would not have otherwise taken; and
- add new practices, including forms of greenwashing, to the existing ‘blacklist’ of prohibited unfair commercial practice.

What’s on the horizon?

- In March 2022, the Commission published a package of proposed measures as part of its New Consumer Agenda and Circular Economy Action Plan, aimed at making sustainable products the norm in the EU, boosting circular business models, and empowering consumers for the green transition. The proposed **Directive on Empowering Consumers for Green Transition** (Anti-Greenwashing Directive) is designed to ensure consumers take informed and environment-friendly decisions when buying products, and the rules strive to strengthen consumer protection against untrustworthy or false environmental claims by banning greenwashing and other practices that mislead consumers.
- The Council adopted its negotiating mandate on the proposed Directive on 3 May 2023. The European Parliament adopted its position at its plenary meeting of 11 May 2023. Provisional political agreement on the proposed Directive was reached on 19 September 2023 and the final compromise text was agreed in October 2023. The European Parliament adopted the Directive in plenary session on 17 January 2024. Formal adoption of the Directive by the Council is awaited.
- Once adopted the Directive will enter into force on the 20th day following its publication in the Official Journal. The final compromise texts proposal envisages a 24-month transposition period with the Directive applying 30 months after its entry into force.

EU REGULATION OF ESG RATINGS PROVIDERS



EU regulation of ESG ratings providers

ESG ratings providers offer products that opine on the ESG characteristics or exposure of products and firms. Provision of ESG ratings plays an important role in the ESG ecosystem but is not currently regulated at EU level.

Following a consultation and call for evidence in April 2022, in June 2023 the Commission published a legislative proposal for a Regulation on the transparency and integrity of ESG rating activities.

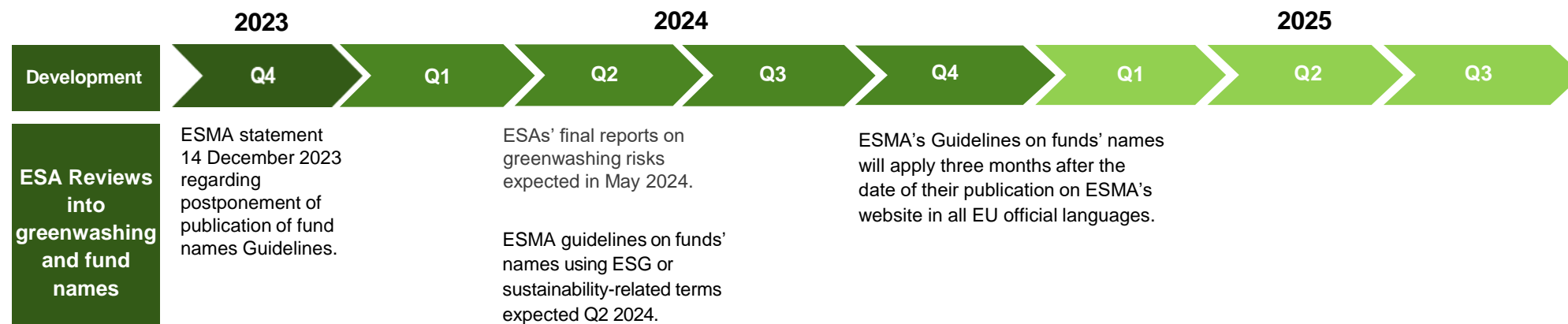
The proposal is intended to require ESG ratings providers offering services to investors and companies in the EU to be authorised and supervised by ESMA.

The proposed regulation is intended to complement existing legislation such as the Sustainable Finance Disclosure Regulation (SFDR), the Taxonomy Regulation, the Corporate Sustainability Reporting Directive (CSRD) and the EU Green Bonds Regulation.

What's on the horizon?

- The Commission's June 2023 legislative proposal for a Regulation is aimed at addressing deficiencies in ESG ratings provision, including: (i) lack of transparency on the characteristics of ESG ratings, their methodologies and their data sources; (ii) the lack of clarity on how ESG rating providers operate; and (iii) conflicts of interest at ESG rating providers' level. The Regulation sets out provisions to:
 - Appoint ESMA as supervisor of ESG ratings providers and impose an authorisation requirement on ESG ratings providers (subject to a transitional period for certain providers);
 - Introduce a regime for third country ESG ratings providers;
 - Set out transparency requirements and principles on the integrity and reliability of ESG rating activities;
 - Impose obligations relating to the independence and management of conflict of interests of ESG rating providers.
- The scope of the Regulation will not extend to: internal or private ESG ratings that are not intended for public disclosure or distribution; raw ESG data; or credit ratings.
- The Council and the European Parliament are currently considering the legislative proposal with a view to reaching their negotiating positions.
- Once adopted the Regulation will enter into force 20 days after its publication in the Official Journal of the European Union and apply six months later.

ESA REVIEWS INTO GREENWASHING AND FUND NAMES



ESA reviews into greenwashing and fund names

The EU's 2018 action plan on sustainable finance set out an ambitious programme of activity intended to connect sustainability and finance. Since that date the EU has been actively pursuing this agenda through both legislative and non- legislative means.

Most recently, this has included commencing work through the ESAs on greenwashing and on sustainability-related fund names.

What's on the horizon?

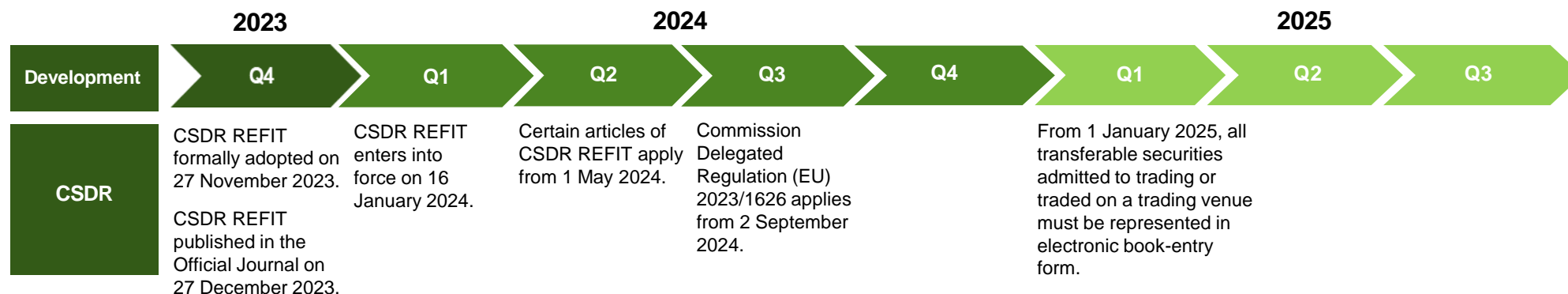
- In November 2022, following a request for input from the European Commission, the ESAs published a call for evidence to better inform their understanding of greenwashing risks. The call for evidence requested responses on how to understand greenwashing, the drivers of greenwashing and examples of greenwashing. Each of the [EBA](#), [ESMA](#) and [EIOPA](#) issued progress reports on 31 May 2023. Final report are expected to be published by the end of May 2024.
- ESMA consulted between November 2022 and February 2023 on producing guidelines on funds' names using ESG or sustainability-related terms. In the consultation, ESMA sought views on developing more specific guidance on the use of ESG and sustainability-related terms in funds' names, as part of the EU's drive to prevent greenwashing. ESMA expected to issue its final Guidelines by Q2/Q3 2023. However, this date has now been revised to Q2 2024. ESMA explained in a [public statement](#) in December 2023 that, given the AIFMD and UCITS review (**see Slide 10**) contains mandates for Guidelines on related topics, ESMA will defer finalisation and publication of the funds' names Guidelines until shortly after the legislation amending AIFMD and UCITS enters into force.
- ESMA's Guidelines on funds' names will apply three months after the date of their publication on ESMA's website in all EU official languages. Managers of new funds would be expected to comply with the Guidelines in respect of those funds from the date of application of the Guidelines. Managers of funds existing before the date of application of the Guidelines should comply with the Guidelines with respect to those funds six months after the application date.

The background of the slide is a blurred image of a financial market display. It features a candlestick chart on the left and several line charts on the right. The candlesticks are in shades of green and red. The line charts are in various colors including blue, green, and white. There are also some numerical values visible on the right side of the charts, such as 24.90, 30.00, 20.00, 13.90, 67.00, 2.58, 1.21, 2.26, 10.70, and 468.00. A white arrow points upwards and to the right, indicating a positive trend.

HORIZON SCANNER
A. EU DEVELOPMENTS

III. CROSS-SECTORAL DEVELOPMENTS

EU CSDR



EU CSDR

EU CSDR aims to harmonise certain aspects of securities settlement, such as the timing of settlement and the authorisation process for EEA CSDs. The next major phase of implementation, the introduction of a mandatory buy-in regime, was intended to come into effect on 1 February 2022, but has been suspended and will now take effect from 2 November 2025. In the meantime, the legislative REFIT proposal starts to apply from 1 May 2024, amending the CSDR to:

- Enhance supervisory co-operation;
- Simplify the CSDR passporting process;
- Facilitate CSDs' access to banking-type ancillary services;
- Clarify elements of the settlement discipline regime;
- Introduce an end-date for the grandfathering clause for EU and third-country CSDs and a notification requirement for third-country CSDs.

Read our in-depth briefing on this development [here](#).

What's on the horizon?

- Since 1 January 2023, any EU issuer that issues transferable securities that are admitted to trading or traded on trading venues has been required to arrange for the securities to be represented in electronic book-entry form. From 1 January 2025, this requirement will apply to all remaining transferable securities that are admitted to trading or traded on trading venues.
- In November 2022, ESMA published a final report and draft RTS amending Article 19 of Commission Delegated Regulation (EU) 2018/1229. The RTS were adopted by the Commission as Commission Delegated Regulation (EU) 2023/1626 which entered into force on 31 August 2023. The amendments introduced by the Delegated Regulation apply from 2 September 2024 to remove the special distribution and collection process for cash penalties that applies to central counterparties (CCPs) and instead allocate responsibility for the collection and distribution of all cash penalties to central securities depositories (CSDs).
- On 27 November 2023, the Council formally adopted the CSDR REFIT regulation amending the CSDR, following adoption by the European Parliament on 10 November 2023. CSDR REFIT was published in the Official Journal of the European Union on 27 December 2023 and enters into force on 16 January 2024. Certain of its articles apply from 1 May 2024 and the remainder two years after entry into force.
- In 2024, ESMA intends to deliver a CSDR report on CSD settlement efficiency and internalised settlement, and to work on mandates under the CSDR REFIT.
- The CSDR's mandatory buy-in regime was intended to apply from 1 February 2022. The application of the relevant rules has been delayed until 2 November 2025.

EU MiFID2



EU MiFID2

The extensive legislative package known as MiFID 2 (comprising the MiFID 2 Directive and the MiFIR Regulation) has since 2018 been the cornerstone of EU legislation governing the authorisation and operation of investment firms and the buying, selling and organised trading of financial instruments.

The MiFID 2 'Quick Fix' measures in response to Covid-19 have applied since February 2022 and measures to integrate sustainability into the package were introduced in August and November 2022.

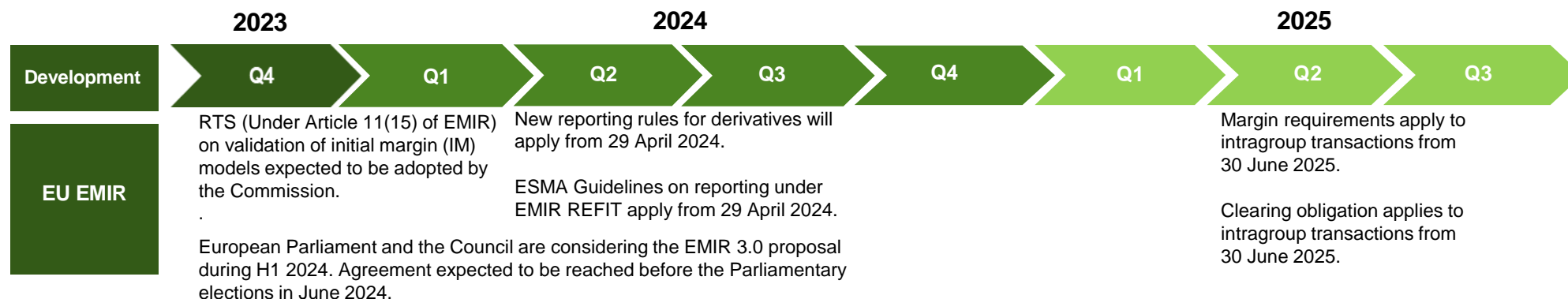
In addition, new legislative measures following a review of the framework (sometimes referred to as 'MiFID3/MiFIR2') are expected to be adopted in early 2024. MiFID2 will also see further changes due to initiatives being introduced under the Capital Markets Union (CMU) Action Plan.

Read our in-depth briefings on these developments [here](#), [here](#) and [here](#).

What's on the horizon?

- The package will make changes to MiFID2 and MiFIR to improve market data access and transparency, including measures to facilitate the introduction of an EU consolidated tape. Final compromise texts on the MiFID3/MiFIR 2 package were published on 18 October 2023. The European Parliament adopted the package at first reading on 16 January 2024, and the Council is expected to formally adopt the package early in 2024. It will enter into force 20 days after publication in the Official Journal of the European Union.
- An incoming CMU initiative to support access to public markets (known as the Listing Act package), will among other things amend MiFID 2's provisions on research unbundling and SME growth markets, to stimulate investment in SMEs.
- An incoming Fintech Amending Directive will strengthen operational resilience of MiFID firms by amending the MiFID2 Directive to apply the provisions of the DORA Regulation (see **Slide 35**).
- The Commission's proposal for a Retail Investment package published on 23 May 2023 sets out measures to increase consumer participation in capital markets (see **Slide 18**). The package includes proposed amendments to MiFID2 (and other sectoral legislation) to introduce simplified/improved disclosures on products, new provisions relating to sophisticated retail investors and harmonisation of professional standards for advisers. The European co-legislators will continue to consider the package during 2024.

EU EMIR



EU EMIR

The European Market Infrastructure Regulation (EU EMIR) places clearing, risk mitigation and reporting requirements on counterparties to derivatives contracts, central counterparties ((CCPs) and trade repositories. EU EMIR also sets out registration and supervision requirements applicable to CCPs and trade repositories.

Since its application, EMIR has been amended by EMIR REFIT and EMIR 2.2.

Adopted in December 2022, proposals for the **EMIR 3.0** package, comprising a proposed Regulation and Directive are passing through the legislative process. EMIR 3.0 will amend EU EMIR and other sectoral legislation to mitigate excessive exposures to third country CCPs and improve the efficiency of EU clearing markets, as well as to enhance the monitoring and treatment of concentration risk towards CCPs and the counterparty risk on centrally cleared derivatives transactions.

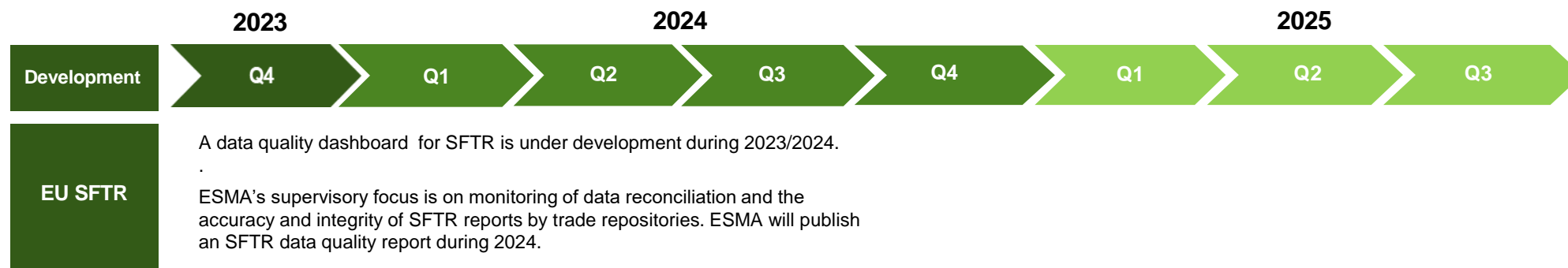
Recently adopted Level 2 measures have deferred the application of some of EMIR's requirements to intragroup transactions.

Listen to our panel discussion on this development [here](#) and read our briefings [here](#) and [here](#).

What's on the horizon?

- On 1 February 2023, in view of IBOR transition ESMA published a Final Report submitting to the European Commission draft RTSs: (i) under Article 5(2) of EMIR on the CO; and (ii) under Article 32 of MiFIR on the Derivatives Trading Obligation (DTO). Subject to endorsement by the Commission the RTS on the CO will enter into force on publication, and the RTS on the DTO will enter into force on application of the MiFID3/MiFIR2 package.
- Final draft RTS under Art 11(15) EMIR were published in July 2023 by the EBA, setting out supervisory procedures for initial and ongoing validation of initial margin (IM) models used to determine the level of margin requirements for uncleared over the counter (OTC) derivatives.
- ESMA published final Guidelines on reporting under EMIR REFIT on 20 December 2022, providing clarification on compliance with the EMIR technical standards. The Guidelines apply from 29 April 2024.
- Intragroup transactions:
 - Commission Delegated Regulation (EU) 2023/314 has extended the deferred date of the application of margin requirements for intragroup transactions to 30 June 2025.
 - Delegated Regulation (EU) 2023/315 has extended the deferred date of application of the CO for intragroup transactions set in the three Commission Delegated Regulations to 30 June 2025.
- The European Parliament and the Council of the European Union are considering the EMIR 3.0 package during 2023 and H1 2024. EU Member States are expected to implement the amendments set out in the proposed Directive 12 months after the date of the entry into force of the proposed Regulation.

EU SFTR



EU SFTR

The Securities Financing Transactions Regulation (SFTR) aims to increase transparency and reduce perceived “shadow banking” risks by requiring counterparties to report securities financing transactions (SFTs) to a trade repository, requiring UCITS managers and AIFMs to make pre-contractual and periodical disclosures to investors about their use of SFTs and total return swaps and imposing conditions on the ‘reuse’ of financial instruments that have been provided as collateral.

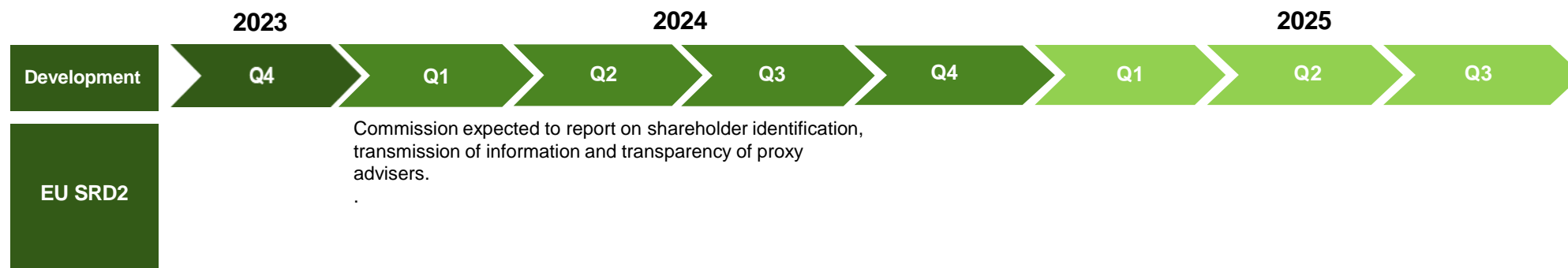
ESMA Guidelines for the transfer of data between trade repositories under EMIR and the SFTR were published in March 2022 and have applied since October 2022.

Read our in-depth briefing on this development [here](#).

What’s on the horizon?

- The key challenge with securities financing transactions (SFTs) is that, while many core regulatory and supervisory activities of the authorities rely on the data reported and disclosed by market participants, lack of reliable data can present difficulties in identifying property rights and counterparties and monitoring risk concentration.
- In April 2023, ESMA published its third SFTR data quality report. As regards EMIR and SFTR data quality, ESMA has been transitioning to a new approach to monitoring and engaging on data quality issues with member states’ national competent authorities (NCAs), which involves:
 - a data quality dashboard with indicators covering the most fundamental data quality aspects; and
 - a data sharing framework which engages relevant authorities to follow up with counterparties in their jurisdiction upon a detection of a significant data quality issue, such as a breach of predefined levels in the agreed set of indicators
- ESMA has already worked with NCAs on implementation of a data quality dashboard for EMIR, which has undergone gradual implementation since May 2022. ESMA is continuing in 2024 with work on an implementation of the data quality dashboard for SFTR.
- Similar to previous years, ESMA will publish an SFTR data quality report to show the effectiveness of the collective supervisory efforts of ESMA and the NCAs supervising reporting entities.
- During 2024, ESMA’s supervisory focus is on monitoring the correct reconciliation of data and the adequate verification of accuracy and integrity of SFTR reports by trade repositories.

EU SRD2



EU SRD2

The original Shareholder Rights Directive (SRD) established rules promoting the exercise of shareholder rights at general meetings (GMs) of companies with offices in the EU and whose shares were admitted to trading on a regulated market within the EU.

The revised Shareholder Rights Directive (SRD2) introduced amendments to SRD to enable shareholders to exercise voting and information rights in EU companies traded on regulated markets across the EU.

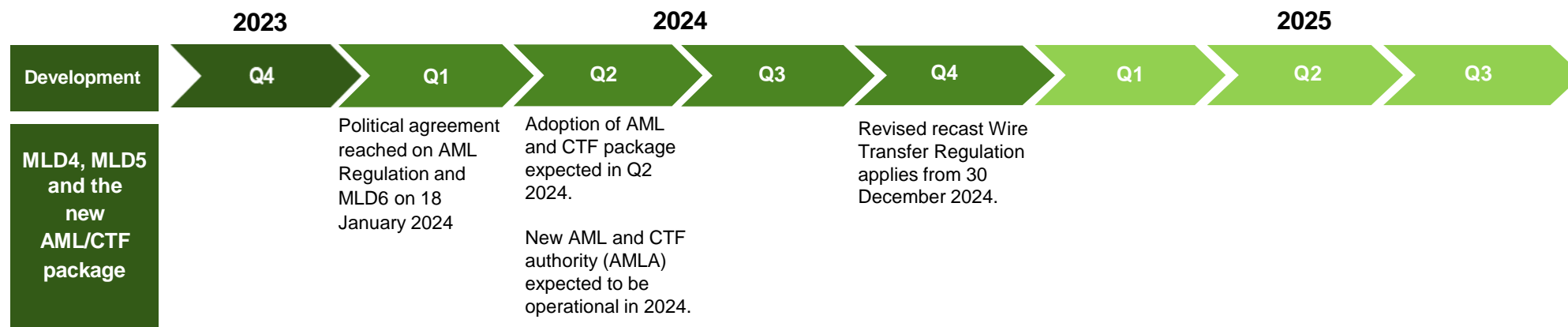
Amendments to the SRD addressed perceived shortcomings relating to transparency and a lack of shareholder engagement. The amendments relate to the link between directors' pay and performance, related party transactions, advice given by proxy advisers and facilitation of the cross-border exercise of voting and information rights.

EU Member States were required to transpose SRD2's amendments to SRD by 10 June 2019. Review clauses in Articles 3f(2) and 3k(2) of the SRD require the Commission to report on aspects of the regime.

What's on the horizon?

- By 10 June 2023, the Commission was due to report on and, if appropriate, propose amendments to provisions on:
 - Shareholder identification, transmission of information and facilitation of exercise of shareholder rights; and
 - Implementation of the provisions on the transparency of proxy advisers.
- The Commission requested that both ESMA and the EBA be involved in the preparation of the input to be provided regarding Chapter Ia of the SRD2, in particular Articles 3a-3e, which regulate companies' and intermediaries' rights and obligations regarding 9 shareholder rights. ESMA was also asked to provide input on the implementation of Article 3j of the SRD2, which regulates the transparency of the proxy advisory industry.
- On 27 July 2023, ESMA and the EBA published a [report](#) on Implementation of SRD2 provisions on proxy advisors and the investment chain.
- The Commission's report is awaited.

EU MLD4, MLD5 AND THE NEW AML AND CTF PACKAGE



MLD4, MLD5 and the new AML and CTF package

MLD4 contains the EU's anti-money laundering framework. MLD5 made targeted amendments to MLD4 to increase transparency around owners of companies and trusts through the establishment of public beneficial ownership registers, prevent risks associated with the use of virtual currencies for terrorist financing, restrict the anonymous use of pre-paid cards, improve the safeguards for financial transactions to and from high-risk third countries and enhance Financial Intelligence Units' access to information.

In 2021, the Commission adopted an ambitious new package of legislative proposals, intended to further strengthen and update the AML and CTF framework.

What's on the horizon?

- In July 2021, the Commission adopted a package of legislative proposals: (i) a regulation establishing a new EU AML and CTF authority (**AMLA Regulation**); (ii) a new regulation on AML and CTF (**AML Regulation**); (iii) a sixth directive on AML and CTF (**MLD6**); and (iv) a regulation on information accompanying transfers of funds and certain cryptoassets (**revised recast Wire Transfer Regulation**).
- The package continued its progress through the EU legislative process in 2022 and 2023, with the Council agreeing its general approach in June and December 2022 and the European Parliament agreeing its negotiating position in April 2023. The [revised recast Wire Transfer Regulation](#) was adopted in May 2023 and published in the Official Journal on 9 June 2023. It will apply from 30 December 2024.
- Political agreement has been reached on the AMLA Regulation, the AML Regulation and MLD6, with adoption expected in Q2 2024.
- Following a consultation between December 2022 and February 2023, in March 2023 the EBA published new and revised guidelines on (i) policies and controls for the effective management of money laundering and terrorist financial risks when providing access to financial services; and (ii) customer due diligence.
- On 31 May 2023, EBA launched a consultation on proposals to change the scope of its guidelines on AML and CTF risk factors under MLD4 to include the specific features of cryptoassets and cryptoasset service providers (CASPs). The consultation closed on 31 August 2023 and revised guidelines will be published in due course.
- On 24 November 2023, EBA launched a consultation on new guidelines on preventing the abuse of funds and certain cryptoassets transfers for money laundering under the revised recast Wire Transfer Regulation. That consultation closes on 26 February 2024 and revised guidelines will be published in due course.

EU MAR AND CSMAD



EU MAR and CSMAD

An EU-wide framework for tackling market abuse and market manipulation was first introduced in 2005. MAR and CSMAD aimed to update and strengthen this framework. From 2016, MAR extended the scope of the market abuse regime and introduced new requirements including in relation to insider lists, disclosure of inside information and reporting of suspicious orders and transactions.

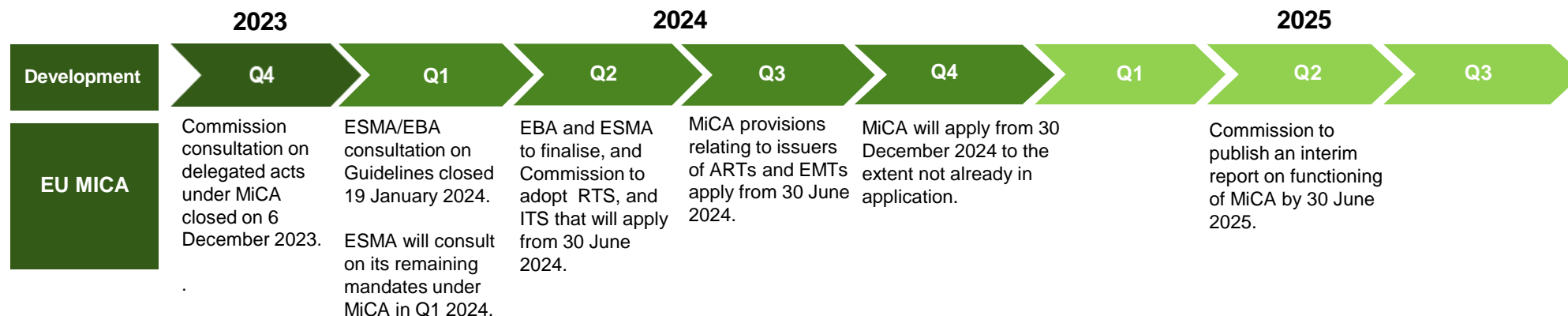
CSMAD sets minimum requirements for EU member states' criminal sanctions regimes for market abuse.

The first in-depth review of MAR since its implementation was carried out by ESMA, with the outcomes published in September 2020. ESMA's recommendations will feed into the European Commission's review of MAR.

What's on the horizon?

- MAR required the Commission to submit a report on MAR and, if the Commission considered this to be appropriate, a proposal for amendments to MAR, by 3 July 2019. In September 2020, ESMA published a report on MAR. The Commission's report has yet to be published.
- In December 2022, the Commission published a package of proposals to simplify EU listing rules, referred to as the Listing Act package. A measure supporting the EU's Capital Markets Union agenda, this will, among other things, amend MAR to:
 - narrow the scope of the obligation to disclose inside information and enhance legal clarity as to what information needs to be disclosed and when;
 - clarify the conditions under which issuers may delay disclosure of inside information; clarify the market sounding procedure; simplify the insider lists regime; and
 - simplify the reporting mechanism for buy-back and stabilisation programmes. The proposals are continuing through the EU legislative process.
- The European Parliament's ECON committee is expected to vote on its draft reports on the Listing Act package on 24 October 2023. Third drafts of the reports were published in June 2023.
- Following its feedback report in July 2023, ESMA expects to continue working on pre-hedging in 2024 and may assist IOSCO in developing further guidance at global level. ESMA will also continue focusing on the impact of social media on market surveillance and market integrity and may provide guidance on this topic.

EU MiCA



EU MiCA

The Markets in Cryptoassets Regulation (MiCA) aims to harmonise cryptoasset regulation across the EU.

MiCA applies with respect to cryptoassets that do not qualify as MiFID financial instruments, deposits or structured deposits or traditional e-money under existing EU financial services legislation. In-scope cryptoassets are stablecoins ('Asset Referenced Tokens' (ARTs) and 'e-money Tokens' (EMTs)) and utility tokens ('other cryptoassets').

As well as placing obligations on those who issue or offer cryptoassets to the public, MiCA provides a framework for service providers ('CASPs'), which will bring in separate authorisation and ongoing requirements for activities such as trading and custody of this asset class. It will ensure among other things that customer assets are properly segregated from a cryptoasset firm's own assets and will ensure the cryptoassets firm has enough liquidity on hand in the form of reserves to meet customer withdrawals. It will also introduce a market abuse regime.

Read our in-depth briefing on this development [here](#), [here](#), [here](#) and [here](#).

What's on the horizon?

- MiCA was published in the Official Journal on 9 June 2023 and entered into force on 29 June 2023.
- MiCA's provisions related to stablecoins (Asset Referenced Tokens and E-Money Tokens) apply from 30 June 2024, with the remainder of its provisions applying from 30 December 2024.
- MiCA will be supported by further 'Level 2' delegated acts, regulatory technical standards (RTS) and implementing technical standards (ITS), and 'Level 3' guidelines:
 - The Commission launched a consultation from 8 November 2023 to 6 December 2023 on four delegated acts, which it plans to adopt before the application of the relevant parts of MiCA on 30 June 2024.
 - In July, October, November and December 2023, the EBA launched a series of consultations on draft RTS, draft ITS and guidelines related to ART issuers. These RTS, ITS and guidelines also apply to issuers of significant EMTs by virtue of Article 58 of MiCA.
 - In July and October 2023, ESMA published two sets of consultations on eleven draft RTS and four draft ITS related to CASPs.
 - In October 2023, the EBA and ESMA jointly consulted on two sets of guidelines on suitability assessments of the management body and holders of qualifying holdings of issuers of ARTs or CASPs. The consultation closes on 19 January 2024.
 - ESMA plans to publish a third set of consultations on its remaining mandates under MiCA in Q1 2024.

EU DORA



EU Digital Operational Resilience Act (DORA)

Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (**DORA**) was published in the Official Journal of the European Union in December 2022 and entered into force on 16 January 2023. It will apply from 17 January 2025.

DORA puts in place a detailed and comprehensive framework on digital operational resilience for EU financial entities. EU entities must ensure they have the capacity to build, assure and review their operational integrity to ensure that they can withstand all types of disruptions and threats relating to information and communication technologies (ICT). DORA introduces an EU-level oversight framework to identify and oversee ICT third party service providers deemed “critical” for financial entities.

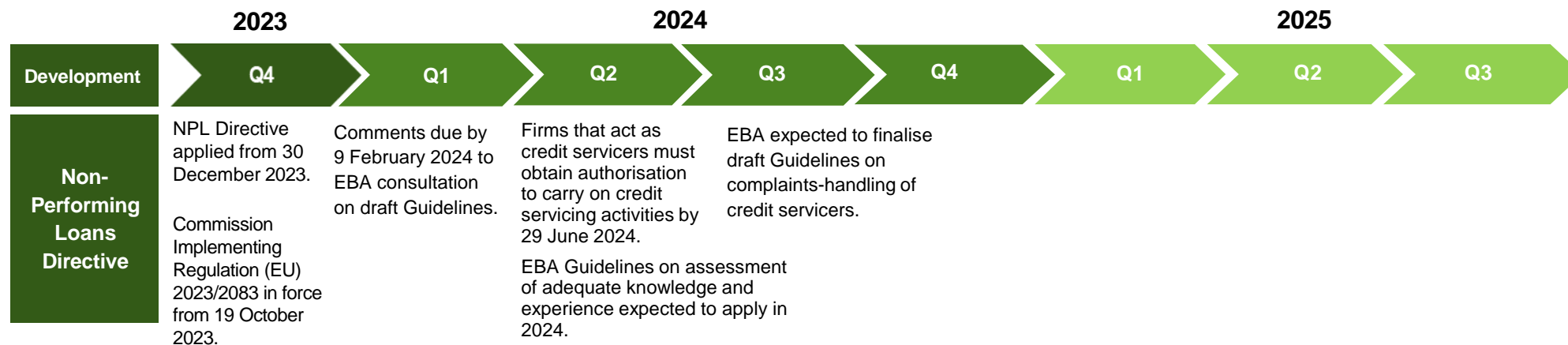
DORA will be supported by ‘Level 2’ technical standards and ‘Level 3’ guidelines, which are under development.

Read our in-depth briefings on this development [here](#) and [here](#).

What’s on the horizon?

- DORA will apply from 17 January 2025. The DORA package includes the Fintech Amending Directive, which amends operational resilience requirements in a number of existing EU directives, including the UCITS Directive, the AIFMD and MiFID 2.
- The European Commission issued a call for advice to the ESAs on the designation criteria (under which a third-party ICT service provider is designated as ‘critical’) and fees for the DORA oversight framework. The ESAs submitted their advice on 29 September 2023. The Commission is mandated to adopt the related delegated acts by 17 July 2024.
- The ESAs are mandated to develop, and submit to the Commission by January and July 2024, draft implementing and regulatory technical standards (ITS and RTS) and guidelines supporting various aspects of the DORA framework. The RTS, ITS relate to ICT risk management frameworks, the criteria for the classification of ICT related incidents, materiality thresholds for major incidents and significant cyber threats, digital operational resilience testing, ICT third-party arrangements management and the oversight framework.
 - Following consultation between June and September 2023, the joint committee of the ESAs submitted to the Commission draft ITS and RTS under Articles 15, 16, 18 and 28 of DORA on 17 January 2024.
 - The joint committee published a second set of consultation papers on 8 December, for responses by 4 March 2024, on RTS and ITS under Articles 20, 26, 30 and 41 of DORA, and guidelines under Articles 11(11) and 32(7) of DORA.

NON-PERFORMING LOANS DIRECTIVE



Non-Performing Loans Directive

The Non-Performing Loans Directive (NPL Directive, also referred to as the Directive on Credit Servicers and Credit Purchasers) establishes a regulatory regime for the servicing of, and investment in, loans which are assessed as unlikely to be repaid by the borrower or for which payments are more than 90 days overdue. It includes requirements for credit servicers to become authorised. It also establishes obligations on investors in non-performing loans.

The EBA is conducting work to deliver technical advice and guidelines under the NPL Directive.

Read our in-depth briefings on this development [here](#) and [here](#).

What's on the horizon?

- Member states were required to implement the directive by 29 December 2023 and to apply its requirements from 30 December 2023.
- [Commission Implementing Regulation \(EU\) 2023/2083](#) was published in the Official Journal on 29 September 2023 and entered into force on 19 October 2023. The implementing regulation sets out implementing technical standards (ITS) specifying the templates to be used by credit institutions for the provision of information under NPL Directive. The ITS include data templates to be used in NPL transactions, a data glossary and instructions for the use of the data templates and data glossary.
- On 15 December 2023, the EBA issued a final report on guidelines on the assessment of adequate knowledge and experience of the management or administrative organ of credit servicers under the NPL Directive. The guidelines will apply three months after their publication on the EBA's website in the official languages of the EU.
- On 9 November 2023, the EBA published a consultation on draft Guidelines on complaints-handling of credit servicers under the NPL Directive, for responses by 9 February 2024.
- Firms that act as credit servicers must obtain authorisation to carry on credit servicing activities by 29 June 2024.
- The Commission is required to evaluate and report on the directive by 29 December 2026.

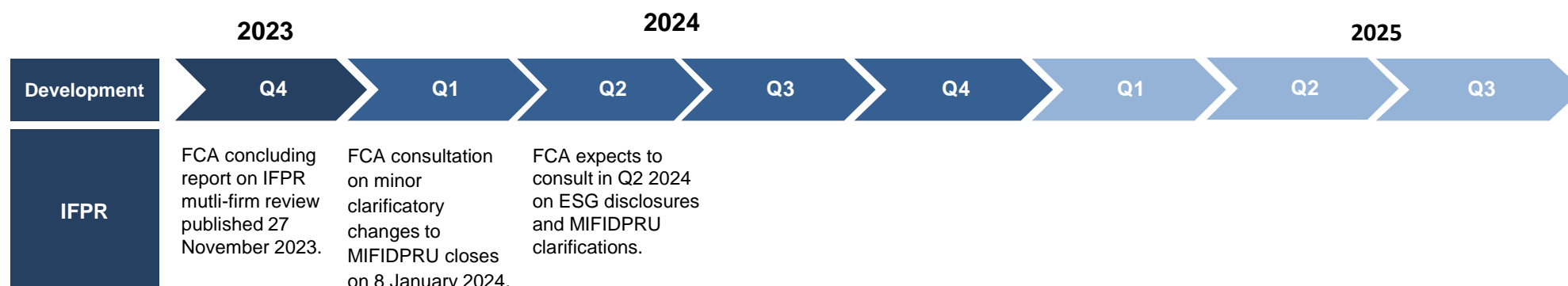


HORIZON SCANNER
B. UK DEVELOPMENTS

I. ASSET MANAGEMENT DEVELOPMENTS



INVESTMENT FIRMS PRUDENTIAL REGIME (IFPR)



Investment Firms Prudential Regime (IFPR)

The UK introduced the IFPR, a revised prudential regime for FCA-authorized investment firms, on 1 January 2022.

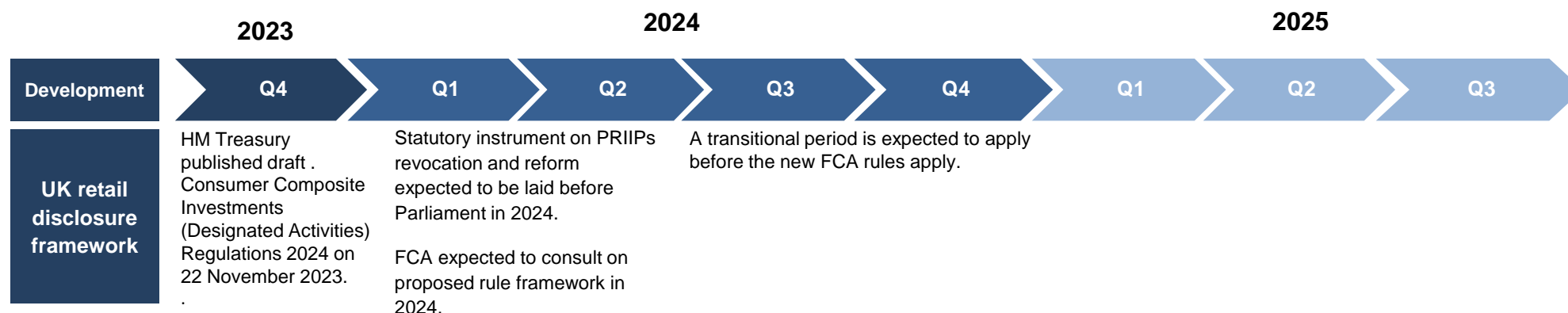
The IFPR is based on, but not identical to, the EU IFD and IFR package. It incorporates key concepts from that package, including the calculation of capital using the so-called 'K-factors', governance and risk management requirements and a new remuneration code.

The IFPR applies to a significant number of FCA-authorized firms including, in addition to MiFID investment firms, collective portfolio management investment firms (so-called 'CPMI firms'), i.e., UCITS managers and AIFMs that, in either case, have MiFID top-up permissions.

What's on the horizon?

- IFPR applies to investment firms engaged in MiFID (Markets in Financial Instruments Directive) activities such as fund managers, asset managers, investment platforms, firms which deal on their own account, depositaries, and securities brokers. The majority of the FCA rules relating to the IFPR are located within the MIFIDPRU sourcebook.
- IFPR requires all in-scope firms to complete an Internal Capital Adequacy and Risk Assessment (ICARA) process, by which firms identify the risk of harm in their operations and assess appropriate resources to mitigate harm, whether as a going concern or when winding down.
- The FCA has undertaken a multi-firm review of how firms have been implementing requirements on the ICARA process and reporting under the IFPR. It published its [concluding report](#) on 27 November 2023, recommending that firms review the good and poor practices in the report and that they consider the applicability of the FCA's observations to their own processes.
- The FCA consulted in its Quarterly Consultation in December 2023 (CP23/25) on proposed minor amendments to MIFIDPRU to clarify its requirements. That consultation closes on 8 January 2024.
- The FCA indicated in the November 2023 edition of the Regulatory Initiatives Grid that it expects to issue a further consultation paper in Q2 2024 in relation to ESG disclosures and MIFIDPRU clarifications.

UK RETAIL DISCLOSURE FRAMEWORK TO REPLACE UK PRIIPS REGULATION



UK retail disclosure framework to replace UK PRIIPs regulation

On UK withdrawal from the EU, the UK onshored the EU PRIIPs Regulation and subsequently made a series of targeted amendments to the UK PRIIPs regime, including extending the exemption from PRIIPs requirements for UCITS until the end of 2026. FSMA 2023 provides for the revocation of the UK PRIIPs regulation

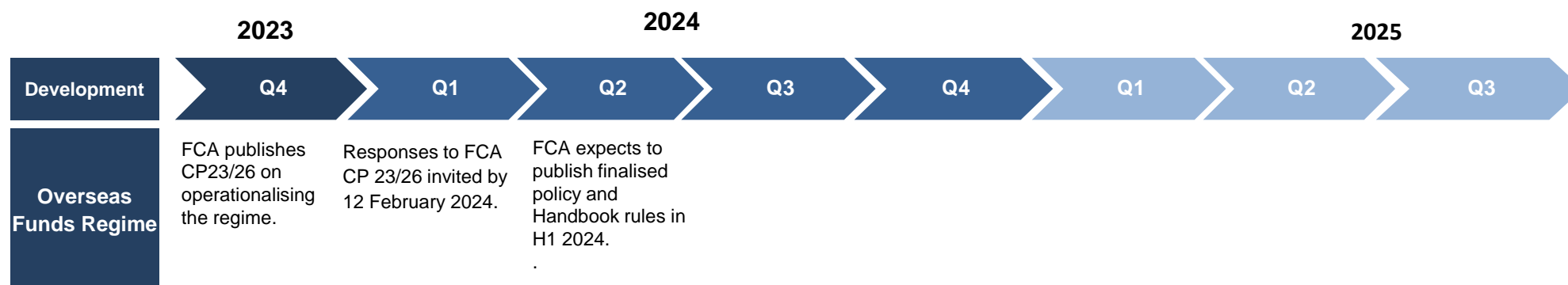
In December 2022, the UK began the process of more holistic review of the regime for retail disclosure by publishing consultation and discussion papers on repealing and replacing the UK PRIIPs regime.

Read our in-depth briefings on this development [here](#), [here](#) and [here](#).

What's on the horizon?

- As part of the Edinburgh Reforms announced December 2022, HM Treasury launched a consultation on its proposals to repeal the UK PRIIPs regulation, replacing it with a more flexible regime for PRIIPs and UCITS disclosures, to be set out in the FCA Handbook.
- HM Treasury published a consultation response on 11 July 2023 confirming, among other things, that it will entirely remove all PRIIPs firm-facing retail disclosure requirements from legislation, and that UCITS vehicles will be brought into scope of the new retail disclosure regime. HM Treasury also set out its vision for the future Retail Disclosure Framework, including some additional tailored powers for the FCA so that it can deliver the regime in respect of certain unauthorised firms and overseas funds.
- HM Treasury published a near-final draft of the [Consumer Composite Investments \(Designated Activities\) Regulations 2024](#) on 22 November 2023, along with a [Policy Note](#) on the UK Retail Disclosure Framework.
- Separately, following review of responses to a December 2022 discussion paper, the FCA plans publish a feedback statement and to consult on proposed firm-facing rules in 2024. It is expected that a transitional period will apply before firms must comply with the new regime, to allow firms time to adapt.
- The UK has extended the exemption for UCITS funds from the requirements of the UK PRIIPs regime until 31 December 2026. The FCA has similarly extended the ability for the manager of a NURS to choose whether to provide a PRIIPs KID or a NURS-KII until 31 December 2026. From 1 January 2027, these funds will need to comply with the requirements of the Retail Disclosure Framework.

OVERSEAS FUNDS REGIME



Overseas Funds Regime

The Overseas Funds Regime is a new UK regime for the marketing of non-UK retail and non-UK money market funds to UK investors. Introduced to simplify the process through which these funds must pass to be marketed to UK investors, the regime centres on equivalence determinations.

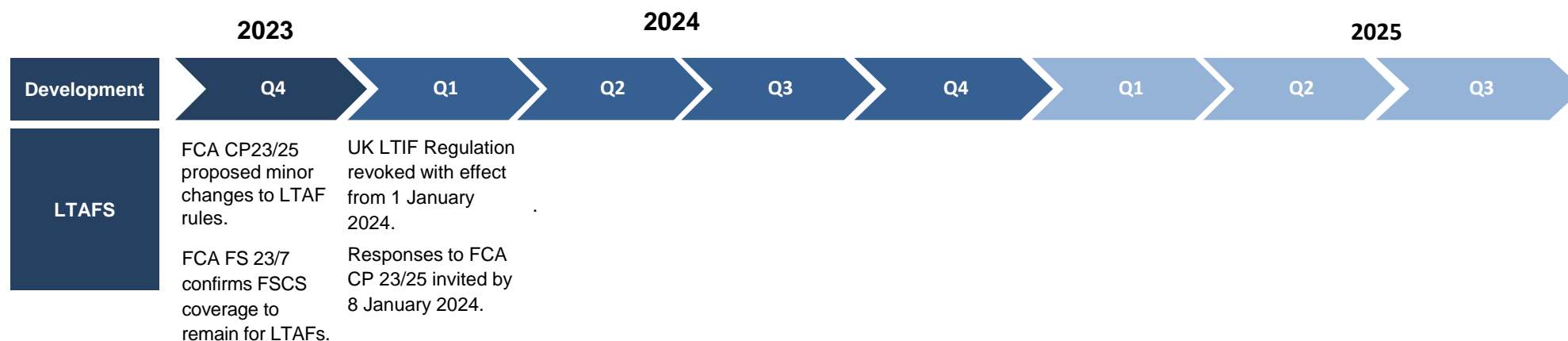
HM Treasury will have the power to determine that other jurisdictions' regimes for investment funds are equivalent to that of the UK, following which retail and money market funds domiciled in an 'equivalent' jurisdiction will be able to use a simplified process to apply to the FCA for the recognition needed for the fund to be marketed to applicable UK investors.

Read our blog on this development [here](#).

What's on the horizon?

- The majority of the legislative provisions that introduced the Overseas Funds Regime entered into force in February 2022. However, HM Treasury has yet to make any equivalence determinations. As a result, it is not yet possible for funds to use the Overseas Funds Regime. HM Treasury announced in October 2022 that the government has now commenced its equivalence assessment of the EU and the EEA for the purpose of the Overseas Funds Regime.
- In December 2023, the FCA launched a consultation paper ([CP 23/26](#)) on operationalising the regime, setting out how overseas funds (schemes) will be able to be "recognised" in the UK (i.e. permitted to be marketed to UK retail investors). Such recognition depends on whether HM Treasury decides to make any equivalence determinations under the regime and therefore the FCA's consultation focuses on how the FCA intends to make new rules, guidance, and amendments to its Handbook, should any equivalent determinations be made. Comments are invited by 12 February 2024.
- The FCA intends to publish a final policy statement and final Handbook rules in the first half of 2024.

LTAFS



LTAFs

In November 2021, FCA rules creating a new authorised fund regime for investment into long-term assets came into force. Funds subject to the regime are called LTAFs and are able to invest mainly in assets that are long-term and illiquid in nature, or in other funds that invest in such assets. In the immediate-term, the FCA has restricted the marketing of LTAFs to professional investors and certain sophisticated retail investors.

In August 2022, the FCA issued a consultation paper (CP22/14) on broadening retail and pensions access to the LTAF. This was followed by a Policy Statement (PS23/7) in June 2023 confirming new marketing rules for LTAFs from 3 July 2023.

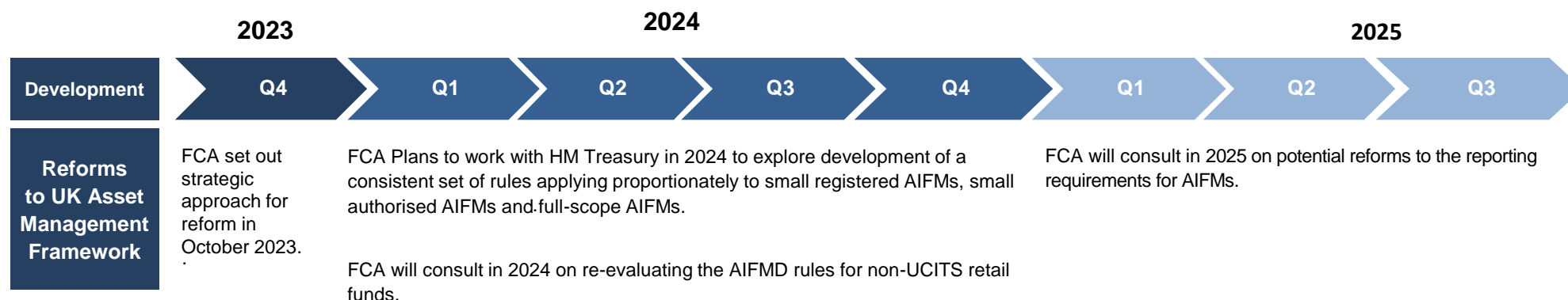
The FCA authorised the first LTAF in March 2023.

Read our in-depth briefing on this development [here](#).

What's on the horizon?

- In August 2022, the FCA issued a consultation paper (CP22/14) proposing to permit LTAFs to be mass marketed to retail investors, and to more defined contribution (DC) pension schemes. The FCA issued a policy statement (PS23/7) in June 2023 confirming that, from 3 July 2023, LTAFs would be treated as Restricted Mass Market Investments (RMMIs) for financial promotion purposes, in line with the FCA's approach to high-risk investments (see **Slide 51**). This means that the LTAF can be marketed to professional investors, certified high net worth investors, certified sophisticated investors, self-certified sophisticated investors, DC pension schemes and self-invested personal pension schemes (SIPPs). Marketing of LTAFs requires compliance with the RMMI rules, including risk warnings, customer assessments, and limitations on investment amounts.
- The FCA sought feedback in PS23/7 on whether Financial Services Compensation Scheme (FSCS) protection should be removed for regulated activities related to LTAFs, as a first step prior to a broader consideration of FSCS coverage for non-standard assets. The FCA issued a feedback statement (FS23/7) in October 2023 confirming that FSCS protection would not be removed at this stage.
- As part of the government's plans to implement a 'Smarter Regulatory Framework' for the UK (see **Slide 50**) the government has legislated to revoke the UK Long Term Investment Funds Regulation (UK's onshored version of the ELTIF Regulation) with effect from 1 January 2024. This reflects the introduction of the LTAF regime and fact that no UK LTIFs have been established.
- The FCA consulted in Quarterly Consultation No. 42 (CP23/25) on 1 December 2023 on, among other things, minor amendments to the LTAF rules for consistency. That consultation closes for comments on 8 January 2024.

REFORMS TO UK ASSET MANAGEMENT FRAMEWORK



Reforms to UK asset management framework

The FCA issued a discussion paper (DP23/2) in February 2023, inviting responses by 22 May 2023 on potential initiatives for updating and improving the UK regime for asset management, as part of the UK's 'Smarter Regulatory Framework' reform programme (see **Slide 50** for further information).

In October 2023, the FCA confirmed that, following industry responses to DP23/2, there were several proposals it would not take forward. The FCA set out its strategic approach for next steps in 2024 and 2025.

Read our in-depth briefing on this development [here](#).

What's on the horizon?

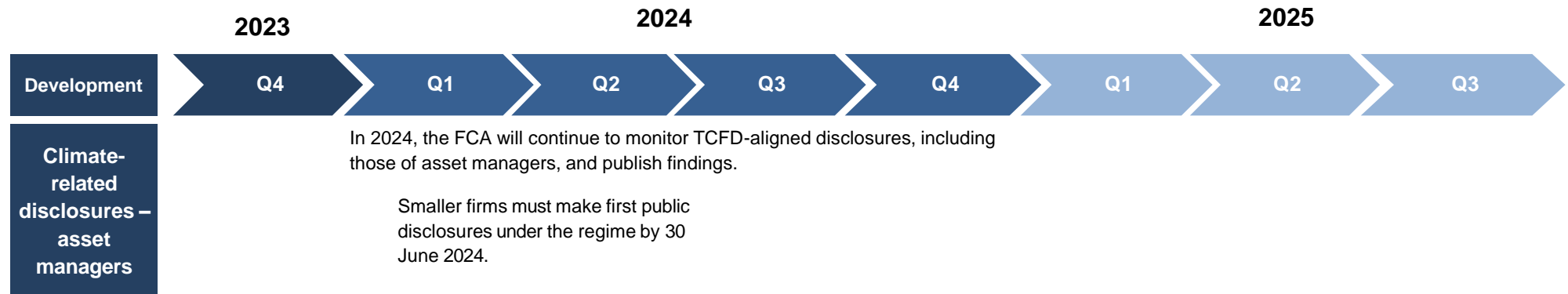
- In February 2023, the FCA issued a discussion paper (DP23/2) seeking stakeholder feedback on proposed approaches for updating and improving the UK regime for asset management. Key discussion points included:
 - Consolidating existing requirements into one common regime for all types of asset managers;
 - Investigating the boundary between UCITS and NURS;
 - Streamlining requirements for AIFs that have only professional investors;
 - Implementing a Direct2Fund model;
 - Enabling fund tokenisation;
 - Clarifying rules for depositaries; and
 - Refining investor information and investor engagement rules.
- In October 2023, the FCA's Chair, Ashley Alder, [confirmed](#) that, following industry feedback, the FCA would not take forward some proposals, including the proposal to consolidate the rules for different types of asset managers. However, in 2024 the FCA plans to explore bringing more consistency to the rules applicable to different types of AIFMs. It also plans to consult in 2024 on re-evaluation of the AIFMD rules applicable to NURS. In 2025, the FCA plans to consult on potential reforms to the reporting requirements for AIFMs.



HORIZON SCANNER
B. UK DEVELOPMENTS
II. ESG DEVELOPMENTS



CLIMATE-RELATED DISCLOSURES – ASSET MANAGERS



Climate-related disclosures – asset managers

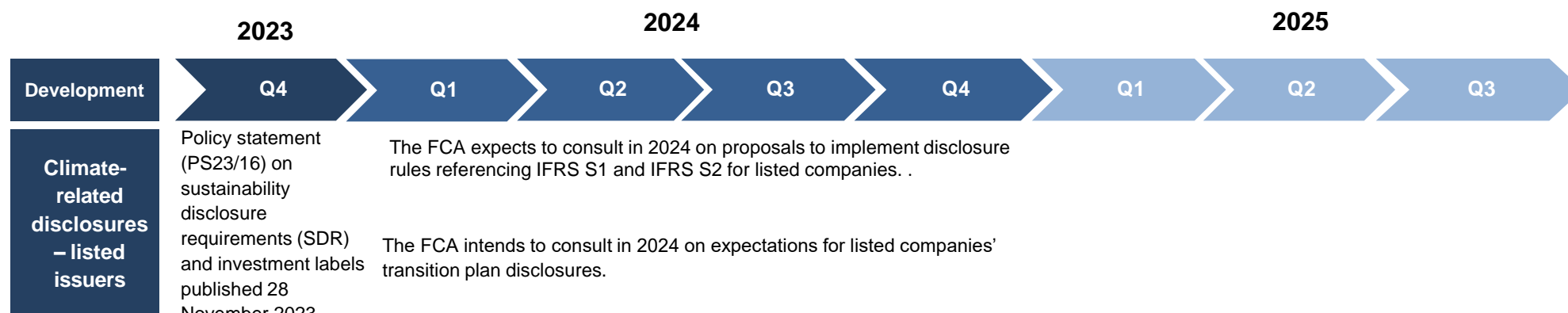
On 17 December 2021, the FCA published its final rules on mandatory climate-related disclosure requirements for asset managers, life insurers and FCA-regulated pension providers. The finalised requirements integrate the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, creating a framework under which TCFD-aligned disclosures must be made by in-scope firms at certain intervals.

What’s on the horizon?

- The new rules applied to larger firms (asset managers with AuM of more than £50 billion and asset owners with £25 billion or more in AuM or assets under administration) from 1 January 2022 and to other in-scope firms from 1 January 2023.
- Larger firms were required make their first public disclosures under the regime by 30 June 2023. Smaller firms must make their first public disclosures under the regime by 30 June 2024.
- In 2024, the FCA will continue to monitor TCFD-aligned disclosures, including those of asset managers, and publish findings.

Read our in-depth briefing on this development [here](#).

CLIMATE-RELATED DISCLOSURES – LISTED ISSUERS



Climate-related disclosures – listed issuers

On 17 December 2021, the FCA published its final rules on extending the application of its climate-related disclosure requirements from equity issuers with a premium listing to issuers of standard listed shares and standard listed issuers of (GDRs), in each case excluding standard listed investment entities and shell companies.

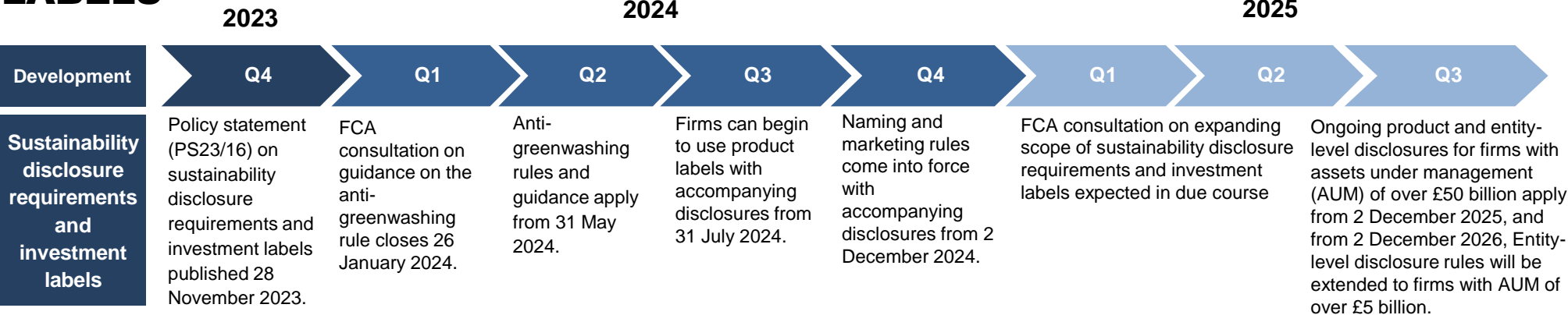
The FCA intends to consult in 2024 on updating its Taskforce on Climate-Related Financial Disclosures (TCFD) aligned disclosure rules for listed companies to reference the disclosure standards developed by the International Sustainability Standards Board (**ISSB standards**).

Read our in-depth briefings on this development [here](#) and [here](#).

What's on the horizon?

- In line with the UK Government's commitment to introduce mandatory TCFD-aligned disclosure requirements across the UK economy by 2025, the FCA first introduced climate-related disclosure rules for listed issuers with a premium listing in 2020, followed by extension of the requirement to standard listed issuers in 2021. For issuers with a premium listing, the first annual financial reports subject to the new rule were to be published in early 2022. For issuers with a standard listing, the new rules took effect for accounting periods beginning on or after 1 January 2022, with the result that the first annual financial reports subject to the new rule were to be published in early 2023.
- The International Sustainability Standards Board (ISSB) launched the first of its IFRS Sustainability Disclosure Standards in June 2023: (i) **IFRS S1** (General requirements for disclosure of sustainability related financial information); and (ii) **IFRS S2** (Climate related disclosures).
- The FCA has confirmed, most recently in its November 2023 policy statement ([PS 23/16](#)) on Sustainability Disclosure Requirements and investment labels (see **Slide 46**), that it intends to consult on adapting its current TCFD-aligned disclosure rules for listed issuers to reference the ISSB's standards, once finalised and made available for use in the UK. The FCA expects to consult in 2024 on proposals to implement disclosure rules referencing IFRS S1 and IFRS S2 for listed companies, taking into account inputs to the Government's endorsement process.
- At the same time, the FCA will consult on expectations for listed companies' transition plan disclosures, drawing on the outputs of the government's Transition Plan Taskforce (TPT). This is consistent with the UK Government's expectation that the ISSB standards will form the 'backbone' of the corporate reporting element of SDR regime.

SUSTAINABILITY DISCLOSURE REQUIREMENTS AND INVESTMENT LABELS



Sustainability disclosure requirements and investment labels

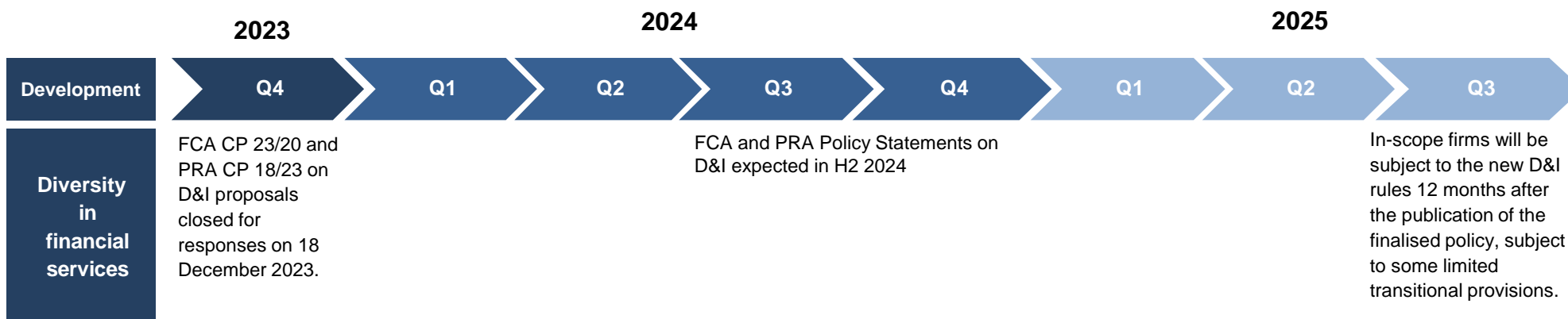
In November 2021, the FCA published a discussion paper (DP21/4) on sustainability disclosure requirements and investment product labels. In the discussion paper, the FCA sought views on the introduction of a standardised product classification and labelling system to help consumers understand the sustainability characteristics of different financial products. In October 2022, the FCA published its consultation paper on these requirements (CP22/20) and its finalised policy was published in November 2023 (PS23/16).

Read our in-depth briefing on this development [here](#)

What's on the horizon?

- The FCA published Policy Statement PS23/16 on 28 November 2023, setting out its final rules on sustainability disclosure requirements and investment labels. In summary, the finalised policy sets out:
 - An anti-greenwashing rule, requiring all FCA-authorized firms making sustainability-related claims about their products and services to ensure those claims are fair, clear, and not misleading, and consistent with the sustainability profile (the FCA is [consulting](#) until 26 January 2024 on guidance on the rule);
 - Product labels, disclosure, naming and marketing rules for asset managers; and
 - Targeted rules for distributors of investment products to retail investors in the UK
- The new requirements enter into force on a range of dates between 31 May 2024 and 2 December 2026..
- In its policy statement on sustainability disclosure requirements and investment labels, the FCA indicates that it intends in future to expand the scope of the regime to include portfolio management and financial advice, and to expand the scope of investment products captured under the regime to include, for example, overseas products, pensions and other investment products. The FCA also intends to build on its disclosure requirements over time in line with other UK and international developments. Consultation on expansion of the scope of the regime is expected in due course.

DIVERSITY IN FINANCIAL SERVICES



Diversity in financial services

On 7 July 2021, the FCA, PRA and Bank of England published a joint discussion paper (DP21/2) on diversity and inclusion (D&I) in the financial services sector. The discussion paper sought views on how to accelerate the rate of change in D&I in the financial services sector. It set out the roles of the regulators in this context, steps that the regulators have taken to promote D&I, the regulators' existing requirements and expectations, and a series of questions intended to seek views on ways of improving D&I measures.

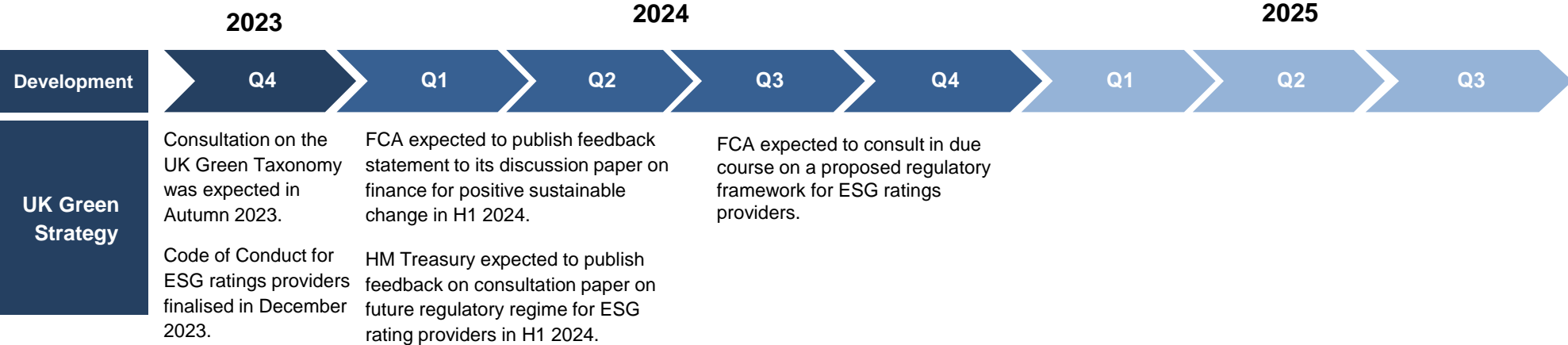
The discussion paper was followed by further consultations in September 2023, and finalised policy on supporting D&I in financial services is expected to be published in H2 2024.

Read our in-depth briefings on this development [here](#) and [here](#).

What's on the horizon?

- The FCA and PRA are continuing their focus on culture and D&I. For financial years starting on or after 1 April 2022, FCA rules for public company boards and executive committees have requires firms to meet 'comply or explain' targets on gender and ethnic diversity and make annual disclosures.
- As a follow-up to the 2021 joint FCA-PRA discussion paper, the FCA published feedback in December 2022 on its study of how financial services firms are designing and embedding D&I strategies.
- Originally expected in H1 2023, the regulators' consultations (PRA [CP 18/23](#) and FCA [CP 23/20](#)) on draft measures to support D&I in the financial sector were published on 25 September 2023 and closed for responses on 18 December 2023. The regulators have worked closely together to produce consistent and coordinated proposals for consultation. However, their respective proposals differ as they have been framed to meet their respective underlying statutory objectives. In broad terms, the regulators consultations' proposed measures across several policy areas: Non-financial misconduct, D&I Strategies, Data Reporting, D&I Disclosure obligations and setting D&I Targets.
- Firms will be subject to different proposals depending on the number of employees, their Senior Managers and Certification Regime (SM&CR) categorisation and whether they are dual-regulated. Smaller firms with fewer than 251 employees will be exempt from many of the requirements. In-scope firms will be subject to the new rules 12 months after the publication of the finalised policy, subject to some limited transitional provisions.
- In July 2023 the House of Commons Treasury Committee launched an inquiry into Sexism in the City, looking at the barriers faced by women in finance. The Inquiry was accompanied by a [call for evidence](#) inviting responses by 8 September 2023.

UK GREEN STRATEGY



UK Green Strategy

The UK is reforming its financial services regulation outside the EU and working towards a ‘Smarter Regulatory Framework’ for UK financial services.

The three key elements for the reforms are: (i) FSMA 2023, which will revoke EU-derived financial services and markets legislation; (ii) the Retained EU Law (Revocation and Reform) Act 2023, which will revoke other EU-derived legislation; and (iii) the December 2022 Edinburgh reforms, a package of reforms to modernise and improve UK financial services regulation. The Edinburgh Reforms were further supplemented by the Mansion House Reforms published in July 2023.

This slide tracks the key ESG-related developments that form part of these workstreams.

Read our in-depth briefings on this development [here](#) and [here](#).

What’s on the horizon?

- In February 2023, the FCA published a discussion paper (DP23/1) on ‘Finance for positive sustainable change: governance, incentives and competence in regulated firms.’, to encourage dialogue on firms’ sustainability-related governance, incentives and competencies. FCA will use the to consider the direction for evolution of its future regulatory approach. DP23/1 closed for feedback in May 2023 and a feedback statement is expected in H1 2024.
- A consultation on the production of a UK Green Taxonomy was expected in Autumn 2023 but has not yet been published. The UK Green Taxonomy is expected to include nuclear energy.
- HM Treasury consulted between 30 March 2023 and 30 June 2023 on proposals for bringing ESG ratings providers within the scope of regulation and for the scope of a regulatory regime for ESG ratings providers. These proposals seek to improve transparency on providers’ methodologies and objectives and improve conduct in the ESG market. This is likely to need changes to the Regulated Activities Order and – for a subset of firms – legislation under the Designated Activities Regime introduced under FSMA 2023. The consultation closed on 30 June 2023 and HM Treasury is expected to provide feedback in H1 2024.
- Separately, the FCA has indicated (in [FS22/4](#)) that it supports regulatory oversight of these providers and an approach informed by IOSCO’s November 2021 [recommendations](#) on ESG data and ratings.
- A voluntary [Code of Conduct for ESG ratings and data products providers](#) was finalised on 14 December 2023. Although providers of pure ESG data products will not be subject to FCA regulation, they may choose to adopt this Code of Conduct.



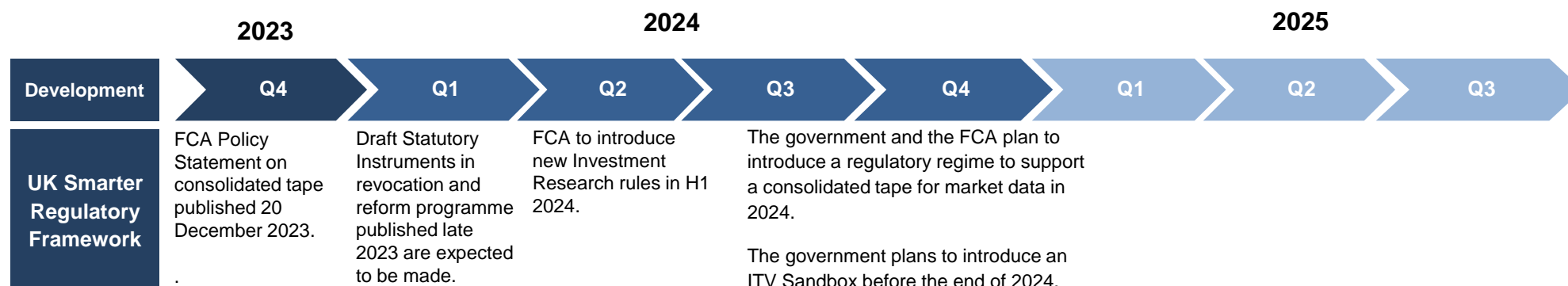
HORIZON SCANNER

B. UK DEVELOPMENTS

III. CROSS-SECTORAL DEVELOPMENTS



UK SMARTER REGULATORY FRAMEWORK



UK Smarter Regulatory Framework

The UK is reforming its financial services regulation, with the aim of creating a 'Smarter Regulatory Framework' for the UK in the wake of Brexit.

Currently, the three key elements of this process are: (i) the The Financial Services and Markets Act 2023 (**FSMA 2023**), enacted on 29 June 2023, which enables the revocation of EU-derived financial services and markets legislation; (ii) the Retained EU Law (Revocation and Reform) Act 2023 (**REUL Act 2023**), which enables revocation of other EU-derived legislation; and (iii) the package of **Edinburgh Reforms** published in December 2022 (supplemented by the **Mansion House Reforms** published in July 2023) aim to modernise and improve UK financial services regulation.

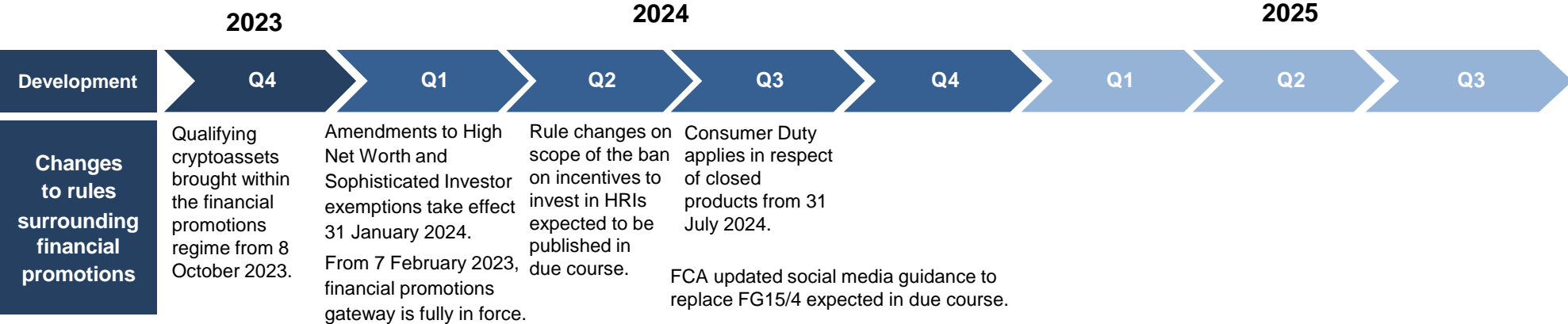
This slide tracks the key cross- sectoral-related developments that form part of these workstreams.

Read our in-depth briefings on this development [here](#), [here](#), [here](#), [here](#), [here](#) and [here](#), and our blogs [here](#) and [here](#).

What's on the horizon?

- The FCA's February 2023 discussion paper (DP23/3) on updating and improving the UK regime for asset management closed on 22 May 2023 and the FCA will take forward several proposals in 2024 (see **Slide 42** for further details).
- A call for evidence and a discussion paper on the SM&CR were published in Q1 2023. As yet, there is no indication when a response will be published or what future reform of the SM&CR regime may look like.
- Following illustrative drafts in December 2022 and revised drafts in July 2023, in late November 2023 HM Treasury published near final drafts of: (i) the [Securitisation Regulations 2023](#) to reform the UK Securitisation regime, and (ii) the [Financial Services and Markets Act 2000 \(Public Offers and Admissions to Trading\) Regulations 2023](#) to reform the UK prospectus regime. The draft Regulations require the approval of both Houses of Parliament before being made.
- A [draft statutory instrument](#) to reform the Money Market Funds regime was published on 6 December 2023.
- HM Treasury published the draft [Short Selling Regulations 2024](#) on 22 November 2023, along with a Policy Note. HM Treasury will lay the Regulations before Parliament in 2024.
- The FCA plans to introduce rule changes in H1 2024 implementing the July 2023 recommendations of the Investment Research Review to improve levels of investment research on UK companies.
- The government and the FCA plan to introduce a regulatory regime to support a consolidated tape for market data in 2024.
- The government, the regulators and market participants are working on introduction of a new wholesale intermittent trading venue (ITV). An ITV sandbox will be introduced by end-2024.

CHANGES TO RULES SURROUNDING FINANCIAL PROMOTIONS



Changes to rules surrounding financial promotions

There are currently four key regulatory initiatives relating to financial promotions. These are:

- (i) an HM Treasury consultation on amending the financial promotion exemptions for high net worth and sophisticated investors;
- (ii) changes to the FCA’s financial promotion rules for high-risk investments;
- (iii) the introduction of a regulatory ‘gateway’ through which an authorised firm must pass in order to be able to approve the financial promotion of an unauthorised firm.
- (iv) an expansion of the financial promotion regime to include unregulated cryptoassets.

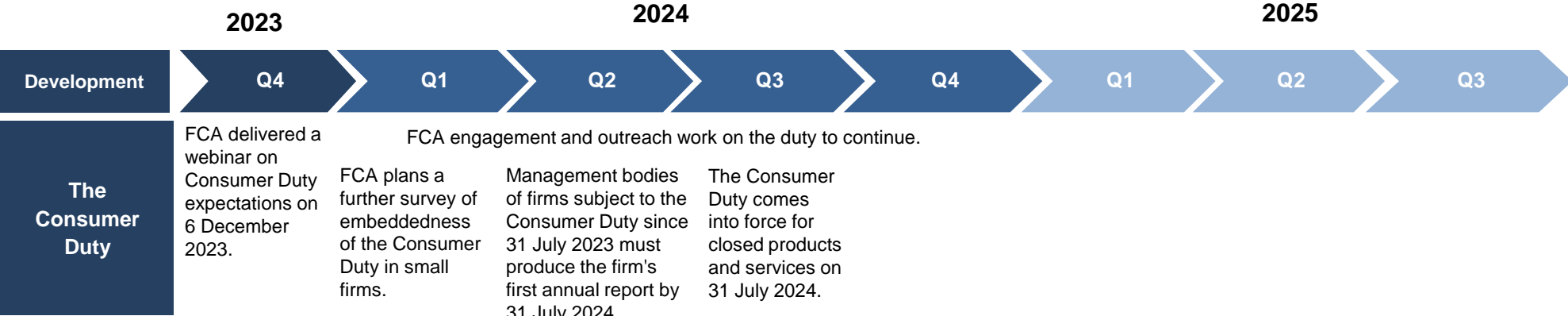
The Consumer Duty (see **slide 62**) has also applied since 31 July 2023 to require firms to ensure among other things that their communications are compliant with the new Principle 12 of the FCA’s Principles for Businesses where relevant.

Read our blogs on these topics [here](#) and [here](#).

What’s on the horizon?

- FCA’s August 2022 policy statement (PS22/10) made amendments to the FCA’s rules on financial promotions for high-risk investments (HRIs). Rule changes applying since 1 December 2022 and 1 February 2023 include requirements for risk warnings, risk statements and prohibitions on inducements to invest. FCA [consulted](#) between June and July 2023 on amendments clarifying the scope of the ban set out in PS22/10 on offering incentives to invest in HRIs. The changes will take effect in due course.
- Following consultation, in November 2023 HM Treasury [confirmed](#) it would amend the financial promotion exemptions for high-net-worth individuals and self-certified sophisticated investors to update them and minimise the extent to which they can be misused. The relevant secondary legislation was [made](#) on 19 December 2023 and enters into force on 31 January 2024.
- FSMA 2023 introduced a regulatory gateway through which a firm must pass before it is able to approve financial promotions issued by unauthorised firms. Following consultation on proposed rules to operationalise the gateway, the FCA published final rules in September 2023 ((PS23/13). Firms must apply to the gateway during the application window ending on 6 February 2024. From 7 February 2024, firms that have applied to the gateway can continue to approve promotions while their application is determined. Firms that did not apply to the gateway may no longer approve promotions unless an exemption applies.
- In June 2023, HM Treasury published the relevant secondary legislation to bring ‘qualifying cryptoassets’ within the UK financial promotions regime from 8 October 2023 ([SI 2023/612](#)). The FCA has published policy statement [PS23/6](#) setting the near-final rules for cryptoassets financial promotions. The FCA has also published non-Handbook Guidance ([FG23/3](#)) on its expectations for cryptoasset promotions.
- The FCA consulted ([GC23/2](#)) in July 2023 on updating its social media guidance, to replace its existing guidance ([FG15/4](#)). Finalised guidance is awaited.

THE CONSUMER DUTY



The Consumer Duty

The FCA has introduced the new 'Consumer Duty', the purpose of which is to create a higher level of consumer protection in retail financial markets. The Consumer Duty comprises a package of measures, comprised of a new Principle 12 (the 'Consumer Principle') of the FCA's Principles for Businesses, supported by detailed rules and guidance.

The Consumer Duty applies to products and services sold to retail clients and will extend to firms that are involved in the manufacture or supply of products and services to retail clients even if they do not have a direct relationship with the end retail customer where the firm's role in the manufacture and distribution chain of the product or service allows it to determine, or exercise a material influence over, retail customer outcomes.

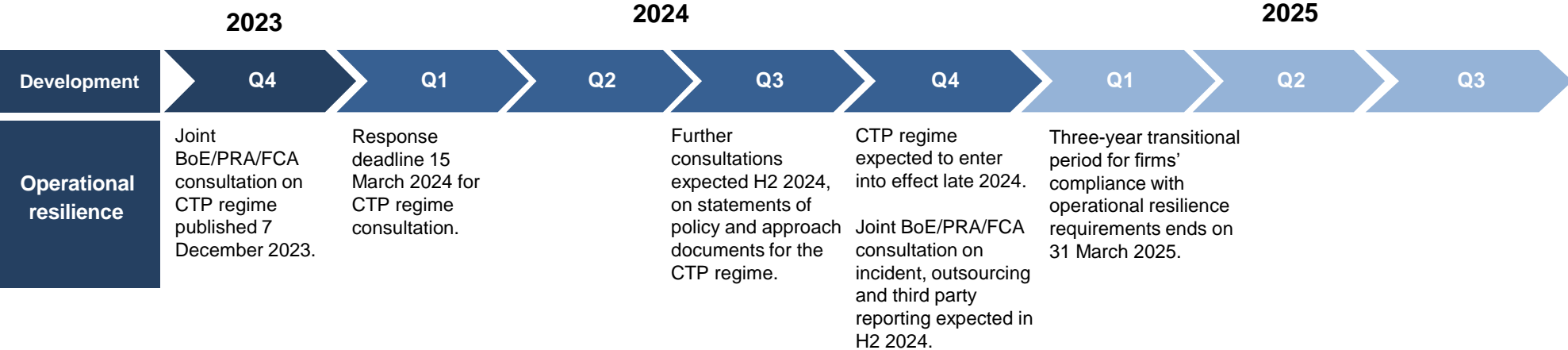
The Consumer Duty has applied to new and existing services since 31 July 2023. It enters fully into force on 31 July 2024 with the rollout of the duty to closed products and services.

Read our in-depth briefing on this development [here](#).

What's on the horizon?

- The Consumer Duty came into force for new and existing products and services on 31 July 2023. It comes into force for closed products and services on 31 July 2024.
- The FCA carried out a range of engagement and outreach work in advance of the entry into force of the Consumer Duty, to assist firms in achieving compliance. This includes a range of portfolio and sector letters addressed to different types of firm. Detailed information is available on the [FCA's website](#).
- The FCA continues to impress on firms in speeches and announcements that the Consumer Duty is not a 'once and done' project. Compliance with the Consumer Duty requires firms to ensure that customers' interests are central to their culture and purpose, and that this is embedded throughout the organisation in their strategy, governance, leadership and people policies.
- In December 2023, the FCA delivered a [webinar](#) to assist firms in understanding its expectations on compliance with the Consumer Duty and the FCA's supervisory approach and next steps.
- In 2023 the FCA conducted two surveys of small firms' embeddedness of the Consumer Duty. It plans to conduct a third survey in early 2024.
- Management bodies of firms that have been subject to the Consumer Duty since 31 July 2023 must produce the firm's first annual report on their compliance with the Consumer Duty by 31 July 2024.

OPERATIONAL RESILIENCE



Operational resilience

The FCA, PRA and BoE introduced a new operational resilience regime in 2021. The regime included an implementation period, under which firms and FMI needed to complete certain actions before 31 March 2022.

The initial implementation deadline has been followed by a transitional period, ending on **31 March 2025**. Firms and FMIs should use this transitional period to implement strategies, processes and systems that enable them to address risks to their ability to remain within their impact tolerance for each of their important business services in the event of a severe but plausible disruption.

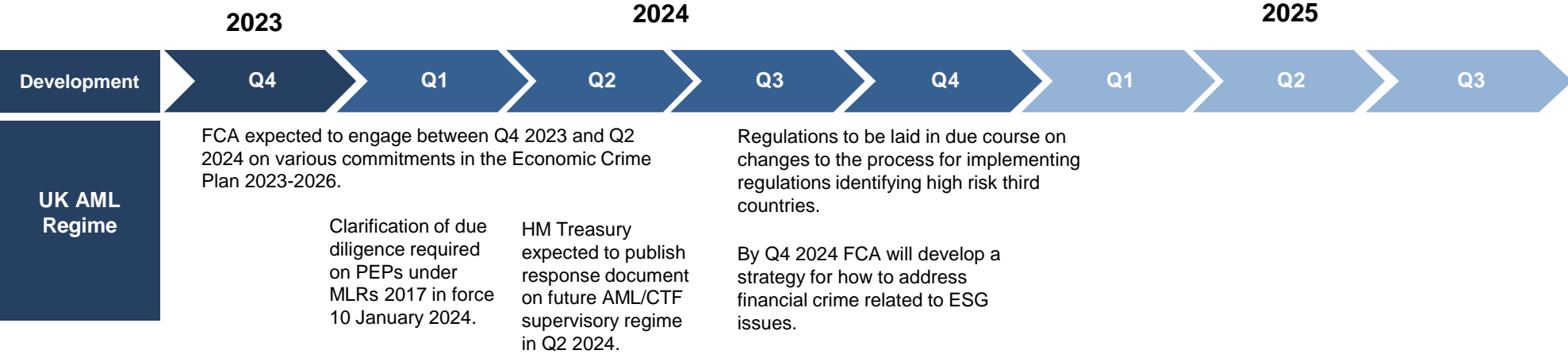
FSMA 2023 introduced the framework for a Critical Third Parties regime (**CTP regime**) for oversight of the resilience of cloud service providers and other designated 'critical third parties' providing services to UK regulated firms and FMIs. Work is underway for the introduction of the CTP regime in 2024.

Read our in-depth briefings on this development [here](#), [here](#) and [here](#).

What's on the horizon?

- FSMA 2023 introduced (from 29 August 2023) a new Part 18 Chapter 3C into FSMA, to establish the **CTP regime**. The regime gives HM Treasury a power to designate third party providers of services to financial sector firms and FMIs as as critical third parties (**CTPs**) and gives a range of powers to the regulators with respect to CTPs. Between July and December 2022, the FCA, PRA and BoE sought feedback on a joint discussion paper (DP22/3) on the operational resilience of CTPs and on how the regulators might use their new powers. This was followed by a [joint consultation](#) on their developing proposals, closing 15 March 2023. The regulators also expect to consult further in H2 2024 on statements of policy and approach to CTP oversight. The regulators expect to finalise their rules with a view for the CTP regime becoming operational by end-2024.
- In H2 2024, the BoE, PRA and FCA expect to publish a joint consultation paper on incident, outsourcing and third party reporting. The purpose of this initiative would be to:
 - clarify what information firms should submit when operational incidents occur; and
 - collect certain information on firms' outsourcing and third party arrangements in order to manage the risks that they may present to the FCA's and PRA's objectives, including resilience, concentration and competition risks.
- Firms and FMIs have until 31 March 2025 to implement strategies, processes, and systems that enable them to address risks to their ability to remain within their impact tolerance for each important business service in the event of a severe but plausible disruption.

UK AML REGIME



UK AML Regime

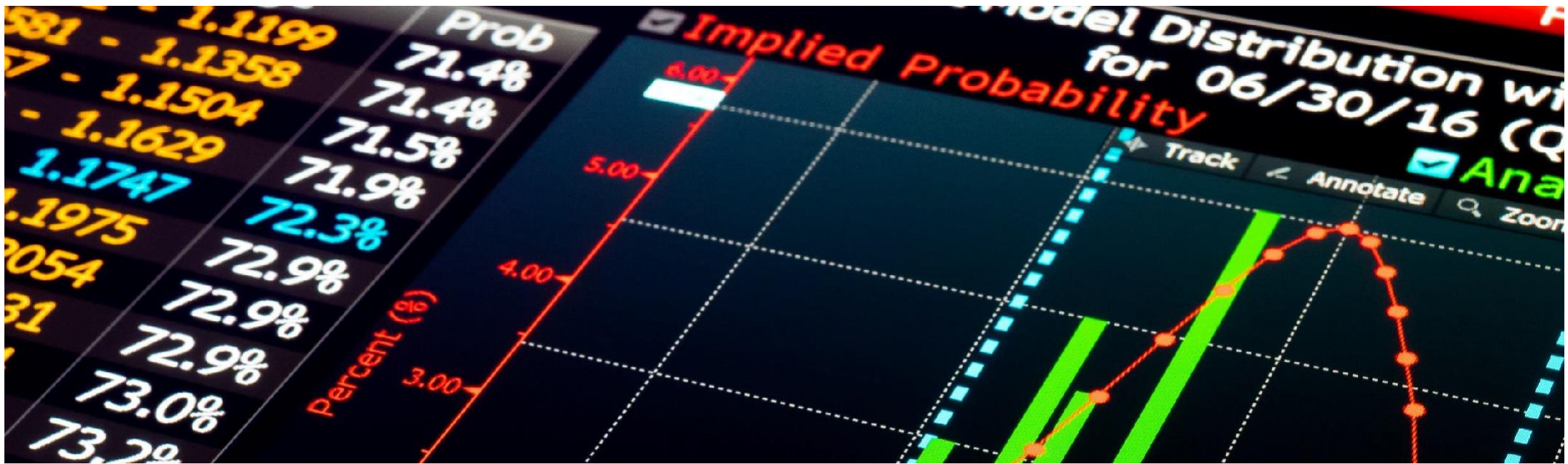
On 21 July 2022, the UK’s Money Laundering and Terrorist Financing (Amendment) (No 2) Regulations 2022 were passed. These set out specific amendments to the UK’s AML regime, which were all phased in by 1 September 2023.

Alongside the consideration of these specific amendments, the UK has been conducting a wider review of its AML regime. A report on this review was published on 24 June 2022. This indicated that further reform to the UK’s AML regime is needed and, therefore, further consultations and amendments to the regime should be expected.

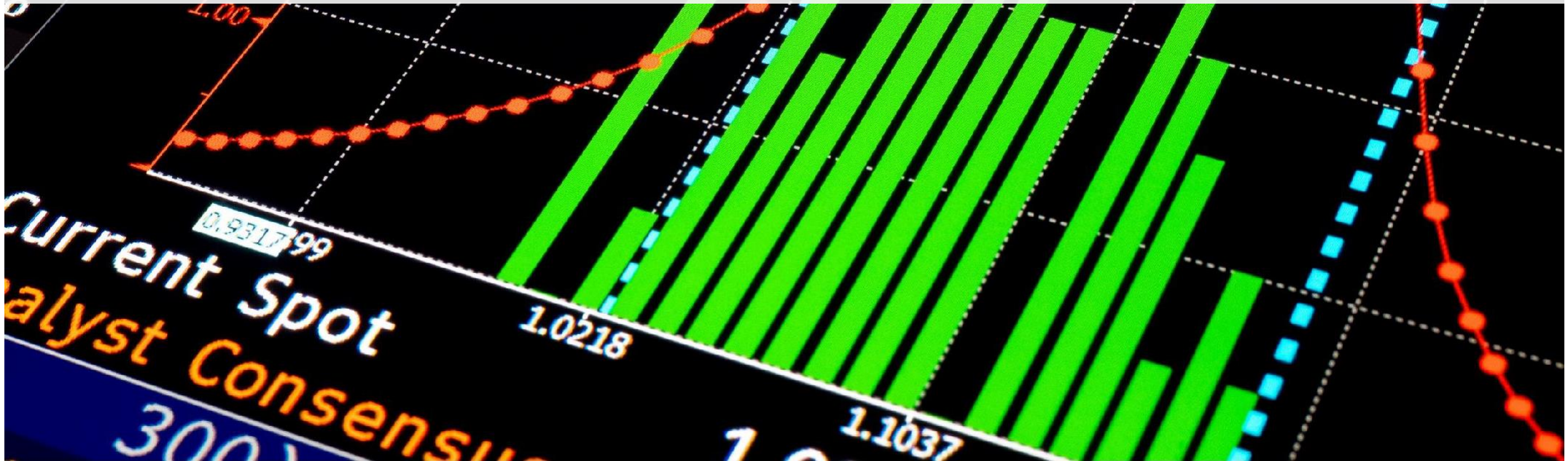
In March 2023, the Government published its second Economic Crime Plan, covering the period 2023-2026. outlining an ambition for an improved end-to-end response to tackling money laundering, which will require further targeted consultations.

What’s on the horizon?

- Amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (**MLRs 2017**) enter into force on 10 January 2024, to clarify the application of the customer due diligence requirements in the MLRs 2017 with respect to PEPs.
- The FCA is exploring (in DP 23/4, published November 2023) how the UK’s AML framework and the FCA’s financial crime rules and guidance should apply to stablecoin issuers and custodians when Phase 1 of the UK’s cryptoasset framework is implemented.
- On 30 June 2023, HM Treasury published a consultation on reform of the anti-money laundering and counter-terrorism financing supervisory regime, which set out four possible models for a future AML/ CTF supervisory system. The consultation closed for comments on 30 September 2023, with HM Treasury planning to issue a response document in Q2 2024.
- On 20 June 2023, the government published an impact assessment on proposals for a change in the process by which regulations identifying high-risk third countries for money laundering purposes are implemented. Regulations will be laid in due course laid to make the proposed legislative amendments.
- The [Economic Crime Plan 2023-2026](#) sets out a range of commitments aimed at combatting the criminal abuse of cryptoassets. The FCA is engaging between Q4 2023 and Q2 2024 on various commitments, including: delivering training to law enforcement and partner agencies to improve understanding of the UK cryptoasset regime; updating its cryptoasset business registration webpages and providing tailored communications where necessary to improve understanding of cryptoasset regulation; and engaging with cryptotasset businesses and monitoring their compliance with the "travel rule".



GLOSSARY



GLOSSARY

Term	Definition
AIF	Alternative investment fund
AIFM	Alternative investment fund manager
AIFMD	Alternative Investment Fund Managers Directive (Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011)
AIFMD2	The anticipated revised version of the AIFMD
AML	Anti-money laundering
AuM	Assets under management
Commission	The European Commission
CBDF	Cross-border Distribution of Funds Directive and Regulation (Directive (EU) 2019/1160 of the European Parliament and of the Council of 20 June 2019)
CRR	Capital Requirements Regulation (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013)
CSA	Common Supervisory Action
CSD	Central securities depository
CSDR	Central Securities Depositories Regulation (Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014)
CSMAD	Criminal Sanctions for Market Abuse Directive (Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014)
CS3D	Corporate Sustainability Due Diligence Directive
CTF	Counter-terrorist financing

GLOSSARY

(CONTINUED)

Term	Definition
DORA	Digital Operational Resilience Act (consisting of Regulation (EU) 2022/2554 of the European Parliament of the Council of 14 December 2022 and Directive (EU) 2022/2556 of the European Parliament and of the Council of 14 December 2022)
EBA	European Banking Authority
ECA	European Court of Auditors
ELTIF	European long-term investment fund
ELTIF Regulation	European Long-Term Investment Fund Regulation (Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015)
ELTIF2	The revised version of the ELTIF Regulation
EMIR	European Market Infrastructure Regulation (Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012)
EMIR 2.2	Regulation (EU) 2019/2099 of the European Parliament and of the Council of 23 October 2019
EMIR3	The proposed amended version of EMIR
EMIR Refit Regulation	Regulation (EU) 2019/834 of the European parliament and of the Council of 20 May 2019
ESAs	European Supervisory Authorities
ESG	Environmental, social and governance
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board

GLOSSARY

(CONTINUED)

Term	Definition
EuSEF	European social entrepreneurship fund
EuSEF Regulation	European Social Entrepreneurship Fund Regulation (Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013)
EuVECA	European venture capital fund
EuVECA Regulation	European Venture Capital Fund Regulation (Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013)
FCA	The UK's Financial Conduct Authority
FSMA 2023	Financial Services and Markets Act 2023
IFD	Investment Firms Directive (Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019)
IFR	Investment Firms Regulation (Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019)
ITS	Implementing Technical Standards
KID	Key information document
KIID	Key investor information document
Listing Act	The EU's proposed Listing Act package
LTAF	Long-term asset fund
MAR	Market Abuse Regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014)

GLOSSARY

(CONTINUED)

Term	Definition
MiCA	The EU's proposed Markets in Cryptoassets Regulation
MiFIDPRU	The Prudential sourcebook for MiFID Investment Firms, in the FCA Handbook
MiFID2	Second Markets in Financial Instruments Directive (Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014)
MiFID3	The proposed amended version of MiFID2
MiFIR2	The proposed amended version of the Markets in Financial Instruments Regulation (Regulation (EU) No 300/2014)
MLD4	Fourth Money Laundering Directive (Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015)
MLD5	Fifth Money Laundering Directive (Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018)
MMF	Money market fund
MMF Regulation	The Money Market Funds Regulation (Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017)
NAV	Net asset value
Non-Financial Reporting Directive	Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013
Non-Performing Loans Directive	Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021
NURS	Non-UCITS retail scheme

GLOSSARY

(CONTINUED)

Term	Definition
NURS-KII	Key investor information document for a NURS
PAI statements	Principal adverse impact statements – statements on the principal adverse impacts of investment decisions on sustainability factors, as required under the SFDR
PRA	The UK's Prudential Regulation Authority
PRIIPs	Packaged retail and insurance-based investment products
PRIIPs Regulation	Packaged Retail and Insurance-based Investment Products Regulation (Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014)
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017
REUL	Retained EU Law (Revocation and Reform) Act 2023
RTS	Regulatory Technical Standards
Securitisation Regulation	Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017
SFDR	Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019)
SFTR	Securities Financing Transactions Regulation (Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015)
SMCR	Senior Managers and Certification Regime
SRD2	Second Shareholder Rights Directive (Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017)

GLOSSARY

(CONTINUED)

Term	Definition
Taxonomy Regulation	Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020)
TCFD	Task Force on Climate-Related Financial Disclosures
UCITS	Undertaking for collective investment in transferable securities
UCITS Directive	Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009
Unfair Commercial Practices Directive	Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005



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