

INTERNATIONAL REGULATORY UPDATE 01 – 05 JULY 2024

- **Corporate Sustainability Due Diligence Directive published in Official Journal**
- **CRR: ITS on mapping of ECAIs' credit assessments published in Official Journal**
- **CRR: EBA publishes final draft RTS on extraordinary circumstances for continuing use of internal models**
- **EBA issues travel rule guidelines for transfer of funds and cryptoassets**
- **Mortgage Credit Directive: EBA publishes amended guidelines on arrears and foreclosure**
- **MiCA: ESMA publishes second package of final draft technical standards**
- **CCPRRR: ESMA publishes final guidelines on written arrangements and procedures for functioning of resolution colleges**
- **Basel Committee publishes outcomes of meeting on cryptoasset exposures, interest rate risk in banking book standard, and third-party risk principles**
- **Securitisation: FSB consults on interim report on effects of G20 financial regulatory reforms**
- **FCA sets out regulated fees and levies for 2024/25**
- **Ordinance on modernisation of alternative investment funds regime published**
- **ACPR publishes three instructions and updated application forms**
- **Luxembourg law implementing DORA published**
- **CSSF issues regulation setting countercyclical buffer rate for third quarter of 2024**
- **CSSF publishes circular on application of EBA guidelines on benchmarking of diversity practices, including diversity policies and gender pay gap**
- **CSSF publishes circular on survey of amount of covered deposit held on 30 June 2024**
- **FSDC publishes report on embracing digital ID**
- **HKEX consults on proposed reduction of minimum spreads in Hong Kong securities market**

Clifford Chance's International Regulatory Update is a weekly digest of significant regulatory developments, drawing on our daily content from our Alerter: Finance Industry service.

To request a subscription to our Alerter: Finance Industry service, please [subscribe to our Client Portal](#), where you can also request access to the Financial Markets Toolkit and subscribe to publications, insights and events.

If you would like to know more about the subjects covered in this publication or our services, please contact:

International Regulatory Group Contacts

[Marc Benzler](#) +49 69 7199 3304
[Caroline Dawson](#) +44 207006 4355
[Steven Gatti](#) +1 202 912 5095
[Rocky Mui](#) +852 2826 3481
[Lena Ng](#) +65 6410 2215
[Gareth Old](#) +1 212 878 8539
[Donna Wacker](#) +852 2826 3478
International Regulatory Update
Editor
[Joachim Richter](#) +44 (0)20 7006 2503

To email one of the above, please use `firstname.lastname@cliffordchance.com`

Clifford Chance LLP,
10 Upper Bank Street,
London, E14 5JJ, UK
www.cliffordchance.com

- **HKMA and IA publish findings from joint inspection exercise on premium financing**
- **FSTB publishes consultation conclusion and latest legislative proposals for company re-domiciliation regime in Hong Kong**
- **SFC enhances streamlined approach for vetting and approving revised marketing materials of ILAS**
- **SFC issues circular on financial resources management and compliance with Securities and Futures (Financial Resources) Rules**
- **MAS expands industry collaboration to scale asset tokenisation for financial services**
- **Recent Clifford Chance briefings: Hague Convention, EU financial services legislative pipeline, and more. Follow this link to the briefings section.**

Corporate Sustainability Due Diligence Directive published in Official Journal

[Directive \(EU\) 2024/1760](#) on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (CSDDD) has been published in the Official Journal.

CSDDD mandates firms and their partners in supply, production, and distribution to prevent, mitigate, or end their adverse impact on human rights and the environment. Such impact could include slavery, child labour, labour exploitation, biodiversity loss, pollution, or destruction of natural heritage.

CSDDD will enter into force on 25 July 2024, after which Member States will have until 26 July 2026 to transpose it into national law. Application will then be on a staggered basis, starting from 26 July 2027 for the largest companies.

CRR: ITS on mapping of ECAIs' credit assessments published in Official Journal

[Commission Implementing Regulation \(EU\) 2024/1872](#) amending the implementing technical standards (ITS) on the mapping of external credit assessment institutions (ECAIs)' credit assessments has been published in the Official Journal.

The updates to the mapping reflect the additional quantitative information collected and the qualitative developments registered by some ECAIs, as well as the extension of some ECAIs' credit assessments to new market segments resulting in new rating scales and new credit rating types.

The Implementing Regulation will enter into force on 25 July 2024.

CRR: EBA publishes final draft RTS on extraordinary circumstances for continuing use of internal models

The European Banking Authority (EBA) has published its [final draft regulatory technical standards](#) (RTS) on the conditions and indicators for determining whether extraordinary circumstances have occurred under Articles 325az(5) and 325bf(6) of the Capital Requirements Regulation (CRR).

Under the CRR, competent authorities may permit institutions to derogate from certain requirements for the use of internal models in accordance with the Fundamental Review of the Trading Book (FRTB), or apply a softer version of those requirements, under extraordinary circumstances. The EBA is required to publish an opinion which determines the occurrence of these extraordinary circumstances. The RTS specify the conditions and indicators that it shall use to determine whether extraordinary circumstances have occurred.

The draft RTS will be submitted to the EU Commission for endorsement.

EBA issues travel rule guidelines for transfer of funds and cryptoassets

The EBA has published its [final guidelines](#) on the so-called ‘travel rule’ under Regulation (EU) 2023/1113, which sets out the information that must accompany transfers of funds and certain cryptoassets for anti-money laundering and counter terrorist financing (AML/CTF) purposes.

The guidelines specify:

- the information that should accompany any transfer of funds or cryptoassets;
- the steps that payment service providers (PSPs), intermediary PSPs (IPSPs), CASPs and intermediary CASPs (ICASPs) should take to detect missing or incomplete information accompanying a transfer; and
- the procedures these providers should put in place to manage a transfer that lacks the required information.

The guidelines are intended to create a common understanding to ensure the consistent application of the travel rule and to strengthen the EU AML/CFT regime.

Mortgage Credit Directive: EBA publishes amended guidelines on arrears and foreclosure

The EBA has published [amended guidelines](#) on arrears and foreclosures following changes to the Mortgage Credit Directive (MCD) introduced by Directive (EU) 2021/2167 on credit servicers and credit purchasers.

The content of Guideline 4 on the resolution process is now embedded in Article 28(1) of the MCD and has therefore been removed from the EBA guidelines on arrears and foreclosure in order to adhere to the principle that EBA guidelines must not repeat, amend or contradict requirements set out in Level 1 legislation.

The amended guidelines will apply within two months of the publication of the translated versions.

MiCA: ESMA publishes second package of final draft technical standards

The European Securities and Markets Authority (ESMA) has published a [final report](#) setting out its second package of draft technical standards under the Markets in Cryptoassets Regulation (MiCA). The package comprises six draft RTS and two draft ITS, which cover:

- sustainability indicators in relation to climate and other environment-related adverse impacts;
- measures to ensure continuity and regularity in the performance of cryptoasset service providers (CASPs);
- trade transparency;
- record-keeping obligations for CASPs;
- machine readability of white papers and the register of white papers; and
- the public disclosure of inside information.

The draft technical standards will now be submitted to the EU Commission for adoption.

CCPRRR: ESMA publishes final guidelines on written arrangements and procedures for functioning of resolution colleges

The ESMA has published a [final report](#) containing guidelines on written arrangements and procedures for the functioning of resolution colleges under the Central Counterparties Recovery and Resolution Regulation (CCPRRR).

The guidelines on written arrangements and procedures for the functioning of resolution colleges aim to ensure the common, uniform and consistent application of Article 4 of CCPRRR and of the Resolution College Delegated Regulation. In particular, they aim to clarify the key elements referred to in Article 4 of CCPRRR and of the Resolution College Delegated Regulation.

The guidelines on the types and content of the provisions of cooperation arrangements aim to ensure the common, uniform and consistent application of Article 79(3) and (4) of CCPRRR.

The final report also sets out a revised template for the standard written arrangement referred to in the Resolution College Delegated Regulation. It covers the rationale behind the revision of guidelines including a template for a standard written arrangement and provides more information on the main changes.

The guidelines will be translated and published on ESMA's website in all official EU languages and will start applying two months after that publication.

Basel Committee publishes outcomes of meeting on cryptoasset exposures, interest rate risk in banking book standard, and third-party risk principles

The Basel Committee on Banking Supervision (BCBS) has [published](#) the outcomes of its virtual meeting held on 2-3 July 2024, at which it discussed a range of policy and supervisory initiatives.

At the meeting, the BCBS:

- discussed the feedback received to its December 2022 consultation on a proposed disclosure framework for banks' cryptoasset exposures and a set of targeted amendments to its cryptoasset prudential standard. The BCBS confirmed that it will go ahead with these two proposals and will publish final versions later in July 2024 with an implementation date of 1 January 2026;

- committed to continue monitoring the prudential implications of banks issuing tokenised deposits and stablecoins, and the effectiveness of the Basel Framework in addressing them;
- reviewed the feedback received to its December 2023 consultation on a proposed set of targeted adjustments to its standard on interest rate risk in the banking book and agreed to publish an updated standard later in July 2024 with an implementation date of 1 January 2026;
- announced its intention to consult on principles for the sound management of third-party risk. The principles would replace the current guidance on outsourcing in financial services with respect to the banking system; and
- reviewed the feedback received to its November 2023 consultation on developing a Pillar 3 disclosure framework for climate-related financial risks, and agreed to continue work on finalising such a framework.

Securitisation: FSB consults on interim report on effects of G20 financial regulatory reforms

The Financial Stability Board (FSB) has published a [consultation report](#) with the interim findings of its evaluation of the effects of the G20 financial regulatory reforms on securitisation.

The evaluation focuses on the International Organization of Securities Commissions (IOSCO) minimum retention recommendations and the BCBS revisions to prudential requirements for banks' securitisation-related exposures. The reforms were intended to address vulnerabilities in the securitisation market following the 2008 global financial crisis.

The interim findings of the FSB suggest that:

- risk retention and higher prudential requirements have enhanced the resilience of securitisation markets;
- securitisation volumes containing complex structures have declined significantly;
- the quality of collateral in securitisations has improved in some asset classes, especially residential mortgage-backed securities (RMBS), though not in others such as collateralised loan obligations (CLOs); and
- some analysis suggests increased resilience of the senior CLO tranches despite a deterioration in lending standards and no obvious misalignment of incentives between RMBS issuers and investors in recent years, although the FSB acknowledges that it is difficult to attribute these outcomes directly to the reforms.

Comments on the consultation report are due by 2 September 2024. The FSB expects to publish its final report at the end of 2024.

FCA sets out regulated fees and levies for 2024/25

The Financial Conduct Authority (FCA) has published a [policy statement](#) (PS24/5) setting out the 2024/25 periodic regulatory fees and levies for the:

- FCA;
- Financial Ombudsman Service; and
- levies collected on behalf of government departments.

The FCA has also published its feedback to the responses to its consultation paper on draft fees and levies rules (CP24/6).

Ordinance on modernisation of alternative investment funds regime published

An [ordinance](#) on the modernisation of the French alternative investment funds (AIFs) regime has been published. The ordinance was issued based on Article 40 of Law 2023-973 of 23 October 2023 on the green industry.

It introduces a number of measures intended to modernise and simplify the regime for certain AIFs in order to make the French asset management regulatory regime more attractive and competitive, especially as regards the European Long-Term Investment Fund (ELTIF) Regulation as modified by Regulation (EU) 2023/606 (ELTIF 2.0), and thus to increase the long-term financing of the EU economy, in particular the financing of the transition to carbon neutrality.

The ordinance amends several provisions of the Monetary and Financial Code. Specifically, it:

- modernises the rules governing so-called ‘professional’ AIFs, in particular by simplifying the rules governing them and creating a new unincorporated form for French limited partnerships (*société de libre partenariat spéciale*);
- adapts the rules applicable to so-called ‘non-professional’ AIFs to ensure they complement ELTIF 2.0 funds; and
- allows employee investment undertakings (FCPE) to invest in ELTIF 2.0 funds.

The ordinance entered into force on 5 July 2024.

ACPR publishes three instructions and updated application forms

The Autorité de Contrôle Prudentiel et de Résolution (ACPR) has published three instructions and new or updated application forms on the:

- [appointment and renewal of an effective director and member of a supervisory body](#) (updated);
- [withdrawal of approval/authorisation/registration of credit institutions, financing companies, etc.](#) (updated); and
- [acquisition or extension of a shareholding in an issuer of stablecoins](#) (new).

These instructions entered into force on 26 June 2024.

Luxembourg law implementing DORA published

[The law of 1 July 2024](#) amending certain financial sector laws with a view to implementing the Digital Operational Resilience Act (DORA) and the DORA Amending Directive has been published in the Luxembourg official journal (*Mémorial A*).

The Law is intended to:

- implement Regulation (EU) 2022/2554 of 14 December 2022 on digital operational resilience for the financial sector (DORA); and

- transpose into Luxembourg law Directive (EU) 2022/2556 of 14 December 2022 amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341 as regards digital operational resilience for the financial sector (the DORA Amending Directive).

The objective of DORA and the DORA Amending Directive is to harmonise and strengthen information and communication technology (ICT) security requirements in order to achieve a high level of digital operational resilience for the entire financial sector. DORA consolidates the different rules dealing with ICT risk in the financial sector and brings them together in a single legislative act to fill gaps and inconsistencies. The consolidation and further harmonisation of key digital operational resilience requirements are part of the objective of fostering innovation and the adoption of new technologies in the financial sector, while ensuring financial stability and the protection of investors and consumers.

As the provisions of DORA are directly applicable in the EU, the main purpose of the new Luxembourg law is to provide the national competent authorities for the financial sectors, i.e. the Commission de Surveillance du Secteur Financier (CSSF) and the Commissariat aux Assurances (CAA), with the supervisory and investigative powers necessary for the performance of their duties, within the limits defined by DORA, and to lay down a system of penalties.

The DORA Amending Directive complements DORA by providing for a series of targeted amendments to existing EU directives in the financial sector. These amendments are necessary to ensure sectoral consistency with DORA as regards the application of digital operational resilience requirements that are currently spread across the various existing sectoral laws.

Targeted amendments are therefore made to a series of Luxembourg laws relating to the financial sector, such as the law of 5 April 1993 on the financial sector (as amended), the law of 10 November 2009 on payment services (as amended), the law of 17 December 2010 on undertakings for collective investment (as amended), the law of 12 July 2013 on alternative investment fund managers (as amended) and the law of 7 December 2015 on the insurance sector (as amended).

The law will enter into force on 17 January 2025.

CSSF issues regulation setting countercyclical buffer rate for third quarter of 2024

The CSSF has issued a [regulation](#) (No. 24-05) on the setting of the countercyclical buffer rate for the third quarter of 2024.

The regulation provides that the countercyclical buffer rate applicable to the relevant exposures located in Luxembourg remains set at 0.50% for the third quarter of 2024.

The regulation entered into force on 28 June 2024.

CSSF publishes circular on application of EBA guidelines on benchmarking of diversity practices, including diversity policies and gender pay gap

The CSSF has published [Circular CSSF 24/858](#) on the application of the EBA guidelines (EBA/GL/2023/08) on benchmarking of diversity practices, including diversity policies and gender pay gap, under the Capital Requirements Directive 2013/36/EU (CRD4) and the Investment Firms Directive (EU) 2019/2034 (IFD).

The purpose of the circular is to inform all credit institutions, CRR investment firms and non-SNI IFR investment firms that the CSSF, in its capacity as competent authority, applies the guidelines published on 18 December 2023. Consequently, the CSSF has integrated the guidelines into its administrative practice and regulatory approach with a view to promoting supervisory convergence in this field at EU level. All entities described in the scope of application section of the circular shall duly comply with the guidelines.

The guidelines specify the information to be provided every three years by a representative sample of relevant institutions on diversity practices, including on diversity policies and gender pay gap at the level of the management body (diversity benchmarking). They also specify how the CSSF will collect the diversity benchmarking data from relevant institutions, and how the CSSF will submit the data to the EBA.

The circular applies with immediate effect.

CSSF publishes circular on survey of amount of covered deposit held on 30 June 2024

The CSSF acting in its function as Depositor and Investor Protection Council (Conseil de Protection des Déposants et des Investisseurs or CDPI), has published [CSSF-CPDI Circular 24/41](#) regarding the survey of the amount of covered deposits held as of 30 June 2024.

The circular is addressed to all members of the Luxembourg deposit protection scheme, the Fonds de garantie des dépôts Luxembourg (FGDL), in particular to all credit institutions incorporated under Luxembourg law, the POST Luxembourg, and to Luxembourg branches of non-EU/EEA credit institutions, and reminds them that the CPI collects the amount of covered deposits on a quarterly basis in order to identify the trends and changes in the relevant indicators on deposit guarantee throughout the year.

The circular draws members' attention to the fact that the circular has not undergone any changes regarding the content and terms and conditions of the survey process. In comparison with the previous circular regarding the quarterly survey of the amount of covered deposits, changes are limited to the date of reference and deadline.

The circular further draws members' attention to the provisions of the CSSF-CPDI circular 16/02 (as amended by Circular CSSF-CPDI 23/35), notably as regards the exclusion of structures assimilated to financial institutions and the treatment of accounts whose holder is not absolutely entitled to the sums in the account, including in particular omnibus accounts. The volume of eligible and covered deposits in such accounts and the number of beneficiaries (ayants droit) are to be reported where FGDL members wish to ensure deposit

protection for relevant beneficiaries and to allow the CPDI to prepare the FGDL for the reimbursements of such deposits.

In addition, FGDL members are requested to provide the data at the level of their legal entity, including branches located within other Member States, by 23 August 2024 the latest.

In order to transmit these data, institutions are required to submit to the reporting through one of the following means of communication:

- via the CSSF eDesk platform which is also accessible through the CSSF website; or
- via the submission of a structured file through S3 (simple storage service) protocol.

A member of the authorised management, i.e. the member in charge of the FGDL membership in accordance with CSSF Circular 13/555, must review and approve the file prior to its transmission to the CSSF.

FSDC publishes report on embracing digital ID

The Financial Services Development Council (FSDC) has published a [research report](#) entitled ‘Embracing Digital ID: Accelerating Digital Transformation in Hong Kong’s Financial Services Industry’.

The report sets out recommendations to foster an ecosystem conducive to the development and adoption of digital ID systems, with a focus on driving innovation and collaboration within the financial services industry. The policy recommendations include the following:

- exploring fully-fledged implementation of the iAM Smart initiative and supporting the development of private digital ID wallets;
- establishing a trust framework for the digital ID ecosystem;
- enabling interoperability through enhanced infrastructure and legal frameworks;
- harmonising digital ID standards for seamless cross-boundary interactions; and
- promoting trusted digital ID adoption and enhanced educational engagement.

HKEX consults on proposed reduction of minimum spreads in Hong Kong securities market

The Hong Kong Exchanges and Clearing Limited (HKEX) has published a [consultation paper](#) on a proposed reduction of minimum spreads in the Hong Kong securities market as recommended by the Task Force on Enhancing Stock Market Liquidity set up by the Hong Kong Government in August 2023.

The proposed reduction of minimum spreads will cover equities, real estate investment trusts, and equity warrants, and exclude exchange traded products, structured products, exchange traded options, and debt securities. The proposal adopts a gradual, two-phase approach to reducing the minimum spreads of selected price bands, following a holistic review of the liquidity profile of the applicable securities.

In Phase 1, the proposal recommends a 50 to 60% reduction in the minimum spreads of price bands between HKD 10 and HKD 50. Subject to the

implementation of the proposed changes in Phase 1 and a review of its impact, the HKEX may consider proceeding with the implementation of Phase 2 to reduce the minimum spread for price bands between HKD 0.5 and HKD 10 by 50%. It is expected that around 300 and 1,300 applicable securities, accounting for nearly 30% and 25% of the average daily turnover of equities, will be included in Phase 1 and 2 respectively.

Comments on the consultation are due by 20 September 2024.

HKMA and IA publish findings from joint inspection exercise on premium financing

The Hong Kong Monetary Authority and Insurance Authority have published their [findings](#) from a joint inspection exercise on premium financing (PF). Following the commencement of the supervisory standards and requirements on PF on 1 January 2023, the regulators carried out a new round of joint inspection exercise on PF activities in late 2023.

According to the regulators, authorised insurers and licensed insurance intermediaries were generally able to comply with the standards and to make due efforts to ascertain and assess the customers' circumstances with respect to their use of PF. In addition, the newly introduced disclosure requirement 'Important Facts Statement – Premium Financing' (IFS-PF) was widely adopted across all intermediaries' channels. However, the regulators have highlighted some example issues which fell short of their expectations, where:

- insurers and intermediaries were unaware that recommendations/solicitations involving the use of PF without first ascertaining the loan details are not permitted under the standards;
- customers with a potential affordability mismatch were asked to 'reconfirm' their financial circumstances, by revising the financial needs analysis (FNA) form multiple times to increase the available financial resources or premium paying appetite;
- reference letters issued by banks, and used by insurers as asset proof or for know-your-customer purposes, were found to contain incorrect and ambiguous information about the customer which was not duly verified;
- IFS-PF were not duly completed prior to policy issuance due to operational oversights;
- product recommendations were made before the completion of the FNA; and
- lending banks conducted credit assessments only based on customers' ability to repay monthly interest without ascertaining whether a risk of over-leveraging existed.

The regulators have reminded authorised insurers and licensed insurance intermediaries to continuously observe the standards and all relevant regulatory requirements, and benchmark good practices where appropriate. They are also reminded to exercise due care to customers in particular regarding the increased risks with the use of PF.

FSTB publishes consultation conclusion and latest legislative proposals for company re-domiciliation regime in Hong Kong

The Financial Services and the Treasury Bureau (FSTB) has published its [consultation conclusion](#) and latest legislative proposals of the company re-domiciliation regime. The FSTB's latest legislative proposals cover four types of companies that can be formed under the Companies Ordinance (CO), namely private companies limited by shares; public companies limited by shares; private unlimited companies with a share capital; and public unlimited companies with a share capital.

Amongst others, the FSTB has incorporated the views received to enhance the following re-domiciliation eligibility criteria and procedures:

- relaxing the requirement on financial statements – the original requirement for submission of the latest audited financial statements as at a date no more than three months prior to the application date will be relaxed to submission of financial statements as at a date no more than twelve months prior to the application date;
- extending the deregistration period – for the original requirement that a re-domiciled company should deregister from its original domicile within 60 days upon the issue of the certificate of re-domiciliation, the deregistration period will be extended to 120 days, and companies will be allowed to apply for a further extension of the period where necessary;
- retaining a company name and business registration number (BRO) – if a re-domiciled company is a non-Hong Kong company with a place of business in Hong Kong and registered under the CO prior to its re-domiciliation, it may retain its company name and BRO after re-domiciliation to enable continued operation of business;
- simplifying the requirement on company members' consent – for the protection of company members, consent from members should be obtained for re-domiciliation. The FSTB will simplify the relevant criteria to the effect that a company should comply with the requirements of the law of its original domicile or its constitutional documents; and
- ensuring proper regulation of financial institutions – the FSTB will put in place mechanisms to require relevant insurance and banking institutions to approach their respective financial regulators in Hong Kong and be subject to the necessary assessments prior to making the re-domiciliation application so as to ensure a proper transition.

On the basis of its latest legislative proposals, the FSTB has proceeded to prepare the amendment bill to be introduced to the Legislative Council.

SFC enhances streamlined approach for vetting and approving revised marketing materials of ILAS

The Securities and Futures Commission (SFC) has issued a [circular](#) to inform issuers of SFC-authorized investment-linked assurance schemes (ILAS) of enhancements to its streamlined approach for vetting and approving revised marketing materials of SFC-authorized ILAS.

To promote efficiency and adopt a more risk-based approach, the SFC has enhanced its existing streamlined measures to cover all immaterial changes to

those ILAS marketing materials already authorised by the SFC. With immediate effect, further authorisation from the SFC is no longer required for immaterial changes to such authorised marketing materials, **provided that all** of the following overriding principles and requirements are satisfied:

- the changes do not amount to any material changes to the authorised marketing materials;
- the contents and format of the revised marketing materials remain fundamentally the same as the version previously authorised by the SFC;
- the revised marketing materials present a balanced picture of the ILAS with adequate risk disclosures; and
- the updated contents are consistent with the disclosure in the ILAS offering documents or contents of notices to policyholders previously authorised by or filed with the SFC.

Material changes which do not satisfy these overriding requirements will still be subject to the SFC's prior authorisation before their publication.

The SFC has also updated its [set of FAQs](#) relating to ILAS to provide more practical guidance to the industry, including examples of immaterial changes to authorised marketing materials as well as notable matters for ILAS issuers when revising authorised marketing materials. In particular, Question 15 has been updated and new Questions 15A and 15B added under Section 1.

SFC issues circular on financial resources management and compliance with Securities and Futures (Financial Resources) Rules

The SFC has issued a [circular](#) to elaborate on its expectations regarding the governance and internal control standards of licensed corporations (LCs) for monitoring the adequacy of financial resources and compliance with the Securities and Futures (Financial Resources) Rules (FRR). During its monitoring of LCs' financial resources adequacy, the SFC has observed various undesirable practices and internal control deficiencies that led to abrupt declines in excess liquid capital, or breaches of the liquid capital requirement under the FRR. In some cases, deficits in the required liquid capital (RLC) remained outstanding for months. Typical deficiencies set out by the SFC include:

- inadequate or ineffective controls over liquid capital monitoring;
- failure to make proper accruals or accounting provisions; and
- incorrect treatment of certain assets or liabilities for liquid capital computation.

The SFC has attributed these deficiencies mainly to:

- ineffective management oversight; and
- failure to employ competent and qualified persons for calculating and monitoring liquid capital, as well as preparing and reviewing financial returns.

Some LCs were also late in reporting their RLC deficits to the SFC, thus contravening the relevant notification requirements under the Securities and Futures Ordinance, the FRR and the Code of Conduct for Persons Licensed by or Registered with the SFC.

The SFC reminds LCs that contravention of the FRR has a direct bearing on an LC's ongoing fitness and properness to remain licensed with the SFC. If an FRR breach is attributable to inadequate governance or internal control standards, the fitness and properness of the LC's senior management will also be called into question. The SFC expects an LC and its senior management to establish and enforce effective policies, procedures and internal controls to ensure that the LC is able to ascertain the sufficiency of its liquid capital, fully comply with all relevant FRR requirements, and maintain sufficient resources to operate its business as a going concern. For this purpose, LCs are expected to meet the standards set out in the circular, which represent the minimum standards.

MAS expands industry collaboration to scale asset tokenisation for financial services

The Monetary Authority of Singapore (MAS) has [announced](#) the expansion of several initiatives to scale asset tokenisation for financial services.

To promote greater traction in asset tokenisation use cases under Project Guardian, the MAS has now included the Global Financial Markets Association (GFMA), the International Capital Market Association (ICMA) and the International Swaps and Derivatives Association (ISDA) as the first global industry associations to join Project Guardian's industry group.

Furthermore, the following three workstreams will be set up to foster the development of standards and frameworks across key asset classes:

- a Fixed Income workstream will work with the ICMA to develop protocols and data specifications building on the ICMA's Bond Data Taxonomy and consider the types of risk factors and disclosures required in a tokenised bond offering document. Workstream members will also partner the GFMA to develop standard clauses for implementing smart contracts of fixed income products;
- an FX workstream, in partnership with ISDA and the Global Foreign Exchange Division (GFXD) of GFMA, will develop FX data specifications, risk management frameworks, and FX documentation; and
- an Asset & Wealth Management workstream will deepen collaboration with global custodians and asset managers, focus on common data models, and model risk considerations specific to fund tokenisation.

The MAS, with international financial institutions, has also published a whitepaper announcing the successful completion of the first phase of the Global Layer One (GL1) initiative and plans to develop standards, market practices and governing principles of foundational digital infrastructure for tokenised assets. GL1 focuses on the provision of a shared ledger infrastructure for financial institutions to develop, deploy and use applications for financial industry use cases along the value chain, such as issuance, distribution, trading and settlement, custody, asset servicing, and payments.

In the next phase, GL1 will explore the establishment of a non-profit organisation (GL1 Org) to develop common principles, policies, and standards for operating a global shared ledger infrastructure. This would complement the potential future establishment of independent operating companies that would build and deploy the GL1 infrastructure.

RECENT CLIFFORD CHANCE BRIEFINGS

The EU financial services legislative pipeline – unfinished business for the new Commission

The new European Commission taking office in October will inherit a large volume of unfinished business on financial services. Most of the legislation adopted or agreed during the current Commission's term has yet to be fully implemented, many legislative proposals are being carried over to be agreed in the next institutional cycle and there is a significant backlog of reviews and consultations which may lead to new legislative proposals.

This briefing paper provides an overview of the upcoming application dates for EU legislation on financial services, the state of play on the legislative proposals that may be carried over to the next institutional cycle and the backlog of reviews and consultations awaiting further action. This unfinished business will form the backdrop for the new Commission's own legislative agenda, including any new proposals to advance capital markets union.

<https://www.cliffordchance.com/briefings/2024/07/the-eu-financial-services-legislative-pipeline---unfinished-busi.html>

UK accedes to Hague Convention of 2 July 2019 on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters

On 27 June 2024, the UK acceded to the Hague Convention of 2 July 2019 on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters. The Convention will come into force for the UK on 1 July 2025 and apply to judgments given in proceedings started after that date.

This briefing paper discusses the UK's accession to the Convention.

<https://www.cliffordchance.com/briefings/2024/07/uk-accedes-to-hague-convention-2july-2019-on-recognition-and-enforcement-of-foreign-judgments-in-civil-or-commercial-matters.html>

Update on the US treasury security clearing mandate and FICC rule proposals

On 13 December 2023, the US Securities and Exchange Commission adopted rule changes that will require direct participants of covered clearing agencies to clear repurchase and reverse repurchase agreements and certain cash market transactions involving US treasury securities, subject to enumerated exclusions (the 'Treasury Clearing Rules'). The Treasury Clearing Rules are designed to facilitate the implementation of central clearing of US treasury securities, including by requiring CCAs to adopt policies and procedures requiring their direct participants, or members, to submit for clearing 'eligible secondary market transactions'.

Separately, in March of this year, as directed under the Treasury Clearing Rules, the Fixed Income Clearing Corporation, the only existing CCA for US Treasury securities, submitted to the SEC proposed changes to its rulebook (the 'FICC Proposed Rules') designed to effectuate the central clearing mandate. Among other things, the FICC Proposed Rules seek to expand the avenues by which market participants can submit US Treasury securities to FICC for clearing and to bolster protections provided to market participants

who are customers of FICC netting members for the purposes of entering into transactions involving US Treasury securities.

Taken together, the Treasury Clearing Rules and FICC Proposed Rules represent a significant change to the operation and market structure of the world's largest and arguably most important securities market and will take considerable time and resources to implement.

This briefing paper discusses the Treasury Clearing Rules and FICC Proposed Rules.

<https://www.cliffordchance.com/briefings/2024/07/update-on-the-u-s--treasury-security-clearing-mandate-and-ficc-r.html>

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

www.cliffordchance.com

Clifford Chance, 10 Upper Bank Street,
London, E14 5JJ

© Clifford Chance 2024

Clifford Chance LLP is a limited liability partnership registered in England and Wales under number OC323571

Registered office: 10 Upper Bank Street,
London, E14 5JJ

We use the word 'partner' to refer to a member of Clifford Chance LLP, or an employee or consultant with equivalent standing and qualifications

If you do not wish to receive further information from Clifford Chance about events or legal developments which we believe may be of interest to you, please either send an email to nomorecontact@cliffordchance.com or by post at Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London E14 5JJ

Abu Dhabi • Amsterdam • Barcelona • Beijing • Brussels • Bucharest • Casablanca • Dubai • Düsseldorf • Frankfurt • Hong Kong • Istanbul • London • Luxembourg • Madrid • Milan • Munich • Newcastle • New York • Paris • Perth • Prague • Rome • São Paulo • Seoul • Shanghai • Singapore • Sydney • Tokyo • Warsaw • Washington, D.C.

Clifford Chance has a co-operation agreement with Abuhimed Alsheikh Alhagbani Law Firm in Riyadh.

Clifford Chance has a best friends relationship with Redcliffe Partners in Ukraine.