ACROSS THE POND

Recent Policy Developments in Financial Services

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

Key Policy Developments

US:

- **Covid-19 Relief Package:** After deciding to move forward without Republican support, Democrats shepherded through Congress by way of the Budget Reconciliation process (which only requires a simple majority in the Senate to pass, vs. the typical 60 votes) another Covid-19 economic relief package, H.R. 1319 (the "American Rescue Plan Act of 2021"). The legislation provides approximately $1.9 trillion in economic relief for states, businesses, schools, healthcare providers, and workers affected by the pandemic. President Biden signed the measure into law on March 11, 2021.

- **Gary Gensler, SEC Chair Nomination:** In early March, the Senate Banking Committee reviewed the nomination of Gary Gensler to be Chair of the Securities and Exchange Commission (SEC). Topics covered during the hearing ranged from climate risk and board and governance diversity disclosures, to shortening the settlement cycle, and emerging innovation. Mr. Gensler was asked several questions about the recent meme stock market volatility and payment for order flow. Mr. Gensler's nomination was voted out of Committee and is now pending a full Senate vote.

- **"Meme Stock" Market Volatility and Congressional Hearings:** The last week of January saw extraordinary market volatility, driven in part by social media-organized retail traders on retail trading platforms buying up so-called "meme stocks" to unprecedented levels. The House Financial Services Committee has held two of a planned three hearings on the subject, and the Senate Banking Committee has held a hearing of their own. Much of the first hearing centered around Members trying to pin Robinhood down on whether they'd experienced liquidity issues, whether Citadel had somehow orchestrated Robinhood's halt in trading, whether these retail traders could be held liable by SEC market manipulation regulations, the morality of short selling, and the legality of payment-for-order-flow. However, a significant portion of the hearing also focused on the need to accelerate the securities settlement cycle. The second hearing focused on "gamification" of trading apps and the settlement cycle. The Senate Banking Committee also held their own hearing on the subject, though theirs focused more on payment for order flow, short selling, and a financial transaction tax than shortening the settlement cycle. In the wake of these hearings there has been remarkable momentum

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and conversation on Capitol Hill, at regulatory agencies, and throughout the industry on a potential move from T+2 to T+1 or beyond.

EUROPE:

- **ESAs:** Just like European legislation is subject to regular reviews, so are the European Supervisory Authorities (ESAs) for financial services – which includes the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA). The European Commission has recently published a consultation, seeking public assessment of their respective tasks, governance and direct supervisory powers. The responses will feed into potential legislative proposals on stronger supervisory coordination or even stronger direct supervision for the ESAs.
- **FS and digital services:** Speaking of the ESAs, the European Commission has asked the financial supervisors to assess whether there is a need for further action to ensure the principle of "same activity, same risk, same rules" is upheld with regards to technology companies. The request comes in the context of the EU's regulation of online intermediaries and platforms, with a special focus on preventing large "gatekeepers" from imposing unfair conditions on users.

ASIA:

- **Digital currencies:** The People's Bank of China, through its Digital Currency Institute, has continued large-scale testing of its central bank digital currency, known as eCNY but officially still DC/EP (digital currency/electronic payment). Recently the CEO of the Hong Kong Monetary Authority announced that it would be pilot-testing the currency to facilitate cross-border payments. The PBoC has also reportedly formed a joint venture called Finance Gateway Information Services Co. with SWIFT, the Cross-border Interbank Payment System (CIPS) and the Payment & Clearing Association of China, indicating that it may look to link the DC/EP to the global payments system. In parallel, the HKMA and the Bank of Thailand indicated the People's Bank of China, the Central Bank of the United Arab Emirates, and the Bank for International Settlement would join their project to design a multi-central bank digital currency (m-CBDC).

- **Green finance:** The Monetary Authority of Singapore launched a grant scheme to help defray the cost of launching green and sustainability-linked bonds. It also convened Green Finance Industry Taskforce which issued a consultation on a taxonomy to identify green activities, as well as a handbook on implementing MAS' recently issued Guidelines on Environmental Risk Management. Meanwhile, the Hong Kong Monetary Authority, on behalf of the Hong Kong Government, successfully issued US $2.5 billion in Rule 144A/Reg S green bonds. The 30-year tranche is the first 30-year green bond to be issued by an Asian government, and the longest tenor ever issued by the Hong Kong government. Its counterpart in charge of securities supervision, the Securities and Futures Commission announced that they will be taking proactive steps in supporting sustainability, including mandating TCFD climate disclosures by 2025, disclosing weighted average carbon intensity at the fund level, require large fund manager evaluate the use of climate-focused scenario analysis.

Hong Kong will adopt the EU's International Platform on Sustainable Finance Common Ground—or universal—taxonomy for green finance.

Talk of Town

US

Looking Ahead

Looking ahead, the Biden Administration released plans for another stimulus and recovery package, this one in the $3 trillion neighborhood, focused largely around infrastructure and associated domestic priorities in green energy and broadband connectivity. While there is significant bipartisan appetite for an infrastructure package, it is seemingly increasingly unlikely whether Republicans will support such the large spending package, and President Biden could once again find himself relying on party-line support via the budget reconciliation process to pass these priorities. There is also potential for a second package later this year to focus on "social infrastructure", with such priorities as universal prekindergarten, national childcare, and free community college tuition.

EUROPE

Vaccine struggles

The EU's vaccine rollout wasn't off to a great start even before the latest exhibit of skepticism towards the AstraZeneca jab (despite its approval by the European Medicine Agency (EMA)). A big part of European countries halting its use certainly hasn't helped. A key question for Brussels observers is: how much Europe do the 27 Member States allow for, when national authorities question decisions taken at EU-level, arguably undermining a common strategy?

Post-Merkel Germany

The *Superwahljahr,* as this election-intensive year in Germany is called, kicked-off with two regional polls in which Angela Merkel's Christian Democratic party the CDU/CSU lost significant support. Partly self-inflicted after being involved in a face mask scandal, this loss is being magnified at a moment in which all the attention is focused on how the party that has been governing the EU's largest economy for 16 years will perform in the upcoming national elections without the "Merkel bonus".

ASIA

Back to normal

Advanced economies in Asia have fared comparatively well in terms of responding to the pandemic. Singapore, China, and New Zealand have significantly eased restrictions, with Australia and Hong Kong starting to loosen restrictions – although originating from a very strict starting point, they remain fairly rigid. This has in turn been reflected into the priorities of the regulators who through most of 2020 focused on mitigating the economic effects of the pandemic, then on 'rebuilding green' in the later part of the year, to now tackling the more mundane issues: enhanced supervisory tools such as Hong Kong's investor ID, Australia's review of their derivatives reporting regime, and Singapore's upgrade of their technology risk management guidelines. Many of these projects were in the works since late 2019 or early 2020 and had been put on hold – and there appears to now be a rush to get all those projects back on track. These 'catch-up' projects are joining the initiatives launched during the pandemic, promising a very busy 2021 in terms of regulatory changes and compliance updates.

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

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