Please get in touch with us if you would like to discuss these and other developments.

Key Policy Developments

US:

- **Congressional Priorities for Remainder of Year:** After months of negotiations, Congressional Democrats passed President Biden's $1.75 trillion Build Back Better (BBB) Framework with key Democratic priorities, including tax incentives to fight climate change. While the framework is historic in size and scope, it is half the President's original $3.5 trillion proposal. The bill will now go to the Senate where it is expected to face much opposition from Republican Senators and likely won't be considered until next month.

  With the social infrastructure bill behind them, the House will now shift its focus to the looming government funding deadline—which Treasury Secretary Yellen says that she is confident that her department can fund the government through December 15. Congress will need to pass a funding vehicle to prevent a government shutdown before that date or potentially consider another continuing resolution (CR) which would allow appropriators more time to finalize a deal.

- **Cyber Incident Reporting Nears the Finish Line:** Proposals regarding cyber incident reporting measures were included as amendments to the must-pass National Defense Authorization Act (NDAA) in both the House version (passed September) and the Senate version (likely to be addressed later this month). While almost nearing the finish line, these amendments would require, among other things, critical infrastructure operators to report covered cyber incidents to the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA). Considerations such as the role of DOJ and the FBI in cyber incident reporting have recently been highlighted. Once NDAA passes the Senate, the conference process between both Chambers is expected to be expediated to bring the bill to the President's desk as soon as possible.

- **Digital Currencies:** Policymakers continue their digital currency focus with an emphasis on those issued privately and publicly. The President's Working Group on Financial Markets released its long-awaited report on stablecoins which outlined, among other things, that legislation should require stablecoin issuers to be insured depository institutions. On the Hill, a group of Republican members of the House Financial Services Committee released a set of guiding principles for Congressional review of CBDCs, stating that the ball is in Congress' court as the Federal Reserve Board cannot issue a CBDC without Congressional authority. And speaking of the Fed…what has not yet been released: the anxiously awaited Fed consultation on CBDCs.

EUROPE:

- **CSDR mandatory buy-ins:** Ahead of the entry into force of the Central Securities Depositories Regulation's (CSDR) Settlement Discipline Regime (SDR) in February, a delay in the implementation of its mandatory buy-in rules seems more and more likely. Although legal and formal challenges remain, the common efforts of regulators, lawmakers and supervisors suggest that a solution is in sight. Changes to the mandatory buy-in requirements are also within the realm of possibility when the Commission presents its targeted review proposal for CSDR expected early next year.

- **Review of EU banking rules:** The European Commission has published a draft legislative package to review the EU's banking rules, thereby finalizing the implementation of the international Basel III agreement. The package also puts an increased focus on sustainability risks, which banks will have to better reflect in their risk management frameworks. The new rules aren't expected to come into effect before 2025 as to give the banking sector time to adapt.

- **New ESMA Chair:** After many months of stalemate between EU Member States about their preferred candidate to lead the European Securities and Markets Authority (ESMA), the final compromise awarded the position to ESMA's former Executive Director, Verena Ross. Having held her previous position at ESMA for 10 years, expect to see some organizational continuity.

- **BoE and CCP authorisation**: The Bank of England published a consultation paper on its approach to "tiering" non-UK CCPs based on the level of systemic risk they could pose to UK financial stability.

ASIA:

- **T+1 settlement cycle in India**: After SEBI announced in September it would allow optional shorter settlement cycles, financial market infrastructures in India have issued a joint press release outlining the phase-in plan of the optional T+1 settlement cycle, where the firms with smallest market capitalization will be eligible for shortened settlement cycle from February 25, 2022 and then phased-in. It is expected the highly liquid stocks (e.g. NIFTY 50 constituents) will become eligible to T+1 settlement around January 2023.

- **ESG disclosures**: New Zealand became the first jurisdiction to pass legislation mandating the climate-related disclosures for the financial sector. Although not at a legislative level, nearly all Asian jurisdictions have issued guidelines on ESG disclosures. Taiwan, Japan, Singapore, Malaysia, and Hong Kong have all provided guidance on such disclosures.

Talk of Town

US

Covid-19 ETS

Per the Administration, earlier this month the Labor Department's Occupational Safety and Health Administration (OSHA) issued Emergency Temporary Standards (ETS) regarding Covid-19 vaccination and testing in the workplace. The ETS was quickly challenged in federal appeals courts across the country and as a result, OSHA suspended activities related to the implementation and enforcement of the ETS, pending future litigation developments. The 6th U.S. Circuit Court of Appeals has been selected to hear the multidistrict challenge to the ETS.

EUROPE

Upcoming legislative reviews

EU rules mandate that different pieces of financial services legislation undergo a regular assessment of the delivery of their objectives after they have been in place for a certain period of time. Several of these reviews in key areas are currently in the regulatory pipeline, covering the Markets in Financial Instruments Regulation (MiFIR) and the Alternative Investment Fund Managers Directive (AIFMD), among other pieces. Adding to that outstanding items such as the finalization of the CSDR review and secondary legislation on the European Market Infrastructure Regulation (EMIR) Refit, the European Commission certainly faces a difficult prioritization exercise.

ASIA

Central Bank Digital Currencies

The People's Bank of China has spent years developing its central bank digital currency (CBDC), the e-RMB. It has focused its application in the retail space; it has chosen the technology stack, and developed its reasoning with regard to the monetary policy implications (it defines it as M1 money supply). Others are less advanced and have simply started exploring the implications of adopting CBDCs: Singapore, Hong Kong, Japan's central banks, among others, have made significant research and consulted on the areas of common use.

It is in the space of cross-border cooperation where it seems most progress has been made. The BIS Innovation Hubs in Singapore and Hong Kong have made great progress in supporting linkage tools: the Singapore-based Project Dunbar has brought together the Reserve Bank of Australia, Bank Negara Malaysia, Monetary Authority of Singapore, and South African Reserve Bank to test the use of CBDCs for international settlements. For its part, the Hong Kong-based mBridge is a cooperation between the Hong Kong Monetary Authority; the Bank of Thailand; the Digital Currency Institute of the People's Bank of China; and the Central Bank of the United Arab Emirates.

With any questions, please do not hesitate to reach out DTCC Government Relations at DTCCGovRelations@dtcc.com.

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