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EBA updates data used for identification of global systemically important institutions

The European Banking Authority (EBA) has updated data used for the identification of global systemically important institutions (G-SIIs).

The EBA has updated 13 systemic importance indicators and underlying data for the 33 largest institutions in the EU whose leverage ratio exposure measure exceeds EUR 200 billion. The publication includes updated numbers and data items specific to the recognition of the Banking Union and of institutions that are part of the Single Resolution Mechanism.

The EBA hopes that the data will assist competent authorities in identifying a subset of banks as G-SIIs, following the final decision by the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB). A sample of 27 institutions shows that:

- the sum for banks' total exposures increased by 1.3% at the end of 2023;
- the indicators for securities outstanding and Level 3 assets increased by 14.9% and 12.6% respectively, both achieving the highest aggregate value since 2013;
- assets under custody observed a noticeable increase by 11.2%; and
- the indicator for payments activity was the only one showing a decreasing trend (-3.7%) from 2022 to the end of 2023.

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EBA publishes Q&As on liquidity and leverage ratio reporting

The EBA has published two Q&As relating to supervisory reporting requirements under the Capital Requirements Regulation (CRR).

Specifically, the Q&As provide guidance on:

- the calculation of the net stable funding ration (NSFR) in the context of repos and reverse-repos; and
- the disclosure of cash collateral receivables on derivatives transactions.

ESMA publishes second trends, risks and vulnerabilities report of 2024

The European Securities and Markets Authority (ESMA) has published its second risk monitoring report of 2024, setting out the trends, risks and vulnerabilities (TRV) facing EU financial markets in the first half of 2024.

ESMA reports that external events continue to have a strong impact on the evolution of financial markets, and there are high or very high overall risks in the markets within its remit. Less volatile markets earlier in 2024 and a return of search-for-yield behaviour in riskier market segments suggested a general market anticipation of a 'soft landing'. However, more recent events show how markets remain very sensitive, especially to interest rate developments, deteriorating credit risk and to political and electoral news. ESMA states that there remains a high risk of corrections in a context of fragile market liquidity, in equity and in other markets.

In addition to risk drivers, ESMA's report also provides an update on structural developments, particularly regarding market-based finance, sustainable finance and financial innovation. The report also reviews the status of key sectors, including asset management, the securities markets, consumers, and infrastructures and services.

CFTC extends Brexit-related no-action relief

The Division of Market Oversight (DMO) and the Market Participants Division (MPD) of the Commodity Futures Trading Commission (CFTC) have jointly issued a letter extending the temporary no-action positions in connection with the withdrawal of the UK from the EU.

CFTC Letter 24-11 extends the positions previously set out in Letter 22-16 regarding the continuity of derivatives trading and clearing post-Brexit. It is intended to provide regulatory certainty over EU comparability determinations and exemptive orders, while the CFTC works with UK authorities to analyse relevant UK law and, where appropriate, issue UK comparability determinations and exemptive orders for certain UK entities.

Letter 24-11 also amends the DMO's no-action positions to update the list of multilateral trading facilities and organised trading facilities that are covered by it, in order to reflect those that have been authorised, or de-authorised, by the UK since the publication of Letter 22-16.

German Federal Ministry of Finance publishes draft Second Future Financing Act

The German Federal Ministry of Finance (BMF) has published a draft version of the Second Future Financing Act (Zweites Zukunftsfinanzierungsgesetz - ZuFinG II).

Building on the first Future Financing Act, which was adopted by the German legislative in November 2023, the aim of the ZuFinG II is to increase the competitiveness and attractiveness of Germany as a financial centre and particularly to improve the financing options for young, dynamic companies. This relates especially to the legal tax framework and the conditions for companies to access the capital market.

The draft law is thereby intended to implement the Growth Initiative approved by the German Federal Government on 17 July 2024.

Another objective of the draft law is to increase the utilisation of capital for much needed investments in infrastructure and renewable energy by creating a secure legal framework for such investments, in addition to already existing measures for safeguarding renewable energy investments, such as the Renewable Energies Law (Erneuerbare-Energien-Gesetz - EEG).

The next step in the legislative process will be for the draft ZuFinG II to be agreed (subject to potential changes) within the German Federal Cabinet.

SFC and HKEX announce temporary modifications to specialist technology companies and De-SPAC transactions requirements

The Securities and Futures Commission (SFC) and the Stock Exchange of Hong Kong Limited (SEHK), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEX), have jointly announced temporary modifications with respect to the minimum initial market capitalisation of specialist technology companies; and independent third-party investment requirements for 'De-SPAC transactions' conducted by special purpose acquisition companies (SPACs). A SPAC refers to a shell company that raises funds through its listing for the purpose of acquiring a business at a later stage (a De-SPAC transaction) within a pre-defined time period after listing.

The modifications are intended to address the change in market conditions since the introduction of both listing regimes, taking into account the SEHK's experience gained from handling specialist technology companies' listing applications and De-SPAC transactions.

The modifications will apply temporarily for a fixed period of three years from 1 September 2024 to 31 August 2027. The SEHK may, prior to 31 August 2027, review the requirements and conduct public consultation, if necessary.

In tandem with the modifications, the SEHK has revised its guidance materials that align the definition of a 'sophisticated investor' for independent third-party investment more closely with its requirement for identifying qualified sophisticated independent investors in specialist technology companies.

CDI-CDEG linkage to promote development of Hong Kong's digital economy becomes fully operational

The Hong Kong Monetary Authority (HKMA) and the Digital Policy Office (DPO) have jointly announced that the connection arrangement between the HKMA's Commercial Data Interchange (CDI) and the Government's Consented Data Exchange Gateway (CDEG) is now in full operation. According to the HKMA, the connection arrangement is intended to facilitate financial institutions, upon authorisation, to access government data related to corporate and business operations, thereby:

- supporting the digitalisation of the financial services industry;
- promoting the overall development of Hong Kong's digital economy; and
- facilitating the full exploitation of the potential of data.

With the completion of the trial run, the CDI-CDEG linkage is now open to all CDI participating banks. As the first government data source of CDI, the Companies Registry has connected to CDI through CDEG. Through this connection, banks can directly obtain company particulars such as company names, registered office addresses and share capital structure, which is intended to help streamline various banking processes including account opening, fraud detection and know-your-customer.

The HKMA and the DPO have indicated that they will continue to explore the possibility of including additional business operation data in the future to assist banks in obtaining more comprehensive company search records.

ASIC publishes corporate plan for period 2024–25 and beyond

The Australian Securities and Investments Commission (ASIC) has published its latest corporate plan, which outlines its strategic priorities and actions for the period 2024-25.

In particular, under the latest corporate plan, ASIC's strategic priorities are intended to:

- drive better outcomes for consumers of financial products and services, with a focus on: the design and distribution of financial products, predatory sales and lending, financial hardship assistance, insurance claims handling, and dispute resolution;
- support market integrity and protect consumers and investors, with a focus on: climate-related disclosure, greenwashing, integrity and fairness in energy and carbon credit markets, and insurer claims and complaints handling following severe weather events;
- support better outcomes for consumers planning for, and in, retirement, with a focus on: improved services for superannuation fund members, driving industry progress towards improving the retirement outcomes and service experience of members through implementation of the retirement income covenant, and compliance by superannuation trustees, and providers of managed investments and financial advice;
- manage and minimise technology, cyber and data-related risks, with a focus on: business, cyber and operational resilience, and technology-

enabled scams and misconduct, and the poor use of artificial intelligence; and

- strengthen integrity across markets, with a focus on: outcomes in public and private markets, and existing and emerging financial products and services, including new market participants.