

ACROSS THE POND

Recent Policy Developments in Financial Services

Key Policy Developments

US:

- **Infrastructure Package:** The next large legislative priority for the White House and Congress is an expansive infrastructure package, the American Jobs Plan. The White House called for a \$2.3 trillion package encompassing traditional infrastructure and broader climate and workforce infrastructure provisions, while Senate Republicans have been pushing for a more-tailored traditional infrastructure package with a price tag between \$500 billion and \$800 billion. Two weeks back, the White House came down to \$1.7 trillion, and last week Republicans came up to \$1 trillion. Lead Republican negotiator Sen. Shelley Moore Capito (R-WV) meets with President Biden this week to further discuss the package. If negotiations don't produce results in the next week or so, however, the White House will likely go it alone via the Congressional budget reconciliation process, which would allow the infrastructure package to pass based on solely Democratic votes.
- **Market Volatility Congressional Hearing III and Accelerating the Settlement Cycle:** The House Financial Services Committee held the third of three hearings on the January "meme stock" market volatility May 6, with SEC Chair Gary Gensler, DTCC CEO Michael Bodson, and FINRA CEO Robert Cook testifying. As it was his first hearing before the Committee as SEC Chair, many questions were directed at Chair Gensler. Accelerating the securities settlement cycle was also raised, with Mike Bodson highlighting the process and steps necessary to move from T+2 to T+1, as well as the benefits and cost savings to the marketplace. DTCC also outlined its approach to effectively manage risk, protect the marketplace, and safeguard investors during the recent period of volatility.
- **Focus on Cybersecurity:** In the wake of the SolarWinds hack, there has been a concerted focus by the Biden Administration and Congress on the need for better cyber incident reporting and agency coordination. This has only accelerated since the recent ransomware attack on the Colonial pipeline. Senate Intelligence Committee Chairman Mark Warner (D-VA) and Ranking Member Marco Rubio (R-FL) are in the process of developing a mid-incident reporting framework to encourage private sector communication with government entities in the case of a cyberattack. The White House recently released an Executive Order on Cybersecurity which would encourage adoption of security best practices for the Federal Government, such as baseline security standards for software, accelerating movement to secure cloud service providers, and creating a standard playbook for responding to cyber incidents. With the appointment of Anne Neuberger as Deputy National Security Advisor, Chris Inglis as the first-ever national cyber director, and Jen Easterly as the head of

the Cybersecurity and Infrastructure Security Agency, the Administration is placing significant emphasis on hardening the country's cyber defenses.

EUROPE:

- **Corporate Sustainability Reporting:** The European Commission has published [draft legislation](#) establishing the information large companies need to disclose in their management reports on sustainability risk exposures and on the environmental impact of their activities. This complements the disclosure requirements already in place for institutional investors and is part of the wider EU efforts to increase the flow of money towards sustainable activities to ultimately reach climate-neutrality.
- **Supervisory Reporting:** The stock-taking exercise on the EU's supervisory reporting requirements launched over three years ago is finally coming to fruition. Later this year, the European Commission is planning to outline measures to tackle the shortcomings of the framework identified by the industry during said exercise, while at the same time making it fit for a changing technological and data collection landscape. Potential measures could include the development of common data templates, mandating the reporting of common identifiers, provisions to facilitate data sharing and rectifying inconsistent empowerments to the European Supervisory Authorities in defining reporting requirements at technical level.
- **DORA:** While the adoption process of the EU's draft legislation on digital operational resilience is advancing fast, the industry's concerns about unintended consequences of certain provisions keep growing. Among the sensitive proposals are the identification of intra-group activities as third-party risks or potential data localization requirements, which could limit efficiency benefits while also creating new risks. The final text is expected early next year.

ASIA:

- **Regulating FMIs:** The Australia Department of Home Affairs is [consulting](#) on Draft Critical Infrastructure Asset Definition Rules, in connection of the Security Legislation Amendment (Critical Infrastructure) Bill 2020 – currently in Parliament. The Bill allows for the designation of certain financial market infrastructures as critical infrastructure assets, based on the conditions set forth by the Rules. In New Zealand, Parliament has passed the [Financial Markets Infrastructures Act 2021](#) which has received Royal Assent and will commence on 11 May 2021.
- **ESG in Financial Markets:** The People's Bank of China has [announced](#) that it will launch its national carbon emission trading system by the end of June 2021 and the China Securities Regulatory Commission has launched a [consultation](#) on introducing social and environmental disclosure obligations for listed companies. The Australian Prudential Regulation Authority is [consulting](#) on a new prudential practice guide on managing climate-related financial risks while Malaysia's Securities Commission has [updated](#) its Code on Corporate Governance which introduces a requirement to incorporate sustainability considerations in the strategy and operations of companies.
- **Cryptic Crypto:** Korea's Financial Services Commission has [reportedly](#) asked major banks to provide the current status of their businesses with cryptocurrency exchanges including corporate

accounts and banks' monitoring methods. For its part, the Reserve Bank of India is [reported](#) to have informally instructed banks to cease dealing with cryptocurrency exchanges, in spite of the Supreme Court ruling invalidating an official ban. A bill in the Indian [parliament](#) is also seeking to legislate a ban on private cryptocurrencies.

Talk of Town

US

- **Looking Ahead:** The Biden Administration continues its massive push to get Americans vaccinated as quickly as possible. With economic activity picking up and some lawmakers pushing for additional stimulus measures, many economic observers are concerned about inflation and the economy overheating. The Federal Reserve has indicated that they have no plans to raise rates anytime soon, and it will be something to watch closely in the months ahead.

EUROPE

- **Have Your Say:** The recently launched Conference on the Future of Europe, a citizen-led series of debates aimed at shaping the EU's future, was supposed to be a model of democratic exercise, bringing the EU closer to the man on the street. At this stage, however, it is not clear how the political bickering among national leaders over who should be in charge and the layers of bureaucracy which citizens' recommendations need to surmount will attract interest beyond Brussels.

ASIA

- **All About the Data:** Recent policy developments have brought the region's attention back to data. Financial sector regulators are keen to obtain larger volumes of data in a shorter timeframe and in a specified format. This is epitomized by Australia's Prudential Regulatory Authority's initiative to start receiving 'raw' data rather than compiled reports, or the Hong Kong's Securities and Futures Commission mandate to identify granularly the identity of traders on its markets. The challenge remains in the standardization of the data and the semantics. To compound the challenges, legislative changes continue to change the frameworks for data sharing, including China continuing its legislative projects on the data security and personal information protection laws, which adds joins a complex set of codes and laws which is rife with extraterritorial reach and unintended consequences. In short, the growing pains of a complex statutory and regulatory framework around data continues to create friction among those providing the data and those seeking it.

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

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