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## **DORA: EBA repeals guidelines on PSD2 major incident reporting**

The European Banking Authority (EBA) has repealed its [guidelines](#) on major incidents reporting under the Payment Services Directive (PSD2) to avoid overlap with the Digital Operational Resilience Act (DORA).

The guidelines have been repealed in order to simplify the reporting of major incidents by payment service providers (PSPs) and provide legal certainty to the market. DORA, which applies from 17 January 2025, introduces harmonised incident reporting requirements that apply to financial entities across the banking, securities/markets, insurance and pensions sectors. This includes most PSPs, namely credit institutions, payment institutions, e-money institutions and account information service providers. DORA also disapplies the incident reporting requirements under PSD2 for those PSPs.

The EBA notes that incident reporting requirements under PSD2 still apply for other types of PSPs (e.g. post-office giro institutions and credit unions) that are not covered by DORA. However, it has repealed the guidelines in their entirety for the following reasons:

- the number of such institutions is very low with no sizable market share at EU level;
- these PSPs operate in less than half of the EU Member States and provide services at national level only; and
- the number and significance of incident reports received from these PSPs at EU-level is negligible.

Where PSPs are still subject to incident reporting requirements under the PSD2, the EBA notes that they can also be subject to national incident reporting requirements, regardless of the existence of the EBA guidelines. Competent authorities may retain the incident reporting approach set out in the guidelines under their national legal framework or supervisory measures.

## **EBA launches public consultation on ESG scenario analysis guidelines**

The EBA has launched a [public consultation](#) on its draft guidelines on environmental, social and governance (ESG) scenario analysis.

The draft guidelines set out expectations for institutions when adopting forward-looking approaches and incorporating the use of scenario analysis as

part of their management framework to test institutions' financial and business model resilience to the negative impacts of ESG factors.

The draft guidelines are intended to complement the EBA's ESG risk management guidelines published on 9 January 2025.

The consultation closes on 16 April 2025. A virtual public hearing is scheduled for 17 March 2025.

## **EBA proposes system for predicting bank distress using machine learning**

The EBA has published a [staff paper](#) on predicting bank distress using machine learning.

The EBA has examined the performance of three machine learning techniques (decision tree, random forest and neural network) against the traditional logistic regression model with the intention of developing an early warning system to predict distress for large banks in the EU. It found that the random forest model showed superior performance both out-of-sample and out-of-time. The study also employed a series of sampling techniques that showed a significant improvement in the ability to identify distress events irrespective of the model used. In the paper, the EBA adopts a new definition of distress which aims to capture weak banks that merit higher supervisory attention.

The paper highlights practical implications for bank supervisors and macroprudential authorities to utilise the findings to identify bank weaknesses ahead of time and adopt pre-emptive measures to safeguard financial stability.

## **IOSCO, BCBS and CPMI publish reports on margin in centrally and non-centrally cleared markets**

The International Organization of Securities Commissions (IOSCO), the Basel Committee on Banking Supervision (BCBS) and the Committee on Payments and Market Infrastructures (CPMI) have published three reports on initial and variation margin in centrally cleared and non-centrally cleared markets.

The [first report](#), published jointly by IOSCO, the BCBS and the CPMI, is on transparency and responsiveness of initial margin in centrally cleared markets and sets out ten final policy proposals relevant to central counterparties and clearing members. The proposals are aimed at aiding market participants' and regulators' understanding of initial margin requirements and responsiveness through increased transparency. The Bank of England (BoE) and the Commodity Futures Trading Commission (CFTC), who co-chaired the international working group, have published a press release in support of the report's findings.

The [second report](#), published jointly by IOSCO and the CPMI, focuses on streamlining variation margin in centrally cleared markets and sets out eight effective practices providing examples of how the CPMI-IOSCO principles for financial market infrastructure can be met. These practices are intended to enhance market participants' liquidity preparedness for above-average variation margin calls through increased transparency and the efficient collection and distribution of variation margin in centrally cleared markets.

The [third report](#), published jointly by IOSCO and the BCBS, relates to streamlining variation margin processes and initial margin responsiveness of margin models in non-centrally cleared markets. It sets out eight

recommendations to firms encouraging the widespread implementation of good market practices.

The three reports are complemented by the Financial Stability Board (FSB) report on liquidity preparedness for margin and collateral calls published in December 2024. According to IOSCO, the four reports set out a comprehensive approach and should be read together.

### **FSB reports on relevance of climate transition plans for financial stability**

The FSB has published a [report](#) on the relevance of climate transition plans for financial stability. Specifically, the report considers the role that financial and non-financial firms' transition plans can play in financial stability assessments, in particular as a source of information for monitoring climate-related financial risks and vulnerabilities, and as a tool for helping to address some of those risks.

The FSB notes that transition plans can interact with climate-related financial risks in the following ways:

- they facilitate firms' strategy setting, which contributes to better risk management;
- they help inform investment decisions; and
- they can support authorities' monitoring of transition and physical risks, both in the financial system and the real economy.

The FSB concludes that transition plans hold potential for enhancing financial stability but that certain conditions need to be met to facilitate their wider use for this purpose. This includes enhancing the coverage, transparency, credibility, comparability and availability of information in those plans.

### **FSMA 2000 (Designated Activities) (Supervision and Enforcement) Regulations 2025 made**

[The Financial Services and Markets Act 2000 \(Designated Activities\) \(Supervision and Enforcement\) Regulations 2025](#) (SI 2025/22) have been made.

SI 2025/22 extends the Financial Conduct Authority (FCA)'s supervision and enforcement powers under the Financial Services and Markets Act (FSMA) 2000 so that they can be used in relation to designated activities under Part 5A of FSMA 2000.

SI 2025/22 came into force on 14 January 2025 and initially applies to the Consumer Composite Investments (Designated Activities) Regulations 2024 (SI 2024/1198) and the Short Selling Regulations 2025 (SI 2025/29).

The intention is that the supervision and enforcement framework will be extended to any further activities designated by HM Treasury (HMT) in the future.

## **FSMA 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions) (Amendment) Order 2024 made**

The [Financial Services and Markets Act 2000 \(Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions\) \(Amendment\) Order 2024](#) (SI 2025/30) has been made.

SI 2025/30 broadly takes forward recommendations from the Skeoch Review and makes adjustments to the ring-fencing regime, including:

- increasing the core deposits threshold for including banks in the regime from GBP 25 billion to GBP 35 billion;
- introducing a new exemption for retail-focussed banks that undertake minimal investment banking activity;
- removing the requirement to report exposures to relevant financial institutions (RFI) of below GBP 100,000 to the Prudential Regulation Authority (PRA);
- enabling ring-fenced banks (RFBs) to incur exposures to global systemically important insurers (G-SIIs) and certain types of SME financial institution;
- relaxing restrictions on the geographical operations of RFBs;
- introducing a new four-year transition period for banks that become subject to the regime following an acquisition by an RFB; and
- permitting RFBs to invest in UK SMEs, subject to certain restrictions, and to enter into a wider range of trade finance arrangements.

The Order comes into force on 11 February 2025.

## **Short Selling Regulations 2025 made**

The [Short Selling Regulations 2025](#) (SI 2025/29) have been made.

SI 2025/29 replaces the onshored version of the Short Selling Regulation (UK SRR) and establishes a new legislative framework for the regulation of short selling, including designated activities for short selling and broad FCA rulemaking powers related to these activities.

SI 2025/29 also requires the FCA to publish anonymised aggregated net short positions based on all individual position notifications it receives, and restates the requirement for firms to notify the FCA of net short positions above 0.2% of issued share capital.

SI 2025/29 does not contain restrictions on uncovered short selling of sovereign debt and sovereign credit default swaps (SCDS) or sovereign debt notification requirements, although it does maintain emergency intervention powers in relation to these instruments.

Certain regulations came into force on 14 January 2025 and the remainder on the same day for the purposes of enabling the FCA to give guidance or issue statements of policy. So far as not already in force, SI 2025/29 comes into force on the same day on which the revocation of the UK SRR by section 1(1) of, and Schedule 1 to, the Financial Services and Markets Act 2023 (FSMA 2023) comes into force.



## **Overseas Funds Regime: FCA publishes guidance on notifying of material changes to collective investment schemes**

The FCA has updated its [webpage](#) on the Overseas Funds Regime (OFR) to include a [guidance document](#) on notifications relating to material changes to a recognised collective investment scheme or sub-funds subject to the regime.

From the point at which a fund is recognised under the OFR gateway, its operator is required to notify the FCA of certain subsequent changes affecting its status via a Material Change Notification form. The guidance sets out the FCA's expectations regarding the completion of these forms.

## **FCA publishes letter on approaches to supporting growth**

The FCA has published a [letter](#) addressed to the Prime Minister, Kier Starmer, the Chancellor of the Exchequer, Rachel Reeves, and the Secretary of State for Business and Trade, Jonathan Reynolds, in which it sets out its intended approach to ensure that regulators and regulations support growth in the UK. It is a response to a letter sent in December 2024, in which the Prime Minister called on the UK's main regulators to provide suggestions for reform to boost economic growth.

The letter sets out the work the FCA intends to undertake to support growth, along with proposals it wishes to seek Government opinion on. Its planned work includes:

- implementing a new prospectus regime, with shifts in thresholds and liability;
- reducing conduct requirements for wholesale insurers;
- streamlining regulatory requirements on the asset management sector;
- launching a consolidated tape to make fixed income data accessible;
- progressing a digital securities sandbox and a roadmap for digital assets starting in asset management;
- improving credit information with changes to industry governance;
- improving online pension tools and pension transfer times, and finalising next steps on pension dashboards;
- working with the Payment Systems Regulator to introduce a new open banking payment method (variable recurring payments);
- using powers anticipated under the Data (Use and Access) Bill to develop open finance, potentially prioritising SME lending;
- simplifying responsible lending and advice rules for mortgages;
- consulting on removing maturing interest-only mortgage and other outdated guidance; and
- improving the authorisation process for innovative firms and start-ups, including by extending pre-application support to all wholesale, payments and crypto firms.

Proposed additional work includes:

- accelerating a review of capital requirements for specialised trading firms to improve liquidity;
- removing the GBP 100 contactless limit;
- setting new digital service standards, for example requiring firms to accept electronic verification of death to speed up bereavement claims in insurance; and
- relaxing know your customer requirements on small transactions.

The letter also sets out the ways in which the Government could assist the FCA in achieving its growth agenda. This includes work on digital identity authentication and verification, enhancing the quality of the Companies House database and digitising court systems.

### **FCA publishes letter on strategy for credit reference agencies and credit information service providers**

The FCA has published a [portfolio letter](#) on its strategy for credit reference agencies and credit information service providers.

The letter outlines the FCA's key areas of focus for the next two years. The FCA aims to provide clarity on its regulatory priorities. The main areas of focus include:

- firms' embedding of the consumer duty;
- firms' operational resilience;
- firms' cyber resilience;
- firms' financial resilience; and
- the Credit Information Market Study (CIMS).

### **Consumer Duty: FCA sets out expectations for firms on redress liabilities**

The FCA has published its [expectations](#) for firms to meet their consumer redress liabilities and tackle polluting behaviour.

According to the FCA, polluting behaviour is when firms try to avoid potential or actual liabilities whilst still benefiting from the assets of the business. Examples of polluting behaviour include basic phoenixing, lifeboating, fronting, sale at an undervalue, restructuring and proceeds of sale not applied to redress. The FCA believes that firms which cause the market to pay for its mistakes through the Financial Services Compensation Scheme (FSCS) levy or which shift losses onto customers are damaging the reputation of the market.

The FCA has set out its expectations which include, among other things, that firms:

- must not seek to avoid potential or actual redress liabilities;
- ensure that they, and the appointed representatives that they oversee, adequately plan and make provisions for potential and actual redress liabilities, including holding adequate financial resources;

- notify the FCA immediately when they become aware, or have information that reasonably suggests that certain events may have happened, or could happen in the future, including that a firm does not have adequate resources to provide potential redress, a firm intends to sell or transfer its client bank and the sale could have an impact on the firm's risk profile, value or resources or a firm has potential redress liabilities and wants to offer consumers less redress than they might be due;
- must act to deliver good outcomes when considering selling their business or client bank; and
- identify and meet any potential liabilities before the FCA agrees to cancel their authorisation.

The FCA has detailed good and poor practices in an update for firms to ensure that they comply with Principle 4 (Financial prudence) of the FCA Handbook and the threshold conditions.

## **HM Treasury publishes outcomes from 2025 UK-China Economic and Financial Dialogue**

HMT has published a [list of outcomes](#) following the conclusion of the 2025 UK-China Economic and Financial Dialogue (EFD).

The dialogue focused on key themes, including, but not limited to:

- strengthening communication on macroeconomic policies through regular communication and expertise sharing through supranational bodies such as the FSB, as well as between the UK's PRA and FCA and China's new, merged National Financial Regulatory Administration (NFRA);
- improving capital market connectivity through the enhancement of the UK-China Stock Connect, welcoming China's efforts to adopt the Global Master Repurchase Agreement (GMRA) and opening China's domestic OTC derivatives market to foreign participants;
- reforming and opening up China's asset management sector and promoting a competitive business environment that welcomes participation by foreign firms;
- encouraging stable and healthy pensions markets to enable citizens to secure their futures and ensure long-term macroeconomic stability;
- continuing collaboration and knowledge sharing on sovereign green financing frameworks and the importance of mobilising private capital towards nature-based solutions and biodiversity enhancing use of proceeds;
- supporting multilateralism and enhancing cooperation through the G20 and the International Monetary Fund (IMF) and stepping up efforts to implement the Common Framework and the UN 2030 Agenda for Sustainable Development; and
- enhancing dialogue on bilateral trade and investment cooperation and industry collaboration whilst respecting national interests.



## Law Commission publishes FAQs on digital assets in private international law

The Law Commission has published [frequently asked questions](#) (FAQs) on the relationship between private international law and other areas of law such as tax, banking and financial services regulation in the context of digital assets.

The FAQs, which have been published as part of the Law Commission's project on digital assets and electronic trade documents (ETDs), are intended to explain how the approaches to digital assets taken by revenue authorities, regulatory bodies and in commercial practice may differ from the approach taken by international law.

The FAQs have not been peer reviewed by the Law Commission and the document is not a formal publication.

The Law Commission initiated the project with a February 2024 call for evidence and intends to publish a consultation paper on law reform proposals in due course.

## PRA announces delay in implementation of Basel 3.1 to January 2027

The PRA, in consultation with HMT, has [decided](#) to delay the implementation of Basel 3.1 in the UK by one year until 1 January 2027. Basel 3.1 is the final set of international banking reforms designed in response to the 2008 global financial crisis. It is designed to improve banks' own measurement of risk and to make their capital ratios more consistent and comparable.

In September 2023, the PRA published a policy statement (PS9/24), in which it set out its near-final rules for the Basel 3.1 implementation. These rules delayed the implementation date by six months to 1 January 2026, based on consultation feedback and the PRA's ongoing monitoring of the implementation timelines of other jurisdictions.

In light of the current uncertainty around the timing of implementation of the Basel 3.1 standards in the US, and taking into account competitiveness and growth considerations, the PRA and HMT have decided to further delay the implementation to 1 January 2027. The transitional periods set out in the rules will be reduced to ensure the date of full implementation remains at 1 January 2030, as set out in the original proposals.

Due to this delay, the PRA is pausing its data collection exercise as part of the off-cycle review of firm-specific Pillar 2 capital requirements, which the PRA intended to update at the same time as the implementation of the Basel 3.1 standards. It is also delaying the end-date of the time-window for firms to join the Interim Capital Regime, which was previously set as 28 February 2025. Further details on both initiatives will be provided in due course.

In addition, HMT has updated the webpage for its policy paper on applying the Financial Services and Markets Act (FSMA) 2000 model of regulation to the Capital Requirements Regulation (CRR) to reflect the delayed implementation of the Basel 3.1 standards.

## **BaFin consults on updated circular for reporting on values for minimum premium refund calculation in life insurance supervision**

The German Federal Financial Supervisory Authority (BaFin) has launched a [consultation](#) on an updated draft circular with instructions to life insurance undertakings for informing the supervisory authority about the values for calculating the minimum premium refund.

BaFin is converting national reporting in insurance supervision to electronic submissions in XBRL-format. For this change, it is necessary to adapt various legal sources and BaFin publications.

The draft circular follows the previous version of the circular (01/2021 (VA)) and contains no changes other than those resulting from the switch to XBRL. It applies to financial years ending after 31 December 2024.

Comments are due by 3 February 2025.

## **AML: Bank of Italy proposes to extend rules to CASPs**

The Bank of Italy has published a [consultation document](#) intended to extend the application of certain anti-money laundering (AML) provisions to cryptoasset service providers (CASPs).

This consultation follows the updates that occurred at EU and Italian levels further to the adoption of Regulation (EU) 2023/1113 (the Transfer of Funds Regulation), which has updated the Italian implementing act, Legislative Decree No. 204/2024, which amends Legislative Decree No. 231/2007 (the Italian AML Decree) and, amongst other things, identifies the Bank of Italy as the competent supervisory authority for CASPs in relation to AML/CFT aspects.

The Bank of Italy will implement provisions on customer due diligence and internal organisation for CASPs, extending the existing rules for financial intermediaries without adding new obligations or costs.

In particular, this document evaluates two regulatory options: the H0 option, which would bring CASPs under the existing regulatory framework, and the H1 option, which would introduce a specific framework for CASPs.

Comments are due by 15 March 2025.

## **MiCA: Consob publishes communication on operational indications**

Following the adoption of the Italian Legislative Decree no. 129/2024, which has implemented the Markets in Cryptoassets Regulation (MiCA) in Italy, the Commissione Nazionale per le Società e la Borsa (Consob) has published its [communication no. 1/24](#) inviting stakeholders to submit authorisation requests and engage in discussions with the regulator, as well as suggesting contact methodologies for requests and notifications under MiCA.

The communication includes additional operating instructions to be used when engaging with the regulator in Italy.

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## **CSSF publishes communiqué on the application of DORA**

The Luxembourg financial sector supervisory authority, the Commission de Surveillance du Secteur Financier (CSSF), has published a [communiqué](#) on the application of Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on DORA

The CSSF reminds the financial entities subject to DORA that as from 17 January 2025 the requirements of DORA take precedence over any overlapping elements or requirements present in CSSF circulars, notably in circulars:

- CSSF 20/750 specifying the requirements regarding ICT and security risk management;
- CSSF 22/806 on outsourcing arrangements (regarding ICT outsourcing arrangements); and
- CSSF 24/847 on ICT-related incident reporting framework.

The CSSF, however, reminds financial entities that other topics covered by the aforementioned circulars, not related to DORA, remain applicable in their current form, to the respective financial entities.

As the European Supervisory Authorities (ESAs) and the CSSF are proceeding with the updates of relevant texts (Guidelines and circulars), the communiqué provides financial entities with further guidance on certain practical modalities.

First, the CSSF reminds financial entities that they are urged to ensure that they have an LEI code and create the specific eDesk role of “IT incident notifier” to be able to submit the incidents via eDesk as of 17 January 2025.

Second, as of 17 January 2025, Financial Entities subject to DORA are required to notify major ICT-related incidents and significant cyber threats via a new dedicated procedure encompassing two different notification forms, available in eDesk, following the process already in place for reporting incidents under Circular CSSF 24/847:

- through the dedicated procedure “DORA Major ICT-related incident and significant cyber threat notification” available on the CSSF eDesk Portal ([edesk.apps.cssf.lu](https://edesk.apps.cssf.lu)); or
- via the API interface (S3) provided by the CSSF.

Given that the goal of the new procedure is to harmonise the reporting requirements, this new procedure replaces certain previous reporting procedures for financial entities now subject to DORA.

The Communiqué also contains specific instructions as regards the outsourcing of this reporting obligation as well as weekend and bank holiday reporting requirements.

Finally, CSSF notes that it is required to submit the register of information to the ESAs by 30 April 2025. Financial entities are required to submit their register of information to the CSSF between 1 and 15 April 2025 via eDesk for the reference date of 31 March 2025. Additional information related to the eDesk procedure will be published at a later stage.

Submitted registers will be subject to certain validation checks by the CSSF between 15 and 30 April 2025. In case of errors, the financial entity will be

invited to resubmit its register before 30 April 2025. During the month of May 2025, the ESAs will perform additional checks and may request submitting financial entities to fix the detected errors and re-submit their register to the CSSF, which will then communicate it to the ESAs.

The CSSF highlights that the register of information must be submitted in plain CSV format (as during the dry run exercise). The ESAs will not provide financial entities with a tool/script to generate their register.

### **CSSF publishes communiqué regarding new eDesk procedure for self-assessment questionnaire PDAOFI**

The CSSF has published a [communiqué](#) regarding a new eDesk procedure for the self-assessment questionnaire applicable to professional depositaries of assets other than financial instruments, as referred to in Article 26-1 of the Luxembourg law of 5 April 1993 on the financial sector, as amended (PDAOFI).

In the context of the introduction of new means of communication for requests and reporting by professionals in the financial sector, the self-assessment questionnaire PDAOFI must be transmitted on an annual basis to the CSSF in electronic form via:

- a dedicated eDesk procedure;
- an API solution based on the submission of the report via the S3 protocol.

A user guide detailing the submission procedure is available on the CSSF's website.

The new reporting replaces the list of information on the depositary function that must be kept up-to-date and provided to the CSSF on an annual basis, as detailed in Annex 1 of CSSF Circular 18/697.

The reference date for the data reported is 31 December 2024 and the submission should be received by 31 March 2025.

The CSSF may be reached at [edesk@cssf.lu](mailto:edesk@cssf.lu) in case of questions.

### **CSSF updates circular regarding the mode of transmission of the survey on covered claims in connection with investment business**

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-CDPI Circular 25/44](#) updating CSSF-CPDI circular 16/03 regarding the mode of transmission of the survey on covered claims in connection with investment business.

The circular is addressed to all credit institutions and investment firms incorporated under Luxembourg law, to the branches of non-EU credit institutions and investment firms, as well as to UCITS management companies and to alternative investment fund managers whose authorisation includes the management of portfolios on a discretionary, client-by-client basis.

The purpose of the circular is to specify the new mode of transmission of the survey on covered claims in connection with investment business, i.e.;

- via the CSSF eDesk platform; or

- via the submission of a structured file through S3 (simple storage service) protocol.

The transmission of this survey via E-File or SOFiE has been deactivated.

The amendments made by the circular also clarify certain terms relating to the identification and indemnification of accounts where the holder is different from the person absolutely entitled for the purpose of the Luxembourg investor compensation scheme (Système d'indemnisation des investisseurs Luxembourg or **SILL**) by taking into account the modifications brought by CSSF-CPDI Circular 23/35 to CSSF-CPDI Circular 16/02 on the scope of the deposit guarantee and the investor compensation.

Finally, the circular repeals CSSF-CPDI circular 17/07.

The annex to the Circular shows the changes introduced to CSSF-CPDI circular 16/03 in tracked changes.

## **Draft Ministerial Order regulating securities lending from collective investment institutions published**

A [draft Ministerial Order](#) regulating the securities lending from collective investment institutions (CIIs) has been published. The draft Order aims to enable CIIs to engage in securities lending, allowing them to offer higher returns to their participants, while maintaining investors' protection and the security of their investments. It outlines the rules applicable to securities lending transactions, establishes a regime of guarantees, imposes internal control obligations for management companies and, where applicable, CIIs, and includes the obligations of the depositaries of the lending institutions, who must ensure compliance with the applicable securities lending regulations.

The draft Order also establishes the scope of application for securities lending operations for CIIs and the principles that should guide this practice, authorising securities lending to financial CIIs covered in Chapter I of Title III of Law 35/2003, with the exception of free investment CIIs, which were already permitted to lend their securities. It also defines the financial instruments eligible for lending, imposes a series of requirements on borrowers, and regulates fundamental legal aspects of securities lending, such as the cancellation of operations or the exercise of economic and political rights associated with securities lending.

In addition, the draft Order mandates that securities lending be guaranteed, introducing requirements regarding coverage level, delivery of collateral, eligible assets, and the possibility of reinvesting collateral, among other issues. It also contains information and internal control obligations for management companies and CIIs, as well as the duties of settlement, custody, and supervision assigned to depositaries.

The draft Order will be submitted to public hearing until 31 January 2025 and submissions must be sent to the email address [audiencia@economia.gob.es](mailto:audiencia@economia.gob.es).

## **HKMA and PBoC announce measures to deepen financial cooperation between Hong Kong and Mainland China**

The Hong Kong Monetary Authority (HKMA) and the People's Bank of China (PBoC) have [announced](#) new policy measures to enhance the financial market connectivity between Hong Kong and Mainland China.

The measures include the following:

- introduction of the HKMA RMB Trade Financing Liquidity Facility with a total size of RMB100 billion. The facility aims to support banks in providing RMB trade finance services to their corporate customers and the launch is expected to take place by late February 2025;
- enhancements of Southbound Bond Connect which include the following: extending the settlement time under the Central Securities Depositories (CSDs) linkage; supporting the settlement of multi-currency bonds in RMB, Hong Kong dollar, US dollar and euro through the CSDs linkage; and expanding the scope of eligible Mainland China investors in due course;
- arrangement for Northbound Bond Connect participants to use eligible onshore bonds as collateral to conduct RMB bond repurchase business in Hong Kong;
- inclusion of Northbound Bond Connect bonds as eligible margin collateral at OTC Clearing Hong Kong Limited;
- implementation of the linkage of faster payment systems in Mainland China and Hong Kong. The linkage aims to support residents in both places in making real-time, small-value, cross-boundary remittances. Some services are expected to be launched around mid-2025; and
- inclusion of new participating banks by the PBoC to offer account opening by attestation services for Hong Kong residents.

## **SFC extends swift licensing process to new virtual asset trading platform applicants**

The Securities and Futures Commission (SFC) has [announced](#) that all new virtual asset trading platform (VATP) applicants can now seek licences under its swift licensing process.

Under the new licensing approach, VATP applicants are required to implement their policies, procedures, systems and controls before conducting an external assessment on these measures. The SFC will become a party to the engagement to supervise the overall external assessment process. According to the SFC, the extension is made in light of the effectiveness of the SFC's direct engagement and communication with deemed-to-be-licensed VATP applicants on the regulatory standards during its risk-based on-site inspections of all such applicants.

To provide further guidance to new VATP applicants, the SFC has issued a circular and published the findings of its risk-based on-site inspections to provide more clarity on its expected regulatory standards.

## **RECENT CLIFFORD CHANCE BRIEFINGS**

### **UAE netting – a new Federal-level netting law**

As at 1 October 2024, the President of the United Arab Emirates promulgated a new Federal-level law on the netting of qualified financial contracts under Federal Decree Law No. 31 of 2024, which came into force on 2 January 2025. The old netting law, Federal Decree Law No. 10 of 2018, is repealed on the effective date of the New UAE Netting Law.

This briefing paper discusses the implications of the new law.



<https://www.cliffordchance.com/briefings/2025/01/uae-netting-a-new-federal-level-netting-law.html>

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