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EU Commission consults on market risk rules for banks

The EU Commission has launched a consultation to help determine the best approach for the application of the EU's framework on market risk prudential requirements for banks.

The fundamental review of the trading book (FRTB) introduced by Basel III aims to incorporate more sophisticated risk measurement techniques, allowing for closer alignment between capital charges and the actual risks banks are facing in their activities in capital markets.

The Commission postponed the FRTB application to 1 January 2026 to align with other global jurisdictions. However, further international delays have raised concerns about the competitiveness of EU banks.

The Commission is consulting on possible action within its mandate around three potential options:

- implementing the FRTB as currently laid down in the Banking package, from 1 January 2026;
- postponing the date of application by a further year (1 January 2027); and
- introducing temporary and targeted amendments to the market risk framework for up to three years.

Comments are due by 22 April 2025.

Benchmarks Regulation: EU Council adopts amending regulation to aid SMEs

The EU Council has adopted a regulation on financial benchmarks aimed reducing red tape for small and medium enterprises (SMEs) in the EU.

The legislation amends the Benchmark Regulation as regards the scope of the rules for benchmarks, the use of benchmarks provided by administrators located in third countries, and certain reporting requirements.

Among other things, the amended regulation:

- removes administrators of benchmarks defined as non-significant in the EU from the scope of the rules, reducing regulatory burden;
- keeps only critical or significant benchmarks within scope;
- permits administrators outside the scope of the rules to be able to request the voluntary application of the rules (opt-in), under certain conditions;
- extends competence for the European Securities and Markets Authority (ESMA);
- requires administrators of EU Climate Transition Benchmarks and EU Paris-Aligned Benchmarks to be registered, authorised, recognised, or endorsed to ensure regulatory oversight and prevent misleading ESG claims; and
- introduces a specific exemption regime for spot foreign exchange benchmarks.

The regulation will enter into force on the twentieth day following that of its publication in the Official Journal and will apply from 1 January 2026.

Omnibus Simplification Package: EU Council adopts negotiating mandate on CSRD and CSDDD stop-the-clock Directive

The EU Council has adopted its negotiating mandate on the EU Commission's proposed 'stop-the-clock' Directive under the omnibus simplification packages adopted in February 2025.

The proposal, which forms part of the first omnibus package (Omnibus I), seeks to postpone:

- by two years the entry into application of the Corporate Sustainability Reporting Directive (CSRD) requirements for large companies that have not yet started reporting, as well as for listed SMEs; and
- by one year the transposition deadline and the first phase of the application (covering the largest companies) of the Corporate Sustainability Due Diligence Directive (CSDDD).

Now that the Council has agreed its negotiating mandate, interinstitutional negotiations can begin with a view to reaching an agreement on the final text.

DORA: RTS on criteria for determining the composition of joint examination team published in Official Journal

Commission Delegated Regulation (EU) 2025/420 setting out regulatory technical standards (RTS) on the composition of the joint examination team under the Digital Operational Resilience Act (DORA) has been published in the Official Journal.

The RTS specify the criteria for determining the composition of the joint examination team ensuring a balanced participation of staff members from the European Supervisory Authorities (ESAs) and from the relevant competent authorities, their designation, tasks and working arrangements.

The Regulation will enter into force on 13 April 2025.

MiCA: Delegated Regulations on ARTs and EMTs published in Official Journal

Four Delegated Regulations setting out RTS relating to asset-referenced tokens (ARTs) and e-money tokens (EMTs) under the Markets in Cryptoassets Regulation (MiCA) have been published in the Official Journal.

The RTS include:

- Delegated Regulation (EU) 2025/415 specifying adjustment of own funds requirement and minimum features of stress testing programmes of issuers of ARTs or of EMTs;
- Delegated Regulation (EU) 2024/418 specifying the minimum content of the governance arrangements on the remuneration policy of issuers of significant ARTs or EMTs;
- Delegated Regulation (EU) 2025/419 specifying the procedure and timeframe for an issuer of ARTs or EMTs to adjust the amount of its own funds; and
- Delegated Regulation (EU) 2025/421 specifying the data necessary for the classification of crypto-asset white papers and the practical arrangements to ensure that such data is machine-readable.

The Regulations enter into force on 13 April 2025.

CRR3/CRD6: EBA updates methodology on equivalence decisions

The European Banking Authority (EBA) has updated its methodology for the assessment of regulatory and supervisory frameworks of non-EU countries under the revised Capital Requirements Regulation (CRR3) and Capital Requirements Directive (CRD6).

The methodology used in the preparation of equivalence decisions is based on two questionnaires available on the EBA's website. The Step 1 questionnaire consists of a preliminary screening to determine whether the main requirements and principles are in place. The Step 2 questionnaire is a more in-depth examination, systematically mapping provisions of the EU framework with that of the non-EU country. The EBA has updated and streamlined the methodology contained within the Step 2 questionnaire to align it with CRR3 and CRD6 and improve the overall user experience.

The EBA has also moved the questionnaires to an online platform, allowing countries to reply directly via a secured digital format.

EBA publishes draft technical package for reporting framework

The EBA has published a draft technical package of its reporting framework, providing an early version of the 4.1 release to facilitate the implementation for reporting entities.

The draft technical package provides the standard specifications that include the validation rules, the data point model (DPM) and the XBRL taxonomies to support reporting obligations including:

- Pillar 3 templates included in the implementing technical standards (ITS) on Pillar 3 disclosures, for the purpose of the Pillar 3 data hub;
- own initiative guidelines on the reporting of data that competent authorities will need for their supervisory tasks and for significance assessments under the guidelines on MiCA reporting; and
- the integration of the ITS on instant payments reporting into DPM and taxonomy.

A series of validation rules have also been added to the ESG ad-hoc data collection module.

Comments are due on the draft technical package by 15 April 2025. The final package is expected to be published by the end of May 2025.

HMT consults on exempting PISCES from stamp duty

HM Treasury has published a draft statutory instrument (SI) for technical consultation to exempt trading on the Private Intermittent Securities and Capital Exchange System (PISCES) from stamp duty and stamp duty reserve tax.

If the SI is passed by Parliament, investors using PISCES will not have to pay these taxes on share trading. PISCES, announced last November and launching later this year, aims to boost capital markets and the City of London. The draft regulations are introduced under the powers conferred by the Finance Act 2025.

Comments are due 23 April 2025.

HM Treasury has also published a technical note aiming to address questions raised in an earlier consultation on PISCES and provide clarity on the tax implications.

HM Treasury publishes report on Civil Liability Act's impact on motor insurance policyholders

HM Treasury has published a report on the impact of the Civil Liability Act 2018 on motor insurance. The Civil Liability Act reformed the claims process for road traffic accident-related whiplash injuries in England and Wales and changed the method for setting the personal injury discount rate applied to lump sum awards of damages.

As mandated by Section 11(7) of the Act, HM Treasury has published a report setting out how insurers' costs have changed as a result of the Act coming into force and giving a view on whether individual policyholders benefited. The report summarises information provided to the Financial Conduct Authority (FCA) by insurers for the period 1 April 2020 to 31 March 2023.

Overall, HM Treasury concluded that policyholders benefitted from the reductions in costs for insurers through paying lower premiums over the reporting period than they would have done before the Act came into force.

FCA publishes 2025–2030 strategy

The Financial Conduct Authority (FCA) has published its five-year strategy for 2025-2030.

The FCA will focus on four priorities:

- improve processes and embrace technology to become more efficient and effective;
- enable investment, innovation, and ensure the competitiveness of the UK's financial services;
- boost trust, product innovation, and provide the right information and support for financial decisions; and
- fight financial crime.

The strategy outlines changes the FCA intends to make to its supervision, including a less intensive approach for firms seeking to do the right thing, streamlining supervisory priorities, and digitising authorisation processes. The FCA plans to invest in technology, people, and systems in an effort to handle cases more efficiently and assertively.

The FCA will also integrate the Payment Systems Regulator and launch Open Finance to facilitate data-sharing, support product innovation, and deliver lower costs, more choice, and better information for consumers. The new strategy builds on the FCA's achievements over the previous three-year strategy, including changes to the listing regime, introducing the Consumer Duty, and authorising firms more quickly.

FCA outlines proposals on Consumer Duty rule review

The FCA has released an action plan outlining proposals to review expectations for mortgages and lending, and to simplify communications about savings accounts. The FCA will also review parts of its credit advertising rules, such as lengthy terms and conditions.

These proposals aim to streamline rules, reduce burdens on businesses, and improve outcomes for consumers following the introduction of the Consumer Duty. Feedback indicated that wholesale changes to the rules would not be welcome at this time, so the FCA will continue to engage with industry and others to introduce amendments without a widespread overhaul.

The plans include:

- making it easier to navigate regulations for consumer finance, investment, and mortgage firms by retiring outdated guidance;
- withdrawing various supervisory publications;
- reviewing current disclosure rules to give firms more flexibility to tailor communications to customers' needs and preferences, such as online and digital transactions; and
- revisiting rules for businesses with customers outside the UK, for example, considering whether insurance firms need to apply UK rules for their overseas customers.

FCA invites ESG ratings providers to complete survey

The FCA has invited ESG ratings providers to complete a voluntary survey, which will be used to help inform future regulation of ESG ratings and broader sustainability disclosures.

In November 2024, the FCA invited firms from all sectors, who may be users of ESG ratings and sustainability disclosures, to respond to a survey. It is now widening that request to include ESG ratings providers. Through the responses, the FCA hopes to gain a better understanding of:

- the business models and group structures used to provide ESG ratings;
- how ESG ratings are constructed and distributed;
- what policies and processes firms have in place; and
- how firms interact with broader sustainability disclosures.

The FCA notes that the survey responses will be used to inform its cost benefit analysis and policy development, as well its approach to amending its climate-related disclosures rules for listed companies to refer to the International Sustainability Standards Board standards and the amendment of its expectations for listed companies' transition plan disclosures to reflect the Transition Plan Taskforce Disclosure Framework.

The FCA requests that firms try to respond to the survey by 2 May 2025 and that providers respond no later than 16 May 2025.

UK EMIR: PRA and FCA consult on margin requirements for non-centrally cleared derivatives

The Prudential Regulation Authority (PRA) and FCA have launched a consultation on amendments to the UK version of the RTS for risk-mitigation techniques for over-the-counter (OTC) derivative contracts not cleared by a central counterparty (BTS 2016/2251) which supplement the retained EU Regulation on OTC derivative transactions, central counterparties and trade repositories (UK EMIR).

The existing temporary exemptions for single-stock equity options and index options from the UK bilateral margining requirements are due to expire on 4 January 2026. The PRA and FCA are proposing to implement an indefinite exemption for single-stock equity options and index options from the UK bilateral margining requirements.

The consultation paper also proposes two amendments, aimed at reducing the burden of the bilateral margining regime in the UK, which would:

- remove the obligation to exchange initial margin (IM) on outstanding legacy contracts, where a firm subsequently falls below the in-scope thresholds; and
- permit UK firms, when transacting with a counterparty subjected to the margin requirements in another jurisdiction, to use that jurisdiction's threshold assessment calculation periods and entry into scope dates to determine whether those transactions are subject to IM requirements.

Comments are due by 27 June 2025.

PRA publishes policy statement on FSCS management expenses levy limit for 2025/26

The PRA has published a policy statement (PS4/25) providing feedback to responses, as well as final rules, following its consultation paper (CP1/25) on the Financial Services Compensation Scheme (FSCS) management expenses levy limit (MELL) for 2025/26.

This policy statement is relevant to all FSCS levy-paying PRA and Financial Conduct Authority (FCA) authorised firms. It contains no material of direct relevance to retail financial services consumers or consumer groups, upon which they might need to act.

The PRA received two responses to the consultation paper. One respondent was supportive of the proposals and the other requested that their response remain confidential. In light of the feedback received, the PRA has decided to proceed with its proposals as consulted upon. The MELL will therefore be set at GBP 108.6 million and will apply from 1 April 2025, the start of the FSCS' financial year, to 31 March 2026.

BoE launches 2025 bank capital stress test

The Bank of England (BoE) has launched its 2025 bank capital stress test for the seven largest and most systemic UK banks and building societies.

The test, which succeeds the annual cyclical scenario (ACS), involves a hypothetical stress scenario to assess the resilience of the UK banking system against severe global and domestic recessions, asset price drops, higher global interest rates, and misconduct costs.

The scenario is designed to be severe and broad, allowing the Financial Policy Committee (FPC) and Prudential Regulation Committee (PRC) to evaluate the banks' ability to withstand adverse shocks and maintain stability. Key elements include:

- UK GDP falls by 5% in the early part of the scenario;
- world GDP falls by 2%;
- UK unemployment almost doubles to a peak rate of 8.5%;
- world trade falls by 20%;

- oil and gas prices rise sharply;
- inflation peaks at 10% before falling back to the 2% target
- bank rate increases to a peak of 8% and then lowers as inflation returns to the target; and
- UK residential property prices fall by 28%.

The test also incorporates changes related to the International Financial Reporting Standard 9 (IFRS 9) accounting standard. Results, informed by both the BoE and participating banks, will be published in Q4 2025 and used to set capital buffers and understand banking system risks. The BoE plans to conduct this stress test every other year.

Financial Policy Committee consults on O-SII buffer framework

The FPC has published for consultation proposals to amend the thresholds of the buffer framework for other systemically important institutions (O-SIIs).

The framework aims to address the risk that a distressed ring-fenced bank or large building society disrupts the supply of credit to the real economy. It recognises that domestic systemically important firms may require higher capital requirements to enable them to absorb stress, and so sets O-SII capital buffers for some firms. Following the 2023 review of the framework, the FPC decided to consult on the buffer thresholds to ensure they remain appropriate in the context of the intended aims of the framework.

The consultation therefore seeks feedback on proposals to:

- index the O-SII buffer thresholds based on the 20% cumulative growth in nominal GDP between 2019 and 2023; and
- going forward, regularly assess the thresholds as part of the FPC's annual review of the framework and update them in line with nominal GDP growth, as appropriate.

If the FPC decides to introduce these proposed changes once the consultation has concluded, the PRA will reissue the 2024 O-SII buffer rates to reflect the changes. The reissued rates would apply from 1 January 2026.

Comments are due by 30 May 2025.

BaFin announces it will no longer enforce performance of SI-test and notification obligation

The German Federal Financial Supervisory Authority (BaFin) has announced that it is no longer enforcing breaches of the systematic internalisers (SIs) notification obligation under section 79 sentence 1 of the German Securities Trading Act (WpHG) if investment firms do not calculate the relevant SI thresholds.

In its announcement BaFin notes that MiFID2 and MiFIR have been substantially revised, including changes to the rules on systematic internalisation. As of 3 February 2025, the responsibility for reporting OTC-transactions for post-trade transparency purposes has shifted from SIs to the new designated publishing entities (DPEs).

The European Securities and Markets Authority (ESMA) announced on 24 January 2025 that it will no longer be publishing the aggregated data for the calculation of SI thresholds and does not consider it necessary for investment firms to perform the SI-test, although they can continue to opt into the SI-regime if they wish.

Until a standardised EU-wide SI notification form has been developed, BaFin notes that firms may continue to use its notification form for the registration or deregistration as an SI.

SFC issues additional guidance on IPO subscription and financing services

The Securities and Futures Commission (SFC) has issued a circular to provide additional guidance for licensed corporations (LCs) on initial public offering (IPO) subscription and financing services to enhance their risk management practices and protect investors from undue financial risks.

The guidance came after the SFC identified deficiencies in a recently-completed review of the IPO financing activities of selected LCs. In particular, some of the LCs were found to have engaged in imprudent and aggressive IPO financing practices by accepting subscription orders that exceeded their clients' financial capabilities. In some cases, the LCs primarily focused on the subscription levels or anticipated subscription rates of IPO stocks rather than the financial positions of clients, which according to the SFC could result in over-leveraging for clients and subject LCs themselves to an increased client default risk.

The circular sets out the SFC's expected standards of conduct and control measures for LCs pertaining to IPO financing and subscription practices. These include the collection of minimum upfront subscription deposits, financial assessments of both the firm and its clients, proper segregation of clients' subscription deposits, and adherence to the FINI (platform for Hong Kong's IPO settlement process) investor identification requirements.

The SFC requires LCs to critically review their existing policies and procedures to ensure proper implementation of and full compliance with the circular for IPOs with offering periods commencing after the date of this circular. According to the SFC, it will continue to supervise LCs' regulatory compliance in their IPO subscription and financing activities through offsite monitoring, on-site inspections and thematic reviews.

Singapore Ministry of Law consults on international arbitration regime and International Arbitration Act 1994

The Ministry of Law has launched a public consultation seeking feedback on the international arbitration regime and the International Arbitration Act 1994 (IAA).

The Ministry of Law commissioned the Singapore International Dispute Resolution Academy (SIDRA) to conduct a study on the international arbitration regime in Singapore and the IAA. The study considered to what extent the IAA remains effective in supporting Singapore as a preferred destination for arbitration and what changes may further strengthen the IAA. SIDRA has published a report detailing the findings of this study.

The Ministry of Law is seeking feedback on SIDRA's report, with a focus on the following issues:

- whether to confer the power to make cost orders for arbitral proceedings following a successful setting aside of an award on the court;

- whether separate cost principles should be applied in respect of unsuccessful setting aside applications;
- whether to introduce a leave requirement for appeals to the Court of Appeal arising from a High Court decision in a setting aside application;
- whether the time limit to file a setting aside application should be reduced;
- whether a right of appeal on questions of law is desirable;
- how to ascertain the governing law of the arbitration agreement;
- whether the review of the tribunal's jurisdiction should be conducted by way of an appeal or a rehearing; and
- whether the summary disposal powers of arbitral tribunals should be set out in the IAA.

Comments on the consultation are due by 2 May 2025.

Contributed by Clifford Chance Asia, a Formal Law Alliance in Singapore between Clifford Chance Pte Ltd and Cavenagh Law LLP.

Australian Government issues statement on developing innovative digital asset industry

The Australian Government has issued a statement outlining its plan to develop a fit for purpose digital asset regime to help build a more dynamic and competitive economy.

The statement outlines the Government's approach to reform, progress to date and the forward workplan. The four primary elements to Australia's approach to digital asset reforms are:

- a framework for digital asset platforms (DAPs), which are online platforms that hold digital assets, such as crypto, for consumers - the Government's legislative framework will focus on the operators of DAPs. The new DAP regime will not impose a new regulatory burden on digital asset issuers themselves, or on businesses that create or use digital assets for non-financial purposes. The aim is to mitigate key risks for consumers so the sector can safely and securely innovate and grow;
- a framework for payment stablecoins, which will be treated as a type of stored-value facility (SVF) under the Government's payments licensing reforms - the payments licensing reforms will revise the existing licensing regime for non-cash payment facilities and ensure it appropriately covers the wide range of payment products and services now provided in Australia. These reforms will cover the holding of monetary value for making payments – whether in traditional account-based SVFs or in payment stablecoins. As payment stablecoins are functionally similar to other SVFs, they will be subject to substantially the same requirements as SVFs;
- undertaking a review of Australia's enhanced regulatory sandbox in 2025; and
- a suite of initiatives to investigate ways to safely unlock the potential benefits of digital asset technology across financial markets and the broader Australian economy.

The Government's legislative reforms will extend existing financial services laws to key digital asset platforms, but not to all of the digital asset ecosystem.

The commencement dates for the reforms will be set through legislation. The Government plans to consult on the draft legislation in 2025, inviting stakeholder feedback on the commencement dates and methods to support a smooth transition, including relief from licencing requirements that would conflict with the intent of the reforms. Additionally, the Government is working with the Australian Securities and Investments Commission (ASIC) to ensure appropriate transitional arrangements are in place before the legislative reforms take effect.