THE EUROPEAN ASSOCIATION OF CORPORATE TREASURERS

EACT REGULATORY ISSUES OVERVIEW

1. EACT RELEVANT CONSULTATIONS

Issue	Timeline	RELEVANCE TO EACT	EACT ACTIONS
Creation of a digital Euro	**21 January 2021 deadline**	• Creation of a viable central bank digital currency that is secure, transparent.	EACT responding to relevant questions
Euro RFR working group consultation on EURIBOR fallbacks	**15 January 2021 deadline**	• Development of €STR-based fallback rates for Euribor	EACT welcoming input to respond

2. All relevant issues

FILE	POLITICAL TIMELINE	CONTENT AND LATEST DEVELOPMENTS
1. Capital Markets		
Benchmarks Regulation and IBOR transition	ESMA recognised EURIBOR as BMR compliant**: 5 Jul 2019** ECB working group on Euro risk-free rates issued final recommendations**: 16 Jul 2019** Amendments to IFRS 9 on IBOR/ benchmarks reforms apply: **01 Jan 2020** FCA risk-free-reference rate working group clarifies £LIBOR interim timeline: **29 April 2020** FSB global roadmap on Libor transition: **16 October 2020** ISDA Libor fallback protocol launched: **23 October 2020** Interinstitutional agreement on review of EU BMR including statutory fallback for Libor: **30 November 2020** EURO RFR working group consults on EURIBOR fallbacks: **deadline 15 January 2021** New end of transition period for use of third country benchmarks: **31 December 2023 (extendable to 31 Dec 2025)**	On 29 April, the FCA RFRWG recommended that: • By end of September 2020, lenders should be able to offer non-LIBOR linked products to customers, • Post September 2020, lenders should include contractual arrangements in all new or re-financed products that still reference Libor that enable a fallback to one of the risk-free alternative reference rates before the end of 2021. • By Q1 2021, all new loan product should no longer reference Sterling LIBOR. In July the EC presented a legislative proposal to review the EU Benchmarks Regulation and create a statutory fallback mechanism to be used in the event of cessation of a benchmark such as Libor. Interinstitutional negotiations resulted in an agreement end of November 2020, which includes: • **the statutory fallback mechanism** to manage the cessation of critical benchmarks such as Libor. The mechanism will also be available for use by the EC for benchmarks based on contribution of input and benchmarks administered in non-EU countries if their cessation would significantly disrupt the functioning of EU financial markets. • **the carve out from the EU Benchmarks Regulation of non-EU FX spot benchmarks** so that they remain available for EU users after the end of the transition period – here the EC will designate a list of the benchmarks that will benefit from the carveout before the new end of the transition period for third country benchmarks. • an **extension of the transition period for use of third country rates that have not been recognised under the EU BMR** from 31 December 2021 to 31 December 2023 – and the possibility for the EC to extend this to 31 December 2025. **Overall LIBOR transition efforts** ICE benchmarks – the administrator of Libor – has announced (here) that they would be consulting in December on the cessation of: • the one week and two month USD LIBOR settings immediately following the LIBOR publication on 31 December 2021; and • the overnight and one, three, six and 12 month USD LIBOR settings immediately following the LIBOR publication on 30 June 2023
CRA Regulation IV	ESMA Guidelines on supervisory reporting for CRAs: **5 Feb 2019** EC draft implementing equivalence decisions for non-EU countries under CRA: **11 Jun 2019** ESMA technical advice on sustainability considerations for CRA & final guidelines on disclosure requirements: **18 Jul 2019**	ESMA has recommended stronger fining powers and stronger say in fee structure of CRAs. There is a planned review of the rotation mechanism. Moreover, as part of a broader competition agenda aimed at breaking up the current monopoly of the big three CRAs coupled with the current sustainable finance agenda, there will be discussions around breaking this monopoly and encouraging more open competition. On 18 July 2019 ESMA issued technical advice on sustainability considerations for CRA and final guidelines on disclosure requirements applicable to credit ratings following the call from the EC. ESMA advises against amending the CRA Regulation to mandate the consideration of ESG factors in rating assessments for the time being.
MiFID3	Broader review of MiFID 2/R: **Q4 2021**	Current expectations are for a broad-based review of all aspects of the MiFID 2 framework, including the potential introduction of new transparency requirements for asset classes that are not covered so far – e.g. FX spot markets – and the potential expansion of trading mandates to cash products such as bonds. Another area of focus will lie broadly on equity and non-equity market structure and the extent to which the MiFID 2 framework has been effective. The introduction of a real-time consolidated tape (pre- and post-trade) for all asset classes both equity and non-equity is also being considered as one way of achieving broader capital markets integration.
MiFID quick-fix proposal	EC proposal for a Covid-19 related MiFID 2 quick fix: **24 July 2020** Council adopts position on MiFID Review: **21 October 2020** European Parliament adopts position on MiFID review**: 27 October** Earliest possible finalisation of new legislation: **end Q4 2020**	The European Commission has tabled a quick-fix proposal with changes to MiFID. The proposal lowers the burden of some investor protection rules including through more flexibility in costs and charges disclosure and publication of best execution. The proposal includes amendments to the rules on investment research and the unbundling of charges for SME investment research to facilitate greater access to this type of investment research. For Corporates there are important changes to commodity hedging exemption (and position limits) for corporates as well as an alleviation on product governance

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		requirements for plain vanilla corporate bonds to facilitate greater retail investor participation in corporate bond markets. This includes: • A hedging exemption from the commodity position regime for non-financial groups where the group includes an investment firm that holds commodity positions that measurably reduce the risks related to the non-financial activity of the group. • A position limits exemption for non-financial and financial counterparties that are under a mandatory liquidity provision obligation. • Exemption for securitised derivatives from the commodity position limits regime. • Reduction of the scope of the commodity position limits regime to agricultural commodity derivatives and derivatives contracts that are considered significant benchmark contracts (open interest of more than 300 000 lots over one year). ESMA will define the captured contracts further in a regulator technical standard). • Simplification of the ancillary activity exemption from the requirement to become an investment firm that market participants can apply for when trading in commodity markets and their trading activity is ancillary to their main business. The proposal removes the quantitative thresholds and maintains only a qualitative threshold. The qualitative threshold sets out that one is eligible for the exemption when one deals on own account or provides investment services to customers or supplies of the main business. Exemption of corporate bonds from product governance requirements (e.g. the "make whole provisions") that protect investors from losses in case issuers repay bonds early. This would allow plain vanilla corporate bonds to be marketed to a wider pool of investors without complex product governance rules.
Prospectus Regulation quick-fix & Review of Regulation	EC proposal on revisions to the Prospectus Regulation: **24 July 2020** Ongoing negotiations in the EP on the EC proposal: **October 2020** Council finalises position on EC proposal: **21 October 2020** EC proposal to overhaul entire Prospectus Regulation: **Q4 2021**	The main amendments that are proposed to the Prospectus Regulation are a lower prospectus burden for already listed companies (for a period of 18 months) when tapping markets for further funding. The proposal therefore suggests the creation of a new short form prospectus – "the EU recovery prospectus" – to enable companies to access public markets more efficiently. The simplified prospectus would only be available for share issuance and not for debt issuance.
EMIR Refit implementation	Entry into force of EMIR Refit: **17 Jun 2019** **Implementation** • Application of most provisions**: 18 Jun 2019** • Application of new reporting regime for NFCs, UCITS: **18 Jun 2020** • ESMA EMIR reporting valiation rules applicable from 8 March 2021. • ESMA issued clarifications on EMIR reporting in the context of Brexit: **10 November 2020**	• Moves the reporting obligation for external trades to the financial counterparty (including the legal liability for reporting). Maintains a base-set of counterparty and transaction specific information that the NFC will have to pass on to the FC. • The corporate hedging exemption is maintained as under EMIR 1. • Clearing thresholds move to an annual calculation for both FCs and NFCs based on month-end average for the previous 12 months. NFCs will only have to clear in the asset classes for which the clearing threshold is breached and not in all asset classes once one threshold is breached. ESMA's draft technical standards on procedures for trade repositories set out the process for moving the external reporting obligation to financial counterparties. ESMA updated Q&As on EMIR, including on the reporting of FCs on behalf of NFC- as of 18 June 2020. ESMA issued clarifications on EMIR reporting in the context of Brexit. • Obligation to use EU registered trade repositories for EU counterparties to comply with EMIR reporting obligation. • EU trade repositories should terminate the reports submitted by UK counterparties that relate to outstanding derivative transactions before the end of the transition period to ensure data integrity for EU supervisors. These reports should be flagged with the termination date 31 December 2020. • For UK counterparties the obligation to report to EU trade repositories ceases as of 31 December 2020. This also covers amendments to contracts concluded before 31 December 2020. • UK counterparties as of 1 January 2021 can no longer report on behalf of EU NFCs under the rules of EMIR Refit, as UK banks will be classified as third country counterparties and in the absence of equivalence can no longer report on behalf of their NFC EU counterparties. • UK headquartered companies will be considered third country parent undertakings for the purposes of the intragroup reporting exemption, meaning that their EU entities cannot benefit from the exemption as per ESMA's current guidance. • UK trade repositories need to port all relevant data – including the redirection of reporting flows – to EU based trade repositories before the end of the transition period.
SFTR implementation	ESMA no action relief for SFTR reporting: 26 March 2020 Phase-in of the reporting obligations by category of counterparties - **from 13 Jul 2020** ESMA issued clarifications on SFTR reporting in the context of Brexit: **10 November 2020**	The Securities Financing Transactions Regulation (SFTR) introduced a reporting regime for securities lending, margin lending, buy-back, and repo transactions. Specifically, the Regulation creates: ▪ Mandatory reporting of sec lending/ repo/ security financing transactions to a registered trade repository In March 2020 against the backdrop of the Covid-19 pandemic, ESMA issued no-action relief, revising the effective dates for the reporting obligation as follows: • 13 Jul 2020 – for credit institutions, investment firms, CCPs, CSDs and relevant third-country entities to start reporting;

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		• 12 Oct 2020 – for insurance companies, funds, institutions for occupational retirement provision (IORPs), and relevant third country entities to start reporting; • 11 Jan 2021 – for non-financial counterparties. ESMA issued clarifications on SFTR reporting in the context of Brexit. • EU counterparties and EU branches of third-country counterparties should report the conclusion of SFTs to an EU trade repository or an EU recognised trade repository. • Reports submitted by UK counterparties and UK branches of third country counterparties to EU-based trade repositories and that relate to outstanding SFTs should be terminated by the repositories. EU repositories should also flag these with the termination date 31 December 2020. UK-based trade repositories should also ensure that they port all relevant data to an EU-based repository and redirect reporting flows accordingly.
CMU 2.0	Final report EC CMU expert group: **10 June 2020** EC Capital Markets Union action plan: **24 September 2020**	The EC launched its own High-Level Forum which presented its final report in June 2020. The Forum published its final report, with specific recommendations focused on how best to grow capital markets by addressing key issues, such as facilitating access to finance for businesses and increasing retail participation. The report focused on improving the EU securitisation framework promoting long-term investments, expanding open finance, ease investors' access to companies' data, increase private pension coverage and leverage sustainability and digital transitions. In September 2020, the EC published a new Capital Markets Union (CMU) action plan with a list of 16 actions to be taken over the course of current legislative mandate. This includes: • Creating a European Single Access Point for financial and sustainability-linked company information • Reduce the complexity of listing rules on regulated markets • Measures to facilitate equity investment by insurance companies and banks. • Potential creation of harmonised minimum rules for non-banks insolvency law and harmonised definition of shareholder • Creation of harmonised EU system for withholding tax relief at source Potential creation of a financial competence framework
SFTR review	EC Review of SFTR: **Apr 2022 (tbc)**	Could cover issues such as the functioning of the reporting framework as well as the application of mandatory haircuts to uncleared SFTs. In SFTR there is currently a dual-sided reporting requirement for corporates.
FX markets	Global code for Foreign Exchange Markets established: **Aug 2018** Statement from the Global FX Committee urging continued compliance with the code in times of market volatility caused by Covid 19: **26 March 2020** Review of the FX Global Code: **2021**	This is a non-legislative initiative meant to some conduct issues arising in FX markets in the past year. Whether this approach is going to be follow by concrete legislative action in Europe remains to be seen. In a September 2020 report by ESMA on a review of the EU Market Abuse Regulation, ESMA recommends that the EC should analyse the suitability of setting-up an EU regulatory regime on market abuse for FX spot contracts, taking into account the FX Global Code of Conduct and any revisions to it. The BIS' Global Foreign Exchange Committee indicated that the review of the FX global code would slip into 2021 as a result of the Covid-19 pandemic.
Market Abuse Regulation Review	EC ask ESMA submit technical advice on MAR review: **15 May 2019** ESMA report on review of MAR: **24 September 2020** Review proposal of MAR: **2021 (tbc.)**	On 15 May 2019, the EC formally asked ESMA to submit technical advice ahead of the report the EC is mandated to issue under MAR Level 1. The EC is asking ESMA to go beyond the areas for review laid out in Level 1 in an effort to finetune certain provisions of the MAR framework – notably asking ESMA to look at the inclusion of FX spot markets into the scope. In September 2020, ESMA submitted its final review report to the European Commission, including a number of recommendations for the EC to potentially take forward in a legislative review of MAR: • the suitability of setting-up an EU regulatory regime on market abuse for FX spot contracts. • A modification of reporting requirements for buy-back-programmes to reduce and streamline reporting burdens for issuers. • More cooperation between supervisors and tax authorities to prevent dividend arbitrage ESMA also indicated that it would develop more concrete guidance on where pre-hedging practices could be considered market abuse.
Corporate governance: non-financial reporting (NFRD)	• Trilogue agreement on taxonomy regulation scopes in corporates as per the NFRD definition and imposes mandatory disclosure of share of taxonomy compliant activities: **December 2019** • EC to table proposal on the review of NFRD: **Q1 2021**	The EC is considering expanding the scope of the Directive, as well as the scope and granularity of the information that should be reported. It is also aiming to reinforce the double materiality perspective of the non-financial reporting requirements that obliges companies to report both on the impact of ESG matters on their financial performance, as well as their impact on society and the environment. Additionally, the Commission is looking into the possibility of requiring external assurance of non-financial information, as well as the use of a single set of reporting standards and a digital format.
2. Prudential framework		
2019 Banking Package	**European Commission** • EC proposal to introduce FRTB as binding capital requirement: **H2 2020** (tbc) **OJEU** • Publication of creditor hierarchy in the OJ: **27 Dec 2017** • Banking package**: 07 Jun 2019**	On 07 June 2019 the so-called CRR II - CRD V along with the RRM package package was published in the Official Journal of the EU. **Key points of the OJEU texts** : CRD5, CRR2 (including FRTB), **include:** • **Fundamental Review of the Trading Book (FRTB)/Market risk**: Introduces the FRTB as a reporting requirement only, meaning that for now market risk capital requirement will remain under the current CRR regime. EC

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	Implementation • Start reporting requirement standardised approach: **Q1 2021** (tbc) • Internal model reporting requirement starts: **Q1 2024** **Reviews** • Next review of banking package: **2021** *(see below)*	will propose legislation in 2020 to turn this reporting requirement into a binding capital requirement. • **Leverage ratio (LR)**: Set as a 3% binding ratio for all banks. The EU also applied the Basel III G-SIIs LR buffer, which can increase the LR for G-SIBs to up to 4.25%. • **Net Stable Funding Ratio (NSFR)**: Introduces small changes to the Basel standard – simplifying the NSFR for smaller institutions for reporting – and, regarding the treatment of SFTs, lowering the stable funding factors. **Resolution**: Reviews the EU resolution framework, with provisions amending the Banking Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR) - BRRD2, SRM2. In the final text the moratorium powers are streamlined allowing resolution authorities to suspend all payment and delivery obligations, unless exempted, when an institution is failing or likely to fail – limited to the maximum of 2 days.
2021 Banking Package	EBA technical advice reviewing the implementation of Basel IV: **05 Aug 2019** EC consultation on Basel III implementation: **11 Oct 2019 – 06 Jan 2020.** EBA technical advice on Market risk and CVA calculation: **04 December 2019** Basel Committee for Banking Supervision (BCBS) delays implementation deadline for Basel III package by 1 year: **new deadline January 2023** EC proposal for a CRD6/CRR3 package implementing the Dec 2017 agreement: **Q2 2021 (tbc.)**	Following the adoption of the 2019 banking package, the EC is expected to put forward a CRD6/CRR3 proposal in 2020 to implement the outstanding Basel IV standards. Key points would include: • **CVA calculation & exemption**: move to a revised standardised approach on CVA charge, including question of maintaining the existing CVA exemption for corporates. • **Changes to credit risk calculations**: to standardised approach and internal model approach for credit risk. • **Changes to treatment of specialised lending and unrated corporates**: to how bank exposures to unrated corporates and loans to corporates for project and infrastructure finance or leasing will need to be capitalised by banks • **Changes to capital calibrations for certain exposures such as revolving credit facilities and unconditionally cancellable credit lines** • **FRTB**: EC is set to propose to turn the reporting requirement into a binding capital requirement. • **Changes to operational risk framework**: to introduce a new standard on calculating RWA capital requirements. • **Introduction of an output floor –** to reduce the variability between RWA calculations based on standardised vs internal models On 27 March 2020, the BCBS declared it will delay all Basel IV implementation timelines by one year as a consequence of the COVID-19 pandemic. This means that all jurisdictions will have to implement the package by January 2023 (instead of January 2022), and the output floor transition regime is extended from January 2027 to January 2028. Welcoming the BCBS' extensions, the Commission also confirmed it will delay the publication of the CRR/CRD review implementing Basel IV beyond June 2020. However, it did not specify a new deadline for implementation yet.
3. Payments		
Cross border payments	OJEU publication: **23 Mar 019** Application start date**: 15 Dec 2019** Review **: by 19 Apr 2022** (tbc)	It stipulates that payment service providers should levy the same charges for cross-border payments as for national payments. In addition, the 2019 amendment of the Regulation applies transparency requirements for currency conversion charges related to card-based transactions and credit transfers as well as for transactions that do not use dynamic currency conversion (DCC). The regulation will start applying from 15 December 2019 regarding provisions for the equalisation of charges in Euro, whilst the transparency requirements for card-based transactions and credit transfers will apply from 19 April 2020 and the information requirements for non-DCC transactions apply as of 19 April 2021.
SEPA & broader payments initiatives	SEPA Regulation: **2012** EC publishes EU retail payments strategy: **24 September 2020.** EPC publishes 2021 SEPA payment scheme rulebook: **26 November 2020** EPC publishes first SEPA Request to pay rulebook: **30 November 2020**	Creates a binding framework for standardised SEPA transactions in the Euro area. In September 2020, the European Commission (EC) published a retail payments strategy that sets out a number of actions the EC intends to take in the payments space until the end of 2024, focusing on four pillars: increasing digital and instant payments on a pan-EU scale, creating an innovative and competitive retail payments market, achieving interoperability in payment systems and support infrastructure, and more efficiency in international payments and remittances. Amongst the actions outlined are: • Potential legislation to make uptake of SEPA Instant Credit Transfer (SCT Inst.) mandatory by end 2021 • Support for a harmonised EU standard for QR codes • Tackling IBAN discrimination for direct debits • Ensuring interoperability between all retail payments systems in the EU, without currencies discrimination against non-Euro EU Member States • Giving access to e-money and payment institutes access to payments systems under the Settlement Finality Directive • Full implementation of ISO 20022 by the end of 2022 Encouragement for payment service providers to use SWIFT GPI
PSD2 Implementation/Upcoming review	Application of RTS on strong customer authentication: **14 Sep 2019** EBA opinion extending SCA implementation until Dec 2020: **16 Oct 2019** Review and expansion of PSD2: **end 2021 (tbc.)**	Final legislation includes an exemption for corporate payment factories to not be considered a payment service provider, and therefore not subject to PSD2. On 16 October 2019 the EBA issued an opinion extending the implementation of the strong customer authentication (SCA) requirements to 31 December 2020. In its 2020 retail payments strategy, the EC outlined potential areas that would be considered as part of a legislative review of the PSD2 in 2021. This includes: • Assessing whether current consumer protection standards are adequate to protect consumers in an instant payment environment.

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		• Assessing reduction of fees for instant credit transfers and potentially requiring that they be no more expensive than regular credit transfers. • Assessing impact of Strong Customer authentication and explore whether IBAN & beneficiary name matching could be required Bringing e-Money providers into the scope of PSD2 and assess whether technical providers that support the provision of payment services should also be regulated and supervised under a revised PSD2
Instant payment adoption	EPC SCT Inst scheme became operational: **Nov 2017** Eurosystem launched TIPS: **Nov 2018** EC legislation to make SCT Inst. Mandatory by end 2021: **Q4 2020 (tbc.)**	The ECB's TARGET Instant Payment Settlement (TIPS) enables instant clearing and settlement of retail payments. The European Commission and the ECB are currently monitoring voluntary take-up of the scheme. The European Commission is considering legislation that would make adherence to the SEPA Instant Credit Transfer Scheme mandatory for payment service providers by the end of 2021. Any legislation to achieve this could already be tabled in Q4 2020.
4. Taxation		
Public CBCR and C(C)CTB & EU corporate tax initiatives	**CBCR** EC proposal on public CBCR: **12 Apr 2016** Final EP approval on ECON/JURI report: **04 Jul 2017** EP Plenary adoption of first reading agreement: **27 Mar 2019** Latest Council Working Group**: 25 Jan 2019** Ongoing Member State deliberations: **H1 2020** **C(C)CTB** New CCCTB legislation potentially in place: **2026** **Overall corporate tax** Anti-fraud tax package presented: **15 July 2020** • Communication on an 'Action Plan to fight tax evasion and to make taxation simple and easy' • Communication on 'Tax good governance in the EU and beyond' • Revision of the directive on automatic exchange of information – DAC7	**Public CBCR** Requires all companies operating in the EU with an annual turnover above 750m to publish on a country-by-country basis information on their profits, turnover, taxes paid, business activities and number of employees - per EU country, per tax haven and in aggregated form for the rest of the world. The latest drafting includes the possibility for a safeguard clause on disclosure of commercially sensitive information for a period of 4 years. No agreement o this has been reached yet. **C(C)CTB** Potential introduction of a common consolidated corporate tax base in 2026 as part of the creation of new revenue streams under the EU's long-term budget plan to service the interest on the debt taken on to fund the EU's Covid-19 recovery facility. **EU corporate taxation initiatives** In July the EC adopted a comprehensive tax package including: 1. A tax action plan with 25 measures that will be implemented over the coming years – here and Annex of measures. 2. A proposal to amend the Directive on Administrative Cooperation, to extend the EU tax transparency rules to digital platforms. Member States will automatically exchange information on income generated by sellers on digital platforms – here and Annex 3. A communication on tax good governance and the promotion of transparent and fair taxation and the classification of non-cooperative third country jurisdictions – here. As part of the action plan the EC will (in 2021) re-examine a current VAT exemption (dating back to 1977) for financial services. The EC intends to modernise the rules for the VAT treatment of financial services, especially in the context of an increased digitalisation of financial services provision through FinTech offerings.
OECD minimum effective foreign tax & other tax initiatives	OECD consultation on Global Anti-Base Erosion proposal: **08 November 2019 – 02 December 2019.** OECD Pillar 1 & Pillar blueprints for corporate tax reform published: **12 October 2020.**	The proposal from the OECD looks at providing a minimum effective tax rate on foreign income of multinational companies by providing the possibility for jurisdictions to 'tax back' the companies where other jurisdictions have low or no minimum effective tax. The OECD consulted on the 2020 review of CBCR (BEPS Action 13), concerning information exchange between tax administrations on revenues, profits, accrued taxes and economic activity in a given tax jurisdiction. Unlike the EU proposal, however, the OECD's does not provide for public disclosure of information. On 4 May 2020, the OECD announced a delay in the negotiations on global digital tax and minimum corporate tax rules. The US announced on 17 June a decision to withdraw from the discussions on a global digital tax. The OECD published its blueprints for Pillar One (nexus and profit allocation rules) and Pillar Two (global minimum tax rules) which set the technical framework for a political agreement – with mid-2021 now the target for this agreement and which will likely have a knock-on effect for the Commission's Digital taxation agenda.
FTT	Potential new legislative proposal on an Eu-wide FTT: **2024**	An FTT is being raised as a potential own resource revenue stream for the EU to raise funds to service the debt that the EC will raise on capital markets as part of the EUR 750 Billion Covid-19 Recovery Fund. The final budget agreement includes a roadmap that foresees the presentation of a legislative proposal for an EU wide FTT in 2024.
5. Sustainable Finance		
EU Green Deal	European Commission communication on Green Deal: **11 December 2019** New sustainable finance action plan: **Q4 2020** Review of the non-financial reporting directive: **Q1 2021**	Part of the short-term strategy will include a new Sustainable Finance action plan due in Q4 2020 to focus on the incorporation of sustainability in the corporate governance framework, and the creation of standardized natural capital accounting practices in the EU and at an international level. The Commission will also work on the development of labels for retail investment products and an EU Green Bond Standard. They will also examine how climate and environmental risks could be better integrated in the prudential framework, whether capital requirements for green assets should be adjusted.

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		As part of this renewed sustainable finance strategy, the Commission will also revise the non-financial reporting directive (NFRD) in Q4 2020 to ensure that companies and financial institutions report more climate and environmental data.
Sustainable Finance (Disclosure)	• EC final climate-related reporting guidelines under the Non-Financial Reporting Directive (NFRD) published: **18 Jun 2019** • OJEU publication: **December 2019**	The agreement reached in March 2019 introduces disclosure requirements for financial market participants regarding policies related to sustainability risks and their integration in investment decision-making and remuneration policies. It also requires publication of due diligence statements regarding adverse impacts of investment decisions on environmental, social and employee matters. In addition, it sets out additional disclosure requirements for products that are sustainable investments or that promote environmental or social characteristics.
Sustainable Finance (Taxonomy)	**EU level** Political agreement reached in trilogues**: December 2019** First technical screening criteria for climate change mitigation and adaption to be adopted**: December 2020.** Reporting obligation for corporates to disclose against the criteria for climate change mitigation and adaptation to be phased in: **January 2022.**	EU level The proposal for a sustainable taxonomy defines environmentally sustainable economic activities that must be applied by all financial market participants offering financial products as environmentally sustainable investments, and EU or Member State measures that set out requirements for products/corporate bonds marketed as environmentally sustainable. The final agreement includes corporates in the scope and requires disclosure in annual company reports of the proportion of total turnover derived from environmentally sustainable products / services, or proportion of CapEX or OpEx related to environmentally sustainable assets or processes. The Technical Expert Group of the Commission (TEG) also released its final report on an EU taxonomy of climate change mitigation and adaptation activities. It calls for the definitional basis to be used as a voluntary framework by investors and sets out a series of thresholds and requirements that economic activities need to adhere to be considered as significantly contributing to climate change mitigation and adaptation. International level The EU signed a Joint Statement with ten international partners (e.g. China, India, Japan, Canada, Chile), establishing an International Platform on Sustainable Finance (IPSF) which was launched on 22 October 2019.
Sustainable Finance (Benchmarks)	OJEU publication: **December 2019** EC adopts package of secondary legislation: 17 **July 2020** • DA on explanation in the benchmark statement of how ESG factors are reflected in each benchmark provided and published + Annex • DA on minimum content of the explanation on how ESG factors are reflected in the benchmark methodology + Annex DA on minimum standards for EU Climate Transition Benchmarks (CTB) and EU Paris-aligned Benchmarks (PAB)	The agreed text creates two new benchmark categories: Climate Transition Benchmarks that are based on assets of companies that follow a decarbonisation trajectory, and Paris-aligned Benchmarks where the portfolio's carbon emissions are aligned with the Paris-agreement. On 30 September 2019 the TEG issued its final report on climate benchmarks and benchmarks' ESG disclosure, suggesting disclosure requirements and minimum technical requirements for the methodologies of the two proposed new benchmark categories.
EU Green bond Standard	EC Technical Expert Group (TEG) published final report outlining its recommendations on the creation of an EU Green Bond Standard (EU GBS): **June 2019** Supplementary EU GBS report: **March 2020** EC consultation on EU Green Bond Standard: **12 June – 02 October** Proposal on an EU Green bond standard: **Q2 2021**	On 18 June 2019 the EC Technical Expert Group (TEG) the final report outlining its recommendations on the creation of an EU Green Bond Standard (EU GBS). It suggests that the EC establish a voluntary standard aligned with the taxonomy and calls for mandatory verification and reporting on the use of proceeds for EU GBS. In March 2020, the TEG published a user guide for the EU green bond standard in the form of a supplementary report on an EU Green bond standard. In June 2020, the EC launched a consultation on the establishment of an EU Green Bond Standard based on the recommendations of the technical expert group and linked to the EU sustainable taxonomy. The consultation also covers aspects linked to the external verification requirements for green bonds as well as a segment on social bonds
6. Financial Crime & Digital Finance		
	Legislative proposal on Digital and Operational Resilience for financial services: **24 September 2020.** Negotiations in Council and the EP ongoing: **December 2020**	The European Commission tabled a proposal for a Digital Operational Resilience Act (DORA) for financial services in September 2020. The proposed legislation is targeted at financial entities and includes draft requirements for: • Dedicated state of the art ICT risk management frameworks and internal controls, • Dedicated BCP policies for ICT risk • Requirements to communicate any incidents to their counterparties and clients. • A harmonised reporting framework for ICT incident reporting – • A requirement to put in place a digital operational resilience testing framework that varies in complexity depending on the size and interdependencies of the institutions. Direct EU oversight of critical third-party ICT providers
AML & KYC requirements	Deadline for Member States' transposition of AMLD5: **10 Jan 2020** New EU AML Action plan**: 07 May 2020** EC consultation on AML action plan: **07 May – 26 August** EC proposal on review of AMLD V: **Q1 2021**	AMLD 5 includes enhanced due diligence measures for customers in high risk third countries and scoped in virtual currencies and wallet providers in the EU's AML framework. The European Commission came forward with a communication on AML in May 2020, announcing further revisions to the EU's AML framework in 2021 – including an expansion of KYC-CFT requirements for obliged entities, a greater harmonization of the reinforced rulebook through use of a regulation. The Commission is also likely to propose the creation of a single AML supervisory body

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Digital Finance	AI Ethics guidelines published: **8 Apr 2019** AI policy and investment recommendations: **26 Jun 2019** Data strategy: **19 Feb 2020** White paper on AI: **19 Feb 2020** EC digital finance strategy published: **24 September 2020** Proposal for a regulation on cryptoassets and a pilot regime for DLT based market infrastructure: **24 September 2020** ESRB recommendations on LEI implementation: **19 October 2020**	The Commission published a strategy on data on 19 February 2020 alongside the AI white paper. This particularly looks towards high-level horizontal elements such as interoperability standards combined with sectoral common data spaces. **Artificial Intelligence:** The Commission issued a white paper on 19 February, with a legislative initiative to follow. The white paper lays out a risk-based approach with legal requirements for 'high-risk' AI applications (defined as high-risk use cases in high-risk sectors); it particularly considers requirements relating to data quality, documentation, and human oversight. **Digital Finance strategy** In September 2020, the EC published a long-term strategy on digital finance, including actions targeted at removing barriers to cross-border service offering of digital financial services and creating a framework for interoperable digital identity solutions by 2024. As part of the strategy, the EC will also seek to leverage an open finance approach and create the conditions for increased data sharing between businesses and between supervised entities and regulators through digital solutions. As part of the strategy, the EC already tabled two legislative proposals: one to regulate crypto-assets and the other one to propose a pilot regime for DLT-based market infrastructure. **LEI adoption** The European Systemic Risk board recommends that the European Commission integrate the Legal Entity Identifier more broadly in financial regulation and potentially create an EU-wide regulatory framework for implementation of the LEI
7. Horizontal		
Internation-alisation of the euro & creation of a digital euro	EC communication: **5 Dec 2018** The ECB published an initial report on the creation of a digital euro: **2 October 2020.**	The December 2018 EC communication announced a host of public-private collaborative workstreams to explore topics where shorter-term enabling policies could be pursued as such as developing euro area banks role in market-making activity in FX markets. Furthermore, the communication considers the extension of the clearing mandate under EMIR, and for the Commission to stimulate the development of European interest rate benchmarks. In an October 2020 report the ECB raised the prospect of a potential establishment of a digital Euro – a so-called Central Bank Digital Currency (CBDC) – for the Eurosystem. Overall the report highlights that there are a number of scenarios that could force the hand of the ECB to advance creation of a digital euro, but that irrespectively there may be advantages to the ECB creating a digital euro – e.g. keeping in lockstep with a rapidly evolving and digitalising payments landscape in the EU. the report highlights that the ECB views the creation of a digital Euro as being at a very early stage and not a foregone conclusion. Should the ECB go ahead with the project in mid-2021, the first phase would be dedicated to identifying whether a viable digital euro product can be created in a manner consistent with the necessary design features in a cost-efficient manner.
Brexit	EC published draft EU-UK FTA: **18 Mar 2020** UK government publishes outlook for future of UK financial regulation: **23 June 2020** Deadline for decision to extend transition period: **30 Jun 2020** Deadline for equivalence assessments: **30 Jun 2020** EBA Brexit preparedness notice to financial institutions: **29 July 2020** EC grants temporary equivalence to UK CCPs until June 2022: **21 September 2020** UK publishes financial services bill: **21 October 2020** Transition period ends: **31 Dec 2020** New EU-UK relationships to begin: **01 Jan 2021**	On 18 March 2020 the Commission has issued its draft FTA in an attempt to gain agenda-setting advantage early in negotiations. The text highlights the discrepancies between the EU and UK positions, notably on issues such as fisheries, governance and structure of the agreement, social rights and environmental protection. At the end of June, the UK government set out its plan for the future of financial regulation in the UK post-Brexit, signalling a significant degree of divergence across key pieces of prudential and capital markets legislation. This in turn reduces the likelihood of broader equivalence findings by the EU for the UK. The EU-UK negotiations are reaching the final phase. Any agreement between the negotiating parties would need to be concluded in draft form by the end of October 2020 to allow for sufficient time for it to be ratified in the European Parliament, the UK House of Commons, and across the remaining EU Member States.
International economic sanctions	US withdraws from 2015 nuclear deal with Iran – sanctions re-imposed: **5 Nov 2018** EU Foreign Affairs Ministers adopt retaliatory measures against Turkey: **15 Jul 2019** EU extends Russia sanctions: **June 2020**	The EU has announced created an alternative payment system (INSTEX) that would allow companies to continue conducting business with Iran without having to rely on the SWIFT payments system. On 8 May 2019 Iranian President Hassan Rouhani warned that Iran would stop honouring key commitments of the 2015 nuclear deal by early July. The announcement raised concerns amongst the European signatories. On 15 July 2019 EU Foreign Ministers have adopted an initial set of retaliatory measures against Turkey as a reaction to its offshore drilling activities around Cyprus. The EU's sanctions against Russia for the annexation of Crimea are in place until 31 January 2021