



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

Key Policy Developments

US:

- **Focus on Cyber Security:** Congress continues to focus on cyber security issues, including incident reporting and agency coordination, as well as ransomware and data security. Senate Intelligence Committee Chair Mark Warner (D-VA), Ranking Member Marco Rubio (R-FL), Senator Susan Collins (R-ME), and additional co-sponsors recently introduced the anticipated proposal for a cyber incident reporting framework. The proposal would, among other things, require federal government agencies and critical infrastructure operators to notify the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA) when a breach is detected. The House has also been circulating a number of proposals, including a similar breach notification proposal, and one from the House Homeland Security Ranking Member, Rep. John Katko (R-NY), that would give CISA the authority and methodology to designate entities as Systemically Important Critical Infrastructure (SICI). Activity remains underway at the executive level as well, with the Administration recently announcing the formation of a ransomware task force. The task force will work to identify initiatives to halt ransom payments, coordinate with nations that have taken similar actions, and partner with cyber insurance and critical infrastructure companies.
- **Evaluating a Digital Dollar:** Recent Congressional hearings have included a continued focus on CBDC and digital dollars, discussing key considerations including privacy and cyber security. Fed Chair Powell fielded questions regarding cryptocurrencies, stablecoins, and CBDCs during monetary policy hearings before the House Financial Services and Senate Banking Committees. Powell stated he is undecided in terms of a US-issued CBDC and reiterated that a report is expected to be released in September. Separately, the Treasury Secretary convened a meeting of the President's Working Group for Financial Markets to discuss stablecoins, with formal recommendations expected in the coming months.
- **Infrastructure Package:** With the upcoming August recess around the corner, Congress continues to prioritize infrastructure talks. A bipartisan group of 22 Senators known as the "G22", and Senate Majority Leader Schumer (D-NY) and Senate Budget Chairman Bernie Sanders (I-VT) have been

working round-the-clock until both a bipartisan infrastructure bill (focusing on roads, bridges, airports, rail, and broadband) and a partisan spending bill (including Democratic priorities termed as “human infrastructure”, such as housing, health care and child care), respectively, are hashed out. However, it is unclear whether the Senate will be able to advance infrastructure legislation prior to an August recess while also addressing other Administration priorities and moving ahead with confirmation of pending nominees. The bipartisan “G22” infrastructure group is hoping to release their proposal shortly, though there are still some last-minute disagreements over pay-fors and the ratio between highway and mass transit funding to work out.

EUROPE:

- **ESMA and CCPs I:** ESMA has been very focused on its new responsibilities for CCPs, starting with non-EU or ‘third-country’ CCPs, over which it has direct oversight. A crucial part of that job is the assessment of a third-country CCP’s ‘systemic importance’, based on which it may or may not be allowed to provide its clearing services in the EU. For this purpose, ESMA recently published its long-awaited assessment [methodology](#), which will be of special relevance in the discussions around euro-denominated clearing by UK CCPs.
- **ESMA and CCPs II:** Another important task of ESMA with regards to CCPs is the assessment of the resilience of both EU and third-country CCPs, subjecting them to periodical stress tests. This year’s [exercise](#) will focus on credit and concentration risk, while also covering operational risk for the first time, specifically with regards to shared service providers and CCP interconnections. The final results are expected to be published in the second half of 2022.
- **ESMA and CCPs III:** The EU’s legislation on CCP Recovery and Resolution, adopted last year, generated yet another CCP-related workstream at ESMA, as it will need to provide technical guidance for its implementation. ESMA is consulting stakeholders on its initial seven draft [guidelines](#) in the area of CCP’s recovery plans, providing an interesting summer read for the industry that has until 20 September to submit comments. These will feed into the final standards expected to be published by Q4 2021/Q1 2022.

ASIA:

- **OTC derivatives reporting reform:** The Australian Securities and Investment Commission has completed the [first](#) of two rounds of consultations to simplify the OTC derivatives reporting regime and align with the global CPMI-IOSCO reporting standards. The Monetary Authority of Singapore has also launched its own [consultation](#) process with the same objective, while the Hong Kong Monetary Authority and the Securities and Futures Commission (SFC) have issued a [circular](#) laying out the roadmap for achieving much of the same harmonization objectives.
- **Green is the new black:** Regulators across the region are tightening the Environmental, Social, and Governance expectations, with particular focus on environmental disclosures. The China Securities

Regulatory Commission updated how listed companies have to submit financial reports, introducing new obligations to disclose carbon emissions, while SFC has issued a circular to management companies of ESG funds which sets out detailed expectations specifically on disclosures, and indicated their intention to closely monitor the segment. A panel set up by Japan's Financial Services Agency [recommended](#) it introduce a code of conduct for ESG data providers and participate actively in standard-setting efforts, among other initiatives. The Australian Prudential Regulatory Authority, on behalf of Australia's Council of Financial Regulators, is leading the design and delivery of the Climate Vulnerability Assessment project and is seeking [expressions of interest](#) for providing physical climate risk modelling capabilities.

Talk of Town

US

Remaining Agency Nominees

While many of President Biden's agency nominees have been confirmed by the Senate, leadership roles at agencies including the CFTC and OCC remain to be filled. With no official indicators of potential candidates, it remains to be seen when nominees may be appointed and start working their way through the Senate confirmation process.

EUROPE

Brexit and CCPs

EU equivalence decisions for the UK's financial regulatory framework, which is a pre-condition to provide services in the EU, is something no one is expecting to be granted any time soon. It is a powerful tool that has been widely politicized, turning it into important leverage in the never-ending process of shaping the EU-UK future relations. There is one area, however, in which swift action will be needed, and that is euro clearing. A big part of it still takes place in London and UK CCPs have been allowed to continue providing services to EU counterparties on a temporary scheme. Whether this will be extended or not is now the object of heated debates as the European Commission would like to see euro clearing relocate to the EU, without triggering potential market instability.

ASIA

COVID. Reboot.

It looked like many jurisdictions in Asia got it right: efficient track-and-trace operations, quarantine procedures, restricted foreign arrivals... Yet as Europe and the US are starting to steadily reopen even in the face of aggressive variants of COVID-19, the region suddenly seems much less certain. Singapore has needed to implement several lockdowns – locally known as ‘circuit breakers’ – which have stunted the return to normality; New South Wales and Victoria states in Australia had variously had to also implement strict lockdowns, and Japan has faced smaller yet concerning waves. China has boasted a full return to normality through rapid imposition of lockdowns, mass testing, and a successful vaccination campaign – yet even there cracks are starting to appear as the home-grown viral vector vaccines appear to be less effective than expected, especially against variants. India, for its part, is finding containing the virus a continued challenge: it has struggled to execute effectively on its vaccination strategy, the health system has been overwhelmed in certain regions, and it has struggled to implement social distancing. At the opposite end of the spectrum places like Hong Kong and Vietnam have so far been able to keep the virus under control.

In fairness, though, Asia’s relapse should be seen as relative: the re-opening strategies in Europe and the United States have an implied acceptance of contagion and increased deaths linked to the virus; the measures in place are aimed at maintaining infection rates at a pace which will not overwhelm the health system. Asia, on the other hand, does broadly appear to be aiming for a no-infection rate, prompting many to question whether it is a realistic objective.

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

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