

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



EU FINANCIAL SERVICES HORIZON SCANNER
JULY 2021

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INTRODUCTION

This financial services horizon scanner provides a high-level overview of ongoing and expected EU initiatives in the area of financial services.

The horizon scanner identifies and summarises key EU legislative and non-legislative initiatives that are likely to impact firms providing financial services in the EU, which are grouped thematically.

It also sets out projected timelines for the finalisation and implementation of relevant legislative initiatives, covering approximately the next 18 months to 2 years.

Further background information and commentary on many of these initiatives, 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 July 2021. It does not constitute legal advice and is not intended to provide an exhaustive list of all provisions or requirements applicable to such firms during this period.

Following the UK's exit from the EU and the expiry of the EU/UK transitional period on 31 December 2020, EU law no longer applies in the UK. This document does not consider how the UK has "onshored" EU law or the relevant UK equivalent initiatives.

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HIGH LEVEL INITIATIVES

THE EU REGULATORY LANDSCAPE

Today's regulatory landscape

Following the financial crisis and resulting G20 commitments, the EU embarked on an unprecedented and wide-ranging project of regulatory reforms, including new rules to strengthen financial supervision, tools for bank recovery and resolution, more effective deposit protection, and an improved regulatory framework for banks, insurance, securities markets and other sectors.

Just over a decade later, the enactment of MiFID2, which started to apply in early 2018, as the last major legislative measure of the post-crisis regulatory agenda, means that this project largely complete.

More recently, attention has turned to fine-tuning the EU financial services regulatory framework with scheduled reviews of existing regulation resulting in adoption of targeted follow-up actions, ensuring that regulation keeps pace with technological development and completion of the Banking Union and Capital Markets Union through the adoption of internationally agreed regulatory policy.

The coronavirus (COVID-19) pandemic is having a wide-ranging impact on financial market participants. From a regulatory perspective, policy makers and supervisors have taken a range of steps that seek to mitigate the impacts of the outbreak on the financial system.

These include temporary easing of regulatory capital requirements and other prudential measures, guidance on regulatory expectations with respect to operational resilience and business continuity planning, as well as on how firms are expected to comply with conduct of business requirements in practice in the current environment.

These announcements also include forbearance measures, delays to application of new regulatory requirements and “quick fix” amendments to existing regulation, in recognition of the practical challenges posed by remote working and the need for both firms and regulators to prioritise their responses to the coronavirus at this time. Similarly, some scheduled reviews of existing legislation and consultations on proposed legislative changes have been extended or delayed. Looking further ahead, EU policy makers are considering how further legislative and regulatory initiatives may assist economic recovery from the crisis whilst also progressing key policy priorities for the EU.

HIGH LEVEL INITIATIVES

EU COMMISSION POLICY PRIORITIES FOR FINANCIAL SERVICES

European Commission work on financial services

The new European Commission took office in December 2020, headed by President von der Leyen. Executive Vice President Dombrovskis is responsible for the Commission's financial services agenda and has made a number of policy commitments, identifying areas of focus where the Commission intends to propose new legislation.

These policy priorities include:

- an invigorated effort to build a Capital Markets Union (the “CMU”)
- development of a green financing strategy and other actions under the EU Sustainable Finance Action Plan to direct investment and financing towards the transition to a climate-neutral economy
- development of a FinTech strategy to support digital technologies in the financial system and new legislative proposals on cryptoassets and digital resilience in the financial sector to ensure a common approach to cryptocurrencies across Member States
- development of a new, comprehensive approach to AML, CTF and sanctions, focusing on better enforcement of legislation and better supervision, adapting to risks linked to new technologies and a stronger role in setting international AML/CTF standards, as well as ensuring Europe is more resilient to extraterritorial sanctions imposed by third countries

The Commission's 2021 Work Programme sets out a number of policy objectives and initiatives that include:

- deepening the CMU through initiatives such as the revision of MiFID2 and MIFIR
- establishment of an EU green bond standard
- continued development of the AML legislative package
- completing the Banking Union through the revision of the bank crisis management and deposit insurance (CDMI) framework.
- revision of the Central Securities Depositories Regulation to simplify the rules and make them more proportionate and less burdensome for stakeholders
- progressing initiatives such as the proposed regulation on markets in crypto-assets (MiCA) and proposed regulation on digital resilience for the financial sector (DORA)
- finalising targeted reforms to financial services regulation to support economic recovery in response to the COVID-19 pandemic

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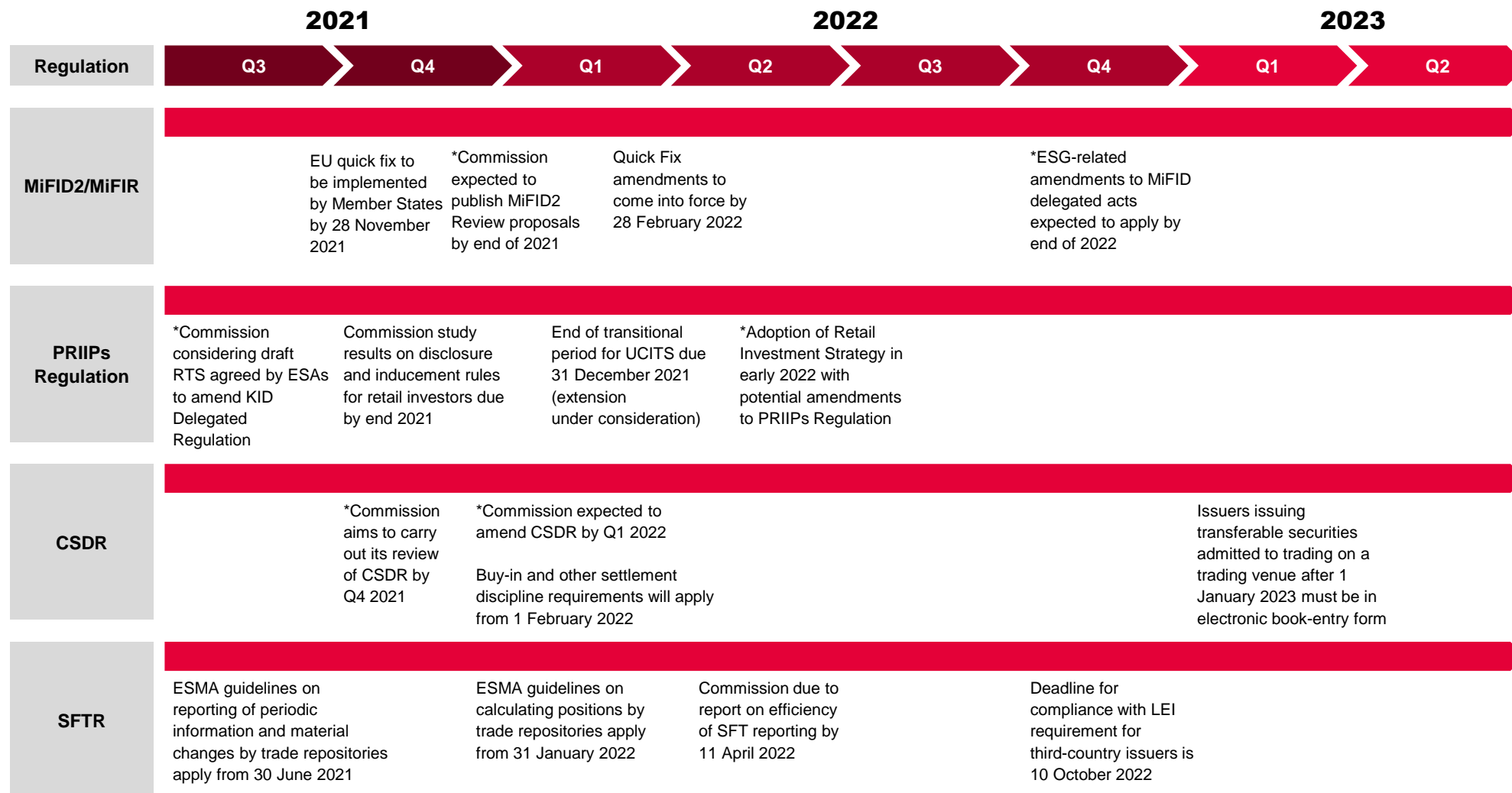
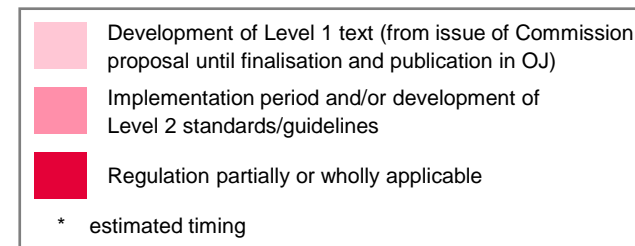
HORIZON SCANNER
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SECURITIES AND MARKETS

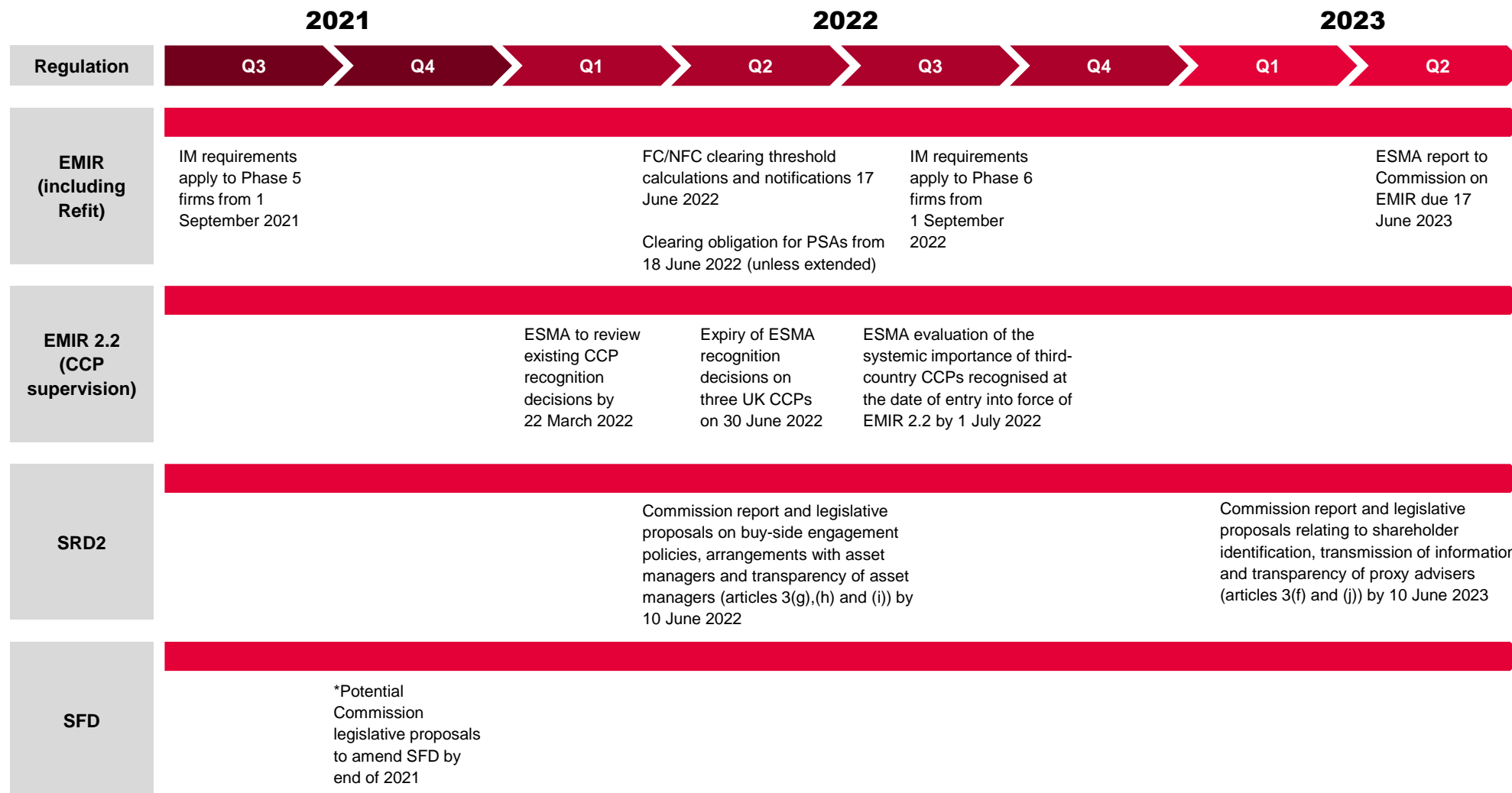


SECURITIES AND MARKETS (CONTINUED)

<p>MiFID2/MiFIR</p>	<p>MiFID2 and MiFIR introduced important changes to the regulation of financial markets in Europe, including an overhaul of market structure, increased transparency and transaction reporting requirements, heightened conduct of business requirements and supervisory enforcement powers, greater regulation of commodities business including position limits and reporting and new rules for third country firms accessing EU markets. The Commission was due to report on its review of MiFID2 during 2020. However, ESMA has proposed a revised timetable for delivery of its reports taking into account Brexit uncertainties amongst other factors. The Commission is now expected to publish MiFID2 Review proposals by end of 2021 (or shortly thereafter). The IFR and IFD amend the third country access provisions from June 2021.</p>
<p>PRIIPs Regulation</p>	<p>The PRIIPs Regulation obliges manufacturers of packaged retail and insurance-based investment products (PRIIPs) to produce a concise pre-contractual disclosure document, the Key Information Document (KID), where such products are made available to retail investors. The PRIIPs Regulation applies to manufacturers and distributors of PRIIPs and sets out rules on the content and format of the KID, as well as guidance for its review and timing of delivery. The European Commission was due to review the PRIIPs Regulation by the end of 2019 and the ESAs have indicated that they intend to conduct a comprehensive revision of related Level 2 requirements. The Commission intends to adopt its Retail Investment Strategy in early 2022 following its consultation in 2021 on how to improve retail investor protection framework, including PRIIPs Regulation. The EU transitional period for UCITS has also been extended until the end of 2021 – with a further extension under consideration.</p>
<p>CSDR</p>	<p>CSDR aims to harmonise the authorisation and supervision of Central Securities Depositories (CSDs) across the EU. It also aims to harmonise various aspects of settlement including settlement cycles (mandating a T+2 cycle), settlement discipline regimes (including a buy-in process to remedy settlement failures) and to mandate the adoption of full dematerialisation of securities. The Commission was due to report on its review of CSDR by 18 September 2019 but this has been delayed, likely because many of the key requirements under CSDR only started to apply during 2019 and the settlement discipline regime has not yet begun to apply. The settlement discipline regime as currently drafted will apply from 1 February 2022. The Commission is aiming to adopt legislative amendments to CSDR in Q1 2022 (including potential changes to the settlement discipline regime).</p>
<p>SFTR</p>	<p>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. SFT reporting requirements have been phased in between July 2020 and January 2021.</p>

SECURITIES AND MARKETS (CONTINUED)

	Development of Level 1 text (from issue of Commission proposal until finalisation and publication in OJ)
	Implementation period and/or development of Level 2 standards/guidelines
	Regulation partially or wholly applicable
* estimated timing	

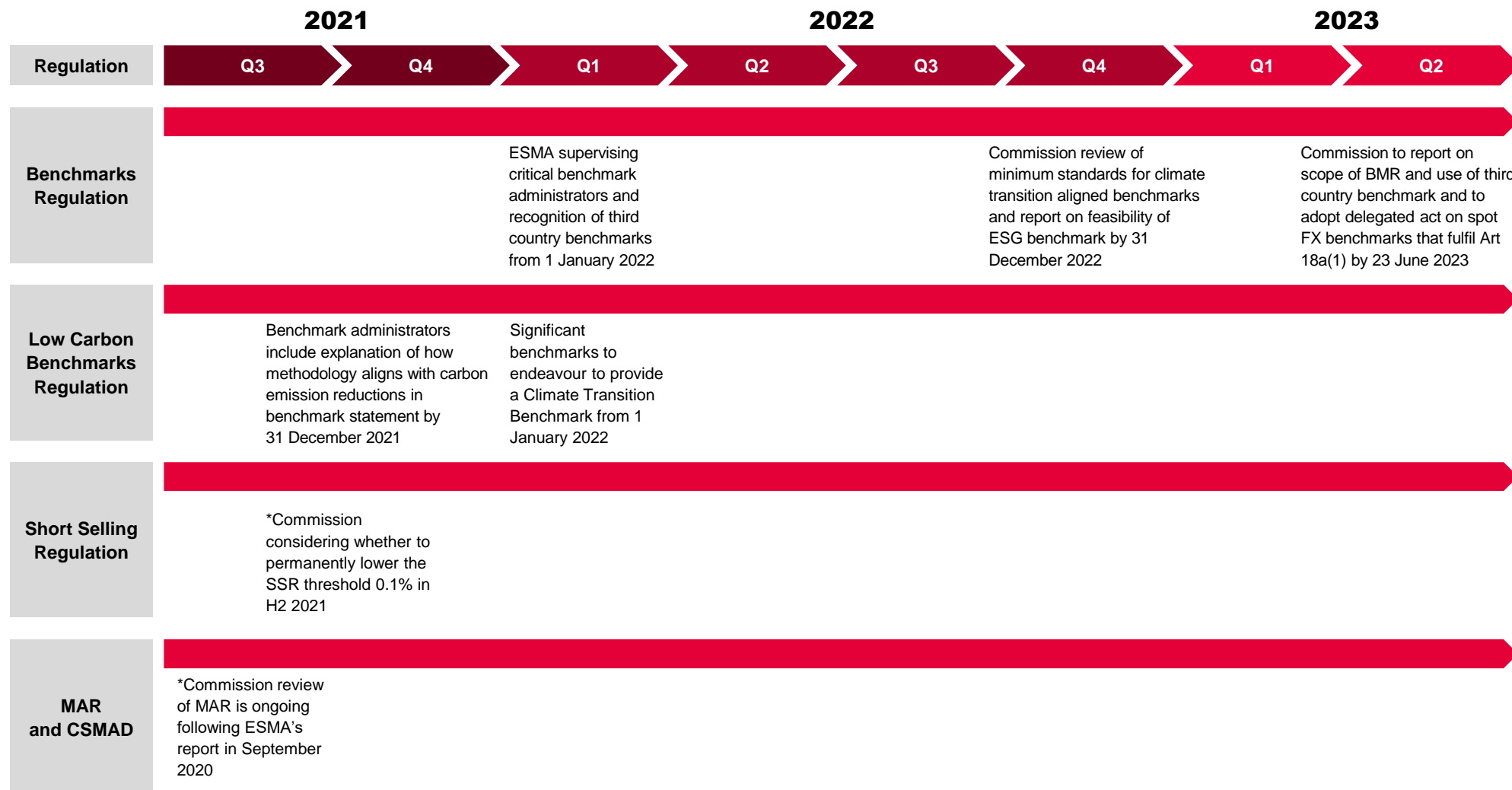


SECURITIES AND MARKETS (CONTINUED)

EMIR (including Refit)	EMIR introduces a mandatory clearing obligation for certain classes of OTC derivatives contracts entered into between certain counterparties, risk-mitigation requirements for OTC derivatives that are not centrally cleared (including margin requirements), trade reporting obligations for all derivatives (both OTC and exchange traded derivatives) and a framework for the regulation of central counterparties (CCPs) and trade repositories. EMIR Refit made targeted amendments to EMIR, including amendments to the definition of financial counterparty (FC), introducing a clearing threshold for smaller FCs, placing new duties on firms offering clearing services to do so on a fair, reasonable and non-discriminatory basis, removing frontloading and giving the Commission powers to temporarily suspend the clearing obligation.
EMIR 2.2 (CCP supervision)	EMIR 2.2 amends the EU framework for authorisation of EU CCPs and recognition of non-EU CCPs under EMIR. EMIR 2.2 gives ESMA greater powers to coordinate supervision of EU CCPs and to directly supervise systemically important non-EU CCPs (Tier 2 CCPs). It also gives the Commission power (upon request by ESMA and in agreement with the relevant central bank) to impose a location requirement for non-EU CCPs that are of such systemic importance that direct supervision is deemed insufficient to mitigate the potential risks.
SRD2	The Shareholder Rights Directive (SRD) seeks to enable shareholders to exercise voting and information rights in EU companies traded on regulated markets across the EU. Amendments to the SRD address 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 advisors and facilitation of the cross-border exercise of voting and information rights.
SFD	The Settlement Finality Directive (SFD) regulates the transfer of financial instruments and payments through designated securities settlement systems and payment systems. In particular, it guarantees that transfer orders entered into such a system by a participant are finally settled, regardless of whether the sending participant has become insolvent, or transfer orders have been revoked in the meantime. The European Commission undertook a review of the SFD in Q1 2021 and a report on third country systems was due to the European Parliament by 28 June 2021.

SECURITIES AND MARKETS (CONTINUED)

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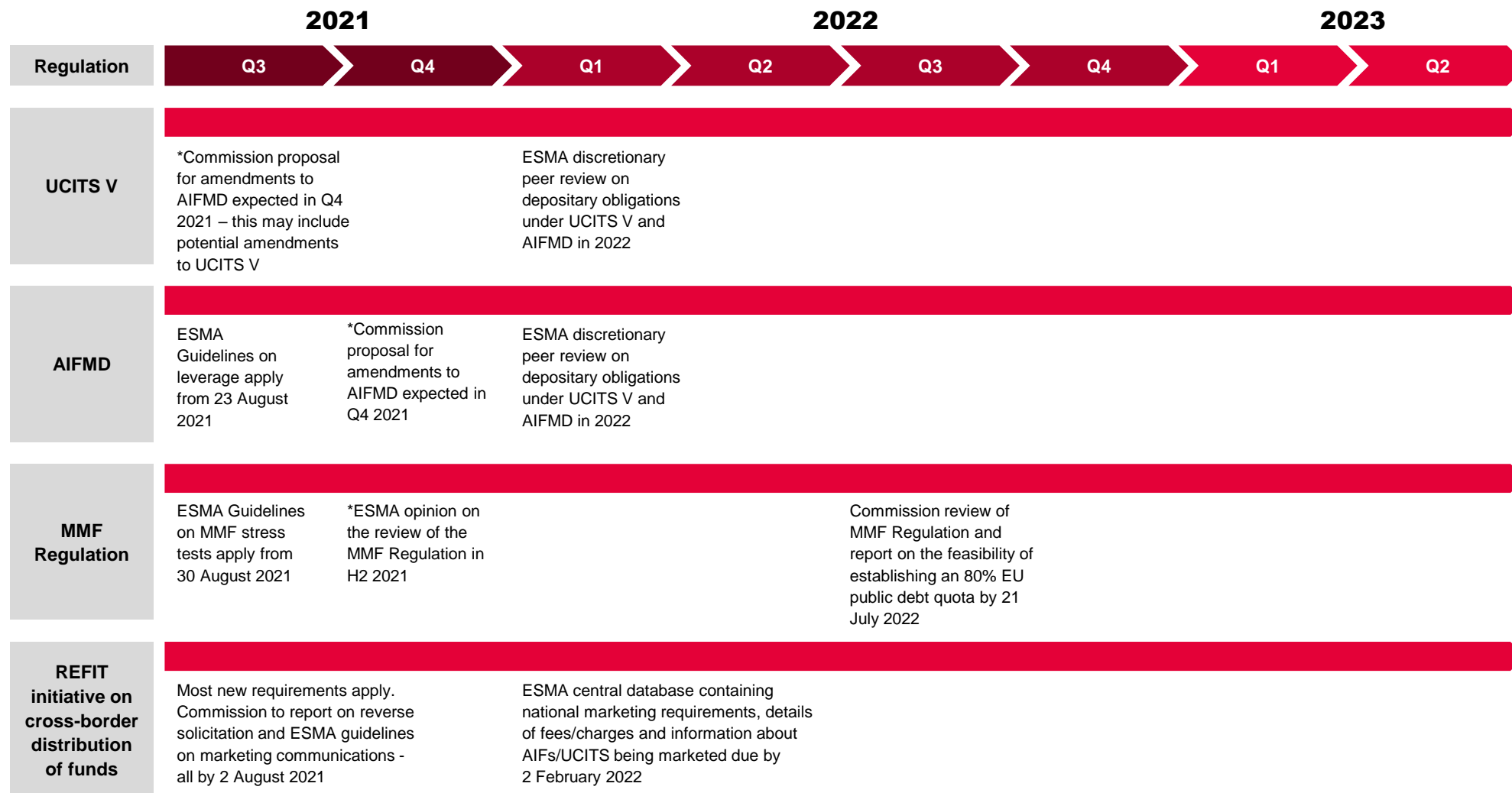
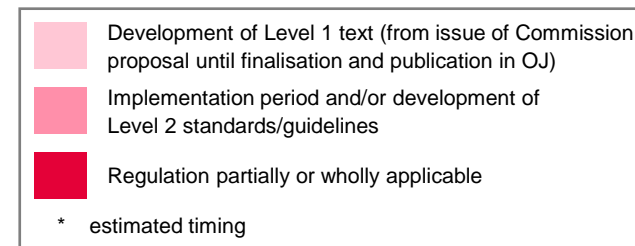


SECURITIES AND MARKETS

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Benchmarks Regulation	<p>The Benchmarks Regulation (BMR) sets out requirements for firms that administer, contribute to or use a wide range of benchmarks. It aims to reduce the risk of manipulation of benchmarks by introducing requirements for benchmark administrators to be authorised and to implement governance systems and other controls to ensure the integrity and reliability of their benchmarks. Amendments to the BMR were introduced in 2021 which put in place a framework to enable a statutory replacement benchmark to be established to protect financial stability when systemically important benchmarks are no longer in use – this is important in the context of IBOR transitions. Another significant change is ESMA’s supervisory role in the recognition of third country benchmarks from January 2022.</p>
Low Carbon Benchmarks Regulation	<p>The Low Carbon Benchmarks Regulation (LCBR) forms part of the Sustainable Finance Action Plan package. It amends the Benchmarks Regulation, defining and introducing requirements in relation to two new categories of benchmarks, “EU Climate Transition Benchmarks” and “EU Paris-aligned Benchmarks”. It requires benchmark administrators to disclose in benchmark statements how ESG factors are reflected in relevant benchmarks or families of benchmarks (with more substantive explanations required from 31 December 2021). It also extends the transitional period under the Benchmarks Regulation for administrators of critical and third country benchmarks from the end of 2019 to the end of 2021. Significant benchmarks must endeavour to provide a Climate Transition Benchmark from 1 January 2022.</p>
Short Selling Regulation	<p>The Short Selling Regulation (SSR) sets out requirements on market participants in relation to short selling and credit default swaps (CDS), including reporting and disclosure obligations where net short positions in relation to in-scope financial instruments exceed specified thresholds. The SSR also grants powers to regulators to impose temporary bans on short selling in certain circumstances. ESMA published technical advice to the Commission on the SSR in December 2017, recommending some limited amendments to the SSR as part of a scheduled review. The Commission indicated informally that it may seek targeted amendments via Level 2 measures, including to expand the scope of the market-making exemption, but such amendments have not yet been forthcoming. Following ESMA’s recommendation, the Commission is considering whether to permanently lower the SSR threshold to 0.1%.</p>
MAR and CSMAD	<p>An EU-wide framework for tackling market abuse and market manipulation was first introduced in 2005. The current Market Abuse Regulation (MAR) and the Directive on criminal sanctions for insider dealing and market manipulation (CSMAD) aimed to update and strengthen this framework. The new regime introduced by MAR and CSMAD came into effect on 3 July 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 Member States’ criminal sanctions regimes for market abuse.</p>

INVESTMENT MANAGEMENT

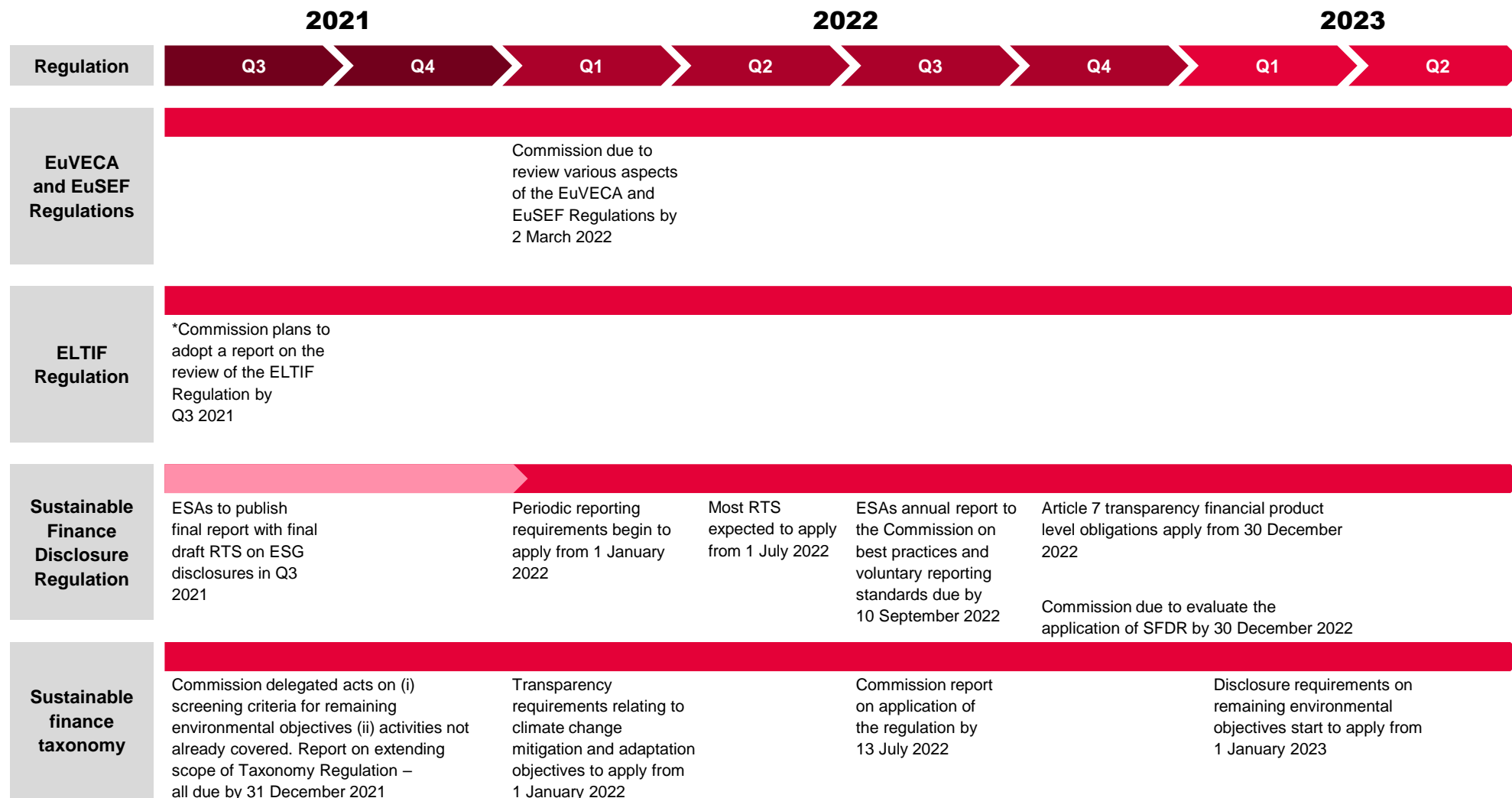
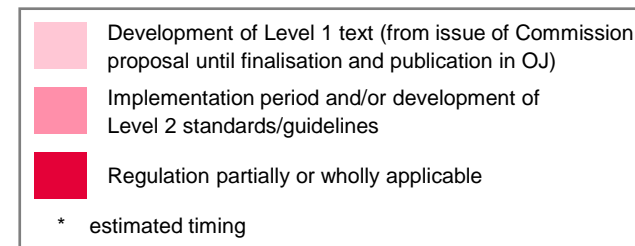


INVESTMENT MANAGEMENT

(CONTINUED)

<p>UCITS V</p>	<p>The UCITS Directives provide an EU-wide framework for UCITS (investment funds suitable for marketing to retail investors that meet relevant requirements). Since the first UCITS Directive in 1985, subsequent directives have aimed to expand and simplify the UCITS regime. UCITS V amends the UCITS depositary duties and liability regimes and introduces new provisions on remuneration of UCITS managers and changes to Level 2 requirements relating to depositary safekeeping duties applied from April 2020. Following the Commission consultation on the review of AIFMD, potential amendments may be proposed to UCITS V alongside the AIFMD in Q4 2021.</p>
<p>AIFMD</p>	<p>The Alternative Investment Fund Managers Directive (AIFMD) regulates the management, administration and marketing of alternative investment funds (AIFs) in the EU. Key issues covered by 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. Following the Commission consultation on the review of AIFMD, proposals for amendments to AIFMD are expected in Q4 2021.</p>
<p>MMF Regulation</p>	<p>The MMF Regulation introduces a regulatory framework that aims to enhance the liquidity and stability of money market funds (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. ESMA is expected to publish its opinion on the review of the MMF Regulation in H2 2021. The Commission is due to publish a report on its review of the MMF Regulation by 21 July 2022.</p>
<p>REFIT initiative on cross-border distribution of funds</p>	<p>The directive and regulation on cross-border distribution of collective investment funds amend the UCITS Directive, AIFMD, the EuVECA Regulation, the EuSEF Regulation and the PRIIPs Regulation, respectively. The new requirements aim to improve transparency by aligning national marketing requirements and regulatory fees, as well as the process for verification of marketing material by national competent authorities. The directive also contains rules on pre-marketing and sets out when managers may stop marketing a fund in a particular Member State. The majority of the provisions will come into force from 2 August 2021.</p>

INVESTMENT MANAGEMENT (CONTINUED)



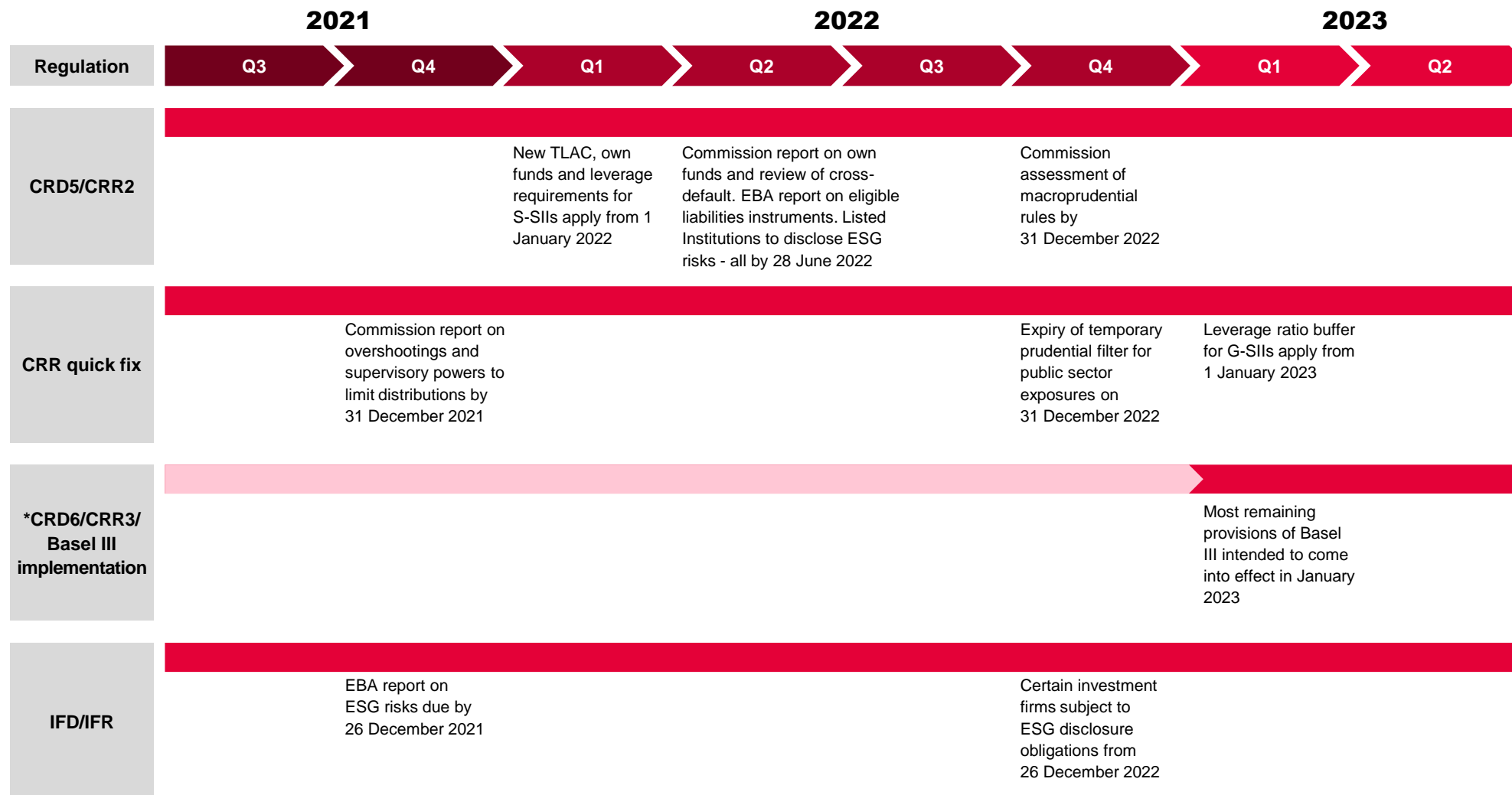
INVESTMENT MANAGEMENT

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EuVECA and EuSEF Regulations	<p>These amendments to the Regulation on European Social Entrepreneurship Funds (EuSEF Regulation) and the Regulation on European venture capital funds (EuVECA Regulation) increase the size threshold for managers of EuVECA and EuSEF funds and allow these funds to invest in a wider range of assets. The Regulation on cross-border distribution of investment funds includes amendments to the EuVECA and EuSEF Regulations. Delegated regulations also set out requirements on conflicts of interest (for EuVECA and EuSEF) social impact measurement and information to investors (EuSEF only).</p>
ELTIF Regulation	<p>The European Long-Term Investment Funds Regulation (ELTIF Regulation) aims to promote long-term non-bank investment. ELTIFs must be closed ended funds and must be managed by an authorised AIFM. In its revised CMU action plan launched in September 2020, the Commission indicated it intends to adopt a proposal for a review of the ELTIF Regulation by Q3 2021. The review will among other things, look into: (i) the redemption policy and lifespan of ELTIFs; (ii) the extent to which ELTIFs are marketed in the EU; (iii) the appropriateness of investment limitations for retail investors, and; (iv) the extent to which the list of eligible assets and investments, as well as diversification rules, portfolio composition and limits on cash borrowing, should be updated. Given the limited take up of the ELTIF structure, the Commission will develop a report on potential changes to the regime in Q3 2021.</p>
Sustainable Finance Disclosure Regulation	<p>The Sustainable Finance Disclosure Regulation (SFDR) sets out harmonised rules on disclosures to end investors on the integration of sustainability risks and the consideration of adverse sustainability impacts in investment decision-making and the provision of investment advice. The new rules will apply to investment managers, investment advisors and other financial market participants, such as insurance and pension providers. Most of the provisions came into force on 10 March 2021, with certain provisions and Level 2 regulations being phased in up until December 2022.</p>
Sustainable finance taxonomy	<p>In May 2018, the Commission published a proposed regulation setting out uniform criteria for determining whether an economic activity is environmentally sustainable. The Taxonomy Regulation was published in the Official Journal in June 2020. It sets out six environmental or sustainability objectives, including climate change mitigation and adaptation, sustainable use of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems. It also sets out a process for establishing a unified EU taxonomy to facilitate sustainable investment. The framework will be phased-in gradually in respect of the different objectives.</p>

PRUDENTIAL REGULATION, RECOVERY AND RESOLUTION

Development of Level 1 text (from issue of Commission proposal until finalisation and publication in OJ)
 Implementation period and/or development of Level 2 standards/guidelines
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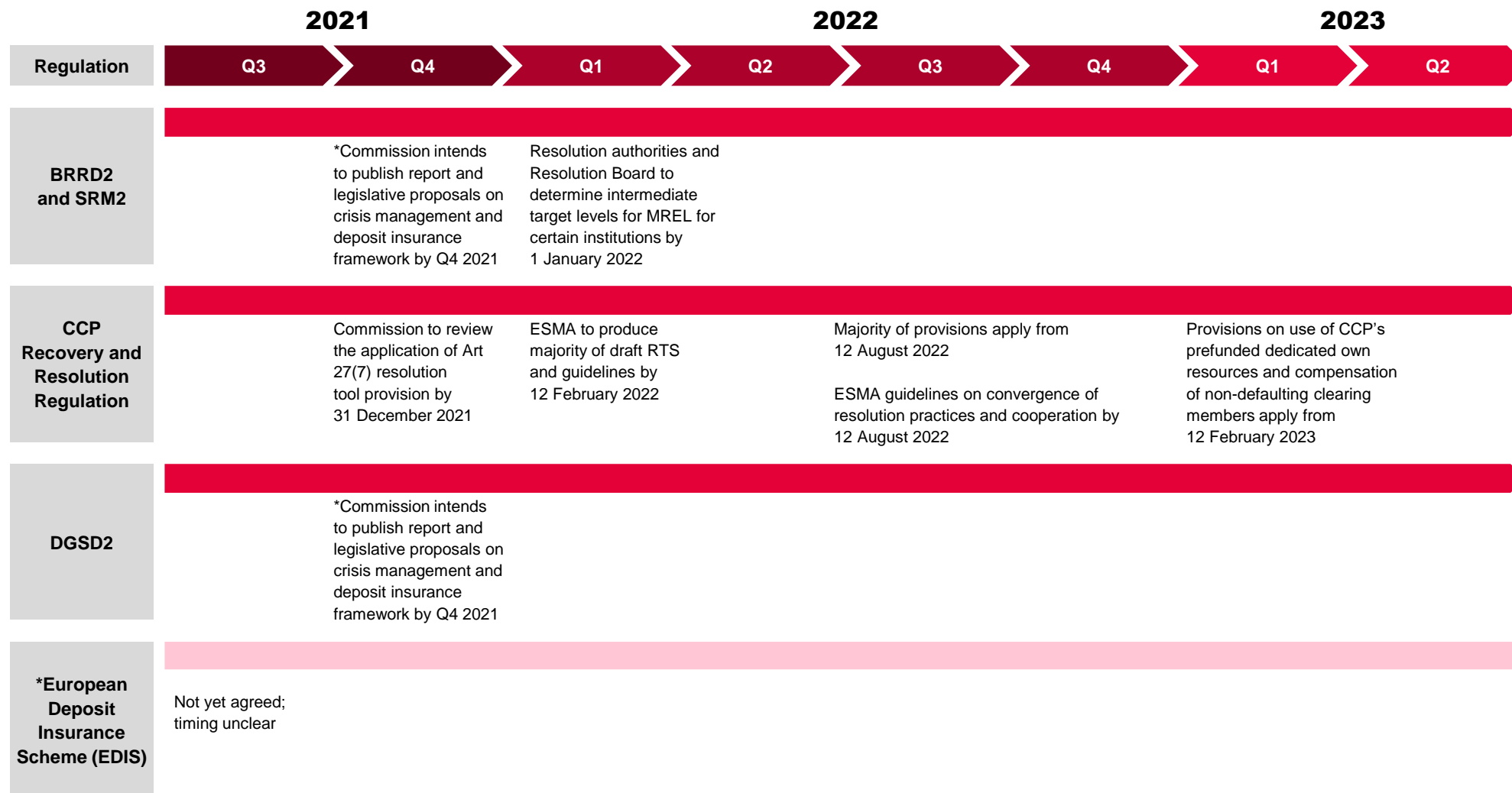
PRUDENTIAL REGULATION, RECOVERY AND RESOLUTION

(CONTINUED)

CRD5/CRR2	<p>CRD5 and CRR2 amend the fourth Capital Requirements Directive (CRD4) and the Capital Requirements Regulation (CRR) and introduce changes relating to implementation of international Basel III standards, including the net stable funding ratio (NSFR) and the leverage ratio. They will also introduce new requirements for intermediate parent undertakings, and changes relating to market risk, counterparty credit risk, capital treatment of exposures to CCPs and large exposures.</p>
CRR quick fix	<p>The CRR “quick fix” package aims to provide additional temporary relief for banks in light of the COVID-19 pandemic on areas of the prudential framework that could not be addressed through supervisory announcements. The amendments include extending the transitional arrangements for expected credit loss (ECL) accounting under IFRS 9, the treatment of publicly guaranteed loans under the prudential backstop for non-performing loans (NPLs), offsetting the impact of excluding certain exposures from the calculation of the leverage ratio and deferring the application date for the leverage ratio buffer to 1 January 2023.</p>
*CRD6/CRR3/ Basel III	<p>The Commission intends to publish a legislative proposal to implement the final Basel III/Basel IV standards. In this review of the existing CRR/CRD framework the Commission aims apply the flexibility embedded in Basel III to ensure the appropriate prudential treatment of long-term SME equity investments by banks and avoid undue impact on banks’ and investment firms’ market-making activity. As a result of the COVID-19 pandemic, the Basel Committee delayed the international implementation timeline for the Basel III final/Basel IV reforms. Most requirements are due to be implemented by 1 January 2023, with the accompanying transitional arrangements for the output floor extending to 1 January 2028.</p>
IFD/IFR	<p>The Investment Firms Regulation and Directive (IFR and IFD) set out a new harmonised prudential regime that will apply to investment firms authorised in the EU from June 2021. Systemically important and larger investment firms will be treated as (or as if they were) credit institutions and will remain subject to the bank capital regime under CRD4/CRR. Other firms will be subject to the new prudential regime under the IFR and IFD, which includes new capital, consolidation, reporting, governance and remuneration requirements on other investment firms. In particular, larger and interconnected firms will be subject to a new “K-factor” approach to assessing capital requirements as well as new remuneration and other new requirements.</p>

PRUDENTIAL REGULATION, RECOVERY AND RESOLUTION (CONTINUED)

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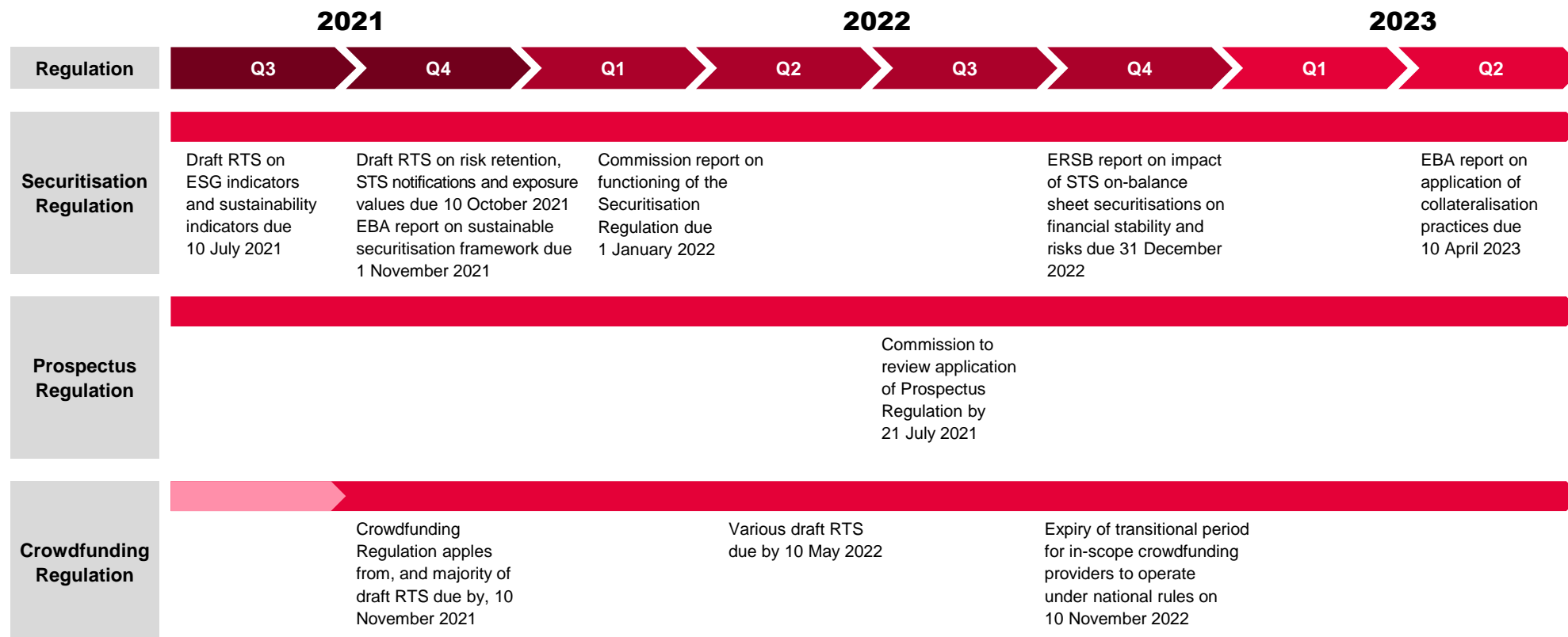


PRUDENTIAL REGULATION, RECOVERY AND RESOLUTION (CONTINUED)

<p>BRRD2/ SRMR2</p>	<p>The Bank Recovery and Resolution Directive (BRRD) creates a harmonised EU framework for the recovery and resolution of EU banks and investment firms. BRRD2 introduces EU-wide rules on contractual recognition of stays and amendments to the rules on minimum requirements for own funds and eligible liabilities (MREL) in BRRD to bring these in line with international total loss absorbing capacity (TLAC) standards.</p> <p>The SRM Regulation establishes a single resolution mechanism (SRM) for banks participating in the EU Single Supervisory Mechanism (SSM). The SRM Regulation grants the Single Resolution Board (SRB) similar powers to those available to national resolution authorities under BRRD. SRMR2 amends the SRM Regulation to reflect the BRRD2 amendments.</p>
<p>CCP Recovery and Resolution Regulation</p>	<p>In November 2016, the Commission published a proposal for a regulation for the recovery and resolution of CCPs operating in the EU. The proposal includes preparatory and preventative measures that aim to reduce the risk of a CCP failing and gives resolution authorities resolution powers, which aim to limit the impact of a CCP's failure on the financial system and public funds by ensuring the continuity of essential services and managing the CCP's failure in an orderly way. The majority of provisions apply from August 2022.</p>
<p>DGSD2</p>	<p>The recast Deposit Guarantee Schemes Directive (DGSD2) requires each EU Member State to ensure that at least one deposit guarantee scheme is established in its jurisdiction to protect depositors in case their bank is unable to repay deposits that are due and repayable. It also sets minimum requirements for deposit guarantee schemes and the protections available to depositors. The Commission was due to report on various aspects of DGSD2 by 3 July 2019. Whilst the Commission's report has been delayed the EBA published three opinions on DGSD2 during 2019 and 2020 which are expected to feed into the DGSD2 review. Following a review of the crisis management and deposit insurance framework, the Commission intends to publish a report and legislative proposals by Q4 2021.</p>
<p>*European Deposit Insurance Scheme (EDIS)</p>	<p>In November 2015 the Commission proposed to set up a European deposit insurance scheme (EDIS) for bank deposits in the euro area. EDIS is the third pillar of the banking union. The EDIS proposal builds on the system of national deposit guarantee schemes, protecting deposits up to €100,000. The purpose of the EDIS proposal is to provide a stronger and more uniform degree of insurance cover in the euro area, to reduce the vulnerability of national DGS to large local shocks, ensuring that the level of depositor confidence in a bank would not depend on the bank's location, weakening the link between banks and their national sovereigns. Following a review of the crisis management and deposit insurance framework, the Commission intends to publish a report and legislative proposals by Q4 2021. In the SRB's response to the review, it highlights the importance of EDIS to the Banking Union. This is also re-iterated in the SRB's blueprint for the crisis management and deposit insurance framework review.</p>

CAPITAL MARKETS UNION

Development of Level 1 text (from issue of Commission proposal until finalisation and publication in OJ)
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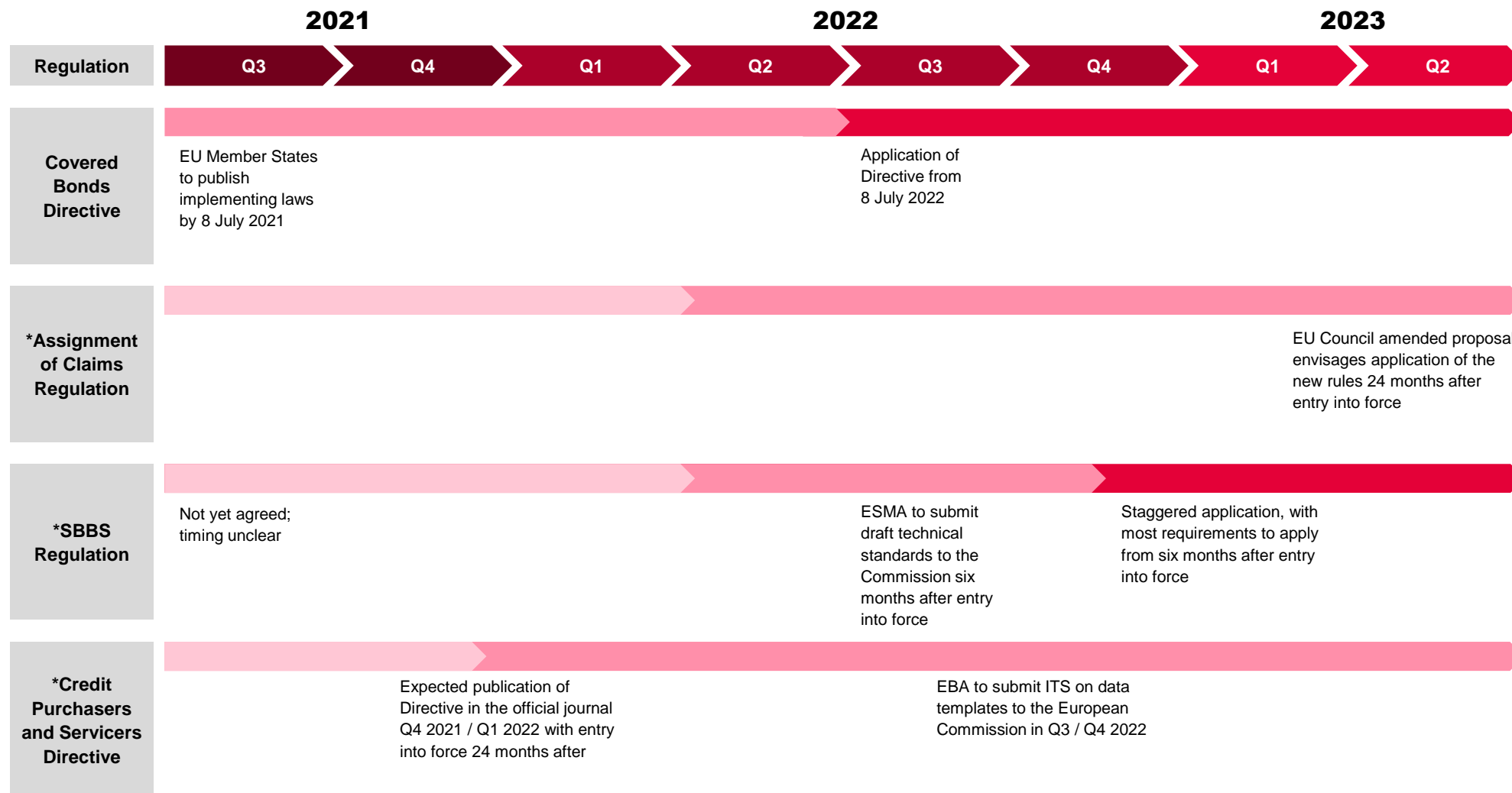
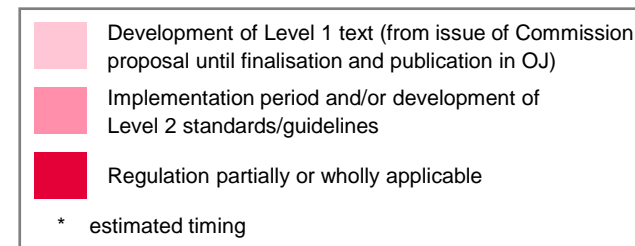


CAPITAL MARKETS UNION

(CONTINUED)

Securitisation Regulation	<p>The Securitisation Regulation introduced a uniform regulatory regime for securitisation. It imposes risk retention, disclosure and due diligence obligations on market participants and creates a framework for securitisation repositories to hold data on securitisation transactions. It also created a “simple, transparent and standardized” (STS) securitisation category which receives more favourable regulatory treatment than other securitisation transactions.</p>
Prospectus Regulation	<p>The Prospectus Regulation, which regulates the content and format of prospectuses as well as approval and publication processes across the EEA, took effect from 21 July 2019, repealing and replacing the previous Prospectus Directive regime in full. With the application of ESMA’s Guidelines on Risk Factors from 4 December 2019, most of the requisite underlying Delegated Regulations and Guidance are now also in place.</p>
Crowdfunding Regulation	<p>In March 2018, the Commission published a proposed regulation on crowdfunding, which will introduce an EU-wide authorisation and passporting regime for crowdfunding platforms. The proposal includes investor protection measures, including disclosure requirements. It covers both investment-based and lending-based crowdfunding platforms (but not reward- or donation-based services, as these do not entail a financial return for investors and so are not considered financial services). The Regulation will apply from 10 November 2022.</p>

CAPITAL MARKETS UNION (CONTINUED)






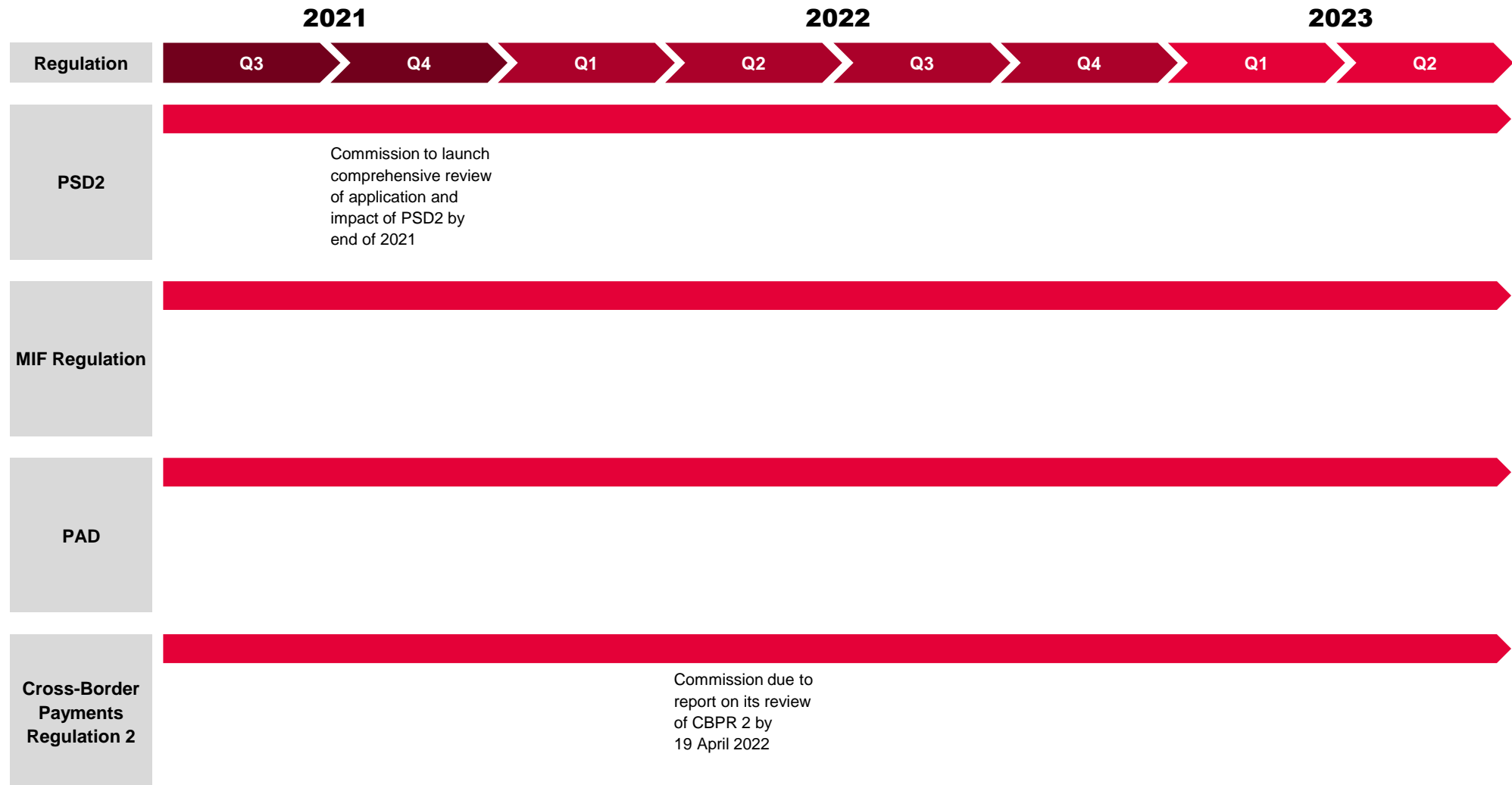
CAPITAL MARKETS UNION

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Covered Bonds Directive	<p>The Covered Bonds Directive sets out a common definition of covered bonds for prudential regulation purposes, defining the structural features of covered bonds, supervisory requirements for covered bonds and setting out rules for use of the “European Covered Bonds” label. Alongside this, is a regulation amending CRR setting out the conditions for granting preferential capital treatment for covered bonds.</p>
*Assignment of Claims Regulation	<p>In March 2018, the Commission published a proposal for a regulation on the law applicable to the third-party effects of assignments of claims. The proposal is based on a conflicts of law rule that looks to the law of the residence of the assignor, with limited exceptions for financial instruments and bank accounts (which look to the law of the underlying claim), and an option for securitisations to choose the law of the underlying claim as governing third-party effects of assignments. The European Parliament adopted its first reading position (with amendments) on 13 February 2019 and the European Council approved its general approach on the proposal (with amendments) on 7 June 2021.</p>
*SBBS Regulation	<p>The proposal for a regulation on sovereign bond-backed securities (SBBS) sets out an enabling framework for the development of a market for SBBS. SBBS are a new class of low-risk securities backed by a diversified pool of national government bonds. The proposed SBBS Regulation sets out common criteria that SBBS must meet in order to be labelled as SBBS. It also aims to remove regulatory impediments to the development of SBBS (such as in relation to capital requirements) and create a regulatory level playing field between SBBS and their underlying bonds. The SBBS Regulation was endorsed by the SBBS Regulation on 16 April 2019 and is under consideration by the European Council.</p>
*Credit Purchasers and Servicers Directive	<p>In March 2018, the Commission proposed a directive on credit servicers, credit purchasers and the recovery of collateral. The proposed Directive would introduce new requirements for the transfer of loans to credit purchasers, a new licensing regime for credit servicers and the introduction of a new extrajudicial enforcement mechanism. Following discussions in the European Parliament and Council, some or all of the provisions are likely to be limited to transfers or servicing of non-performing loans only. Proposals on the enforcement mechanism have been split from the other proposals and are proceeding through the EU legislative process separately.</p>

PAYMENTS

	Development of Level 1 text (from issue of Commission proposal until finalisation and publication in OJ)
	Implementation period and/or development of Level 2 standards/guidelines
	Regulation partially or wholly applicable
* estimated timing	

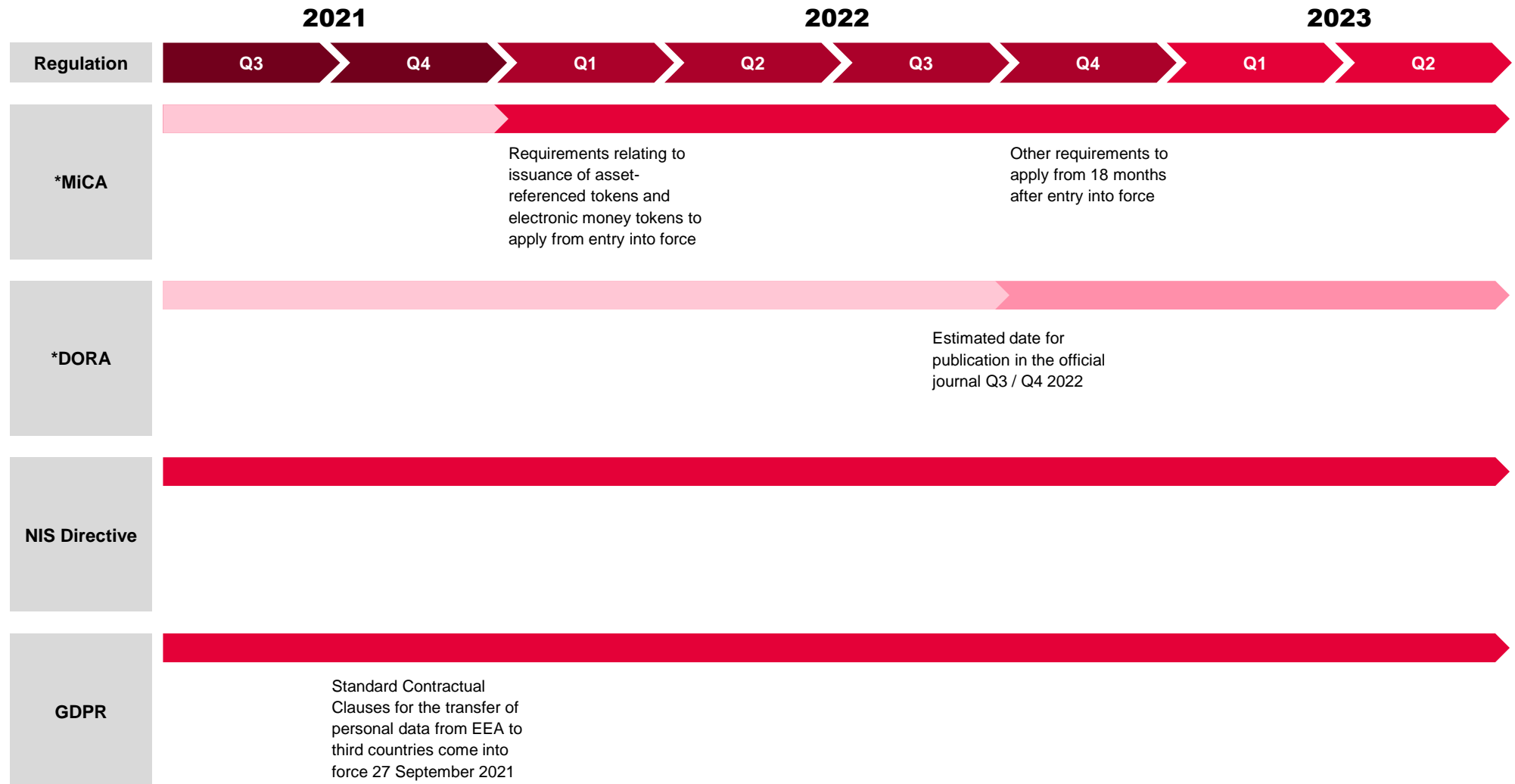


PAYMENTS (CONTINUED)

PSD2	<p>PSD2 amends and recasts the Payment Services Directive (PSD1). It updates PSD1 to reflect new market and technological developments and aims to boost transparency, innovation and security. PSD2 also broadens the geographical scope of PSD1, extends provisions on transparency and information requirements to all currencies (not just EU currencies), broadens the definition of payment services to include payment initiation services and account information services, introduces strong customer authentication (SCA) requirements and amends various exemptions and other conduct of business rules.</p>
MIF Regulation	<p>The Multilateral Interchange Fees Regulation (MIF Regulation) caps multilateral interchange fees (MIFs) in card-based payments at 0.3% of transaction value for credit cards and 0.2% of the transaction value for cross-border debit cards; for domestic debit cards Member States may apply the 0.2% cap to the annual weighted average transaction value of all domestic transactions within a card scheme. The MIF Regulation also includes rules on licensing, provision of information to the payee and conduct of business requirements, such as co-badging, unblending and an “Honour All Cards” rule. In June 2020, the Commission published a report on its review of the MIF Regulation. The report concludes that the main objectives of the Regulation have been achieved but that further monitoring and data gathering are needed in some areas. The Commission has not proposed amending the MIF Regulation at this stage.</p>
PAD	<p>The Payment Accounts Directive (PAD) imposes requirements on payment service providers that provide payment accounts to consumers to ensure the comparability and transparency of fees related to payment accounts and the provision of standardised account information to consumers. It also seeks to ensure consumers can switch payment accounts and that all EU consumers have access to payment accounts.</p>
Cross-Border Payments Regulation 2	<p>The Cross-Border Payments Regulation (CBPR) introduced a “price equality rule” which provided that fees and charges for cross-border payments denominated in euro should be no more than the corresponding national euro payments of the same amount. The revised CBPR2 enhanced this rule by extending it to non-euro area Member States. It also introduces new transparency requirements for currency conversion services. These transparency rules include disclosure requirements prior to the initiation of the payment transaction and requirements to send to the payer an electronic message setting out this information without undue delay after receiving a payment order and on a monthly basis.</p>

FINTECH, OPERATIONAL RESILIENCE, CYBER AND DATA

Development of Level 1 text (from issue of Commission proposal until finalisation and publication in OJ)
 Implementation period and/or development of Level 2 standards/guidelines
 Regulation partially or wholly applicable
 * estimated timing



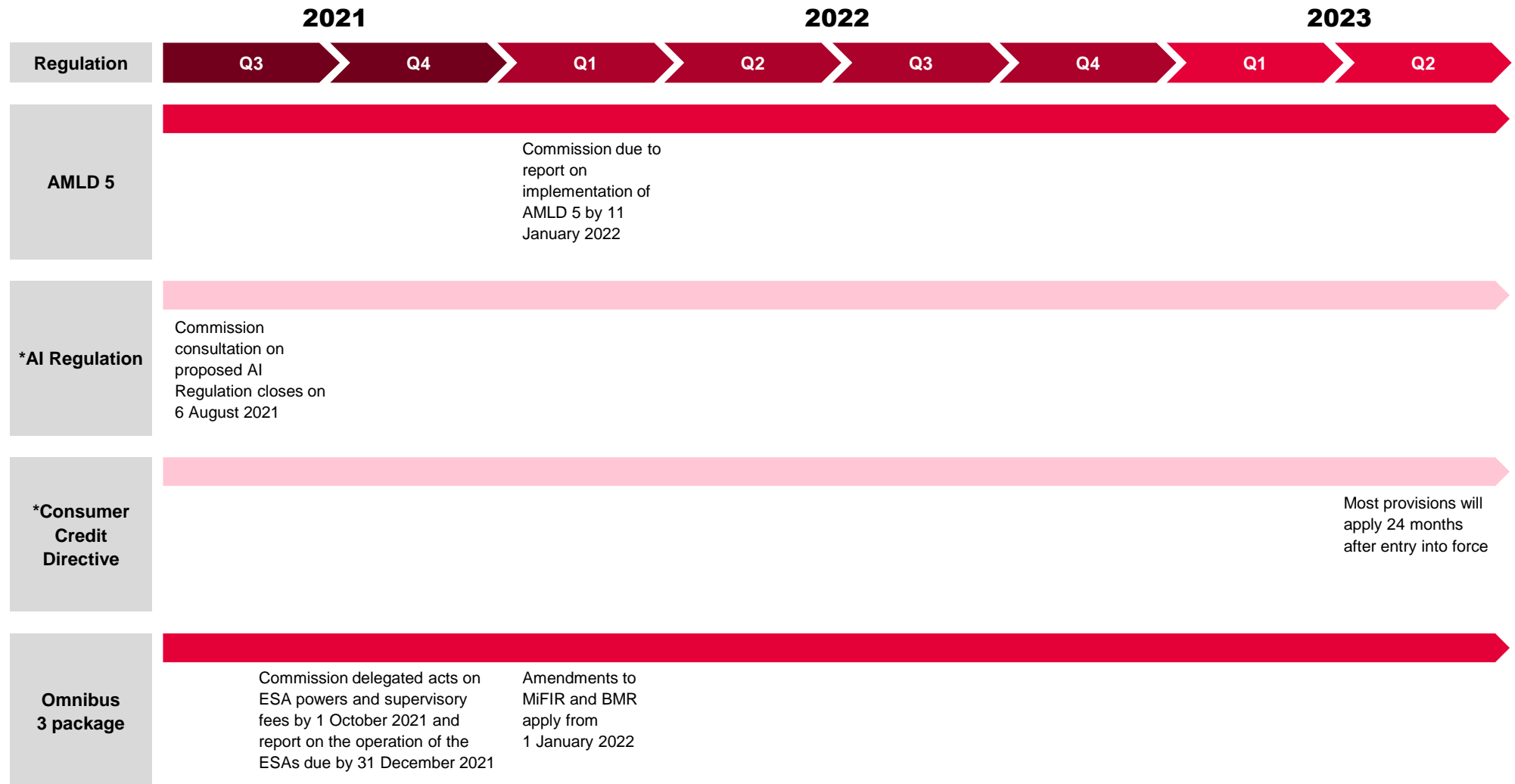
FINTECH, OPERATIONAL RESILIENCE, CYBER AND DATA

(CONTINUED)

*MiCA	<p>On 24 September 2020, the European Commission published a proposal for the Markets in Crypto-Assets Regulation (MiCA) which aims to establish a harmonised regulatory framework for the administration, offering and trading of cryptoassets. MiCA is expected to create an EU regulatory framework for cryptoassets covering issuance and admission to trading of cryptoassets, including disclosure and transparency requirements, licensing and associated conduct of business requirements for cryptoasset service providers and a market abuse regime prohibiting market manipulation and insider dealing with respect to cryptoassets. However, cryptoassets that are MiFID financial instruments or securitisations would not fall within scope of MiCA. The ECB published its opinion on MiCA and the European Parliament produced its draft report on MiCA in February 2021.</p>
*DORA	<p>On 24 September 2020, the European Commission published proposals on digital operational resilience, comprising a draft regulation (DORA) alongside a proposed directive. DORA aims to put in place a detailed and comprehensive framework on digital operational resilience for EU financial entities. In this context, digital operational resilience is the capacity of firms 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). In addition, DORA will for the first time create an EU-level oversight framework to identify and oversee ICT third party service providers deemed “critical” for financial entities. ESAs provided joint response on the DORA proposal in February 2021.</p>
NIS Directive	<p>The Network and Information Security (NIS) Directive sets out measures for a common level of security of network and information systems across the EU. Amongst other things, it introduces security and notification requirements for “operators of essential services”. The NIS Directive specifically refers to credit institutions, operators of trading venues and central counterparties but Member States have discretion to determine which types of financial institutions are in scope of these requirements, according to the general criteria set out in the Directive. Following the Commission’s review of the NIS Directive, it published a proposed a revised NIS Directive 2 in December 2020 which is subject to negotiations between the EU co-legislators.</p>
GDPR	<p>The General Data Protection Regulation (GDPR) introduces significant changes to the current EU data protection regime. It places protection of the privacy rights of the individual at its centre and whilst it builds on principles of the current regime, it introduces many new or enhanced rules, including very serious sanctions for breach of its requirements.</p>

OTHER

Development of Level 1 text (from issue of Commission proposal until finalisation and publication in OJ)
 Implementation period and/or development of Level 2 standards/guidelines
 Regulation partially or wholly applicable
 * estimated timing



OTHER (CONTINUED)

AML5	<p>The fifth Anti-Money Laundering Directive (AML5) was published in the Official Journal in June 2018. It includes targeted amendments 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. Member States were required to transpose and apply the requirements of AML5 by 10 January 2020.</p>
*Artificial Intelligence Regulation	<p>The Commission published its proposal for a AI Regulation on 21 April 2021. The AI Regulation sets out harmonised rules for AI systems in the EU with a risk-based approach structured around four categories of AI systems – three of which would be subject to obligations under the AI Regulation. There are prohibited practices in relation to AI systems generally, specific user, provider, distributor and manufacturer obligations in relation to “high risk” AI systems and also transparency requirements for limited risk AI systems. For AI systems that are minimal risk, there are no obligations. The Commission’s public consultation on the proposal closes on 6 August 2021 – feedback received will be shared with the European Parliament and Council so it can be taken into account in the legislative process.</p>
*Consumer Credit Directive	<p>The Commission published a public consultation in January 2019 as part of its evaluation of the effectiveness, efficiency, coherence, relevance and EU added value of the Consumer Credit Directive (CCD). The Commission published its final report on the possible impacts of a revision of the CCD in May 2021 and also published a draft directive in June 2021.</p>
Omnibus 3 package	<p>The Omnibus 3 package makes changes to the European Supervisory Authorities' (ESAs) governance and funding structures. The changes will give the ESAs ongoing monitoring powers to assess whether equivalence decisions for third countries continue to be justified and grant ESMA centralised supervisory powers including for data reporting service providers under MiFIR and administrators of third country benchmarks. The amendments will also introduce powers for ESAs to issue no-action opinions.</p>

NOTES

NOTES

SECTION

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HIGH LEVEL
INITIATIVES

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HORIZON SCANNER
TIMELINES

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CONTACTS

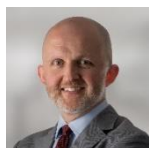
CONTACTS



KIKUN ALO
SENIOR ASSOCIATE,
LONDON
T +44 20 7006 4067
E kikun.alo
@cliffordchance.com



CHRISTOPHER BATES
SPECIAL COUNSEL,
LONDON
T +44 20 7006 1041
E chris.bates
@cliffordchance.com



SIMON CROWN
PARTNER, LONDON
T +44 20 7006 2944
E simon.crown
@cliffordchance.com



MILOŠ FELGR
PARTNER, PRAGUE
T +420 222 55 5209
E milos.felgr
@cliffordchance.com



CAROLINE MEINERTZ
PARTNER, LONDON
T +44 20 7006 4253
E caroline.meinertz
@cliffordchance.com



JURGEN VAN DER MEER
PARTNER, AMSTERDAM
T +31 20 711 9340
E jurgen.vandermeer
@cliffordchance.com



MARÍA LUISA ALONSO
COUNSEL, MADRID
T +34 91590 7541
E marialuisa.alonso
@cliffordchance.com



MARC BENZLER
PARTNER, FRANKFURT
T +49 697199 3304
E marc.benzler
@cliffordchance.com



LOUNIA CZUPPER
PARTNER, BRUSSELS
T +32 2 533 5987
E lounia.czupper
@cliffordchance.com



SIMON GLEESON
PARTNER, LONDON
T +44 20 7006 4979
E simon.gleeson
@cliffordchance.com



STEPHANIE PEACOCK
SENIOR ASSOCIATE,
LONDON
T +44 20 7006 4387
E stephanie.peacock
@cliffordchance.com



DANIEL BADEA
MANAGING PARTNER,
BUCHAREST
T +40 216666 101
E daniel.badea
@cliffordchance.com



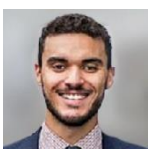
ANNA BIAŁA
ADVOCATE, WARSAW
T +48 22429 9692
E anna.biala
@cliffordchance.com



CAROLINE DAWSON
PARTNER, LONDON
T +44 20 7006 4355
E caroline.dawson
@cliffordchance.com



STEVE JACOBY
MANAGING PARTNER,
LUXEMBOURG
T +352 48 50 50 219
E steve.jacoby
@cliffordchance.com



JOSHUA PRICE
SENIOR ASSOCIATE,
LONDON
T +44 20 7006 3267
E joshua.price
@cliffordchance.com



DIEGO BALLON OSSIO
SENIOR ASSOCIATE,
LONDON
T +44 20 7006 3425
E diego.ballonossio
@cliffordchance.com



LUCIO BONAVITACOLA
PARTNER, MILAN
T +39 028063 4238
E lucio.bonavitacola
@cliffordchance.com



LAURA DOUGLAS
SENIOR ASSOCIATE,
LONDON
T +44 207006 1113
E laura.douglas
@cliffordchance.com



FRÉDÉRIK LACROIX
PARTNER, PARIS
T +33 14405 5241
E frederick.lacroix
@cliffordchance.com



MONICA SAH
PARTNER, LONDON
T +44 20 7006 1103
E monica.sah
@cliffordchance.com

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