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

Key Policy Developments

<u>US:</u>

- **Infrastructure/Reconciliation Packages:** The Senate and House continue efforts to pass both a reconciliation package ($3.5 trillion) and a bipartisan infrastructure bill ($1.2 trillion). Although House leadership has been pushing for a vote on the bipartisan infrastructure bill, they continue to be met with opposition from progressive Democrats who say they will vote against the package until the reconciliation bill is brought to the floor as well. While the House text for the infrastructure package is being used as a framework for the Senate, it is expected that the current $3.5 trillion package will be reduced to $1.5-2 trillion to recruit needed support from moderate Democrats, Sens. Joe Manchin (D-WV) and Kyrsten Sinema (D-AZ). As negotiations move forward, Democrats will continue to discuss various alternative revenue off-sets to pay for the reconciliation package. We do not expect both chambers to pass a package until the end of October to mid-November.

- **Government Funding/Debt Ceiling:** Congress avoided a government shutdown ahead of the September 30th fiscal year-end deadline. The funding measures extend FY 2021 government funding until December 3rd but did not address raising the debt ceiling. In light of the U.S. Department of Treasury saying that the federal debt limit will be breached as of October 18th, Senate leadership has reached a deal to extend the debt ceiling through early December. Until that time, negotiations will continue on devising a path forward to avoid the United States defaulting on its debt.

- **Stablecoins**: DC continues its crypto focus with stablecoins top of mind for many regulators and supervisory bodies. The President's Working Group on Financial Markets (PWG) – which includes leadership from the Fed, Treasury, SEC and CFTC – has focused on the rapid growth in addition to potential uses and risks of stablecoins. With the Fed's anticipated CBDC research paper and the PWG's recommendations on stablecoins expected shortly, the overall digital currency debate is likely to remain front and center.

- **Cyber Security**: Following major attacks earlier this year, cybersecurity remains a priority on Capitol Hill. There has been a flurry of proposals from the House and Senate and across multiple committees of jurisdiction. For example, a bipartisan proposal from Representatives Clarke (D-NY) and Katko (R-NY) calls for, among other things, a Cyber Incident Review Office and legislative text was included as an amendment in the National Defense Authorization Act (NDAA) which recently passed the House. On the Senate side, bipartisan efforts include Senators Warner (D-VA), Rubio (R-FL) and Collins' (R-ME) cyber incident notification proposal as well as Senators Peters (D-MI) and Portman's (R-OH) cyber reporting proposal. DTCC continues to engage with key Congressional offices to share its perspective regarding cyber security and information sharing measures. As various proposals make their way through Congress, one thing becomes clear: there is no shortage of legislative focus on this critical issue.

EUROPE:

- **ESMA and post-trade:** ESMA has had a busy start of the academic year. On the CCP front it has just closed the seven public consultations on the recovery regime it had launched over the summer and will now analyse stakeholder's feedback. ESMA is expected to publish further consultations in this area in the coming days, this time on the resolution regime for CCPs. Ahead of the adoption of the technical standards on EMIR Refit reporting, ESMA has also been working on the guidelines to complement said technical standards, on which it has also consulted the industry over the summer. Finally, it has joined the discussion on the contentious implementation of the CSDR's mandatory buy-in framework, calling upon the European Commission to postpone its entry into force as soon as possible.

- **Climate Risks:** The ECB is increasing the pressure on the financial industry to adjust to climate risks with a supervisory climate stress test for the banks that it directly supervises planned for 2022. As a prelude to this exercise the ECB recently published the results of its economy-wide climate stress test. Although the industry warns about the persisting lack of reliable data, supervisors want to see swift progress from the financial sector in identifying and tackling these potentially systemic risks.

ASIA:

- **SPACS:** Exchanges in both Hong Kong and Singapore have taken steps to allow the listing of special purpose acquisition companies (SPACs). This has followed pressure, including from government, to allow such listings as part of the plan to attract investments. SGX has thus launched its SPAC listing framework, while the HKEx is currently consulting on its equivalent regime. The proposed regime does introduce some uncertainty on the supervisory attitude which hitherto had been strongly opposing what was referred to as back-door and shell listings.

- **China and Connect Schemes:** China has announced several initiatives that continue to shift its capital markets and its international integration. It has, for instance, launched the Southbound Bond Connect which will allow Mainland investors to trade eligible Hong Kong bonds. It has also announced the Cross Boundary Wealth Management Connect pilot scheme which will allow the distribution of wealth management products across jurisdictions within the Greater Bay Area (broadly encompassing the southern Chinese province of Guandong, Hong Kong, and Macao). In a separate development, the Beijing Stock Exchange has been set up to raise capital and trade on smaller, innovative Chinese companies.

Talk of Town

US

Voting Rights

Senate Democrats introduced the Freedom to Vote Act which aims to protect ballot box access. Provisions include automatic voter registration, eligible citizens would be allowed to request a mail ballot and return it at a drop box, and protections would be in place to ensure underserved and vulnerable communities aren't disenfranchised in the voting process. A similar bill was introduced and passed in the House; however, it did not gain traction in the Senate due to lack of support from Republicans and moderate Democrats. The success of the Freedom to Vote Act is still TBD and will rely heavily on Democrats strategy to overcome the 60-vote filibuster.

EUROPE

German elections and balance of power

Following the German federal elections and the slim victory of the Social Democrats, coalition talks will dominate the rest of the year in Germany and, subsequently, to large spats of the Old continent. Since no real decision will be made by the interim administration, the German vacuum will most probably be filled by the French, Spanish and Italian governments, which are expected will plan a more prominent role in the EU. France is holding the rotating EU Presidency in the first half of 2022 whilst having general elections, and the Draghi and Sánchez governments appear stronger than before as Europe exits the COVID 19 pandemic.
From an EU point of view, further integration in the area of financial services (including Capital Markets Union), fiscal policies (including financial transaction tax), data protectionism, immigration policies and the genesis of an EU army are likely to dominate debates with long lasting effects for the cohesion and effectiveness of the EU.

ASIA

Apples in the market: individual accountability

It seems that regulators in Asia have gone back to the 'market' basics by making frequent references to produce in their ongoing efforts to stomp out misconduct in their jurisdictions. They are, for instance, seeking to rid the market of 'rolling bad apples' – those executives who fail to meet the regulatory expectations, but avoid sanctions by changing employers before they are held to account. To this end they have revamped their codes of conduct, as well as introduced an expectation of enhanced due diligence on prospective employers – with a corresponding duty of transparency from former employers – to ensure they are not getting 'bad apples'. In so doing, they also stepped into a field littered with mines laid variously by employment and privacy rules, commercial interests – and with precious little talent.

At the same time, the region is also seeing its heap of apples – good and bad – rapidly depleted. The introduction of individual accountability regimes has meant that competent executives are now increasingly being held accountable for actions on which they can in practice exercise limited influence – especially in large, international, matrix-managed organizations. Leaders and board members are also increasingly expected by regulators to develop complex competencies: they are now personally accountable for deeply technical matters ranging from financial accounting to cybersecurity, while being asked to transform their companies to meet ambitious sustainability and diversity objectives. Development and public health policies have, for their part, significantly increased the friction for the international mobility of talent.

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

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